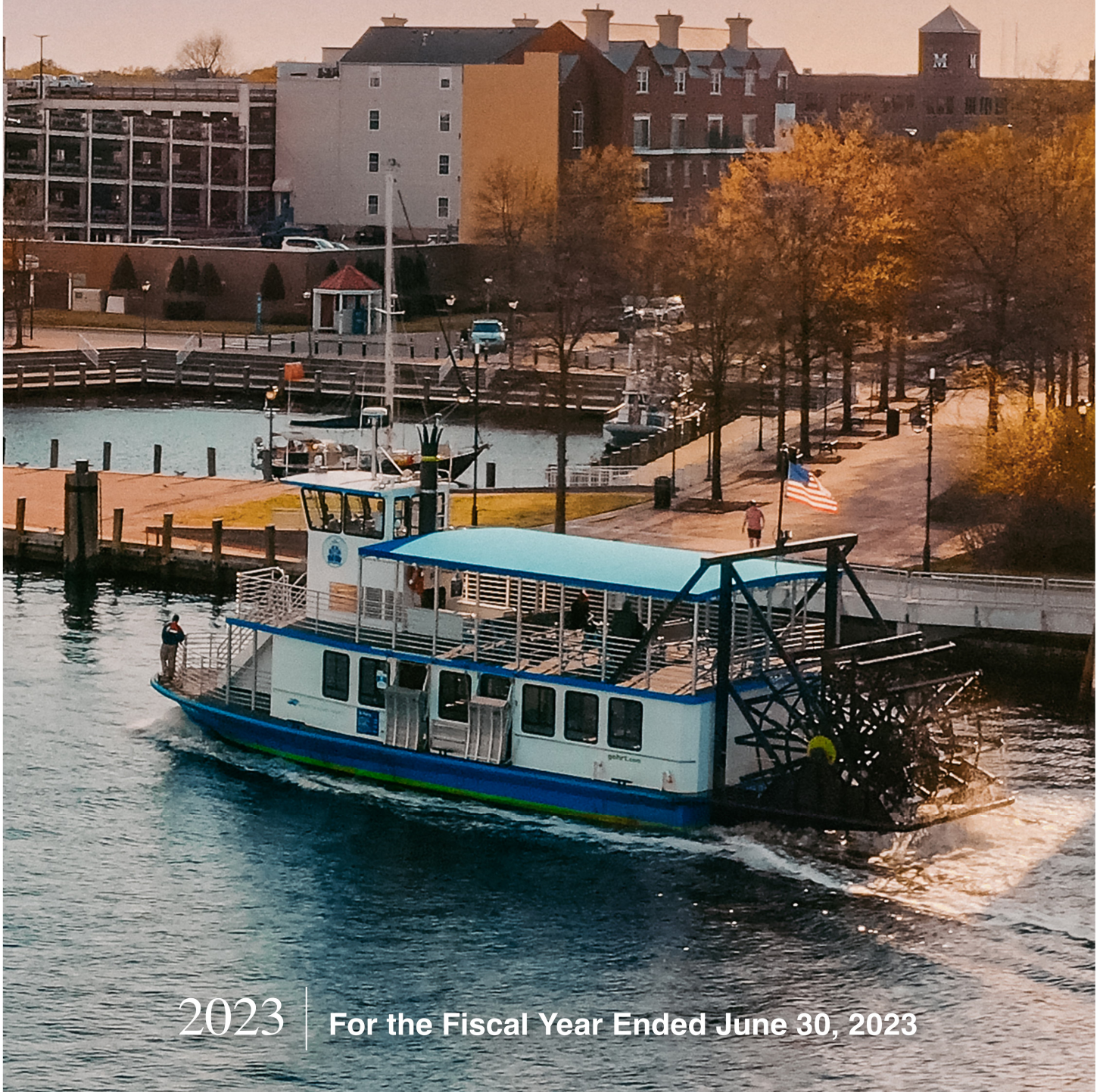




Annual Comprehensive Financial Report (ACFR) Portsmouth, Virginia



2023

For the Fiscal Year Ended June 30, 2023

ANNUAL COMPREHENSIVE FINANCIAL REPORT
CITY OF PORTSMOUTH, VIRGINIA

YEAR ENDED JUNE 30, 2023

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 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, Darrell Parker, Kyera Pope, Gloria Taylor, and Sharlay Wofford

COVER

Layout: City Department of Marketing and Communications

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, 2023

	Exhibit	Page
INTRODUCTORY SECTION		
Principal Officials		i
Organizational Chart		ii
Certificate of Achievement for Excellence in Financial Reporting		iii
Letter of Transmittal		iv
FINANCIAL SECTION		
Report of Independent Auditor		1
Management's Discussion and Analysis – Required Supplementary Information		5
Basic Financial Statements		
Government-wide Financial Statements		
Statement of Net Position	A	14
Statement of Activities	B	16
Fund Financial Statements		
Governmental Funds' Financial Statements		
Balance Sheet	C	17
Statement of Revenues, Expenditures, and Changes in Fund Balances	D	19
Proprietary Funds' Financial Statements		
Statement of Net Position	E-1	21
Statement of Revenues, Expenses, and Changes in Fund Net Position	E-2	23
Statement of Cash Flows	E-3	24
Fiduciary Funds' Financial Statements		
Statement of Fiduciary Net Position	F-1	25
Statement of Changes in Fiduciary Net Position	F-2	26
Component Units' Financial Statements		
Statement of Net Position	G-1	27
Statement of Activities	G-2	29
Notes to Basic Financial Statements	H	31
Required Supplementary Information Other than Management's Discussion and Analysis		
Budgetary Comparison Schedules		
Schedule of Revenues and Other Financing Sources - General Fund	I-1	125
Schedule of Expenditures and Other Financing Uses - General Fund	I-2	131
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Grants Fund	I-3	134
Note to Required Supplementary Information	I-4	135
Pension Schedules		
Schedule of Changes in Net Pension Liabilities and Related Ratios	I-5	136
Schedule of Actuarially Determined Contributions, and Employer Contributions for Defined Benefit Pension Plans (PSRS, FPRS, VRS)		
Notes to Pension Required Supplementary Information		
Other Postemployment Benefit (OPEB) Schedules	I-6	145
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		
Schedule of Changes in the Net OPEB Liability - School Board		
Schedule of City of Portsmouth Schools' Proportionate Share of Net OPEB Liability		
Notes to OPEB Required Supplementary Information		

CITY OF PORTSMOUTH, VIRGINIA

Table of Contents, Continued

	Exhibit	Page
FINANCIAL SECTION, Continued:		
Other Supplemental Information		
Combining Statements		
Nonmajor Governmental Funds		
Combining Balance Sheet	J-1	163
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	J-2	164
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual	J-3	165
Nonmajor Proprietary Funds		
Combining Statement of Net Position	K-1	169
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position	K-2	171
Combining Statement of Cash Flows	K-3	172
Internal Service Funds		
Combining Statement of Net Position	L-1	173
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position	L-2	174
Combining Statement of Cash Flows	L-3	175
Capital Project Funds - Schedule of Expenditures and Encumbrances		
General Government	M	176
Public Utilities	M	180
Parking Authority	M	181
Fiduciary Funds		
Combining Statement of Fiduciary Net Position - Trust Funds	N-1	182
Combining Statement of Changes in Fiduciary Net Position - Trust Funds	N-2	183
STATISTICAL SECTION		
Net Position by Component	A-1	184
Changes in Net Position	A-2	185
Fund Balances, Governmental Funds	A-3	187
Changes in Fund Balances, Governmental Funds	A-4	188
Assessed Value and Estimated Actual Value of Taxable Property	B-1	189
Property Tax Rates	B-2	190
Principal Property Tax Payers	B-3	191
Property Tax Levies and Collections	B-4	192
Ratios of Outstanding Debt by Type	C-1	193
Ratios of General Bonded Debt Outstanding	C-2	194
Legal Debt Margin Information	C-3	195
Demographic and Economic Statistics	D-1	196
Principal Employers	D-2	197
Full-time Equivalent City Government Employees by Function/Program	E-1	198
Operating Indicators by Function/Program	E-2	199
Capital Asset Statistics by Function/Program	E-3	200

INTRODUCTORY SECTION

**City of Portsmouth, Virginia
Principal Officials
June 30, 2023**

City Council Members

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

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

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

Mark A Hugel – term expires 12/31/2026

William E. Moody, Jr. – term expires 12/31/2026

Vernon L. Tillage, Jr. – term expires 12/31/2026

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

City Council Appointments

Steven Carter, City Manager

Lavonda Graham-Williams, City Attorney

Janey H. Culpepper, RES, AAS, 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

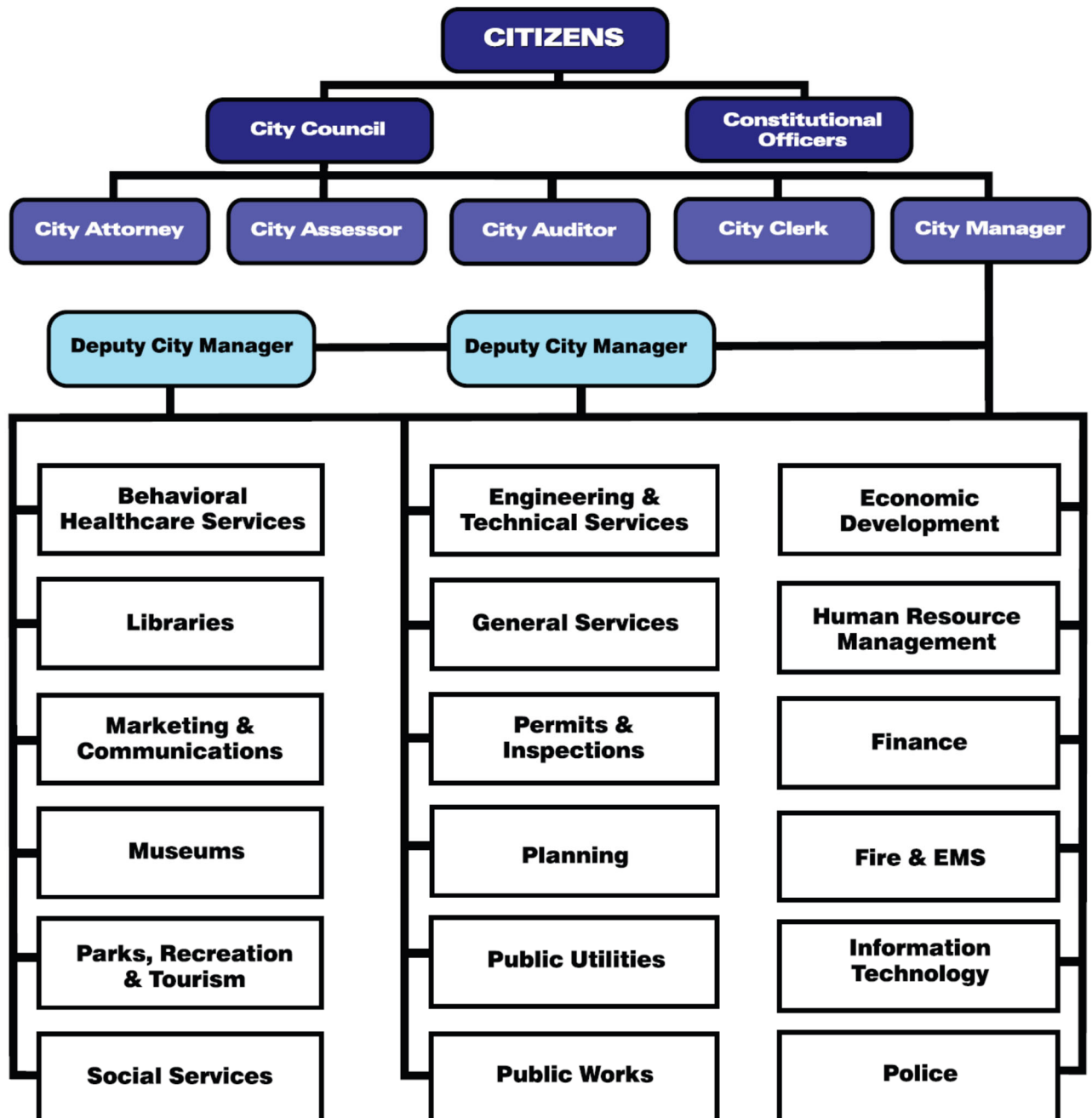
Stephanie N. Morales, Commonwealth’s Attorney

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, 2022



May 28, 2024

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, 2023, 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 96,700 in 2022.

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.

Profile of the City (continued)

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 4,300 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 and blended units qualifying for inclusion in this report are the Portsmouth City Public Schools, Economic Development Authority, and the Port and Industrial Commission. Financial accountability for these component units was determined on the basis of City Council's selection of governing authority, designation of management, ability to influence operations, and/or accountability for fiscal matters. The discretely presented component units are reported in a separate column in the financial statements to emphasize that they are legally separate from the primary government and to differentiate their financial position, results of operations, and cash flows from those of the primary government.

Structure of the Government and Its Services (continued)

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 3.9% in 2022 but has since risen slightly to 4.0% as of September 2023. The MSA unemployment rate averaged 3.9% 2022. The MSA unemployment rate declined to 3.4% in September 2023.

In Fiscal Years 2022 and 2023, residential real estate values continued to increase at the fastest pace since before 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 opened in January 2023 and has had a significant impact on the City's revenues generating \$12.2 million in new taxes and \$3.1 million in expenditures to Portsmouth based businesses as of August 2023.

Consumer revenues reflect mixed performance with general sales performing well; however, restaurant meal 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.

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 maritime, advanced manufacturing, small business development, and port-related developments. Investment in Portsmouth totaled \$112 million during 2022 (a 418% decrease from 2021) resulting in over 324 new and impacted jobs.

The Portsmouth Economic Development Department's 2022 Annual Report (highlighting 2022 business announcements and job creation) noted the following accomplishments:

- Virginia's Offshore Wind Epicenter

Improvements to Virginia's Portsmouth Marine Terminal (PMT) to support the nation's emerging offshore wind industry commenced in 2022. 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.

- New Casino & Entertainment District

The opening of Rivers Casino Portsmouth, the first and only full-service casino in the Commonwealth of Virginia was completed in 2022 and opened to great fanfare in January 2023. Anchoring a 50-acre entertainment district, the venue is 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 \$340 million by Rush Street Gaming, future plans include the addition of a casino hotel and adjacent retail, dining and entertainment amenities.

- New Restaurants and Retailers

Portsmouth welcomed many unique new food and entertainment establishments in 2022, delighting residents and visitors with a whole new level of local flavor. New establishments in 2022 included Yardhouse, Cure Coffee, Harbor Trail Brewing, Yoolks On Us 2 and 7 Brew Coffee.

- New Communities

Residential development activity was strong in 2022 with 550 new single-family and multi-family groundbreakings occurring throughout Portsmouth. The Quinn at 545 High St. a highly anticipated \$5 million restoration of a historic office building into 42 new apartments in the City's downtown area commenced construction. Additional noteworthy announcements included the development of the 232-unit The Port Apartments in Portsmouth's Churchland community, the 50-unit Bains Pointe affordable apartment community and 60-unit Harbor Vista II apartments in the downtown area.

Economic Development Initiatives (continued)

- **Supporting Start-Ups and Small Businesses:**

The expansion of flexible, collaborative work space environments at Bloom Co-Working and Incuhub in 2022 signals a bright future for Portsmouth's small business community. In 2022, 41 small businesses were awarded \$115,000 in business incentive grants through the Portsmouth Economic Development Authority's Smart Start Business Development and Acceleration Grant programs to assist with startup costs and expansion costs.

- **Innovation District:**

In 2022, new doors began opening in the newly created "Innovation District" on High St. The City welcomed the opening of the new Hampton Roads Community Health Center. The year also saw the award of \$19.3 million federal RAISE grant that provide for a major roadway improvement project along High St. and will continue the City's economic vision for innovative new businesses and employees in the district.

- **Workforce Development Initiatives:**

The City's new Portsmouth@Work Workforce Development Program continued to provide career training and certification programs for Portsmouth residents, including Digital Literacy, Skills to Succeed, Commercial Driver's License, Healthcare certifications and many more. Nearly 700 Portsmouth residents participated in these programs with 234 new jobs secured.

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, 2023, was \$105.0 million which represents 35.4% of fiscal year 2023 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 2023.

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 2023, 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 2023 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,



Steven Carter
City Manager



Flora Berisha
Acting Chief Financial Officer

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

The Honorable 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, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Portsmouth, Virginia (the City) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2023, 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 and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia (the Specifications). Our responsibilities under those standards 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 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.

Responsibilities of Management for the Financial Statements

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

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

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 the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (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'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 May 28, 2024, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an

The Honorable of the City Council
City of Portsmouth, Virginia

integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The script is fluid and cursive, with the letters connected in a continuous line.

CliftonLarsonAllen LLP

Arlington, Virginia
May 28, 2024

CITY OF PORTSMOUTH, VIRGINIA
Management's Discussion and Analysis
June 30, 2023

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, 2023. 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.

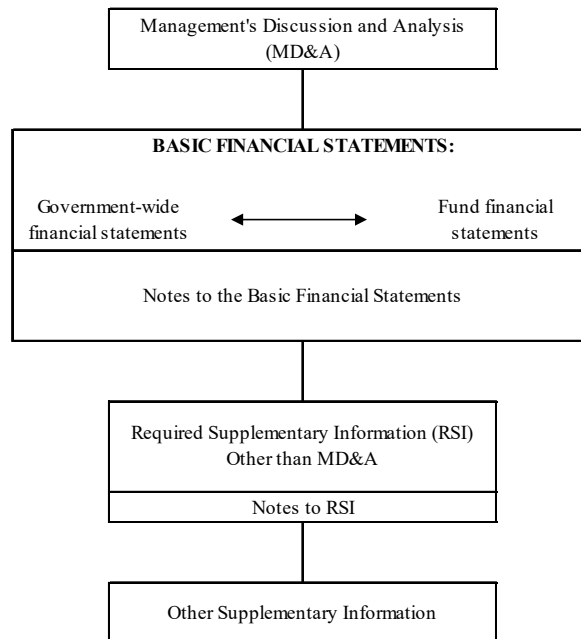
FINANCIAL HIGHLIGHTS

- ◆ The city's net position totaled \$468,158,513 at June 30, 2023, a change of \$68,027,339 over June 30, 2022.
- ◆ The city's unrestricted net position totaled \$(40.8) million, which was comprised of a deficit of \$(83.5) million resulting from governmental activities and \$42.7 million resulting from business-type activities.
- ◆ Government-wide current assets totaled \$339,607,296, of which \$247,420,727 was attributable to governmental activities and \$92,186,569 was attributable to business-type activities; while current liabilities totaled \$129,207,945, with \$106,796,852 from governmental activities and \$22,411,093 from business-type activities. The ratio of current assets to current liabilities was 2.6:1.0 overall – 2.3:1.0 for governmental activities and 4.1:1 for business-type activities.
- ◆ The city's long-term liabilities at June 30, 2023, totaled \$639,404,146, an increase of \$42,384,863 from the prior year. The long-term liabilities include \$491.4 million in bonds, \$4.5 million in other loans, \$22.2 OPEB liability, landfill closure and post-closure care of \$3.9 million, \$6.2 million in claims payable, compensated absences of \$3.9 million, lease liabilities of \$5.1 million, and net pension liabilities of \$102.3 million.
- ◆ The city's deferred outflows at June 30, 2023, totaled \$72.5 million, an increase of \$10.3 million from the prior year. The city's deferred inflows at June 30, 2023, totaled \$34.8 million, a decrease of \$66.0 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. Deferred amounts from leases decrease evenly over the life of the related lease.
- ◆ The city's governmental general revenues and transfers of \$246.4 million were \$64.2 million more than expenses, net of program revenues of \$182.2 million. Taxes funded 87.1% of general revenues and transfers.
- ◆ The General Fund total fund balance increased 28.99% during the current year to \$115.6 million from \$89.6 million in the prior year. Unassigned fund balance of \$105.0 million increased \$24.6 million from prior year.
- ◆ Total net position for the Public Utility Fund increased 1.74% from \$200,172,290 at June 30, 2022, to \$203,652,117 at June 30, 2023. The Public Utility Fund had Unrestricted Net Position of \$34.3 million which is a \$11.5 million decrease from June 30, 2022.

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, 2023

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, 2023

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 \$468,158,513 at June 30, 2023. 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. \$41.6 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 \$64.2 million from \$171.3 million to \$235.5 million, as reflected in the Statement of Activities.

The net position of the city's business-type activities increased by \$3.8 million from \$228.8 million to \$232.6 million, as reflected in the Statement of Activities.

Table 1

Summary of Statements of Net Position

As of June 30, 2023 and 2022 (in millions*)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2023	2022	2023	2022	2023	2022
Current and other assets	\$ 250.4	226.6	92.2	70.5	342.6	297.1
Capital assets	541.1	522.2	315.4	309.1	856.5	831.3
Total assets	791.5	748.8	407.5	379.6	1,199.1	1,128.4
Deferred outflows of resources	67.2	57.1	5.3	5.1	72.5	62.2
Total assets and deferred outflows of resources	858.7	805.9	412.9	384.7	1,271.6	1,190.6
Current liabilities	106.8	78.3	22.4	14.2	129.2	92.6
Long-term liabilities	483.6	461.8	155.8	135.2	639.4	597.0
Total liabilities	590.4	540.1	178.2	149.5	768.6	689.6
Deferred inflows of resources	32.8	94.4	2.1	6.4	34.8	100.8
Total liabilities and deferred inflows of resources	623.2	634.5	180.3	155.9	803.4	790.4
Net position:						
Net investment in capital assets	296.0	258.6	176.6	174.4	472.5	433.0
Restricted	23.1	33.0	13.4	0.9	36.5	33.9
Unrestricted (deficit)	(83.5)	(120.3)	42.7	53.6	(40.8)	(66.7)
Total net position	\$ 235.5	171.3	232.6	228.8	468.2	400.1

*please note some totals may not foot due to rounding differences

CITY OF PORTSMOUTH, VIRGINIA
Management's Discussion and Analysis
June 30, 2023

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, 2023 and 2022 (in millions*)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2023	2022	2023	2022	2023	2022
Revenues						
Program revenues:						
Charges for services	\$ 17.5	17.0	61.1	58.4	78.5	75.4
Operating grants and contributions	84.2	83.0	-	-	84.2	83.0
Capital grants and contributions	2.5	7.1	-	-	2.5	7.1
General revenues:						
Taxes	214.6	194.0	-	-	214.6	194.0
Other	22.5	10.7	2.8	0.7	25.4	11.4
Total revenues	341.3	311.8	63.9	59.1	405.2	370.9
Expenses						
General government	35.7	35.6	-	-	35.7	35.6
Judicial	23.4	21.4	-	-	23.4	21.4
Public safety	67.2	54.1	-	-	67.2	54.1
Public works	33.3	28.8	-	-	33.3	28.8
Health and welfare	28.2	26.0	-	-	28.2	26.0
Parks, recreational, and cultural	16.2	15.8	-	-	16.2	15.8
Community development	8.2	7.3	-	-	8.2	7.3
Education	62.7	62.6	-	-	62.7	62.6
Public Utility	-	-	37.8	34.1	37.8	34.1
Golf	-	-	2.0	1.9	2.0	1.9
Parking Authority	-	-	1.0	1.0	1.0	1.0
Waste Management	-	-	10.0	9.3	10.0	9.3
Interest on long-term debt	11.4	12.0	-	-	11.4	12.0
Total expenses	286.3	263.7	50.8	46.4	337.1	310.1
Excess before transfers	55.0	48.1	13.1	12.8	68.0	60.8
Transfers	9.3	8.6	(9.3)	(8.6)	-	-
Change in net position	64.2	56.7	3.8	4.2	68.0	60.8
Net position, beginning of year	171.3	114.7	228.8	224.6	400.1	339.3
Net position, end of year	\$ 235.5	171.3	232.6	228.8	468.2	400.1

*please note some totals may not foot due to rounding differences

Governmental Activities

The city's total revenues from governmental activities were \$341.3 million for the fiscal year ended June 30, 2023, which represents an increase of \$29.5 million from the prior year. The largest source of revenue is taxes, which represents 62.87% of the total and is comprised of property taxes, other local taxes, and utility taxes. The city's assessed real property value increased 10.87% from the prior year which is the primary driver of the \$18.1 million increase in property tax revenues. Additionally, the City experienced an approximate \$2.1 million increase in investment earnings due primarily to a better performing market, recognized \$2.4 million in Opioid Settlement revenues, and realized approximately \$6.1 million more in rebate revenues in 2023 than 2022, of which \$4.6 million is attributable to a return of unexpended funding from the Schools.

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 \$104.2 million. The largest component of program revenues for governmental activities is operating grants and contributions totaling \$84.2 million, representing 80.85% of total program revenues for governmental activities.

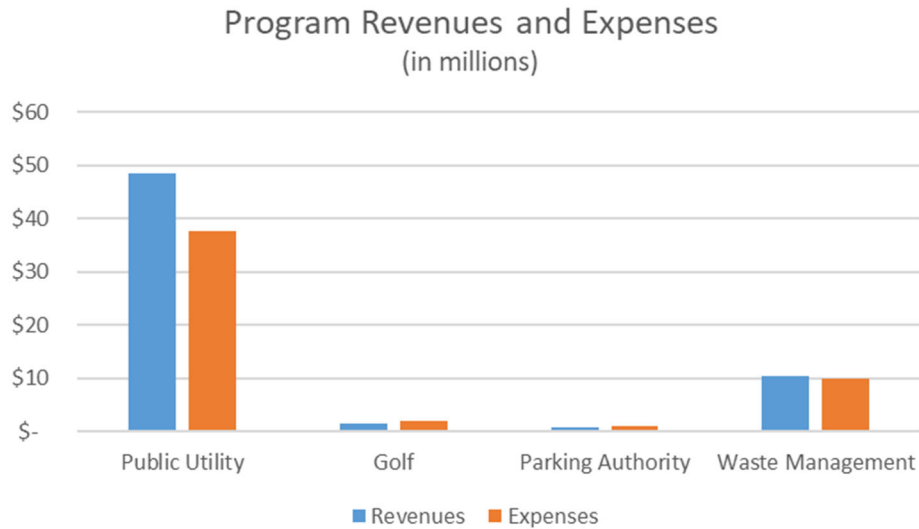
CITY OF PORTSMOUTH, VIRGINIA
Management's Discussion and Analysis
June 30, 2023

Governmental Activities (Continued)

For the fiscal year ended June 30, 2023, expenses for the city's governmental activities totaled \$286.3 million. The city's expenses cover a wide range of services, with 23.5% related to public safety, 21.9% related to education, 12.5% general government, 11.6% public works, and 9.8% related to health and welfare. There was approximately \$22.6 million more spent in 2023 than in 2022, primarily due to increases in public safety and judicial due to the significant increase in those services required during 2023.

Business-type Activities

The total net position for business-type activities increased \$3.8 million from \$228.8 million in fiscal year 2022 to \$232.6 million in fiscal year 2023, primarily due to Public Utilities activities. Charges for services, including water and sewer utility fees, waste management fees, parking fees, and golf fees, represent 95.6% 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, 2023

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 \$160.1 million. The General Fund's fund balance totaled \$115.6 million at June 30, 2023, an increase of \$26.0 million from the prior year's \$89.6 million. The General Fund's unassigned fund balance totaled \$105.0 million at June 30, 2023.

General Fund Budgetary Highlights

Fiscal Year Ended June 30, 2023 (in millions)

	Original Budget	Final Budget	Actual
Revenues and transfers			
Taxes	\$ 201.4	201.4	212.7
Intergovernmental	41.7	42.4	49.8
Transfers	9.8	9.8	9.8
Appropriated fund balance	0.1	6.3	-
Other revenues	16.0	20.7	24.8
Total	\$ 269.0	280.6	297.1
Expenditures and transfers			
Expenditures	\$ 216.5	226.2	218.9
Transfers	52.4	54.5	52.2
Total	\$ 269.0	280.6	271.1

Actual expenditures in the above chart are shown on the budgetary basis (see Schedule I-2). The General Fund had a \$26.0 million increase in fund balance. Actual General Fund revenues and transfers were \$16.5 million more than final budgeted revenues and transfers during fiscal year 2023 primarily due to higher tax collections than originally anticipated. Actual General Fund expenditures and transfers were \$9.5 million less 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 \$36.6 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 \$17.4 million fund balance at June 30, 2023, all of which is restricted or committed for future capital project costs. The \$21.7 million decrease in fund balance during 2023 is primarily due to the expenditure of proceeds of bonds issued in a prior year for current year projects.

As of June 30, 2023, Debt Service fund has assets of \$5.1 million, an increase of \$0.2 million primarily due to transfers from the General Fund in excess of debt service requirements. Total expenditures were \$40.7 million, all of which was debt service.

The grant fund received \$7.5 million and spent \$8.3 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 Grants Fund has a \$(0.2) million fund balance at June 30, 2023.

Proprietary Funds

Total net position of the Public Utility Fund increased \$3.5 million during fiscal year 2023 from \$200.2 million to \$203.7 million. Of the total net position, \$155.9 million represents its net investment in capital assets. Unrestricted net position totaled \$34.3 million.

CITY OF PORTSMOUTH, VIRGINIA
Management's Discussion and Analysis
June 30, 2023

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2023, the city had invested \$856.5 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 lease assets, as reflected in the following schedule:

Capital Assets						
As of June 30, 2023 and 2022 (in millions)						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2023	2022	2023	2022	2023	2022
Land	\$ 20.5	20.5	13.6	13.6	34.1	34.1
Buildings*	210.6	218.9	5.9	6.3	216.5	225.3
Improvements other than buildings	178.5	182.0	152.4	160.2	330.9	342.2
Machinery, furniture, and equipment*	40.6	39.4	14.6	15.3	55.2	54.7
Intangibles	1.8	2.0	-	-	1.8	2.0
Subscriptions**	0.2	0.3	-	-	0.2	0.3
Construction in progress	89.1	59.4	128.8	113.7	217.9	173.1
Total	541.1	522.2	315.4	309.1	856.5	831.3

*Includes right-of-use lease assets

**2022 amounts have been restated for the implementation of GASB 96

Major capital asset activity for the fiscal year ended June 30, 2023, included:

- ◆ Capital asset changes for governmental activities totaled a decrease of \$8.3 million for buildings; a decrease of \$3.5 million for improvements other than buildings/infrastructure; an increase of \$1.2 million for machinery, furniture, and equipment, a decrease of \$0.2 million for intangibles, a decrease of \$0.2 million for subscriptions, and an increase of \$29.6 million for construction in progress in the fiscal year. There were additions of \$0.7 million, \$1.8 million, and \$6.8 million, to buildings, infrastructure, and machinery furniture and equipment, respectively. The remaining decreases are due to depreciation expense.
- ◆ Capital asset changes for business-type activities included (1) a decrease of \$0.4 million for buildings due to depreciation, (2) a net decrease of \$7.8 million for infrastructure due to depreciation, (3) a decrease of \$2.6 million for machinery, furniture and equipment due to depreciation, and (4) an increase of \$15.2 million for construction in progress in the fiscal year.
- ◆ Depreciation expense totaled \$20.3 million and \$10.8 million for governmental and business-type activities, respectively.
- ◆ Construction in progress totaled \$89.1 million for governmental activities at June 30, 2023.
- ◆ Construction in progress totaled \$128.8 million for business-type activities at June 30, 2023.

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, 2023

Long-term Debt

At year-end, the city had \$510.5 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 \$445.8 and \$53.9 million, respectively, of this total, as reflected in the following schedule:

Outstanding Debt						
As of June 30, 2023 and 2022 (in millions)						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2023	2022	2023	2022	2023	2022
General obligation bonds	\$ 355.9	385.0	89.9	97.8	445.8	482.8
Revenue bond	-	-	53.9	29.0	53.9	29.0
Other loans payable	4.7	4.9	-	-	4.7	4.9
Lease liabilities	6.0	6.8	-	-	6.0	6.8
Subscription liabilities	0.1	-	-	-	0.1	-
Total	\$ 366.7	396.7	143.9	126.8	510.5	523.5

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 \$878.5 million. The city maintains bond ratings on general obligation debt of "Aa2", "AA," and "AA," from Moody's Investors Service, Standard & Poor's Ratings Services and Fitch, Inc., respectively.

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

ECONOMIC FACTORS

The City's unemployment rate for 2022 was 3.9%, which compares to the national unemployment rate of 3.6%. 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 2021 was \$43,267 for Virginia and \$64,117 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

CITY OF PORTSMOUTH, VIRGINIA
Statement of Net Position
June 30, 2023

Exhibit A

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets:				
Current assets:				
Cash and temporary investments (Note 3)	\$ 187,693,986	63,558,045	251,252,031	70,747,824
Restricted cash and investments (Note 3)	287,873	13,412,392	13,700,265	-
Receivables (net of allowance for uncollectibles):				
Taxes	19,631,395	-	19,631,395	-
Accounts	12,430,650	21,327,443	33,758,093	2,692,772
Internal balances	6,739,665	(6,739,665)	-	-
Due from fiduciary fund	271,000	-	271,000	-
Due from component units (Note 10)	91,836	-	91,836	-
Due from other governments (Note 11)	18,641,475	-	18,641,475	5,347,985
Deposits held by others	240,000	-	240,000	-
Prepaid expenses	47,855	-	47,855	-
Leases receivable (Note 6)	413,168	-	413,168	1,740,893
Inventory of supplies	931,824	628,354	1,560,178	1,832,692
Total current assets	247,420,727	92,186,569	339,607,296	82,362,166
Noncurrent assets:				
Net OPEB asset (Note 8)	-	-	-	9,700,419
Security deposit receivable	-	-	-	4,016
Leases receivable (Note 6)	2,957,827	-	2,957,827	-
Property held for resale	-	-	-	13,147,566
Capital assets (Note 4):				
Land	20,500,406	13,598,078	34,098,484	7,291,368
Buildings	374,368,166	23,331,180	397,699,346	93,535,749
Improvements other than buildings	578,095,567	310,640,086	888,735,653	-
Machinery, furniture and equipment	105,069,621	48,821,095	153,890,716	33,113,668
Intangibles	4,001,922	-	4,001,922	364,970
Subscriptions	318,137	-	318,137	1,103,324
Construction in progress	89,054,557	128,829,560	217,884,117	-
Total capital assets	1,171,408,376	525,219,999	1,696,628,375	135,409,079
Less - accumulated depreciation/amortization	(630,258,391)	(209,857,837)	(840,116,228)	(86,556,068)
Total capital assets, net	541,149,985	315,362,162	856,512,147	48,853,011
Total noncurrent assets	544,107,812	315,362,162	859,469,974	71,705,012
Total assets	791,528,539	407,548,731	1,199,077,270	154,067,178
Deferred outflows of resources:				
Deferred outflows from debt refundings	18,219,437	2,506,873	20,726,310	-
Deferred outflows related to pensions (Note 7)	41,200,850	2,563,632	43,764,482	26,006,679
Deferred outflows related to OPEB (Note 8)	7,751,101	277,494	8,028,595	6,865,422
Total deferred outflows of resources	67,171,388	5,347,999	72,519,387	32,872,101
Total assets and deferred outflows of resources	\$ 858,699,927	412,896,730	1,271,596,657	186,939,279

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

CITY OF PORTSMOUTH, VIRGINIA
Statement of Net Position
June 30, 2023

Exhibit A (continued)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Liabilities:				
Current liabilities:				
Accounts payable	\$ 19,327,561	9,605,838	28,933,399	7,181,482
Accrued payroll	1,616,787	265,399	1,882,186	9,280,210
Accrued interest payable	4,756,817	1,887,298	6,644,115	6,261
Deposits	-	1,420,741	1,420,741	3,900
Unearned revenue	39,830,614	-	39,830,614	-
Due to Primary Government (Note 10)	-	-	-	91,836
Due to component units (Note 10)	-	-	-	-
Due to other governments	2,092	-	2,092	-
Claims payable (Note 15)	5,035,605	-	5,035,605	1,119,000
Compensated absences (Note 5)	3,780,548	403,457	4,184,005	1,574,261
Workers' compensation claims (Note 15)	-	-	-	639,910
Bonds payable, net (Note 5)	31,298,105	8,828,360	40,126,465	-
Loans payable (Note 5)	200,000	-	200,000	-
Subscription liability (Note 5)	110,356	-	110,356	368,827
Lease liabilities (Note 5)	835,196	-	835,196	-
Total current liabilities	106,793,681	22,411,093	129,204,774	20,265,687
Noncurrent liabilities:				
Claims payable (Note 15)	6,161,065	-	6,161,065	-
Compensated absences (Note 5)	3,489,735	372,422	3,862,157	3,095,865
Noncurrent workers' compensation claims (Note 15)	-	-	-	657,195
Bonds payable, net (Note 5)	345,461,694	145,898,424	491,360,118	-
Landfill closure and postclosure care (Notes 5 and 13)	-	3,868,065	3,868,065	-
Loans payable (Note 5)	4,500,000	-	4,500,000	-
Lease liabilities (Note 5)	5,147,290	-	5,147,290	-
Subscription liabilities (Note 5)	-	-	-	334,827
Net OPEB liability (Notes 5 and 8)	21,215,241	976,459	22,191,700	17,736,979
Net pension liability (Notes 5 and 7)	97,631,412	4,685,510	102,316,922	94,970,141
Total noncurrent liabilities	483,606,437	155,800,880	639,407,317	116,795,007
Total liabilities	590,400,118	178,211,973	768,612,091	137,060,694
Deferred inflows of resources:				
Deferred inflows related to leases (Note 6)	3,315,170	-	3,315,170	1,725,643
Deferred inflows related to pensions (Note 7)	16,368,803	1,423,375	17,792,178	27,901,669
Deferred inflows related to OPEB (Note 8)	13,078,314	640,391	13,718,705	13,990,384
Total deferred inflows of resources	32,762,287	2,063,766	34,826,053	43,617,696
Net position:				
Net investment in capital assets	295,959,817	176,554,643	472,514,460	48,149,356
Restricted for:				
Grants and donations	21,778,551	-	21,778,551	11,304,530
Cemetery trust, nonexpendable	1,001,320	-	1,001,320	-
Other purposes	287,873	13,412,392	13,700,265	19,636,994
Unrestricted	(83,490,039)	42,653,956	(40,836,083)	(72,829,991)
Total net position	235,537,522	232,620,991	468,158,513	6,260,889
Total liabilities, deferred inflows of resources, and net position	\$ 858,699,927	412,896,730	1,271,596,657	186,939,279

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

CITY OF PORTSMOUTH, VIRGINIA
Statement of Activities
Year Ended June 30, 2023

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	\$ 35,719,213	653,200	22,219,726	-	(12,846,287)	-	(12,846,287)	
Judicial	23,389,363	425,255	2,891,969	-	(20,072,139)	-	(20,072,139)	-
Public safety	67,235,021	2,947,638	15,366,787	-	(48,920,596)	-	(48,920,596)	-
Public works	33,339,557	10,457,803	15,659,504	27,907	(7,194,343)	-	(7,194,343)	-
Health and welfare	28,183,685	67,864	26,726,919	-	(1,388,902)	-	(1,388,902)	-
Parks, recreational and cultural	16,204,417	1,507,066	532,380	-	(14,164,971)	-	(14,164,971)	-
Community development	8,177,582	1,405,549	827,417	2,454,965	(3,489,651)	-	(3,489,651)	-
Education	62,657,231	-	-	-	(62,657,231)	-	(62,657,231)	-
Interest on long-term debt	11,424,658	-	-	-	(11,424,658)	-	(11,424,658)	-
Total governmental activities	286,330,727	17,464,375	84,224,702	2,482,872	(182,158,778)	-	(182,158,778)	-
Business-type activities:								
Public Utility	37,762,832	48,467,212	-	-	-	10,704,380	10,704,380	
Golf	2,006,969	1,451,759	-	-	-	(555,210)	(555,210)	
Parking Authority	1,022,836	795,149	-	-	-	(227,687)	(227,687)	
Waste Management	10,021,411	10,352,608	-	-	-	331,197	331,197	
Total business-type activities	50,814,048	61,066,728	-	-	-	10,252,680	10,252,680	-
Total primary government	337,144,775	78,531,103	84,224,702	2,482,872	(182,158,778)	10,252,680	(171,906,098)	-
Component Units:								
School Board	185,518,241	1,950,458	55,451,052	-	-	-	-	(128,116,731)
Economic Development Authority	811,452	248,177	-	20,000	-	-	-	(543,275)
Port and Industrial Commission	20,821	5,503	-	-	-	-	-	(15,318)
Total component units	\$ 186,350,514	2,204,138	55,451,052	20,000	-	-	-	(128,675,324)
General revenues:								
Taxes:								
General property taxes					159,461,502	-	159,461,502	-
Business and occupational license taxes					7,798,520	-	7,798,520	-
Restaurant food taxes					13,259,613	-	13,259,613	-
Sales and use tax					11,938,901	-	11,938,901	-
Telecommunications					5,770,936	-	5,770,936	-
Other local taxes					7,710,062	-	7,710,062	-
Utility taxes					8,631,855	-	8,631,855	-
Grants and contributions not restricted to specific programs					-	-	-	109,347,339
Investment earnings					2,334,618	2,062,045	4,396,663	1,024,409
Miscellaneous					20,208,481	756,904	20,965,385	2,633,867
Payment from Primary Government					-	-	-	55,259,761
Transfers (Note 10)					9,261,590	(9,261,590)	-	-
Total general revenues and transfers					246,376,078	(6,442,641)	239,933,437	168,265,376
Change in net position					64,217,300	3,810,039	68,027,339	39,590,052
Net position, beginning of year					171,320,222	228,810,952	400,131,174	(33,329,163)
Net position, end of year					\$ 235,537,522	232,620,991	468,158,513	6,260,889

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

CITY OF PORTSMOUTH, VIRGINIA
Balance Sheet
Governmental Funds
June 30, 2023

Exhibit C

	General Fund	Debt Service	Capital Projects	Grants Fund	Other Governmental Funds	Total
Assets:						
Cash and temporary investments (Note 3)	\$ 77,781,740	5,069,307	22,939,080	40,278,433	22,006,433	168,074,993
Restricted cash and temporary investments (Note 3)	287,873	-	-	-	-	287,873
Receivables (net of allowance for uncollectibles):						
Taxes	19,631,395	-	-	-	-	19,631,395
Accounts	10,153,523	-	-	-	741,385	10,894,908
Leases receivable (Note 6)	3,370,995	-	-	-	-	3,370,995
Due from other funds (Note 10)	13,463,665	-	-	-	-	13,463,665
Due from component units (Note 10)	91,836	-	-	-	-	91,836
Due from other governments (Note 11)	14,815,118	-	-	-	3,826,357	18,641,475
Prepays	46,535	-	-	-	1,320	47,855
Inventory of supplies	145,008	-	-	-	-	145,008
Total assets	139,787,688	5,069,307	22,939,080	40,278,433	26,575,495	234,650,003
Liabilities:						
Accounts payable	8,661,558	-	5,566,478	747,495	1,249,950	16,225,481
Accrued payroll	1,083,449	-	-	48,715	395,476	1,527,640
Unearned revenue	18,939	-	-	39,811,675	-	39,830,614
Due to other funds (Note 10)	-	-	-	-	796,000	796,000
Due to other governments	-	-	-	-	2,092	2,092
Due to component units (Note 10)	-	-	-	-	-	-
Total liabilities	9,763,946	-	5,566,478	40,607,885	2,443,518	58,381,827
Deferred inflows of resources:						
Unavailable revenues (Note 12)	11,143,398	-	-	-	1,707,927	12,851,325
Deferred lease amounts (Note 6)	3,315,170	-	-	-	-	3,315,170
Total deferred inflows of resources	14,458,568	-	-	-	1,707,927	16,166,495
Fund balances (Note 2):						
Nonspendable	191,543	-	-	-	1,001,320	1,192,863
Restricted	287,873	-	-	-	21,778,551	22,066,424
Committed	404,165	-	17,372,602	-	-	17,776,767
Assigned	9,600,000	5,069,307	-	-	-	14,669,307
Unassigned	105,081,593	-	-	(329,452)	(355,821)	104,396,320
Total fund balances	115,565,174	5,069,307	17,372,602	(329,452)	22,424,050	160,101,681
Total liabilities, deferred inflows of resources, and fund balances	\$ 139,787,688	5,069,307	22,939,080	40,278,433	26,575,495	234,650,003

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, 2023**

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

Total fund balances, governmental funds	\$ 160,101,681
---	----------------

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:

Land	20,485,358	
Buildings	366,315,521	
Machinery, furniture and equipment	78,830,837	
Intangibles	789,574	
Improvements other than buildings	578,095,567	
Leased assets	7,625,889	
Construction in progress	89,054,557	
Accumulated depreciation and amortization	(602,217,194)	538,980,109

Some of the city's taxes and other revenues 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.	12,851,325
--	------------

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	(6,918,164)	
Accrued interest payable	(4,756,817)	
General obligation bonds	(376,759,799)	
Long-term loan payable	(4,700,000)	
Lease liabilities	(5,982,486)	
Deferred inflows related to pension	(15,479,194)	
Deferred inflows related to OPEB	(12,793,695)	
Net pension liability	(95,389,314)	
Net OPEB liability	(20,781,260)	(543,560,729)

Deferred outflows from debt refunding as a result of bond refunding, which is not reported on governmental funds	18,219,437	
Deferred outflows related to OPEB, which is not reported on governmental funds	7,627,770	
Deferred outflows related to pensions, which is not reported on governmental funds	39,825,795	65,673,002

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.	1,492,134
--	-----------

Net position of governmental activities	\$ 235,537,522
---	----------------

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, 2023

Exhibit D

	General Fund	Debt Service	Capital Projects	Grants Fund	Other Governmental Funds	Total
Revenues:						
Taxes	\$ 212,669,224	-	-	-	-	212,669,224
Intergovernmental	49,788,037	-	27,907	7,405,190	27,031,475	84,252,609
Charges for services	4,836,429	-	-	-	10,589,910	15,426,339
Investment income	1,615,802	-	128,095	-	407,458	2,151,355
Recovered costs	3,612,937	-	-	-	115,257	3,728,194
Fines and forfeitures	214,775	-	-	-	-	214,775
Licenses and permits	1,319,623	-	-	-	-	1,319,623
Use of property	503,638	-	-	-	-	503,638
Program income	-	-	-	-	2,454,965	2,454,965
Miscellaneous	12,692,315	-	-	48,797	2,031,248	14,772,360
Total revenues	287,252,780	-	156,002	7,453,987	42,630,313	337,493,082
Expenditures:						
Current:						
General government	20,802,354	-	86,171	883,722	-	21,772,247
Nondepartmental	11,798,451	-	-	-	-	11,798,451
Judicial	20,137,281	-	-	1,956,438	-	22,093,719
Public safety	64,149,359	-	-	750,761	-	64,900,120
Public works	18,903,419	-	3,518,825	475,492	2,552,019	25,449,755
Health and welfare	1,169,932	-	-	934,287	26,971,238	29,075,457
Parks, recreational and cultural	14,299,973	-	4,585	464,657	24,749	14,793,964
Community development	5,535,033	-	-	-	1,403,955	6,938,988
Education	59,901,284	-	-	-	-	59,901,284
Debt service - principal	835,752	29,171,843	-	-	199,443	30,207,038
Interest and fiscal charges	86,854	11,478,404	-	-	28,593	11,593,851
Costs of issuance	9,426	45,073	-	-	-	54,499
Capital outlay	1,233,043	-	33,034,075	2,800,505	2,745,521	39,813,144
Total expenditures	218,862,161	40,695,320	36,643,656	8,265,862	33,925,518	338,392,517
Excess (deficiency) of revenues over (under) expenditures	68,390,619	(40,695,320)	(36,487,654)	(811,875)	8,704,795	(899,435)
Other financing sources (uses):						
Proceeds from debt issuance	10	-	117,810	-	-	117,820
Transfers from other funds (Note 10)	9,797,599	40,873,280	14,718,479	-	3,673,581	69,062,939
Transfers to other funds (Note 10)	(52,212,623)	-	-	-	(8,028,329)	(60,240,952)
Total other financing sources (uses), net	(42,415,014)	40,873,280	14,836,289	-	(4,354,748)	8,939,807
Net change in fund balances	25,975,605	177,960	(21,651,365)	(811,875)	4,350,047	8,040,372
Fund balance, beginning of year	89,589,569	4,891,347	39,023,967	482,423	18,074,003	152,061,309
Fund balances, end of year	\$ 115,565,174	5,069,307	17,372,602	(329,452)	22,424,050	160,101,681

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

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

**Statement of Revenues, Expenditures, and Changes in Fund Balances - Reconciliation
of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the
Statement of Activities
Governmental Funds
Year Ended June 30, 2023**

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

Net change in fund balances, total governmental funds	\$ 8,040,372
---	--------------

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	38,974,426	
Depreciation and amortization expense (not including Internal Service Funds)	(19,664,432)	19,309,994

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	30,207,038	
Issuance of long term debt, proceeds	(117,810)	
Amortization expense	1,387,658	31,476,886

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.	3,610,092
--	-----------

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	12,242,934	
Change in deferred outflows - OPEB	(651,749)	
Change in deferred inflows - pensions	58,271,065	
Change in deferred inflows - OPEB	358,426	
Change in compensated absences	(482,800)	
Change in net pension liability	(55,788,602)	
Change in OPEB liability	2,762,210	
Change in accrued interest	406,776	6,231,581

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.	(4,451,625)
--	-------------

Change in net position of governmental activities	\$ 64,217,300
---	---------------

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

CITY OF PORTSMOUTH, VIRGINIA
Statement of Net Position
Proprietary Funds
June 30, 2023

Exhibit E-1

	Public Utilities	Nonmajor Enterprise Funds	Total	Governmental Activities Internal Service Funds
Assets:				
Current assets:				
Cash and temporary investments (Note 3)	\$ 46,598,367	16,959,678	63,558,045	19,618,993
Restricted cash and temporary investments (Note 3)	13,412,392	-	13,412,392	-
Accounts receivable (net of allowance for uncollectibles)	16,081,705	5,245,738	21,327,443	1,535,742
Inventory of supplies	503,416	124,938	628,354	786,816
Deposits-held by others	-	-	-	240,000
Total current assets	76,595,880	22,330,354	98,926,234	22,181,551
Noncurrent assets:				
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	34,509,551	14,311,544	48,821,095	25,972,457
Intangible assets	-	-	-	3,212,348
Subscription assets	-	-	-	318,137
Construction in progress	128,829,560	-	128,829,560	-
Total capital assets	474,477,137	50,742,862	525,219,999	30,211,073
Less - accumulated depreciation/amortization	(181,216,354)	(28,641,483)	(209,857,837)	(28,041,197)
Total capital assets, net	293,260,783	22,101,379	315,362,162	2,169,876
Total noncurrent assets	293,260,783	22,101,379	315,362,162	2,169,876
Total assets	369,856,663	44,431,733	414,288,396	24,351,427
Deferred outflows of resources:				
Deferred outflows from debt refunding	2,457,134	49,739	2,506,873	-
Deferred outflows related to pensions (Note 7)	1,375,055	1,188,577	2,563,632	1,375,055
Deferred outflows related to OPEB (Note 8)	184,996	92,498	277,494	123,331
Total deferred outflows of resources	4,017,185	1,330,814	5,347,999	1,498,386
Total assets and deferred outflows of resources	\$ 373,873,848	45,762,547	419,636,395	25,849,813

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

CITY OF PORTSMOUTH, VIRGINIA
Statement of Net Position
Proprietary Funds
June 30, 2023

Exhibit E-1 (Continued)

	Public Utilities	Nonmajor Enterprise Funds	Total	Governmental Activities Internal Service Funds
Liabilities:				
Current liabilities:				
Accounts payable	\$ 8,961,854	643,984	9,605,838	3,102,080
Accrued interest payable	1,866,648	20,650	1,887,298	-
Accrued payroll	161,696	103,703	265,399	89,147
Deposits	1,360,395	60,346	1,420,741	-
Due to other funds (Note 10)	-	6,739,665	6,739,665	5,657,000
Current compensated absences (Note 5)	233,948	169,509	403,457	183,102
Current bonds payable (Note 5)	8,125,225	703,135	8,828,360	-
Current subscription liabilities (Note X)	-	-	-	110,356
Current claims payable (Note 15)	-	-	-	5,035,605
Total current liabilities	20,709,766	8,440,992	29,150,758	14,177,290
Noncurrent liabilities:				
Noncurrent claims payable (Note 15)	-	-	-	6,161,065
Noncurrent compensated absences (Note 5)	215,952	156,470	372,422	169,017
Landfill closure and postclosure liability (Notes 5 and 13)	-	3,868,065	3,868,065	-
Noncurrent bonds payable (Note 5)	145,086,406	812,018	145,898,424	-
Net pension liability (Notes 5 and 7)	2,242,098	2,443,412	4,685,510	2,242,098
Net OPEB liability (Notes 5 and 8)	650,973	325,486	976,459	433,981
Total noncurrent liabilities	148,195,429	7,605,451	155,800,880	9,006,161
Total liabilities	168,905,195	16,046,443	184,951,638	23,183,451
Deferred inflows of resources:				
Deferred inflows related to pensions (Note 7)	889,609	533,766	1,423,375	889,609
Deferred inflows related to OPEB (Note 8)	426,927	213,464	640,391	284,619
Total deferred inflows of resources	1,316,536	747,230	2,063,766	1,174,228
Net position:				
Net investment in capital assets	155,918,678	20,635,965	176,554,643	2,059,520
Restricted	13,412,392	-	13,412,392	-
Unrestricted	34,321,047	8,332,909	42,653,956	(567,386)
Total net position	203,652,117	28,968,874	232,620,991	1,492,134
Total liabilities, deferred inflows of resources, and net position	\$ 373,873,848	45,762,547	419,636,395	25,849,813

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, 2023

Exhibit E-2

	Public Utilities	Nonmajor Enterprise Funds	Total	Governmental Activities Internal Service Funds
Operating revenues:				
Charges for services	\$ 48,467,212	12,599,516	61,066,728	36,175,518
Use of property	15,741	-	15,741	-
Other	571,603	169,560	741,163	1,677,813
Total operating revenues	49,054,556	12,769,076	61,823,632	37,853,331
Operating expenses:				
Personnel services	7,566,336	3,986,692	11,553,028	4,157,219
Contractual services	6,562,187	3,772,823	10,335,010	8,276,111
Supplies and materials	4,147,088	490,354	4,637,442	4,471,156
Utilities	1,701,482	231,036	1,932,518	157,231
Internal charges	1,361,969	2,032,795	3,394,764	305,235
Claims, settlements and refunds	3,332	-	3,332	21,407,961
Insurance premiums	-	-	-	1,451,312
Payments in lieu of taxes	1,161,598	-	1,161,598	-
Rent	-	115,791	115,791	-
Depreciation and amortization	9,469,279	1,334,682	10,803,961	701,778
Closure/postclosure	-	315,448	315,448	-
Other	820,444	704,527	1,524,971	1,997,101
Total operating expenses	32,793,715	12,984,148	45,777,863	42,925,104
Operating income (loss)	16,260,841	(215,072)	16,045,769	(5,071,773)
Nonoperating revenues (expenses):				
Investment income	1,702,294	359,751	2,062,045	183,263
Interest expense and fiscal charges	(4,969,117)	(67,068)	(5,036,185)	(2,718)
Total nonoperating revenues (expenses), net	(3,266,823)	292,683	(2,974,140)	180,545
Income before operating transfers	12,994,018	77,611	13,071,629	(4,891,228)
Transfers from other funds (Note 10)	-	1,226,153	1,226,153	750,000
Transfers to other funds (Note 10)	(9,514,191)	(973,552)	(10,487,743)	(310,397)
Change in net position	3,479,827	330,212	3,810,039	(4,451,625)
Net position, beginning of year	200,172,290	28,638,662	228,810,952	5,943,759
Net position, end of year	\$ 203,652,117	28,968,874	232,620,991	1,492,134

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, 2023

Exhibit E-3

	Public Utilities	Nonmajor Enterprise Funds	Total	Governmental Activities - Internal Service Funds
Cash flows from operating activities:				
Cash received from customers	\$ 48,606,394	13,203,472	61,809,866	36,971,215
Cash payments to suppliers for goods and services	(8,189,037)	(7,151,671)	(15,340,708)	(37,247,771)
Cash payments to employees for services	(7,869,591)	(4,233,900)	(12,103,491)	(4,885,744)
Net cash provided by (used in) operating activities	32,547,766	1,817,901	34,365,667	(5,162,300)
Cash flows from noncapital financing activities:				
Interfund loans	-	459,000	459,000	2,247,000
Transfers in from other funds	-	1,226,153	1,226,153	750,000
Transfers out to other funds	(9,514,191)	(973,552)	(10,487,743)	(310,397)
Net cash provided by (used in) noncapital financing activities	(9,514,191)	711,601	(8,802,590)	2,686,603
Cash flows from capital and related financing activities:				
Proceeds from issuance of long-term debt	25,846,061	-	25,846,061	-
Acquisition and construction of capital assets	(16,820,996)	(242,975)	(17,063,971)	(23,917)
Payments on long-term debt	(6,730,134)	(1,190,000)	(7,920,134)	(207,781)
Interest paid	(5,177,286)	(70,670)	(5,247,956)	(2,718)
Net cash used in capital and related financing activities	(2,882,355)	(1,503,645)	(4,386,000)	(234,416)
Cash flows from investing activities:				
Interest received	1,702,294	359,751	2,062,045	183,263
Net cash provided by investing activities	1,702,294	359,751	2,062,045	183,263
Net increase (decrease) in cash and temporary investments	21,853,514	1,385,608	23,239,122	(2,526,850)
Cash and temporary investments, beginning of year	38,157,245	15,574,070	53,731,315	22,145,843
Cash and temporary investments, end of year	\$ 60,010,759	16,959,678	76,970,437	19,618,993
Reconciliation of cash and temporary investments above to the Statement of Net Position:				
Cash and temporary investments	\$ 46,598,367	16,959,678	63,558,045	19,618,993
Restricted cash and temporary investments	13,412,392	-	13,412,392	-
Total cash and temporary investments	\$ 60,010,759	16,959,678	76,970,437	19,618,993
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ 16,260,841	(215,072)	16,045,769	(5,071,773)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation/amortization	9,469,279	1,334,682	10,803,961	701,778
Landfill closure/postclosure	-	315,448	315,448	-
Pension expense (recovery), net of employer contributions	(377,840)	(201,175)	(579,015)	(377,841)
OPEB expense (recovery), net of employer contributions	(45,441)	(116,555)	(161,996)	(343,076)
Change in current assets and liabilities:				
Accounts receivable	(431,721)	586,645	154,924	(882,074)
Inventory of supplies	62,614	(13,961)	48,653	(118,485)
Accounts payable	7,506,449	209,616	7,716,065	696,277
Customer deposits	(16,441)	(152,249)	(168,690)	-
Accrued payroll and expense	55,114	38,801	93,915	16,980
Compensated absences	64,912	31,721	96,633	(24,588)
Claims payable	-	-	-	240,502
Total adjustments	16,286,925	2,032,973	18,319,898	(90,527)
Net cash provided by (used in) operating activities	\$ 32,547,766	1,817,901	34,365,667	(5,162,300)

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, 2023

Exhibit F-1

	Custodial Funds	Pension and OPEB Trusts
Assets:		
Cash and temporary investments (Note 3)	\$ 417,146	8,925,433
Investments (Note 3):		
Stocks	-	134,487,435
Bonds	-	50,832,522
Real estate	-	7,920,767
Other investments	-	1,368,115
Total investments	-	194,608,839
Total assets	417,146	203,534,272
Liabilities:		
Due to general fund, payables	271,000	-
Accounts payable	89,696	-
Total liabilities	360,696	-
Net position -		
Held for:		
New Port Community Development Authority	56,450	-
Pensions	-	194,983,551
Postemployment benefits other than pensions	-	8,550,721
Total net position	56,450	203,534,272
Total liabilities and net position	\$ 417,146	203,534,272

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, 2023

Exhibit F-2

	Custodial Funds	Pension and OPEB Trust Funds
Additions:		
Contributions -		
Employers' contributions	\$ -	10,611,034
Other receipts	49,440	-
Investment income -		
Gains	76	19,213,020
Taxes collections for other governments	238,848	-
Total additions	288,364	29,824,054
Deductions:		
Benefit payments	49,516	29,591,219
Administrative expenses	-	286,728
Payments of taxes to other governments	182,398	-
Total deductions	231,914	29,877,947
Change in net position	56,450	(53,893)
Net position, beginning of year	-	203,588,165
Net position, end of year	\$ 56,450	203,534,272

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

CITY OF PORTSMOUTH, VIRGINIA
Statement of Net Position
Component Units
June 30, 2023

Exhibit G-1

	School Board	Economic Development Authority	Port and Industrial Commission	Total
Assets:				
Current assets:				
Cash and temporary investments (Note 3)	\$ 61,259,774	8,567,309	920,741	70,747,824
Lease receivable (Note 6)	-	1,740,893	-	1,740,893
Accounts receivables (net of allowance for uncollec	1,388,739	31,719	1,272,314	2,692,772
Due from other governments (Note 11)	5,347,985	-	-	5,347,985
Inventory of supplies	1,832,692	-	-	1,832,692
Total current assets	69,829,190	10,339,921	2,193,055	82,362,166
Noncurrent assets:				
OPEB assets (Note 8)	9,700,419	-	-	9,700,419
Security deposit receivable	-	4,016	-	4,016
Property held for resale	-	12,815,559	332,007	13,147,566
Capital assets (Note 4):				
Land	6,085,707	1,205,661	-	7,291,368
Buildings	93,535,749	-	-	93,535,749
Machinery, furniture and equipment	33,113,668	-	-	33,113,668
Intangibles	364,970	-	-	364,970
Right-to-use subscription asset	1,103,324	-	-	1,103,324
Total capital assets	134,203,418	1,205,661	-	135,409,079
Less - accumulated depreciation	(86,556,068)	-	-	(86,556,068)
Total capital assets, net	47,647,350	1,205,661	-	48,853,011
Total noncurrent assets	57,347,769	14,025,236	332,007	71,705,012
Total assets	127,176,959	24,365,157	2,525,062	154,067,178
Deferred outflows of resources:				
Deferred outflows related to pensions (Note 7)	26,006,679	-	-	26,006,679
Deferred outflows related to OPEB (Note 8)	6,865,422	-	-	6,865,422
Total deferred outflows of resources	32,872,101	-	-	32,872,101
Total assets and deferred outflows of resources	\$ 160,049,060	24,365,157	2,525,062	186,939,279

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

CITY OF PORTSMOUTH, VIRGINIA
Statement of Net Position
Component Units
June 30, 2023

Exhibit G-1 (Continued)

	School Board	Economic Development Authority	Port and Industrial Commission	Total
Liabilities:				
Current liabilities:				
Accounts payable	\$ 5,164,154	540,414	1,476,914	7,181,482
Accrued payroll	8,632,371	-	-	8,632,371
Deposits	-	3,900	-	3,900
Accrued payroll taxes	647,839	-	-	647,839
Accrued interest	6,261	-	-	6,261
Due to Primary Government (Note 10)	-	46,942	44,894	91,836
Claims payable (Note 15)	1,119,000	-	-	1,119,000
Compensated absences (Note 5)	1,574,261	-	-	1,574,261
Workers' compensation claims (Note 15)	639,910	-	-	639,910
Subscription liability	368,827	-	-	368,827
Total current liabilities	18,152,623	591,256	1,521,808	20,265,687
Noncurrent liabilities:				
Compensated absences (Note 5)	3,095,865	-	-	3,095,865
Noncurrent workers' compensation claims (Note 15)	657,195	-	-	657,195
Noncurrent subscription liability	334,827	-	-	334,827
Net pension liability (Note 7)	94,970,141	-	-	94,970,141
Net OPEB liability (Note 8)	17,736,979	-	-	17,736,979
Total noncurrent liabilities	116,795,007	-	-	116,795,007
Total liabilities	134,947,630	591,256	1,521,808	137,060,694
Deferred inflows of resources:				
Deferred inflows related to leases (Note 6)	-	1,725,643	-	1,725,643
Deferred inflows related to pensions (Note 7)	27,901,669	-	-	27,901,669
Deferred inflows related to OPEB (Note 8)	13,990,384	-	-	13,990,384
Total outflows of resources	41,892,053	1,725,643	-	43,617,696
Net position:				
Net investment in capital assets	46,943,695	1,205,661	-	48,149,356
Restricted for:				
Grants and donations	11,304,530	-	-	11,304,530
Other purposes	19,032,408	604,586	-	19,636,994
Unrestricted	(94,071,256)	20,238,011	1,003,254	(72,829,991)
Total net position	(16,790,623)	22,048,258	1,003,254	6,260,889
Total liabilities, deferred inflows of resources, and net position	\$ 160,049,060	24,365,157	2,525,062	186,939,279

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, 2023

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	\$ 11,932,950	813,798	-	-	(11,119,152)	-	-	(11,119,152)
Instruction	125,090,131	79,430	45,947,046	-	(79,063,655)	-	-	(79,063,655)
Pupil transportation	8,437,568	135,632	-	-	(8,301,936)	-	-	(8,301,936)
Operations and maintenance	17,896,975	47,260	-	-	(17,849,715)	-	-	(17,849,715)
Information technology	11,448,354	-	-	-	(11,448,354)	-	-	(11,448,354)
Food services	9,618,335	874,338	9,504,006	-	760,009	-	-	760,009
School Activities	1,093,928	-	-	-	(1,093,928)	-	-	(1,093,928)
Total School Board	185,518,241	1,950,458	55,451,052	-	(128,116,731)	-	-	(128,116,731)
Economic Development Authority:								
Economic Development Authority	811,452	248,177	-	20,000	-	(543,275)	-	(543,275)
Port and Industrial Commission:								
Port and Industrial Commission	20,821	5,503	-	-	-	-	(15,318)	(15,318)
Total Component Units	186,350,514	2,204,138	55,451,052	20,000	(128,116,731)	(543,275)	(15,318)	(128,675,324)
General revenues:								
Grants and contributions not restricted to specific programs					109,347,339	-	-	109,347,339
Investment earnings					862,944	146,287	15,178	1,024,409
Miscellaneous, other					2,633,867	-	-	2,633,867
Payment from Primary Government					55,259,761	-	-	55,259,761
Total general revenues					168,103,911	146,287	15,178	168,265,376
Change in net position					39,987,180	(396,988)	(140)	39,590,052
Net position, beginning of year					(56,777,803)	22,445,246	1,003,394	(33,329,163)
Net position, end of year					\$ (16,790,623)	22,048,258	1,003,254	6,260,889

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 two 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 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 Funds use 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 2023 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 uncollectible accounts. 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 2023, 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 \$1.50 per \$100 of assessed value, respectively.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Allowance for Uncollectible Accounts

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)	\$ 4,702,590
Allowance for uncollectibles	2,605,441
Total General Fund	7,308,031

Special Revenue Funds:

Stormwater Management Fund - allowance for uncollectibles	908,605
Behavioral Health Services Fund - allowance for uncollectibles	1,133,878
Total Special Revenue Funds	2,042,483
Total Governmental activities	\$ 9,350,514

Business-type Activities:

Enterprise Funds:	
Public Utility Fund - allowance for uncollectibles	\$ 1,514,338
Waste Management Fund - allowance for uncollectibles	1,080,264
Total Business-type activities	\$ 2,594,602

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. Accumulated depreciation and amortization are reported as reductions of capital assets.

Lease and subscription assets are amortized over the life of the related agreements. Other 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 and improvements	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 for a 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 without City Council approval. 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, 2023, were composed of the following:

	General Fund	Debt Service	Capital Improvements	Grants	Other Nonmajor
Nonspendable:					
Inventory of supplies	\$ 145,008	-	-	-	-
Prepaid items	46,535	-	-	-	1,320
Permanent - cemetery care	-	-	-	-	1,000,000
Total nonspendable fund balances	191,543	-	-	-	1,001,320
Restricted:					
Restricted cash	287,873	-	-	-	-
Behavioral health services	-	-	-	-	16,367,298
Public law library	-	-	-	-	226,176
Social services	-	-	-	-	714,784
Stormwater management infrastructure maintenance	-	-	-	-	2,063,799
Grants	-	-	-	-	-
Children's services	-	-	-	-	368,152
Willet Hall	-	-	-	-	482,248
Asset forfeitures	-	-	-	-	504,001
Permanent - cemetery care	-	-	-	-	978,573
Total restricted fund balances	287,873	-	-	-	21,778,551
Committed:					
Capital projects	-	-	17,372,602	-	-
Various open purchase orders	404,165	-	-	-	-
Total committed fund balances	404,165	-	17,372,602	-	-
Assigned:					
Reassessment	3,600,000	-	-	-	-
Post-employment benefits	1,000,000	-	-	-	-
Capital projects	5,000,000	-	-	-	-
Debt service	-	5,069,307	-	-	-
Total assigned fund balances	9,600,000	5,069,307	-	-	-
Unassigned:					
Unassigned	105,081,593	-	-	(329,452)	(355,821)
Total unassigned fund balance	105,081,593	-	-	(329,452)	(355,821)
Total fund balances	\$ 115,565,174	5,069,307	17,372,602	(329,452)	22,424,050

(3) DEPOSITS AND INVESTMENTS

Deposits and Restricted Cash

At June 30, 2023, the carrying value of the city's deposits with banks and savings institutions was \$251,173,807, and the total of the bank balances for these deposits was \$231,320,386. All cash of the city except petty cash of \$78,224 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, 2023, restricted cash totaled \$13,700,265, 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.

As of June 30, 2023, the city's investment balances were as follows:

	Carrying Amount	Actual Credit Ratings	Required Credit Ratings	Average Days/Years to Maturity
LGIP	\$ 21,547,055	AAAm	N/A	1 day

(3) DEPOSITS AND INVESTMENTS (CONTINUED)

Pension Investments - Common Collective Retirement Trust Fund

As of June 30, 2023, 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, 2023, the fair value of the pension investment in the city's retirement trust fund was as follows:

Name of Brokerage Account or Mutual Fund	Investment Type	Weighted Average Maturity/Liquidation	Fair Value
John Hancock Trust Company LLC:			
Morgan Stanley Advisory Holding	MF Equity	1 day	\$ 189,661,690
PIMCO Government Money Market	MF Equity	1 day	2,960,928
			\$ 192,622,618

Included in the amounts above are \$6,564,500 in funds that are reported as cash and temporary investments on the Statement of Fiduciary Net Position.

At June 30, 2023, the fair value of the OPEB Investments was as follows:

Investment Type	Fair Value
Fixed Income	\$ 1,710,144
Stocks	4,189,854
Real Estate	1,282,608
Alternative Investments	1,368,115
	\$ 8,550,721

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, 2023, are as follows:

	Fair Value at 6/30/2023	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:	6/30/2023			
Debt securities				
Bonds in mutual funds	\$ 4,671,072	4,671,072	-	-
Equity securities				
Common stock in mutual funds	193,851,544	193,851,544	-	-
Other assets (futures contracts, etc) in mutual funds	2,650,723	2,650,723	-	-
Total investments by fair value	\$ 201,173,339	201,173,339	-	-

Included in the amounts above are \$6,564,500 in funds that are reported as cash and temporary investments on the Statement of Fiduciary Net Position

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, 2023, 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 \$61,259,774 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 \$17,099,869 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 \$8,567,309. 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 \$920,741. 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, 2023

Exhibit H (continued)

(4) CAPITAL ASSETS

**Primary Government -
Governmental Activities**

	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023
Capital assets not being depreciated:				
Land	\$ 20,500,406	-	-	20,500,406
Construction in progress (CIP)	59,424,494	29,630,063	-	89,054,557
Total capital assets not being depreciated or amortized	79,924,900	29,630,063	-	109,554,963
Capital assets being depreciated:				
Buildings	366,322,771	685,833	-	367,008,604
Buildings, lease asset	7,359,562	-	-	7,359,562
Improvements other than buildings	8,822,652	30,633	-	8,853,285
Improvements other than buildings (Infrastructure)	567,457,042	1,785,240	-	569,242,282
Machinery, furniture, and equipment	97,976,294	6,827,000	-	104,803,294
Machinery, furniture, and equipment, lease asset	285,249	-	(18,922)	266,327
Intangibles	3,962,348	357,711	-	4,001,922
Subscriptions*	318,137	-	-	318,137
Total capital assets being depreciated or amortized	1,052,504,055	9,368,280	(18,922)	1,061,853,413
Less accumulated depreciation and amortization for:				
Buildings	(153,818,950)	(8,059,587)	-	(161,878,537)
Buildings, lease asset	(953,421)	(953,421)	-	(1,906,842)
Improvements other than buildings	(5,115,448)	(411,103)	-	(5,526,551)
Improvements other than buildings (Infrastructure)	(389,147,190)	(4,950,956)	-	(394,098,146)
Machinery, furniture, and equipment	(58,833,066)	(5,517,488)	-	(64,350,554)
Machinery, furniture, and equipment, lease asset	(67,565)	(66,116)	18,922	(114,759)
Intangibles	(1,975,463)	(245,931)	-	(2,221,394)
Subscriptions	-	(161,608)	-	(161,608)
Total accumulated depreciation and amortization	(609,911,103)	(20,366,210)	18,922	(630,258,391)
Total capital assets being depreciated or amortized, net	442,592,952	(10,997,930)	-	431,595,022
Governmental activities capital assets, net	\$ 522,517,852	18,632,133	-	541,149,985

*Balances as of July 1, 2022, include items related to the implementation of GASB Statement 96.

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 \$71,613,151, will be carried on the city's financial statements until the outstanding debt is repaid.

	CIP June 30, 2023	Outstanding Commitments	Unobligated Balance
Governmental Activities Projects	\$ 89,054,557	\$ 26,361,544	\$ 62,693,013

(4) CAPITAL ASSETS (CONTINUED)

Governmental activities' depreciation/amortization expense was charged to functions as follows:

General government	\$	2,448,923
Judicial		2,140,432
Public safety		1,788,549
Public works		7,491,453
Health and welfare		516,707
Parks, recreation and cultural		1,569,377
Community development		953,044
Education		2,755,947

Total governmental activities, excluding internal service funds 19,664,432

Depreciation/amortization on capital assets of internal service funds (see Exhibit E-2)
charged to various functions based on usage of capital assets. 701,778

Total governmental activities \$ 20,366,210

**Primary Government -
Business-type Activities**

	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023
Capital assets not being depreciated:				
Land	\$ 13,598,078	-	-	13,598,078
Construction in progress	113,655,660	15,173,900	-	128,829,560
Total capital assets not being depreciated	127,253,738	15,173,900	-	142,427,638
Capital assets being depreciated:				
Buildings	23,331,180	-	-	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	46,944,924	1,890,071	(13,900)	48,821,095
Total capital assets being depreciated	380,916,190	1,890,071	(13,900)	382,792,361
Less accumulated depreciation for:				
Buildings	(16,984,246)	(464,445)	-	(17,448,691)
Improvements other than buildings	(419,589)	(10,711)	-	(430,300)
Improvements other than buildings (Infrastructure)	(150,009,598)	(7,747,048)	-	(157,756,646)
Machinery, furniture, and equipment	(31,654,343)	(2,581,757)	13,900	(34,222,200)
Total accumulated depreciation	(199,067,776)	(10,803,961)	13,900	(209,857,837)
Total capital assets being depreciated, net	181,848,414	(8,913,890)	-	172,934,524
Business-type activities capital assets, net	\$ 309,102,152	6,260,010	-	315,362,162

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

Public utilities	\$	9,469,279
Parking authority		369,191
Golf		101,737
Waste management		863,754

Total Business-type activities \$ 10,803,961

	CIP 6/30/2023	Outstanding Commitments	Unobligated Balance
Business-type activities	\$ 128,829,560	\$ 6,064,160	\$ 122,765,400

CITY OF PORTSMOUTH, VIRGINIA
Notes to Basic Financial Statements
June 30, 2023

Exhibit H (continued)

(4) CAPITAL ASSETS (CONTINUED)

Primary Government - Major Enterprise Fund				
	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023
Public Utility Fund				
Capital assets not being depreciated:				
Land	\$ 403,834	-	-	403,834
Construction in progress	113,655,660	15,173,900	-	128,829,560
Total capital assets not being depreciated	114,059,494	15,173,900	-	129,233,394
Capital assets being depreciated:				
Buildings	692,687	-	-	692,687
Improvements other than buildings (Infrastructure)	310,041,505	-	-	310,041,505
Machinery, furniture, and equipment	32,876,355	1,647,096	(13,900)	34,509,551
Total capital assets being depreciated	343,610,547	1,647,096	(13,900)	345,243,743
Less accumulated depreciation for:				
Buildings	(282,276)	(17,158)	-	(299,434)
Improvements other than buildings (Infrastructure)	(150,009,598)	(7,747,048)	-	(157,756,646)
Machinery, furniture, and equipment	(19,918,037)	(1,691,173)	13,900	(23,160,274)
Total accumulated depreciation	(171,760,975)	(9,455,379)	13,900	(181,216,354)
Total capital assets being depreciated, net	171,849,572	(7,822,183)	-	164,027,389
Public Utility Fund capital assets, net	\$ 285,909,066	7,351,717	-	293,260,783
Discretely Presented Component Unit - School Board				
	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023
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	28,807,344	4,314,201	(7,877)	33,113,668
Intangibles	364,970	-	-	364,970
Right-to-use assets being amortized:				
Subscriptions	-	1,103,324	-	1,103,324
Total capital assets being depreciated/amortized	122,708,062	5,417,525	(7,877)	128,117,710
Less accumulated depreciation/amortization for:				
Buildings	(58,288,757)	(2,476,506)	-	(60,765,263)
Machinery, furniture, and equipment	(23,953,622)	(1,311,974)	7,833	(25,257,763)
Intangibles	(364,970)	-	-	(364,970)
Right-to-use subscriptions	-	(168,072)	-	(168,072)
Total accumulated depreciation/amortization	(82,607,349)	(3,956,552)	7,833	(86,556,068)
Capital assets being depreciated/amortized, net	40,100,713	1,460,974	(44)	41,561,643
School Board capital assets, net	\$ 46,186,420	1,460,974	(44)	47,647,350

(5) LONG - TERM LIABILITIES

Details of Long-Term Indebtedness

At June 30, 2023, the long-term indebtedness of the city consisted of the following:

		Maturity Date	Interest Rate	Amount Outstanding
Governmental Activities				
General obligation bonds, net:				
2006B	VPSA School Financing Bonds	7/15/2026	4.40 - 4.60%	\$ 1,427,543
2009	VPSA Qualified School Construction Bonds	9/1/2026	0.00%	5,371,429
2011	G.O. Refunding Bonds	7/15/2024	5.00%	3,010,000
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%	16,185,000
2016A	G.O. Refunding Bonds	8/1/2035	2.00 - 5.00%	28,940,000
2016B	Taxable G.O. Refunding Bonds	8/1/2025	2.00 - 2.20%	7,315,000
2016QZAB	Virginia G.O. Qualified Zone Academy Bonds	9/15/2031	0.00%	4,185,000
2017QZAB	Virginia G.O. Qualified Zone Academy Bonds	9/15/2029	0.00%	1,865,052
2017A	G.O. Refunding Bonds	7/15/2034	3.00 - 5.00%	59,315,000
2017B	G.O. Taxable Refunding Bonds	7/15/2035	2.35 - 3.90%	4,665,000
2018	G.O. New Money Vehicle Financing	7/15/2028	3.010%	5,782,000
2019	G.O. Bonds	7/15/2039	3.00 - 5.00%	22,025,000
2019B	Taxable G.O. Refunding Bonds (Pensions)	2/1/2037	2.00 - 3.00%	127,265,000
2021A	G.O. Bonds	7/15/2041	2.00 - 5.00%	30,700,000
2021B	Taxable G.O. Refunding Bonds	7/15/2041	0.19 - 2.6%	30,850,000
2023	Stormwater G.O. Bonds	1/1/2044	0.00%	117,810
Total general obligation bonds				<u>\$ 355,917,988</u>
Leases:				
	Building 1725 Green Street	6/30/2026	1.0590%	\$ 236,794
	Building Portsmouth Business Center, Suite 300C	11/30/2025	0.8930%	430,874
	Building 700 Port Centre Parkway	5/31/2030	1.5270%	4,897,243
	Building 200 High Street, Suite 200	12/31/2028	1.4510%	264,932
	Equipment Copiers, various	2 - 5 years	1.06% - 0.51%	152,643
				<u>\$ 5,982,486</u>
Subscriptions:				
		17-27		
	Software	months	1.71% - 2.89%	<u>\$ 110,356</u>

General obligation bonds are stated exclusive of premiums and discounts.

(5) LONG – TERM LIABILITIES (CONTINUED)

Details of Long-Term Indebtedness (continued)

		Maturity Date	Interest Rate	Amount Outstanding
Business-Type Activities				
Public Utilities:				
General obligation bonds:				
2009E	Prentis Park Bonds	7/15/2041	0.00%	\$ 1,442,479
2011	G.O. Refunding Bonds	7/15/2024	5.00%	2,380,000
2015A	G.O. Refunding Bonds	8/1/2030	3.00 - 5.00%	11,040,000
2015B	Taxable G.O. Refunding Bonds	8/1/2028	3.00 - 3.30%	4,075,000
2017A	G.O. Refunding Bonds	7/15/2041	3.00 - 5.00%	39,675,000
2021A	G.O. Refunding Bonds	7/15/2025	5.00%	390,000
2021B	Taxable G.O. Bonds	7/15/2041	0.12 - 2.60%	29,420,000
Total general obligation bonds				<u>88,422,479</u>
Revenue bonds:				
2019C	Infrastructure Revenue Bonds	10/1/2049	2.974 - 5.125%	28,990,000
2022B	Water and Sewer System Revenue Bond	10/1/2052	4.777 - 5.226%	24,620,000
2023	Water and Sewer System Revenue Bond	3/1/2053	0.300%	320,604
Total revenue bonds				<u>53,930,604</u>
Total Public Utilities				<u>142,353,083</u>
Parking Authority:				
2011	G.O. Refunding Bonds	7/15/2024	5.00%	10,000
2013B	Taxable G.O. & Refunding Bonds	2/1/2024	2.839 - 3.939%	480,000
2015A	G.O. Refunding Bonds	8/1/2030	3.00 - 5.00%	10,847
2017B	G.O. Taxable Refunding Bonds	7/15/2025	2.20-3.90%	45,000
2017A	G.O. Refunding Bonds	7/15/2026	5.00%	35,000
2021B	Taxable G.O. Bonds	7/15/2030	0.12 - 1.65%	60,000
Total Parking Authority				<u>640,847</u>
Golf:				
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%	480,000
Total Golf				<u>865,000</u>
				<u>\$ 143,858,930</u>

General obligation bonds are stated exclusive of premiums and discounts.

At June 30, 2023, the long-term indebtedness of the School Board component unit consisted of the following:

	Amount Outstanding
School Board:	
Compensated absences	\$ 4,670,126
Medical claims payable	1,119,000
Workers' compensation claims payable	1,297,105
Subscription liability	703,654
Net pension liability	94,970,141
Net OPEB liability	17,736,979
Total long-term liabilities	<u>\$ 120,497,005</u>

(5) LONG – TERM LIABILITIES (CONTINUED)

The following is a summary of changes in long-term indebtedness of the city for the year ended June 30, 2023:

	Balance July 1, 2022	Increases	Decreases	Balance June 30, 2023	Due Within One Year
Primary Government -					
Governmental Activities:					
General obligation bonds	\$ 384,972,020	117,810	(29,171,842)	355,917,988	29,910,447
Bond premiums/(discounts)	22,229,469	-	(1,387,658)	20,841,811	1,387,658
	407,201,489	117,810	(30,559,500)	376,759,799	31,298,105
Lease liabilities	6,817,682	-	(835,196)	5,982,486	838,367
VDOT loans	4,900,000	-	(200,000)	4,700,000	200,000
Compensated absences	6,812,071	4,732,052	(4,006,181)	7,270,283	3,780,548
Subscription liabilities*	318,137	-	(207,781)	110,356	110,356
Net OPEB Liability	24,153,779	-	(2,293,538)	21,215,241	-
Net pension liability	40,257,504	57,373,908	-	97,631,412	-
Total Governmental Activities	\$ 490,142,525	62,223,770	(39,014,855)	513,669,577	36,227,376
Business-type Activities:					
General obligation bonds	\$ 97,848,460	-	(7,920,134)	89,928,326	7,645,138
Bond premiums/(discounts)	7,648,311	-	(546,531)	7,101,780	546,532
Total general obligation bonds, net	105,496,771	-	(8,466,665)	97,030,106	8,191,670
Revenue bond	28,990,000	24,940,604	-	53,930,604	500,000
Bond premium	2,982,216	905,457	(121,599)	3,766,074	136,690
Total revenue bond, net	31,972,216	25,846,061	(121,599)	57,696,678	636,690
Landfill closure and post-closure care	3,552,617	315,448	-	3,868,065	-
Compensated absences	679,246	509,240	(412,607)	775,879	403,457
Net OPEB Liability	976,494	-	(36)	976,459	-
Net pension liability	1,459,538	3,225,972	-	4,685,510	-
Total Business-type Activities	\$ 144,136,882	29,896,721	(9,000,907)	165,032,697	9,231,817
Major Enterprise Funds:					
Public Utility Fund					
General obligation bonds	\$ 95,152,613	-	(6,730,134)	88,422,479	6,945,138
Bond premiums/(discounts)	7,635,871	-	(543,397)	7,092,474	543,397
Total general obligation bonds, net	102,788,484	-	(7,273,531)	95,514,953	7,488,535
Revenue bond	28,990,000	24,940,604	-	53,930,604	500,000
Bond premium	2,982,216	905,457	(121,599)	3,766,074	136,690
Total revenue bond, net	31,972,216	25,846,061	(121,599)	57,696,678	636,690
Compensated absences	384,988	317,070	(252,158)	449,900	233,948
Net OPEB Liability	610,309	40,664	-	650,973	-
Net pension liability	656,792	1,585,306	-	2,242,098	-
Total Public Utility Fund	\$ 136,412,789	27,789,101	(7,647,288)	156,554,602	8,359,173

*Balances as of July 1, 2022, include items related to the implementation of GASB Statement 96.

(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, 2023, 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, 2023:

	Balance			Balance	Due Within
	July 1, 2022	Increases	Decreases	June 30, 2023	One Year
School Board:					
Compensated absences	\$ 4,759,626	2,285,203	(2,374,703)	4,670,126	1,574,261
Claims payable	1,767,615	19,550,082	(18,901,592)	2,416,105	1,758,910
Subscription liability	-	1,103,323	(399,669)	703,654	368,827
Net OPEB Liability	*18,855,896	-	(1,118,917)	17,736,979	-
Net pension liability	80,916,931	14,053,210	-	94,970,141	-
Total School Board	\$ 106,300,068	36,991,818	(22,794,881)	120,497,005	3,701,998

*Adjusted July 1, 2022, balance to remove the effect of a net OPEB asset.

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, 2023, the City's debt limit was \$878,530,000 of which \$432,684,000 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, 2023, including interest payments, are summarized as follows:

Governmental Activities:

Fiscal Year Ending	General Obligation Bonds		Leases	
	Principal	Interest	Principal	Interest
2024	\$ 29,910,447	\$ 10,541,455	\$ 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	26,269,436	7,004,084	711,917	40,852
2029-2033	119,175,026	23,218,286	2,270,850	38,287
2034-2038	79,170,000	6,310,999	-	-
2039-2043	12,475,000	482,848	-	-
2044-2048	117,810	-	-	-
	<u>\$ 355,917,988</u>	<u>\$ 73,682,398</u>	<u>\$ 5,982,486</u>	<u>\$ 340,406</u>

Business-type Activities:

Fiscal Year Ending	General Obligation Bonds		Revenue Bonds	
	Principal	Interest	Principal	Interest
2024	\$ 7,645,138	\$ 2,737,689	\$ 500,000	\$ 2,365,931
2025	7,410,138	2,424,663	545,000	2,339,153
2026	7,695,138	2,120,282	590,000	2,310,069
2027	5,525,138	1,873,748	635,000	2,278,678
2028	5,730,138	1,713,980	1,190,000	2,231,913
2029-2033	25,426,533	6,304,833	6,965,000	10,166,281
2034-2038	17,750,688	3,132,861	8,740,000	8,403,963
2039-2043	12,745,418	662,256	10,655,000	6,475,378
2044-2048	-	-	13,205,000	3,923,422
2049-2053	-	-	10,905,604	1,043,559
	<u>\$ 89,928,326</u>	<u>\$ 20,970,312</u>	<u>\$ 53,930,604</u>	<u>\$ 41,538,347</u>

Authorized but Unissued Bonds

The total of general obligation bonds authorized but unissued for governmental funds as of June 30, 2023, was \$61,234,289.

The total of bonds authorized but unissued for enterprise funds as of June 30, 2023, was \$169,990,561.

(6) LEASE RECEIVABLES

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

Cell Site - I-264 Exit 2A: An initial lease receivable was recorded in the amount of \$89,518. As of June 30, 2023, the value of the lease receivable is \$57,578. 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, 2023, was \$56,966, 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, 2023, the value of the lease receivable is \$37,735. 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, 2023, was \$37,374, 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, 2023, the value of the lease receivable is \$80,205. 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, 2023, was \$79,436, 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, 2023, the value of the lease receivable is \$17,562. 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, 2023, was \$17,394, and the City recognized lease revenue of \$5,798 during the fiscal year. The lessee has 4 extension options, each for 12 months.

4690 Greenwood Drive: An initial lease receivable was recorded in the amount of \$320,900. As of June 30, 2023, the value of the lease receivable is \$258,909. 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, 2023, was \$250,779, and the City recognized lease revenue of \$35,060 during the fiscal year. The lessee has 1 extension option of 60 months.

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, 2023, the value of the lease receivable is \$2,919,005. 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, 2023, was \$2,873,221, and the City recognized lease revenue of \$338,026 during the fiscal year. The lessee has 1 extension option for 60 months.

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

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 lease has an interest rate of 0.89%. The Economic Development Authority recognized lease revenue of \$66,584 during the fiscal year.

(6) LEASE RECEIVABLES (CONTINUED)

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
2024	\$ 413,168	\$ 54,712	\$ 59,754	\$ 15,228
2025	421,002	47,877	60,290	14,694
2026	428,993	40,917	60,830	14,155
2027	382,589	34,072	61,376	13,611
2028	381,840	27,514	61,926	13,062
2029-2033	1,343,403	43,153	318,059	56,906
2034-2038	-	-	332,576	42,432
2039-2043	-	-	347,757	27,297
2044-2048	-	-	363,629	11,472
2049-2049	-	-	74,696	332
	<u>\$ 3,370,995</u>	<u>\$ 248,245</u>	<u>\$ 1,740,893</u>	<u>\$ 209,191</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. 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.

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

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, 2023:

	<u>Total</u>	<u>PSRS</u>	<u>FPRS</u>
Retirees and beneficiaries	955	329	626
Vested terminated employees not yet receiving benefits	45	9	36
Current vested employees	8	7	1
	<u>1,008</u>	<u>345</u>	<u>663</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 2023 were \$1,602,512 and \$6,235,165, respectively or \$7,855,677 in total.

Plan Investments

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

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

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

Plan Investments (continued)

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

1. 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.
2. 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.
3. 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)

Plan Investments (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)

Plan Investments (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, 2023, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 10.05% and 9.99%, 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, 2022. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of July 1, 2022, using updated actuarial assumptions. As of June 30, 2022, the net pension liability amounts for the FPRS and PSRS are as follows:

	PSRS	FPRS
Total Pension Liability	\$ 68,028,620	\$ 221,823,153
Less: Fiduciary Net Position	48,418,725	148,660,265
Net Pension Liability	\$ 19,609,895	\$ 73,162,888
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.17%	67.02%

(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, 2021	\$ 225,607,023	\$ 191,187,668	\$ 34,419,355
Change for the year:			
Service Cost	96,414	-	96,414
Interest	15,588,902	-	15,588,902
Differences between expected and actual experience	1,447,947	-	1,447,947
Contributions - employer	-	8,199,999	(8,199,999)
Net investment income	-	(29,189,401)	29,189,401
Benefit payments, including refunds of employee contributions	(21,219,756)	(21,219,756)	-
Administrative expenses	-	(318,245)	318,245
Changes of assumptions	302,623	-	302,623
Net changes	(3,783,870)	(42,527,403)	38,743,533
Balance at June 30, 2022	\$ 221,823,153	\$ 148,660,265	\$ 73,162,888

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, 2021	\$ 70,152,716	\$ 62,855,029	\$ 7,297,687
Change for the year:			
Service Cost	27,467	-	27,467
Interest	4,815,010	-	4,815,010
Differences between expected and actual experience	213,717	-	213,717
Contributions - employer	-	2,517,941	(2,517,941)
Net investment income	-	(9,512,540)	9,512,540
Benefit payments, including refunds of employee contributions	(7,332,578)	(7,332,578)	-
Administrative expenses	-	(109,127)	109,127
Changes of assumptions	152,288	-	152,288
Net changes	(2,124,096)	(14,436,304)	12,315,208
Balance at June 30, 2022	\$ 68,028,620	\$ 48,418,725	\$ 19,609,895

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

Actuarial Assumptions.

The total pension liability was determined by an actuarial valuation as of July 1, 2022, using the following actuarial assumptions, applied to all periods included in the measurement:

Measurement Date	June 30, 2022
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-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%
PSRS			
Total Pension Liability	\$ 73,031,490	68,028,620	63,630,250
Less: Fiduciary Net Position	48,418,725	48,418,725	48,418,725
Net Pension Liability	\$ 24,612,765	19,609,895	15,211,525
FPRS			
Total Pension Liability	\$ 241,765,961	221,823,153	204,782,302
Less: Fiduciary Net Position	148,660,265	148,660,265	148,660,265
Net Pension Liability	\$ 93,105,696	73,162,888	56,122,037

(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, 2023, the City recognized total pension expense of \$9,826,861 (\$2,058,385 for PSRS and \$7,768,476 for FPRS). At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources for both the PSRS and the FPRS:

	PSRS		FPRS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 4,889,355	\$ -	\$ 15,203,701	\$ -
Employer contribution subsequent to the measurement date	1,602,512	-	6,235,165	-
Total	<u>\$ 6,491,867</u>	<u>\$ -</u>	<u>\$ 21,456,866</u>	<u>\$ -</u>

Deferred outflows of resources for contributions subsequent to measurement date will be recognized in net pension liability/collective net pension liability in fiscal year ended 2024. The amounts reported as deferred outflows of resources related to PSRS and FPRS pensions will be recognized in pension expense as follows:

Year ended June 30,	PSRS	FPRS
2024	\$ 786,566	\$ 2,459,422
2025	788,728	2,485,612
2026	543,460	1,759,960
2027	2,770,601	8,498,707
	<u>\$ 4,889,355</u>	<u>\$ 15,203,701</u>

Plan Financial Statements

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 and Exhibit N-1 and N-2.

	Portsmouth Supplemental Retirement System	Portsmouth Fire and Police Retirement System
Assets		
Cash equivalents	\$ 2,163,371	\$ 6,762,062
Investments		
Stocks	31,581,882	98,715,699
Real estate	1,608,975	5,029,184
Fixed income	11,906,416	37,215,962
Total investments	<u>45,097,273</u>	<u>140,960,845</u>
Total assets	<u>47,260,644</u>	<u>147,722,907</u>
Net position restricted for pension	<u>\$ 47,260,644</u>	<u>\$ 147,722,907</u>

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

Plan Financial Statements (continued)

	Portsmouth Supplemental Retirement System	Portsmouth Fire and Police Retirement System
Additions:		
Contributions		
Employers' contributions	\$ 1,602,512	\$ 6,253,165
Investment gain	4,538,679	14,125,480
Total additions	6,141,191	20,378,645
Deductions:		
Benefit payments	7,229,061	21,106,801
Administrative expenses	70,211	209,202
Total deductions	7,299,272	21,316,003
Change in net position	(1,158,081)	(937,358)
Net position restricted for pensions, beginning of year	48,418,725	148,660,265
Net position restricted for pensions, end of year	\$ 47,260,644	\$ 147,722,907

As of June 30, 2023, the net pension liability amounts for the FPRS and PSRS are as follows:

	PSRS	FPRS
Total Pension Liability	\$ 65,785,424	\$ 215,972,839
Less: Fiduciary Net Position	47,260,644	147,722,907
Net Pension Liability	\$ 18,524,780	\$ 68,249,932
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.84%	68.40%

(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.

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.

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

VRS PLAN 1 (continued)

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.

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.

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

VRS PLAN 1 (continued)

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.

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, Service Credit, Vesting, and Calculating the Benefit

Same as 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)

VRS PLAN 2 (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

*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.

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

VRS HYBRID RETIREMENT PLAN (continued)

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.

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.

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

VRS HYBRID RETIREMENT PLAN (continued)

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.

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, except Hybrid Retirement Plan members are ineligible for ported service.

Defined Contribution Component: Not applicable.

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

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2022 Annual Report. A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at varetire.org/pdf/publications/2022-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, 2021, actuarial valuation, the following City and School Board employees were covered by the benefit terms of the city's and School Board's VRS pension plans:

	City	School Board - Non- Professional
Inactive members or their beneficiaries currently receiving benefits	1,238	373
Inactive members:		
Vested inactive members	395	58
Non-vested Inactive members	730	171
LTD	1	-
Inactive members active elsewhere in VRS	831	87
Total inactive members	1,957	316
Active members	1,477	299
Total covered employees	4,672	988

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, 2023, was 13.52 percent of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. 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 \$10,463,248 and \$9,624,231 for the years ended June 30, 2023, and June 30, 2022, respectively.

The School Board (Non-Professional) VRS pension plan's contractually required contribution rate for the fiscal year ended June 30, 2023, was 10.75 percent of annual covered payroll. The actuarial rate for this plan was 11.75 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 \$833,154 and \$766,929 for the years ended June 30, 2023, and June 30, 2022, respectively.

The School Board Professional VRS plan's contractually required contribution rate for the fiscal year ended June 30, 2023, 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, 2021. 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 \$13,535,064 and \$13,558,488 for the years ended June 30, 2023, and June 30, 2022, respectively.

In June 2022, the Commonwealth made a special contribution of approximately \$442.4 million to the VRS Teacher Employee Plan. This special payment was authorized by a budget amendment included in Chapter 1 of the 2022 Appropriation Act, and is classified as a non-employer contribution.

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

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, 2022. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2021, rolled forward to the measurement date of June 30, 2022.

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, 2022, net pension liability amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

	<u>Teacher Employee Retirement Plan</u>
Total pension liability	\$ 54,732,329
Plan fiduciary net position	<u>45,221,731</u>
Employer's net pension liability	<u>\$ 9,520,598</u>
Plan fiduciary net position as a percentage of the total pension liability	82.61%

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, 2023, the School Board reported a liability of \$88,937,624 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was also determined by an actuarial valuation performed as of June 30, 2021, and rolled forward to the measurement date of June 30, 2022. 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, 2022, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2022, the School Board's proportion was 0.93416% as compared to 0.98770% at June 30, 2021.

Actuarial Assumptions - General Employees

The total pension liability for general employees in the city's VRS plan was based on an actuarial valuation as of June 30, 2021, 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, 2022.

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

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

Actuarial Assumptions - General Employees (continued)

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, 2021, 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.

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, 2021, 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, 2022.

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.

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

Actuarial Assumptions – Public Safety Employees with Hazardous Duty Benefits (continued)

Mortality Improvements:

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, 2021, 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, 2021, 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, 2022.

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

The actuarial assumptions used in the June 30, 2021, 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:

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

Actuarial Assumptions - Teachers (continued)

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:

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%	5.71%	1.94%
Fixed Income	15.00%	2.04%	0.31%
Credit Strategies	14.00%	4.78%	0.67%
Real Assets	14.00%	4.47%	0.63%
Private Equity	14.00%	9.73%	1.36%
MAPS	6.00%	3.73%	0.22%
PIP	3.00%	6.55%	0.20%
Total	100.00%		5.33%
	Inflation		2.50%
	* Expected arithmetic nominal return		7.83%

* The above allocation provides a one year return of 7.83%. 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 6.72%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11% including expected inflation of 2.50%

(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, 2022, the alternate rate was the employer contribution rate used in FY2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2021, actuarial valuations, whichever was greater. From July 1, 2022, 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, 2021	\$ 412,407,692	423,069,797	(10,662,105)
Change for the year:			
Service Cost	10,502,224	-	10,502,224
Interest	27,872,655	-	27,872,655
Differences between expected and actual experience	(5,494,049)	-	(5,494,049)
Contributions - employer	-	9,624,231	(9,624,231)
Contributions - employee	-	3,740,529	(3,740,529)
Net investment income	-	(436,565)	436,565
Benefit payments, including refunds of employee contributions	(19,963,379)	(19,963,379)	-
Administrative expenses	-	(262,909)	262,909
Other changes	-	9,300	(9,300)
Net changes	12,917,451	(7,288,793)	20,206,244
Balance at June 30, 2022	\$ 425,325,143	415,781,004	9,544,139

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

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

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at June 30, 2021	\$ 42,369,023	38,128,204	4,240,819
Change for the year:			
Service cost	603,768	-	603,768
Interest	2,807,161	-	2,807,161
Differences between expected and actual experience	(575,577)	-	(575,577)
Changes in assumptions	-	-	-
Contributions – employer	-	764,944	(764,944)
Contributions - employee	-	319,984	(319,984)
Net investment income	-	(18,013)	18,013
Benefit payments, including refunds of employee contributions	(2,770,447)	(2,770,447)	-
Administrative expenses	-	(24,166)	24,166
Other changes	-	855	(855)
Net changes	64,905	(1,726,793)	1,791,698
Balance at June 30, 2022	\$ 42,433,928	36,401,411	6,032,517

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	\$ 65,221,647	\$ 9,544,139	\$ (36,184,973)
School Board Professional VRS Plan	\$ 158,949,406	\$ 88,937,624	\$ 32,014,061
School Board Non-Professional VRS Plan	\$ 10,685,837	\$ 6,032,517	\$ 2,158,104

(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, 2023, the City recognized pension expense of \$2,085,843.

For the year ended June 30, 2023, the School Board recognized for its Professional VRS plan pension expense of \$2,330,039. 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. Beginning with the June 30, 2022, measurement date, the difference between expected and actual contributions is included with the pension expense calculation.

The School Board recognized for its Non-Professional VRS plan pension expense of \$122,336.

At June 30, 2023, 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	\$ -	\$ 5,835,553	\$ -	\$ 6,132,601	\$ -	\$ 375,344
Change in assumptions	5,352,501	-	8,385,026	-	152,196	-
Net difference between projected and actual earnings on pension plan investments	-	11,956,625	-	11,595,604	2,662,853	3,805,645
Changes in proportion	-	-	438,386	5,992,475	-	-
Employer contributions subsequent to the measurement date	10,463,248	-	13,535,064	-	833,154	-
Total	\$ 15,815,749	\$ 17,792,178	\$ 22,358,476	\$ 23,720,680	\$ 3,648,203	\$ 4,180,989

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

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

Deferred outflows of resources for contributions subsequent to measurement date will be recognized in pension expense in fiscal year 2024. 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
2024	\$ (3,424,178)	(4,612,528)	(620,885)
2025	(6,654,118)	(5,482,228)	(490,107)
2026	(8,113,882)	(8,876,409)	(761,748)
2027	5,752,501	4,073,897	506,800
2028	-	-	-
	<u>\$ (12,439,677)</u>	<u>(14,897,268)</u>	<u>(1,365,940)</u>

Payables to the Pension Plan

At June 30, 2023, the City and the School Board reported a liability of \$0 for legally required contributions to the pension plan.

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

Primary Government	Local - PSRS	Local - FPRS	VRS	Total
Governmental activities				
Deferred outflows	\$ 5,193,494	\$ 21,456,866	\$ 14,550,490	\$ 41,200,850
Net pension liability	15,687,916	73,162,888	8,780,608	97,631,412
Deferred inflows	-	-	16,368,803	16,368,803
Pension expense	1,646,708	7,768,476	1,918,976	11,334,160
Business-type activities				
Deferred outflows	1,298,373	-	1,265,259	2,563,632
Net pension liability	3,921,979	-	763,531	4,685,510
Deferred inflows	-	-	1,423,375	1,423,375
Pension expense	411,677	-	166,867	578,544
Total Primary Government				
Deferred outflows	6,491,867	21,456,866	15,815,749	43,764,482
Net pension liability	19,609,895	73,162,888	9,544,139	102,316,922
Deferred inflows	-	-	17,792,178	17,792,178
Pension expense	2,058,395	7,768,476	2,085,843	11,912,704
		VRS		Total
Discretely presented component unit - School Board		Prof	Non-Prof	
Deferred outflows		\$ 22,358,476	\$ 3,648,203	\$ 26,006,679
Net pension liability		88,937,624	6,032,517	94,970,141
Deferred inflows		23,720,680	4,180,989	27,901,669
Pension expense		2,330,039	122,336	2,452,375

(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:

	City	School Board
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 2023, the City contributed \$2,755,357 to the program, all for current premiums, and there was no additional prefunding contribution. Retired employees receiving benefits contributed \$1,771,195 through required monthly contributions that vary from \$1,243.94 to \$4,906.66 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, 2023, 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, 2023, the annual money-weighted rate of return on city OPEB plan investments, net of OPEB plan investment expense, was 7.71%. 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 at June 30, 2023, were as follows:

	City	School Board
Total OPEB Liability	\$ 15,118,416	\$ 7,408,354
Fiduciary Net Position	(8,550,721)	(17,099,869)
Net OPEB Liability	\$ 6,567,695	\$ (9,691,515)
Fiduciary Net Position as a % of Total OPEB Liability	56.56%	230.82%

Changes in Net OPEB Liability of the City:

City	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance as of June 30, 2022	\$ 14,473,213	\$ 6,509,175	\$ 7,964,038
Service cost	418,392	-	418,392
Interest on total OPEB liability	927,797	-	927,797
Effect of assumptions changes or inputs	554,371	-	554,371
Benefits payments	(1,255,357)	(1,255,357)	-
Administrative expenses	-	(7,315)	7,315
Employer contributions	-	2,755,357	(2,755,357)
Net investment income	-	548,861	(548,861)
Balance as of June 30, 2023	\$ 15,118,416	\$ 8,550,721	\$ 6,567,695

(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, 2022	\$ 7,050,068	\$ 15,966,980	\$ (8,916,912)
Changes during the year:			
Service cost	166,541	-	166,541
Interest	683,397	-	683,397
Experience (gains/losses)	(132,654)	-	(132,654)
Change in actuarial assumptions	(16,450)	-	(16,450)
Contributions/benefits paid from general operating funds		282,548	(282,548)
Net investment income	-	1,209,718	(1,209,718)
Benefit payments, including refunds of employer contributions	(342,548)	(342,548)	-
Administrative expenses	-	(16,829)	16,829
Balance at June 30, 2023	\$ 7,408,354	\$ 17,099,869	\$ (9,691,515)

Actuarial Assumptions

The net OPEB asset for the City was measured as of June 30, 2023, 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, 2023, and is based on a valuation performed as of that date. The following actuarial assumptions were included in the measurements:

	<u>City</u>	<u>School Board</u>
Inflation	2.50%	2.75%
Salary increase	3.00%	5.00% (for purposes of allocating liability)
Investment rate of return	6.50%	9.74% (including inflation)
20-year Aa Municipal bond rate	n/a	4.13%

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 - School Board:

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	20.00%	2.27%	2.13%
Large Cap US equities	21.00%	5.64%	4.09%
Small Cap US equities	10.00%	7.25%	4.67%
Developed foreign equities	13.00%	6.90%	5.15%
Emerging market equities	5.00%	9.58%	6.20%
Private real estate property	15.00%	4.86%	3.70%
Private equity	10.00%	10.74%	6.54%
Hedge FOF Strategic	6.00%	4.42%	3.48%
Assumed inflation - mean		2.33%	2.33%
Portfolio real mean return		5.81%	4.90%
Portfolio nominal mean return		8.14%	7.34%
Portfolio standard deviation			13.07%
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. For the year ended June 30, 2023, the annual money-weighted rate of return on OPEB plan investments, net of OPEB plan investment expense, was 9.70%.

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 9.74%. 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:

	1% Decrease (5.50%)	Discount Rate (6.50%)	1% Increase (7.50%)
Net OPEB liability	\$ 7,776,824	\$ 6,567,695	\$ 5,480,600

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 (8.74%)	Discount Rate (9.74%)	1% Increase (10.74%)
Net OPEB Asset	\$ (9,261,788)	\$ (9,691,515)	\$ (10,083,945)

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.

	1% Decrease	Current Trend Rate	1% Increase
Net OPEB liability	\$ 5,114,846	\$ 6,567,695	\$ 8,262,619

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	\$ (10,139,221)	\$ (9,691,515)	\$ (9,189,332)

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

At June 30, 2023, the City reported a liability of \$6,567,695. The net OPEB liability was measured as of June 30, 2023, 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, 2023, the City recognized OPEB expense/(recovery) of (\$567,801). At June 30, 2023, 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	\$ 1,607,793	\$ 96,997
Net difference between projected and actual investment earnings	204,703	-
Differences between expected and actual experience	-	5,856,611
Total	\$ 1,812,496	\$ 5,953,608

(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:

Year ended June 30:		
2024	\$	(851,329)
2025		(880,304)
2026		(672,365)
2027		(894,691)
2028		(470,817)
Thereafter		(371,606)
Total	\$	<u>(4,141,112)</u>

Portsmouth City Public School Board

At June 30, 2023, the Portsmouth City Public School Board reported an asset of \$(9,691,515). The net OPEB asset was measured as of June 30, 2023, 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, 2023, the Portsmouth City Public School Board recognized OPEB expense of \$802,155. At June 30, 2023, the School Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 427,177	\$ 6,253,127
Changes in assumptions	2,165,600	4,736,829
Investment earnings (gains/losses)	1,235,709	-
Total	\$ 3,828,486	\$ 10,989,956

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

Year Ended June 30:		
2024	\$	(1,060,258)
2025		(1,219,496)
2026		(649,582)
2027		(1,298,923)
2028		(1,183,779)
Thereafter		(1,749,432)
Total	\$	<u>(7,161,470)</u>

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

Significant Changes

City

Given the significant recent increase in inflation, we have updated the medical trend assumptions that were used in the most recent valuation.

Portsmouth City Public School Board

In the June 30, 2023, actuarial valuation, the discount rate was increased from 9.70% to 9.74% based on mortality improvement updated from MP-2021. 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%. The 20-year Aa Municipal Bond rate increased from 4.09% to 4.13%. 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.

Plan Financial Statements

Below is the City's OPEB plan financial statements as of and for the year ended June 30, 2023.

	<u>OPEB Trust Fund</u>	
Assets		
Investments		
Stocks	\$ 4,189,854	
Bonds	1,710,144	
Real estate	1,282,608	
Other	1,368,115	
Total investments	<u>8,550,721</u>	
Total assets	<u>8,550,721</u>	
Net position restricted for OPEB	<u>\$ 8,550,721</u>	
		<u>OPEB Trust Fund</u>
Additions:		
Contributions:		
Employers' contributions	\$ 2,755,357	
Investment income:		
Gains	548,861	
Total additions	<u>3,304,218</u>	
Deductions:		
Benefit payments	1,255,357	
Administrative expenses	7,315	
Total deductions	<u>1,262,672</u>	
Change in net position	2,041,546	
Net position restricted for OPEB, beginning of year	<u>6,509,175</u>	
Net position restricted for OPEB, end of year	<u>\$ 8,550,721</u>	

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

VRS Group Life Insurance

The VRS GLIP is a multiple employer, cost-sharing plan. It provides coverage to state employees, teachers, and employees of participating political subdivisions. The GLIP was established pursuant to §51.1-500 et seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended. The GLIP is a defined benefit plan that provides a basic group life insurance benefit for employees of participating employers. For purposes of measuring the net GLIP OPEB liability, deferred outflows of resources and deferred inflows of resources related to the GLIP OPEB, and GLIP OPEB expense, information about the fiduciary net position of the VRS GLIP OPEB and the additions to/deductions from the VRS GLIP OPEB's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the Group Life Insurance Program

Plan Description

All full-time, salaried permanent employees of the state agencies, teachers and employees of participating political subdivisions are automatically covered by the VRS GLIP upon employment. This plan is administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

In addition to the Basic Group Life Insurance benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional Group Life Insurance Program. For members who elect the optional group life insurance coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured program, it is not included as part of the Group Life Insurance Program OPEB.

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

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

GLIP PLAN PROVISIONS
<p><u>Eligible Employees</u></p> <p>The GLIP was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement:</p> <ul style="list-style-type: none"> • City of Richmond • City of Portsmouth • City of Roanoke • City of Norfolk • Roanoke City Schools Board <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><u>Benefit Amounts</u></p> <p>The benefits payable under the GLIP have several components.</p> <ul style="list-style-type: none"> • Natural Death Benefit - The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. • Accidental Death Benefit - The accident death benefit is double the natural death benefit • Other Benefit Provisions - In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include: <ul style="list-style-type: none"> o Accidental dismemberment benefit o Safety belt benefit o Repatriation benefit o Felonious assault benefit o Accelerated death benefit option
<p><u>Reduction in benefit Amounts</u></p> <p>The benefit amounts provided to members covered under the GLIP are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.</p>
<p><u>Minimum Benefit Amount and Cost of Living Adjustment (COLA)</u></p> <p>For covered members with at least 30 years of service credit, there is a minimum benefit payable under the GLIP. The minimum benefit was set at \$8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment and was increased to \$8,984 effective June 30, 2023.</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, 2023, was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. 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 \$442,425 and \$420,489 for the years ended June 30, 2023, and June 30, 2022, respectively. Portsmouth City Public School Board contributions were \$37,690 and \$39,465 for the years ended June 30, 2023, and June 30, 2022, respectively, for nonprofessional employees and \$468,624 and \$469,589 for the years ended June 30, 2023, and June 30, 2022, 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, 2023, the City reported a liability of \$4,310,304 for its proportionate share of the Net GLIP OPEB Liability. The Net GLIP OPEB Liability was measured as of June 30, 2022, 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, 2021, and rolled forward to the measurement date of June 30, 2022. 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, 2022, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2022, the City's proportion was 0.35292% as compared to 0.35703% at June 30, 2021. For insurance only employees, the City's proportion was 0.00505% as compared to 0.00733% at June 30, 2021. For the year ended June 30, 2023, the City recognized GLI OPEB expense/(recovery) of \$51,673. 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, 2023, the Portsmouth City Public School Board reported a liability of \$404,576 for its proportionate share of the Net GLIP OPEB Liability for nonprofessional employees. At June 30, 2023, the Portsmouth City Public School Board reported a liability of \$4,813,616 for its proportionate share of the Net GLIP OPEB Liability for professional employees. The Net GLIP OPEB Liability was measured as of June 30, 2022, 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, 2021, and rolled forward to the measurement date of June 30, 2022. 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, 2022, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2022, the School Board's proportion was 0.03360% as compared to 0.03600% at June 30, 2021, for nonprofessional employees. At June 30, 2022, the School Board's proportion was 0.39977% as compared to 0.42339% at June 30, 2021 for professional employees. For the year ended June 30, 2023, the Portsmouth City Public School Board recognized GLIP OPEB expense of (\$12,673) for nonprofessional employees. For the year ended June 30, 2023, the Portsmouth City Public School Board recognized GLIP OPEB expense of \$42,588 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.

In June 2022, the Commonwealth made a special contribution of approximately \$30.4 million to the Group Life Insurance plan. This special payment was authorized by a Budget Amendment included in Chapter 1 of the 2022 Appropriation Act.

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

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

At June 30, 2023, 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	\$ 341,322	\$ 172,919	\$ 381,178	\$ 193,111	\$ 32,037	\$ 16,231
Net difference between projected and actual earnings on GLI OPEB program investments	-	269,331	-	300,780	-	25,280
Changes in assumptions	160,768	419,841	179,540	468,866	15,090	39,407
Changes in proportion	63,258	228,512	56,807	386,668	-	73,953
Employer contributions subsequent to the measurement date	442,425	-	468,624	-	42,401	-
Total	\$ 1,007,773	\$ 1,090,603	\$ 1,086,149	\$ 1,349,425	\$ 89,528	\$ 154,871

City - \$442,425 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, 2024.

Portsmouth City Public School Board - \$468,624 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, 2024, for professional employees. \$42,401 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, 2024, 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
2024	\$ (136,562)	\$ (173,383)	\$ (30,459)
2025	(111,195)	(148,950)	(25,912)
2026	(249,443)	(307,176)	(35,462)
2027	18,949	(11,716)	(7,329)
2028	(47,004)	(90,675)	(8,582)
Thereafter	-	-	-
	\$ (525,255)	\$ (731,900)	\$ (107,744)

(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, 2021, 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, 2022.

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	4.0 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, 2021, 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, 2021, 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, 2021, 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, 2021, 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, 2021, valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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, 2021, 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, 2021, 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, 2021, 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, 2021, 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, 2022, NOL amounts for the GLIP is as follows (amounts expressed in thousands):

Total GLI OPEB Liability	\$ 3,672,085
Plan Fiduciary Net Position	2,467,989
Employers' Net GLI OPEB Liability (Asset)	<u>\$ 1,204,096</u>

Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	67.21%
---	--------

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.

Long-Term Expected Rate of Return

See Note 7 for detailed information. The long-term expected rate of return for the GLIP is the same as that of the VRS pension plan.

Discount Rate

See Note 7 for detailed information. The long-term expected rate of return for the GLIP is the same as that of the VRS pension plan.

(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 5.75%	Current Discount Rate 6.75%	1.00% Increase 7.75%
City's proportionate share of the GLIP OPEB liability	\$ 6,271,997	\$ 4,310,304	\$ 2,724,987
School Board's proportionate share of the GLIP OPEB liability - Professional	\$ 7,004,375	\$ 4,813,616	\$ 3,043,183
School Board's proportionate share of the GLIP OPEB liability - Nonprofessional	\$ 588,706	\$ 404,576	\$ 255,774

GLIP Fiduciary Net Position

Detailed information about the GLIP's Fiduciary Net Position is available in the separately issued VRS 2022 *Annual Comprehensive Financial Report* (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at varetire.org/pdf/publications/2022-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) (CONTINUED)

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 Description

All full-time, salaried general employees; including local law enforcement officers, firefighters, or emergency medical technicians of political subdivisions who do not provide enhanced hazardous duty benefits; who are in the VRS Hybrid Retirement Plan benefit structure and whose employer has not elected to opt out of the VRS-sponsored program are automatically covered by the VRS Political Subdivision Employee VLDP. All full-time, salaried permanent (professional) employees of public school divisions who are in the VRS Hybrid Retirement Plan benefit structure and whose employer has not elected to opt out of the VRS-sponsored program are automatically covered by the VRS Teacher Employee VLDP. These plans are administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for eligible public employer groups in the Commonwealth of Virginia. Political subdivisions and School divisions are required by Title 51.1 of the *Code of Virginia*, as amended to provide short-term and long-term disability benefits for their Hybrid employees either through a local plan or through the VLDP.

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

VLDP PLAN PROVISIONS
<p><u>Eligible Employees</u></p> <p>The Political Subdivision and Teacher Employee VLDPs were implemented January 1, 2014, to provide short-term and long-term disability benefits for non-work-related and work-related disabilities for employees with Hybrid retirement benefits. 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"> • 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. • Teachers - Teachers and other full-time permanent (professional) salaried employees of public school division covered under VRS.
<p><u>Benefit Amounts</u></p> <p>The Political Subdivision and Teacher Employee VLDPs provides the following benefits for eligible employees:</p> <p><i>Short Term Disability:</i></p> <ul style="list-style-type: none"> • The program provides a short term disability benefit beginning after a seven calendar day waiting period from the first day of disability. Employees become eligible for non work related short-term disability coverage after one year of continuous participation in VLDP with their current employer. • During the first five years of continuous participation in VLDP with their current employer, employees are eligible for 60% of their pre-disability income if they go out on non work related or work related disability. • Once the eligibility period is satisfied, employees are eligible for higher income replacement levels. <p><i>Long- Term Disability:</i></p> <ul style="list-style-type: none"> • The VLDP program provides a long term disability benefit beginning after 125 work days of short-term disability. Members are eligible if they are unable to work at all or are working fewer than 20 hours per week. • Members approved for long term disability will receive 60% of their pre-disability income. If approved for work related long term disability, the VLDP benefit will be offset by the workers' compensation benefit. Members will not receive a VLDP benefit if their workers' compensation benefit is greater than the VLDP benefit.

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

VLDP PLAN PROVISIONS (Continued)	
Virginia Local Disability Program Notes:	
<ul style="list-style-type: none"> • Members approved for short term or long term disability at age 60 or older will be eligible for a benefit, provided they remain medically eligible. • VLDP Long Term Care Plan is a self funded program that assists with the cost of covered long term care services. 	

Contributions

City and Portsmouth City Public Schools (Nonprofessional) - The contribution requirement for active Hybrid employees is governed by §51.1-1178(C) of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to political subdivisions by the Virginia General Assembly. Each political subdivision's contractually required employer contribution rate for the year ended June 30, 2023, was 0.85% 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, 2021. 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 \$218,729 and \$188,200 for the years ended June 30, 2023, and June 30, 2022, respectively. Contributions from the School Board were \$37,273 and \$30,544 for the years ended June 30, 2023, and June 30, 2022, 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, 2023, 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, 2021. 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 \$158,472 and \$144,190 for the years ended June 30, 2023 and 2022, respectively.

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

At June 30, 2023, the City and School Board (Nonprofessional) reported assets of \$28,456 and \$4,618, respectively, for their proportionate share of the VRS Political Subdivision Employee VLDP Net OPEB Asset. The Net VRS Political Subdivision Employee VLDP OPEB Asset was measured as of June 30, 2022, and the total VRS Political Subdivision Employee VLDP OPEB liability used to calculate the Net VRS Political Subdivision Employee VLDP OPEB Asset was determined by an actuarial valuation as of June 30, 2021, and rolled forward to the measurement date of June 30, 2022. The City's and School Board's proportions of the Net VRS Political Subdivision Employee VLDP OPEB Asset were based on the City's and School Board's actuarially determined employer contributions to the VRS Political Subdivision Employee VLDP OPEB plan for the year ended June 30, 2022, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2022, the City's proportion of the VRS Political Subdivision Employee VLDP was 4.83996% as compared to 4.83886% at June 30, 2021. At June 30, 2022, the School Board's proportion of the VRS Political Subdivision Employee VLDP was 0.78550% as compared to 0.82328% at June 30, 2021.

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

VLDP OPEB Liabilities/Assets, VLDP OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to VLDP OPEB (continued)

For the year ended June 30, 2023, the City and School Board (Nonprofessional) recognized VRS Political Subdivision Employee VLDP OPEB expense of \$156,455 and \$25,075, 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, 2023, the Portsmouth City Public School Board (Professional) reported an asset of \$4,286 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, 2022, 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, 2021, and rolled forward to the measurement date of June 30, 2022. 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, 2022, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2022, the Portsmouth City Public School Board's proportion of VLDP was 3.81170% as compared to 4.37362% at June 30, 2021.

For the year ended June 30, 2023, the Portsmouth City Public School Board (Professional) recognized VRS Teacher Employee VLDP OPEB expense of \$109,477. 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, 2023, the City 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	\$ 1,090	\$ 10,209	\$ 12,784	\$ -	\$ 177	\$ 1,657
Differences between expected and actual experience	40,009	60,891	50,544	13,003	6,493	9,882
Net difference between projected and actual investment earnings on plan investments	-	124	-	1,192	-	20
Changes in proportionate share	3,162	21	2,497	954	96	1,069
Employer contributions subsequent to the measurement date	218,729	-	158,472	-	37,273	-
Total	\$ 262,990	\$ 71,245	\$ 224,297	\$ 15,149	\$ 44,039	\$ 12,628

City and Portsmouth City Public School Board (Nonprofessional): \$218,729 and \$37,273, 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 (increase) of the Net Political Subdivision Employee VLDP OPEB Liability (Asset) in the Fiscal Year ending June 30, 2024.

Portsmouth City Public School Board (Professional): \$158,472 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, 2024.

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

VLDP OPEB Liabilities/Assets, VLDP OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to VLDP OPEB (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
2024	\$ (1,236)	\$ 3,530	\$ (517)
2025	(1,650)	3,566	(591)
2026	(12,423)	2,745	(2,386)
2027	1,699	8,687	110
2028	(1,903)	4,930	(439)
Thereafter	(11,471)	27,217	(2,039)
	<u>\$ (26,984)</u>	<u>\$ 50,675</u>	<u>\$ (5,862)</u>

Actuarial Assumptions

The actuarial assumptions for the VLDP are the same as those used for the GLIP.

Net VLDP OPEB Liabilities

The net OPEB liabilities (NOL) for the Political Subdivision Employee and Teacher Virginia Local Disability Program represents the program's total OPEB liability determined in accordance with GAAP, less the associated fiduciary net position. As of June 30, 2022, NOL amounts for the City's and School Board's Virginia Local Disability Program are as follows (amounts expressed in thousands):

	Political Subdivision Employee VLDP OPEB Plan	Teacher Employer VLDP OPEB Plan
Total Employee VLDP OPEB Liability	\$ 7,360	\$ 7,207
Plan Fiduciary Net Position	7,948	7,320
Employee Net VLDP OPEB Liability (Asset)	<u>\$ (588)</u>	<u>\$ (113)</u>
Plan Fiduciary Net Position as a Percentage of the Total Employee VLDP OPEB Liability	107.99%	101.57%

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

See Note 7 for detailed information. The long-term expected rate of return for the VLDP is the same as that of the VRS pension plan.

Discount Rate

See Note 7 for detailed information. The long-term expected rate of return for the VLDP is the same as that of the VRS pension plan.

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

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

The following presents the proportionate share of the net VLDP OPEB liabilities/(assets) using the discount rate of 6.75%, as well as what the proportionate share of the net VLDP OPEB liabilities/(assets) 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:

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
City's proportionate share of net VLDP OPEB Liability (Asset)	\$ 3,016	\$ (28,456)	\$ (55,783)
School Board's proportionate share of net VLDP OPEB liability (Asset) - professional	\$ 31,049	\$ (4,286)	\$ (34,846)
School Board's proportionate share of net VLDP OPEB liability (Asset) - non-professional	\$ 489	\$ (4,618)	\$ (9,053)

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 2022 *Annual Comprehensive Financial Report* (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at varetire.org/pdf/publications/2022-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) (CONTINUED)

VRS Line of Duty Act Program

The VRS Line of Duty Act Program (LODA) is a multiple-employer, cost-sharing plan. The LODA was established pursuant to §9.1-400 et seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended. The LODA provides death and health insurance benefits to eligible state employees and local government employees, including volunteers, who die or become disabled as a result of the performance of their duties as a public safety officer. In addition, health insurance benefits are provided to eligible survivors and family members. For purposes of measuring the net LODA OPEB liability, deferred outflows of resources and deferred inflows of resources related to the LODA OPEB, and LODA OPEB expense, information about the fiduciary net position of the VRS LODA OPEB Plan and the additions to/deductions from the VRS LODA OPEB Plan's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Plan Description

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

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

LODA PLAN PROVISIONS	
<u>Eligible Employees</u>	
The eligible employees of the LODA are paid employees and volunteers in hazardous duty positions in Virginia localities and hazardous duty employees who are covered under the VRS, the SPORS, or the VaLORS.	
<u>Benefit Amounts</u>	
The LODA provides death and health insurance benefits for eligible individuals:	
<ul style="list-style-type: none"> • <u>Death</u> – The LODA death benefit is a one-time payment made to the beneficiary or beneficiaries of a covered individual. Amounts vary as follows: <ul style="list-style-type: none"> ○ \$100,000 when a death occurs as the direct or proximate result of performing duty as of January 1, 2006, or after. ○ \$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. ○ An additional \$20,000 benefit is payable when certain members of the National Guard and U.S. military reserves are killed in action in any armed conflict on or after October 7, 2001. • <u>Health Insurance</u> – The LODA provides health insurance benefits. <ul style="list-style-type: none"> ○ 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. 	

(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, 2023, was \$681.84 per covered full-time-equivalent employee. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021, 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 \$370,239 and \$412,757 for the years ended June 30, 2023, and June 30, 2022, 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, 2023, the City reported a liability of \$11,342,157 for its proportionate share of the Net LODA OPEB Liability. The Net LODA OPEB Liability was measured as of June 30, 2022, and the total LODA OPEB liability used to calculate the Net LODA OPEB Liability was determined by an actuarial valuation as of June 30, 2021, and rolled forward to the measurement date of June 30, 2022. 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, 2022, relative to the total of the actuarially determined pay-as-you-go employer contributions for all participating employers. At June 30, 2022, the City's proportion was 2.99696% as compared to 2.93069% at June 30, 2021.

For the year ended June 30, 2023, the entity recognized LODA OPEB expense of \$1,324,041. 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, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to the LODA OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on LODA OPEB plan investments	\$ -	\$ 48,504
Differences between expected and actual experience	871,386	2,119,825
Change in assumptions	3,163,013	2,797,504
Changes in proportion	540,698	1,637,416
Employer contribution subsequent to the measurement date	370,239	-
Total	<u>\$ 4,945,336</u>	<u>\$ 6,603,249</u>

\$370,239 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, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the LODA OPEB will be recognized in LODA OPEB expense in future reporting periods as follows:

Year Ended June 30,	
2024	\$ (201,312)
2025	(200,276)
2026	(199,174)
2027	(158,203)
2028	(199,908)
Thereafter	<u>(1,069,281)</u>
	<u>\$ (2,028,154)</u>

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

Actuarial Assumptions

The actuarial assumptions for the LODA OPEB are the same as those used for the GLIP.

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, 2022, NOL amounts for the LODA is as follows (amounts expressed in thousands):

	Line of Duty Act Program
Total LODA OPEB Liability	\$ 385,669
Plan Fiduciary Net Position	7,214
Employers' Net OPEB Liability	<u>\$ 378,455</u>
Plan Fiduciary Net Position as a Percentage of the Total LODA OPEB Liability	1.87%

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

Long-Term Expected Rate of Return

The long-term expected rate of return on LODA OPEB Program's investments was set at 3.69% for this valuation. Since LODA is funded on a current-disbursement basis, it is not able to use the VRS Pooled Investments 6.75% assumption. Instead, the assumed annual rate of return of 3.69% 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, 2022.

Discount Rate

The discount rate used to measure the total LODA OPEB liability was 3.69%. 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, 2022, the rate contributed by participating employers to the LODA OPEB Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly.

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

The following presents the covered employer's proportionate share of the net LODA OPEB liability using the discount rate of 3.69%, as well as what the covered employer's proportionate share of the net LODA OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.69%) or one percentage point higher (4.69%) than the current rate:

	1.00% Decreases (2.69%)	Current Discount Rate (3.69%)	1.00% Increase (4.69%)
Citys proportionate share of the total LODA Net OPEB Liability	\$ 12,946,967	\$ 11,342,157	\$ 10,029,237

(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:

	1.00% Decrease (6.00% decreasing to 3.75%)	Health Care Trend Rates (7.00% decreasing to 4.75%)	1.00% Increase (8.00% decreasing to 5.75%)
City's proportionate share of the total LODA Net OPEB Liability \$	9,558,235 \$	11,342,157 \$	13,581,257

LODA OPEB Plan Fiduciary Net Position

Detailed information about the LODA Fiduciary Net Position is available in the separately issued VRS 2022 *Annual Comprehensive Financial Report* (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at varetire.org/pdf/publications/2022-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) (CONTINUED)

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.

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, 2023, 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, 2021. 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 \$1,045,125 and \$1,046,555 for the years ended June 30, 2023, and June 30, 2022, respectively.

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

Contributions (continued)

In June 2022, the Commonwealth made a special contribution of approximately \$12 million to the VRS Teacher Health Insurance Credit Program. This special payment was authorized by a budget amendment included in Chapter 1 of the 2022 Appropriation Act, and is classified as a non-employer contribution.

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

At June 30, 2023, the Portsmouth City Public School Division reported a liability of \$11,591,277 for its proportionate share of the net THICP OPEB Liability. The net THICP OPEB Liability was measured as of June 30, 2022, 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, 2021, and rolled forward to the measurement date of June 30, 2022. 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, 2022, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2022, the Portsmouth City Public School Board's proportion of THICP was 0.92801% as compared to 0.98372% at June 30, 2021.

For the year ended June 30, 2023, 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, 2023, 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	\$ -	\$ 11,634
Difference between expected and actual experience	-	472,479
Change in assumptions	338,640	29,600
Changes in proportion	72,506	912,507
Employer contributions subsequent to the measurement date	1,045,125	-
Total	\$ 1,456,271	\$ 1,426,220

\$1,045,125 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, 2024. 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:	
2024	\$ (241,260)
2025	(209,461)
2026	(163,435)
2027	(116,352)
2028	(129,285)
Thereafter	(155,281)
	\$ (1,015,074)

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

Actuarial Assumptions

The actuarial assumptions for the THICP are the same as those used for the GLIP.

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, 2022, the amounts for the THICP is as follows (amounts expressed in thousands):

Total Teacher Employer THICP OPEB liability	\$	1,470,891
Plan fiduciary net position		221,845
Teacher employee Net THICP OPEB Liability	\$	1,249,046
Plan fiduciary net position as a percentage of the Total Teacher THICP OPEB liability		15.08%

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

Long-Term Expected Rate of Return

See Note 7 for detailed information. The long-term expected rate of return for the THICP is the same as that of the VRS pension plan.

Discount Rate

See Note 7 for detailed information. The long-term expected rate of return for the THICP is the same as that of the VRS pension plan.

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	\$ 13,063,502	\$ 11,591,277	\$ 10,343,309

THICP OPEB Plan Fiduciary Net Position

Detailed information about the THICP Fiduciary Net Position is available in the separately issued VRS 2022 *Annual Comprehensive Financial Report* (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at varetire.org/pdf/publications/2022-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) (CONTINUED)

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.

Employees Covered by Benefit Terms

As of the June 30, 2021, 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>

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

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, 2023, was 1.11% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. 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 \$86,027 and \$64,233 for the years ended June 30, 2023 and June 30, 2022, respectively.

Net PSHICP OPEB Liability

The Portsmouth City Public School Division's net PSHICP OPEB Liability was measured as of June 30, 2022. The total THICP OPEB liability was determined by an actuarial valuation performed as of June 30, 2021, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022.

Actuarial Assumptions

The actuarial assumptions for the PSHICP are the same as those used for the GLIP.

Long-Term Expected Rate of Return

See Note 7 for detailed information. The long-term expected rate of return for the THICP is the same as that of the VRS pension plan.

Discount Rate

See Note 7 for detailed information. The long-term expected rate of return for the THICP is the same as that of the VRS pension plan.

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, 2021	\$ 991,397	71,829	919,568
Change for the year:			
Service cost	10,735	-	10,735
Interest	66,746	-	66,746
Difference between expected and actual experience	(55,220)	-	(55,220)
Changes of assumptions	48,868	-	48,868
Benefit payments	(26,616)	(26,616)	-
Contributions - employer	-	64,216	(64,216)
Net investment income	-	(1,000)	1,000
Administrative expenses	-	(209)	209
Other	-	180	(180)
Net changes	44,513	36,571	7,942
Balance at June 30, 2022	\$ 1,035,910	108,400	927,510

(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	\$ 1,019,357	\$ 927,510	\$ 848,411

Health Insurance Credit Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Health Insurance Credit Program OPEB

For the year ended June 30, 2023, the Portsmouth City Public School Board recognized PSHICP OPEB expense of \$74,815. At June 30, 2023, 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	\$ -	\$ 42,135
Change in assumptions	48,739	-
Investment experience	1,866	-
Employer contributions subsequent to the measurement date	86,027	-
Total	\$ 136,632	\$ 42,135

\$86,027 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, 2024.

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:	
2024	\$ 3,421
2025	3,421
2026	556
2027	1,092
2028	-
Thereafter	-
Total	\$ 8,490

PSHICP OPEB Plan Fiduciary Net Position

Information about the PSHICP Fiduciary Net Position is available in the separately issued VRS 2022 *Annual Comprehensive Financial Report*. A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at varetire.org/pdf/publications/2022-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) (CONTINUED)

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	\$ -	\$ -	\$ 25,895	\$ -	\$ 25,895
Deferred outflows	1,649,371	917,073	239,321	4,945,336	7,751,101
Net OPEB liability	5,976,602	3,922,377	-	11,342,157	21,241,136
Deferred inflows	5,417,782	992,449	64,833	6,603,249	13,078,313
OPEB expense (recovery)	(3,024,074)	(52,132)	142,373	1,324,040	(1,609,793)
Business-type activities:					
Net OPEB asset	\$ -	\$ -	\$ 2,561	\$ -	\$ 2,561
Deferred outflows	163,125	90,700	23,669	-	277,494
Net OPEB liability	591,093	387,927	-	-	979,020
Deferred inflows	535,826	98,154	6,412	-	640,392
OPEB expense (recovery)	(299,084)	(5,156)	14,081	-	(290,159)
Total Primary Government:					
Net OPEB asset	\$ -	\$ -	\$ 28,456	\$ -	\$ 28,456
Deferred outflows	1,812,496	1,007,773	262,990	4,945,336	8,028,595
Net OPEB liability	6,567,695	4,310,304	-	11,342,157	20,220,156
Deferred inflows	5,953,608	1,090,603	71,245	6,603,249	13,718,705
OPEB expense (recovery)	(3,323,158)	(57,288)	156,454	1,324,040	(1,899,952)

Discretely presented component unit – School Board

	HIC (VRS)			GLI (VRS)		VLDP (VRS)		
	Local	Prof	Non-Prof	Prof	Non-Prof	Prof	Non-Prof	Total
Net OPEB asset	\$ 9,691,515	-	-	-	-	4,286	4,618	\$ 9,700,419
Deferred outflows	\$ 3,828,486	1,456,271	136,652	1,086,149	89,528	224,297	44,039	\$ 6,865,422
Net OPEB liability	\$ -	11,591,277	927,510	4,813,616	404,576	-	-	\$ 17,736,979
Deferred inflows	\$ 10,989,956	1,426,220	42,135	1,349,425	154,871	15,149	12,628	\$ 13,990,384
OPEB expense	\$(1,813,001)	720,468	74,815	42,588	(12,673)	109,477	25,075	\$ (853,251)

(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, 2023, are as follows:

	Due To:
	General Fund
Due From:	
Nonmajor Governmental Funds	\$ 796,000
Nonmajor Enterprise Funds	6,739,665
Internal Service Funds	5,657,000
Fiduciary Funds - Custodial Fund	271,000
Total	<u>\$ 13,463,665</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, 2023, were as follows:

Transfers to:	General Fund	Nonmajor Governmental Funds	Nonmajor Enterprise Fund	Internal Service Funds	Public Utility Fund	Total
General Fund	\$ -	\$ 922,599	\$ -	\$ -	\$ 8,875,000	\$ 9,797,599
Capital Improvements Fund	8,295,121	5,543,206	566,642	-	313,510	14,718,479
Nonmajor Governmental Funds	3,673,581	-	-	-	-	3,673,581
Nonmajor Enterprise Funds	1,226,153	-	-	-	-	1,226,153
Debt Service	38,267,768	1,562,524	406,910	310,397	325,681	40,873,280
Internal Service Funds	750,000	-	-	-	-	750,000
Total	<u>\$ 52,212,623</u>	<u>\$ 8,028,329</u>	<u>\$ 973,552</u>	<u>\$ 310,397</u>	<u>\$ 9,514,191</u>	<u>\$ 71,039,092</u>

Payments Between Component Units

Significant transactions between the Primary Government and component units during fiscal year 2023 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, 2023, are as follows:

	<u>State</u>
Governmental activities:	
General Fund:	
Personal property tax relief	\$ 9,862,962
Gaming tax	3,934,617
Constitutional officers' support	771,424
Other	246,115
Total General Fund	<u>14,815,118</u>
Nonmajor governmental funds:	
Behavioral Health Services	1,790,705
Children's Services Act Fund	404,882
Social Services Fund	1,630,770
Total nonmajor governmental funds	<u>3,826,357</u>
Total governmental activities	<u>\$ 18,641,475</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. Deferred inflows represent an acquisition of net position that will not be recognized as revenue until a future period. At June 30, 2023, unearned revenues and deferred inflows are provided in the table below.

	General Fund	Grants Fund	Non-major Governmental Funds	Governmental Activities	Business- Type Activities
Unearned Revenues					
Grant funding received in advance	\$ 18,939	39,811,675	-	39,830,614	n/a
Deferred Inflows of Resources					
Deferred taxes, fees and unavalaible revenue	9,348,086		1,707,927	n/a	n/a
Deferred revenue-other	1,795,312		-	n/a	n/a
Deferred lease amounts	3,315,170		-	3,315,170	n/a
Total Deferred Inflows of Resources	\$14,458,568		1,707,927	3,315,170	

(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 \$3,868,065 reported as landfill closure and postclosure care liability at June 30, 2023, represents the cumulative amount reported to date based on the use of 31.3% of the estimated capacity of the landfill. The city will recognize the remaining estimated cost of closure and post-closure care of \$8,489,971 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 2023. 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 133.9 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, 2023, for the City and Schools are as follows:

City		Schools	
<u>Governmental Funds:</u>		<u>Governmental Funds:</u>	
Capital Projects Fund	\$ 26,361,544	General Fund	\$ 65,370
		Food Service Fund	6,642
			<u>\$ 72,012</u>

(14) LITIGATION AND CONTINGENT LIABILITIES (CONTINUED)

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, Ms. Davis, and five unknown employees were negligent in performance of their duties and violated Keytondra Wilson's constitutional rights, resulting in her murder. The suit demands \$5.5 million dollars in compensatory damages and \$350,000 in punitive damages. The City and Ms. Davis removed the lawsuit to the Federal Court of the Eastern District of Virginia. The Federal Court dismissed the constitutional claims and remanded the case to state court. On September 23, 2022, The Portsmouth Circuit Court sustained the City's plea of sovereign immunity but allowed Plaintiff leave to file a Second Amended Complaint. On October 19, 2022, Plaintiff amended the Complaint to add City employee Norma Gardiner as a Defendant. The Portsmouth Circuit Court denied pretrial motions to dismiss the case on May 31, 2023. A trial date has not been set.

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

Plaintiff brought suit alleging common law claims related to the use of land located at 4358 Greenwood Drive. Specifically, plaintiff alleges that City Council's actions were arbitrary and capricious and amounted to inverse condemnation. Plaintiff is seeking \$5,000,000 in compensatory damages and \$350,000 in punitive damages. The lawsuit was served on September 12, 2022. On October 6, 2022, the City filed pretrial pleadings to dismiss the case. The pleadings were argued on October 11, 2023. The Court granted the City's motion to dismiss the case. The appeal period has not yet run.

Angel Jones v. City of Portsmouth.

On October 17, 2022, former City Manager Angel Jones filed a lawsuit in Portsmouth Circuit Court seeking \$5,000,000 in compensatory damages and \$350,000 in punitive damages related to allegations of wrongful termination, fraud in the inducement, intentional infliction of emotional distress and breach of contract. The City filed pretrial pleadings to dismiss the case. On September 20, 2023, the Court dismissed all of the plaintiffs claims except for the breach of contract claim. With respect to the breach of contract claim, the Court ordered the plaintiff to file a Bill of Particulars to further articulate the basis for the claim and the damages asserted. The plaintiff filed a Bill of Particulars in October 2023. The City filed additional pretrial pleadings to dismiss the breach of contract claim. A trial date has not been set.

Federally Assisted Grant Programs

The city participates in a number of federally assisted grant programs. Although the city has been audited in accordance with the provisions of the Uniform Guidance, these programs are still subject to financial and compliance audits by the grantors or their representatives. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grant. Based on prior experience, city management believes such disallowances, if any, will not be significant.

(15) SELF-INSURANCE PROGRAMS

City

The city is self-insured for exposures to various risks of loss related to: torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; terrorist acts; and, natural disasters. The city uses two internal service funds. The Risk Management Fund accounts for and finances its uninsured risks of loss and the Health Insurance and OPEB Fund account for and pays its health insurance premiums and claims costs. The Risk Management Fund pays insurance premiums and provides for payment of approved claims for workers' compensation, general liability, fidelity, wharfingers, hull and machinery, and property. The property deductible is \$100,000 per occurrence with a \$100,000,000 loss limit per occurrence. The city purchases commercial excess insurance policies for workers' compensation and general liability. For the fiscal years ending June 30, 2022, and June 30, 2023, 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 \$9,244,670 (undiscounted) reported in the fund at June 30, 2023, 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 \$3,083,605. 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, 2023.

Changes in the risk management claims liability amount in fiscal years 2023 and 2022, respectively, were as follows:

Risk Management:	2023	2022
Claims payable, beginning of year	\$ 9,532,168	\$ 8,667,330
Claims expense and changes in estimates	2,937,882	6,076,370
Claims payments	(3,225,380)	(5,211,531)
Claims payable, end of year	\$ 9,244,670	\$ 9,532,168

The city is also exposed to the risk of loss for employee and retired employee medical benefits. Effective January 1, 2001, the city established a self-insured health care benefits program for all city employees and retired employees. These benefits are accounted for in the Health Insurance and OPEB Fund, which is an internal service fund. Certain claims expenses paid on behalf of each employee during a single policy year are covered by excess loss insurance with a specific stop-loss limit of \$175,000 depending on the specific medical plan. Claims processing and payments for all medical claims are made through third party administrators. The computed medical claims liability as of June 30, 2023, is \$1,952,000 (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, 2023.

Changes in the medical claim liability amount in fiscal years 2023 and 2022, respectively, were as follows:

Medical:	2023	2022
Claims payable, beginning of year	\$ 1,424,000	\$ 1,417,000
Claims expense and changes in estimates	15,078,145	12,534,441
Claims payments	(14,550,145)	(12,527,441)
Claims payable, end of year	\$ 1,952,000	\$ 1,424,000

(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, 2023, was determined to be \$1,297,105 (undiscounted), of which \$639,910 is due within one year.

Changes in the school's claim liability amount in fiscal years 2023 and 2022 were:

School Board:	2023	2022
Claims payable, beginning of year	\$ 742,615	\$ 632,030
Claims and changes in estimates	3,996,050	3,302,245
Claim payments and changes in estimates	(3,441,560)	(3,191,660)
Claims payable, end of year	\$ 1,297,105	\$ 742,615

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, 2023 is \$1,119,000 (undiscounted), as follows:

	Balance as of July 1	Claims and Changes in Estimates	Claim Payments	Balance as of June 30
Medical Claims				
2022-2023	\$ 1,025,000	\$ 15,554,032	\$ 15,460,032	\$ 1,119,000
2021-2022	\$ 1,277,000	\$ 17,718,506	\$ 17,970,506	\$ 1,025,000

(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, 2023. 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, 2023. 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.

(18) NEW ACCOUNTING PRONOUNCEMENTS AND RESTATEMENTS

FUND DEFICITS

The Information Technology and Health Insurance and OPEB internal service funds had fund balances with accumulated deficits of \$(2,694,195) and \$(6,478,127), respectively, which will be funded by future internal service charges. The Grants and Community Development special revenue funds had fund balances with accumulated deficits of (\$329,452) and (\$355,821) which will be funded by future expenditures of unearned grant revenues and program income, respectively.

The City and Schools have implemented GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, in the financial statements for the year ended June 30, 2023. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for information technology subscriptions by governments.

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

Required Supplementary Information
Other than Management's Discussion and Analysis

CITY OF PORTSMOUTH, VIRGINIA
Budgetary Comparison Schedule
Schedule of Revenues and Other Financing Sources
General Fund
Year Ended June 30, 2023

Exhibit I-1

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
Taxes:				
General property taxes:				
Real property - current	\$ 109,076,535	109,076,535	111,797,952	2,721,417
Real property - delinquent	1,832,231	1,832,231	2,844,759	1,012,528
Real property - Public Services Corporation	1,798,203	1,798,203	1,629,857	(168,346)
Personal property - current	25,441,825	25,441,825	24,959,894	(481,931)
Personal property - delinquent	4,075,169	4,075,169	7,634,731	3,559,562
Personal property - Public Services Corporation	3,600,703	3,600,703	2,981,321	(619,382)
Machinery and tools taxes	1,102,286	1,102,286	1,089,463	(12,823)
Penalties and other charges	2,028,210	2,028,210	1,993,639	(34,571)
Interest	733,203	733,203	919,794	186,591
Total general property taxes	149,688,365	149,688,365	155,851,410	6,163,045
Other local taxes:				
Admission and amusement taxes	101,505	101,505	169,663	68,158
Bank franchise taxes	639,773	639,773	931,957	292,184
Business and occupational license taxes	6,602,801	6,602,801	7,798,520	1,195,719
Cigarette taxes	4,241,410	4,241,410	2,752,614	(1,488,796)
Occupancy	232,702	232,702	366,959	134,257
Licensing fees - current	2,054,739	2,054,739	1,728,622	(326,117)
Licensing fees - delinquent	923,687	923,687	832,530	(91,157)
Lodging taxes	436,001	436,001	1,193,573	757,572
Recordation taxes	1,638,007	1,638,007	1,436,437	(201,570)
Restaurant food taxes	10,260,502	10,260,502	13,259,613	2,999,111
Sales and use tax - local	10,128,378	10,128,378	11,938,901	1,810,523
Short-term rental taxes	18,372	18,372	5,634	(12,738)
Telecommunications	5,821,408	5,821,408	5,770,936	(50,472)
Total other local taxes	43,099,285	43,099,285	48,185,959	5,086,674
Utility taxes:				
Electricity taxes	3,701,437	3,701,437	3,507,356	(194,081)
E-911 taxes	543,450	543,450	574,679	31,229
Gas taxes	1,313,454	1,313,454	1,284,829	(28,625)
Water taxes	3,007,771	3,007,771	3,264,991	257,220
Total utility taxes	8,566,112	8,566,112	8,631,855	65,743
Total taxes	201,353,762	201,353,762	212,669,224	11,315,462

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, 2023

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	655	655	7,838	7,183
Personal property tax relief act	9,862,962	9,862,962	9,862,962	-
Recordation tax distribution	-	-	5,912	5,912
Rolling stock taxes	44,726	44,726	44,068	(658)
Vehicle rental tax	263,448	263,448	284,398	20,950
Gaming tax	-	-	5,956,670	5,956,670
Categorical aid:				
Circuit Court Clerk	939,483	939,483	1,082,670	143,187
City Registrar	67,366	67,366	94,855	27,489
City Sheriff	6,442,238	6,961,238	6,817,724	(143,514)
City Treasurer	260,236	260,236	331,606	71,370
Commissioner of Revenue	564,055	564,055	341,305	(222,750)
Commonwealth's Attorney	1,594,269	1,724,269	1,354,412	(369,857)
DMV select	86,750	86,750	74,130	(12,620)
Other categorical aid:				
Correctional facilities block grant	340,735	340,735	276,214	(64,521)
Law enforcement grant	7,127,952	7,127,952	7,459,223	331,271
Library funds - books	190,263	190,263	207,715	17,452
Street and highway maintenance	13,935,418	13,935,418	15,586,335	1,650,917
Total Commonwealth of Virginia	41,720,556	42,369,556	49,788,037	7,418,481
Total intergovernmental revenue	41,720,556	42,369,556	49,788,037	7,418,481

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, 2023

Exhibit I-1 (Continued)

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
Charges for services:				
Ambulance fees - current	3,100,000	3,100,000	2,761,910	(338,090)
Boat ramp parking	5,000	5,000	2,080	(2,920)
Circuit Court Clerk fees	4,144	4,144	5,478	1,334
City Sheriff fees	107,868	107,868	126,358	18,490
ATM fees	53	53	1,087	1,034
EZ Pass fees	8,890	8,890	7,700	(1,190)
Courthouse maintenance fees	29,448	29,448	29,184	(264)
Courthouse replacement fees	39,402	39,402	40,304	902
False alarm fees	3,449	3,449	8,065	4,616
Fire report fees	1,075	1,075	890	(185)
Fire and EMS attendance fees	-	-	2,498	2,498
Library fines and fees	6,424	6,424	19,551	13,127
School Board	388,407	388,407	-	(388,407)
DNA samples	-	-	622	622
Erosion and sediment control	2,220	2,220	200	(2,020)
Museum admission charges	635,342	635,342	1,211,710	576,368
Notary fees	265	265	150	(115)
Concealed carry permits	113,247	113,247	50,839	(62,408)
Police firearms buyback	-	-	5	5
Police record fees	46,623	46,623	52,251	5,628
Public access television fees	-	-	-	-
Recreation activity fees	75,000	75,000	98,319	23,319
Rental inspection fees	22,949	22,949	40,085	17,136
Inspections	83,255	83,255	279,770	196,515
Plans and specifications	5,452	5,452	440	(5,012)
Street closures	-	-	-	-
Sunset Thursday Sponsors	2,500	2,500	-	(2,500)
Swimming fees	968	968	914	(54)
Vacant structure	4,488	4,488	2,300	(2,188)
UMOJA	900	900	26,940	26,040
Seawall Festival	665	665	1,900	1,235
Pokey Smokey II	4,193	4,193	4,099	(94)
Ticket sales - Vistor Center	1,950	1,950	1,291	(659)
EMS collections - delinquent	157,587	157,587	56,189	(101,398)
Certificate of occupancy	2,469	2,469	3,300	831
Library admin fee	-	-	-	-
Total charges for services	4,854,233	4,854,233	4,836,429	(17,804)

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, 2023

Exhibit I-1 (Continued)

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
Investment income:				
Investment income	264,713	264,713	1,615,802	1,351,089
Total investment income	264,713	264,713	1,615,802	1,351,089
Recovered costs:				
City garage fund	489,341	489,341	489,341	-
Information technology fund	267,330	267,330	289,730	22,400
Court appointed attorneys	965	965	321	(644)
Golf fund	136,118	136,118	136,118	-
Health department	59,861	59,861	134,308	74,447
Health insurance fund	20,055	20,055	21,039	984
Law library fund	2,335	2,335	2,400	65
Behavioral health services fund	550,859	550,859	550,859	-
DEA	13,428	13,428	31,487	18,059
Training academy upkeep	5,126	5,126	4,547	(579)
Parking authority	43,685	43,685	43,685	-
Citywide telephone charges	68,302	68,302	-	(68,302)
Fire watch/EMS	18,389	18,389	109,349	90,960
Postage	96,880	96,880	207,009	110,129
Public utility fund	738,754	738,754	738,754	-
Social security payments - jail	23,400	23,400	9,900	(13,500)
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	21,382	(8,876)
Fed prisoner transport	19,375	19,375	14,509	(4,866)
Other recovered costs	208,899	208,899	6,826	(202,073)
Total recovered costs	3,598,846	3,598,846	3,612,937	14,091
Fines and forfeitures:				
Circuit Court fines	14,060	14,060	17,570	3,510
Conviction fees	48,478	48,478	86,125	37,647
General District Court fines	165,798	165,798	110,869	(54,929)
Juvenile Court fines	127	127	211	84
Total fines and forfeitures	228,463	228,463	214,775	(13,688)

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, 2023

Exhibit I-1 (Continued)

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
Licenses and permits:				
Bicycle licenses	101	101	22	(79)
Building plan review fees	56,991	56,991	62,122	5,131
Building reinspection fees	20,550	20,550	9,250	(11,300)
Building structure permits	267,672	267,672	242,876	(24,796)
Dog licenses	15,314	15,314	12,574	(2,740)
Electrical inspection fees	32,170	32,170	11,925	(20,245)
Electrical permits	84,955	84,955	76,957	(7,998)
Elevator inspection fees	1,110	1,110	1,740	630
Final engineering inspection permit	29,120	29,120	14,300	(14,820)
Hauling and permits fees	95,203	95,203	143,460	48,257
Land disturbance permit	91,446	91,446	68,040	(23,406)
License transfer fees	4,242	4,242	3,364	(878)
Mechanical inspection fees	3,640	3,640	3,470	(170)
Mechanical permits	138,909	138,909	256,727	117,818
Miscellaneous permits	13,095	13,095	19,195	6,100
Penalties on licenses	62,186	62,186	66,501	4,315
Plumbing inspection fees	10,098	10,098	2,101	(7,997)
Plumbing permits	61,707	61,707	51,022	(10,685)
Restricted parking permits	977	977	1,773	796
Right of way permits	44,803	44,803	202,908	158,105
Sign permit fees	964	964	2,215	1,251
Site plan review fees	17,580	17,580	13,140	(4,440)
State surcharge on permits	34,936	34,936	12,383	(22,553)
Taxi operators permits	347	347	-	(347)
Yard sale permits	1,640	1,640	1,035	(605)
Zoning and plat fees	27,248	27,248	40,523	13,275
Total licenses and permits	1,117,004	1,117,004	1,319,623	202,619
Use of property:				
Rental of antenna sites	85,284	85,284	56,338	(28,946)
Rental of recreation facilities	66,309	66,309	96,414	30,105
Rental of recreation facilities	-	-	43,848	43,848
Rental of general properties	1,196,790	1,196,790	307,038	(889,752)
Total use of property	1,348,383	1,348,383	503,638	(844,745)

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, 2023

Exhibit I-1 (Continued)

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
Miscellaneous:				
Admin fee - state income tax	271	271	-	(271)
Admin fee - RE	236,907	236,907	327,564	90,657
Admin fee - PP	933,656	933,656	858,170	(75,486)
Admin fee - Parking	4,766	4,766	-	(4,766)
Admin fee - EMS	30,480	30,480	13,734	(16,746)
Build America bond subsidy	-	-	-	-
Credit card fees	-	-	10,329	10,329
Returned check fees	1,115	1,115	600	(515)
Vending machine commissions	8,391	8,391	-	(8,391)
Gift shop sales	175,938	175,938	291,004	115,066
Proceeds from land sales	4,572	4,572	-	(4,572)
Other revenue	184,420	5,001,943	8,767,693	3,765,750
Sheriff canteen funds	-	10,000	-	(10,000)
Unclaimed property tax refunds	87,819	87,819	-	(87,819)
Economic Development Authority contribution	125,000	125,000	125,000	-
Payments in lieu of taxes:				
PRHA	88,704	88,704	-	(88,704)
Regional Jail	568,708	568,708	622,485	53,777
Virginia Port Authority	371,454	371,454	410,612	39,158
South Norfolk Jordan Bridge	140,836	140,836	110,233	(30,603)
Public utility fund	1,628,889	1,628,889	1,161,598	(467,291)
Cash Over/Under	-	-	(6,707)	(6,707)
Total miscellaneous revenue	4,591,926	9,419,449	12,692,315	3,272,866
Total revenues	259,077,886	264,554,409	287,252,780	22,698,371
Other financing sources:				
Proceeds from debt issuance	-	-	10	10
Transfers from other funds:				
BHS	377,586	377,586	377,586	-
Stormwater management	545,013	545,013	545,013	-
Public utility fund	8,875,000	8,875,000	8,875,000	-
Use of fund balance	86,032	6,296,762	-	(6,296,762)
Total other financing sources	9,883,631	16,094,361	9,797,609	(6,296,752)
Total revenues and other financing sources	\$ 268,961,517	280,648,770	297,050,389	16,401,619

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, 2023

Exhibit I-2

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
General government:				
Administration:				
Legislative:				
City Council	\$ 471,212	471,212	367,047	104,165
City Clerk	450,242	450,242	468,029	(17,787)
Total legislative	921,454	921,454	835,076	86,378
Executive:				
City Manager	1,467,300	1,469,622	1,416,534	53,088
Management and legislative services	338,468	338,468	336,878	1,590
Marketing, entertainment & tourism	2,025,816	2,034,717	1,924,963	109,754
Total executive	3,831,584	3,842,807	3,678,375	164,432
Boards and commissions:				
Civil Service Commission	130,519	217,519	168,633	48,886
General Registrar	1,190,993	1,190,993	1,062,063	128,930
Total boards and commissions	1,321,512	1,408,512	1,230,696	177,816
Total administration	6,074,550	6,172,773	5,744,147	428,626
Financial administration:				
Commissioner of Revenue	2,190,887	2,190,887	2,088,363	102,524
City Assessor	1,357,592	1,357,592	1,062,570	295,022
City Treasurer	2,542,923	2,542,923	2,294,211	248,712
Procurement and risk management	320,421	630,504	524,218	106,286
Finance	2,987,097	3,001,029	2,671,603	329,426
Total financial administration	9,398,920	9,722,935	8,640,965	1,081,970
Public transportation	3,015,300	3,015,300	3,015,287	13
City Attorney	2,202,784	2,204,332	1,933,669	270,663
Human resource management	1,461,481	1,465,351	1,468,286	(2,935)
Total general government	22,153,035	22,580,691	20,802,354	1,778,337
Nondepartmental:				
Contingency	610,000	490,000	25,672	464,328
Miscellaneous	7,709,904	7,725,461	11,308,701	(3,583,240)
Support to civic organizations	474,600	474,600	464,078	10,522
Total nondepartmental	8,794,504	8,690,061	11,798,451	(3,108,390)
Judicial:				
Circuit Court judges	823,126	823,126	768,480	54,646
Circuit Court Clerk	1,711,606	1,711,606	1,718,571	(6,965)
Magistrate	11,743	11,743	8,661	3,082
General District Court	87,769	87,769	59,790	27,979
Juvenile and Domestic Relations Court	52,986	52,986	48,086	4,900
Juvenile court services	1,310,617	1,310,617	933,893	376,724
Commonwealth's Attorney	3,011,993	3,161,993	2,866,960	295,033
Sheriff	13,886,650	13,897,584	13,732,840	164,744
Total judicial	20,896,490	21,057,424	20,137,281	920,143

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, 2023

Exhibit I-2 (continued)

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
Public safety:				
Sheriff	-	-	244	(244)
Police Department	33,538,221	33,461,948	28,955,219	4,506,729
E-911 communications	2,921,724	2,921,724	2,662,536	259,188
Operations Support Bureau	95,812	109,506	204,990	(95,484)
Admin and Support Bureau	-	6,950	480,636	(473,686)
Field Operations Bureau	20,742	25,304	29,906	(4,602)
Animal control and security	1,257,797	1,309,864	1,325,614	(15,750)
Fire, rescue, and emergency services	30,347,297	30,435,297	30,490,214	(54,917)
Total public safety	68,181,593	68,270,593	64,149,359	4,121,234
Public works:				
Engineering	2,090,297	2,091,845	1,963,603	128,242
Streets and highways	5,449,112	5,580,758	5,307,322	273,436
Mosquito control	648,636	554,799	372,649	182,150
Traffic engineering	2,688,481	2,688,481	2,799,402	(110,921)
General services:				
Properties management	4,916,387	4,781,676	4,207,414	574,262
Utilities	2,875,000	3,334,712	3,554,759	(220,047)
Rental of land and buildings	775,649	775,649	22,814	752,835
Storeroom	-	-	65,217	(65,217)
Harbor Center Pavilion	627,110	627,110	610,239	16,871
Total public works	20,070,672	20,435,030	18,903,419	1,531,611
Health and welfare	1,366,062	1,366,062	1,169,932	196,130
Parks, recreational and cultural:				
Museum	3,535,998	3,535,998	3,073,616	462,382
Parks, recreational and cultural	-	8,511,790	8,594,114	(82,324)
Public library	2,667,604	2,667,604	2,632,243	35,361
Total parks, recreation and cultural	6,203,602	14,715,392	14,299,973	415,419
Community development:				
Permits and inspections	3,653,165	3,653,165	2,905,475	747,690
Economic development	1,339,850	1,339,850	903,661	436,189
Planning	2,263,494	2,266,865	1,725,897	540,968
Total community development	7,256,509	7,259,880	5,535,033	1,724,847
Education	59,901,284	59,901,284	59,901,284	-
Cost of issuance	-	-	9,426	(9,426)
Debt service, principal	-	-	835,752	(835,752)
Debt service, interest	-	-	86,854	(86,854)
Capital outlay	1,696,900	1,889,964	1,233,043	656,921
Total expenditures	216,520,651	226,166,381	218,862,161	7,304,220

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, 2023

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	3,563,502	3,563,502	2,340,544	1,222,958
Comprehensive services fund	447,477	447,477	617,571	(170,094)
Grants fund	-	-	-	-
Parking authority	305,756	305,756	305,756	-
Golf	920,397	920,397	920,397	-
Debt service	38,267,768	38,267,768	38,267,768	-
Health insurance fund	1,000,000	1,000,000	750,000	250,000
Capital projects	7,220,500	9,262,023	8,295,121	966,902
Total other financing uses	52,440,866	54,482,389	52,212,623	2,269,766
Total expenditures and other financing uses	268,961,517	280,648,770	271,074,784	9,573,986
Net change in fund balance	-	-	25,975,605	25,975,605
Fund balance - beginning	-	-	89,589,569	89,589,569
Fund balance - ending	\$ -	-	115,565,174	115,565,174

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, 2023

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
Revenues:				
Intergovernmental	\$ 57,186,067	151,315,181	7,405,190	(143,909,991)
Investment income	4,828	4,828	-	(4,828)
Miscellaneous	1,964,494	2,138,444	48,797	(2,089,647)
Total revenues	59,155,389	153,458,453	7,453,987	(146,004,466)
Expenditures:				
Current:				
General government	8,603,039	11,811,186	883,722	10,927,464
Nondepartmental	-	300,000	-	300,000
Judicial	17,193,775	25,745,629	1,956,438	23,789,191
Public safety	19,695,553	24,379,648	750,761	23,628,887
Public works	2,382,594	2,456,021	475,492	1,980,529
Health and welfare	11,038,472	18,493,869	934,287	17,559,582
Parks, recreational and cultural	11,666,946	17,231,426	464,657	16,766,769
Community development	4,027,000	4,480,452	-	4,480,452
Capital outlay	40,422,399	51,727,990	2,800,505	48,927,485
Total expenditures	115,029,778	156,626,221	8,265,862	148,360,359
Excess (deficiency) of revenues over (under) expenditures	(55,874,389)	(3,167,768)	(811,875)	2,355,893
Other financing sources (uses):				
Transfers from other funds	444,306	2,865,849	-	(2,865,849)
Transfers to other funds	(409)	-	-	-
Total other financing sources, net	443,897	2,865,849	-	(2,865,849)
Net change in fund balance	(55,430,492)	(301,919)	(811,875)	(509,956)
Fund balance - beginning	-	-	482,423	482,423
Fund balance - ending	\$ (55,430,492)	(301,919)	(329,452)	(27,533)

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

CITY OF PORTSMOUTH, VIRGINIA
Budgetary Comparison Schedules
Note to Required Supplementary Information
June 30, 2023

Exhibit I-4

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, 2023, 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 without City Council approval. 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,*	2023	2022	2021	2020	2019	2018	2017	2016	2015
TOTAL PENSION LIABILITY									
Service cost	\$ 27,467	37,325	39,225	50,442	56,948	54,347	62,202	71,563	89,198
Interest	4,815,010	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	213,717	(603,260)	(393,653)	(681,062)	(159,223)	(180,994)	(1,383,499)	(1,680,961)	(1,195,876)
Changes of assumptions	152,288	(362,961)	(249,133)	(156,756)	(470,893)	(966,754)	(1,236,291)	-	-
Benefit payments, including refunds of member contributions	(7,332,578)	(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	(2,124,096)	(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	70,152,716	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)	68,028,620	70,152,716	73,934,417	77,091,952	80,478,070	83,751,843	87,202,130	91,741,386	94,478,524
PLAN FIDUCIARY NET POSITION									
Contributions - employer	2,517,941	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	(9,512,540)	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	(7,332,578)	(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	(109,127)	(95,328)	(87,733)	(60,617)	(54,742)	(106,586)	(28,605)	(67,152)	(73,287)
Net change in plan fiduciary net position	(14,436,304)	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	62,855,029	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)	48,418,725	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)	\$ 19,609,895	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	71.17%	89.60%	71.35%	70.07%	69.60%	71.28%	69.11%	71.79%	75.73%
Employer's covered payroll*	\$ 590,863	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	3318.86%	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)

Fiscal Year Ended June 30,	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 1,602,512	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	1,602,512	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	\$ 408,387	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	392.40%	426.15%	487.24%	580.75%	320.73%	247.64%	223.96%	202.40%	235.82%	149.07%

NOTES TO SCHEDULE

Methods and Assumptions used to determine contribution rate:

Measurement date	June 30, 2023
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 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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Annual money weighted rate of return, net of investment expenses	9.99%	-15.70%	29.03%	4.78%	7.32%	4.66%	10.59%	1.55%	0.62%	unavailable

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 (FPRS)

Fiscal Year Ended June 30,*	2023	2022	2021	2020	2019	2018	2017	2016	2015
TOTAL PENSION LIABILITY									
Service cost	\$ 96,414	118,664	125,340	188,000	209,549	288,723	469,262	655,555	875,496
Interest	15,588,902	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	1,447,947	(124,107)	(867,255)	1,347,426	637,275	1,548,069	2,934,513	483,962	2,306,432
Changes of assumptions	302,623	(800,780)	(564,095)	(442,750)	(1,023,739)	(2,060,009)	(2,264,494)	-	-
Benefit payments, including refunds of member contributions	(21,219,756)	(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	(3,783,870)	(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	225,607,123	232,595,828	239,261,728	243,243,964	248,514,241	253,182,690	255,565,965	254,866,184	250,415,803
Total pension liability, ending (a)	221,823,253	225,607,123	232,595,828	239,261,728	243,243,964	248,514,241	253,182,690	255,565,965	254,866,184
PLAN FIDUCIARY NET POSITION									
Contributions - employer	8,199,999	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	(29,189,401)	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	(21,219,756)	(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	(318,245)	(278,056)	(246,543)	(173,148)	(141,157)	(254,463)	(120,447)	(184,118)	(205,149)
Net change in plan fiduciary net position	(42,527,403)	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	191,187,668	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)	148,660,265	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)	\$ 73,162,988	34,419,455	73,816,545	79,310,940	80,149,830	77,581,238	83,365,507	72,907,133	59,480,486
Plan fiduciary net position as a percentage of total pension liability	67.02%	84.74%	68.26%	66.85%	67.05%	68.78%	67.07%	71.47%	76.66%
Employer's 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
City's net pension liability as a percentage of covered payroll	24397.67%	4192.96%	7545.89%	6394.17%	4672.33%	4377.52%	3479.16%	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 ACTUARIALLY DETERMINED CONTRIBUTIONS (FPRS)

Fiscal Year Ended June 30,	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 6,253,165	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	6,253,165	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	\$ 96,133	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	6504.70%	2734.45%	1252.25%	1384.78%	607.48%	375.95%	350.15%	241.82%	173.96%	102.12%

NOTES TO SCHEDULE

Methods and Assumptions used to determine contribution rate:

Measurement date	June 30, 2023
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 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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Annual money weighted rate of return, net of investment expenses	10.05%	-15.76%	29.04%	4.80%	7.39%	4.64%	10.59%	1.55%	0.62%	unavailable

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)

Fiscal Year Ended June 30,*	2023	2022	2021	2020	2019	2018	2017	2016	2015
TOTAL PENSION LIABILITY									
Service cost	\$ 10,502,224	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	27,872,655	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	(5,494,049)	(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	(19,963,379)	(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	12,917,451	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	412,407,692	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)	425,325,143	412,407,692	385,704,577	365,189,925	338,667,430	327,994,058	316,422,988	304,308,512	286,703,320
PLAN FIDUCIARY NET POSITION									
Contributions - employer	9,624,231	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	3,740,529	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	(436,565)	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	(19,963,379)	(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	(262,909)	(227,302)	(217,972)	(209,912)	(192,188)	(190,996)	(168,003)	(162,543)	(191,765)
Other changes	9,300	8,682	(7,590)	(13,408)	(19,865)	(29,655)	(1,996)	(2,528)	1,881
Net change in plan fiduciary net position	(7,288,793)	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	423,069,797	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)	415,781,004	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)	\$ 9,544,139	(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	97.76%	102.59%	87.27%	91.99%	94.51%	92.16%	86.20%	89.07%	90.92%
Employer's covered payroll*	\$ 80,861,080	76,482,202	73,407,806	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	11.80%	-13.94%	66.87%	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,*	2023	2022	2021	2020	2019	2018	2017	2016	2015
TOTAL PENSION LIABILITY									
Service cost	\$ 603,768	644,553	650,516	669,679	694,189	763,448	695,895	729,606	743,215
Interest	2,807,161	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	(575,577)	(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	(2,770,447)	(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	64,905	1,100,535	214,853	1,879,783	(274,073)	1,167,728	684,615	714,696	1,026,643
Total pension liability, beginning	42,369,023	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)	42,433,928	42,369,023	41,268,488	41,053,635	39,173,852	39,447,925	38,280,197	37,595,582	36,880,886
PLAN FIDUCIARY NET POSITION									
Contributions - employer	764,944	762,490	772,742	782,510	879,860	882,435	801,790	726,275	648,377
Contributions - employee	319,984	320,410	348,626	351,917	365,276	372,038	378,872	345,765	354,802
Net investment income	(18,013)	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	(2,770,447)	(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	(24,116)	(22,131)	(21,853)	(21,661)	(20,333)	(20,455)	(18,573)	(18,893)	(22,705)
Other changes	855	782	(1,328)	(1,304)	(1,991)	(3,044)	(211)	(276)	215
Net change in plan fiduciary net position	(1,726,793)	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	38,128,204	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)	36,401,411	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)	\$ 6,032,517	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	85.78%	89.99%	76.52%	79.53%	81.88%	78.95%	75.05%	78.07%	79.42%
Employer's covered payroll	\$ 7,134,225	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	84.56%	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)

Fiscal Year Ended June 30,*	2023	2022	2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability	0.93%	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	\$ 88,937,624	\$ 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>\$ 86,469,946</u>	<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	102.85%	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>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)

Fiscal Year Ending June 30,	Contractually Required Contribution	Contribution in Relation to the Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percentage of Covered Payroll
<i>City of Portsmouth</i>					
2023	\$ 10,463,248	\$ 10,463,248	\$ -	\$ 80,861,080	12.94%
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%
<i>Portsmouth City Public School Board (Professional)</i>					
2023	\$ 13,535,064	\$ 13,535,064	\$ -	\$ 86,320,559	15.68%
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%
<i>Portsmouth City Public School Board (Non-Professional)</i>					
2023	\$ 833,154	\$ 833,154	\$ -	\$ 7,750,272	10.75%
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%

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

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, 2021, 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 and changed from rates based on age and service to rates based on service only

Disability rates: No change

Salary scale: No change

Line of Duty disability: No change

Discount rate: No change

CITY OF PORTSMOUTH OPEB PLAN - CITY

SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
TOTAL PENSION LIABILITY										
Service cost	\$ 418,392	407,997	464,838	641,148	545,143	1,150,539	N/A	N/A	N/A	N/A
Interest on total OPEB liability	927,797	1,238,220	1,485,071	1,504,363	1,541,001	1,098,940	N/A	N/A	N/A	N/A
Effect of plan changes	-	(2,088,995)	-	-	-	-	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
Effect of assumption changes or inputs	554,371	(127,791)	1,913,854	(444,507)	860,350	(8,498,386)	N/A	N/A	N/A	N/A
Benefit payments	(1,255,357)	(1,270,171)	(1,657,395)	(1,980,500)	(1,844,970)	(1,826,247)	N/A	N/A	N/A	N/A
Net change in total pension liability	645,203	(4,793,424)	(3,931,431)	(279,496)	1,101,524	(8,075,154)	N/A	N/A	N/A	N/A
Total pension liability, beginning	14,473,213	19,266,637	23,198,068	23,477,564	22,376,040	30,451,194	N/A	N/A	N/A	N/A
Total pension liability, ending (a)	15,118,416	14,473,213	19,266,637	23,198,068	23,477,564	22,376,040	N/A	N/A	N/A	N/A
PLAN FIDUCIARY NET POSITION										
Employer contributions	2,755,357	1,770,171	2,657,395	1,980,500	2,844,970	4,826,247	N/A	N/A	N/A	N/A
Net investment income	548,861	(666,853)	1,353,350	128,763	169,344	46,475	N/A	N/A	N/A	N/A
Benefit payments	(1,255,357)	(1,270,171)	(1,657,395)	(1,980,500)	(1,844,970)	(1,826,247)	N/A	N/A	N/A	N/A
Administrative expenses	(7,315)	(7,710)	(5,500)	(5,181)	(3,513)	-	N/A	N/A	N/A	N/A
Net change in plan fiduciary net position	2,041,546	(174,563)	2,347,850	123,582	1,165,831	3,046,475	N/A	N/A	N/A	N/A
Plan fiduciary net position, beginning	6,509,175	6,683,738	4,335,888	4,212,306	3,046,475	-	N/A	N/A	N/A	N/A
Plan fiduciary net position, ending (b)	8,550,721	6,509,175	6,683,738	4,335,888	4,212,306	3,046,475	N/A	N/A	N/A	N/A
City's net pension liability, ending (a) - (b)	<u>\$ 6,567,695</u>	<u>7,964,038</u>	<u>12,582,899</u>	<u>18,862,180</u>	<u>19,265,258</u>	<u>19,329,565</u>	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of total pension liability	<u>56.56%</u>	<u>44.97%</u>	<u>34.69%</u>	<u>18.69%</u>	<u>17.94%</u>	<u>13.61%</u>	N/A	N/A	N/A	N/A
Employer's covered payroll	<u>\$72,624,573</u>	<u>72,624,573</u>	<u>74,950,930</u>	<u>78,135,614</u>	<u>78,135,614</u>	<u>78,135,614</u>	N/A	N/A	N/A	N/A
City's net pension liability as a percentage of covered payroll	<u>9.04%</u>	<u>10.97%</u>	<u>16.79%</u>	<u>24.14%</u>	<u>24.66%</u>	<u>24.74%</u>	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

Fiscal Year Ending June 30	Net Money-Weighted Rate of Return
2023	7.71%
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

CITY OF PORTSMOUTH OPEB PLAN - CITY (Continued)

SCHEDULE OF EMPLOYER CONTRIBUTIONS

There were no Employer Contributions prior to the establishment of the trust in April, 2018. Prior to that date, the City's contributions were made on a pay-as-you-go basis.

Fiscal Year			
Ending	Employer	Covered	Contribution
June 30	Contribution	Payroll	as a % of
			Covered Payroll
2023	\$ 2,755,357	72,624,573	3.79%
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

GROUP LIFE INSURANCE PROGRAM - VRS DIRECTED - CITY

Schedule of Employer's Share of Net OPEB Liability

Years Ended June 30,*	2023	2022	2021	2020	2019	2018
Employer's proportion of the net GLIP OPEB liability	0.35797%	0.36436%	0.36119%	0.36998%	0.37419%	0.37603%
Employer's proportionate share of the net GLIP OPEB liability	\$ 4,310,304	\$ 4,242,139	\$ 6,027,670	\$ 6,020,560	\$ 5,682,000	\$ 5,658,000
Employer's covered payroll	\$77,868,445	\$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	5.53537%	5.63911%	8.10874%	8.55189%	7.98576%	8.15741%
Plan fiduciary net position as a percentage of the total GLIP OPEB liability	67.21%	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
2023	\$ 442,425	\$ 442,425	\$ -	\$81,930,552	0.54%
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%

LINE OF DUTY ACT - VRS DIRECTED - CITY

Schedule of City of Portsmouth Proportionate Share of Net OPEB Liability

Years Ended June 30,*	2023	2022	2021	2020	2019	2018
Employer's proportion of the net LODA OPEB liability	2.99696%	2.93069%	3.16661%	3.02633%	3.55949%	3.61539%
Employer's proportionate share of the net LODA OPEB liability	\$11,342,157	\$12,924,097	\$13,262,252	\$10,858,053	\$11,159,000	\$ 9,501,000
Employer's covered payroll	\$33,440,576	\$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	33.91735%	38.98881%	39.35117%	33.67715%	35.40802%	N/A
Plan fiduciary net position as a percentage of the total LODA OPEB liability	1.87%	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
2023	\$ 370,239	\$ 370,239	\$ -	\$33,440,576	1.11%
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	-

** The contribution for the Line of Duty Act Program are based on the number of participants in the Program using a per capita-based contribution versus a payroll-based contribution. Therefore, covered-employees payroll is the relevant measurement, which is the total payroll of the employees in the OPEB plan. However, when volunteers and part-time employees make up a significant percentage of the employer's members in the plan, the employer may determine that covered-employee payroll is misleading and, therefore, not applicable for disclosure.

VIRGINIA LOCAL DISABILITY PROGRAM - VRS DIRECTED - CITY

Schedule of City of Portsmouth Proportionate Share of Net OPEB Liability

Years Ended June 30,*	2023	2022	2021	2020	2019	2018
Employer's proportion of the net VLDP OPEB liability	4.83996%	4.83886%	4.53564%	4.43242%	4.43899%	4.40350%
Employer's proportionate share of the net VLDP OPEB liability (asset)	\$ (28,456)	\$ (48,982)	\$ 45,277	\$ 89,793	\$ 34,000	\$ 25,000
Employer's covered payroll	\$22,674,716	\$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	-0.12550%	-0.25199%	0.26789%	0.65562%	0.31545%	0.30917%
Plan fiduciary net position as a percentage of the total VLDP OPEB liability	107.99%	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
2023	\$ 218,729	\$ 218,729	\$ -	\$25,732,840	0.85%
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%

PORTSMOUTH CITY PUBLIC SCHOOLS OPEB PLAN

Schedule of Changes in Net OPEB Liability and Related Ratios

Year Ended,*	2023	2022	2021	2020	2019	2018	2017
TOTAL PENSION LIABILITY							
Service cost	\$ 166,541	\$ 131,581	\$ 147,317	\$ 393,468	\$ 950,173	\$ 625,456	\$ 713,189
Interest	683,397	624,168	607,082	1,206,350	791,875	997,917	958,969
Changes in benefit terms	-	-	-	-	-	459,794	-
Differences between expected and actual experience	(132,654)	553,937	(9,247)	(5,630,299)	(433,312)	(4,735,709)	(747,036)
Changes of assumptions	(16,450)	(632,710)	12,545	(1,999,924)	(4,968,846)	3,663,387	2,171,672
Benefit payments, including lump sum liability settlement for 114 participants	(342,548)	(589,083)	(479,513)	(414,517)	(191,650)	(73,336)	(80,005)
Net change in total OPEB liability	358,286	87,893	278,184	(6,444,922)	(3,851,760)	937,509	3,016,789
Total OPEB liability, beginning	7,050,068	6,962,175	6,683,991	13,128,913	16,980,673	16,043,164	13,026,375
Total OPEB liability, ending (a)	7,408,354	7,050,068	6,962,175	6,683,991	13,128,913	16,980,673	16,043,164
PLAN FIDUCIARY NET POSITION							
Contributions/benefit payments made from general operating funds	282,548	443,633	479,513	414,517	-	-	-
Net investment income	1,209,718	(1,624,252)	4,107,360	405,789	924,764	532,735	743,975
Benefit payments, including refunds of employee contributions	(342,548)	(589,083)	(479,513)	(414,517)	(191,650)	(73,336)	(80,005)
Administrative expenses	(16,829)	(19,507)	(15,979)	(15,333)	(125)	-	(7,000)
Net change in plan fiduciary net position	1,132,889	(1,789,209)	4,091,381	390,456	732,989	459,399	656,970
Plan fiduciary net position, beginning	15,966,980	17,756,189	13,664,808	13,274,352	12,541,363	12,081,964	11,424,994
Plan fiduciary net position, ending (b)	17,099,869	15,966,980	17,756,189	13,664,808	13,274,352	12,541,363	12,081,964
Net OPEB (asset) liability - ending (a) - (b)	\$ (9,691,515)	\$ (8,916,912)	\$ (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	230.82%	226.48%	255.04%	204.44%	101.11%	73.86%	75.31%
Employer's covered payroll*	\$ 111,530,111	\$ 90,734,180	\$ 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	-8.69%	-9.83%	-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 2023 is the seventh year for this presentation, only seven 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,	2023	2022	2021	2020	2019	2018	2017
Service cost	\$ -	\$ -	\$ -	\$ 409,268	\$ 992,361	\$ 662,983	\$ 763,112
Amortization and unfunded liability	(282,548)	(443,633)	(479,513)	(414,517)	372,888	350,393	171,131
Recommended contribution	(282,548)	(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>\$ (282,548)</u>	<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>\$ 111,530,111</u>	<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>-0.25%</u>	<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 2023 is the seventh year for this presentation, only seven 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, 2023

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 2023 contribution; 9.74% for June 30, 2023, liability and 2024 contribution

Payroll growth: 5.0%

Return on plan assets: 9.74%

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

Fiscal Year Ending June 30, *	Employer's Proportion of Net GLI OPEB Liability	Employer's Proportionate Share of Net GLI OPEB Liability	Employer's Covered Employee Payroll	Employer's Proportionate Share of Net GLI OPEB Liability as a Percentage of it's Covered Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability
PROFESSIONAL					
2023	0.42%	\$ 4,813,616	\$ 86,960,852	5.54%	67.21%
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%
NON-PROFESSIONAL					
2023	0.03%	\$ 404,576	\$ 7,308,311	5.54%	67.21%
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 2023 is the sixth year for this presentation, only six 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)
PROFESSIONAL					
2023	\$ 468,624	\$ 468,624	\$ -	\$ 86,782,314	0.54%
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%
NON-PROFESSIONAL					
2023	\$ 42,401	\$ 42,401	\$ -	\$ 7,852,000	0.54%
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%

HEALTH INSURANCE CREDIT PROGRAM - VRS DIRECTED - PUBLIC SCHOOLS

Schedule of Proportionate Share of Net OPEB Liability

PROFESSIONAL

Years Ended June 30,*	2023	2022	2021	2020	2019	2018
Employer's proportion of the net HIC OPEB liability	0.93%	0.98%	0.98%	0.99%	1.00%	1.00%
Employer's proportionate share of the net HIC OPEB liability	\$11,591,277	\$12,626,727	\$12,731,690	\$12,939,248	\$12,721,000	\$12,719,000
Employer's covered payroll	\$86,492,159	\$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	13.40%	14.51%	14.88%	15.61%	15.70%	16.08%
Plan fiduciary net position as a percentage of the total HIC OPEB liability	15.08%	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,*	2023	2022	2021
TOTAL OPEB LIABILITY			
Service cost	\$ 10,735	\$ 12,245	\$ -
Interest	66,746	60,586	-
Changes in benefit terms	-	-	897,571
Differences between expected and actual experience	-	-	-
Changes of assumptions	48,868	20,995	-
Net investment income	(55,220)	-	-
Benefit payments	(26,616)	-	-
Net change in total HIC OPEB liability	44,513	93,826	897,571
Total HIC OPEB liability, beginning	991,397	897,571	-
Total HIC OPEB liability, ending (a)	1,035,910	991,397	897,571
PLAN FIDUCIARY NET POSITION			
Contributions	64,216	63,628	-
Net investment income	(1,000)	8,483	-
Benefit payments, including refunds of employee contributions	(26,616)	-	-
Administrative expenses	(209)	(282)	-
Other	180	-	-
Net change in plan fiduciary net position	36,571	71,829	-
Plan fiduciary net position, beginning	71,829	-	-
Plan fiduciary net position, ending (b)	108,400	71,829	-
Net HIC OPEB liability - ending (a) - (b)	\$ 927,510	\$ 919,568	\$ 897,571
Plan fiduciary net position as a percentage of total HIC OPEB liability	10.46%	7.25%	0.00%
Employer's covered payroll*	\$ 7,137,001	\$ 7,069,603	\$ 7,547,503
Net HIC OPEB liability as a percentage of covered payroll	13.00%	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)
PROFESSIONAL					
2023	\$ 1,045,125	\$ 1,045,125	\$ -	\$ 86,373,937	1.21%
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%
NON-PROFESSIONAL					
2023	\$ 86,027	\$ 86,027	\$ -	\$ 7,750,204	1.11%
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,*	2023	2022	2021	2020	2019	2018
Employer's proportion of the net VLDP OPEB liability	3.81%	4.37%	4.43%	4.61%	4.61%	4.43%
Employer's proportionate share of the net VLDP OPEB liability	\$ (4,286)	\$ (30,790)	\$ 35,514	\$ 26,811	\$ 35,000	\$ 27,000
Employer's covered payroll	\$30,678,752	\$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	-0.01%	-0.10%	0.14%	0.12%	0.20%	0.22%
Plan fiduciary net position as a percentage of the total VLDP OPEB liability	101.57%	114.46%	78.28%	74.12%	46.18%	31.96%

NON-PROFESSIONAL

Years Ended June 30,*	2023	2022	2021	2020	2019	2018
Employer's proportion of the net VLDP OPEB liability	0.83%	0.79%	0.87%	0.93%	0.90%	0.85%
Employer's proportionate share of the net VLDP OPEB liability	\$ (4,618)	\$ (8,334)	\$ 8,689	\$ 18,906	\$ 7,000	\$ 5,000
Employer's covered payroll	\$ 3,680,031	\$ 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	-0.13%	-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%	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)
PROFESSIONAL					
2023	\$ 158,472	\$ 158,472	\$ -	\$ 33,717,389	0.47%
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%
NON-PROFESSIONAL					
2023	\$ 37,273	\$ 37,273	\$ -	\$ 4,385,037	0.85%
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%

VRS-DIRECTED OPEB PLANS

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, 2021, 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, Largest 10 Locality Employers – General Employees, Non-Largest 10 Locality Employers – General Employees, and 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

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

(2) VRS-DIRECTED OPEB PLANS (Continued)

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

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	Reduce increases across all ages by 0.50%
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 OPEB PLANS (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

Other Supplementary Information

Nonmajor Governmental Funds

CITY OF PORTSMOUTH, VIRGINIA
Combining Balance Sheet
Nonmajor Government Funds
June 30, 2023

Exhibit J-1

	SPECIAL REVENUE FUNDS										
	Behavioral Health Services	Public Law Library	Social Services	Stormwater Management	Children's Services	Willetts Hall	Community Development	Public Access Television Fund	Asset Forfeiture Fund	Permanent Fund - Cemetery	Total
Assets:											
Cash and temporary investments	\$16,213,541	226,943	238,621	1,918,625	598	482,248	365,171	73,520	506,093	1,981,073	22,006,433
Accounts receivable (net of allowance for uncollectibles)	487,299	-	12,176	241,910	-	-	-	-	-	-	741,385
Prepays	-	-	1,320	-	-	-	-	-	-	-	1,320
Due from other governments	1,790,705	-	1,630,770	-	404,882	-	-	-	-	-	3,826,357
Total assets	18,491,545	226,943	1,882,887	2,160,535	405,480	482,248	365,171	73,520	506,093	1,981,073	26,575,495
Liabilities:											
Accounts payable	273,778	767	190,806	63,362	4,328	-	714,409	-	-	2,500	1,249,950
Accrued payroll	142,542	-	212,977	33,374	-	-	6,583	-	-	-	395,476
Due to other governments	-	-	-	-	-	-	-	-	2,092	-	2,092
Due to other funds	-	-	763,000	-	33,000	-	-	-	-	-	796,000
Total liabilities	416,320	767	1,166,783	96,736	37,328	-	720,992	-	2,092	2,500	2,443,518
Deferred inflows of resources:											
Unavailable revenues	1,707,927	-	-	-	-	-	-	-	-	-	1,707,927
Fund balances:											
Nonspendable	-	-	1,320	-	-	-	-	-	-	1,000,000	1,001,320
Restricted	16,367,298	226,176	714,784	2,063,799	368,152	482,248	-	73,520	504,001	978,573	21,778,551
Unassigned	-	-	-	-	-	-	(355,821)	-	-	-	(355,821)
Total fund balances	16,367,298	226,176	716,104	2,063,799	368,152	482,248	(355,821)	73,520	504,001	1,978,573	22,424,050
Total liabilities, deferred inflows of resources, and fund balances	\$18,491,545	226,943	1,882,887	2,160,535	405,480	482,248	365,171	73,520	506,093	1,981,073	26,575,495

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, 2023

Exhibit J-2

	SPECIAL REVENUE FUNDS										
	Behavioral Health Services	Public Law Library	Social Services	Stormwater Management	Children's Services	Willet Hall	Community Development	Public Access Television Fund	Asset Forfeiture Fund	Permanent Fund - Cemetery	Total
Revenues:											
Intergovernmental	\$11,819,269	-	13,511,488	-	1,396,162	-	198,896	-	105,660	-	27,031,475
Charges for services	67,864	38,340	-	10,285,159	-	-	-	159,547	-	39,000	10,589,910
Investment income	286,660	-	-	68,813	-	-	-	-	8,616	43,369	407,458
Recovered costs	-	-	115,257	-	-	-	-	-	-	-	115,257
Program income	-	-	-	-	-	-	2,454,965	-	-	-	2,454,965
Miscellaneous	2,007,936	-	898	22,414	-	-	-	-	-	-	2,031,248
Total revenues	14,181,729	38,340	13,627,643	10,376,386	1,396,162	-	2,653,861	159,547	114,276	82,369	42,630,313
Expenditures:											
Current:											
Judicial	-	-	-	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-	-	-	-
Public works	-	-	-	2,552,019	-	-	-	-	-	-	2,552,019
Health and welfare	10,686,662	-	14,262,578	-	2,021,998	-	-	-	-	-	26,971,238
Parks, recreational, cultural	-	8,549	-	-	-	-	-	-	-	16,200	24,749
Community development	-	-	-	-	-	-	1,403,955	-	-	-	1,403,955
Debt service - principal	167,004	-	32,439	-	-	-	-	-	-	-	199,443
Interest and fiscal charges	4,662	-	868	23,063	-	-	-	-	-	-	28,593
Capital outlay	43,817	-	464,272	10,000	-	-	2,141,405	86,027	-	-	2,745,521
Total expenditures	10,902,145	8,549	14,760,157	2,585,082	2,021,998	-	3,545,360	86,027	-	16,200	33,925,518
Revenues over (under) expenditures	3,279,584	29,791	(1,132,514)	7,791,304	(625,836)	-	(891,499)	73,520	114,276	66,169	8,704,795
Other financing sources (uses):											
Transfers from other funds	715,466	-	2,340,544	-	617,571	-	-	-	-	-	3,673,581
Transfers to other funds	(859,357)	-	(925,140)	(6,243,832)	-	-	-	-	-	-	(8,028,329)
Total other financing sources (uses), net	(143,891)	-	1,415,404	(6,243,832)	617,571	-	-	-	-	-	(4,354,748)
Net change in fund balances	3,135,693	29,791	282,890	1,547,472	(8,265)	-	(891,499)	73,520	114,276	66,169	4,350,047
Fund balances, beginning of year	13,231,605	196,385	433,214	516,327	376,417	482,248	535,678	0	389,725	1,912,404	18,074,003
Fund balances, end of year	\$16,367,298	226,176	716,104	2,063,799	368,152	482,248	(355,821)	73,520	504,001	1,978,573	22,424,050

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, 2023

Exhibit J-3

	Behavioral Health Services			Public Law Library		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Intergovernmental	\$ 12,933,499	11,819,269	(1,114,230)	-	-	-
Charges for services	345,000	67,864	(277,136)	30,779	38,340	7,561
Investment income	-	286,660	286,660	-	-	-
Miscellaneous	895,455	2,007,936	1,112,481	-	-	-
Total revenues	14,173,954	14,181,729	7,775	30,779	38,340	7,561
Expenditures:						
Health and welfare	14,413,763	10,686,662	3,727,101	-	-	-
Parks, recreational, cultural	-	-	-	30,779	8,549	22,230
Debt service - principal	-	167,004	(167,004)	-	-	-
Interest and fiscal charges	-	4,662	(4,662)	-	-	-
Capital outlay	427,000	43,817	383,183	-	-	-
Total expenditures	14,840,763	10,902,145	3,938,618	30,779	8,549	22,230
Revenues over (under) expenditures	(666,809)	3,279,584	3,946,393	-	29,791	29,791
Other financing sources (uses):						
Transfers from other funds	715,466	715,466	-	-	-	-
Transfers to other funds	(894,357)	(859,357)	35,000	-	-	-
Total other financing uses, net	(178,891)	(143,891)	35,000	-	-	-
Revenues and other financing sources over (under) expenditures and other financing uses	\$ (845,700)	3,135,693	3,981,393	-	29,791	29,791
Fund balances, beginning of year		13,231,605	13,231,605		196,385	196,385
Fund balances, end of year		16,367,298	17,212,998		226,176	226,176

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, 2023

	Social Services			Stormwater Management		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Intergovernmental	\$ 15,794,312	13,511,488	(2,282,824)	-	-	-
Charges for services	-	-	-	10,456,943	10,285,159	(171,784)
Investment income	-	-	-	-	68,813	68,813
Recovered costs	-	115,257	115,257	-	-	-
Miscellaneous	100	898	798	-	22,414	22,414
Total revenues	15,794,412	13,627,643	(2,166,769)	10,456,943	10,376,386	(80,557)
Expenditures:						
Health and welfare	17,956,274	14,262,578	3,693,696	-	-	-
Public works	-	-	-	3,042,200	2,552,019	490,181
Debt service - principal	-	32,439	(32,439)	-	-	-
Interest and fiscal charges	-	868	(868)	-	23,063	(23,063)
Capital outlay	465,000	464,272	728	620,000	10,000	610,000
Total expenditures	18,421,274	14,760,157	3,661,117	3,662,200	2,585,082	1,077,118
Revenues over (under) expenditures	(2,626,862)	(1,132,514)	1,494,348	6,794,743	7,791,304	996,561
Other financing sources (uses):						
Transfers from other funds	3,563,502	2,340,544	(1,222,958)	-	-	-
Transfers to other funds	(936,640)	(925,140)	11,500	(6,802,497)	(6,243,832)	558,665
Total other financing sources (uses), net	2,626,862	1,415,404	(1,211,458)	(6,802,497)	(6,243,832)	558,665
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	282,890	282,890	(7,754)	1,547,472	1,555,226
Fund balances, beginning of year		433,214	433,214		516,327	516,327
Fund balances, end of year		716,104	716,104		2,063,799	2,071,553

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, 2023

	Childrens Services			Willett Hall		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Intergovernmental	\$ 1,199,315	1,396,162	196,847	-	-	-
Miscellaneous	-	-	-	-	-	-
Total revenues	1,199,315	1,396,162	196,847	-	-	-
Expenditures:						
Health and welfare	1,646,792	2,021,998	(375,206)	-	-	-
Total expenditures	1,646,792	2,021,998	(375,206)	-	-	-
Revenues under expenditures	(447,477)	(625,836)	(178,359)	-	-	-
Other financing sources -						
Transfers from other funds	447,477	617,571	(121,168)	-	-	-
Revenues and other financing sources under expenditures	\$ -	(8,265)	(299,527)	-	-	-
Fund balances, beginning of year		376,417	376,417		482,248	502,240
Fund balances, end of year		\$ 368,152	76,890		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, 2023

Exhibit J-3 (Continued)

	Public Access Fund			Asset Forfeiture Fund		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Intergovernmental	\$ -	-	-	\$ 1,960,565	105,660	(1,854,905)
Investment income	-	-	-	-	8,616	8,616
Miscellaneous	103,519	159,547	56,028	-	-	-
Total revenues	103,519	159,547	56,028	1,960,565	114,276	(1,846,289)
Expenditures:						
Judicial	-	-	-	659,364	-	659,364
Public Safety	-	-	-	932,920	-	932,920
Capital outlay	103,519	86,027	17,492	128,445	-	128,445
Total expenditures	103,519	86,027	17,492	1,720,729	-	1,720,729
Revenues over expenditures	-	73,520	73,520	239,836	114,276	(125,560)
Other financing uses -						
Transfers to other funds	-	-	-	(240,248)	-	240,248
Revenues over (under) expenditures and other financing uses	<u>\$ -</u>	73,520	73,520	<u>\$ (412)</u>	114,276	114,688
Fund balances, beginning of year		0	-		389,725	389,725
Fund balances, end of year		\$ 73,520	73,520		\$ 504,001	504,413

See Independent Auditor's Report.

Nonmajor Proprietary Funds

CITY OF PORTSMOUTH, VIRGINIA
Combining Statement of Net Position
Nonmajor Proprietary Funds
June 30, 2023

Exhibit K

	Golf	Parking Authority	Waste Management	Total
Assets:				
Current assets:				
Cash and temporary investments	\$ 10,502	53,313	16,895,863	16,959,678
Accounts receivable	-	1,992	5,243,746	5,245,738
Inventory of supplies	124,938	-	-	124,938
Total current assets	135,440	55,305	22,139,609	22,330,354
Noncurrent assets:				
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	12,994,506	14,311,544
Total capital assets	13,036,334	21,737,292	15,969,236	50,742,862
Less accumulated depreciation	(3,179,377)	(15,645,388)	(9,816,718)	(28,641,483)
Total capital assets, net	9,856,957	6,091,904	6,152,518	22,101,379
Total noncurrent assets	9,856,957	6,091,904	6,152,518	22,101,379
Deferred outflows of resources:				
Deferred outflows from debt refunding	40,184	9,555	-	49,739
Deferred outflows related to pensions (Note 7)	158,157	-	1,030,420	1,188,577
Deferred outflows related to OPEB (Note 8)	30,833	-	61,665	92,498
Total deferred outflows of resources	229,174	9,555	1,092,085	1,330,814
Total assets and deferred outflows of resources	\$ 10,221,571	6,156,764	29,384,212	45,762,547

See Independent Auditor's Report.

CITY OF PORTSMOUTH, VIRGINIA
Combining Statement of Net Position
Nonmajor Proprietary Funds
June 30, 2023

Exhibit K (Continued)

	Golf	Parking Authority	Waste Management	Total
Liabilities:				
Current liabilities:				
Accounts payable	\$ 25,772	31,785	586,427	643,984
Accrued interest payable	10,753	9,897	-	20,650
Accrued payroll	31,441	4,781	67,481	103,703
Deposits	60,346	-	-	60,346
Due to other funds (Note 10)	2,849,000	3,890,665	-	6,739,665
Current compensated absences (Note 5)	50,663	8,828	110,018	169,509
Current general obligation bonds (Note 5)	160,239	542,896	-	703,135
Total current liabilities	3,188,214	4,488,852	763,926	8,440,992
Noncurrent liabilities:				
Noncurrent compensated absences (Note 5)	46,766	8,149	101,555	156,470
Landfill closure and postclosure liability	-	-	3,868,065	3,868,065
Noncurrent general obligation bonds (Note 5)	706,195	105,823	-	812,018
Net pension liability (Note 7)	95,441	-	2,347,971	2,443,412
Net OPEB liability (Note 8)	108,495	-	216,991	325,486
Total noncurrent liabilities	956,897	113,972	6,534,582	7,605,451
Deferred inflows of resources:				
Deferred inflows related to pensions (Note 7)	177,922	-	355,844	533,766
Deferred inflows related to OPEB (Note 8)	71,155	-	142,309	213,464
Total deferred inflows of resources	249,077	-	498,153	747,230
Net position:				
Net investment in capital assets	9,030,707	5,452,740	6,152,518	20,635,965
Unrestricted	(3,203,324)	(3,898,800)	15,435,033	8,332,909
Total net position	5,827,383	1,553,940	21,587,551	28,968,874
Total liabilities, deferred inflows of resources, and net position	\$ 10,221,571	6,156,764	29,384,212	45,762,547

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, 2023

	Golf	Parking Authority	Waste Management	Total
Operating revenues:				
Charges for services	\$ 1,451,759	795,149	10,352,608	12,599,516
Other	131,534	36,334	1,692	169,560
Total operating revenues	1,583,293	831,483	10,354,300	12,769,076
Operating expenses:				
Personnel services	900,049	224,760	2,861,883	3,986,692
Contractual services	98,815	157,317	3,516,691	3,772,823
Supplies and materials	242,250	18,384	229,720	490,354
Utilities	109,396	121,640	-	231,036
Internal charges	36,591	50,185	1,946,019	2,032,795
Rent	115,791	-	-	115,791
Depreciation	101,737	369,191	863,754	1,334,682
Closure/postclosure	-	-	315,448	315,448
Other	372,931	43,700	287,896	704,527
Total operating expenses	1,977,560	985,177	10,021,411	12,984,148
Operating income (loss)	(394,267)	(153,694)	332,889	(215,072)
Nonoperating revenues (expenses):				
Investment income	-	-	359,751	359,751
Interest expense and fiscal charges	(29,409)	(37,659)	-	(67,068)
Net nonoperating revenues (expenses)	(29,409)	(37,659)	359,751	292,683
Net income (loss) before transfers	(423,676)	(191,353)	692,640	77,611
Transfers from other funds	920,397	305,756	-	1,226,153
Transfers to other funds	(18,368)	(8,487)	(946,697)	(973,552)
Change in net position	478,353	105,916	(254,057)	330,212
Net position, beginning of year	5,349,030	1,448,024	21,841,608	28,638,662
Net position, end of year	\$ 5,827,383	1,553,940	21,587,551	28,968,874

See Independent Auditor's Report.

CITY OF PORTSMOUTH, VIRGINIA
Combining Statement of Cash Flows
Nonmajor Proprietary Funds
Year Ended June 30, 2023

Exhibit K-3

	Golf	Parking Authority	Waste Management	Total
Cash flows from operating activities:				
Receipts from customers	\$ 1,431,044	831,056	10,941,372	13,203,472
Payments to suppliers	(1,098,695)	(377,301)	(5,675,675)	(7,151,671)
Payments to employees	(999,659)	(225,108)	(3,009,133)	(4,233,900)
Net cash provided by (used in) operating activities	(667,310)	228,647	2,256,564	1,817,901
Cash flows from noncapital financing activities:				
Interfund loans	449,000	10,000	-	459,000
Transfers in	920,397	305,756	-	1,226,153
Transfers out	(18,368)	(8,487)	(946,697)	(973,552)
Net cash provided by (used in) noncapital and related financing activities	1,351,029	307,269	(946,697)	711,601
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	-	-	(242,975)	(242,975)
Principal paid on long-term debt	(665,000)	(525,000)	-	(1,190,000)
Interest paid	(32,146)	(38,524)	-	(70,670)
Net cash used in capital and related financing activities	(697,146)	(563,524)	(242,975)	(1,503,645)
Cash flows from investing activities:				
Interest received	-	-	359,751	359,751
Net increase (decrease) in cash and temporary investments	(13,427)	(27,608)	1,426,643	1,385,608
Cash and temporary investments, beginning of year	23,929	80,921	15,469,220	15,574,070
Cash and temporary investments, end of year	\$ 10,502	53,313	16,895,863	16,959,678
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ (394,267)	(153,694)	332,889	(215,072)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	101,737	369,191	863,754	1,334,682
Landfill closure/post-closure	-	-	315,448	315,448
Pension expense (recovery), net of employer contributions	(83,774)	-	(117,401)	(201,175)
OPEB expense (recovery), net of employer contributions	(38,852)	-	(77,703)	(116,555)
Decrease (increase) in:				
Accounts receivable	-	(427)	587,072	586,645
Inventories	(13,961)	-	-	(13,961)
Increase (decrease) in:				
Accounts payable	(108,960)	13,925	304,651	209,616
Customer deposits	(152,249)	-	-	(152,249)
Accrued payroll	12,595	(879)	27,085	38,801
Compensated absences	10,421	531	20,769	31,721
Total adjustments	(273,043)	382,341	1,923,675	2,032,973
Net cash provided by (used in) operating activities	\$ (667,310)	228,647	2,256,564	1,817,901

See Independent Auditor's Report.

Internal Service Funds

CITY OF PORTSMOUTH, VIRGINIA
Combining Statement of Net Position
Internal Service Funds
June 30, 2023

Exhibit L-1

	City Garage	Information Technology	Health Insurance and OPEB	Risk Management	Risk Management School Board	Total
Assets:						
Current assets:						
Cash and temporary investments (Note 3)	\$ 1,268,109	72,043	741	12,774,414	5,503,686	19,618,993
Accounts receivable	1,197,724	-	338,018	-	-	1,535,742
Inventory of supplies	786,816	-	-	-	-	786,816
Deposits-held by others	-	-	-	240,000	-	240,000
Total current assets	3,252,649	72,043	338,759	13,014,414	5,503,686	22,181,551
Noncurrent assets:						
Capital assets (Note 4):						
Land	15,048	-	-	-	-	15,048
Buildings	693,083	-	-	-	-	693,083
Machinery, furniture, and equipment	21,071,067	4,901,390	-	-	-	25,972,457
Intangible assets	-	3,212,348	-	-	-	3,212,348
Subscription assets	-	318,137	-	-	-	318,137
Total capital assets	21,779,198	8,431,875	-	-	-	30,211,073
Less accumulated depreciation	(21,199,830)	(6,841,367)	-	-	-	(28,041,197)
Total capital assets, net	579,368	1,590,508	-	-	-	2,169,876
Deferred outflows of resources:						
Deferred outflows related to pensions (Note 7)	381,234	993,821	-	-	-	1,375,055
Deferred outflows related to OPEB (Note 8)	30,833	92,498	-	-	-	123,331
Total deferred outflows of resources	412,067	1,086,319	-	-	-	1,498,386
Total assets and deferred outflows of resources	4,244,084	2,748,870	338,759	13,014,414	5,503,686	25,849,813
Liabilities:						
Current liabilities:						
Accounts payable	1,085,295	690,970	617,886	707,929	-	3,102,080
Accrued payroll	31,420	55,258	-	2,469	-	89,147
Due to other funds (Note 10)	-	1,410,000	4,247,000	-	-	5,657,000
Current compensated absences (Note 5)	52,575	129,298	-	1,229	-	183,102
Current claims payable (Note 15)	-	-	1,952,000	3,083,605	-	5,035,605
Current subscription liabilities	-	110,356	-	-	-	110,356
Total current liabilities	1,169,290	2,395,882	6,816,886	3,795,232	-	14,177,290
Noncurrent liabilities:						
Noncurrent claims payable (Note 15)	-	-	-	6,161,065	-	6,161,065
Noncurrent compensated absences (Note 5)	48,531	119,352	-	1,134	-	169,017
Net pension liability (Note 7)	386,982	1,855,116	-	-	-	2,242,098
Net OPEB liability (Note 8)	108,495	325,486	-	-	-	433,981
Total noncurrent liabilities	544,008	2,299,954	-	6,162,199	-	9,006,161
Deferred inflows of resources:						
Deferred inflows related to pensions (Note 7)	355,844	533,765	-	-	-	889,609
Deferred inflows related to OPEB (Note 8)	71,155	213,464	-	-	-	284,619
Total deferred inflows of resources	426,999	747,229	-	-	-	1,174,228
Net position:						
Net investment in capital assets	579,368	1,480,152	-	-	-	2,059,520
Restricted	-	-	-	-	-	-
Unrestricted	1,524,419	(4,174,347)	(6,478,127)	3,056,983	5,503,686	(567,386)
Total net position	2,103,787	(2,694,195)	(6,478,127)	3,056,983	5,503,686	1,492,134
Total liabilities, deferred inflows of resources, and net position	\$ 4,244,084	2,748,870	338,759	13,014,414	5,503,686	25,849,813

See Independent Auditor's Report.

CITY OF PORTSMOUTH, VIRGINIA
Combining Statement of Net Position
Internal Service Funds
Year Ended June 30, 2023

Exhibit L-2

	City Garage	Information Technology	Health Insurance and OPEB	Risk Management	Risk Management School Board	Total
Operating revenues:						
Charges for services	\$ 5,515,980	9,109,569	17,443,353	4,106,616	-	36,175,518
Other	128,686	48,087	1,501,040	-	-	1,677,813
Total operating revenues	5,644,666	9,157,656	18,944,393	4,106,616	-	37,853,331
Operating expenses:						
Personnel services	1,216,212	2,822,818	-	118,189	-	4,157,219
Contractual services	845,330	5,600,523	1,720,762	109,496	-	8,276,111
Supplies and materials	3,928,961	541,864	-	331	-	4,471,156
Utilities	7,940	149,291	-	-	-	157,231
Internal charges	136,674	5,531	-	163,030	-	305,235
Claims, settlements and refunds	-	-	18,387,444	3,020,517	-	21,407,961
Insurance premiums	-	-	-	1,451,312	-	1,451,312
Depreciation and amortization	338,178	363,600	-	-	-	701,778
Other - operating expense	651,936	324,126	1,021,039	-	-	1,997,101
Total operating expenses	7,125,231	9,807,753	21,129,245	4,862,875	-	42,925,104
Operating loss	(1,480,565)	(650,097)	(2,184,852)	(756,259)	-	(5,071,773)
Nonoperating revenues (expenses) -						
Investment income	-	-	-	-	183,263	183,263
Interest expense and fiscal charges	-	(2,718)	-	-	-	(2,718)
Net nonoperating revenues (expenses)	-	(2,718)	-	-	183,263	180,545
Net income (loss) before transfers	(1,480,565)	(652,815)	(2,184,852)	(756,259)	183,263	(4,891,228)
Transfers from other funds	-	-	750,000	-	-	750,000
Transfers to other funds	(44,695)	(251,179)	-	(14,523)	-	(310,397)
Change in net position	(1,525,260)	(903,994)	(1,434,852)	(770,782)	183,263	(4,451,625)
Net position, beginning of year	3,629,047	(1,790,201)	(5,043,275)	3,827,765	5,320,423	5,943,759
Net position, end of year	\$ 2,103,787	(2,694,195)	(6,478,127)	3,056,983	5,503,686	1,492,134

See Independent Auditor's Report.

CITY OF PORTSMOUTH, VIRGINIA
Combining Statement of Cash Flows
Internal Service Funds
Year Ended June 30, 2023

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	\$ 5,100,610	9,157,656	18,606,333	4,106,616	-	36,971,215
Payments to suppliers	(5,309,329)	(6,440,422)	(20,646,834)	(4,851,186)	-	(37,247,771)
Payments to employees	(1,603,926)	(3,162,304)	-	(119,514)	-	(4,885,744)
Net cash used in operating activities	(1,812,645)	(445,070)	(2,040,501)	(864,084)	-	(5,162,300)
Cash flows from noncapital financing activities:						
Interfund loans	-	1,000,000	1,247,000	-	-	2,247,000
Transfers in	-	-	750,000	-	-	750,000
Transfers out	(44,695)	(251,179)	-	(14,523)	-	(310,397)
Net cash provided by (used in) noncapital financing activities	(44,695)	748,821	1,997,000	(14,523)	-	2,686,603
Cash flows from capital and related financing activities:						
Acquisition and construction of capital assets	-	(23,917)	-	-	-	(23,917)
Principal paid on long-term debt	-	(207,781)	-	-	-	(207,781)
Interest paid	-	(2,718)	-	-	-	(2,718)
Net cash used in noncapital financing activities	-	(234,416)	-	-	-	(234,416)
Cash flows from investing activities:						
Interest received	-	-	-	-	183,263	183,263
Net increase (decrease) in cash and temporary investments	(1,857,340)	69,335	(43,501)	(878,607)	183,263	(2,526,850)
Cash and temporary investments, beginning of year	3,125,449	2,708	44,242	13,653,021	5,320,423	22,145,843
Cash and temporary investments, end of year	\$ 1,268,109	72,043	741	12,774,414	5,503,686	19,618,993
Reconciliation of operating loss to net cash used in operating activities:						
Operating loss	\$ (1,480,565)	(650,097)	(2,184,852)	(756,259)	-	(5,071,773)
Adjustments to reconcile operating loss to net cash used in operating activities:						
Depreciation and amortization	338,178	363,600	-	-	-	701,778
Pension expense (recovery), net of employer contributions	(162,989)	(214,852)	-	-	-	(377,841)
OPEB expense (recovery), net of employer contributions	(226,521)	(116,555)	-	-	-	(343,076)
Decrease (increase) in:						
Accounts receivable	(544,056)	-	(338,018)	-	-	(882,074)
Inventories	(118,485)	-	-	-	-	(118,485)
Increase (decrease) in:						
Accounts payable	379,997	180,913	(45,631)	180,998	-	696,277
Accrued payroll	4,834	11,219	-	927	-	16,980
Compensated absences	(3,038)	(19,298)	-	(2,252)	-	(24,588)
Nonoperating revenues reported as operating revenues:						
Claims payable	-	-	528,000	(287,498)	-	240,502
Total adjustments	(332,080)	205,027	144,351	(107,825)	-	(90,527)
Net cash used in operating activities	\$ (1,812,645)	(445,070)	(2,040,501)	(864,084)	-	(5,162,300)

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, 2023

General Government Capital Projects Fund

	Total Project Authorization	CIP June 30, 2022 Balance	Current Year Expenditures	Current Year Closed/Exp	Total Expenditures	CIP June 30, 2023 Balance	Unexpended Balance	Encumbrances	Unencumbered Balance
Twin Pines Rd Widening	\$ 2,625,000	11,055,766	13,109	1,383	78,177	11,067,492	2,546,823	460,159	2,086,664
Churchland Bridge	38,062,697	11,101,534	16,482,589	2,274	32,469,656	27,581,849	5,593,041	1,741,717	3,851,324
Paradise Creek Bridge Replacement	2,737,000	937,248	44,363	-	685,636	981,611	2,051,364	154,510	1,896,854
Court/Bart/Pavilion Intersection	1,321,368	119,693	182,668	-	297,400	302,361	1,023,968	1,019,011	4,957
Ballard Ave-Hyman St Improvements	3,141,000	369,718	7,810	-	207,159	377,528	2,933,841	2,023,050	910,791
Effingham St Imp @ Portsmouth Naval	500,000	121,625	10,172	2,935	122,466	128,862	377,534	363,704	13,830
Citywide Systematic FYA Improvements	1,323,440	68,812	3,051	3,051	71,863	68,812	1,251,577	12,396	1,239,181
Burtens Point Road Reconstruction	2,450,000	312,158	933,583	867	1,172,683	1,244,874	1,277,317	1,504,045	-
West Norfolk Road EDA	50,000	-	-	-	-	-	50,000	-	50,000
City Hall Elevator Replacement	3,200,000	-	-	-	-	-	3,200,000	757,793	2,442,207
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	67,524	70,370	14,672	113,519	123,222	146,481	6,726	139,755
VPDES Permit Compliance - New	8,932,072	-	234,233	234,233	6,298,553	-	2,633,519	534,882	2,098,637
Crtl-VSMP Prmit Comp	3,080,482	-	1,328,882	1,328,882	3,220,321	-	-	1,703,228	-
George Washington Highway Corridor	1,190,000	-	-	-	-	-	1,190,000	136,567	1,053,433
Fredrick Blvd Turn Lane	75,000	-	15,340	-	15,340	15,340	59,660	70,000	-
Lincoln Park Redevelopment	350,000	-	-	-	338,000	-	12,000	-	12,000
CMAQ Signal Timing Phase 4	132,000	67,656	2,553	2,553	37,020	67,656	94,980	57,443	37,537
Drainage Facility Repair Lake Management -New	9,871,904	5,783,399	564,019	14,522	7,998,171	6,332,896	1,873,733	574,449	1,299,284
Crtl-Stormwater Infra Renewal/Repla	6,559,103	4,022,699	4,247,664	68,530	7,540,399	8,201,833	-	3,423,943	-
Turnpike Road Improvement	778,950	-	33,262	-	33,262	33,262	745,688	184,843	560,845
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	-	-	28,000	26,425	282,000	1,200	280,800
Neighborhood Roadway & Drainage	4,700,000	681,785	928,565	596,289	1,610,350	1,014,061	3,089,650	1,538,872	1,550,778
Signal System Upgrades Phase V	4,936,344	523,893	13,306	4,346	451,185	532,853	4,485,159	-	4,485,159
Westhaven Bicycle Improvements	500,000	92,368	2,853	2,853	86,809	92,368	413,191	259,981	153,210
Traffic Inventory - New	100,000	913	-	-	73,574	913	26,426	-	26,426
Control-Traffic Inventory	200,000	146,666	278,231	53,325	341,255	371,572	-	259,582	-
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	74,751	40,209	40,209	123,822	74,751	34,236	6,307	27,929
Upgrade City's Traffic Signal (2 - 4)	6,502,191	-	-	-	6,431,762	-	70,429	-	70,429
Emergency Vehicle Preemp	36,294	29,657	1,754	1,754	3,877	29,657	32,417	4,883	27,534
Bridge Repairs - New	669,268	423,316	175,924	-	449,070	599,240	220,198	16,815	203,383
Control-Bridge Repairs	425,000	295,942	20,655	9,100	114,284	307,497	310,716	45,020	265,696
ADA Compliance Curb Cuts - New	219,692	203,140	37,779	12,600	136,613	228,319	83,079	-	83,079
Dredging of Lakes - New	3,861,962	1,154,191	546,682	41,646	1,503,777	1,659,227	2,358,185	1,111,576	1,246,609
POT-Dredging of Lakes and Ponds FY2	500,000	-	235,321	16,792	371,376	218,529	128,624	486,078	-
Flooring and Carpet	300,000	-	-	-	21,893	-	278,107	-	278,107
Resiliency Planning	150,000	-	86,171	86,171	86,171	-	63,829	-	63,829

See Independent Auditor's Report.

CITY OF PORTSMOUTH, VIRGINIA

Exhibit M

Capital Projects Funds

Schedule of Expenditures and Encumbrances - Budget and Actual

June 30, 2023

General Government Capital Projects Fund

	Total Project Authorization	CIP June 30, 2022 Balance	Current Year Expenditures	Current Year Closed/Exp	Total Expenditures	CIP June 30, 2023 Balance	Unexpended Balance	Encumbrances	Unencumbered Balance
Municipal Facilities Plan	675,000	-	-	-	-	-	675,000	-	675,000
Municipal Audio Video	100,000	-	75,677	75,677	173,885	-	-	222	-
Municipal VOIP Migration	75,000	-	-	-	74,118	-	882	-	882
Document Management	325,000	-	-	-	81,655	-	243,345	-	243,345
Fire Station Concrete Replacement	920,000	-	175,629	175,629	175,629	-	744,371	209,355	535,016
Effingham Fire Station Repairs	250,000	-	3,108	3,108	140,998	-	109,002	100,491	8,511
City Gateways - New	294,618	92,113	-	-	297,657	92,113	-	1,524	-
City Gateways - New	150,000	28,878	-	-	42,988	28,878	107,012	-	107,012
Dog Parks	50,000	31,807	-	-	2,229	31,807	47,771	15,852	31,919
DSS Roof Repair	678,248	-	-	-	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	579,267	21,420
Mt Olive & Mt Calvary Improvements	75,000	-	20,950	20,950	134,900	-	-	142,150	-
IT Security Audit	100,000	-	-	-	93,429	-	6,571	-	6,571
City Hall Plumbing System Replacement	550,000	58,030	-	-	58,030	58,030	491,970	1,750	490,220
801 Water Street	4,080,871	-	105,696	13,090	4,101,097	92,606	-	21,250	-
Portside Festival Site	731,000	-	-	-	329,652	-	401,348	65,849	335,499
Hurricane Shelter Assess	28,700	-	-	-	69,000	-	-	37,085	-
Safe Haven Building Renovation	2,000,000	74,928	-	-	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	1,165,512	302,581	207,968	1,271,938	1,260,125	528,062	399,880	128,182
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	-	-	-	1,194,067	-	3,241	3,174	67
Control-Rec Center Enhancements-pavil	1,078,180	49,937	266,924	46,478	653,625	270,383	424,555	295,926	128,629
Demolition of Buildings - New	586,640	197,628	-	-	572,760	197,628	13,880	8,099	5,781
Control-Demolition of Bldgs	325,000	-	-	-	153,915	-	171,085	-	171,085
Water Treatment Plant Building	650,000	18,118	-	-	114,284	18,118	535,716	-	535,716
Museums-Capital	30,055	-	-	-	438	-	29,617	-	29,617
DSS Building	410,000	-	36,000	36,000	583,955	-	-	6,997	-
DSS HVAC Replacement	467,288	-	-	-	-	-	467,288	-	467,288
Cavalier Manor Athletics Complex	1,052,702	-	-	-	1,027,855	-	24,847	3,723	21,124
Rails and Trails	900,000	311,896	66,078	-	383,193	377,974	516,807	570,843	-
Outside Recreation Facility Repairs - Closed	422,367	45,926	4,585	4,585	402,302	45,926	20,065	613	19,452
Crtl-Outdoor Recr Facility Repair	875,000	845,970	352,750	106,840	606,890	1,091,880	268,110	193,154	74,956
Public Works Building	85,000	8,495	-	-	8,495	8,495	76,505	-	76,505
Circle of Sail	74,215	-	-	-	8,223	-	65,992	4,500	61,492
New Fire Station	6,000,000	295,993	495,768	5,159	762,240	786,602	5,237,760	1,063,434	4,174,326
Waste Management Building	3,988,645	3,416,311	-	-	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, 2023

General Government Capital Projects Fund

	Total Project Authorization	CIP June 30, 2022 Balance	Current Year Expenditures	Current Year Closed/Exp	Total Expenditures	CIP June 30, 2023 Balance	Unexpended Balance	Encumbrances	Unencumbered Balance
Roof Replacement - New	1,207,443	4,350	66,550	7,950	273,209	62,950	934,234	18,850	915,384
Control-Roof Replacement	800,000	-	-	-	-	-	800,000	-	800,000
ADA Municipal Facility Compliance - New	177,909	5,898	38,325	38,325	109,434	5,898	68,475	6,773	61,702
Hazmat Program - New	229,800	16,028	12,600	12,600	44,611	16,028	185,189	14,680	170,509
1846 Courthouse HVAC Replacement - New	298,610	223,254	-	-	173,085	223,254	125,525	2,554	122,971
Control-1846 Courthouse	100,000	-	17,378	5,218	80,287	12,160	19,713	27,320	-
Courthouse A/V Upgrade	95,000	-	-	-	-	-	95,000	-	95,000
ADA Municipal Facility Compliance - Closed	859,485	-	-	-	731,575	-	127,910	-	127,910
Replacement of HVAC - New	563,989	349,924	2,800	2,800	382,437	349,924	181,552	8,324	173,228
Control-Replacement of HVAC	900,000	649,914	77,685	19,314	504,273	708,285	395,727	-	395,727
Parking Garage Repairs - New	927,953	64,851	396,239	3,574	485,325	457,516	442,628	271,815	170,813
CONTROL-Parking Garage Repairs	200,000	-	-	-	-	-	200,000	-	200,000
Various Building Renovations - New	1,921,881	477,860	732,881	254,887	1,467,077	955,854	454,804	408,636	46,168
Crtl-Renovations to Various Bldgs	500,000	24,395	2,028	2,028	26,423	24,395	473,577	6,176	467,401
Repair of Seawall	1,381,158	141,701	-	-	1,117,094	141,701	264,064	60	264,004
Repair of Seawall	100,000	-	12,645	12,645	12,645	-	87,355	450	86,905
Sportsplex Buildings	780,000	-	-	-	648,269	-	131,731	1,461	130,270
Seawall Reinforcement	28,206,747	-	1,106,050	1,106,050	26,103,611	-	2,103,136	240,548	1,862,588
POT-Seawall Replacement FY20	3,000,000	-	622,799	622,799	1,847,481	-	1,152,519	64,910	1,087,609
Harbor Center Pavilion - New	35,000	-	-	-	35,000	-	-	-	-
Ctrl-Union Bank and Trust Pavilion	135,000	-	147,082	147,082	347,680	-	-	18,360	-
Benchmark Monumental	75,000	-	-	-	25,000	-	50,000	-	50,000
City Fiber Network	12,120,000	-	256,192	256,192	8,047,731	-	4,072,269	1,172,780	2,899,489
Municipal Access Control	300,000	152,244	23,234	4,116	273,243	171,362	26,757	16,377	10,380
Landfill Scales	200,000	-	-	-	-	-	200,000	14,284	185,716
DSS Document Management System	325,000	-	-	-	285,515	-	39,485	-	39,485
Municipal Security Came	450,000	582,188	167,740	-	494,185	749,928	-	39,612	-
E-911 DMZ Server	500,000	-	410,311	410,311	410,311	-	89,689	10,000	79,689
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	3,825	19,325
PS New Radio System	11,000,000	4,405,560	-	-	8,891,851	4,405,560	2,108,149	13,750	2,094,399
CAMA Software System	300,000	-	-	-	275,441	-	24,559	-	24,559
CAD System	777,480	-	-	-	722,190	-	55,290	-	55,290
Crime Analysis System	112,250	-	-	-	23,950	-	88,300	79,398	8,902
Revenue System Treasurer/COR	1,135,917	561,648	423,419	-	848,777	985,067	287,140	4,829	282,311
Waste Management Fleet	2,800,000	-	-	-	-	-	2,800,000	-	2,800,000
Waste Management Equipment	286,002	-	-	-	-	-	286,002	-	286,002
FY20 City Garage Fleet	4,000,000	-	1,420,096	1,420,096	3,917,792	-	82,208	437,910	-
EMS Equipment Replacement	150,000	-	-	-	-	-	150,000	-	150,000
Public Utilities Vehicle Replacement	941,000	-	-	-	-	-	941,000	-	941,000
Stormwater Fund Fleet	1,420,000	-	-	-	-	-	1,420,000	-	1,420,000

See Independent Auditor's Report.

CITY OF PORTSMOUTH, VIRGINIA

Exhibit M

Capital Projects Funds

Schedule of Expenditures and Encumbrances - Budget and Actual

June 30, 2023

General Government Capital Projects Fund

	Total Project Authorization	CIP June 30, 2022 Balance	Current Year Expenditures	Current Year Closed/Exp	Total Expenditures	CIP June 30, 2023 Balance	Unexpended Balance	Encumbrances	Unencumbered Balance
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	-	1,243,000	-	1,243,000
Churchland High HVAC	5,212,009	3,713,849	-	-	3,186,830	3,713,849	2,025,179	57,673	1,967,506
Brighton ES Roof Replacement	973,000	-	-	-	-	-	973,000	1,100	971,900
Churchland Academy Parking Lot Add	527,500	40,907	367,376	-	449,297	408,283	78,203	36,105	42,098
Mt. Hermon Bus Loop Upgrade	35,870	27,506	-	-	-	27,506	35,870	8,364	27,506
Churchland HS Track-Rplcmt	200,000	-	-	-	-	-	200,000	-	200,000
Churchland HS Stage/Sound/Lighting	345,000	-	-	-	77,414	-	267,586	22,586	245,000
New Middle School	40,440	40,440	-	-	-	40,440	40,440	-	40,440
Churchland HS Stage	145,086	-	-	-	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	1,374,729	1,942,663	4,346	2,480,326	3,313,046	-	512,094	-
Mt Hermon Rooftop HVAC Units Replacement	162,672	-	-	-	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	82,518	1,647	406,189	373,482	-	355,368	-
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	148,228	7,040	485,641	226,388	-	-	-
Woodrow Wilson HS Restroom Renovator	876,000	627,440	293,268	13,417	893,175	907,291	-	26,197	-
School Safety Improvements	1,000,000	-	-	-	980,420	-	19,580	74,038	-
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
IC Norcom HS Rec Enhancements	6,700,000	-	-	-	-	-	6,700,000	53,300	6,646,700
	<u>\$255,884,906</u>	<u>59,424,494</u>	<u>37,216,971</u>	<u>7,586,908</u>	<u>166,189,590</u>	<u>89,054,557</u>	<u>93,468,930</u>	<u>26,361,544</u>	<u>74,721,323</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, 2023, \$93,468,930 represents the amount authorized but not yet spent. This includes commitments totaling \$26,361,544 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, 2023

Public Utility Capital Projects Fund

	Total Project Authorization	CIP June 30, 2022 Balance	Current Year Expenditures	Total Expenditures	Current Year Closed/Exp	CIP June 30, 2023 Balance	Unexpended Balance	Encumbrances	Unencumbered Balance
Water Treatment Plant B	\$ 150,000	-	-	-	-	-	150,000	-	150,000
Suction Well Rehab	25,218,290	214,191	264,411	478,602	-	478,602	24,739,688	-	24,739,688
Miscellaneous Sewer/Sewer Pump Station	20,498,167	7,282,241	1,600,193	14,705,318	(771,207)	8,111,227	5,792,849	1,887	5,790,962
Sewer Cave In	7,824,238	4,328,429	330,785	7,919,546	-	4,659,214	(95,308)	5,335	-
Sanitary Sewer Overflow	45,665,449	15,323,261	2,896,476	28,552,184	14,928	18,234,665	17,113,265	1,438,361	15,674,904
Infrastructure Improvements	21,793,355	5,827,482	2,625,642	10,068,867	-	8,453,124	11,724,488	724,772	10,999,716
Lake Cohoon Raw Water Pump Station	4,910,575	93,104	-	93,104	-	93,104	4,817,471	-	4,817,471
Dam Upgrades	4,533,083	1,789,559	76,248	1,870,077	-	1,865,807	2,663,006	126,026	2,536,980
Replacement of Water Plant Equipment	9,720,396	2,963,468	-	4,583,574	-	2,963,468	5,136,822	79,864	5,056,958
Meter Replacement	15,999,000	189,605	193,834	10,735,496	(53,227)	330,212	5,263,504	-	5,263,504
Miscellaneous Water Improvements	9,224,524	2,045,132	506,715	5,711,680	(49,193)	2,502,654	3,512,844	-	3,512,844
Downtown Master Utility	42,400,000	19,821,785	-	29,862,623	-	19,821,785	12,537,377	-	12,537,377
Low Pressure Transmission Main	70,250,000	4,854,857	328,435	6,760,208	-	5,183,292	63,489,792	311,295	63,178,497
Lake Kilby Filter Replacement	49,600,000	46,627,559	6,097,826	51,560,451	-	52,725,385	(1,960,451)	3,000,111	-
Water Tank Rehab	5,500,000	1,046,897	278,046	2,423,256	-	1,324,943	3,076,744	109,353	2,967,391
MUNIS Upgrade	1,104,000	416,124	-	416,124	-	416,124	687,876	-	687,876
Scada Upgrades	6,750,000	831,966	833,988	1,665,954	-	1,665,954	5,084,046	267,156	4,816,890
	<u>\$ 341,141,077</u>	<u>113,655,660</u>	<u>16,032,599</u>	<u>177,407,064</u>	<u>(858,699)</u>	<u>128,829,560</u>	<u>163,734,013</u>	<u>6,064,160</u>	<u>162,731,058</u>

As of June 30, 2023, \$163,734,013 represents the amount authorized, but not yet spent. This includes commitments totaling \$6,064,160 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, 2023

Parking Authority Capital Projects Fund

	Total Project Authorization	Prior Year CIP	Current Year Expenditures	Total Expenditures	Current Year Closed/Exp	CIP June 30, 2023 Balance	Unexpended Balance	Encumbrances	Unencumbered Balance
County Street Parking Garage Replacement	\$ 1,750,000	-	-	1,519,429	-	-	230,571	58,801	171,770
Garage Facilities Repair	697,044	-	-	579,231	-	-	117,813	11,419	106,394
	<u>\$ 2,447,044</u>	<u>-</u>	<u>-</u>	<u>2,098,660</u>	<u>-</u>	<u>-</u>	<u>348,384</u>	<u>70,220</u>	<u>278,164</u>

As of June 30, 2023, 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, 2023, \$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, 2023

Exhibit N-1

	Portsmouth Supplemental Retirement System	Portsmouth Fire and Police Retirement System	OPEB	Total
Assets:				
Cash and temporary investments	\$ 2,163,371	6,762,062	-	8,925,433
Investments:				
Stocks	31,581,882	98,715,699	4,189,854	134,487,435
Bonds	11,906,416	37,215,962	1,710,144	50,832,522
Real estate	1,608,975	5,029,184	1,282,608	7,920,767
Other investments	-	-	1,368,115	1,368,115
Total investments	45,097,273	140,960,845	8,550,721	194,608,839
Total assets	47,260,644	147,722,907	8,550,721	203,534,272
Net position, restricted	\$ 47,260,644	147,722,907	8,550,721	203,534,272

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, 2023

Exhibit N-2

	Portsmouth Supplemental Retirement System	Portsmouth Fire and Police Retirement System	OPEB	Total
Additions:				
Contributions -				
Employers' contributions	\$ 1,602,512	6,253,165	2,755,357	10,611,034
Investment income:				
Gains	4,538,679	14,125,480	548,861	19,213,020
Total additions	6,141,191	20,378,645	3,304,218	29,824,054
Deductions:				
Benefit payments	7,229,061	21,106,801	1,255,357	29,591,219
Administrative expenses	70,211	209,202	7,315	286,728
Total deductions	7,299,272	21,316,003	1,262,672	29,877,947
Net increase (decrease) in fiduciary net position	(1,158,081)	(937,358)	2,041,546	(53,893)
Net position, beginning of year	48,418,725	148,660,265	6,509,175	203,588,165
Net position, end of year	\$ 47,260,644	147,722,907	8,550,721	203,534,272

See Independent Auditor's Report.

STATISTICAL SECTION

This section of the city of Portsmouth's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the city's overall financial health.

Financial Trends

These contain information to help the reader understand how the city's financial performance and well-being have changed over time.

Revenue Capacity

These help the reader assess the factors affecting the city's ability to generate its own-source revenues.

Debt Capacity

These present information to help the reader assess the affordability of the city's current levels of outstanding debt and the city's ability to issue additional debt in the future.

Demographic and Economic information

These offer demographic and economic indicators to help the reader understand the environment within which the city's financial activities take place and to help make comparisons over time and with other governments.

Operating information

These contain information about the city's operations and resources to help the reader understand how the city's financial information relates to the services the city provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial report for the relevant year.

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

Exhibit A-1

	Fiscal Year									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Governmental activities:										
Net investment in capital assets	\$ 295,959,817	\$ 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
Restricted	23,067,744	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
Unrestricted	(83,490,039)	(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)
Total governmental activities net position	\$ 235,537,522	\$ 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
Business-type activities:										
Net investment in capital assets	\$ 176,554,643	\$ 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
Restricted	13,412,392	-	558,916	-	-	-	2,508,031	-	-	-
Unrestricted	42,653,956	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
Total business-type activities net position	\$ 232,620,991	\$ 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
Primary Government:										
Net investment in capital assets	\$ 472,514,460	\$ 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
Restricted	36,480,136	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
Unrestricted (deficit)	(40,836,083)	(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)
Total primary government net position	\$ 468,158,513	\$ 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

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									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Expenses:										
Governmental activities:										
General government	\$ 35,719,213	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
Judicial	23,389,363	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
Public safety	67,235,021	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
Public works	33,339,557	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
Health and welfare	28,183,685	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
Parks, recreation and cultural	16,204,417	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
Community development	8,177,582	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
Education	62,657,231	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
Interest on long-term debt	11,424,658	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
Total governmental activities expenses	286,330,727	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
Business-type activities:										
Public utility	37,762,832	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
Golf	2,006,969	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
Port Facility and Economic Development	-	-	-	-	-	-	-	-	46,119	46,118
Parking Authority	1,022,836	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
Economic Development Authority	-	-	10,072,772	5,671,700	988,921	-	-	-	-	-
Waste Management	10,021,411	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
Total business-type activities expenses	50,814,048	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
Total Primary Government expenses	337,144,775	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
Program revenues:										
Governmental activities:										
Charges for services:										
General government	653,200	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
Judicial	425,255	355,548	399,607	496,707	2,336,975	159,077	178,372	571,659	576,660	271,277
Public safety	2,947,638	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
Public works	10,457,803	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
Health and welfare	67,864	36,295	45,840	2,649,505	3,192,307	1,884,948	806,120	1,242,294	973,317	596,831
Parks, recreation and cultural	1,507,066	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
Community development	1,405,549	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
Operating grants and contributions	84,224,702	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
Capital grants and contributions	2,482,872	7,112,521	3,214,539	958,741	314,197	3,145,146	2,188,987	696,766	5,052,229	2,655,741
Total governmental activities program revenues	104,171,949	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

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									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Business-type activities:										
Charges for services:										
Public utility	\$ 48,467,212	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
Golf	1,451,759	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
Parking Authority	795,149	702,484	586,816	789,927	937,609	973,460	953,160	995,542	924,588	1,093,811
Economic Development Authority	-	-	-	-	1,078,463	-	-	-	-	-
Waste Management	10,352,608	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
Operating grants and contributions	-	-	3,095,458	23,500	154,525	-	-	-	-	-
Total business-type activities										
program revenues	61,066,728	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
Total Primary Government										
program revenues	165,238,677	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
Net (Expense)/Revenue										
Governmental activities	(182,158,778)	(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)
Business-type activities	10,252,680	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
Total Primary Government										
net (expense)/revenue	(171,906,098)	(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)
General Revenues and Other Changes in Net Position:										
Governmental activities:										
Taxes:										
General property taxes	159,461,502	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
Other local taxes	46,478,032	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
Utility taxes	8,631,855	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
Investment earnings	2,334,618	246,191	172,751	1,340,130	2,411,049	2,438,303	1,040,792	1,480,919	662,555	591,371
Miscellaneous	20,208,481	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
Transfers	9,261,590	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
Total governmental activities	246,376,078	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
Business-type activities:										
Contributions - land	-	-	-	-	-	-	-	-	268,297	-
Investment earnings	2,062,045	139,314	134,245	1,473,592	1,275,565	1,371,144	747,570	485,672	486,790	537,392
Gain on sale of capital assets	-	-	(2,117,140)	-	-	-	-	-	-	-
Miscellaneous	756,904	565,248	540,385	670,484	681,409	369,061	1,630,990	772,630	587,082	593,289
Transfers	(9,261,590)	(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)
Total business-type activities	(6,442,641)	(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)
Total Primary Government	239,933,437	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
Change in net position:										
Governmental activities	64,217,300	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)
Business-type activities	3,810,039	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
Total Primary Government	\$ 68,027,339	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)

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									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
General Fund:										
Nonspendable	\$ 191,543	103,618	107,272	107,281	819,000	1,129,260	-	1,439,820	1,635,945	2,081,981
Restricted	287,873	246,880	251,715	256,872	328,618	595,922	3,088,288	231,460	254,070	233,444
Committed	404,165	7,220,500	8,002,867	8,644,680	5,735,921	5,717,715	-	-	-	16,652,635
Assigned	9,600,000	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	105,081,593	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
Total General Fund	\$115,565,174	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
All Other Governmental Funds:										
Nonspendable	\$ 1,001,320	1,000,000	1,000,000	1,000,000	1,000,000	1,000,277	-	1,002,223	1,002,223	1,002,223
Restricted	21,778,551	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
Committed	17,372,602	28,812,377	15,893,733	26,874,639	10,673,489	10,643,271	-	-	-	423,876
Assigned	5,069,307	535,678	-	-	-	-	-	657,536	421,026	311,668
Unassigned	(685,273)	-	266,586	(211,994)	(304,621)	(285,517)	(2,443,922)	(2,124,671)	(3,194,659)	(617,700)
Total all other governmental funds	\$ 44,536,507	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

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									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Revenues:										
Taxes	\$ 212,669,224	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
Licenses and permits	1,319,623	1,670,001	1,125,063	1,063,342	970,984	1,184,721	1,101,703	1,133,825	954,328	959,486
Fines and forfeitures	214,775	173,169	199,968	256,229	430,782	407,379	393,231	623,879	692,844	633,409
Investment income and use of property	2,654,993	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
Charges for services	15,426,339	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
Recovered costs	3,728,194	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
Miscellaneous	14,772,360	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
Intergovernmental	84,252,609	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
Program income	2,454,965	480,583	1,413,468	502,791	175,260	326,162	-	-	-	-
Total revenues	337,493,082	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
Expenditures:										
General government	21,772,247	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
Nondepartmental	11,798,431	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
Judicial	22,093,719	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
Public safety	64,900,120	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
Public works	25,449,755	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
Health and welfare	29,075,457	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
Parks, recreation and cultural	14,793,964	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
Community development	6,938,988	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
Debt service:										
Principal	30,207,038	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
Interest and other debt service charges	11,648,350	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
Education	59,901,284	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
Capital outlay	39,813,144	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
Total expenditures	338,392,517	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
(Deficiency)/Excess of revenues over (under) expenditures	(899,435)	(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)
Other financing sources (uses):										
Transfers in	69,062,939	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
Transfers out	(60,240,952)	(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)
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	-	-
General obligation bonds issued	117,820	-	36,730,000	-	35,208,705	85,520,779	6,143,000	53,205,000	30,821,906	-
Bridge Loan	-	-	-	1,700,000	-	3,400,000	-	-	-	-
Refunding bonds issued	-	-	28,720,000	129,295,000	-	-	-	-	-	-
Total other financing sources (uses)	8,939,807	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
Net change in fund balances	\$ 8,040,372	(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)
Debt service as a percentage of noncapital expenditures	13.98%	13.80%	13.77%	12.49%	14.06%	14.24%	14.54%	15.08%	14.20%	8.44%

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
2023	\$6,308,278	\$ 1,882,961	\$ 594,061	\$ 8,785,300	\$ 1.25	\$ 8,785,300
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

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	
2023	\$ 1.30	\$ 5.00	\$ 0.50	\$ 1.50	\$ 3.00
2022	1.30	5.00	0.50	1.50	3.00
2021	1.30	5.00	0.50	1.50	3.00
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

- (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.

See Independent Auditor's Report.

CITY OF PORTSMOUTH, VIRGINIA
Principal Property Tax Payers
Current year and Nine Years Ago

Exhibit B-3

Taxpayer	2023		2014	
	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.	\$ 525,077,260	4.84%	\$ 361,084,821	5.08%
Rivers Portsmouth Gaming LLC	177,216,340	1.63%		
Dominion Virginia Power (VEPCO)	48,831,491	0.45%	36,465,240	0.51%
AP Preston Trails LLC	38,604,760	0.36%		
CSB Myrtles, LLC	38,016,480	0.35%	27,000,000	0.38%
Lineage VA Portsmouth RE LLC	33,948,200	0.31%		
Westwinds Property LLC	32,619,500	0.30%	22,024,260	0.31%
Columbia Gas of Virginia Inc.	28,414,513	0.26%	23,588,012	0.33%
Metro Machine Corp.	26,142,570	0.24%	22,071,490	0.31%
Lincoln Family Communities LLC	24,832,000	0.23%	19,855,120	0.28%
425 Water LLC			23,668,280	0.33%
PRHA			23,559,340	0.33%
Wheelabrator Portsmouth, Inc.			23,056,268	0.32%
	<u>\$ 973,703,114</u>	<u>8.98%</u>	<u>\$ 582,372,831</u>	<u>8.18%</u>

(1) FY2023 total City taxable real property assessed value - \$10,840,510,106

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									
2022	June 30, 2023	\$ 114,112,408	\$ 109,545,623	96.00%	\$ -	\$ 109,545,623	\$ (1,207,310)	\$ 3,359,475	97.02%
2021	June 30, 2022	103,013,659	96,687,277	93.86%	5,014,718	101,701,995	(1,216,249)	95,415	99.91%
2020	June 30, 2021	102,194,939	94,660,121	92.63%	5,361,067	100,021,188	(2,173,751)	-	100.00%
2019	June 30, 2020	99,124,039	95,203,527	96.04%	2,994,978	98,198,505	(925,534)	-	100.00%
2018	June 30, 2019	97,431,512	93,892,019	96.37%	2,772,715	96,664,734	(610,460)	156,318	99.84%
2017	June 30, 2018	93,340,092	87,454,514	93.69%	4,414,042	91,868,556	(1,315,014)	156,522	99.83%
2016	June 30, 2017	92,868,293	86,739,589	93.40%	4,659,946	91,399,535	(1,308,485)	160,273	99.82%
2015	June 30, 2016	91,537,233	85,998,777	93.95%	4,191,608	90,190,385	(1,212,375)	134,473	99.85%
2014	June 30, 2015	89,337,507	83,972,704	93.99%	3,865,774	87,838,478	(1,351,750)	147,279	99.83%
2013	June 30, 2014	89,135,633	83,706,341	93.91%	4,356,291	88,062,632	(912,247)	160,754	99.82%
Personal Property									
2022	June 30, 2022	\$ 36,894,985	\$ 24,146,377	65.45%	\$ -	\$ 24,146,377	\$ (2,119,367)	\$ 10,629,241	69.43%
2021	June 30, 2022	31,984,875	22,630,145	70.75%	10,945,548	22,630,145	4,940,391	3,349,573	61.29%
2020	June 30, 2021	25,960,198	19,895,842	76.64%	10,244,071	30,139,913	5,926,134	1,746,419	94.52%
2019	June 30, 2020	24,167,958	17,942,402	74.24%	9,673,059	27,615,461	(6,278,239)	(9,725,742)	154.36%
2018	June 30, 2019	21,780,010	16,491,312	75.72%	4,383,183	20,874,495	(65,283)	840,232	96.13%
2017	June 30, 2018	20,278,000	15,383,909	75.87%	8,766,322	24,150,231	4,547,875	675,644	97.28%
2016	June 30, 2017	20,208,249	14,992,869	74.19%	8,532,732	23,525,601	3,317,352	-	100.00%
2015	June 30, 2016	23,350,303	17,520,280	75.03%	8,784,686	26,304,966	2,954,664	-	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%

- (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
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Exhibit C-1

(dollars in thousands, except per capita)

Fiscal Year	Governmental Activities						Business-Type Activities				Percentage of Personal Income	Per Capita
	General Obligation Bonds	Literary Loans	Other Loans	Leases	Subscriptions	Net Government Debt	General Obligation Bonds	Revenue Bonds	Leases	Total Primary Government		
2023	\$ 376,760	\$ -	\$ 4,700	\$ 5,982	\$ 110	\$ 387,552	\$ 97,030	\$ 57,697	\$ -	\$ 542,279	*	*
2022	407,201	-	4,900	6,818	-	418,919	105,497	31,972	-	556,388	*	\$ 5,734
2021	435,660	-	5,100	7,645	-	448,405	121,422	32,079	-	601,906	13%	6,152
2020	423,204	-	5,100	612	-	428,916	127,134	32,185	-	588,235	13%	6,008
2019	430,402	-	3,400	1,786	-	435,588	135,712	-	-	571,300	14%	6,052
2018	414,630	-	3,400	2,865	-	420,895	138,872	-	-	559,767	14%	5,908
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

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		
2023	\$ 473,790	\$ 473,790	5.39%	*
2022	512,698	512,698	6.47%	\$ 5,284
2021	557,082	557,082	7.09%	5,694
2020	550,338	550,338	7.22%	5,621
2019	566,114	566,114	7.47%	5,997
2018	553,502	553,502	7.57%	5,842
2017	547,979	547,979	7.54%	5,778
2016	576,013	576,013	8.03%	6,053
2015	595,886	595,886	8.31%	6,185
2014	638,991	638,991	9.40%	6,668

(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 2023

Assessed value	\$ 8,785,300
Debt limit (10% of assessed value)	878,530
Debt applicable to limit:	445,846
Legal debt margin	<u>\$ 432,684</u>

	Fiscal Year									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Debt limit	\$ 878,530	792,417	786,119	762,497	757,590	730,727	726,921	717,254	716,966	715,891
Total net debt applicable to limit	445,846	476,195	514,243	505,353	557,592	561,547	536,765	557,355	577,420	606,121
Legal debt margin	<u>\$ 432,684</u>	<u>\$ 316,222</u>	<u>\$ 271,876</u>	<u>\$ 257,144</u>	<u>\$ 199,998</u>	<u>\$ 169,180</u>	<u>\$ 190,156</u>	<u>\$ 159,899</u>	<u>\$ 139,546</u>	<u>\$ 109,770</u>
Total net debt applicable to limit as a percentage of debt limit	50.7%	60.1%	65.4%	66.3%	73.6%	76.8%	73.8%	77.7%	80.5%	84.7%

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)
2023	*	*	*	*	13,370	*
2022	97,029	*	*	36.0	13,517	3.90%
2021	97,840	\$ 4,690,877	\$ 47,944	35.6	13,395	6.50%
2020	97,915	4,393,544	44,871	35.5	13,991	9.80%
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	4.10%
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%

(1) Census Bureau

(2) Bureau of Economic Analysis

(3) Census Bureau, American Community Survey, 1-Year Estimates

(4) Virginia Department of Education, average daily membership

(5) Bureau of Labor Statistics, Annual estimate

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

Exhibit D-2

2023	2014
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 Residential Treatment Center) Tidewater Community College Virginia International Gateway	Fairlead Integrated Hampton Roads Regional Jail 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

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
General Fund										
General government	123	127	124	144	148	153	110	112	116	113
Judicial administration	246	242	227	221	222	210	198	193	193	185
Public Safety	584	576	530	537	545	551	502	499	467	476
Public Works	96	89	58	65	65	60	49	67	64	64
Health and Welfare	-	-	-	-	-	-	-	-	-	-
Parks, recreational and cultural services	73	70	92	170	196	173	112	94	100	103
Community Development	46	43	38	38	40	46	46	43	42	41
Total General Fund	1,168	1,147	1,069	1,175	1,216	1,193	1,017	1,008	982	982
Special Revenue Funds										
Willett Hall Fund	1	1	1	1	-	1	-	-	-	-
Children's Services Act Fund	2	1	-	-	-	-	-	-	-	-
Stormwater Management Fund	22	24	21	16	14	20	20	22	23	25
Grants	-	-	-	-	-	15	14	15	14	13
Behavioral Health Services Fund	94	85	82	100	92	87	100	86	81	82
Social Services Fund	216	174	175	186	163	163	174	149	130	137
Total Special Revenue Funds	335	285	279	303	269	286	308	272	248	257
Enterprise Funds										
Public Utilities Fund	103	102	85	77	82	85	100	91	93	101
Golf Fund	16	15	11	11	11	10	10	11	10	10
Waste Management Fund	50	45	44	45	40	42	46	39	41	42
Parking Authority Fund	3	2	2	3	4	2	2	2	2	2
Total Enterprise Funds	172	164	142	136	137	139	158	143	146	155
Internal Service Funds										
City Garage Fund	34	32	33	28	28	27	28	25	21	21
Information Technology Fund	25	22	23	29	29	30	30	28	31	29
Risk Management Fund	1	1	3	2	2	1	1	2	1	1
Total Internal Service Funds	60	55	59	59	59	58	59	55	53	51
Total all funds	1,735	1,651	1,549	1,673	1,681	1,676	1,542	1,478	1,429	1,445

Source: Munis Employee Master download June 30, 2023

See Independent Auditor's Report.

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

Exhibit E-2

Function/Program	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Police										
Physical arrests	8,844	8,218	9,097	6,617	5,896	4,689	4,422	2,874	2,633	2,698
Parking violations	5,558	3,639	4,102	2,976	2,247	2,937	2,073	2,916	2,828	3,958
Traffic violations	12,297	17,119	18,580	6,715	5,366	6,952	5,502	3,901	2,906	6,219
Fire										
Emergency responses	17,517	17,787	18,561	18,724	18,162	18,663	19,060	20,610	21,653	22,253
Fires extinguished	291	322	295	429	360	368	333	447	352	177
Inspections	696	923	913	920	1,614	1,950	1,367	1,316	1,208	371
Refuse collection										
Refuse collection (tons/day)	183	142	135	75	154	174	235	233	233	232
Recyclables collected (pounds/day)	22,913	134,700	117,243	73,120	110,146	88,820	45,000	48,430	48,430	39,500
Other public works										
Street resurfacing (miles)	19.0	18.0	16.5	24.6	25.7	22.0	14.5	19.5	13.1	24.0
Potholes repaired	8,615	8,480	7,688	3,334	3,619	2,147	1,903	1,505	1,810	2,008
Parks and recreation										
Community center admissions	231,897	219,261	193,600	140,792	42,133	72,585	53,989	37,876	59,211	82,603
Library										
Volumes in collection	243,856	316,777	288,843	274,917	209,671	235,124	222,765	215,275	216,829	201,996
Total volumes borrowed	325,694	290,763	278,651	278,651	209,772	186,904	183,862	88,857	84,096	102,075
Water										
New connections	85	118	89	92	87	47	73	3,083	3,427	*
Water main breaks	118	163	94	81	100	95	79	87	127	103
Average daily consumption (millions of gallons)	18.0	20.2	15.1	17.8	15.2	16.5	16.0	15.5	14.5	7.9

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	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	256	256	253	249	255	255	255	259	257	264
Fire										
Stations	8	8	8	8	8	8	8	8	8	8
Fire trucks	12	12	12	12	13	13	20	20	20	19
Boat	1	1	1	1	1	1	1	1	1	1
Emergency Medical Services										
Ambulances	5	5	5	5	5	9	11	11	11	10
Refuse collection										
Collection trucks	27	27	28	28	28	51	49	50	49	49
Other public works										
Streets (miles)	399	399	398	398	398	398	398	398	398	398
Highway (miles)	887	887	881	881	881	881	881	881	881	881
Streetlights	10,723	10,747	10,747	10,747	10,750	10,768	10,768	10,776	10,776	10,780
Signalized intersections	123	122	122	122	122	122	122	122	122	122
Parks and recreation										
Acreage	402	588	588	588	588	588	588	588	590	590
Playgrounds	13	15	15	15	16	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	36	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	2
Golf Course	3	3	3	3	3	3	3	3	3	3
Water										
Water mains (miles)	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	2,573	2,512	2,512
Storage capacity (millions of gallons)	9	9	9	9	9	9	9	11.5	11.5	11.5
Wastewater										
Sanitary sewers (miles)	438	438	438	438	432	432	432	434	434	436
Storm sewers (miles)	250	250	250	250	250	250	250	267	257	98
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.

COMPLIANCE SECTION

CITY OF PORTSMOUTH, VIRGINIA
SINGLE AUDIT REPORTS
YEAR ENDED JUNE 30, 2023



CPAs | CONSULTANTS | WEALTH ADVISORS

CLAconnect.com

**CITY OF PORTSMOUTH, VIRGINIA
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2023**

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 <i>GOVERNMENT AUDITING STANDARDS</i>	1
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE	3
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	7
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	11
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	12



**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 and the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia (the Specifications), 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, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 28, 2024.

Report on 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, Virginia

Report on 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* or the Specifications.

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 cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Arlington, Virginia
May 28, 2024

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM, REPORT ON INTERNAL CONTROL OVER COMPLIANCE,
AND REPORT ON THE SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

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

Report on Compliance for Each Major Federal Program

Qualified and Unmodified Opinions

We have audited City of Portsmouth, Virginia's (the City) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2023. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Qualified Opinion on the Special Education Cluster and CDBG Entitlement Grant Cluster

In our opinion, except for the noncompliance described in the Basis for Qualified and Unmodified Opinions section of our report, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Special Education Cluster and CDBG Entitlement Grant Cluster for the year ended June 30, 2023.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2023.

Basis for Qualified and Unmodified Opinions

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Matter(s) Giving Rise to Qualified Opinion for the Special Education Cluster and CDBG Entitlement Grant Cluster

As described in the accompanying schedule of findings and questioned costs, the City did not comply with requirements regarding:

Program	Assistance Listing	Noncompliance	Finding Number
Special Education Cluster	84.027, 84.173	Allowable Costs/Cost Principles	2023-002
CDBG Entitlement Grant Cluster	14.218	Reporting	2023-004

Compliance with such requirements is necessary, in our opinion, for the City to comply with the requirements applicable to that program.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 City's compliance with the compliance

requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2023-001 and 2023-003. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards require the auditor to perform limited procedures on the City's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2023-002 and 2023-004 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2023-001 and 2023-003 to be significant deficiencies.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited 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 as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We have issued our report thereon, dated May 28, 2024, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



CliftonLarsonAllen LLP

Arlington, Virginia
May 29, 2024

**CITY OF PORTSMOUTH, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2023**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Agriculture				
Pass-Through Payments:				
Virginia Department of Health:				
<i>Child Nutrition Cluster:</i>				
National School Lunch Program	10.555	None	\$ -	\$ 9,498,056
Summer Food Service Program for Children	10.559	60115	-	207,400
Total Child Nutrition Cluster			-	9,705,456
Virginia Department of Social Services:				
Child and Adult Care Food Program	10.558	None	-	56,235
COVID-19 - Pandemic EBT Administrative Costs	10.649	None	-	5,950
<i>SNAP Cluster:</i>				
State Administrative Matching for Supplemental	10.561	0050115, 0050116	-	2,402,271
Total SNAP Cluster			-	2,402,271
Total U.S. Department of Agriculture			-	12,169,912
U.S. Department of Defense				
Direct Payments:				
ROTC	12.999	N/A	-	285,359
Total U.S. Department of Defense			-	285,359
U.S. Department of Education				
Direct Payments:				
Impact Aid	84.041	N/A	-	294,804
Pass-Through Payments:				
Virginia State Department of Education:				
Adult Education - Basic Grants to States	84.002	V002A160047	-	229,621
Title I Grants to Local Educational Agencies	84.010	S010A140046	-	7,110,217
Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013	S010A160046	-	121,458
<i>Special Education Cluster:</i>				
Special Education Grants to States	84.027	H027A160107	-	3,892,539
Special Education Preschool Grants	84.173	H173A150112	-	191,262
Subtotal Special Education Cluster			-	4,083,801
Vocational Education	84.048	V0489A150046	-	546,969
Twenty-First Century Community Learning Centers	84.287	S287C160047	-	153,222
School Improvement Grants	84.377	S377A150047	-	39,649
<i>TRIO Cluster:</i>				
TRIO Upward Bound	84.047	P047A170117-17A	-	282,370
Subtotal TRIO Cluster			-	282,370
School Safety National Activities	84.184	None	-	17,910
Education for Homeless Children and Youth	84.196	S196A160048	-	16,214
English Language Acquisition State Grants	84.365	S365A150046	-	16,868
Supporting Effective Instruction State Grants	84.367	S367A140044	-	810,216
Student Support and Academic Enrichment Program	84.424	None	-	508,497
COVID-19 - Education Stabilization Fund				
COVID-19: Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	S425D200008	-	7,214,713
COVID-19: American Rescue Plan -Elementary and Secondary School Emergency Relief (ARP ESSER)	84.425U	S425U210008	-	10,630
COVID-19 - American Rescue Plan – Elementary and Secondary School Emergency Relief-Homeless Children and Youth	84.425W	S425W210008	-	39,682
Subtotal COVID-19 - Education Stabilization Fund			-	7,265,025
Total U.S. Department of Education			-	21,496,841

See accompanying Notes to Schedule of Expenditures of Federal Awards.

CITY OF PORTSMOUTH, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2023

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Health And Human Services				
Pass-Through Payments:				
Virginia State Department of Education:				
Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response	93.354	NU90TP922153	\$ -	\$ 17,065
Pass-Through Payments:				
Virginia Department of Social Services:				
Guardianship Assistance	93.090	1110122, 1110123	-	543
Title IV-E Prevention Services	93.472	1140122, 1140123	-	20,510
MaryLee Allen Promoting Safe and Stable Families Program	93.556	950121, 0950221	-	80,313
Temporary Assistance for Needy Families	93.558	400122	-	1,387,163
Refugee and Entrant Assistance State/Replacement Designee Administered Programs	93.566	500122	-	6,285
Low Income Home Energy Assistance	93.568	600422	-	285,529
CCDF Cluster:				
Pass Through Virginia Department of Social Services:				
Child Care and Development Block Grant	93.575	773121	-	1,497
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	760122	-	330,328
Total CCDF Cluster:			-	331,825
Medicaid Cluster:				
Medical Assistance Program	93.778	1200122, 9560121	-	1,272,398
Total Medicaid Cluster			-	1,272,398
Chafee Education and Training Vouchers Program	93.599	9160121	-	599
Adoption Incentives	93.603	1130120	-	4,469
Stephanie Tubbs Jones Child Welfare Services Program	93.645	900121	-	2,503
Foster Care Title IV - E	93.658	1100122	-	691,732
Adoption Assistance	93.659	1120122	-	995,193
Social Services Block Grant	93.667	1000122	-	1,129,808
Chafee Foster Care Independence Program	93.674	9150121, 9152121	-	17,771
COVID-19 - Elder Abuse Prevention Interventions Program	93.747	8000221, 8000321	-	9,438
Children's Health Insurance Program	93.767	540122	-	11,140
Virginia Department of Behavioral Health:				
Pass-Through Payments:				
Projects for Assistance in Transition from Homelessness (PATH)	93.150	SM016047-16	-	60,431
Block Grants for Community Mental Health Services:				
MH FBG SED Child & Adolescent	93.958	SM010053-16	-	51,358
MH FBG SMI	93.958	SM010053-16	-	191,368
Subtotal Block Grants for Community Mental Health Services:			-	242,726
Block Grants for Prevention and Treatment of Substance Abuse:				
SUD FBG Alcohol/Drug Treatment	93.959	T1010053-16	-	700,850
SUD FBG Women	93.959	T1010053-16	-	143,367
SUD FBG Prevention	93.959	T1010053-16	-	160,581
Subtotal Block Grants for Prevention and Treatment of Substance Abuse:			-	1,004,798
Opioid STR				
SUD Federal Opioid Response Year 2 - Treatment	93.788	SP020791	-	150,000
SUD Federal Opioid Response Year 2 - Recovery	93.788	SP020791	-	144,852
SUD Federal Opioid Response Year 2 - Prevention	93.788	SP020791	-	40,000
Subtotal Opioid STR:			-	334,852
Total U.S. Department of Health And Human Services			-	7,907,091
U.S. Department of Homeland Security				
Pass-Through Payments:				
State of Virginia Emergency Management:				
Emergency Management Performance Grants	97.042	None	-	126,944
Homeland Security Grant Program	97.067	None	-	45,456
Total U.S. Department of Homeland Security			-	172,400

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**CITY OF PORTSMOUTH, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2023**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Housing and Urban Development				
Virginia Department of Behavioral Health:				
Pass-Through Payments:				
Continuum of Care Program	14.267	VA0061L3F072114	\$ -	\$ 385,158
Direct Payments:				
<i>CDBG Entitlement Grants Cluster</i>				
Community Development Block Grant Program/Entitlement Grants:				
Community Development Block Grant Program, Entitlement Grants - 80019	14.218	N/A	-	28,592
Community Development Block Grant Program, Entitlement Grants - 80020	14.218	N/A	-	8,251
Community Development Block Grant Program, Entitlement Grants - 80021	14.218	N/A	-	121,696
Community Development Block Grant Program, Entitlement Grants - 80022	14.218	N/A	-	1,659,371
Community Development Block Grant - 80023	14.218	N/A	89,431	981,316
Subtotal Community Development Block Grant Program/ Entitlement Grants			-	2,799,226
Subtotal CDBG Entitlement Grants Cluster			-	2,799,226
HOME Investment Partnerships Program				
HOME Investment Partnerships Program - 81018	14.239	N/A	-	147,787
HOME Investment Partnerships Program - 81019	14.239	N/A	-	98,436
HOME Investment Partnerships Program - 81020	14.239	N/A	-	51,781
HOME Investment Partnerships Program - 81021	14.239	N/A	-	46,014
HOME Investment Partnerships Program - 81022	14.239	N/A	-	283,339
Subtotal HOME Investment Partnerships Program			-	627,357
Total U.S. Department of Housing and Urban Development			89,431	3,811,741
U.S. Department of Justice				
Pass-Through Payments:				
State of Virginia Department of Criminal Justice Services:				
Crime Victim Assistance	16.575	None	-	514,142
Bulletproof Vest Partnership Program	16.607	None	-	16,901
Edward Byrne Memorial Justice Assistance Grant Program:				
Justice Assistance Grant Program - FY 20	16.738	None	-	8,740
Justice Assistance Grant Program - FY 21	16.738	None	-	44,399
Bulletproof Vest Partnership Program FY22	16.738	None	-	18,580
Justice Assistance Grant Program - FY 22	16.738	None	-	348
Subtotal Edward Byrne Memorial Justice Assistance Grant Program			-	72,067
Total U.S. Department of Justice			-	603,110
U.S. Department of Transportation				
Pass-Through Payments:				
Virginia Department of Transportation:				
Highway Planning and Construction:				
Capital Improvements	20.205	290-8130	-	13,306
Transportation Alternatives Program Grant	20.205	State Allocation	-	2,853
Safe Routes to School Funds	20.205	State Allocation	-	2,553
Highway Planning and Construction - VDOT	20.205	State Allocation	-	-
Subtotal Highway Planning and Construction			-	18,712
<i>Highway Safety Cluster</i>				
Selective Enforcement - Speed	20.600	State Allocation	-	7,866
Subtotal Highway Safety Cluster			-	7,866
Alcohol Open Container Requirements	20.607	State Allocation	-	2,975
Total U.S. Department of Transportation			-	29,553

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**CITY OF PORTSMOUTH, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2023**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of the Treasury				
Direct Payments:				
COVID-19: Coronavirus Relief Funds (CRF)	21.019	N/A	\$ -	\$ 571
COVID-19 - Coronavirus State and Local Recovery Funds:				
Direct Payments	21.027	N/A	-	4,824,687
Pass-Through Payments:				
Virginia State Department of Education:				
COVID-19 - Coronavirus State and Local Recovery Funds (CSLRF)	21.027	RIPE	-	249,895
COVID-19 - Coronavirus State and Local Recovery Funds (CSLRF)	21.027	APE41144	-	128,329
COVID-19 - Coronavirus State and Local Recovery Funds (CSLRF)	21.027	APE60054	-	1,389,331
Subtotal COVID-19 - Coronavirus State and Local Recovery Funds			-	6,592,242
Total U.S. Department of the Treasury			-	6,592,813
Total Expenditures of Federal Awards			\$ 89,431	\$ 53,068,820

See accompanying Notes to Schedule of Expenditures of Federal Awards.

CITY OF PORTSMOUTH, VIRGINIA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2023

NOTE 1 GENERAL

The accompanying schedule of expenditures of federal awards presents the activity of all federal awards of the City of Portsmouth, Virginia. The City of Portsmouth single audit reporting entity includes the primary government and the Portsmouth Public Schools, a discretely presented component unit.

NOTE 2 BASIS OF ACCOUNTING

Expenditures reported on the schedule of expenditures of federal awards (the Schedule) are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance for all awards.

NOTE 3 INDIRECT COSTS

The City did not elect to use a 10% de minimis indirect cost rate allowed under Section 2 CFR 200.331(a)(4).

**CITY OF PORTSMOUTH, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2023**

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes x no
- Significant deficiency(ies) identified? _____ yes x none reported

Noncompliance material to financial statements noted? _____ yes x no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? x yes _____ no
- Significant deficiency(ies) identified? x yes _____ none reported

Type of auditors’ report issued on compliance for major federal programs: See below.

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? x yes _____ no

Identification of Major Federal Programs

***Assistance
Listing***

<u>Number(s)</u>	<u>Name of Federal Program or Cluster</u>	<u>Opinion</u>
10.555, 10.559	Child Nutrition Cluster	Unmodified
14.218	Community Development Block Grant Entitlement Grant Cluster	Qualified
21.027	COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	Unmodified
84.425 D, U, W	COVID-19 – Education Stabilization Fund	Unmodified
84.027, 84.173	Special Education Cluster	Qualified

Dollar threshold used to distinguish between Type A and Type B programs: \$1,592,065

Auditee qualified as low-risk auditee? x yes _____ no

**CITY OF PORTSMOUTH, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2023**

Section II – Financial Statement Findings

Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

Section III – Findings and Questioned Costs – Major Federal Programs

Reference Number:	2023-001
Prior Year Finding:	No
Federal Agency:	U.S. Department of Housing and Urban Development (HUD)
Entity:	City of Portsmouth (the City)
Federal Program:	Community Development Block Grants/Entitlement Grants Cluster
Assistance Listing:	14.218
Federal Award Identification Number and Year:	None, 2018, 2019, 2020
Pass-Through Entity:	N/A
Award Number and Period:	B-18-MC-51-0018 (7/1/18-9/1/26) B-19-MC-51-0018 (7/1/19-9/1/27) B-20-MC-51-0018 (7/1/20-9/1/28)
Compliance Requirement:	Reporting
Type of Finding	Significant Deficiency in Internal Control Over Compliance, Other Matters

Criteria or specific requirement:

Compliance – Integrated Disbursement and Information System (IDIS) (OMB No. 2506-0077) – Grantees may include reports generated by IDIS as part of their annual performance and evaluation report that must be submitted for the CDBG Entitlement program 90 days after the end of a grantee's program year. Section IV.B.2.(c) of the CDBG-CV Notice reiterated the waiver authorized by a May 7, 2020, HUD memorandum (found in the waiver information link noted in IV. Other Information, below) that waives the 90-day requirement for program year 2019 annual performance and evaluation reports, subject to the condition that within 180 days after the close of a jurisdiction's program year that it submit its performance report. Auditors are only expected to test information extracted from IDIS in the following system-generated reports: PR29 – CDBG Cash on Hand Quarterly Report

Control – Per 2 CFR section 200.303(a), a non-federal entity must: Establish and maintain effective internal control over the federal award that provides reasonable assurance that the non-federal entity is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award. These internal controls should comply with the guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control-Integrated Framework," issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

**CITY OF PORTSMOUTH, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2023**

Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

Condition

The City of Portsmouth did not document their review of the PR29 Cash on Hand Quarterly Report. Auditors are required to test specific information extracted from HUD's IDIS system, the PR29 is one of the identified reports. The City was not aware that review of the report was a requirement.

Context:

Evidence of review for two of two quarterly reports was not provided.

Questioned costs:

None noted.

Cause:

The City was not aware that review of the report was a requirement.

Effect:

The City was unable to support compliance with the requirements.

Recommendation:

We recommend that the City review its policies and procedures to ensure that compliance with federal reporting requirements is evident.

Views of responsible officials:

Management agrees with the finding.

**CITY OF PORTSMOUTH, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2023**

Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

Reference Number:	2023-002
Prior Year Finding:	No
Federal Agency:	U.S. Department of Education
Entity:	Portsmouth Public Schools (PPS)
Federal Program:	Special Education Cluster (IDEA)
Assistance Listing:	84.027, 84.173
Federal Award Identification Number and Year:	None, 2021, 2022, 2023
Pass-Through Entity:	Commonwealth of Virginia Department of Education
Pass-Through Award Number and Period:	H027A200107 (7/1/20-9/30/22) H027A210107 (7/1/21-9/30/23) H027X210107 (7/1/21-9/30/23) H027A220107 (4/17/23-9/30/23) H173A200107 (7/1/20-9/30/22) H173A210107 (7/1/21-9/30/23) H173X210107 (7/1/21-9/30/23)
Compliance Requirement:	Allowable Costs/Cost Principles (Time and Effort Certifications)
Type of Finding:	Material Weakness in Internal Control over Compliance, Material Non-Compliance

Criteria or specific requirement:

Compliance – Per 2 CFR section 403, except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:

- (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.
- (b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items.
- (c) Be consistent with policies and procedures that apply uniformly to both federally financed and other activities of the non-Federal entity.
- (d) Be accorded consistent treatment. A cost may not be assigned to a federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.
- (e) Be determined in accordance with generally accepted accounting principles (GAAP), except, for state and local governments and Indian tribes only, as otherwise provided for in this part.
- (f) Not be included as a cost or used to meet cost sharing or matching requirements of any other federally financed program in either the current or a prior period. See also §200.306(b).

**CITY OF PORTSMOUTH, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2023**

Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

(g) Be adequately documented. See also § 200.300 through 200.309 of this part.

(h) Cost must be incurred during the approved budget period. The Federal awarding agency is authorized, at its discretion, to waive prior written approvals to carry forward unobligated balances to subsequent budget periods pursuant to § 200.308(e)(3).

Control – Per 2 CFR section 200.303(a), a non-federal entity must: Establish and maintain effective internal control over the federal award that provides reasonable assurance that the non-federal entity is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award. These internal controls should comply with the guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control-Integrated Framework," issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Condition:

PPS did not maintain adequate support to validate actual payroll expenses charged to the program, including approval of time charged to the federal grant by the supervisor.

Context

Documentation of time and effort was not provided for thirteen of the forty employees selected for testing.

Questioned costs:

\$30,763, represents employee time charged to the federal program and not supported by time and effort certification.

Cause:

PPS did not maintain documentation supporting time and effort for employee pay charged to the grant.

Effect:

There is an increased risk of charging unallowed payroll costs to the program.

Recommendation:

We recommend that PPS enhance its procedures and internal controls to ensure that it retains documentation supporting time and effort on federal grants, including supervisor approval and that this documentation is available for audit purposes.

Views of responsible officials:

Management agrees with the finding.

**CITY OF PORTSMOUTH, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2023**

Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

Reference Number:	2023-003
Prior Year Finding:	No
Federal Agency:	U.S. Department of Education
Entity:	Portsmouth Public Schools (PPS)
Federal Program:	Special Education Cluster (IDEA)
Assistance Listing:	84.027, 84.173
Federal Award Identification Number and Year:	None, 2021
Pass-Through Entity:	Commonwealth of Virginia Department of Education
Pass-Through Award Number and Period:	H027A200107 (7/1/20-9/30/22)
Compliance Requirement:	Period of Performance
Type of Finding:	Significant Deficiency in Internal Control over Compliance, Other Matters

Criteria or specific requirement:

Compliance – A non-federal entity may charge only allowable costs incurred during the approved budget period of a federal award's period of performance and any costs incurred before the federal awarding agency or pass-through entity made the federal award that were authorized by the federal awarding agency or pass-through entity (2 CFR sections 200.308 200.309 and 200.403(h)).

Control – Per 2 CFR section 200.303(a), a non-federal entity must: Establish and maintain effective internal control over the federal award that provides reasonable assurance that the non-federal entity is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award. These internal controls should comply with the guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control-Integrated Framework," issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Condition:

Costs were charged to the federal grant after the period of performance period ended. An invoice for \$176.05, for goods/services received in October 2022, was charged to the federal grant ending September 2022. PPS did not obtain prior approval or an extension from the awarding agency before charging the grant.

Context:

One invoice out of twenty-one transactions selected for testing was charged to the grant after period of performance.

Questioned costs:

\$176.05, represents the costs charged to the program after the period of performance.

**CITY OF PORTSMOUTH, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2023**

Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

Cause:

PPS did not consistently monitor the period of performance for a federal award to ensure that costs were only charged during the allowed period.

Effect:

Costs could be deemed unallowable by the awarding agency if funds are expended outside the allowable period of performance.

Recommendation:

PPS should review and enhance its internal controls and procedures to ensure that it charges expenditures to the federal program that are incurred within an award's allowable period of performance.

Views of responsible officials:

Management agrees with the finding.

**CITY OF PORTSMOUTH, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2023**

Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

Reference Number:	2023-004
Prior Year Finding:	No
Federal Agency:	U.S. Department of Housing and Urban Development (HUD)
Entity:	City of Portsmouth (the City)
Federal Program:	Community Development Block Grants/Entitlement Grants
Assistance Listing:	14.218
Federal Award Identification Number and Year:	None, 2018, 2019, 2020
Pass-Through Entity:	N/A
Award Number and Period:	B-18-MC-51-0018 (7/1/18-9/1/26) B-19-MC-51-0018 (7/1/19-9/1/27) B-20-MC-51-0018 (7/1/20-9/1/28)
Compliance Requirement:	Reporting – Federal Funding Accountability and Transparency Act (FFATA)
Type of Finding:	Material Weakness in Internal Control Over Compliance, Material Noncompliance

Criteria or specific requirement:

Compliance: Per the Federal Funding Accountability and Transparency Act (FFATA), prime (direct) recipients of grants or cooperative agreements are required to report first-tier subawards of \$30,000 or more to the Federal Funding Accountability and Transparency Act Subaward Reporting System (FSRS). Reports must be filed in FSRS by the end of the month following the month in which the prime recipient awards any sub-grant greater than or equal to \$30,000. If the initial award is below \$30,000 but subsequent grant modifications result in a total award equal to or over \$30,000, the award will be subject to the reporting requirements as of the date the award exceeds \$30,000. If the initial award equals or exceeds \$30,000 but funding is subsequently de-obligated such that the total award amount falls below \$30,000, the award continues to be subject to FFATA reporting requirements.

The following key data elements must be reported: Subawardee Name and Data Universal Numbering System (DUNS) number; Amount of Subaward (inclusive of modifications); Subaward Obligation/Action Date; Date of Report Submission; Subaward Number; Project Description; and Names and Compensation of Highly Compensated Officers. (Names and Compensation of Highly Compensated Officers must only be reported when the entity in the preceding fiscal year received 80 percent or more of its annual gross revenues in Federal awards; and \$25,000,000 or more in annual gross revenues from Federal awards; and the public does not have access to this information about the compensation of the senior executives of the entity through periodic reports filed under section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. §§ 78m(a), 78o(d)) or section 6104 of the Internal Revenue Code of 1986.)

**CITY OF PORTSMOUTH, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2023**

Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

Control: Per 2 CFR section 200.303(a), a non-Federal entity must: Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should comply with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Condition:

The City of Portsmouth did not report subaward information to FSRS during FY 2023.

Context:

One of the one subawards selected for testing were reported to FSRS during FY 2023. Total subawards selected were \$153,000, and \$0 was reported as required by FFATA requirements.

Transactions Tested	Subaward not reported	Report not timely	Subaward amount incorrect	Subaward missing key elements
1	1	0	0	0
Dollar Amount of Tested Transactions	Subaward not reported	Report not timely	Subaward amount incorrect	Subaward missing key elements
\$153,000	\$153,000	\$0	\$0	\$0

Cause:

The City’s procedures and controls were not sufficient to ensure that subawards were reported to FSRS during FY 2023.

Effect:

Subawards were not reported to FSRS in accordance with FFATA requirements.

Questioned costs:

None noted.

Recommendation:

We recommend the City establish procedures and internal controls to ensure that all required subawards are reported timely and accurately to FSRS no later than the end of the month following the month of issuance of each subaward.

Views of Responsible Officials:

Management agrees with the finding.

