

THE CITY OF
PORTSMOUTH



2013

PORTSMOUTH, VA

Comprehensive Annual
**FINANCIAL
REPORT**

For The Fiscal Year Ended
June 30, 2013

COMPREHENSIVE ANNUAL FINANCIAL REPORT
CITY OF PORTSMOUTH, VIRGINIA

YEAR ENDED JUNE 30, 2013

Prepared by:

DEPARTMENT OF FINANCE



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CITY OF PORTSMOUTH, VIRGINIA

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INTRODUCTORY SECTION

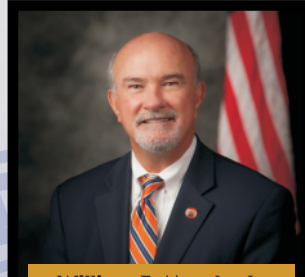


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Portsmouth City Council Members



Kenneth I. Wright
Mayor
Term Expires: 12/31/2016



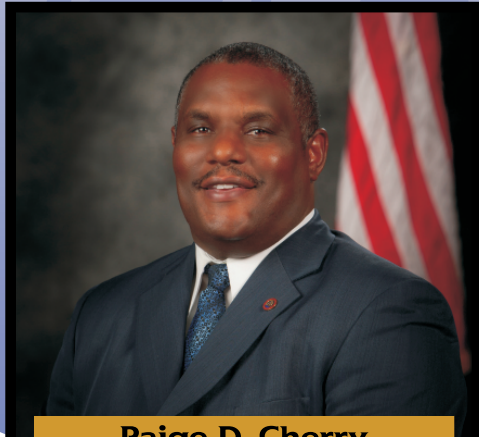
William E. Moody, Jr.
Term Expires: 12/31/2014



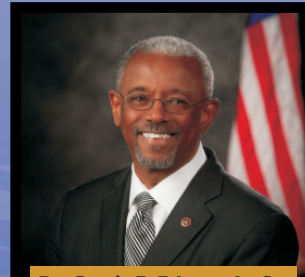
Marlene W. Randall
Term Expires: 12/31/2014



Elizabeth M. Psimas
Term Expires: 12/31/2016



Paige D. Cherry
Vice Mayor
Term Expires: 12/31/2014



Dr. Curtis E. Edmonds, Sr.
Term Expires: 12/31/2016



Danny W. Meeks
Term Expires: 12/31/2016

City Council Appointments

John L. Rowe, Jr., City Manager

Janey Culpepper, Assessor

Jesse Thomas, City Auditor

Debra Y. White, City Clerk

George M. Willson, City Attorney

Constitutional Officers

Earle C. Mobley, Commonwealth's Attorney

Cynthia P. Morrison, Clerk of the Circuit Court

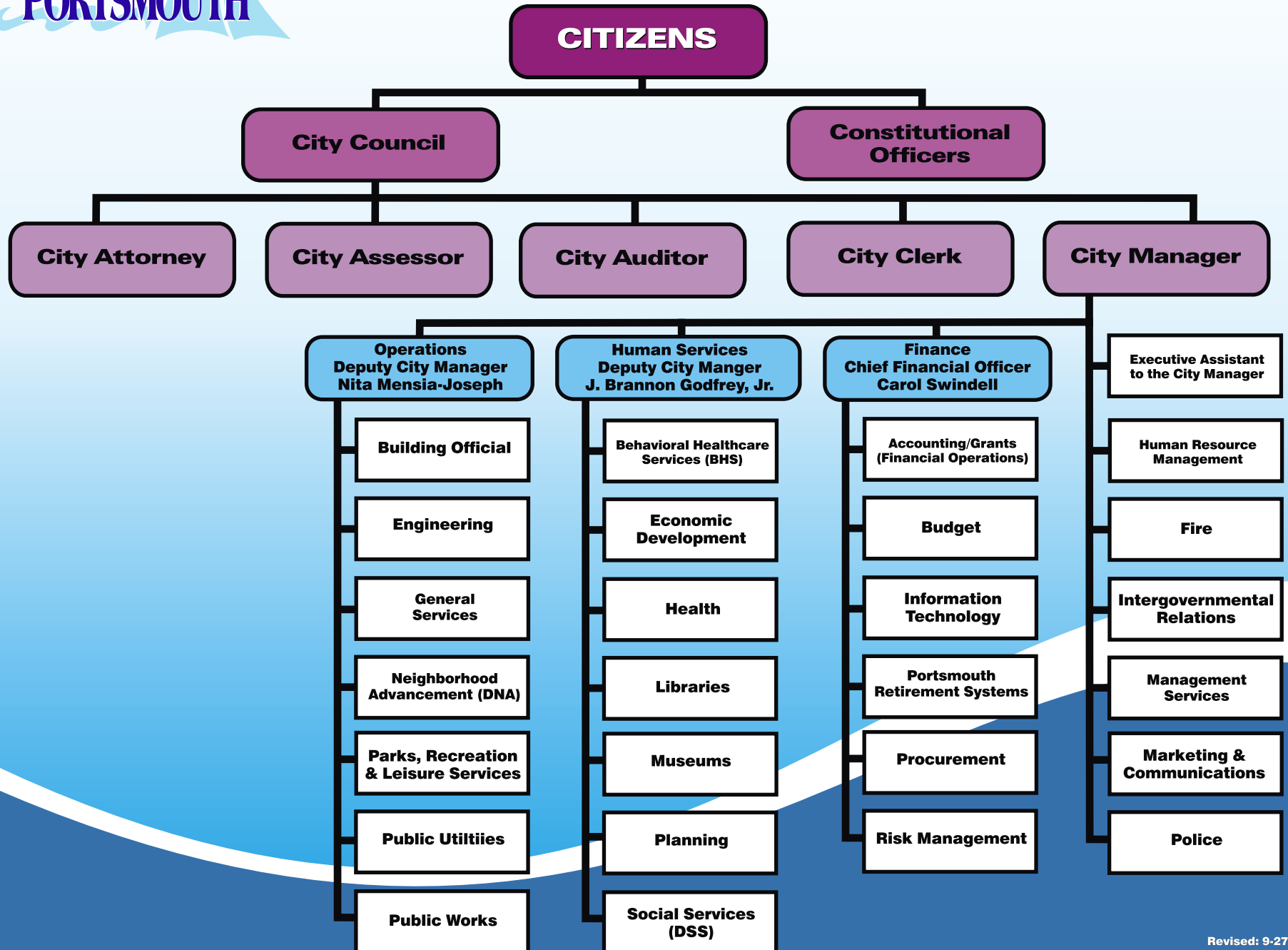
Franklin D. Edmondson, Commissioner of the Revenue

William "Bill" Watson, City Sheriff

James L. Williams, City Treasurer



ORGANIZATION OF THE CITY OF PORTSMOUTH, VA





Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Portsmouth
Virginia**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO



April 30, 2014

Dear City of Portsmouth, Virginia Citizens, and Council Members:

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the City of Portsmouth, Virginia (the City) for the fiscal year ended June 30, 2013, in accordance with State statutes and City Code. The City's Department of Finance prepared this report in accordance with generally accepted accounting principles as set forth in the pronouncements of the Governmental Accounting Standards Board (GASB), the authoritative body for accounting standards that apply to local governments.

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. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable rather than absolute assurance that the financial statements are free of any material misstatements. The CAFR has been compiled in a manner designed to fairly set forth the financial positions and results of operations of the City. The CAFR includes disclosures designed to enable the reader to gain an understanding of the City's financial affairs.

In accordance with generally accepted accounting principles, 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 OF PORTSMOUTH

The City of Portsmouth was settled in 1752 and incorporated by the Virginia General Assembly in 1858. The City lies in Hampton Roads, one of the world's great natural harbors, situated at the confluence of the James and Elizabeth Rivers where they empty into the Chesapeake Bay. The City is located in the center of the Hampton Roads region, bordered by the cities of Suffolk, and Chesapeake, respectively to the West and South, and Norfolk lies across the Elizabeth River to the East. The City's land area of approximately 33 square miles is mostly developed, with an estimated population of 97,450 in 2012.

With 78.5 miles of shoreline at the zero mile post of the Intercoastal Waterway, which runs from Boston to Florida, Portsmouth's location on navigable waterways has proven a dominant force in the City's history and economy. Its location on the 40 plus foot deep Hampton Roads shipping channel, and the presence of both the CSX and Norfolk Southern Railroads, supports the national and international port commerce activities and military presence in the region. Portsmouth is home to the Norfolk Naval Shipyard, a government facility with approximately 9,000

employees, the U.S. Coast Guard Fifth District Headquarters with approximately 2,500 employees, and the Naval Regional Medical Center (U.S. Naval Hospital) with approximately 7,000 employees. Although economic activity in the City has been historically associated with the port and military activities in the region, Portsmouth's economy has diversified in recent years with increasing employment in the service, manufacturing, and professional sectors.

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.

Portsmouth 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 School Board sets policies, hires the School Superintendent, and determines the use of its funds subject to legal restrictions. 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.

The City provides a full range of municipal services, including police and fire, solid waste, recreation and cultural activities, economic development, health and social services, street and highway maintenance, public improvements, planning and zoning, building inspections and environmental code compliance, general administrative services, education, and water and sewer services.

Overview of Governmental Services and Selected Functions

The City provides general governmental services to meet the needs of its citizens including police and fire protection, collection and disposal of refuse, water and sewer services, parks and recreation, libraries and cultural resources, health and social services, and street and highway maintenance. Other services provided by the City that receive partial funding from the Commonwealth include public education in grades kindergarten through twelve, and certain technical and special education, mental health assistance, and judicial activities.

The City's main municipal complex includes the City Hall building which houses nearly all of the City's operational departments. In September 2012, the City opened a new \$78 million Courts facility with over 20,000 square feet to house all three levels of municipal courts as well as the offices of the Commonwealth's Attorney and Sheriff. The City has 8 fire stations, 1 central library with 3 neighborhood branch libraries, 52 city parks totaling over 402 acres, 7 community centers, 2 municipal golf courses, and 24 public education facilities located throughout Portsmouth.

Portsmouth Public Schools

The Portsmouth Public Schools program is designed to provide quality instruction to all children who enroll. The School System has 2,469 employees, including 1,112 teachers and 1,357 support and administrative staff. The system operates 28 public education facilities as described in the following table. The City's three high schools are operated as magnet schools with each school focusing on one of the following areas: math, science and technology, performing arts, and international studies.

Public Education Facilities 2012-2013

4	Preschools
14	Elementary Schools
3	Middle Schools
3	High Schools
<u>4</u>	Alternative Schools
28	Total

Average Daily Membership of Portsmouth Public Schools

2012	14,256
2011	14,103
2010	14,225
2009	14,331
2008	14,287
2007	14,990
2006	15,243
2005	15,309
2004	15,642
2003	15,928

Source: Portsmouth Public School Board's FY2012 CAFR.

Public Safety

The Police Department is responsible for enforcing the law, maintaining public order, protecting the constitutional rights of individuals, and providing a wide variety of public services in partnership with the community. The Police Department currently consists of 263 sworn officers. Uniform Patrol is deployed on a 24/7 basis and provides the immediate response to the daily calls for police services in the City. These officers handle a wide variety of service requests in both the emergency and routine categories. Command personnel are charged to closely evaluate changing conditions on the street and deploy personnel in an effective manner in order to maintain public order. In addition, the Police Department has a number of support positions filled by both sworn and civilian personnel who are assigned various tasks that include animal control, security guards, communications dispatchers, administrative, and property/evidence personnel. These support functions play a major role in providing effective police services to the community. The Police Department has implemented a Community

Policing program, which includes initiatives such as the Police Service Areas that coincide with the neighborhoods in the City of Portsmouth. Neighborhood Impact Officers work with the community stakeholders throughout the City in order to improve the quality of life of residents, business owners, and visitors. The Police Department has also implemented a School Resource Officer program which assigns police officers to specific schools in order to: (i) provide a positive role model for the students, (ii) build strong working relationships with the faculty and administration, and (iii) investigate criminal activity occurring on school grounds. Additionally, the Police Department staffs a number of highly trained and qualified individuals who are responsible for conducting criminal investigations, narcotics enforcement, traffic enforcement, and emergency response services.

The Portsmouth Department of Fire, Rescue, and Emergency Services provides fire protection, emergency medical care, hazardous materials response, disaster preparedness services, arson investigation, fire prevention, inspection, and training for the citizens and businesses of Portsmouth. The Department currently has authorized 227 sworn firefighters serving the City from 8 stations. The Department also operates 5 ambulances. The Department also currently has 18 non-sworn and part-time members that provide administrative, clerical, and support efforts.

Public Works

The Department of Public Works provides various services related to the operation and maintenance of the City's infrastructure. The Public Works Department, staffed by 40 full-time employees, repairs and maintains the approximate 395 miles of primary and secondary streets in Portsmouth. Additionally, the Department is responsible for operation of the City's stormwater management and mosquito control programs.

Social Services

The Department of Social Services, staffed by 209 full-time employees, carries out responsibility for the administration of federal and state mandated human services programs for the City including Child and Family Services (Child Protective Services, Foster Care, Adoption Services, Adult Services, Adult Protective Services, and Generic Service Intake) and Financial Services Administration including initial and on-going case management (Temporary Assistance to Needy Families, Medicaid, Food Stamps, Energy Assistance Program, Virginia Independence Program, and Virginia's Initiative for Employment not Welfare). Additionally, the Department is responsible for eligibility determination for the Tax Relief and Tax Assistance Program.

Department of Public Utilities

The Portsmouth Department of Public Utilities ("DPU") operates the City-owned water and wastewater utilities, distributing water to over 120,000 customers in Portsmouth, Chesapeake, and Suffolk. DPU also provides sewage collection and conveyance services to approximately 100,000 customers in Portsmouth and part of Chesapeake. DPU is responsible for the installation, operation, and maintenance of the water and sewerage systems as well as billing and collecting. In carrying out these responsibilities, DPU employs 137 full-time personnel, distributed among its three major operating divisions: Administration and Fiscal, Water Treatment, and Operations.

The water system includes approximately 3,300 acres of land including four interconnected reservoirs and five deep wells located in the City of Suffolk. In addition, the water system includes a water filtration plant, raw water and finished water pumping stations, elevated and ground storage reservoirs, and distribution systems with associated appurtenances and meters. The lakes and wells provide a total safe yield of 29.6 million gallons per day ("mgd") of water. Present consumption within the City, excluding bulk and retail sales to other localities, is approximately 11.0 mgd. Total consumption is estimated at 18 mgd. The water is treated in a single treatment plant located in Suffolk with a 33 mgd capacity and is then pumped approximately 18 miles through underground pipes to storage areas in Portsmouth which are capable of storing nine million gallons. The treatment plant facilities have undergone several modernizations and upgrades, the last having been completed in November 2011.

Independent Commissions & Authorities

A number of independent commissions and boards participate in the performance of various governmental functions in Portsmouth, including housing and economic development. Selected entities are described below.

Portsmouth Redevelopment and Housing Authority

The Portsmouth Redevelopment and Housing Authority consists of seven commissioners appointed by City Council for a four-year period and subsequent four year periods. This semi-independent agency administers three public housing projects, 13 redevelopment projects, 3 tax credit developments, a City-wide conservation program, and physical improvements funded by the Community Development Block Grant Program.

The Authority has 92 employees. It was established in 1938 primarily to oversee the housing parks then under construction. Since 1960, under the former Federal Urban Renewal Program, 13 separate redevelopment projects have been undertaken. Since 1975, the Authority has carried out similar activities for the City under the Community Development Block Grant Program.

Since 1972, as a result of redevelopment projects, the City and the Authority have helped obtain more than \$350 million in private funds or commitments, in addition to nearly \$200 million in federal and state funds. The Authority has received two HOPE VI Revitalization Grants since 1997 totaling \$45 million. In four of the City's historic districts these activities have concentrated on rehabilitation of existing residential structures. Other projects have included clearance of blighted structures to make land available for new residential, commercial, industrial, or mixed use development.

Economic Development Authority

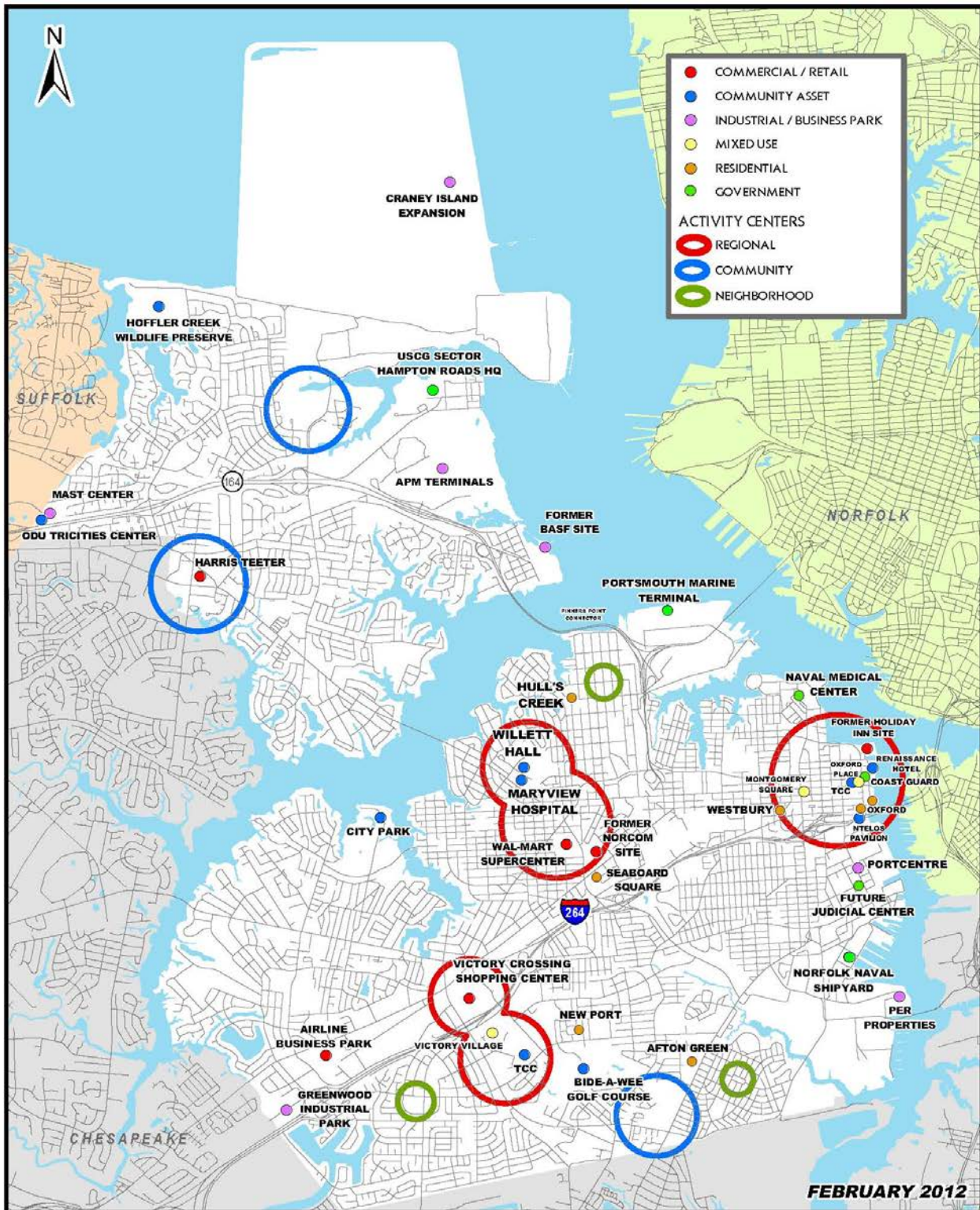
The Economic Development Authority of the City of Portsmouth ("EDA") is a public body corporate and politic existing under the laws of the Commonwealth. The EDA was created on December 20, 1968 by an ordinance adopted by the City Council. The EDA is governed by a publicly appointed board of seven directors and functions in a dual capacity as landholder/marketing agent for various publicly owned land throughout the City. As noted elsewhere in this Official Statement, the EDA is directly involved with many of the economic development and redevelopment activities within the City.

Portsmouth Parking Authority

The Portsmouth Parking Authority was established in 1964 by the General Assembly of Virginia for the purpose of providing and operating parking facilities within the corporate limits of the City. The Parking Authority currently owns and operates four parking garages and eight surface parking lots. These combined facilities provide 1,948 parking spaces for rental on a monthly basis. In addition, there are 179 on street parking meters and 194 meters in off-street lots operated and maintained by the Authority, 238 spaces in Olde Towne parking lots and an additional 678 spaces on the street, including handicapped parking spaces. The construction of the Renaissance Hotel and the adjoining parking garage structure on the City's waterfront provide approximately 250 additional public parking spaces and 200 additional private parking spaces. All parking facilities and parking meters are located in the City's downtown business district.

Development & Redevelopment Areas of the City

Map of Economic Development Areas in
Portsmouth



KEY DEVELOPMENTS PORTSMOUTH, VIRGINIA

Portsmouth has undertaken several efforts to revitalize itself. Because Portsmouth is surrounded by other independent cities, annexation is not possible, and development and redevelopment is focused within the City limits. Consequently, the City has undertaken an asset management strategy to inventory and analyze the best and highest uses for the properties located within the City for potential development activities. Since the late 1970's, more than 1,500 acres have been assembled for industrial use. The major development and redevelopment areas within the City are described below.

Victory Village

Victory Village is a 135-acre mixed-use development centrally located within Portsmouth and the Hampton Roads region at the intersections of Victory Boulevard, Greenwood Drive, and I-264. The contiguous development areas include a golf course, shopping center, and residential development.

The 135-acre area is expected to host office buildings, hotels, residential units, and a state-of-the-art center of higher education for the 21st Century. Tidewater Community College's Portsmouth Campus is located in Victory Village and opened in January 2010. It is anticipated that the college will have an enrollment of 16,000 students upon completion of all phases of construction. Master developer, Victory Crossing Developers LLC, is responsible for designing, constructing, and arranging financing for the development. Infrastructure improvements are underway. The Virginia Department of Transportation's (VDOT) improvements to Victory Boulevard, the primary corridor to the park, are completed.

Bide-A-Wee Golf Course, an 18-hole public championship golf course owned and operated by the City, underwent an \$8 million renovation in 1998 with design assistance from Curtis Strange. In 2002, Bide-A-Wee was named the "Most Improved Course" in the nation by *Golf Digest*. The course hosts over 40,000 rounds of golf annually. In 2009, Bide-A-Wee was named the "Top Municipal Course in Virginia". *Golf Digest* also recognized Bide-A-Wee as one of the "Top 50" golf courses in the United States.

The 450,000 square foot Victory Crossing Shopping Center opened in mid-to-late 2002 on a 51-acre site formerly occupied by an obsolete mall. It was a public-private partnership and the first major shopping center to be developed in Portsmouth in nearly 20 years. The center is anchored by Lowe's Home Improvement Warehouse and local grocery chain Farm Fresh.

PortCentre Commerce Park

PortCentre Commerce Park is a 60-acre office and light industrial park located between I-264 and the Norfolk Naval Shipyard in downtown Portsmouth. The park, which opened in 1987 on the former U.S. Coast Guard Base, is marketed by the Economic Development Authority of the City of Portsmouth.

Today the park is home to over 30 businesses employing nearly 1,500 people. Tenants include: the NBC & Fox affiliates WAVY-TV 10/Fox 43, Neighbor Care, DACS, B&B Manufacturing, Valco Piping Products, Wright's Engineering, Alere Toxicology, Faneuil, and Massimo Zanetti Beverage.

Also located in the Commerce Park is the 100,000 square foot office/warehouse building known as PortCentre I. This building is the location of the new Courthouse Building. A \$78 million dollar renovation to accommodate all three courts was completed in September 2012.

PortCentre Commerce Park is also designated as a State Enterprise Zone, Foreign Trade Zone, and HUBZone.

Destination 2025 Comprehensive Plan

A product of the time and effort invested by City citizens, community leaders, staff, and consultants, the Destination 2025 Comprehensive Plan (the "Plan") sets a clear direction for the City to follow as it charts a course to a positive future. The Plan articulates a vision of the City in the year 2025 based on the expressed values and aspirations of the City's citizens. It provides the means to realize the vision through clear and consistent goals and policies and through specific action strategies that the City will take over time to achieve the desired future. The Plan was developed through a two-year planning process that included extensive citizen involvement. Plan development was guided by the Citizens 2025 Committee, which was comprised of 25 members selected through an open application process to represent all areas of the City. Public input was solicited through citizen surveys at the beginning of the process; interviews with stakeholders representing civic, neighborhood, and business interests; community meetings at key points in the process; and general correspondence. This input is reflected in the importance that the Plan places on improving the quality of the City's education system, consistently identified by City residents and members of the Citizens 2025 Committee as the highest priority for the City's future.

Destination Portsmouth

Not long after the Plan was adopted, the City embarked upon implementing the Plan. The commitment to implementing the Plan takes place under an umbrella framework called Destination Portsmouth.

The first initiatives were specifically chosen to transform the foundations of how future economic development and growth will occur in the City. Under the Destination Portsmouth framework, which includes a model public input process, the City has built the following specific plans and has brought forward for adoption the following City code re-writes, all of which have been developed using new urbanism principles to drive sustainable reinvestment back into the City's existing urban fabric.

- A Downtown Master Plan and Waterfront Development Strategy
- New Downtown Historic District Design Guidelines
- A Comprehensive Ordinance Rewrite and a Rezoning of all of Downtown using a Transect approach
- A new Form-Based Code District adjacent to Downtown has been created
- Completion of the City's first-ever comprehensive Master Transportation Plan

- Substantive updates to the City's Floodplain, Chesapeake Bay Preservation, and Subdivision Ordinances
- A new City-Wide Zoning Ordinance and City-Wide rezoning of all parcels of land

All of these development codes are designed to: (i) make the development regulations easier to use, (ii) focus more on building form than on land use, (iii) send clear signals on desired expectations for the character of new development, (iv) encourage compatible redevelopment, (v) protect existing neighborhood character, (vi) add incentives and flexibility to facilitate by-right investment in a redevelopment context, and (vii) ensure consistency between the City's development regulations and the Plan.

Business & Industry

Three of the top target industries for the City are maritime, retail, and residential development. Recently, the City announced several new major development projects within these industries:

PER Properties announced in 2010 its intention to develop a previously vacated industrial site upon completion of certain environmental remediation. This project is expected to create approximately 35 jobs. The company has indicated that it has spent more than \$1 million to date and expects to spend more than \$5 million to develop the site.

The City expects the Breeden Company to acquire two publicly owned parcels (commonly known as North Pier and Desks Inc.) for a high-end multi-family development in 2014 with construction and occupancy expected to be complete in 2015. The sale price of the properties is dependent upon the total number of units developed and is expected to range between \$3 and \$4 million. Private investment in the project is anticipated to total \$45 million and annual tax revenues from the completed project are anticipated to exceed \$550 thousand.

Kroger Marketplace has indicated that it intends, commencing in 2013, to develop a 140,000 square foot retail facility on a portion of the 21-acre site of the former IC Norcom high school. Kroger intends to acquire this publicly held property for approximately \$2.8 million and to develop the property as a new-to-market concept, which will be the third such store introduced in Virginia by the company. In addition to Kroger's development of the site, the City successfully recruited one of the region's premier development groups (Ellis-Gibson Development) to develop the remainder of the site. When completed, this project will represent approximately \$30 million in new investment and approximately 600 jobs. The City anticipates that tax receipts from the completed project may exceed \$1 million annually.

Chick-fil-A returned to the Portsmouth market this year. The sale of publicly owned property to Chick-fil-A closed in 2013 for a sale price of \$750 thousand. The grand opening was held on April 25, 2013. Chick-fil-A follows Marshalls as two retail companies targeted by the Department of Economic Development that have been successfully recruited to the City.

In 2011, the Department of Economic Development began a commercial campaign specifically focused on the residential market by highlighting new (New Port) and established (Park View) communities and marketing the City's amenities from the perspective of a new home buyer. The tag line is "Tell Your Realtor!"

APM Terminals

In 2004, APM Terminals announced plans to build the country's first major, privately owned shipping terminal on the Elizabeth River. The \$450 million terminal is the single largest private investment in Hampton Roads and the 8th largest on record in Virginia.

In July 2010, APM Terminals entered into a lease agreement with the Virginia Port Authority by which APM Terminals agreed to lease its facilities located in the City to the Virginia Port Authority for a period of 20 years. APM Terminals is the largest taxpayer in the City. Prior to the execution of the lease agreement, the president of APM Terminals and the executive director of the Virginia Port Authority assured City officials that a long-term lease agreement between APM Terminals and the Virginia Port Authority would not affect APM Terminal's commitment to the City or its status as a taxpayer. In the lease agreement, APM Terminals has agreed to pay all taxes applicable to the leased facilities.

Retail

In 2012, the Harris Teeter grocery store chain opened a 49,000 square foot supermarket on the site of the former Plaza Shopping Center. This \$9 million investment project could potentially bring in \$160,000 to \$180,000 in annual retail sales tax revenue, as well as additional real estate taxes and other fees.

Victory Crossing Shopping Center, on the 51-acre former Tower Mall site, was a public-private partnership and the first major shopping center to be developed in Portsmouth in nearly 20 years. The center opened in mid to late 2002 and is anchored by Lowe's Home Improvement Warehouse and Farm Fresh and includes other national retailers and inline space. Annual retail sales exceed \$100 million.

In January 2007 Wal-Mart opened a 204,000 square foot supercenter in Portsmouth. The store, located on the 23-acre site of the former MidCity Shopping Center, employs 350 people. The redevelopment of the site with the new Wal-Mart is spurring the redevelopment of commercial projects in the Midtown area of the City.

Portsmouth's retail sales have increased most years since 2003 reflecting efforts to attract business establishments to Victory Crossing and downtown.

Other Accomplishments

In July, 2013, the Portsmouth City Council reassessed and updated a series of long term vision principles that were designed to guide the City's strategic growth.

Each of the statements described the future of the City of Portsmouth in the year 2030 and revolved around nine key components, as follows:

- *Change and New Directions*
- *A Robust Economy for Working Men and Women*
- *Leading Maritime Center*
- *Lifelong Learning Community*
- *Neighborhoods and a Sense of Community*
- *Quality of Life*
- *Efficient and Responsive Government*
- *A Proud Military Community*
- *Pride of Past*

Accomplishments during fiscal year 2012-13 in support of these vision principles, in addition to those mentioned earlier in this letter, include the following:

Financially Stabilized City Pension Plans

On June 4, 2013, the City sold Pension Obligation Bonds that will add over \$168 million to its two closed pension plans in fiscal year 2014: Portsmouth Supplemental Retirement System (PSRS) and Portsmouth Fire and Police Retirement System (PFPRS). This bond issue will accomplish two objectives:

- 1) Increase the funded level of the PSRS and PFPRS plans from 28% and 32%, respectively, to 76% and 77%.
- 2) Eliminate the Social Security Offset for retirees of the City's closed Portsmouth Supplemental Retirement System plan.

City Council carefully considered options for restoring the the two pension plans to a financially stable funding level and determined that the bold but financially prudent solution of issuing Pension Obligation Bonds was the best course of action. In doing so, the City protected its finances from exposure to significant cost variability and the potential liability of direct benefit payments if the plans were to become insolvent. The City will continue to fund 100% of the actuarially determined Annual Required Contribution (ARC).

Economic Development

Economic development in Portsmouth continues to provide positive momentum for the City. In addition to the accomplishments noted above, recent economic development activity included:

- The fast food restaurant chain CookOut! opened in the Victory business corridor
- Marine Specialty Painting, an industrial-marine painting company, relocated from outside of Portsmouth to the Elm Avenue Industrial Corridor
- The Quarters at Park View is currently under construction in the Downtown/Midtown area. It will yield 140 luxury apartments
- The Department of Economic Development welcomed a new Tourism Administrator whose focus will be working with stakeholders to enhance and increase visitation to Portsmouth

Community/Military/Maritime

The City expanded the satellite Visitor Information Centers at High Street Landing and established a second information center at City Hall in an effort to enhance the City's image and provide increased customer service to citizens and visitors.

In April, 2013, the City held a City-wide beautification initiative, called "Pretty-Up Portsmouth." This collaborative effort was comprised of city employees, civic leagues, volunteers, businesses, neighborhoods, and schools. The campaign leveraged support from the Portsmouth Rotary's Paint Your Heart Out and the National Great American Clean-Up. It served as the precursor to the current city-wide Recycling program, and netted over \$10,121 volunteers dollars to the City of Portsmouth.

The City Manager's Office and the Mayor's Military Affairs Committee collaborated to promote, re-brand, and produce the 129th Annual Memorial Day Parade, one of the City's signature events. As a result of the enhanced strategies, the 2013 parade had one of highest number of attendees and marching units to date. While Portsmouth's Memorial Day parade serves as one of the oldest continually run parades on the east coast, it also serves as a Portsmouth tradition since 1884, and pays tribute to our proud military heritage.

Public Safety

With the safety of the citizens of Portsmouth as a core focus, the Police Department worked hard to continue making Portsmouth a safer city. Key results of these efforts include:

- A reduction in overall crime of 11% from the previous year
- Crime decreased by 14% compared to the City's 5-year weighted average level
- The most significant change as a result of crime reduction efforts was a 19% decrease in violent crimes (homicide, rape, robbery, and aggravated assault)
- Implementation of "FOCUS ON FOUR" Crime Reduction Plan, where emphasis is placed on four high volume / high fear crimes, specifically: shooting incidents, robbery, burglary, and larceny from motor vehicles. The department uses daily crime data to

deploy police resources to those areas where their efforts will have the most impact on crime.

Quality of Life/Neighborhoods and a Sense of Community

The Portsmouth Department of Parks, Recreation, and Leisure Services, in partnership with the Portsmouth Redevelopment and Housing Authority, opened the Westbury Splash Park, a newly developed fifteen apparatus interactive aquatics play area.

The Portsmouth Department of Fire, Rescue, and Emergency Services, in partnership with Portsmouth Public Schools, launched a two-week summer program designed to give students an inside look into the field of emergency services and firefighting. This course is a fun way for youth to learn about the Fire Department and what they do through hands-on participation and interactive demonstrations.

General Services developed a strategy that will allow the City to mine its Craney Island Construction and Demolition Debris landfill. In doing so, it will extend the useful life of the City's landfill and decrease the City's annual cost for closure and post-closure expenses.

The Utilities Department continued investments in water and wastewater infrastructure, with the following major projects:

- Completed rehabilitation of two 1.5 million gallon finished water clearwells at the Lake Kilby Water Treatment Plant
- Completed major equipment upgrades at seven sewer pump stations
- Upgraded the supervisory control and data acquisition (SCADA) system at all 65 sewer pump stations from an analog system to a digital system and added additional monitoring capabilities
- Constructed a new sewer pump station on Washington Street as part of the Downtown Master Utility Plan and also completed four of fifteen phases of comprehensive water and sewer replacement in the first quadrant of the Downtown Master Utility Plan

Portsmouth Public Library- Downtown Main Library

In July, 2012, the Main Library re-opened after sustaining fire damage resulting from a December 25, 2010 arson. The renovated facility included a new teen room with 6 computers and a meeting room with capacity for 50.

Portsmouth was the first library in the state to utilize a highly-scalable, cost-effective alternative to managing the library catalog, circulation, and acquisition systems option for the rest of the state to emulate. This new system uses an open source product, saving the city almost \$25,000 per year.

The Portsmouth Public Library expanded its services with eBooks available to download from the library's website. Users may browse the library's website, check out with a valid library card, and download to PC, Mac®, and many mobile devices. Titles can be enjoyed immediately or transferred to a variety of devices, including iPad®, Barnes & Noble NOOK®, Amazon Kindle, and many others. Titles will automatically expire at the end of the lending period and because of this, there are no late fees. Portsmouth card holders also have access to e-magazines through Zinio; additional eBooks through Freading; and audiobooks through OneClickDigital.

The Museum Department's notable accomplishments in FY 2012-13 included:

- With a grant from the Institute of Museum and Library Services which was awarded last year, the department was able to have fabricated and installed a mobile storage system for the Naval Shipyard Museum. The units are specifically designed for the artifacts and the space of the collection storage area at the museum.
- The Portsmouth Art & Cultural Center opened "The Beat Goes On: Self Taught Artists and Their Visionary Art" in the summer of 2012. It was well-received by the public and was name one of the best exhibits in Hampton Roads that summer.
- The Portsmouth Naval Shipyard Museum celebrated its 50th anniversary in January, 2013 with a reception marking its half-century of honoring the military's past

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 unassigned fund balance at June 30, 2013 (excluding the impact of the \$168.3 million in pension funds that were transferred to the Pension Plan in August 2013) was \$68,385,641 which represented 32% of total revenues. This exceeded the City's adopted financial policy of 15%.

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

Fiscal Year	General Fund Unassigned Fund Balance	General Fund Total Revenues	Ratio
2013	\$ 68,385,641	211,810,456	32.3%
2012	53,631,444	220,919,837	24.3%
2011	42,086,840	205,552,236	20.5%
2010	45,377,732	211,496,674	21.5%
2009	32,533,819	213,390,123	15.2%
2008	26,302,440	216,638,631	12.1%

Financial Policies

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

Written, adopted financial policies have many benefits, such as assisting the elected officials and staff in the financial management of the City, saving time and energy when discussing financial matters, engendering public confidence, and providing continuity over time as elected officials and staff members change. City Management will annually review the City's Financial Policies, and City Council will reaffirm them at least once every three years. The policies discussed below had a significant impact on the financial results reported for fiscal year 2013.

Use of Fund Balance

While accumulated fund balance in the General Fund may legally be used as revenue to support the budget, the City's intention is not to use fund balance to fund recurring operating expenditures. Accumulated fund balance over and above the City's fund balance target may be considered for funding one-time expenditures. During fiscal year 2013, the City remained in compliance with this policy by not using the general fund balance to fund recurring operating expenditures, but one time expenditures only. The total fund balance in the General Fund increased from \$64,278,496 in fiscal year 2012 to \$264,722,952, an increase of 312%. This was primarily due to the addition of \$168,322,000 in pension obligation bond proceeds, which were subsequently transferred into the Pension Fund in fiscal year 2014. Excluding this impact, the increase was 50%, which included the reversion of \$13,921,635 in unspent year end funds from the Portsmouth Public Schools Component Unit.

Fund Balance Policy Minimum

The City will maintain an unassigned (unreserved, undesignated) general fund balance equal to 15% of general fund revenues. During fiscal year 2013, the City remained in compliance with this policy. The general fund unassigned fund balance equaled 32% of general fund revenues.

Cash Management

The City uses a pooled cash concept to allow greater investment flexibility and maximize its return on investment. The City pools cash from all funds, except those restricted for specific purposes or managed by fiscal agents, for investment purposes. The City invests idle cash in overnight repurchase agreements and other investments ranging from one to thirty days to maturity. During the 2013 fiscal year, the City was able to manage its current resources to properly meet its operating cash requirements without issuing Revenue Anticipation Notes.

Independent Audit

State law requires that a certified public accountant selected by the City Council audit the City's annual financial statements. Cherry Bekaert LLP Certified Public Accountants performed this annual audit of the financial records and transactions of all funds, component units, and departments of the City for the fiscal year ending June 30, 2013.

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

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Portsmouth for its comprehensive annual financial report for the fiscal year ended June 30, 2012. This was the 36th consecutive year that the City of Portsmouth has earned this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

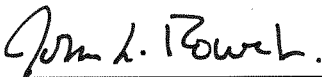
A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments

We sincerely appreciate the City Council's support and cooperation in planning and conducting the financial operations of the City.

We also acknowledge and extend special recognition to all the staff of the Department of Finance for their efficient and dedicated service to the City. Their efforts to maintain the accounting and financial reporting system of the City of Portsmouth have led to the high quality of information being reported to the City Council and citizens of the City, as well as current and potential future investors.

Respectfully submitted,



John L. Rowe, Jr.
City Manager



Carol O. Swindell
Chief Financial Officer

FINANCIAL SECTION



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Report of Independent Auditor

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

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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, based on our audit, 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, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principle

As described in Note 17 to the financial statements, effective July 1, 2012, the City adopted the provisions of Governmental Accounting Standards Board Statements ("GASBS") No. 61 *The Financial Reporting Entity: Omnibus-an Amendment of GASB Statements No. 14 and No. 34*; No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*; and GASBS No. 65 *Items Previously Reported as Assets and Liabilities*. Our opinions are not modified with respect to this matter.

Prior Period Adjustment

As described in Note 17 to the financial statements, the City restated beginning net position to correct capital assets and net investment in capital assets. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Portsmouth, Virginia's basic financial statements. The introductory section, combining and individual nonmajor fund statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules, and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2014, 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Cherry Reckert" followed by "LLP". The signature is written in a cursive, flowing style.

Virginia Beach, Virginia
April 30, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Portsmouth's (City's) Comprehensive Annual Financial Report (CAFR) presents Management's Discussion and Analysis (MD&A) of the City's financial performance during the fiscal year ended June 30, 2013. 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.

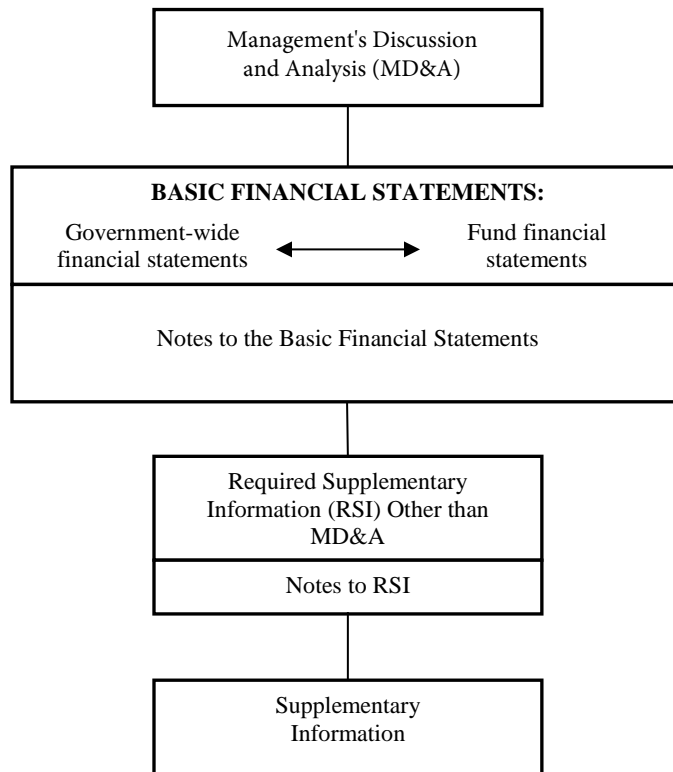
FINANCIAL HIGHLIGHTS

- ❖ The City's net position totaled \$454.9 million at June 30, 2013, increasing \$28.3 million over June 30, 2012. This was in part due to major increases in capital improvement for the New Courts Complex.
- ❖ The City's unrestricted net position totaled \$63.2 million, which was comprised of \$17.5 million resulting from governmental activities and \$45.7 million resulting from business-type activities.
- ❖ Government-wide current assets totaled \$479.6 million, of which \$359.1 million was attributable to governmental activities and \$120.5 million was attributable to business-type activities; while current liabilities totaled \$67.3 million, with \$50.1 million from governmental activities and \$17.2 million from business-type activities. The ratio of current assets to current liabilities was 7.1:1 overall – 7.2:1 for governmental activities and 7.0:1 for business-type activities.
- ❖ The City's long-term indebtedness at June 30, 2013 totaled \$734.4 million, for an increase of \$169.4 million from the prior year. During fiscal year 2013, the City issued General Obligation debt in the amount of \$291.3 million. The long-term indebtedness includes landfill closure and post-closure care of \$4.6 million and compensated absences of \$2.8 million.
- ❖ The City's governmental general revenues and transfers of \$175.2 million were \$17.1 million more than expenses, net of program revenues of \$90.2 million. Taxes funded 91.4% of general revenues and transfers.
- ❖ The General Fund total fund balance increased 311.8% during the current year to \$264.7 million from \$64.3 million in the prior year. This was primarily due to the addition of \$168.3 million in pension obligation bond proceeds, which were subsequently transferred into the Pension Fund in fiscal year 2014. Excluding this impact, the increase is 50.0%, which includes the reversion of \$13.9 million in unspent year end funds from the Portsmouth Public Schools Component Unit.
- ❖ Total net position for the Public Utility Fund rose 6.3% from \$160.4 million at June 30, 2012 to \$170.5 million at June 30, 2013.

FINANCIAL SECTION OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT

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

Components of the Financial Section



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

Government-wide Financial Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. One of the most important questions asked about the City's finances is, "Is the City, as a whole, better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities, which are the government-wide statements, report information about the City as a whole and about its activities in a manner that provides an answer to this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net position and changes in net position. The City's net position, which is the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources, is one way to measure the City's overall financial health and its current financial position. Over time, increases or decreases in the City's net position are one indicator of whether its financial condition is improving or deteriorating. Other non-financial factors will need to be considered, however, such as changes in the City's property tax base and the condition of the City's roads, to assess the overall health of the City.

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

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

Business-type activities - The City charges fees to cover the full cost of services provided to customers. The City's water and sewer system, port facility and economic development fund, waste management services, and golf courses are reported herein. The Parking Authority, a blended component unit, accounts for parking services provided to the City, citizens, and customers.

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 Industrial Commission (PPIC), all 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 two major governmental funds, the General Fund and the Capital Improvements Fund.

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

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

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 and the Information Technology Fund.

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

FINANCIAL ANALYSIS OF THE CITY ENTITY

Statements of Net Position

The following table reflects the condensed Statements of Net Position:

Table 1						
Summary of Statements of Net Position						
As of June 30, 2013 and 2012 (in millions)						
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2013	2012*	2013	2012*	2013	2012*
Current assets	\$ 359.1	158.5	120.5	127.0	479.6	285.5
Long-term assets	0.8	0.6	-	-	0.8	0.6
Capital assets	508.5	502.7	253.2	241.2	761.7	743.9
Total assets	868.4	661.8	373.7	368.2	1,242.1	1,030.0
Deferred outflows of resources	8.6	8.1	5.9	4.2	14.5	12.3
Total assets and deferred outflows of resources	877.0	669.9	379.6	372.4	1,256.6	1,042.3
Current liabilities	50.1	35.9	17.2	14.8	67.3	50.7
Long-term liabilities	557.8	382.0	176.6	183.0	734.4	565.0
Total liabilities	607.9	417.9	193.8	197.8	801.7	615.7
Net position:						
Net investment in capital assets	210.9	198.8	140.1	131.0	351.0	329.8
Restricted	40.7	45.1	-	-	40.7	45.1
Unrestricted	17.5	8.1	45.7	43.6	63.2	51.7
Total net position, as restated	269.1	252.0	185.8	174.6	454.9	426.6
Total liabilities and net position	\$ 877.0	669.9	379.6	372.4	1,256.6	1,042.3

*Restated

Net position (assets plus deferred outflows minus liabilities plus deferred inflows) may serve over time as a useful indicator of a government's financial position. The City of Portsmouth's net position was \$454.9 million at June 30, 2013. By far, the largest portion of the City's net position is reflected in its investment in capital assets (land, buildings, improvements, etc.) net of accumulated depreciation and related debt used to acquire those 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. Approximately 9% of the City's net position is currently subject to various external restrictions.

The net position of the City's governmental activities increased by \$17.1 million from \$252.0 million to \$269.1 million, as reflected in the Statement of Activities.

The net position of the City's business-type activities increased by \$11.2 million from \$174.6 million to \$185.8 million, as reflected in the Statement of Activities.

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, 2013 and 2012* (in millions)						
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2013	2012*	2013	2012*	2013	2012*
Revenues						
<u>Program revenues:</u>						
Charges for services	\$ 18.1	15.4	54.3	54.8	72.4	70.2
Operating grants and contributions	70.7	86.6	0.3	0.7	71.0	87.3
Capital grants and contributions	1.4	6.1	-	-	1.4	6.1
<u>General revenues:</u>						
Taxes	160.1	160.9	-	-	160.1	160.9
Other	5.2	2.5	0.9	0.5	6.1	3.0
Total revenues	255.5	271.5	55.5	56.0	311.0	327.5
Expenses						
General government	27.9	33.7	-	-	27.9	33.7
Judicial	23.8	19.3	-	-	23.8	19.3
Public safety	66.6	67.9	-	-	66.6	67.9
Public works	18.9	19.2	-	-	18.9	19.2
Health and welfare	34.8	37.7	-	-	34.8	37.7
Parks, recreational, and cultural	12.1	12.2	-	-	12.1	12.2
Community development	9.3	8.7	-	-	9.3	8.7
Education	41.4	51.8	-	-	41.4	51.8
Public utility	-	-	21.2	24.4	21.2	24.4
Golf	-	-	2.1	2.3	2.1	2.3
Parking Authority	-	-	1.4	1.6	1.4	1.6
Waste management	-	-	9.7	11.8	9.7	11.8
Interest on long-term debt	13.5	12.7	-	-	13.5	12.7
Total expenses	248.3	263.2	34.4	40.1	282.7	303.3
Excess (deficiency) before transfers	7.2	8.3	21.1	15.9	28.3	24.2
Transfers	9.9	8.0	(9.9)	(8.0)	-	-
Change in net position	17.1	16.3	11.2	7.9	28.3	24.2
Net position, beginning of year, as restated	252.0	235.7	174.6	166.7	426.6	402.4
Net position, end of year	\$ 269.1	252.0	185.8	174.6	454.9	426.6

*Restated

Governmental Activities

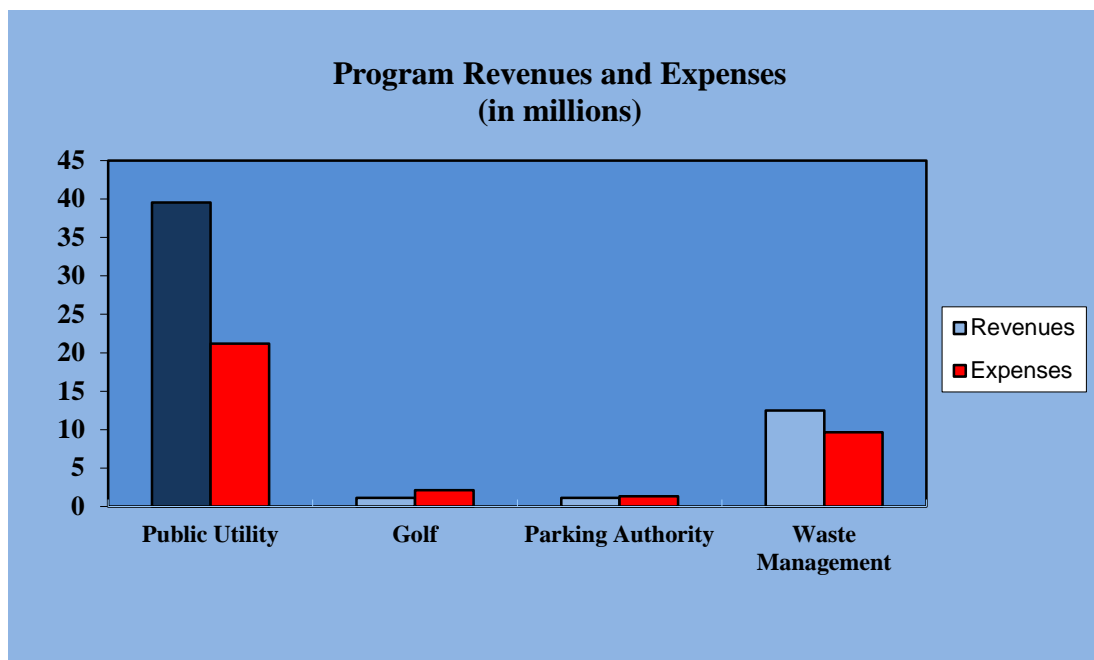
The City's total revenues from governmental activities were \$255.5 million for the fiscal year ended June 30, 2013, which represents a decrease of \$16.0 million from the prior year. The change is due in part to a reduction in operating grants and contributions. The largest source of revenue is taxes, which represents 62.7% of the total and is comprised of property taxes, other local taxes, and utility taxes. The City's assessed real property value decreased 3.9% from the prior year.

Program revenues are derived from the program itself and reduce the cost of the function to the City. Total program revenues for governmental activities were \$90.2 million. The largest component of program revenues for governmental activities is operating grants and contributions totaling \$70.7 million, representing 78.4% of total program revenues for governmental activities.

For the fiscal year ended June 30, 2013, expenses for the City's governmental activities totaled \$248.3 million. The City's expenditures cover a wide range of services, with 26.8% related to public safety, 16.7% related to education, and 14.0% related to health and welfare.

Business-Type Activities

The total net position for business-type activities increased \$11.2 million from \$174.6 million in fiscal year 2012 to \$185.8 million in fiscal year 2013, primarily due to Public Utility and Waste Management activities. Charges for services, including water and sewer utility fees, waste management fees, parking fees, and golf fees, represent 97.9% of total revenues for business-type activities. The following graph compares the program revenues and expenses of the business-type activities.



FINANCIAL ANALYSIS OF THE CITY FUNDS

Governmental Funds

The focus of the City's governmental funds is to provide information on current inflows, outflows, and balances of available resources. Such information is useful in assessing the City's financing requirements. For the fiscal year ended June 30, 2013, the governmental funds reflected a combined fund balance of \$306.3 million. The General Fund's fund balance totaled \$264.7 million at June 30, 2013, an increase of \$200.4 million from the prior year's \$64.3 million. The General Fund's unassigned fund balance totaled \$236.7 million at June 30, 2013. The increase

in total fund balance is primarily due to proceeds from bond issuances, return of unspent School monies, and stringent budgeting to reduce expenditures in all departments.

The City spent \$12.6 million in the Capital Improvements Fund to fund major projects, including the New Courts Complex. The Capital Improvements Fund has a \$28.2 million fund balance at June 30, 2013, all of which is restricted for future capital project costs.

General Fund Budgetary Highlights			
General Fund			
Fiscal Year Ended June 30, 2013 (in millions)			
	Original Budget	Final Budget	Actual
Revenues, transfers, and other financing sources			
Taxes	\$ 160.0	160.0	160.1
Intergovernmental	36.1	36.7	37.7
Other financing sources	0.4	0.4	265.1
Transfer	9.3	9.3	9.4
Other	17.4	24.9	14.0
Total	223.2	231.3	486.3
Expenditures and transfers			
Expenditures	213.7	220.7	200.9
Other financing uses	-	-	77.9
Transfers	9.5	10.6	7.1
Total	\$ 223.2	231.3	285.9

Actual expenditures in the above chart are shown on the budgetary basis (see Schedule I-3). The General Fund had a \$200.4 million dollar increase in fund balance. This increase is primarily due to the bond proceeds and a decrease in expenditures as a result of management's decision to control expenditures in all departments.

Actual General Fund revenues and other financing sources exceeded the final budgeted revenues during fiscal year 2013. This was a result of the bond proceeds and the regular review of revenue projections. Actual general fund expenditures and transfers (excluding payments made to escrow agent) were \$23.3 million less than the final budget.

Proprietary Funds

Total net position of the Public Utility Fund increased \$10.1 million during fiscal year 2013 from \$160.4 million to \$170.5 million. Of the total net position, \$124.9 million represents its net investment in capital assets. Unrestricted net position totaled \$45.5 million. The increase in net position is due primarily to the fund's net income before transfers of \$17.9 million.

Total net position of the Parking Authority, a blended component unit, at June 30, 2013 remained the same as the prior year at \$1.1 million.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2013, the City had invested \$761.7 million in a broad range of capital assets, including machinery and equipment, buildings, park and golf facilities, roads, bridges, and water and sewer lines, as reflected in the following schedule:

Capital Assets (net of depreciation)			
As of June 30, 2013 (in millions)			
	Governmental Activities	Business-Type Activities	Total Primary Government
Land	\$ 25.4	15.3	40.7
Buildings	129.8	9.7	139.5
Improvements other than buildings	142.5	94.4	236.9
Machinery, furniture, and equipment	12.0	5.6	17.6
Intangibles	0.6	-	0.6
Construction in progress	198.2	128.2	326.4
Total	\$ 508.5	253.2	761.7

Major capital asset activity for the fiscal year ended June 30, 2013 included:

- Capital asset additions for governmental activities totaled \$13.8 million for construction in progress and \$1.9 million for machinery, furniture, and equipment.
- Capital asset additions for business-type activities totaled \$16.2 million for construction in progress and \$1.0 million for machinery, furniture, and equipment.
- Depreciation expense totaled \$9.9 million and \$5.2 million for governmental and business-type activities, respectively.
- Construction in progress totaled \$198.2 million for governmental activities at June 30, 2013.
- Construction in progress totaled \$128.2 million for business-type activities at June 30, 2013.

More detailed information about the City's capital assets is presented in Note 4 to the basic financial statements.

The City's adopted fiscal year 2013-2017 Capital Improvement Program established a five year program totaling \$273.1 million. The major projects include \$167.0 million for water and sewer improvements, \$52.1 million for drainage and street improvements, \$26.8 million for municipal facilities, \$12.3 million for fleet management, \$5.0 million for industrial and economic development, and \$4.1 million for education.

Long-term Debt

At year-end, the City had \$681.3 million in outstanding long-term debt, excluding claims payable, other post employment benefit obligations, compensated absences, landfill closure and post closure care costs, and net pension obligations. General obligation bonds outstanding represented \$665.7 million of this total, as reflected in the following schedule:

Outstanding Debt

As of June 30, 2013 and 2012 (in millions)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2013	2012*	2013	2012*	2013	2012*
General obligation and revenue bonds, net	\$493.6	266.9	172.1	175.5	665.7	442.4
General obligation notes payable	-	48.7	-	-	-	48.7
Obligation under capital leases	13.2	16.0	1.1	2.0	14.3	18.0
Literary loans	1.3	1.5	-	-	1.3	1.5
Total	\$508.1	333.1	173.2	177.5	681.3	510.6

*Restated

On December 27, 2012, the City issued \$22,210,000 of General Obligation Public Improvement and Refunding Bonds, Series 2012C with a premium of \$2,720,790. The bonds were issued to finance the costs of various public improvement projects and to advance refund a portion of the Series 2005A and 2006A General Obligation Bonds.

On December 27, 2012, the City issued \$2,060,000 of Taxable General Obligation Refunding Bonds, Series 2012D to refund a portion of the Series 2005C Taxable General Obligation Bonds.

On June 27, 2013, the City issued \$57,600,000 of General Obligation Public Improvement and Refunding Bonds, Series 2013A with a premium of \$9,086,482. The bonds were issued to pay certain costs of a new courthouse and to refund certain maturities of outstanding City debt, including two bond anticipation notes issued to pay the costs of a new courthouse and a portion of the 2003, 2004A, 2005A, and 2006A General Obligation Bonds.

On June 27, 2013, the City issued \$209,475,000 of Taxable General Obligation and Refunding Bonds, Series 2013B. The bonds were issued to make contributions to two underfunded, City-sponsored closed retirement systems, the Portsmouth Supplemental Retirement System (the "Supplemental System") and the Portsmouth Fire and Police Retirement System, to make contributions to the Supplemental System to eliminate the offset of Social Security payments made to participants, and to advance refund a portion of the Series 2003, 2005A, and 2005B General Obligation Bonds.

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 \$713.4 million.

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

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

ECONOMIC FACTORS

The City's unemployment rate for June 2013 was 7.8%, which compares to the national unemployment rate of 7.6% for June 2013. Per capita income as of 2011 (latest data available from the Bureau of Economic Analysis) was

\$37,583, an increase of 5.3% over what was reported for 2010. Average per capita income in 2011 was \$46,107 for Virginia and \$41,560 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.



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Basic Financial Statements



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CITY OF PORTSMOUTH, VIRGINIA
Statement of Net Position
June 30, 2013

Exhibit A

	Primary Government		Total	Component Units
	Governmental Activities	Business-Type Activities		
Assets:				
Current assets:				
Cash and temporary investments (note 3)	\$ 115,082,899	60,838,234	175,921,133	1,567,898
Restricted cash and temporary investments (note 3)	191,956,933	54,168,742	246,125,675	32,217,267
Receivables (net of allowance for uncollectibles):				
Taxes	11,468,961	-	11,468,961	-
Accounts	8,534,410	7,711,390	16,245,800	503,172
Other	-	-	-	8,194
Internal balances (note 10)	2,793,193	(2,793,193)	-	-
Due from component units (note 10)	13,932,052	-	13,932,052	-
Due from other governments (note 11)	14,809,178	-	14,809,178	3,384,128
Prepaid items	2,223	-	2,223	-
Inventory of supplies	469,814	608,075	1,077,889	410,892
Notes receivable (note 12)	4,152	-	4,152	164,351
Total current assets	359,053,815	120,533,248	479,587,063	38,255,902
Noncurrent assets:				
Other assets	827,074	-	827,074	6,420,456
Property held for resale	-	-	-	9,669,666
Capital assets (note 4):				
Land	25,385,081	15,348,574	40,733,655	7,330,864
Buildings	211,626,684	25,228,458	236,855,142	82,731,728
Improvements other than buildings	490,819,157	172,203,369	663,022,526	-
Machinery, furniture, and equipment	47,569,300	20,028,557	67,597,857	25,247,354
Intangibles	911,458	-	911,458	422,270
Construction in progress	198,238,167	128,206,923	326,445,090	16,075,473
Total capital assets	974,549,847	361,015,881	1,335,565,728	131,807,689
Less accumulated depreciation	(466,058,102)	(107,784,011)	(573,842,113)	(49,761,829)
Total capital assets, net	508,491,745	253,231,870	761,723,615	82,045,860
Total noncurrent assets	509,318,819	253,231,870	762,550,689	98,135,982
Total assets	868,372,634	373,765,118	1,242,137,752	136,391,884
Deferred outflows of resources:				
Deferred outflows from debt refundings	8,642,009	5,910,623	14,552,632	-
Total outflows of resources	8,642,009	5,910,623	14,552,632	-
Total assets and deferred outflows of resources	\$ 877,014,643	379,675,741	1,256,690,384	136,391,884

(continued)

CITY OF PORTSMOUTH, VIRGINIA
Statement of Net Position
June 30, 2013

Exhibit A (continued)

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
Liabilities:				
Current liabilities:				
Accounts payable	\$ 11,064,085	3,727,295	14,791,380	5,658,222
Accrued payroll	1,562,291	149,493	1,711,784	8,034,804
Construction payable	-	2,848,847	2,848,847	-
Accrued interest payable	4,623,723	-	4,623,723	164,869
Deposits	219,529	2,468,659	2,688,188	14,823
Due to primary government (note 10)	-	-	-	13,523,926
Unearned revenues (note 12)	677,588	56,572	734,160	-
Claims payable (note 15)	3,926,115	-	3,926,115	700,360
Compensated absences (note 5)	4,735,797	682,501	5,418,298	1,796,000
Grants payable	-	-	-	20,000
General obligation and revenue bonds, net (note 5)	20,139,493	6,561,197	26,700,690	-
Obligations under capital leases (notes 5 and 6)	2,925,331	713,989	3,639,320	779,908
Literary loans (note 5)	250,000	-	250,000	-
Total current liabilities	50,123,952	17,208,553	67,332,505	30,692,912
Noncurrent liabilities:				
Claims payable (note 15)	10,259,712	-	10,259,712	1,687,078
Other post employment benefit obligation (note 8)	59,506,139	5,985,236	65,491,375	-
Compensated absences (note 5)	2,748,337	90,059	2,838,396	3,545,092
Noncurrent grants payable	-	-	-	20,000
General obligation and revenue bonds, net (note 5)	473,497,364	165,493,671	638,991,035	-
Obligations under capital leases (notes 5 and 6)	10,246,245	415,571	10,661,816	3,710,390
Landfill closure and postclosure care (notes 5 and 13)	-	4,617,861	4,617,861	-
Literary loans (note 5)	1,000,000	-	1,000,000	-
Net pension obligation (notes 5 and 8)	497,795	-	497,795	115,393
Total noncurrent liabilities	557,755,592	176,602,398	734,357,990	9,077,953
Total liabilities	607,879,544	193,810,951	801,690,495	39,770,865
Net position:				
Net investment in capital assets	210,854,679	140,080,861	350,935,540	77,555,564
Restricted for:				
Capital projects	28,235,511	-	28,235,511	-
Behavioral health services	4,040,385	-	4,040,385	-
Grants and donations	3,180,350	-	3,180,350	1,103,582
Other purposes:				
Restricted	4,324,407	-	4,324,407	-
Spendable	-	-	-	2,648,647
Nonspendable	1,002,223	-	1,002,223	-
Unrestricted	17,497,544	45,783,929	63,281,473	15,313,226
Total net position	269,135,099	185,864,790	454,999,889	96,621,019
Total liabilities and net position	\$ 877,014,643	379,675,741	1,256,690,384	136,391,884

See accompanying notes to basic financial statements.

CITY OF PORTSMOUTH, VIRGINIA

Statement of Activities

Year ended June 30, 2013

Exhibit B

Function/Program Activities	Expenses	Charges for Services	Program Revenues		Net (Expense) Revenue and Changes in Net Position			Component Units
			Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Primary Government:								
Governmental:								
General government	\$ 27,914,580	3,104,397	11,382,606	-	(13,427,577)	-	(13,427,577)	-
Judicial	23,819,021	343,106	10,221,465	-	(13,254,450)	-	(13,254,450)	-
Public safety	66,483,899	2,497,470	6,631,149	-	(57,355,280)	-	(57,355,280)	-
Public works	18,919,255	7,809,614	11,031,303	1,385,443	1,307,105	-	1,307,105	-
Health and welfare	34,805,940	600,194	26,766,170	-	(7,439,576)	-	(7,439,576)	-
Parks, recreational, and cultural	12,107,699	2,587,705	1,146,709	37,304	(8,335,981)	-	(8,335,981)	-
Community development	9,317,701	1,149,814	3,558,455	-	(4,609,432)	-	(4,609,432)	-
Education	41,411,783	-	-	-	(41,411,783)	-	(41,411,783)	-
Interest on long-term debt	13,535,905	-	-	-	(13,535,905)	-	(13,535,905)	-
Total governmental activities	248,315,783	18,092,300	70,737,857	1,422,747	(158,062,879)	-	(158,062,879)	-
Business-type:								
Public Utility	21,168,537	39,563,702	-	-	-	18,395,165	18,395,165	-
Golf	2,104,720	1,128,337	-	-	-	(976,383)	(976,383)	-
Port Facility and Economic Development	46,118	-	-	-	-	(46,118)	(46,118)	-
Parking Authority	1,348,920	1,118,200	-	-	-	(230,720)	(230,720)	-
Waste Management	9,662,917	12,502,496	280,000	-	-	3,119,579	3,119,579	-
Total business-type activities	34,331,212	54,312,735	280,000	-	-	20,261,523	20,261,523	-
Total primary government	282,646,995	72,405,035	71,017,857	1,422,747	(158,062,879)	20,261,523	(137,801,356)	-
Component Units:								
School Board	169,346,433	2,248,613	29,854,416	-	-	-	-	(137,243,404)
Economic Development Authority	453,347	371,551	-	-	-	-	-	(81,796)
Port and Industrial Commission	62,874	-	-	-	-	-	-	(62,874)
Total component units	\$ 169,862,654	2,620,164	29,854,416	-	-	-	-	(137,388,074)
General Revenues:								
Taxes:								
General property taxes					\$ 116,035,670	-	116,035,670	-
Business and occupational license taxes					6,137,032	-	6,137,032	-
Restaurant food taxes					6,871,806	-	6,871,806	-
Sales and Use Tax					7,274,130	-	7,274,130	-
Telecommunications					7,779,693	-	7,779,693	-
Other local taxes					7,933,101	-	7,933,101	-
Utility taxes					8,047,196	-	8,047,196	-
Grants and contributions not restricted to specific programs					-	-	-	76,966,687
Investment earnings					1,291,260	170,968	1,462,228	57,652
Miscellaneous					3,863,492	713,526	4,577,018	892,701
Payment from primary government					-	-	-	44,008,292
Transfers					9,928,251	(9,928,251)	-	-
Total General Revenues and Transfers					175,161,631	(9,043,757)	166,117,874	121,925,332
Change in Net Position					17,098,752	11,217,766	28,316,518	(15,462,742)
Net position, beginning of year, as restated					252,036,347	174,647,024	426,683,371	112,083,761
Net position, end of year					\$ 269,135,099	185,864,790	454,999,889	96,621,019

See accompanying notes to basic financial statements.

CITY OF PORTSMOUTH, VIRGINIA

Exhibit C

Balance Sheet
Governmental Funds
June 30, 2013

	General	Capital Improvements	Other Governmental Funds	Total
Assets:				
Cash and temporary investments (note 3)	\$ 44,606,164	26,398,822	12,877,301	83,882,287
Restricted cash and temporary investments (note 3)	186,871,119	5,085,814	-	191,956,933
Receivables (net of allowance for uncollectibles):				
Taxes	11,468,961	-	-	11,468,961
Accounts	7,229,793	-	1,142,936	8,372,729
Due from other funds (note 10)	2,552,595	-	672,833	3,225,428
Due from component units (note 10)	13,932,052	-	-	13,932,052
Due from other governments (note 11)	11,526,439	-	3,282,739	14,809,178
Inventory of supplies	86,231	-	2,223	88,454
Advances receivable	2,191,875	-	-	2,191,875
Notes receivable (note 12)	-	4,152	-	4,152
Total assets	280,465,229	31,488,788	17,978,032	329,932,049
Liabilities:				
Accounts payable	5,886,409	2,609,649	1,889,608	10,385,666
Accrued payroll	1,246,493	-	258,478	1,504,971
Deposits	17,053	202,476	-	219,529
Due to other funds (note 10)	673,864	-	1,950,246	2,624,110
Unearned revenues (note 12)	-	441,152	497,268	938,420
Total liabilities	7,823,819	3,253,277	4,595,600	15,672,696
Deferred inflows of resources:				
Deferred inflows from unavailable revenues	7,918,458	-	-	7,918,458
Total inflows of resources	7,918,458	-	-	7,918,458
Total liabilities and deferred inflows of resources	15,742,277	3,253,277	4,595,600	23,591,154
Fund balances:				
Nonspendable fund balances	2,278,106	-	1,002,223	3,280,329
Restricted fund balances	18,549,834	28,235,511	11,394,245	58,179,590
Committed fund balances	7,187,371	-	367,043	7,554,414
Assigned fund balances	-	-	618,921	618,921
Unassigned	236,707,641	-	-	236,707,641
Total fund balances	264,722,952	28,235,511	13,382,432	306,340,895
Total liabilities, deferred inflows of resources, and fund balances	\$ 280,465,229	31,488,788	17,978,032	329,932,049

See accompanying notes to basic financial statements.

(continued)

CITY OF PORTSMOUTH, VIRGINIA

Exhibit C (continued)

**Balance Sheet - Reconciliation of the Balance Sheet
to the Statement of Net Position**

Governmental Funds

June 30, 2013

Amounts reported for governmental activities in the statement of net position are different because:

Total fund balances for governmental funds	\$ 306,340,895
--	----------------

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:

Land	25,370,033	
Buildings	210,933,601	
Machinery, furniture and equipment	19,392,347	
Improvements other than buildings	490,819,157	
Construction in progress	198,238,167	
Accumulated depreciation	(445,896,400)	498,856,905

Some of the City's taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as unearned revenue in the funds.

8,179,290

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

Compensated absences	(7,162,892)	
Net pension asset	329,279	
Other post employment benefit obligation	(57,598,469)	
Accrued interest payable	(4,623,723)	
General obligation bonds	(493,636,857)	
Obligations under capital leases	(7,089,090)	
Literary loans	(1,250,000)	(571,031,752)

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

8,629,389

Internal service funds are used by the City to charge costs of certain activities to individual funds. The assets and liabilities of internal service funds are reported as components of other governmental funds.

18,160,372

Net position of governmental activities	\$ 269,135,099
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See accompanying notes to basic financial statements.

CITY OF PORTSMOUTH, VIRGINIA

Exhibit D

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

Year ended June 30, 2013

	General	Capital Improvements	Other Governmental Funds	Total
Revenues:				
Taxes	\$ 160,108,769	-	-	160,108,769
Intergovernmental	37,746,042	1,385,443	33,648,595	72,780,080
Charges for services	4,023,574	-	8,772,977	12,796,551
Investment income	6,447	64,893	5,649	76,989
Recovered costs	3,524,302	-	74,101	3,598,403
Fines and forfeitures	867,213	-	-	867,213
Licenses and permits	832,610	-	-	832,610
Use of property	1,623,657	-	251,647	1,875,304
Miscellaneous	3,077,842	37,304	1,335,856	4,451,002
Total revenues	211,810,456	1,487,640	44,088,825	257,386,921
Expenditures:				
Current:				
General government	15,818,053	-	87,180	15,905,233
Nondepartmental	12,138,227	-	-	12,138,227
Judicial	18,719,691	-	1,438,722	20,158,413
Public safety	60,760,128	-	681,067	61,441,195
Public works	13,537,835	875,692	2,373,413	16,786,940
Health and welfare	1,213,224	-	31,025,962	32,239,186
Parks, recreational, cultural	9,346,004	169,347	1,954,592	11,469,943
Community development	4,475,746	-	4,396,780	8,872,526
Education	39,849,897	-	-	39,849,897
Debt service	23,468,207	-	-	23,468,207
Fiscal charges	2,645	-	-	2,645
Costs of issuance	1,582,346	-	-	1,582,346
Capital outlay	-	12,648,813	346,909	12,995,722
Total expenditures	200,912,003	13,693,852	42,304,625	256,910,480
Revenues over (under) expenditures	10,898,453	(12,206,212)	1,784,200	476,441
Other financing sources (uses):				
Transfers from other funds (note 10)	9,393,632	7,009,659	5,191,654	21,594,945
Transfers to other funds (note 10)	(7,119,277)	-	(5,340,566)	(12,459,843)
Premium on bonds issued (note 5)	10,661,550	-	-	10,661,550
Issuance of general obligation bonds (note 5)	254,465,000	-	-	254,465,000
Refunding payments made to escrow agent	(77,854,902)	-	-	(77,854,902)
Total other financing sources (uses)	189,546,003	7,009,659	(148,912)	196,406,750
Net change in fund balances	200,444,456	(5,196,553)	1,635,288	196,883,191
Fund balances, beginning of year	64,278,496	33,432,064	11,747,144	109,457,704
Fund balances, end of year	\$ 264,722,952	28,235,511	13,382,432	306,340,895
See accompanying notes to basic financial statements.				(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, 2013

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

Net change in fund balances - total governmental funds	\$ 196,883,191
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Donated assets and loss on disposal of assets are not reported in the governmental funds but are reflected in the statement of activities.

Purchases of assets	14,489,510	
Depreciation expense	(7,829,702)	6,659,808

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 issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Proceeds from debt issued	(265,126,550)	
Principal payments of debt	9,547,995	
Payments to escrow agent	77,854,902	
Amortization expense	921,894	(176,801,759)

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.	409,477
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Some expenses in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.

Change in arbitrage liability	24,199	
Change in inventory	9,621	
Change in compensated absences	(5,895)	
Change in other post employment benefit obligation	(10,304,995)	
Change in net pension asset	160,684	
Change in accrued interest	801,446	(9,314,940)

Internal service funds are used by the City to charge costs of certain activities to individual funds. The net revenue (expense) of internal service funds is reported as a component of governmental funds.	(737,025)
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Change in net position of governmental activities	\$ 17,098,752
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See accompanying notes to basic financial statements.

CITY OF PORTSMOUTH, VIRGINIA

Exhibit E-1

Statement of Net Position

Proprietary Funds

June 30, 2013

	Public Utility	Parking Authority	Nonmajor Enterprise Funds	Total	Governmental Activities - Internal Service Funds
Assets					
Current assets:					
Cash and temporary investments (note 3)	\$ 52,085,206	244,248	8,508,780	60,838,234	31,200,611
Restricted cash and temporary investments (note 3)	53,873,525	295,217	-	54,168,742	-
Accounts receivable (net of allowance for uncollectibles)	5,264,836	8,643	2,437,911	7,711,390	161,681
Due from other funds (note 10)	1,031	-	-	1,031	-
Inventory of supplies	608,075	-	-	608,075	383,583
Total current assets	111,832,673	548,108	10,946,691	123,327,472	31,745,875
Noncurrent assets:					
Capital assets (note 4):					
Land	324,079	679,680	14,344,815	15,348,574	15,048
Buildings	692,687	18,667,910	5,867,861	25,228,458	693,083
Improvements other than buildings	169,473,184	260,636	2,469,549	172,203,369	-
Machinery, furniture, and equipment	11,209,037	434,794	8,384,726	20,028,557	28,176,953
Intangible assets	-	-	-	-	911,458
Construction in progress	128,206,923	-	-	128,206,923	-
Total capital assets	309,905,910	20,043,020	31,066,951	361,015,881	29,796,542
Less accumulated depreciation	(84,076,091)	(11,264,736)	(12,443,184)	(107,784,011)	(20,161,701)
Total capital assets, net	225,829,819	8,778,284	18,623,767	253,231,870	9,634,841
Deferred outflows of resources:					
Deferred outflows from debt refunding	5,146,197	111,973	652,453	5,910,623	12,620
Total outflows of resources	5,146,197	111,973	652,453	5,910,623	12,620
Total assets and deferred outflows of resources	342,808,689	9,438,365	30,222,911	382,469,965	41,393,336
Liabilities:					
Current liabilities:					
Accounts payable	337,170	41,145	562,066	940,381	652,739
Construction payable	2,848,847	-	-	2,848,847	-
Accrued interest payable	2,658,835	28,021	100,058	2,786,914	-
Accrued payroll	90,361	4,970	54,162	149,493	57,320
Flex spending benefits	-	-	-	-	25,680
Deposits	2,458,659	-	10,000	2,468,659	-
Due to other funds (note 10)	-	342,525	259,824	602,349	-
Unearned revenues (note 12)	-	56,572	-	56,572	-
Compensated absences (note 5)	448,044	14,843	219,614	682,501	321,242
General obligation bonds (note 5)	5,620,248	471,105	469,844	6,561,197	-
Obligations under capital leases (notes 5 and 6)	-	-	713,989	713,989	2,216,432
Claims payable (note 15)	-	-	-	-	3,926,115
Total current liabilities	14,462,164	959,181	2,389,557	17,810,902	7,199,528
Noncurrent liabilities:					
Claims payable (note 15)	-	-	-	-	10,259,712
Other post employment benefit obligation (note 8)	3,576,280	161,947	2,247,009	5,985,236	1,907,670
Compensated absences (note 5)	11,444	6,544	72,071	90,059	-
Obligations under capital leases (notes 5 and 6)	-	-	415,571	415,571	3,866,054
Landfill closure and postclosure liability (notes 5 and 13)	-	-	4,617,861	4,617,861	-
Advances payable	-	2,191,875	-	2,191,875	-
General obligation bonds (note 5)	154,287,551	5,013,839	6,192,281	165,493,671	-
Total noncurrent liabilities	157,875,275	7,374,205	13,544,793	178,794,273	16,033,436
Total liabilities	172,337,439	8,333,386	15,934,350	196,605,175	23,232,964
Net position:					
Net investment in capital assets	124,941,742	3,654,969	11,484,150	140,080,861	3,547,836
Unrestricted (deficit)	45,529,508	(2,549,990)	2,804,411	45,783,929	14,612,536
Total net position	170,471,250	1,104,979	14,288,561	185,864,790	18,160,372
Total liabilities and net position	\$ 342,808,689	9,438,365	30,222,911	382,469,965	41,393,336

See accompanying notes to basic financial statements.

CITY OF PORTSMOUTH, VIRGINIA
Exhibit E-2
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
Year ended June 30, 2013

	Public Utility	Parking Authority	Nonmajor Enterprise Funds	Total	Governmental Activities - Internal Service Funds
Operating revenues:					
Charges for services	\$ 39,511,276	1,118,200	13,630,833	54,260,309	38,434,968
Intergovernmental revenue	-	-	280,000	280,000	-
Use of property	53,058	-	-	53,058	-
Other	454,940	258,802	4,299	718,041	645,487
Total operating revenues	40,019,274	1,377,002	13,915,132	55,311,408	39,080,455
Operating expenses:					
Personnel services	6,198,280	358,490	3,991,432	10,548,202	4,264,201
Contractual services	1,545,111	116,730	6,015,563	7,677,404	3,352,756
Supplies and materials	3,097,934	26,332	294,830	3,419,096	1,455,656
Utilities	1,389,556	128,323	112,419	1,630,298	2,939,822
Internal charges	1,067,555	61,455	1,519,992	2,649,002	3,785
Claims, settlements, and refunds	6,825	-	-	6,825	24,223,905
Insurance premiums	-	-	-	-	1,124,072
Payments in lieu of taxes	1,069,990	-	-	1,069,990	-
Rent	-	-	84,643	84,643	-
Depreciation and amortization	4,002,638	490,368	722,083	5,215,089	2,089,926
Closure/postclosure	-	-	(1,538,196)	(1,538,196)	-
Other	906,034	113,478	295,932	1,315,444	824,408
Total operating expenses	19,283,923	1,295,176	11,498,698	32,077,797	40,278,531
Operating income (loss)	20,735,351	81,826	2,416,434	23,233,611	(1,198,076)
Nonoperating revenues (expenses):					
Investment income	169,630	349	3,325	173,304	8,039
Gain (loss) on disposal of capital assets	-	-	-	-	74,249
Gain (loss) on write-down of capital assets	-	-	(5,147)	(5,147)	-
Interest expense and fiscal charges	(2,956,940)	(53,744)	(315,057)	(3,325,741)	(149,471)
Net nonoperating revenues (expenses)	(2,787,310)	(53,395)	(316,879)	(3,157,584)	(67,183)
Net income (loss) before transfers	17,948,041	28,431	2,099,555	20,076,027	(1,265,259)
Transfers from other funds (note 10)	5,000,000	-	1,516,739	6,516,739	528,234
Transfers to other funds (note 10)	(12,875,000)	-	(2,500,000)	(15,375,000)	-
Change in net position	10,073,041	28,431	1,116,294	11,217,766	(737,025)
Net position, beginning of year, as restated (note 17)	160,398,209	1,076,548	13,172,267	174,647,024	18,897,397
Net position, end of year	\$ 170,471,250	1,104,979	14,288,561	185,864,790	18,160,372

See accompanying notes to basic financial statements.

Statement of Cash Flows

Proprietary Funds

Year ended June 30, 2013

	Public Utility	Parking Authority	Nonmajor Enterprise Funds	Total	Governmental Activities - Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash received from customers	\$ 41,346,226	1,380,028	13,771,645	56,497,899	39,493,996
Cash payments to suppliers for goods and services	(9,465,503)	(319,713)	(8,285,759)	(18,070,975)	(33,771,100)
Cash payments to employees for services	(6,049,006)	(358,761)	(3,936,904)	(10,344,671)	(4,240,309)
Net cash provided by (used in) operating activities	25,831,717	701,554	1,548,982	28,082,253	1,482,587
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Transfers in from other funds	5,000,000	-	1,516,739	6,516,739	-
Transfers out to other funds	(12,875,000)	-	(2,500,000)	(15,375,000)	528,234
Net cash provided by (used in) noncapital financing activities	(7,875,000)	-	(983,261)	(8,858,261)	528,234
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Acquisition and construction of capital assets	(16,249,942)	-	(104,423)	(16,354,365)	(1,099,971)
Gain/(Loss) on disposal of capital assets	-	-	(5,147)	(5,147)	74,249
Disposition of capital assets	(21,388)	-	(851,118)	(872,506)	(331,911)
Decrease in construction projects payable	1,768,252	-	-	1,768,252	-
Proceeds from long-term debt	-	-	-	-	-
Principal paid on long-term debt	(4,461,208)	(514,330)	(1,286,327)	(6,261,865)	(2,213,494)
Payment to other funds	-	-	-	-	-
Interest paid	(2,867,582)	(149,945)	(315,022)	(3,332,549)	(149,471)
Net cash provided by (used in) capital and related financing activities	(21,831,868)	(664,275)	(2,562,037)	(25,058,180)	(3,720,598)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest received	169,630	349	3,325	173,304	8,039
Net cash provided by (used in) investing activities	169,630	349	3,325	173,304	8,039
Net increase (decrease) in cash and temporary investments	(3,705,521)	37,628	(1,992,991)	(5,660,884)	(1,701,738)
Cash and temporary investments, beginning of year	109,664,252	501,837	10,501,771	120,667,860	32,902,349
Cash and temporary investments, end of year	105,958,731	539,465	8,508,780	115,006,976	31,200,611
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities					
Operating income/(loss)	20,735,351	81,826	2,416,434	23,233,611	(1,198,076)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization	4,002,638	490,368	722,083	5,215,089	2,089,926
Decrease (increase) in:					
Accounts receivable	1,105,516	6,650	(143,487)	968,679	413,541
Inventory of supplies	(71,440)	-	-	(71,440)	5,284
Deposits	483,721	-	-	483,721	-
Due from other funds	(1,031)	-	-	(1,031)	-
Increase (decrease) in:					
Accounts payable	(311,058)	13,484	37,620	(259,954)	(187,690)
Accrued payroll	90,361	4,970	54,162	149,493	57,320
Compensated absences	58,913	(5,241)	366	54,038	(33,428)
Due to other funds	-	113,121	-	113,121	-
Flexible spending benefits	-	-	-	-	25,680
Nonoperating revenues reported as operating revenues:					
Landfill closure and postclosure liability	-	-	(1,538,196)	(1,538,196)	-
Deferred Revenues	(261,254)	(3,624)	-	(264,878)	-
Claims payable	-	-	-	-	310,030
Total adjustments	5,096,366	619,728	(867,452)	4,848,642	2,680,663
Net cash provided by operating activities	\$ 25,831,717	701,554	1,548,982	28,082,253	1,482,587

See accompanying notes to basic financial statements.

CITY OF PORTSMOUTH, VIRGINIA
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2013

Exhibit F-1

	Pension Trusts	Agency Special Welfare Fund
Assets		
Cash and temporary investments (note 3)	\$ 2,166,406	107,889
Investments (note 3):		
Common stock	64,354,152	-
Corporate bonds	23,534,412	-
Total assets	90,054,970	107,889
Liabilities - Cash held for others	-	107,889
Net position -		
Net position held in trust for pension benefits	\$ 90,054,970	-
See accompanying notes to basic financial statements.		

CITY OF PORTSMOUTH, VIRGINIA
Statement of Changes in Fiduciary Net Position
Fiduciary Funds - Pension Trust Funds
Year ended June 30, 2013

Exhibit F-2

Additions:	
Contributions	\$ 17,312,882
Investment income -	
Net increase in the fair value of investments	9,831,626
Less investment expense	(333,833)
Net investment income	9,497,793
Total additions	26,810,675
Deductions - benefits and refunds	25,707,490
Change in net position	1,103,185
Net plan position held in trust for pension benefits, beginning of year	88,951,785
Net plan position held in trust for pension benefits, end of year	\$ 90,054,970

See accompanying notes to basic financial statements.

CITY OF PORTSMOUTH, VIRGINIA

Exhibit G-1

Statement of Net Position

Component Units

June 30, 2013

	School Board	Economic Development Authority	Port and Industrial Commission	Total
Assets:				
Current assets:				
Cash and temporary investments (note 3)	\$ 32,217,267	795,700	772,198	33,785,165
Receivables (net of allowance for uncollectibles)				
Accounts	492,755	-	-	492,755
Other	-	8,194	-	8,194
Due from other governments (note 11)	3,384,128	-	-	3,384,128
Inventory of supplies	410,892	-	-	410,892
Total current assets	36,505,042	803,894	772,198	38,081,134
Noncurrent assets:				
Property held for resale	-	9,589,488	80,178	9,669,666
Capital assets (note 4):				
Land	6,125,204	1,205,660	-	7,330,864
Buildings	82,731,728	-	-	82,731,728
Machinery, furniture, and equipment	25,247,354	-	-	25,247,354
Intangible	422,270	-	-	422,270
Construction in progress	16,075,473	-	-	16,075,473
Total capital assets	130,602,029	1,205,660	-	131,807,689
Less accumulated depreciation	(49,761,829)	-	-	(49,761,829)
Total capital assets, net	80,840,200	1,205,660	-	82,045,860
Other assets	5,773,486	70,417	751,321	6,595,224
Total assets	\$ 123,118,728	11,669,459	1,603,697	136,391,884

(continued)

CITY OF PORTSMOUTH, VIRGINIA

Exhibit G-1 (continued)

Statement of Net Position

Component Units

June 30, 2013

	School Board	Economic Development Authority	Port and Industrial Commission	Total
Liabilities:				
Current liabilities:				
Accounts payable	\$ 5,652,918	4,225	1,079	5,658,222
Accrued payroll	7,482,213	-	-	7,482,213
Accrued payroll taxes	552,591	-	-	552,591
Accrued interest payable	164,869	-	-	164,869
Deposits	-	-	14,823	14,823
Due to primary government (note 10)	13,513,509	10,417	-	13,523,926
Claims payable (note 15)	700,360	-	-	700,360
Compensated absences (note 5)	1,796,000	-	-	1,796,000
Grants payable	-	20,000	-	20,000
Obligations under capital leases (note 5)	779,908	-	-	779,908
Total current liabilities	30,642,368	34,642	15,902	30,692,912
Noncurrent liabilities:				
Claims payable (note 15)	1,687,078	-	-	1,687,078
Compensated absences (note 5)	3,545,092	-	-	3,545,092
Noncurrent grants payable	-	20,000	-	20,000
Obligations under capital leases (notes 5 and 6)	3,710,390	-	-	3,710,390
Net pension obligation (notes 5 and 8)	115,393	-	-	115,393
Total noncurrent liabilities	9,057,953	20,000	-	9,077,953
Total liabilities	39,700,321	54,642	15,902	39,770,865
Net position:				
Net investment in capital assets	76,349,904	1,205,660	-	77,555,564
Restricted for grants	1,103,582	-	-	1,103,582
Restricted for other purposes	2,648,647	-	-	2,648,647
Unrestricted	3,316,274	10,409,157	1,587,795	15,313,226
Total net position	83,418,407	11,614,817	1,587,795	96,621,019
Total liabilities and net position	\$ 123,118,728	11,669,459	1,603,697	136,391,884

See accompanying notes to basic financial statements.

CITY OF PORTSMOUTH, VIRGINIA
Statement of Activities
Component Unit
Year ended June 30, 2013

Exhibit G-2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	School Board	Economic Development Authority	Port and Industrial Commission	Total
School Board								
Administration	\$ 3,922,922	-	-	-	(3,922,922)	-	-	(3,922,922)
Instruction	123,563,193	149,487	24,326,281	-	(99,087,425)	-	-	(99,087,425)
Attendance and health services	3,137,760	199,562	-	-	(2,938,198)	-	-	(2,938,198)
Pupil transportation	5,967,101	17,412	-	-	(5,949,689)	-	-	(5,949,689)
Operations and maintenance	16,218,996	29,477	-	-	(16,189,519)	-	-	(16,189,519)
Information technology	4,691,124	-	-	-	(4,691,124)	-	-	(4,691,124)
Food services	7,916,123	1,852,675	5,528,135	-	(535,313)	-	-	(535,313)
Interest on long-term debt	178,945	-	-	-	(178,945)	-	-	(178,945)
To local government	3,750,269	-	-	-	(3,750,269)	-	-	(3,750,269)
Total School Board	169,346,433	2,248,613	29,854,416	-	(137,243,404)	-	-	(137,243,404)
Economic Development Authority								
Economic Development Authority	453,347	371,551	-	-	-	(81,796)	-	(81,796)
Port and Industrial Commission								
Port and Industrial Commission	62,874	-	-	-	-	-	(62,874)	(62,874)
Total Component Units	\$ 169,862,654	2,620,164	29,854,416	-	(137,243,404)	(81,796)	(62,874)	(137,388,074)
General Revenues:								
Grants and contributions not restricted to specific programs					\$ 76,966,687	-	-	76,966,687
Investment earnings					30,439	8,798	18,415	57,652
Miscellaneous					888,601	4,100	-	892,701
Payment from primary government					44,008,292	-	-	44,008,292
Total general revenues					121,894,019	12,898	18,415	121,925,332
Change in net position					(15,349,385)	(68,898)	(44,459)	(15,462,742)
Net position, beginning of year, as restated					98,767,792	11,683,715	1,632,254	112,083,761
Net position, end of year					\$ 83,418,407	11,614,817	1,587,795	96,621,019

See accompanying notes to basic financial statements.

(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, general administrative services, education, and water and sewer systems.

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 GASB Statement No. 14, *The Financial Reporting Entity*, as amended. This Statement 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. As such, the City of Portsmouth School Board (School Board), the Economic Development Authority of the City of Portsmouth, Virginia (Economic Development Authority or the EDA), and the Portsmouth Port and Industrial Commission (the Commission or the PPIC) are reported as separate and discretely presented component units in the City's reporting entity. The Portsmouth Parking Authority (Parking Authority) is presented as a blended component unit of the City. 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 generally accepted accounting principles, the accompanying financial statements include all activities of the City, such as general operation and support services. The School Board's governmental operations and the proprietary operations of the Economic Development Authority and the Portsmouth Port and Industrial Commission are separately disclosed on Exhibit G-2.

Discretely Presented Component Units

The component unit columns in the basic financial statements include the financial data of the City's 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. Although the members of its board are elected by voters, the School Board is fiscally dependent on the City since the City Council must approve its annual budget and appropriations, as well as all tax levies and borrowings to support its financial operations. The Economic Development Authority and the Portsmouth Port and Industrial Commission have boards appointed by the primary government. The Economic Development Authority was created to facilitate economic development activity in the community that would provide financial benefits to the City of Portsmouth. The Portsmouth Port and Industrial Commission was created to own and operate the port facilities in 1954. All component units have a year end of June 30th.

A description of the discretely presented component units follows:

1. The School Board operates the public education system in the City for grades kindergarten through twelve. Complete, audited financial statements for the School Board may be obtained as follows:

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

2. The Economic Development Authority 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 Economic Development Authority has only one fund. Complete, audited financial statements may be obtained as follows:

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

3. The Portsmouth Port and Industrial Commission 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 Portsmouth Port and Industrial Commission has only one fund. Complete, audited financial statements may be obtained as follows:

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

Blended Component Unit

The Parking Authority is considered to be a blended component unit in the City's financial statements under the guidelines of GASB 61. Blended component units are entities that are legally separate from the City, but which provide services entirely, or almost entirely, to the City or otherwise exclusively benefit the City. Activities of blended component units are considered to be so intertwined with the City's that they are, in substance, part of the City's operations. The Parking Authority is fiscally dependent on the City. The Parking Authority's resources and services provided are almost entirely for the direct benefit of the primary government. The City Council appoints all of the members of the Board of Directors and appropriates funds annually to the Authority. The City Council can also remove members at will, modify or approve the budget, set rates/fees, and hire or dismiss those persons responsible for the day-to-day operations of the Authority. The City and the Parking Authority have a financial benefit/burden relationship and management (below the level of the elected officials) of the City has operational responsibilities for the activities of the Parking Authority. The City is legally entitled to or can otherwise access the Authority's resources and is also obligated for the debt of the Authority. The Parking Authority's outstanding debt is expected to be repaid entirely with resources of the City. No distinction is made between the activities of the Parking Authority and the City. As a result, the Parking Authority is reported as an enterprise fund in the City's financial statements. Separately audited financial statements are not available for the Parking Authority.

B. Basis of 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 trust funds and agency). Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the City, these funds are not incorporated into the government-wide statements. The following is a brief description of the specific funds used by the City.

Governmental Fund Types

Governmental funds are those through which most governmental functions of the City are financed. The acquisition, use, and balances of the City's expendable financial resources and the related liabilities are accounted for through governmental funds, except those accounted for in proprietary funds and similar trust funds.

The City reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Capital Projects Fund – Capital Improvements 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).

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 two major enterprise funds: (1) the Public Utility Fund, which accounts for the utility activity provided to the City, and (2) the Parking Authority Fund, a blended component unit, which is responsible for the operation and maintenance of parking garages, parking lots, and all street parking meters for the City.

The three nonmajor enterprise funds are: (1) the Port Facility and Economic Development Fund, which is used to account for the lease of a marine terminal facility to Universal Maritime and lease-purchase sale of certain land to the Virginia Port Authority, (2) the Golf Fund, which accounts for ownership and operation of two golf courses, and (3) the Waste Management Fund, which accounts for waste disposal services and operation of the Craney Island landfill.

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 Fund, the Other Post Employment Benefit Fund (OPEB), and the Risk Management Fund.

Fiduciary Fund Types

Fiduciary funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The City maintains pension trust and agency funds. The pension trust funds account for the assets of the City's retirement plans. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of

the results of operations. The City's agency fund accounts for assets held on behalf of Social Services Department clients. Fiduciary funds are not included in the government-wide financial statements.

Reconciliation of Government-Wide and Fund Financial Statements

A summary reconciliation of the difference between total fund balances as reflected on the governmental funds Balance Sheet and total net position for governmental activities as shown on the government-wide Statement of Net Position is presented in a schedule accompanying the governmental funds Balance Sheet. A summary reconciliation of the differences between the 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 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.

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

(except those charges for services recognized when billed) and miscellaneous revenues (except interest on temporary investments) are recorded as revenues when received in cash because they are generally not measurable until actually received. Stormwater management fees are also recognized as revenue when earned. Expenditures are recorded when the related liability is incurred and payment is due, except for principal and interest on long-term debt which is recorded when due.

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

The accrual basis of accounting is followed by the proprietary funds and pension 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 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 30th, December 31st, March 31st, and June 30th, and are considered delinquent after each due date. The real estate tax rate during 2013 was \$1.27 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 1st with payment due the following June 5th. Taxes on motor vehicles bought and sold after January 1st are prorated and the tax levies are adjusted. During the fiscal year, the personal property taxes reported as revenue are the adjusted levies less an allowance for uncollectibles. Personal property taxes are considered delinquent after the June 5th due date or, in the case of supplemental levies, thirty days after the taxes are levied and billed. The personal property tax rate for 2013, excluding machinery and tools, boats, and recreational vehicles, was \$5.00 per \$100 of assessed value. The personal property tax rate on machinery and tools, boats, and mobile homes was \$3.00, \$.50, and \$1.27 per \$100 of assessed value, respectively.

E. Allowance for Uncollectibles

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

Governmental Activities:

General Fund:

Allowance for uncollectibles (real estate taxes)	\$	3,414,187
Allowance for uncollectibles		964,698
Total General Fund		4,378,885

Special Revenue Funds:

Stormwater Management Fund - allowance for uncollectibles		463,806
Behavioral Health Services Fund - allowance for uncollectibles		88,716
Total Special Revenue Funds		552,522

Total governmental activities		4,931,407
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Business-Type Activities:

Enterprise Funds:

Public Utility Fund - allowance for uncollectibles		694,858
Parking Authority Fund - allowance for uncollectibles		5,987
Waste Management Fund - allowance for uncollectibles		824,380

Total business-type activities	\$	1,525,225
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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 valued at cost using the first-in, first-out (FIFO) basis. All inventories are recorded under the purchases method, as expenditures or expenses when purchased, rather than when consumed.

I. Fund Balances

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

Nonspendable – Fund balance is reported as nonspendable when it is not in spendable form.

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. Such constraints are imposed by the City Council, the City's highest level of decision making authority. A Council ordinance is required to commit funds and to remove or change the specified use of committed funds.

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 Council or an official to whom the Council has delegated this authority through the annual budget ordinance. Any subsequent amendments must follow strict guidance for approval.

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 an unassigned general fund balance equal to 15% of general fund revenues in accordance with its fund balance policy.

J. Capital Assets

Capital assets and improvements include substantially all land, buildings, equipment, water distribution and sewage collection systems, and other elements of the City's infrastructure having a useful life of more than one year with a cost of more than \$5,000 with the exception of infrastructure assets, which have a threshold of \$100,000. 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. Infrastructure elements include the roads, bridges, curbs and gutters, streets and sidewalks, parkland and improvements, and tunnels.

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

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

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

K. Compensated Absences

City employees are granted vacation time in varying amounts based on length of service. They may accumulate unused vacation time earned and, upon retirement, termination, or death, may be compensated for the accumulated amounts at their current rates of pay not to exceed 352 hours. For nonexempt employees, overtime earned but not received in hours or compensation will accumulate and be paid in the event of retirement, termination, or death.

City employees accrue sick leave at the rate of eight hours for each full calendar month of work completed. Sick leave may be accumulated and carried forward until the time of retirement, termination, or death when the leave is forfeited.

The liability for compensated absences has been recorded in accordance with the provisions of GASB Statement No. 16, *Accounting for Compensated Absences*. 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 is the amount utilized by the employees during the year. In the government-wide and proprietary fund financial statements, the amount of compensated absences recorded as an expense is the amount earned. A liability for compensated absences is reported in the governmental funds only if they have matured.

L. Intra-Entity Activity

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

M. Deferred Outflows/Inflows of Resources

The Statement of Net Position may include deferred outflows of resources in addition to assets. These items represent the consumption of net position that is applicable to a future period. As a result, the expense/expenditure, or outflow, is not recognized until then. For the City, deferred outflows were reported to account for debt refundings when the refunding bonds exceeded the net carrying amounts of the refunded debt. The Statement of Net Position may also include deferred inflows of resources in addition to liabilities. These items represent the acquisition of net position that is applicable to a future period. As a result, the revenue, or inflow, is not recognized until then. For the City, deferred inflows were recorded to account for unavailable tax revenue.

N. 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 generally accepted accounting principles (GAAP). Actual results could differ from those estimates.

(2) EQUITY

The fund equity balances have been classified to reflect the limitations and restrictions placed on the respective funds. Nonspendable fund balance represents that portion of fund balance that is not in spendable form. Restricted fund balance represents that portion of fund balance that is constrained to being used for a specific purpose by external parties or imposed by law through constitutional provisions or enabling legislation. Committed fund balance represents that portion of fund balance that is constrained by limitations that the government imposes upon itself. Assigned fund balance represents that portion of fund balance that is intended to be used for specific purposes. Unassigned fund balance represents the remainder of the City's equity in governmental fund type fund balances in which the funds are available for any purpose.

Fund balances at June 30, 2013 are composed of the following:

	General Fund	Capital Improvements	Other Nonmajor
Nonspendable			
Inventory of supplies	\$ 86,231	-	2,223
Advances receivable	2,191,875	-	-
Permanent - cemetery care	-	-	1,000,000
Total nonspendable fund balances	2,278,106	-	1,002,223
Restricted			
Bond proceeds	18,418,723	-	-
Restricted cash	131,111	-	-
Capital improvements	-	28,235,511	-
Behavioral health services	-	-	4,040,385
Public law library	-	-	23,905
Stormwater management infrastructure maintenance	-	-	3,580,689
Grants	-	-	227,020
Donations	-	-	2,511,803
Community development - (HUD) housing assistance	-	-	3,135
Asset forfeiture	-	-	463,225
Permanent - cemetery care	-	-	544,083
Total restricted fund balances	18,549,834	28,235,511	11,394,245
Committed			
CIP funding	4,516,039	-	-
Disparity study	200,000	-	-
FY 2013-14 budget	1,171,332	-	-
Portsmouth public schools	1,300,000	-	-
Willett Hall - events and related activities	-	-	367,043
Total committed fund balances	7,187,371	-	367,043
Assigned			
Recreation	-	-	180,529
Social Services	-	-	438,392
Total Assigned Fund Balances	-	-	618,921
Unassigned			
General Fund	236,707,641	-	-
Social Services	-	-	-
Total Unassigned Fund Balance	236,707,641	-	-
Total Fund Balances	\$ 264,722,952	28,235,511	13,382,432

(3) CASH

Deposits and Restricted Cash

At June 30, 2013, the carrying value of the City's deposits with banks and savings institutions was \$158,567,555 which includes \$107,889 in the fiduciary funds. All cash of the City except petty cash of \$66,705 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. As of June 30, 2013 restricted cash totaled \$246,125,675, which represents the City's unspent bond proceeds and related investment income.

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, banker's acceptances, repurchase agreements, certificates of deposit, and the State Treasurer's Local Government Investment Pool (LGIP). The pension 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, Standard and Poor's, or Fitch IBCA's 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. 2.1-359 through 2.1-370 and Investment of Public Funds as in Sec. 2.1-327 through 2.1-329, Code of Virginia. The City Treasury 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 State of Virginia which are under the Virginia statutes for public funds and all banks must be approved by depositories of 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, 2013, the City's investment balances were as follows:

	Carrying Amount	Actual Credit Ratings	Required Credit Ratings	Average Days/Years to Maturity
SNAP investments	\$ 90,195,156	AAAm	n/a	1 day
PFM Funds-Prime, Institutional Class	35,286	AAAm	n/a	1 day
Money market funds	10,155,487	AAAm	n/a	1 day
	\$ 100,385,929			

The investments below are grouped according to type of investment and indicate the level of risks, if any:

Virginia State Non-Arbitrage Program (SNAP), PFM Funds-Prime, Institutional Class, and Money Market Funds

The SNAP Fund is a class of the Prime Series of PFM Funds. An investment in the Fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. PFM Fund Distributors, Inc., member of the Financial Industry Regulatory Authority (FINRA) (www.finra.org) and Securities Investor Protection Corporation (SIPC) (www.sipc.org), serves as the Fund's Distributor. PFM Fund Distributors, Inc. is a wholly owned subsidiary of PFM Asset Management LLC.

As of June 30, 2013, the SNAP Fund's investment portfolio as well as PFM Funds-Prime, Institutional Class was comprised of investments which were, in aggregate, rated AAAM by Standard and Poor's. The SNAP funds are subject to credit risk as well as interest rate risk.

Pension Investments – Common Collective Trust Fund

As of June 30, 2013, the City's pension investments were professionally managed by New York Life Investment Management LLC which invests primarily in Equity Funds. The fair value of the fund is determined by daily trades of securities. The allocation of the investment accounts are authorized between the Board of Trustees of the Portsmouth Fire and Police, the Portsmouth Supplemental Retirement Systems, Scott & Stringfellow, and New York Life Investment Management LLC. The target allocation for all funds is 59.0% for equities, 32.0% for fixed income securities, and 9.0% for real estate. None of the City's pension investments have credit ratings.

At June 30, 2013, the fair value of the City's pension investments is as follows:

Fund Name	Investment Type	Weighted Average Maturity/Liquidation	Fair Value
New York Life Fund:			
NYL Guaranteed Int. Account	Equity	1 day	\$ 15,622,846
Goldman Sachs SmCap Val Inst	Equity	1 day	9,229,887
American EuroPacific Growth R5	Equity	1 day	12,540,400
Shafer Cullen Div Ops Inv	Equity	1 day	42,583,865
Templeton Global Bond Fund Adv	Equity	1 day	7,911,566
Cash	Equity	1 day	2,166,406
			\$ 90,054,970

Component Unit - School Board

All of the deposits of the School Board, a discretely presented component unit, of \$31,107,767 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 \$10,652,405 invested in the School OPEB Trust Fund. The School Board has \$1,058,105 in the School Construction Fund that is held with a fiscal agent. 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 \$785,284. 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 \$772,198. All cash of the Commission is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 et. Seq. of the Code of Virginia or covered by federal depository insurance.

(4) CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013 was as follows:

Primary Government - Governmental Activities	Balance July 1, 2012 as restated	Additions	Deletions	Balance June 30, 2013
Capital assets not being depreciated/amortized:				
Land	\$ 25,385,081	-	-	25,385,081
Construction in progress	184,438,906	13,799,261	-	198,238,167
Total capital assets not being depreciated/amortized	209,823,987	13,799,261	-	223,623,248
Capital assets being depreciated/amortized:				
Buildings	211,626,684	-	-	211,626,684
Improvements other than buildings	490,819,157	-	-	490,819,157
Machinery, furniture, and equipment	46,040,733	1,887,036	(358,469)	47,569,300
Intangibles	888,688	22,770	-	911,458
Total capital assets being depreciated/amortized	749,375,262	1,909,806	(358,469)	750,926,599
Less accumulated depreciation/amortization for:				
Buildings	(77,455,195)	(4,415,738)	-	(81,870,933)
Improvements other than buildings	(345,502,261)	(2,786,612)	-	(348,288,873)
Machinery, furniture, and equipment	(33,283,378)	(2,625,815)	358,469	(35,550,724)
Intangibles	(256,109)	(91,463)	-	(347,572)
Total accumulated depreciation/amortization	(456,496,943)	(9,919,628)	358,469	(466,058,102)
Total capital assets being depreciated/amortized, net	292,878,319	(8,009,822)	-	284,868,497
Governmental activities capital assets, net	\$ 502,702,306	5,789,439	-	508,491,745

Under Virginia Law, certain property, with a net book value of \$75,937,076 maintained by the School Board is subject to tenancy-in-common with the City if the City has incurred a financial obligation for the property which is payable over more than one fiscal year. The School Board and City have agreed that such property will be carried on the City's financial statements until the outstanding debt is repaid.

Capital Asset Activity for the year ended June 30, 2013 (continued)

Depreciation/amortization expense was charged to functions as follows:

General government	\$	24,382
Judicial		46,717
Public safety		399,590
Public works		4,408,624
Health and welfare		85,933
Parks, recreation and cultural		27,376
Community development		824,080
Education		2,013,000
Total governmental activities		7,829,702

Depreciation/amortization on capital assets held by the city's internal service funds (see Exhibit E-2) is charged to the various functions based on their usage of the assets.		
		2,089,926
Total governmental activities		\$ 9,919,628

Construction in progress for the governmental activities is comprised of the following:

	Authorization	June 30, 2013	Commitments
New courts complex	\$ 75,700,259	72,202,497	124,749
Drainage Facilities Repair & Lake Mgt	20,783,323	17,441,713	1,710,881
Simonsdale School	17,222,170	16,906,122	-
Children's Museum expansion	14,837,000	14,240,323	2,685
Victory Boulevard (2% City Match to VDOT)	12,363,250	8,521,356	489,090
Holiday Inn Site Redevelopment	11,325,000	7,000,000	-
Churchland Bridge	8,150,078	702,054	125,415
Behavioral Health building	7,529,003	741,133	177,981
Churchland Library joint with Suffolk	6,747,590	6,743,177	1,435
Upgrade City's Traffic Sign	6,600,000	804,878	32,018
Prentis Park Waterline Replacement	4,808,250	4,807,988	-
Churchland High School - air quality	3,691,307	3,667,441	2,079
PAC Ntelos Pavilion - Canopy	3,480,478	3,472,695	-
Update Traffic Signal-8 Intersections	3,244,800	2,242,286	356,631
Update Traffic Signal-10 Intersections	3,185,600	589,161	2,295,254
PS New Radio System	3,000,000	2,999,305	-
Hope 6 Project - Jeffry Wilson	3,000,000	2,941,745	-
Renovations to Various Buildings	2,907,986	2,802,408	56,909
Midtown Corridor	2,700,000	82,400	27,600
Crawford Parkway Bulkhead Replacement	2,459,579	2,459,304	-
Traffic Signal Improvements	2,423,543	2,338,807	-
Bridge Repairs	2,263,471	1,802,338	9,825
Civic Center Specifications	2,084,958	1,921,043	23,158
City / Schools Joint Financial Management System	2,070,386	2,070,386	-
Parking Garage Repairs - Harbor Tower	2,046,271	1,302,493	5,130
Ebony Heights Improvements	2,001,212	1,947,800	11,555
Highland Biltmore Improvements	1,944,385	1,931,860	-
Street Improvements - South Portsmouth	1,868,356	1,855,010	7,667
Traffic Signal Improvements	1,760,579	1,497,649	123,085
Replacement of HVACs	1,836,051	1,628,386	29,732
McClellan St / Cavalier Blvd	1,740,784	235,783	-
City Gateways	1,549,293	640,212	9,850
Recreation Facility Repair/Replacement	1,379,505	558,547	28,417
ARRA-Energy Efficiency Cons Block Grant	1,002,000	960,484	-
Terminal Impact Mitigation	1,000,000	936,809	-
Various projects under \$1,000,000 each	8,172,128	5,242,574	461,082
	\$ 248,878,595	198,238,167	6,112,228

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. Commitments totaling \$6,112,228 have been reserved for encumbrances for capitalizable and noncapitalizable expenditures in the capital improvements fund.

Primary Government - Business-Type Activities	Balance July 1, 2012 as restated	Additions	Deletions	Balance June 30, 2013
Capital assets not being depreciated/amortized:				
Land	\$ 15,348,574	-	-	15,348,574
Construction in progress	111,996,553	16,210,370	-	128,206,923
Total capital assets not being depreciated/amortized	127,345,127	16,210,370	-	143,555,497
Capital assets being depreciated/amortized:				
Buildings	25,228,458	-	-	25,228,458
Improvements other than buildings	172,203,369	-	-	172,203,369
Machinery, furniture, and equipment	19,884,562	1,021,646	(877,651)	20,028,557
Total capital assets being depreciated/amortized	217,316,389	1,021,646	(877,651)	217,460,384
Less accumulated depreciation/amortization for:				
Buildings	(14,905,603)	(610,931)	-	(15,516,534)
Improvements other than buildings	(74,519,552)	(3,305,103)	-	(77,824,655)
Machinery, furniture, and equipment	(14,016,272)	(1,299,055)	872,505	(14,442,822)
Total accumulated depreciation/amortization	(103,441,427)	(5,215,089)	872,505	(107,784,011)
Total capital assets being depreciated/amortized, net	113,874,962	(4,193,443)	(5,146)	109,676,373
Business-type activities capital assets, net	\$ 241,220,089	12,016,927	(5,146)	253,231,870

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

Public utilities	\$ 4,002,638
Parking Authority	490,368
Port facility	46,118
Golf	112,303
Waste Management	563,662
Total business-type activities	\$ 5,215,089

Capital Assets – business type activities (continued)

Primary Government - Major Enterprise Funds				
	Balance July 1, 2012 as restated	Additions	Deletions	Balance June 30, 2013
<u>Public Utility Fund</u>				
Capital assets not being depreciated/amortized:				
Land	\$ 324,079	-	-	324,079
Construction in progress	111,996,553	16,210,370	-	128,206,923
Total capital assets not being depreciated/amortized	112,320,632	16,210,370	-	128,531,002
Capital assets being depreciated/amortized:				
Buildings	692,687	-	-	692,687
Improvements other than buildings	169,473,184	-	-	169,473,184
Machinery, furniture, and equipment	11,169,465	60,958	(21,386)	11,209,037
Total capital assets being depreciated/amortized	181,335,336	60,958	(21,386)	181,374,908
Less accumulated depreciation/amortization for:				
Buildings	(109,130)	(18,727)	-	(127,857)
Improvements other than buildings	(72,021,681)	(3,289,873)	-	(75,311,554)
Machinery, furniture, and equipment	(7,964,028)	(694,038)	21,386	(8,636,680)
Total accumulated depreciation/amortization	(80,094,839)	(4,002,638)	21,386	(84,076,091)
Total capital assets being depreciated/amortized, net	101,240,497	(3,941,680)	-	97,298,817
Public Utility Fund capital assets, net	\$ 213,561,129	12,268,690	-	225,829,819
<u>Parking Authority</u>				
Capital assets not being depreciated/amortized:				
Land	\$ 679,680	-	-	679,680
Total capital assets not being depreciated/amortized	679,680	-	-	679,680
Capital assets being depreciated/amortized:				
Buildings	18,667,910	-	-	18,667,910
Improvements other than buildings	260,636	-	-	260,636
Machinery, furniture, and equipment	434,794	-	-	434,794
Total capital assets being depreciated/amortized	19,363,340	-	-	19,363,340
Less accumulated depreciation/amortization for:				
Buildings	(10,392,968)	(460,982)	-	(10,853,950)
Improvements other than buildings	(177,002)	(6,633)	-	(183,635)
Machinery, furniture, and equipment	(204,398)	(22,753)	-	(227,151)
Total accumulated depreciation/amortization	(10,774,368)	(490,368)	-	(11,264,736)
Total capital assets being depreciated/amortized, net	8,588,972	(490,368)	-	8,098,604
Parking Authority capital assets, net	\$ 9,268,652	(490,368)	-	8,778,284

Construction in progress in the Public Utility Fund is composed of the following:

	Project Authorization	Expended to June 30, 2013	Commitments
<u>Public Utility Fund:</u>			
Infrastructure improvements	\$ 46,269,500	38,019,627	367,901
Sanitary sewer overflow elimination	17,100,000	6,430,850	3,575,377
Downtown master utility	16,900,000	5,911,740	10,719,196
Miscellaneous sewer improvements	13,326,016	8,500,657	2,902,417
Godwin Street reservoir replacement	10,896,371	10,838,821	51,864
Meter replacement program	9,999,000	1,136,509	7,853,434
Replacement of water plant equipment	9,643,913	5,326,369	147,689
Lake Kilby raw water pumping station	8,050,870	7,359,032	489,844
Suction well rehabilitation	7,018,290	2,967,672	-
Sewer cave-in repair	6,334,762	5,309,631	278,842
Water plant residuals management and disposal	6,133,500	5,774,077	-
Dam Upgrades	4,000,000	1,670,268	547,711
Low pressure transmission mains	5,250,000	210,615	79,719
Miscellaneous water improvements	3,385,615	1,780,294	901,263
Camden Avenue sewer rehabilitation	2,685,000	2,184,043	27,318
Lake Kilby replacement filters	2,600,000	631,591	676,631
Williams Court Outlet Sewer	2,500,000	533,354	1,853,132
Replacement 2" water mains	1,646,319	309,671	-
Various projects under \$1,000,000 each	931,004	320,430	-
	\$ 174,670,160	105,215,251	30,472,338

In addition to the amount of \$105,215,251 shown above as expended to June 30, 2013, \$20,587,548 is included in construction in progress for capitalized interest and \$2,404,124 is included for the Prentis Park Water Project, bringing total construction in progress to \$128,206,923. 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.

School Board Component Unit				
	Balance July 1, 2012 as restated	Additions	Deletions	Balance June 30, 2013
Capital assets not being depreciated/amortized:				
Land	\$ 6,125,204	-	-	6,125,204
Construction in progress	18,559,127	5,849,731	(8,333,385)	16,075,473
Total capital assets not being depreciated/amortized	24,684,331	5,849,731	(8,333,385)	22,200,677
Capital assets being depreciated/amortized:				
Buildings	78,807,165	3,924,563	-	82,731,728
Machinery, furniture, and equipment	24,045,046	1,213,308	(11,000)	25,247,354
Intangibles	422,270	-	-	422,270
Total capital assets being depreciated/amortized	103,274,481	5,137,871	(11,000)	108,401,352
Less accumulated depreciation/amortization for:				
Buildings	(31,044,714)	(2,134,559)	-	(33,179,273)
Machinery, furniture, and equipment	(15,153,900)	(1,134,967)	11,000	(16,277,867)
Intangibles	(220,235)	(84,454)	-	(304,689)
Total accumulated depreciation/amortization	(46,418,849)	(3,353,980)	11,000	(49,761,829)
Capital assets being depreciated/amortized				
Total capital assets - being depreciated/amortized	56,855,632	1,783,891	-	58,639,523
School Board capital assets, net	81,539,963	7,633,622	(8,333,385)	80,840,200
Economic Development Authority Component Unit				
	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
Capital assets not being depreciated/amortized:				
Land	\$ 1,205,660	-	-	1,205,660
Total capital assets not being depreciated/amortized	1,205,660	-	-	1,205,660

(5) LONG-TERM DEBT

Details of Long-Term Indebtedness

At June 30, 2013, the long-term indebtedness of the City consisted of the following:

		Interest Rate	Amount Outstanding
Governmental Activities			
General obligation bonds, net:			
2001	VPSA Qualified Zone Academy Bonds (QZAB)	0.0%	\$ 312,677
2001B	VPSA School Financing Bonds	3.1 - 5.1%	1,631,491
2003	G.O. Refunding Bonds	4.9 - 5.0%	10,045,404
2004A	VML/VACo Revenue Bonds	4.0 - 5.0%	307,454
2005A	G.O. & Refunding Bonds	4.0 - 5.0%	6,820,340
2005C	Taxable G.O. Refunding Bonds	5.0 - 5.4%	1,526,045
2006A	G.O. & Refunding Bonds	4.1 - 5.0%	26,396,394
2006B	Taxable G.O. Refunding Bonds	5.8%	3,832,610
2006B	VPSA School Financing Bonds	4.2 - 5.1%	4,606,242
2009	VPSA Qualified School Construction Bonds (QSCB)	0.0%	16,655,904
2009A	G.O. Refunding Bonds	4.0 - 4.8%	6,335,331
2009B	G.O. Refunding Bonds	3.5 - 5.3%	11,831,669
2009C	Taxable G.O. Refunding Bonds	5.6 - 6.4%	16,540,833
2009D	G.O. Refunding Bonds	3.0 - 4.0%	9,004,859
2010A	G.O. Public Improvement Bonds	3.0 - 4.0%	3,744,777
2010B	Taxable G.O. Public Improvement Bonds (BAB)	4.7 - 6.3%	29,240,000
2010D	G.O. & Refunding Bonds	3.0 - 5.3%	30,712,052
2011	G.O. Refunding Bonds	2.5 - 5.0%	15,656,650
2012A	G.O. Public Utility & Refunding Bonds	2.0 - 5.0%	26,339,575
2012B	Taxable G.O. Refunding Bonds	1.5 - 3.9%	6,970,000
2012C	G.O. Public Improvement & Refunding Bonds	2.0 - 4.0%	15,036,424
2012D	Taxable G.O. Refunding Bonds	0.7 - 1.7%	2,060,000
2013A	G.O. Public Improvement & Refunding Bonds	3.0 - 5.0%	64,505,126
2013B	Taxable G.O. & Refunding Bonds	0.4 - 4.5%	183,525,000
Total general obligation bonds, net			493,636,857
Capital leases			13,171,576
Literary loans			1,250,000
Compensated absences			7,484,134
Total governmental activities			\$ 515,542,567

Details of Long-Term Indebtedness (continued)

		Interest Rate	Amount Outstanding
Business-Type Activities			
General obligation bonds, net:			
Public Utility:			
2003	G.O. Refunding Bonds	4.9 - 5.0%	\$ 5,001,770
2005A	G.O. & Refunding Bonds	4.0 - 5.0%	5,227,095
2005B	G.O. Public Utility Refunding Bonds	3.8 - 5.0%	8,057,638
2006A	G.O. & Refunding Bonds	4.1 - 5.0%	11,347,038
2009D	G.O. Refunding Bonds	3.0 - 4.0%	1,601,390
2009E	Prentis Park Bonds	0.0%	2,243,850
2010A	G.O. Public Improvement Bonds	3.0 - 4.0%	3,631,209
2010B	Taxable G.O. Public Improvement Bonds (BAB)	4.7 - 6.3%	25,110,000
2011	G.O. Refunding Bonds	2.5 - 5.0%	8,740,446
2012A	G.O. Public Utility & Refunding Bonds	2.0 - 5.0%	55,915,774
2012C	G.O. Public Improvement & Refunding Bonds	2.0 - 4.0%	9,844,631
2013A	G.O. Public Improvement & Refunding Bonds	2.0 - 5.0%	1,746,958
2013B	Taxable G.O. & Refunding Bonds	0.4 - 2.6%	21,440,000
			<u>159,907,799</u>
Golf:			
2005A	G.O. & Refunding Bonds	4.0 - 5.0%	1,237,374
2009B	G.O. Refunding Bonds	3.5 - 5.3%	1,157,198
2011	G.O. Refunding Bonds	2.5 - 5.0%	2,356,981
2012A	G.O. Public Utility & Refunding Bonds	2.3 - 5.0%	1,108,286
2013A	G.O. Public Improvement & Refunding Bonds	2.0 - 3.0%	397,286
2013B	Taxable G.O. & Refunding Bonds	0.4 - 2.6%	405,000
			<u>6,662,125</u>
Parking Authority:			
2003	G.O. Refunding Bonds	4.3 - 5.0%	732,248
2005A	G.O. & Refunding Bonds	4.0 - 5.0%	40,714
2009A	G.O. Refunding Bonds	4.0 - 4.8%	74,519
2009B	G.O. Refunding Bonds	5.3%	20,637
2011	G.O. Refunding Bonds	2.5 - 5.0%	219,320
2012A	G.O. Public Utility & Refunding Bonds	2.3 - 5.0%	205,659
2012C	G.O. Public Improvement & Refunding Bonds	3.5 - 4.0%	49,735
2013A	G.O. Public Improvement & Refunding Bonds	3.0%	37,112
2013B	Taxable G.O. & Refunding Bonds	0.4 - 3.9%	4,105,000
			<u>5,484,944</u>
Total general obligation bonds, net			172,054,868
Capital leases			1,129,560
Landfill closure and postclosure care			4,617,861
Compensated absences			772,560
Total business type-activities			\$ 178,574,849

General obligation bonds are stated net of unamortized bond premiums and discounts.

At June 30, 2013, the long-term indebtedness of the School Board component unit consisted of the following:

	Amount Outstanding
School Board:	
Capital leases	\$ 4,490,298
Compensated absences	5,341,092
Claims payable	2,387,438
Net pension obligation	115,393
Total Long Term Liabilities	\$ 12,334,221

The following is a summary of changes in long-term indebtedness of the City for the year ended June 30, 2013:

	Balance June 30, 2012*	Increases	Decreases	Balance June 30, 2013	Due Within One Year
Primary Government - Governmental Activities:					
General obligation bonds	\$ 259,550,925	254,465,000	(35,570,310)	478,445,615	18,992,464
Bond premiums/(discounts)	7,301,443	10,661,550	(2,771,751)	15,191,242	1,147,029
General obligation notes	48,730,000	-	(48,730,000)	-	-
	315,582,368	265,126,550	(87,072,061)	493,636,857	20,139,493
Capital leases	16,024,163	-	(2,852,587)	13,171,576	2,925,331
Literary loans	1,500,000	-	(250,000)	1,250,000	250,000
Compensated absences	7,511,667	-	(27,533)	7,484,134	4,735,797
Arbitrage liability	24,199	-	(24,199)	-	-
	25,060,029	-	(3,154,319)	21,905,710	7,911,128
Total Governmental Activities	340,642,397	265,126,550	(90,226,380)	515,542,567	28,050,621
Business Type Activities:					
General obligation bonds	165,894,809	36,880,000	(39,860,527)	162,914,282	5,926,579
Bond premiums/(discounts)	9,596,596	1,145,723	(1,601,733)	9,140,586	634,618
Capital leases	2,021,226	-	(891,666)	1,129,560	713,989
Landfill closure and postclosure care	6,156,057	-	(1,538,196)	4,617,861	-
Compensated absences	718,522	54,038	-	772,560	682,501
Total Business Type Activities	184,387,210	38,079,761	(43,892,122)	178,574,849	7,957,687
Major Enterprise Funds:					
Public Utility Fund:					
General obligation bonds	153,905,436	31,915,000	(34,521,189)	151,299,247	5,061,485
Bond premiums/(discounts)	8,824,898	1,116,589	(1,332,935)	8,608,552	558,763
Compensated absences	400,575	58,913	-	459,488	448,044
Total Public Utility Fund	163,130,909	33,090,502	(35,854,124)	160,367,287	6,068,292
Parking Authority					
General obligation bonds	5,437,112	4,185,000	(4,227,077)	5,395,035	450,094
Bond premiums/(discounts)	285,451	6,848	(202,390)	89,909	21,011
Compensated absences	26,628	-	(5,241)	21,387	14,843
Total Parking Authority	5,749,191	4,191,848	(4,434,708)	5,506,331	485,948

*Restated

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

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 if June 30, 2013 was the settlement date, and reflected the liability, if any, in either the Public Utility Fund or the governmental activities column of the Statement of Net Position, depending on the bond issue and timing of payment.

The following is a summary of changes in long-term indebtedness of the School Board component unit for the year ended June 30, 2013:

	Balance, July 1, 2012	Increases	Decreases	Balance June 30, 2013	Due Within One Year
School Board:					
Capital leases	\$ 5,213,816	-	(723,518)	4,490,298	779,908
Compensated absences	5,180,772	1,956,437	(1,796,117)	5,341,092	1,796,000
Claims Payable	2,364,402	556,017	(532,981)	2,387,438	700,360
Net pension obligation	113,673	7,957	(6,237)	115,393	-
Total School Board	\$ 12,872,663	2,520,411	(3,058,853)	12,334,221	3,276,268

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.

Defeased Debt

In prior years, the City defeased certain general obligation public improvement bonds by placing funds in irrevocable escrow accounts to provide for future debt service payments on the defeased debt. Accordingly, the escrow accounts assets and liabilities for the defeased debt are not included in the City's financial statements. At June 30, 2013, the outstanding balance of the defeased debt is \$167,923,000 which includes allocations of \$42,720,000 – Public Utilities Fund, \$4,275,000 – Parking Authority Fund, and \$3,808,000 – Golf Fund.

Debt Issued

On December 27, 2012, the City issued \$22,210,000 of General Obligation Public Improvement and Refunding Bonds, Series 2012C with an all-in true interest cost of 2.8% and a premium of \$2,720,790. Of the proceeds, \$8,283,301 is being used to finance the costs of the planning, design, acquisition, construction, and equipping of various public improvement projects of the City. In addition, \$16,325,023 is being used to advance refund various General Obligation Refunding Bonds. A portion of the proceeds was used to purchase United States Treasury Securities (State and Local Government Series [SLGS]) which were placed in an irrevocable trust together with an initial cash deposit to be used solely to refund a portion of the City's General Obligation and Refunding Bonds, Series 2005A and General Obligation and Refunding Bonds, Series 2006A. The advance refunding of the General Obligation Series 2005A and 2006A bonds resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$901,156. This difference, reported in the accompanying government-wide financial statements as a deduction from bonds payable, is being amortized over the life of the new debt. The refunding resulted in an overall decrease in debt service over the next 19 years of \$1,110,484 and an economic gain of \$881,747. Interest is payable each January 15th and July 15th (commencing July 15, 2013).

The allocation of the refunded bonds is as follows:

<u>General Fund</u>	Series 2006A	\$ 5,660,000
<u>Public Utilities Fund</u>	Series 2005A	6,030,000
	Series 2006A	<u>2,625,000</u>
		8,655,000
<u>Parking Authority Fund</u>	Series 2005A	40,000

On December 27, 2012, the City issued \$2,060,000 of Taxable General Obligation Refunding Bonds, Series 2012D with an all-in true interest cost of 1.8%. The proceeds were used to refund \$1,805,000 of the City's outstanding Taxable General Obligation Bonds, Series 2005C. A portion of the proceeds was used to purchase United States Treasury Securities (SLGS) which were placed in an irrevocable trust together with an initial cash deposit to be used solely to refund a portion of the City's Taxable General Obligation Bonds, Series 2005C. The advance refunding of the Taxable General Obligation Series 2005C bonds resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$220,071. This difference, reported in the accompanying government-wide financial statements as a deduction from bonds payable, is being amortized over the life of the new debt. The refunding resulted in an overall decrease in debt service over the next 6 years of \$131,320 and an economic gain of \$98,913. Interest is payable each January 15th and July 15th (commencing July 15, 2013). The allocation of the refunded bonds is as follows:

<u>General Fund</u>	Series 2005C	\$ 1,805,000
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On June 27, 2013, the City issued \$57,600,000 of General Obligation Public Improvement and Refunding Bonds, Series 2013A with an all-in true interest cost of 3.6% and a premium of \$9,086,482. Of the proceeds, \$9,048,282 is being used to finance the costs of the new courthouse. In addition, \$57,330,834 is being used to advance refund various General Obligation Refunding Bonds and Bond Anticipation Notes. The advance refunding of the General Obligation Series 2003, 2004A, 2005A, and 2006A bonds and the Series 2010C and 2011 notes resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$1,279,726. This difference, reported in the accompanying government-wide financial statements as a deduction from bonds payable, is being amortized over the life of the new debt. The refunding resulted in an overall decrease in debt service over the next 17 years of \$2,539,499 and an economic gain of \$2,707,582. Interest is payable each February 1st and August 1st (commencing February 1, 2014).

The allocation of the refunded bonds is as follows:

<u>General Fund</u>		
	Series 2004A	\$ 3,435,000
	Series 2006A	1,715,000
	Series 2010C	24,730,000
	Series 2011	<u>24,000,000</u>
		53,880,000
<u>Public Utilities Fund</u>		
	Series 2003	210,000
	Series 2005A	805,000
	Series 2006A	<u>555,000</u>
		1,570,000
<u>Golf Fund</u>		
	Series 2005A	360,000
<u>Parking Authority Fund</u>		
	Series 2003	30,000
	Series 2005A	<u>5,000</u>
		35,000

On June 27, 2013, the City issued \$209,475,000 of Taxable General Obligation and Refunding Bonds, Series 2013B with an all-in true interest cost of 2.2%. Of the proceeds, \$168,322,000 is being used to make contributions to two underfunded, City-sponsored closed retirement systems and to make contributions to one of the closed retirement systems to eliminate or reduce the offset of Social Security payments made to participants. In addition, \$39,909,366 is being used to advance refund various General Obligation Refunding Bonds. The proceeds were used to refund \$37,025,000 of the City's outstanding General Obligation Bonds, Series 2003, 2005A, and 2005B. The advance refunding of the General Obligation bonds resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$5,074,461. This difference, reported in the accompanying government-wide financial statements as a deduction from bonds payable, is being amortized over the life of the new debt. The refunding resulted in an overall decrease in debt service over the next 11 years of \$2,137,334 and an economic gain of \$2,298,938. Interest is payable each February 1st and August 1st (commencing February 1, 2014). The allocation of the refunded bonds is as follows:

<u>General Fund</u>		
	Series 2003	\$11,300,000
	Series 2005A	<u>1,815,000</u>
		13,115,000
<u>Public Utilities Fund</u>		
	Series 2003	9,800,000
	Series 2005A	840,000
	Series 2005B	<u>9,080,000</u>
		19,720,000
<u>Golf Fund</u>		
	Series 2005A	370,000
<u>Parking Authority Fund</u>		
	Series 2003	3,820,000

Debt Compliance and Repayment

The annual requirements to amortize all outstanding long-term indebtedness of the City to maturity as of June 30, 2013 (except compensated absences and landfill closure and post closure care) are as follows:

Governmental Activities:

Fiscal Year Ending	General Obligation		Literary Loans		Capital Leases	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 18,992,464	15,215,661	250,000	25,000	2,925,331	937,143
2015	17,891,407	18,242,588	250,000	20,000	2,039,568	812,682
2016	19,621,060	17,729,966	250,000	15,000	2,134,501	719,968
2017	20,980,386	17,238,120	250,000	10,000	1,716,998	614,260
2018	21,762,296	16,692,965	250,000	5,000	1,489,647	473,297
2019-2023	113,068,895	72,379,997	-	-	2,865,531	540,317
2024-2028	111,499,107	49,457,211	-	-	-	-
2029-2033	94,815,000	26,985,590	-	-	-	-
2034-2038	59,815,000	6,196,370	-	-	-	-
	\$ 478,445,615	240,138,468	1,250,000	75,000	13,171,576	4,097,667

Business-Type Activities:

Fiscal Year Ending	General Obligation		Capital Leases	
	Principal	Interest	Principal	Interest
2014	\$ 5,926,579	6,536,333	713,989	15,306
2015	6,108,654	6,500,236	192,570	6,832
2016	7,225,100	6,294,081	196,493	2,908
2017	7,450,573	6,078,474	26,508	262
2018	7,685,138	5,862,820	-	-
2019-2023	39,745,900	25,429,671	-	-
2024-2028	31,905,552	17,704,061	-	-
2029-2033	24,660,687	11,245,279	-	-
2034-2038	18,100,687	6,427,848	-	-
2039-2042	14,105,412	1,402,558	-	-
	\$ 162,914,282	93,481,361	1,129,560	25,308

(6) LEASING ARRANGEMENTS

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

	Governmental	Internal Service	Enterprise
Buildings	\$ 12,347,181	-	-
Machinery, furniture, and equipment	7,322,317	20,811,460	6,552,653
Less accumulated depreciation	(10,420,734)	(14,178,270)	(4,726,610)
Capital assets, net	\$ 9,248,764	6,633,190	1,826,043

The total amount of capital lease equipment acquired during the fiscal year ended June 30, 2013 was \$1,297,038. Depreciation expense on leased assets was \$2,633,717 for the fiscal year ended June 30, 2013.

The projected minimum capital and operating lease payments of the City as of June 30, 2013 is as follows:

Fiscal Year Ending	Capital	Operating
2014	\$ 4,591,769	1,039,952
2015	3,051,652	451,311
2016	3,053,870	95,523
2017	2,358,028	-
2018	1,962,944	-
2019-2021	3,405,848	-
Total minimum lease payments	18,424,111	1,586,786
Less amount representing interest	(4,122,975)	
Present value of minimum capital lease payments	\$ 14,301,136	

Total operating lease payments for the year ended June 30, 2013 were \$1,195,018.

(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 plans administered by the City.

In addition, professional and nonprofessional employees of the School Board are covered by VRS. Professional employees participate in a VRS statewide teacher cost-sharing pool and nonprofessional employees participate as a separate group in the agent multiple-employee retirement system.

All three plans are defined benefit pension plans, and are described below.

Portsmouth Retirement Systems

Plan Description - Portsmouth Supplemental Retirement System

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 Fire and Police Retirement System (PFPRS). 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 are members of VRS as required by State statutes. Therefore, the PSRS has become a "closed" system.

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 the 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.

The 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 from the employees.

Plan Description - Portsmouth Fire and Police Retirement System

The Fire and Police Retirement System 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 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 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 the 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 are established by the City Council.

The 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 from the employees.

Payroll and Participants

The payroll at June 30, 2013 for employees covered by PSRS and FPRS and the total payroll for all City employees was as follows:

Payroll for employees covered by PSRS	\$ 1,425,644
Payroll for employees covered by FPRS	6,499,201
Total City payroll	78,946,521

Participation in the Portsmouth Supplemental Retirement System and the Fire and Police Retirement System consisted of the following as of July 1, 2013:

	PSRS	FPRS
Retirees and beneficiaries	381	601
Vested terminated employees not yet receiving benefits	32	46
Current vested employees	29	86
	442	733

Summary of Significant Accounting Policies

The City accounts for the Portsmouth Supplemental Retirement System and the Fire and Police Retirement System 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.

Investments are reported at fair value. Securities traded on a national exchange are valued at the last reported sales price. Investments that do not have an established market value are reported at estimated fair value.

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 contributions to the PSRS and FPRS for fiscal year 2013 were \$3,949,649 and \$13,363,233, respectively. The annual required contributions of \$3,942,560 and \$13,206,839 were calculated in accordance with actuarially determined requirements computed through an actuarial valuation performed as of July 1, 2013. In June, 2013, the City issued Pension Obligation Bonds with net proceeds of \$168,322,000. Those funds will be contributed to the retirement plans in fiscal year 2014, which will increase the funded ratios of the PSRS and FPRS plans to 76% and 77%, respectively. The City will continue to fund the full amount of its annual required contributions each year.

Annual Pension Cost

The required contributions were determined as part of the July 1, 2013 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included the following: (a) a 3% inflation rate, (b) a 7.25% investment rate of return, and (c) a projected salary increase of 3% per year. The 30-year amortization period for Unfunded Actuarial Accrued Liability began phasing down in one-year increments on July 1, 2007. The actuarial value of the City's assets is computed using the Long-Range Yield method. The net pension asset is included with the government-wide Statement of Net Position.

The annual pension cost and net pension (asset)/obligation for the current fiscal year were as follows:

	PSRS	FPRS
Annual required contribution	\$ 3,942,560	13,206,839
Interest on net pension (asset)/obligation	37,222	(49,446)
Adjustment to annual required contribution	(45,751)	60,774
Annual pension cost	3,934,031	13,218,167
Contributions made	3,949,649	13,363,233
Increase/(decrease) in net pension (asset)/obligation	(15,618)	(145,066)
Net pension (asset)/obligation at beginning of year	513,413	(682,008)
Net pension (asset)/obligation at end of year	\$ 497,795	(827,074)

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.

The financial statements for the PSRS and the PPRS are as follows:

Statement of Fiduciary Net Position
June 30, 2013

	PSRS	FPRS
Assets:		
Cash and temporary investments	\$ 618,726	1,547,680
Investments:		
Common stock	12,075,349	52,278,803
Corporate bonds	4,415,973	19,118,439
Total investments	16,491,322	71,397,242
Total assets	17,110,048	72,944,922
Net position held in trust for pension benefits	\$ 17,110,048	72,944,922

Statement of Changes in Fiduciary Net Position
Year Ended June 30, 2013

	PSRS	FPRS
Additions:		
Contributions	\$ 3,949,649	13,363,233
Investment income -		
Net increase in fair value of investments	2,124,647	7,706,979
Less investment expense	(70,355)	(263,478)
Net investment income	2,054,292	7,443,501
Total additions	6,003,941	20,806,734
Deductions:		
Benefits and refunds	7,388,447	18,319,043
Change in net position	(1,384,506)	2,487,691
Net plan position held in trust for pension benefits, beginning of year	18,494,554	70,457,231
Net plan position held in trust for pension benefits, end of year	\$ 17,110,048	72,944,922

Virginia Retirement System

Plan Description

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

The City is a separate cost-sharing pool within VRS, and makes contributions based on rates set by VRS's actuarial calculations of the annual required contributions. All full-time, salaried permanent employees of public school divisions and employees of participating employers are automatically covered by VRS upon employment.

Benefits vest after five years of service credit. Members earn one month of service credit for each month they are employed and their employer is paying into VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave, and previously refunded VRS service as credit in their plan.

VRS administers two defined benefit plans for local government employees – Plan 1 and Plan 2:

- Members hired before July 1, 2010 and who have service credits before July 1, 2010 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit as early as age 55 with at least 5 years of service credit or age 50 with at least ten years of service credit.
- Members hired or rehired on or after July 1, 2010 and Plan 1 members who were not vested on January 1, 2013 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.

- Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs, and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the member's plan apply.

The VRS Basic Benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the member's average final compensation multiplied by the member's total service credit. Under Plan 1, average final compensation is the average of the member's 36 consecutive months of highest compensation. Under Plan 2, average final compensation is the average of the member's 60 consecutive months of highest compensation. The retirement multiplier for nonhazardous duty members is 1.70 %. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier for eligible political subdivision hazardous duty employees other than sheriffs and jail superintendents is 1.70% or 1.85% as elected by the employer. At retirement, members can elect the Basic Benefit, the Survivor Option, a Partial Lump-Sum Option Payment (PLOP), or the Advance Pension Option. A retirement reduction factor is applied to the Basic Benefit amount for members electing the Survivor Option, or those retiring with a reduced benefit.

Retirees are eligible for an annual cost-of-living adjustment (COLA) effective July 1st of the second calendar year of retirement. Under Plan 1, the COLA cannot exceed 5%; under Plan 2, the COLA cannot exceed 6%. During years of no inflation or deflation, the COLA is 0%. The VRS also provides death and disability benefits. Title 51.1 of the *Code of Virginia* (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report is available from the VRS web site at <http://www.varetire.org/Pdf/Publications/2012-annual-report.pdf> or obtained by writing the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Funding Policy

Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5% of their annual reported compensation to the VRS. All or part of the 5% member contribution may be assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. In addition, the City of Portsmouth and the School Board component unit are required to contribute the remaining amounts necessary to fund their participation in VRS using the actuarial basis specified by the *Code of Virginia* and approved by the VRS Board of Trustees.

In addition, the City and School Board are required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the *Code of Virginia* and approved by the VRS Board of Trustees. The combined City and employees' contribution rate for the fiscal year ended 2013 was 11.82% of annual covered payroll. The School Board (non-professional employees) contribution rate for the fiscal year ended 2013 was 13.04% of annual covered payroll.

The School Board 2013 contribution to the VRS statewide teacher pool was \$8,857,467. The contribution for 2012 was \$8,492,549, or 6.33% of annual covered payroll. The contribution for 2011 was \$6,917,352, or 3.93% of annual covered payroll.

Annual Pension Cost

For the fiscal year ended June 30, 2013, the City's annual pension cost of \$8,053,484 was equal to the City's required and actual contributions. The School Board's annual pension cost of \$999,782 was not equal to the School Board's required or actual contributions. The School Board's actual contributions were \$998,062.

The City and School Board's annual pension cost and net pension obligation to VRS for the current year were as follows:

	City	School Board
Annual required contribution	\$ 8,053,484	998,062
Interest on net pension obligation	-	7,957
Adjustment to annual required contribution	-	(6,237)
Annual pension cost	8,053,484	999,782
Contributions made	8,053,484	998,062
Increase (decrease) in net pension obligation	-	1,720
Net pension obligation at beginning of year	-	113,673
Net pension obligation at end of year	\$ -	115,393

Three-Year Contribution Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
Portsmouth Supplemental:			
June 30, 2013	\$ 3,934,031	100%	497,795
June 30, 2012	4,088,150	95%	513,413
June 30, 2011	3,748,661	84%	304,332
Portsmouth Fire and Police:			
June 30, 2013	13,218,167	101%	(827,074)
June 30, 2012	13,333,008	101%	(682,088)
June 30, 2011	13,354,278	96%	(508,319)
VRS - City:			
June 30, 2013	8,053,484	100%	-
June 30, 2012	7,967,048	100%	-
June 30, 2011	8,059,173	100%	-
VRS - School Board:			
June 30, 2013	999,782	100%	115,393
June 30, 2012	938,596	100%	113,673
June 30, 2011	1,000,556	100%	113,686

The fiscal year 2013 required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) an investment rate of return (net of administrative expenses) of 7%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees, 3.75% to 6.20% per year for teachers, and 3.50% to 4.75% per year for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.5% per year for Plan 1 employees and 2.25% for Plan 2 employees. Both the investment rate of return and the projected salary increases also include an inflation component of 2.5%. The actuarial value of the City's and School Board's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The City's and School Board's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2012 for the Unfunded Actuarial Accrued Liability (UAAL) was 30 years.

Funded Status of Pension Plans

The following is a table showing the funding status of the defined benefit pension plans in which the City participates as of the most recent actuarial valuation date for each plan:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Entry Age	Unfunded (Overfunded) AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
CITY-ADMINISTERED PLANS:						
<u><i>Portsmouth Supplemental Retirement System:</i></u>						
7/1/2013	\$ 69,683,142	91,609,145	21,926,003	76%	1,690,000	1297%
<u><i>Fire and Police Retirement System:</i></u>						
7/1/2013	\$ 185,971,307	241,778,482	55,807,175	77%	7,961,000	701%
VIRGINIA RETIREMENT SYSTEM PLANS:						
<u><i>City of Portsmouth Employees:</i></u>						
6/30/2012	\$ 207,498,444	266,104,881	58,606,437	78%	64,532,134	91%
<u><i>School Board Nonprofessional Employees:</i></u>						
6/30/2012	\$ 24,997,565	35,749,827	10,752,262	70%	6,749,363	159%

The schedule of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liability (AAL) for benefits.

(8) OTHER POST EMPLOYMENT BENEFITS (OPEB)

Plan Description - The City of Portsmouth Retired Employees Health Care Program

The City of Portsmouth Retired Employee Health Care Program is a single-employer defined benefit healthcare program administered by the City of Portsmouth. The Program provides medical and dental insurance benefits to eligible retirees and their families through the same self-insured program that provides coverage to active City employees. The City of Portsmouth Public Schools (School Board) administers a similar defined benefit healthcare plan. In connection with this, the City has established a plan to provide post-employment benefits other than pensions as defined in Section 15.2-1545 of the Code of Virginia.

Separate stand-alone statements are not issued for either plan.

Funding Policy. The contribution requirements of plan members and the City are established and may be amended by the City Council. 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 2013, the City contributed \$491,496 to the program, all for current premiums (approximately 14% of total premiums), and there was no additional prefunding contribution. Retired employees receiving benefits contributed \$3,408,011 (approximately 8% of total premiums) through required monthly contributions that vary from \$207.35 to \$845.99 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 family members.

Annual OPEB Cost and net OPEB Obligation. The City's and School's annual other post employment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's and School's OPEB cost for the year, the amount actually contributed to the plan, and the changes in the City's OPEB obligation for the program:

	City	School Board
Annual required contribution	\$ 17,529,200	768,683
Interest on net OPEB obligation	-	(526,868)
Adjustment to annual required contribution	(2,106,105)	524,287
Annual OPEB cost	15,423,095	766,102
Contributions made	5,118,100	-
Increase (decrease) in net OPEB obligation	10,304,995	766,102
Net OPEB obligation (asset) at beginning of year	55,186,380	(6,539,588)
Net OPEB obligation (asset) at end of year	\$ 65,491,375	(5,773,486)

The fiscal year ended June 30, 2013 was the sixth year for which an actuarially determined ARC had been calculated for the City of Portsmouth Retired Employees Health Care Program. Fiscal year 2013's actuarially determined ARC was calculated to be \$17,529,200. The City's contribution to the ARC was \$5,118,100, \$4,684,000, \$5,680,817 and \$4,113,433 for fiscal years 2013, 2012, 2011, and 2010, respectively.

The City's and School's annual OPEB cost, the percentage of annual OPEB cost contributed to the program, and the net OPEB obligation for fiscal year 2013 is as follows:

City of Portsmouth

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation/(Asset)
6/30/2010	\$ 16,455,303	24.9%	\$ 32,804,926
6/30/2011	16,455,303	34.5%	43,579,412
6/30/2012	16,290,970	28.8%	55,186,380
6/30/2013	15,423,095	33.2%	65,491,375

School Board

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation/(Asset)
6/30/2010	\$ 1,025,000	98%	\$ (592,670)
6/30/2011	1,005,217	99%	(587,453)
6/30/2012	1,050,365	667%	(6,539,588)
6/30/2013	766,102	0%	(5,773,486)

Funded Status and Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded (Overfunded) AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
City of Portsmouth						
7/1/2012	-	\$195,796,500	195,796,500	0.0%	70,574,100	277.4%
School Board						
7/1/2012	\$10,241,149	12,204,795	1,936,646	84.0%	89,605,502	2.0%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2010 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included the following: (a) a 3.5% inflation (payroll growth) rate, (b) a 4.0% investment rate of return, relating it to the City's rate of investment return on its general unrestricted cash assets due to the unfunded status of the program's actuarial accrued liability, and (c) an annual healthcare cost increase rate of 9% initially, reduced by decrements to an ultimate rate of 5% for the year beginning July 1, 2018 and thereafter. It was assumed that 60% of future retirees would elect medical coverage and that the City of Portsmouth would maintain a consistent level of cost sharing for benefits with retirees in the future. The calculation of the ARC of \$17,529,200 for fiscal year 2013 is the amount determined under the actuarial cost method selected and consists of the normal cost plus amortization of the unfunded actuarial accrued liability (UAAL, or the excess of the past service liability over the actuarial value of assets). The UAAL is amortized as a level percent of projected payroll on a closed basis over a period of 28 years in developing the annual required contribution.

(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 permanent City employees, permits them to defer a portion of their salary until future years. The deferred compensation 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, 2013 are as follows:

Due to:	Due from:				Total
	General Fund	Nonmajor Governmental Funds	Parking Authority	Nonmajor Enterprise Funds	
General Fund	\$ -	1,950,246	342,525	259,824	2,552,595
Nonmajor Governmental Funds	672,833	-	-	-	672,833
Public Utility Fund	1,031	-	-	-	1,031
	\$ 673,864	1,950,246	342,525	259,824	3,226,459

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

Due From/To Primary Government/Component Units

Amounts due at June 30, 2013 between the City and the Component Units are as follows:

Due from (to) component units	Primary Government		Total
	Economic Development Authority	School Board	
General Fund	\$ 10,417	13,921,635	13,932,052
Nonmajor Governmental Funds	-	-	-
	\$ 10,417	13,921,635	13,932,052

The Statement of Net Position reflects \$13,932,052 as due from component units with no obligations due to component units as noted in the above table.

The amount reported in the City's CAFR as due from the School Component Unit represents unspent funds remaining at June 30, 2013. Section 22.1-100 of the Code of Virginia requires that all unspent local School funds revert to the governing body (Portsmouth City Council) at the end of each fiscal year. Section 15.2-2506 of the Code of Virginia requires that the governing body appropriate all funds before they can be expended. The difference between the amount the City shows as due from the School Component Unit and the amount the Schools report in their CAFR is \$408,126. This amount is comprised of encumbrances for items the Schools ordered before June 30th but did not receive by that date. Encumbrances are not expenditures, and therefore do not qualify as "spent" funds per Section 22.1-100 of Virginia State Law. The \$408,126 will be shown as expenditures in the Schools' FY 2013-14 financial statements. As such, this amount must be returned to the City unless and until such time as City Council appropriates the carry-forward of these funds into FY 2013-14.

Transfers From/To Other Funds

Individual fund interfund transfers for the primary government were made for operating as well as capital purposes. These interfund transfers for the year ended June 30, 2013 are as follows:

Transfers to:	Transfers from:					Total
	General Fund	Nonmajor Governmental Funds	Capital Improvements Fund	Waste Management Fund	Public Utility Fund	
General Fund	\$ -	713,557	560,000	-	7,875,000	9,148,557
Capital Improvements Fund	300,000	4,209,659	-	2,500,000	-	7,009,659
Nonmajor Governmental Funds	5,174,304	17,350	-	-	-	5,191,654
Nonmajor Enterprise Funds	1,116,739	400,000	-	-	-	1,516,739
Internal Service Funds	528,234	-	-	-	-	528,234
Total	\$ 7,119,277	5,340,566	560,000	2,500,000	7,875,000	23,394,843

Transfers From/To Component Units

Individual interfund transfers between the primary government and component units were made for operating as well as capital purposes. These transfers for the year ended June 30, 2013 are as follows:

Transfers to:	Transfers from:		Total
	Economic Development Authority	School Board	
General Fund	\$ 245,075	-	245,075

(11) DUE FROM/TO OTHER GOVERNMENTS

Due From Other Governments

Amounts due from other governments at June 30, 2013 are as follows:

	Federal	State	Total
Governmental activities:			
General Fund:			
Sales and use tax	\$ -	800,856	800,856
Personal property tax relief	-	9,862,962	9,862,962
Correctional facilities block grant	-	-	-
Constitutional officers' support	-	753,184	753,184
Other	-	109,437	109,437
Total General Fund	-	11,526,439	11,526,439
Nonmajor governmental funds:			
Community services act fund	-	199,792	199,792
Social services fund	-	1,607,564	1,607,564
Grants fund	190,627	393,024	583,651
Donations fund	-	(17,694)	(17,694)
Community development fund	909,425	-	909,425
Total nonmajor governmental funds	1,100,052	2,182,687	3,282,739
Total governmental activities	\$ 1,100,052	13,709,126	14,809,178

(12) UNEARNED REVENUES

Unearned revenues represent amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available.

Unearned revenues for the primary government's fund-based financial statements and government-wide financial statements are comprised of the following:

	Governmental Funds			Business-Type	
	Capital Improvements Fund	Nonmajor Governmental Funds	Total	Governmental Activities	Activity - Parking Authority
Property taxes	\$ -	-	-	236,436	-
Parking space rentals	-	-	-	-	56,572
Unearned interest rebate	-	-	-	-	-
Notes receivable	441,152	-	441,152	441,152	-
BHS fees	-	326,640	326,640	-	-
Stormwater fees	-	170,628	170,628	-	-
Total unearned revenues	\$ 441,152	497,268	938,420	677,588	56,572

(13) COMMITMENTS

Landfill Closure and Postclosure Care Cost

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 \$4,617,861 reported as landfill closure and postclosure care liability at June 30, 2013 represents the cumulative amount reported to date based on the use of 47.2% of the estimated capacity of the landfill. The City will recognize the remaining estimated cost of closure and post-closure care of \$5,165,742 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 2013. 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 46.9 years. The City is required by Federal and State statutes to prepare a Local Government Financial Test Worksheet to demonstrate how closure and postclosure care financial assurance requirements will be met.

(14) CONTINGENT LIABILITIES

Litigation

Various claims and lawsuits are pending against the City. The City is vigorously defending all cases as it expects no losses will be incurred which would have a material effect on the City's financial position.

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 OMB Circular A-133, 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.

Joint Ventures

Hampton Roads Regional Jail Authority

The City has agreed to pay its proportionate share of the debt service issued by the Hampton Roads Regional Jail Authority (the Jail Authority), subject to the appropriation of funds for such purpose, if the Jail Authority lacks sufficient funds to do so. The outstanding balance as of June 30, 2013 is \$42,770,000. The purpose of the Jail Authority is to operate a jail facility in the City to hold prisoners primarily from member jurisdictions and from other jurisdictions on an available space basis. The Jail Authority is governed by a twelve-member

board consisting of three representatives from each member jurisdiction, namely the City Manager, the Sheriff, and one member of the City Council (as designated by the City Council). The agreement of the member jurisdictions to pay is not legally binding and is allocated as follows: Portsmouth, 21.43%; Hampton, 22.00%; Newport News, 25.14%; and Norfolk, 31.43%. No payments were made under the provisions of this agreement during the year ended June 30, 2013.

Complete, audited financial statements for the Jail Authority can be obtained from the administrative office at 2690 Elmhurst Lane, Portsmouth, Virginia 23701.

(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 internal service funds such as the Risk Management Fund to account for and finance its uninsured risks of loss and the Health Insurance Fund to pay health insurance premiums. 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 \$395,305,426 loss limit per occurrence. The City purchases commercial excess insurance policies for workers' compensation and general liability. For the fiscal years ending June 30, 2012 and June 30, 2013, property damage claims liability did not exceed \$100,000. In the fiscal year ending June 30, 2011, the City experienced one (1) claim that exceeded the Self-Insured Retention due to a fire at the main public library on December 25, 2010.

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 \$12,502,827 (undiscounted) reported in the fund at June 30, 2013 is based on the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The amount due within one year is \$2,243,115. A loss analysis, which included an estimate of incurred but not reported claims, was conducted by Glicksman Consulting LLC, as of June 30, 2013 to compute this liability.

Changes in the fund's claims liability amount in fiscal years 2013 and 2012 were:

		2013	2012
Risk management claims payable at beginning of year	\$	12,490,797	12,649,062
Risk management claims expense and changes in estimates		2,489,045	3,009,829
Risk management claims payments, net		(2,477,015)	(3,168,094)
Risk management claims payable at end of year	\$	12,502,827	12,490,797

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 Fund, 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, 2013 is \$1,683,000 (undiscounted) and is due within one year. A loss analysis, which included an estimate of incurred but not reported claims, was conducted by Mercer Human Resource Consulting, Incorporated as of June 30, 2013 to compute this liability.

Changes in the medical claim liability amount in fiscal years 2013 and 2012 were:

	2013	2012
Medical claims payable at beginning of year	\$ 1,385,000	1,303,690
Medical claims expense and changes in estimates	21,945,758	16,700,196
Medical claims payments	(21,647,758)	(16,618,886)
Medical claims payable at end of year	\$ 1,683,000	1,385,000

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 worker's compensation, automobile, and general liability. A loss analysis was conducted by Mercer Oliver Wyman Actuarial Consulting, Incorporated on this fund. The actuarially computed liability as of June 30, 2013 was determined to be \$2,387,438 (undiscounted).

Changes in the school's claim liability amount in fiscal years 2013 and 2012 were:

	2013	2012
Claims payable at beginning of year	\$ 2,364,402	2,370,998
Claims and changes in estimates	733,157	756,976
Claim payments	(710,121)	(763,572)
Claims payable at end of year	\$ 2,387,438	2,364,402

(16) RELATED ORGANIZATIONS

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 it is both operationally and financially independent of the City.

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 it is both operationally and financially independent of the City.

(17) RESTATEMENT AND CHANGES IN ACCOUNTING PRINCIPLES

The City implemented a new fixed asset system during fiscal year 2013 which identified capital assets that were inaccurately recorded in prior financial statements. As a result, these items required a restatement of prior period capital asset balances in the amount of \$1,228,846.

Effective July 1, 2012, the City of Portsmouth adopted the provisions of Governmental Accounting Standards Board (GASB) Statement 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. This implementation required the City to present a Statement of Net Position, replacing the previously presented Statement of Net Assets, in the City's basic financial statements. The City's implementation also required the Statement of Net Position to present deferred outflows and inflows of resources in separate sections following the total assets and total liabilities sections, respectively.

Effective July 1, 2012, the City of Portsmouth also adopted the provisions of GASB Statement 65, Items Previously Reported as Assets and Liabilities. The provisions of GASB 65 relevant to the City related to changes in the accounting and reporting of bonded debt activities. Specifically, bond issuance costs incurred

are recorded as current period expenditures as opposed to being deferred and amortized over the maturity period of the debt. GASB 65 also requires that deferred charges (credits) resulting from the refunding of debt be presented as a deferred outflows (inflows) of resources and not as assets or liabilities.

The City's net position has been adjusted accordingly to reflect the capital asset adjustments, as well as the provisions of GASB 65 which were effective July 1, 2012:

	Governmental Activities	Business-type Activities and Proprietary Funds	Total
Net position, as previously reported	\$ 253,058,166	177,233,202	430,291,368
Change due to capital asset prior period adjustments:	2,581,433	(1,352,587)	1,228,846
Change due to implementation of GASB 65:			
Debt issuance costs	<u>(3,603,252)</u>	<u>(1,233,591)</u>	<u>(4,836,843)</u>
Net position, as restated	<u>\$ 252,036,347</u>	<u>174,647,024</u>	<u>426,683,371</u>

(18) SUBSEQUENT EVENTS

In August 2013, \$168.3 million was transferred from the General Fund to the City's two closed pension plans – \$53.4 million was transferred to the Portsmouth Supplemental Retirement System (PSRS) and \$114.9 million was transferred to the Portsmouth Fire and Police Retirement System (PFPRS).



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Required Supplementary Information
Other than Management's Discussion and Analysis



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CITY OF PORTSMOUTH, VIRGINIA

Exhibit I-1

Budgetary Comparison Schedule
Schedule of Revenues and Other Financing Sources
General Fund
For year ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Taxes:				
General property taxes:				
Real property - current	\$ 85,343,430	85,343,430	85,244,585	(98,845)
Real property - delinquent	3,301,423	3,301,423	3,040,839	(260,584)
Real property - Public Services Corporation	1,432,200	1,432,200	1,769,773	337,573
Personal property - current	17,050,000	17,050,000	18,499,954	1,449,954
Personal property - delinquent	2,556,862	2,556,862	1,922,227	(634,635)
Personal property - Public Services Corporation	3,985,016	3,985,016	3,561,541	(423,475)
Machine and tool taxes	1,115,070	1,115,070	1,257,097	142,027
Penalties and other charges	1,432,200	1,432,200	1,457,803	25,603
Interest	605,491	605,491	569,089	(36,402)
Total general property taxes	116,821,692	116,821,692	117,322,908	501,216
Other local taxes:				
Admission and amusement taxes	268,035	268,035	238,089	(29,946)
Bank franchise taxes	516,615	516,615	372,219	(144,396)
Business and occupational license taxes	5,800,000	5,800,000	6,137,032	337,032
Cigarette taxes	2,813,250	2,813,250	2,373,203	(440,047)
Licensing fees - current	1,636,800	1,636,800	1,744,400	107,600
Licensing fees - delinquent	487,298	487,298	419,298	(68,000)
Lodging taxes	792,825	792,825	672,301	(120,524)
Motor vehicle license fee	5,599	5,599	584	(5,015)
Recordation taxes	800,000	800,000	827,427	27,427
Restaurant food taxes	6,300,000	6,300,000	6,871,806	571,806
Sales and use tax - local	6,450,000	6,450,000	7,274,130	824,130
Short-term rental taxes	38,519	38,519	28,483	(10,036)
Telecommunications	9,500,000	9,500,000	7,779,693	(1,720,307)
Total other local taxes	35,408,941	35,408,941	34,738,665	(670,276)
Utility taxes:				
Electricity taxes	4,200,000	4,200,000	4,022,231	(177,769)
E-911 taxes	-	-	411,294	411,294
Gas taxes	1,507,902	1,507,902	1,391,216	(116,686)
Water taxes	2,066,460	2,066,460	2,222,455	155,995
Total utility taxes	7,774,362	7,774,362	8,047,196	272,834
Total taxes	160,004,995	160,004,995	160,108,769	103,774
Intergovernmental revenue:				
Commonwealth of Virginia:				
Noncategorical aid:				
Mobile home sales taxes	-	-	3,220	3,220
Personal property tax relief act	9,862,962	9,862,962	9,862,962	-
Recordation tax distribution	407,750	407,750	285,599	(122,151)
Rolling stock taxes	35,805	35,805	41,172	5,367
Vehicle rental tax	127,875	127,875	275,666	147,791

(continued)

CITY OF PORTSMOUTH, VIRGINIA

Exhibit I-1 (continued)

Budgetary Comparison Schedule
Schedule of Revenues and Other Financing Sources
General Fund
For year ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Circuit Court Clerk	\$ 872,395	872,395	884,563	12,168
City Registrar	41,873	41,873	44,726	2,853
City Sheriff	5,770,041	5,770,041	5,724,731	(45,310)
City Treasurer	267,089	267,089	272,505	5,416
Commissioner of Revenue	248,124	248,124	227,726	(20,398)
Commonwealth Attorney	1,700,558	1,700,558	1,590,693	(109,865)
DMV select	51,150	51,150	71,264	20,114
VA Sports Hall of Fame	-	500,000	500,000	-
VA Dept of Emerg Management	-	-	151,424	151,424
Other categorical aid:				
Correctional facilities block grant	946,275	946,275	1,036,542	90,267
Law enforcement grant	5,786,223	5,786,223	5,786,667	444
Library funds - books	214,830	214,830	156,466	(58,364)
Street and highway maintenance	9,811,600	9,811,600	10,787,669	976,069
Total Commonwealth of Virginia	36,144,550	36,644,550	37,703,595	1,059,045
Federal -				
FEMA reimbursement	-	42,447	42,447	-
Total Federal	-	42,447	42,447	-
Total intergovernmental revenue	36,144,550	36,686,997	37,746,042	1,059,045
Charges for services:				
Ambulance fees - current	1,377,851	1,377,851	2,305,401	927,550
Animal crematory fees	1,023	1,023	-	(1,023)
Circuit Court Clerk fees	15,345	15,345	10,799	(4,546)
City Sheriff fees	19,437	19,437	17,697	(1,740)
Concession fees	14,322	14,322	17,658	3,336
ATM Fees	-	-	96	96
Courthouse maintenance fees	56,265	56,265	56,062	(203)
Courthouse replacement fees	-	-	66,060	66,060
False alarm fees	29,667	29,667	20,600	(9,067)
Fire report fees	2,046	2,046	1,170	(876)
Fire and EMS attendance fees	15,345	15,345	-	(15,345)
Library fines and fees	73,322	73,322	25,811	(47,511)
DNA sample	1,023	1,023	853	(170)
Merchandise commissions	5,000	5,000	1,213	(3,787)
Erosion and sediment control	150,000	150,000	108,705	(41,295)
Museum admission charges	900,000	900,000	936,304	36,304
Cable TV local access channel fees	25,575	25,575	95,693	70,118
Notary Fees	-	-	260	260
Police record fees	30,690	30,690	40,542	9,852
Recreation activity fees	154,741	154,741	161,265	6,524
Rental inspection fees	60,000	60,000	56,342	(3,658)
Inspections	40,000	40,000	23,180	(16,820)
Street closure applications	1,023	1,023	-	(1,023)
Plans and specifications	10,000	10,000	2,776	(7,224)
Swimming fees	-	-	77	77
Vacant structure	512	512	6,065	5,553
Engineering inspections	1,023	1,023	-	(1,023)
Police attendance	204,600	204,600	-	(204,600)
Splash Park	13,200	13,200	3,509	(9,691)
Pokey Smokey II	18,000	18,000	-	(18,000)
EMS collections - delinquent	-	-	64,981	64,981
Bicycle storage	-	-	55	55
Certificate of Occupancy	-	-	400	400
Total charges for services	3,220,010	3,220,010	4,023,574	803,564

(continued)

CITY OF PORTSMOUTH, VIRGINIA

Exhibit I-1 (continued)

Budgetary Comparison Schedule
Schedule of Revenues and Other Financing Sources
General Fund
For year ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Investment income-				
Investment income	\$ 10,230	10,230	6,447	(3,783)
Total investment income	10,230	10,230	6,447	(3,783)
Recovered costs:				
City garage fund	486,341	486,341	486,341	-
Information technology fund	280,938	280,938	280,410	(528)
Court appointed attorneys	1,330	1,330	1,001	(329)
Golf fund	85,165	85,165	85,165	-
Health department	58,311	58,311	99,567	41,256
Health insurance fund	11,276	11,276	11,276	-
Law library fund	1,640	1,640	1,640	-
Behavioral health services fund	351,582	351,582	351,582	-
DEA	-	-	51,112	51,112
Training academy upkeep	50,127	50,127	25,000	(25,127)
Parking authority	86,285	86,285	86,285	-
Citywide telephone charges	424,000	424,000	196,551	(227,449)
Fire watch/EMS	-	-	9,861	9,861
Postage	426,819	426,819	341,580	(85,239)
Public utility fund	757,047	757,047	757,047	-
Risk management fund	23,251	23,251	23,251	-
School Board salaries	51,150	51,150	25,000	(26,150)
Social security payments - jail	12,677	12,677	7,200	(5,477)
Stormwater management fund	76,533	76,533	76,533	-
Social services fund	476,630	476,630	262,205	(214,425)
VDOT salaries	20,460	20,460	-	(20,460)
Waste management fund	198,297	198,297	198,297	-
Jail weekends	-	-	5,297	5,297
Prisoner upkeep fees	-	-	49,734	49,734
Fed prisoner transport	-	-	10,728	10,728
Other recovered costs	204,600	204,600	81,639	(122,961)
Total recovered costs	4,084,459	4,084,459	3,524,302	(560,157)
Fines and forfeitures:				
Circuit Court fines	11,253	11,253	15,207	3,954
Conviction fees	143,220	143,220	144,842	1,622
General District Court fines	600,000	600,000	704,452	104,452
Overweight vehicle fines	1,023	1,023	435	(588)
Juvenile Court fines	3,069	3,069	2,277	(792)
Total fines and forfeitures	758,565	758,565	867,213	108,648
Licenses and permits:				
Bicycle licenses	1,023	1,023	350	(673)
Building plan review fees	25,575	25,575	25,125	(450)
Building reinspection fees	6,854	6,854	5,350	(1,504)
Building structure permits	373,395	373,395	273,728	(99,667)
Dog impounding fees	3,069	3,069	1,945	(1,124)
Dog licenses	32,225	32,225	30,235	(1,990)
Electrical inspection fees	15,345	15,345	26,179	10,834
Electrical permits	100,254	100,254	70,640	(29,614)
Elevator inspection fees	3,683	3,683	6,870	3,187
Hauling and permits fees	86,955	86,955	73,500	(13,455)

(continued)

CITY OF PORTSMOUTH, VIRGINIA

Exhibit I-1 (continued)

Budgetary Comparison Schedule
Schedule of Revenues and Other Financing Sources
General Fund
For year ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
License transfer fees	\$ 2,455	2,455	2,629	174
Mechanical inspection fees	3,376	3,376	1,905	(1,471)
Mechanical permits	132,990	132,990	111,436	(21,554)
Miscellaneous permits	34,680	34,680	16,325	(18,355)
Permits-PRHA	-	-	3,100	3,100
Penalties on licenses	76,725	76,725	61,828	(14,897)
Plumbing inspection fees	614	614	140	(474)
Plumbing permits	66,495	66,495	41,688	(24,807)
Restricted parking permits	3,785	3,785	3,513	(272)
Right of way permits	102,300	102,300	36,917	(65,383)
Sign permit fees	4,399	4,399	3,800	(599)
Site plan review fees	11,969	11,969	5,455	(6,514)
State surcharge on permits	2,967	2,967	(135)	(3,102)
Taxi operators permits	1,841	1,841	2,270	429
Yard sale permits	3,990	3,990	3,165	(825)
Zoning and plat fees	16,087	16,087	24,652	8,565
Total licenses and permits	1,113,051	1,113,051	832,610	(280,441)
Use of property:				
Rental of antenna sites	86,955	86,955	83,067	(3,888)
Rental of recreation facilities	38,874	38,874	34,413	(4,461)
Rental of general properties	1,778,938	1,778,938	1,506,177	(272,761)
Total use of property	1,904,767	1,904,767	1,623,657	(281,110)
Miscellaneous:				
Unrealized Gain or Loss	-	-	46,296	46,296
Community share - incentive fund	512	512	-	(512)
Admin fee - state income tax	1,330	1,330	840	(490)
Admin fee - RE	419,430	419,430	373,144	(46,286)
Admin fee - PP	997,425	997,425	798,100	(199,325)
Admin fee - Parking	86,955	86,955	37,014	(49,941)
Admin fee - EMS	12,000	12,000	9,539	(2,461)
Admin fee - Gen	512	512	-	(512)
Vending Machine Commissions	-	-	5,854	5,854
Sale of abandoned property	5,115	5,115	943	(4,172)
Video visitation-Sheriff	-	-	4,794	4,794
Other revenue	100,000	133,463	50,972	(82,491)
Unclaimed property tax refunds	51,150	51,150	68,704	17,554
Payments in lieu of taxes:				
Housing Authority	26,598	26,598	47,189	20,591
Regional Jail	517,638	517,638	500,217	(17,421)
Virginia Port Authority	383,625	383,625	402,483	18,858
Public Utility fund	1,043,460	1,043,460	1,069,990	26,530
Plan Use of Fund Balance	2,419,041	9,969,985	-	(9,969,985)
Cash Over/Under	-	-	(195)	(195)
Payment from Portsmouth Public Schools	200,000	200,000	(1,948)	(201,948)
Balance for uncollectibles	-	-	(336,094)	(336,094)
Total miscellaneous revenue	6,264,791	13,849,198	3,077,842	(10,771,356)
Total revenues	213,505,418	221,632,272	211,810,456	(9,821,816)

(continued)

CITY OF PORTSMOUTH, VIRGINIA

Exhibit I-1 (continued)

Budgetary Comparison Schedule
Schedule of Revenues and Other Financing Sources
General Fund
For year ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Other financing sources:				
Payments from Economic Development Authority	\$ 125,000	125,000	245,075	120,075
Proceeds COI	250,000	250,000	-	(250,000)
Bond proceeds-2012C	-	-	13,290,000	13,290,000
Bond proceeds-2012D	-	-	2,060,000	2,060,000
Bond proceeds-2013A	-	-	55,590,000	55,590,000
Bond proceeds-2013B	-	-	183,525,000	183,525,000
Bond proceeds-premium-2012C	-	-	1,746,424	1,746,424
Bond proceeds-premium-2013A	-	-	8,915,126	8,915,126
Transfers from other funds:				
BHS	338,000	338,000	338,000	-
Parking Authority	196,125	196,125	-	(196,125)
Stormwater Management	375,557	375,557	375,557	-
Public utility fund	7,875,000	7,875,000	7,875,000	-
Capital improvement fund	560,000	560,000	560,000	-
Total other financing sources	9,719,682	9,719,682	274,520,182	264,800,500
Total revenues and other financing sources	\$ 223,225,100	231,351,954	486,330,638	254,978,684

Unaudited – see accompanying independent auditor's report

CITY OF PORTSMOUTH, VIRGINIA
Budgetary Comparison Schedule
Schedule of Expenditures and Other Financing Uses
General Fund
Year ended June 30, 2013

Exhibit I-2

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
General government:				
Administration:				
Legislative:				
City council	\$ 320,245	320,245	298,729	21,516
City clerk	313,121	313,121	302,993	10,128
City auditor	-	100,000	36,832	63,168
Total legislative	633,366	733,366	638,554	94,812
Executive:				
City manager	966,284	1,126,284	1,108,238	18,046
Management and legislative services	404,312	404,312	343,092	61,220
Communication and marketing	1,665,697	1,665,697	1,590,476	75,221
Total executive	3,036,293	3,196,293	3,041,806	154,487
Boards and commissions				
Civil service commission	86,680	86,680	37,273	49,407
General registrar	567,575	627,575	590,126	37,449
Total boards and commissions	654,255	714,255	627,399	86,856
Total administration	4,323,914	4,643,914	4,307,759	336,155
City attorney	1,375,839	1,375,839	1,316,727	59,112
Human resource management	1,060,685	1,260,685	916,887	343,798
Financial administration:				
Commissioner of revenue	1,430,469	1,465,042	1,382,596	82,446
City assessor	803,351	803,351	767,069	36,282
City treasurer	1,778,015	1,817,455	1,791,356	26,099
Procurement and risk management	1,076,753	1,076,753	866,542	210,211
Finance	1,799,965	1,799,965	1,695,568	104,397
Total financial administration	6,888,553	6,962,566	6,503,131	459,435
Public transportation	2,773,549	2,773,549	2,773,549	-
Total general government	16,422,540	17,016,553	15,818,053	1,198,500
Nondepartmental:				
Miscellaneous	11,580,306	12,220,746	11,799,778	420,968
Contingency	477,231	27,231	23,425	3,806
Support to civic organizations	328,024	337,824	315,024	22,800
Total nondepartmental	12,385,561	12,585,801	12,138,227	447,574

(continued)

CITY OF PORTSMOUTH, VIRGINIA
Budgetary Comparison Schedule
Schedule of Expenditures and Other Financing Uses
General Fund
Year ended June 30, 2013

Exhibit I-2 (continued)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Judicial:				
Circuit court judges	\$ 624,228	624,229	576,567	47,662
Circuit court clerk	1,461,522	1,461,522	1,418,331	43,191
Magistrate	10,127	10,127	4,681	5,446
General district court	71,631	71,631	53,304	18,327
Juvenile and domestic relations court	48,123	48,123	43,432	4,691
Juvenile court services	1,198,656	1,198,656	1,177,114	21,542
Commonwealths attorney	2,564,102	2,664,168	2,644,687	19,481
Sheriff	12,696,823	12,696,823	12,801,575	(104,752)
Total judicial	18,675,212	18,775,279	18,719,691	55,588
Public Safety:				
Police	32,997,201	32,997,717	31,165,672	1,832,045
E-911 communications	2,100,189	2,100,189	1,991,331	108,858
Operations Support bureau	62,702	62,702	286,736	(224,034)
Admin & Support bureau	-	-	357,235	(357,235)
Field Operations bureau	15,210	15,210	12,206	3,004
Animal control & security	886,171	886,171	757,579	128,592
Fire, rescue, and emergency services	26,671,721	26,696,338	26,189,369	506,969
Total public safety	62,733,194	62,758,327	60,760,128	1,998,199
Public works:				
Engineering	1,420,171	1,420,171	1,084,210	335,961
Streets and highways	3,240,320	3,240,320	2,912,243	328,077
Mosquito control	442,107	442,107	306,339	135,768
Traffic engineering	2,721,208	2,721,208	2,293,780	427,428
General services:				
Properties management	3,756,159	3,756,159	3,472,159	284,000
Utilities	2,174,500	2,624,500	2,404,975	219,525
Rental of land and buildings	804,072	804,072	689,685	114,387
Storeroom	-	-	23,891	(23,891)
Harbor Center pavilion	352,780	352,780	350,553	2,227
Total public works	14,911,317	15,361,317	13,537,835	1,823,482
Health and welfare	1,186,217	1,213,218	1,213,224	(6)
Parks, recreation, and cultural:				
Parks and recreation - administration	4,042,235	4,042,235	3,592,247	449,988
Parks and recreation - recreation	359,460	359,460	289,698	69,762
Parks	1,953,354	1,953,354	1,658,749	294,605
Museum	1,774,178	1,774,178	1,662,783	111,395
Public library	2,284,466	2,284,466	2,142,527	141,939
Total parks, recreation, and cultural	10,413,693	10,413,693	9,346,004	1,067,689

(continued)

CITY OF PORTSMOUTH, VIRGINIA
Budgetary Comparison Schedule
Schedule of Expenditures and Other Financing Uses
General Fund
Year ended June 30, 2013

Exhibit I-2 (continued)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Community development:				
Permits and inspections	\$ 2,505,798	2,505,798	2,228,869	276,929
Economic development	923,623	923,623	780,459	143,164
Planning	1,691,367	1,819,267	1,466,418	352,849
Total community development	5,120,788	5,248,688	4,475,746	772,942
Education	48,871,532	53,771,532	39,849,897	13,921,635
Debt service:				
Bond issuance costs	250,000	-	1,582,346	(1,582,346)
Total debt service	250,000	-	1,582,346	(1,582,346)
Debt service	9,836,808	10,739,262	10,739,261	1
Interest	12,853,533	12,853,531	12,728,946	124,585
Fiscal charges	7,500	7,548	2,645	4,903
Total expenditures	213,667,895	220,744,749	200,912,003	19,832,746
Other financing uses:				
Transfers to other funds:				
Behavioral health services fund	595,731	595,731	595,731	-
Social services fund	4,772,167	4,772,167	3,631,725	1,140,442
Comprehensive services fund	2,764,093	2,764,093	718,435	2,045,658
Donations fund	47,000	47,000	-	47,000
Parking authority	261,475	261,475	-	261,475
Golf	1,116,739	1,116,739	1,116,739	-
Stimulus	-	-	228,413	(228,413)
Health insurance	-	700,000	528,234	171,766
EDA	-	50,000	-	50,000
Capital Improvements	-	300,000	300,000	-
Total transfers to other funds	9,557,205	10,607,205	7,119,277	3,487,928
Payment to escrow agent	-	-	77,854,902	(77,854,902)
Total other financing uses	9,557,205	10,607,205	84,974,179	(74,366,974)
Total expenditures and other financing uses	223,225,100	231,351,954	285,886,182	(54,534,228)
Net change in fund balance	(223,225,100)	(231,351,954)	(285,886,182)	(54,534,228)
Fund balance - beginning	-	-	64,278,496	64,278,496
Fund balance - ending	\$(223,225,100)	(231,351,954)	(221,607,686)	9,744,268
Unaudited – see accompanying independent auditor’s report				

Budgetary Comparison Schedule**Note to Required Supplementary Information****General Fund****Year ended June 30, 2013**

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, 2013, as amended. The budget as adopted by the City Council may be amended by the City Council through supplemental appropriations or transfers, as necessary. The legal level of budgetary control rests at the fund level with the exception of the General Fund, which is appropriated at the activity or function level. In addition, the City Code provides that the City Manager may transfer any unencumbered appropriation balance less than \$100,000 from one department, project, program, or purpose within the same fund. 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, Stimulus Fund, Community Development Fund, and the Donations Fund. The Capital Projects Funds, Grants Fund, Stimulus Fund, Community Development Fund, and Donations 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. 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 generally accepted accounting principles (GAAP).

Required Supplementary Information (Unaudited)
Schedule of Funding Progress for Defined Benefit Pension Plans

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Entry Age	Unfunded (Overfunded) AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
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I. CITY-ADMINISTERED PLANS:

A. Portsmouth Supplemental Retirement System:

7/1/2013	\$ 69,683,142	91,609,145	21,926,003	76.1%	1,690,000	1297.4%
7/1/2012	20,575,624	72,347,370	51,771,746	28.4%	1,795,000	2884.2%
7/1/2011	26,037,407	70,172,896	44,135,489	37.1%	2,214,000	1993.5%
7/1/2010	27,465,940	73,797,071	46,331,131	37.2%	2,702,000	1714.7%
7/1/2009	30,844,205	73,446,501	42,602,296	42.0%	3,831,000	1112.0%
7/1/2008	44,887,703	73,205,749	28,318,046	61.3%	4,155,000	681.5%
7/1/2007	47,383,449	70,564,879	23,181,430	67.1%	4,354,000	532.4%
7/1/2006	44,984,706	67,253,150	22,268,444	66.9%	4,472,000	498.0%
7/1/2005	45,070,186	69,629,486	24,559,300	64.7%	4,820,000	509.5%
7/1/2004	45,692,761	67,497,029	21,804,268	67.7%	5,700,000	382.5%

B. Fire and Police Retirement System:

7/1/2013	\$ 185,971,307	241,778,482	55,807,175	76.9%	7,961,000	701.0%
7/1/2012	75,342,856	237,953,903	162,611,047	31.7%	8,854,000	1836.6%
7/1/2011	81,076,403	217,251,227	136,174,824	37.3%	9,821,000	1386.6%
7/1/2010	78,994,174	216,550,641	137,556,467	36.5%	10,531,000	1306.2%
7/1/2009	76,943,962	214,676,887	137,732,925	35.8%	11,048,000	1246.7%
7/1/2008	99,468,964	210,696,128	111,227,164	47.2%	11,615,000	957.6%
7/1/2007	99,524,229	202,807,233	103,283,004	49.1%	12,015,000	859.6%
7/1/2006	91,076,751	184,555,196	93,478,445	49.3%	11,642,000	802.9%
7/1/2005	87,799,085	173,938,719	86,139,634	50.5%	11,823,000	728.6%
7/1/2004	84,719,127	163,976,841	79,257,714	51.7%	12,394,000	639.5%

II. VIRGINIA RETIREMENT SYSTEM PLANS:

A. City of Portsmouth Employees:

6/30/2012	\$ 207,498,444	266,104,881	58,606,437	78%	64,532,134	91%
6/30/2011	205,840,390	255,942,936	50,102,546	80%	63,694,256	79%
6/30/2010	199,413,492	242,691,341	43,277,849	82%	64,578,829	67%
6/30/2009	196,708,288	215,980,918	19,272,630	91%	64,429,140	30%
6/30/2008	192,508,238	203,073,948	10,565,710	95%	66,204,197	16%

B. School Board Nonprofessional Employees:

6/30/2012	\$ 24,997,565	35,749,827	10,752,262	70%	6,749,363	159%
6/30/2011	25,829,515	35,671,426	9,841,911	72%	6,989,874	141%
6/30/2010	26,098,503	34,765,427	8,666,924	75%	8,053,701	108%
6/30/2009	26,438,978	32,184,146	5,745,168	82%	8,645,713	66%
6/30/2008	26,548,549	30,249,399	3,700,850	88%	8,007,998	46%

Unaudited - see accompanying independent auditor's report.

Required Supplementary Information (Unaudited)
Schedule of Employer Contributions for Defined Benefit Pension Plans

Year Ended June 30	Portsmouth Supplemental		Fire and Police	
	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed
2013	\$ 3,942,560	1454%	13,206,839	972%
2012	4,092,312	95%	13,326,055	103%
2011	3,744,866	84%	13,341,174	96%
2010	2,570,503	102%	11,384,382	111%
2009	2,265,220	100%	10,895,934	99%
2008	2,155,485	102%	9,814,500	102%
2007	2,326,033	100%	9,277,615	96%
2006	2,084,812	100%	8,583,893	100%
2005	1,678,576	99%	8,544,079	99%
2004	1,116,961	96%	5,790,202	97%
2003	1,191,196	100%	5,758,510	100%
2002	696,400	100%	4,241,278	100%

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows.

	Portsmouth Supplemental	Fire and Police	Virginia Retirement System
Valuation date	7/1/2013	7/1/2013	6/30/2012
Actuarial cost method	Entry age normal	Entry age normal	Entry age normal
Amortization method	Level dollar, open	Level dollar, open	Level percent, open
Remaining amortization period	22 years	22 years	30 Years
Asset valuation method	Five-Year Smoothed Long-Range Yield	Five-Year Smoothed Long-Range Yield	Five-Year Smoothed Market Value
Actuarial assumptions:			
Investment rate of return	7.25%	7.25%	7.00%
Projected salary increases:			
City-Administered Plans	3.00%	3.00%	3.00%
Virginia Retirement System:			
Non-LEO Employees	-	-	3.75 - 5.60%
LEO Employees	-	-	3.50 - 4.75%
Cost-of-living adjustments	2.50%	2.50%	2.25% - 2.5%

Unaudited - see accompanying independent auditor's report.

Required Supplementary Information (Unaudited)

Schedule of Funding Progress for Defined Other Post Employment Benefit Plans

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Entry Age	Unfunded (Overfunded) AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
CITY OF PORTSMOUTH RETIRED EMPLOYEES HEALTH CARE PROGRAM:						
7/1/2012	-	\$ 195,796,500	195,796,500	0%	70,574,100	277%
7/1/2012	-	195,796,500	195,796,500	0%	70,574,100	277%
7/1/2011	-	221,375,695	221,375,695	0%	78,275,583	283%
7/1/2010	-	221,375,695	221,375,695	0%	73,342,372	302%
7/1/2009	-	187,436,612	187,436,612	0%	77,011,285	243%
SCHOOL BOARD PLAN:						
7/1/2012	10,241,149	\$ 12,204,795	1,963,646	84%	89,605,502	2%
7/1/2012	10,241,149	12,204,795	1,963,646	84%	89,605,502	2%
7/1/2011	2,415,950	11,623,323	9,207,373	21%	95,870,390	10%
7/1/2010	650,000	10,802,915	10,802,915	6%	95,870,390	11%
7/1/2009	2,415,950	11,623,323	9,207,373	21%	95,870,390	10%

Schedule of Employer Contributions for Defined Other Post Employment Benefit Plans

Year Ended June 30	Annual Required Contribution	Percentage Contributed
CITY OF PORTSMOUTH RETIRED EMPLOYEES HEALTH CARE PROGRAM:		
6/30/2013	\$ 17,529,200	29.2%
6/30/2012	16,398,000	28.6%
6/30/2011	16,455,303	35.0%
6/30/2010	16,455,303	25.0%
6/30/2009	13,811,219	37.1%
6/30/2008	14,981,028	21.4%
SCHOOL BOARD PLAN:		
6/30/2013	\$ 768,683	0.0%
6/30/2012	1,060,000	660.6%
6/30/2011	1,005,217	99.0%
6/30/2010	1,025,000	98.0%
6/30/2009	1,004,007	125.0%
6/30/2008	486,533	176.0%

The fiscal year ended June 30, 2008 was the first year for which an actuarially determined AAL and ARC had been calculated for the City of Portsmouth Retired Employees Health Care Program, therefore, five prior years of history can be presented in the schedules on this page. Additional historical information will be added in future years.

Nonmajor Governmental Funds



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CITY OF PORTSMOUTH, VIRGINIA

Exhibit J-1

Combining Balance Sheet

Nonmajor Government Funds

June 30, 2013

	Special Revenue Funds												Permanent Fund - Cemetery	Total
	Behavioral Health Services	Public Law Library	Social Services	Stormwater Management	Grants	Stimulus	Comprehensive Services	Donations	Willetts Hall	Recreation	Community Development	Asset Forfeiture Fund		
Assets:														
Cash and temporary investments	\$ 4,179,719	25,424	-	3,320,895	-	-	77,049	2,554,283	466,933	235,141	-	473,774	1,544,083	12,877,301
Accounts receivable (net of allowance for uncollectibles \$556,778)	516,125	-	18,268	533,320	-	41,778	-	-	29,520	-	-	3,925	-	1,142,936
Due from other funds	-	-	672,833	-	-	-	-	-	-	-	-	-	-	672,833
Due from other governments	-	-	1,607,564	-	583,651	-	199,792	(17,693)	-	-	909,425	-	-	3,282,739
Inventory of supplies	-	-	-	-	-	-	-	-	2,223	-	-	-	-	2,223
Total assets	4,695,844	25,424	2,298,665	3,854,215	583,651	41,778	276,841	2,536,590	498,676	235,141	909,425	477,699	1,544,083	17,978,032
Liabilities:														
Accounts payable	245,655	1,519	606,953	93,326	180,431	41,778	276,841	24,787	126,789	54,612	222,443	14,474	-	1,889,608
Accrued payroll	83,164	-	145,428	9,572	17,693	-	-	-	2,621	-	-	-	-	258,478
Due to other funds	-	-	1,107,892	-	158,507	-	-	-	-	-	683,847	-	-	1,950,246
Unearned revenues	326,640	-	-	170,628	-	-	-	-	-	-	-	-	-	497,268
Total liabilities	655,459	1,519	1,860,273	273,526	356,631	41,778	276,841	24,787	129,410	54,612	906,290	14,474	-	4,595,600
Fund balances:														
Nonspendable fund balances	-	-	-	-	-	-	-	-	2,223	-	-	-	1,000,000	1,002,223
Restricted fund balances	4,040,385	23,905	-	3,580,689	227,020	-	-	2,511,803	-	-	3,135	463,225	544,083	11,394,245
Committed fund balances	-	-	-	-	-	-	-	-	367,043	-	-	-	-	367,043
Assigned fund balances	-	-	438,392	-	-	-	-	-	-	180,529	-	-	-	618,921
Total fund balances	4,040,385	23,905	438,392	3,580,689	227,020	-	-	2,511,803	369,266	180,529	3,135	463,225	1,544,083	13,382,432
Total liabilities and fund balances	\$ 4,695,844	25,424	2,298,665	3,854,215	583,651	41,778	276,841	2,536,590	498,676	235,141	909,425	477,699	1,544,083	17,978,032

CITY OF PORTSMOUTH, VIRGINIA

Exhibit J-2

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

Year ended June 30, 2013

	Special Revenue Funds												Permanent Fund - Cemetery	Total
	Behavioral Health Services	Public Law Library	Social Services	Stormwater Management	Grants	Stimulus	Comprehensive Services	Donations	Willet Hall	Recreation	Community Development	Asset Forfeiture Fund		
Revenues:														
Intergovernmental	\$ 9,643,698	-	15,693,303	-	2,537,021	565,772	1,705,279	(519,477)	-	-	3,293,057	729,942	-	33,648,595
Charges for services	593,774	24,801	-	7,457,819	-	-	-	-	10,460	643,623	-	-	42,500	8,772,977
Investment income	1,277	-	-	2,413	-	968	-	777	142	72	-	-	-	5,649
Recovered costs	-	-	-	-	-	-	-	-	74,101	-	-	-	-	74,101
Use of property	-	-	-	-	-	-	-	-	42,640	-	209,007	-	-	251,647
Miscellaneous	-	-	-	-	379,752	41,778	-	911,826	-	-	-	-	2,500	1,335,856
Total revenues	10,238,749	24,801	15,693,303	7,460,232	2,916,773	608,518	1,705,279	393,126	127,343	643,695	3,502,064	729,942	45,000	44,088,825
Expenditures:														
Current:														
General government	-	-	-	-	-	17,204	-	69,976	-	-	-	-	-	87,180
Judicial	-	-	-	-	1,252,008	-	-	134,356	-	-	-	52,358	-	1,438,722
Public safety	-	-	-	-	643,545	13,124	-	24,398	-	-	-	-	-	681,067
Public works	-	-	-	2,159,054	-	-	-	-	-	-	-	214,359	-	2,373,413
Health and welfare	9,363,231	-	18,607,944	-	499,765	-	2,424,727	130,295	-	-	-	-	-	31,025,962
Parks, recreational, cultural	-	21,288	-	-	551,005	-	-	534,845	212,662	634,792	-	-	-	1,954,592
Community development	-	-	-	-	-	1,195,208	-	-	-	-	3,201,572	-	-	4,396,780
Capital outlay	-	-	-	-	-	-	-	-	-	-	346,909	-	-	346,909
Total expenditures	9,363,231	21,288	18,607,944	2,159,054	2,946,323	1,225,536	2,424,727	893,870	212,662	634,792	3,548,481	266,717	-	42,304,625
Revenues over (under) expenditures	875,518	3,513	(2,914,641)	5,301,178	(29,550)	(617,018)	(719,448)	(500,744)	(85,319)	8,903	(46,417)	463,225	45,000	1,784,200
Other financing sources (uses):														
Transfers from other funds	595,731	-	3,631,725	-	17,350	228,413	718,435	-	-	-	-	-	-	5,191,654
Transfers to other funds	(355,350)	-	-	(4,985,216)	-	-	-	-	-	-	-	-	-	(5,340,566)
Total other financing sources (uses)	240,381	-	3,631,725	(4,985,216)	17,350	228,413	718,435	-	-	-	-	-	-	(148,912)
Net change in fund balances	1,115,899	3,513	717,084	315,962	(12,200)	(388,605)	(1,013)	(500,744)	(85,319)	8,903	(46,417)	463,225	45,000	1,635,288
Fund balances, beginning of year	2,924,486	20,392	(278,692)	3,264,727	239,220	388,605	1,013	3,012,547	454,585	171,626	49,552	-	1,499,083	11,747,144
Fund balances, end of year	\$ 4,040,385	23,905	438,392	3,580,689	227,020	-	-	2,511,803	369,266	180,529	3,135	463,225	1,544,083	13,382,432

CITY OF PORTSMOUTH, VIRGINIA

Exhibit J-3

**Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual**

Special Revenue Funds - Behavioral Health Services

Year ended June 30, 2013

	Budget	Actual	Variance favorable (unfavorable)
Revenues:			
Intergovernmental	\$ 9,376,064	9,643,698	267,634
Charges for services	749,000	593,774	(155,226)
Investment income	-	1,277	1,277
Miscellaneous	250,000	-	(250,000)
Total revenues	10,375,064	10,238,749	(136,315)
Expenditures:			
Health and welfare	10,615,448	9,363,231	1,252,217
Total expenditures	10,615,448	9,363,231	1,252,217
Revenues over (under) expenditures	(240,384)	875,518	1,115,902
Other financing sources (uses) -			
Transfers from other funds	595,734	595,731	(3)
Transfers to other funds	(355,350)	(355,350)	-
Total other financing sources (uses)	240,384	240,381	(3)
Revenues and other financing sources over/(under) expenditures and other financing uses	-	1,115,899	1,115,899
Fund balances at beginning of year	-	2,924,486	2,924,486
Fund balances at end of year	\$ -	4,040,385	4,040,385

CITY OF PORTSMOUTH, VIRGINIA**Exhibit J-3 (continued)****Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual****Special Revenue Funds - Public Law Library****Year ended June 30, 2013**

	Budget	Actual	Variance favorable (unfavorable)
Revenues:			
Charges for services	\$ 31,026	24,801	(6,225)
Total revenues	31,026	24,801	(6,225)
Expenditures:			
Judicial	31,026	21,288	9,738
Total expenditures	31,026	21,288	9,738
Revenues and other financing sources over/(under) expenditures and other financing uses	-	3,513	3,513
Fund balances at beginning of year	-	20,392	20,392
Fund balances at end of year	\$ -	23,905	23,905

CITY OF PORTSMOUTH, VIRGINIA

Exhibit J-3 (continued)

**Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual**

Special Revenue Funds - Social Services

Year ended June 30, 2013

	Budget	Actual	Variance favorable (unfavorable)
Revenues:			
Intergovernmental	\$ 19,981,648	15,693,303	(4,288,345)
Recovered costs	85,000	-	(85,000)
Miscellaneous	196,981	-	(196,981)
Total revenues	20,263,629	15,693,303	(4,570,326)
Expenditures:			
Health and welfare	24,978,474	18,607,944	6,370,530
Capital outlay	57,322	-	57,322
Total expenditures	25,035,796	18,607,944	6,427,852
Revenues over (under) expenditures	(4,772,167)	(2,914,641)	1,857,526
Other financing sources (uses) -			
Transfers from other funds	4,772,167	3,631,725	(1,140,442)
Total other financing sources (uses)	4,772,167	3,631,725	(1,140,442)
Revenues and other financing sources over/(under) expenditures and other financing uses	-	717,084	717,084
Fund balances at beginning of year	-	(278,692)	(278,692)
Fund balances at end of year	\$ -	438,392	438,392

CITY OF PORTSMOUTH, VIRGINIA**Exhibit J-3 (continued)****Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual****Special Revenue Funds - Stormwater Management****Year ended June 30, 2013**

	Budget	Actual	Variance favorable (unfavorable)
Revenues:			
Charges for services	\$ 7,511,148	7,457,819	(53,329)
Investment income	-	2,413	2,413
Total revenues	7,511,148	7,460,232	(50,916)
Expenditures:			
Public works	2,525,932	2,159,054	366,878
Total expenditures	2,525,932	2,159,054	366,878
Revenues over (under) expenditures	4,985,216	5,301,178	315,962
Other financing sources (uses) -			
Transfers to other funds	(4,985,216)	(4,985,216)	-
Total other financing sources (uses)	(4,985,216)	(4,985,216)	-
Revenues and other financing sources over/(under) expenditures and other financing uses	-	315,962	315,962
Fund balances at beginning of year	-	3,264,727	3,264,727
Fund balances at end of year	\$ -	3,580,689	3,580,689

CITY OF PORTSMOUTH, VIRGINIA

Exhibit J-3 (continued)

**Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual**

Special Revenue Funds - Comprehensive Services

Year ended June 30, 2013

	Budget	Actual	Variance favorable (unfavorable)
Revenues:			
Intergovernmental	\$ 4,902,374	1,705,279	(3,197,095)
Total revenues	4,902,374	1,705,279	(3,197,095)
Expenditures:			
Health and welfare	7,666,467	2,424,727	5,241,740
Total expenditures	7,666,467	2,424,727	5,241,740
Revenues over (under) expenditures	(2,764,093)	(719,448)	2,044,645
Other financing sources (uses) -			
Transfers from other funds	2,764,093	718,435	(2,045,658)
Total other financing sources (uses)	2,764,093	718,435	(2,045,658)
Revenues and other financing sources over/(under) expenditures and other financing uses	-	(1,013)	(1,013)
Fund balances at beginning of year	-	1,013	1,013
Fund balances at end of year	\$ -	-	-

CITY OF PORTSMOUTH, VIRGINIA

Exhibit J-3 (continued)

**Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual**

Special Revenue Funds - Willett Hall

Year ended June 30, 2013

	Budget	Actual	Variance favorable (unfavorable)
Revenues:			
Charges for services	\$ 30,000	10,460	(19,540)
Investment income	-	142	142
Recovered costs	250,000	74,101	(175,899)
Use of property	105,000	42,640	(62,360)
Miscellaneous	1,866	-	(1,866)
Total revenues	386,866	127,343	(259,523)
Expenditures:			
Parks, recreational, and cultural	386,866	212,662	174,204
Total expenditures	386,866	212,662	174,204
Revenues and other financing sources over/(under) expenditures and other financing uses	-	(85,319)	(85,319)
Fund balances at beginning of year	-	454,585	454,585
Fund balances at end of year	\$ -	369,266	369,266

CITY OF PORTSMOUTH, VIRGINIA**Exhibit J-3 (continued)****Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual****Special Revenue Funds - Recreation****Year ended June 30, 2013**

	Budget	Actual	Variance favorable (unfavorable)
Revenues:			
Charges for services	\$ 600,000	643,623	43,623
Investment income	-	72	72
Total revenues	600,000	643,695	43,695
Expenditures:			
Parks, recreational, and cultural	600,000	634,792	(34,792)
Total expenditures	600,000	634,792	(34,792)
Revenues and other financing sources over/(under) expenditures and other financing uses	-	8,903	8,903
Fund balances at beginning of year	-	171,626	171,626
Fund balances at end of year	\$ -	180,529	180,529



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Nonmajor Proprietary Funds



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CITY OF PORTSMOUTH, VIRGINIA
Combining Statement of Net Position
Nonmajor Proprietary Funds
June 30, 2013

Exhibit K-1

	Port Facility and Economic Development	Golf	Waste Management	Total
Assets:				
Current assets:				
Cash and temporary investments	\$ -	96,547	8,412,233	8,508,780
Accounts receivable	-	531	2,437,380	2,437,911
Total current assets	-	97,078	10,849,613	10,946,691
Noncurrent assets:				
Capital assets:				
Land	1,830,251	9,605,289	2,909,275	14,344,815
Buildings	3,740,270	2,127,591	-	5,867,861
Improvements other than buildings	2,241,637	227,912	-	2,469,549
Machinery, furniture, and equipment	-	989,183	7,395,543	8,384,726
Total capital assets	7,812,158	12,949,975	10,304,818	31,066,951
Less accumulated depreciation	(5,662,923)	(2,165,023)	(4,615,238)	(12,443,184)
Total capital assets, net	2,149,235	10,784,952	5,689,580	18,623,767
Deferred outflows of resources:				
Deferred outflows from debt refunding	-	648,130	4,323	652,453
Total outflows of resources	-	648,130	4,323	652,453
Total assets and deferred outflows of resources	2,149,235	11,530,160	16,543,516	30,222,911
Liabilities:				
Current liabilities:				
Accounts payable	-	71,256	490,810	562,066
Accrued interest payable	-	100,058	-	100,058
Accrued payroll	-	12,506	41,656	54,162
Deposits	10,000	-	-	10,000
Due to other funds	259,824	-	-	259,824
Compensated absences	-	50,725	168,889	219,614
General obligation bonds	-	469,844	-	469,844
Current obligations under capital leases	-	-	713,989	713,989
Total current liabilities	269,824	704,389	1,415,344	2,389,557
Noncurrent liabilities:				
Other post employment benefit obligation	-	458,169	1,788,840	2,247,009
Compensated absences	-	35,249	36,822	72,071
Obligations under capital leases	-	-	415,571	415,571
Landfill closure and postclosure liability	-	-	4,617,861	4,617,861
General obligation bonds	-	6,192,281	-	6,192,281
Total noncurrent liabilities	-	6,685,699	6,859,094	13,544,793
Total liabilities	269,824	7,390,088	8,274,438	15,934,350
Net position:				
Net investment in capital assets	2,149,235	4,770,957	4,563,958	11,484,150
Unrestricted (deficit)	(269,824)	(630,885)	3,705,120	2,804,411
Total net position	1,879,411	4,140,072	8,269,078	14,288,561
Total liabilities and net position	\$ 2,149,235	11,530,160	16,543,516	30,222,911

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, 2013

	Port Facility and Economic Development	Golf	Waste Management	Total
Operating revenues:				
Charges for services	\$ -	1,128,337	12,502,496	13,630,833
Intergovernmental revenue	-	-	280,000	280,000
Other	-	2,745	1,554	4,299
Total operating revenues	-	1,131,082	12,784,050	13,915,132
Operating expenses:				
Personnel services	-	811,094	3,180,338	3,991,432
Contractual services	-	354,965	5,660,598	6,015,563
Supplies and materials	-	188,773	106,057	294,830
Utilities	-	106,902	5,517	112,419
Internal charges	-	73,584	1,446,408	1,519,992
Rent	-	84,643	-	84,643
Depreciation and amortization	46,118	112,303	563,662	722,083
Closure/postclosure	-	-	(1,538,196)	(1,538,196)
Other	-	90,142	205,790	295,932
Total operating expenses	46,118	1,822,406	9,630,174	11,498,698
Operating income (loss)	(46,118)	(691,324)	3,153,876	2,416,434
Nonoperating revenues (expenses):				
Investment income	-	-	3,325	3,325
Gain (loss) on write-down of capital assets	-	-	(5,147)	(5,147)
Interest expense and fiscal charges	-	(282,314)	(32,743)	(315,057)
Net nonoperating revenues (expenses)	-	(282,314)	(34,565)	(316,879)
Net income (loss) before transfers	(46,118)	(973,638)	3,119,311	2,099,555
Transfers from other funds	-	1,116,739	400,000	1,516,739
Transfers to other funds	-	-	(2,500,000)	(2,500,000)
Change in net position	(46,118)	143,101	1,019,311	1,116,294
Net position, beginning of year	1,925,529	3,996,971	7,249,767	13,172,267
Net position, end of year	\$ 1,879,411	4,140,072	8,269,078	14,288,561

CITY OF PORTSMOUTH, VIRGINIA

Exhibit K-3

Combining Statement of Cash Flows

Nonmajor Proprietary Funds

Year ended June 30, 2013

	Port Facility and Economic Development	Golf	Waste Management	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers	\$ -	1,131,328	12,640,317	13,771,645
Payments to suppliers	-	(864,963)	(7,420,795)	(8,285,758)
Payments to employees	-	(790,257)	(3,146,647)	(3,936,904)
Net cash provided by (used for) operating activities	-	(523,892)	2,072,875	1,548,983
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers in	-	1,116,739	400,000	1,516,739
Transfers out	-	-	(2,500,000)	(2,500,000)
Net cash provided by (used in) noncapital financing activities	-	1,116,739	(2,100,000)	(983,261)
CASH FLOWS FROM CAPITAL AND RELATING FINANCING ACTIVITIES:				
Acquisition of PP&E	-	-	(104,423)	(104,423)
Disposition of capital assets	-	-	(851,119)	(851,119)
Gain or (Loss) on write-down of capital assets	-	-	(5,147)	(5,147)
Principal paid on long-term debt	-	(390,338)	(895,989)	(1,286,327)
Interest paid	-	(282,279)	(32,743)	(315,022)
Net cash provided by (used in) capital and related financing activities	-	(672,617)	(1,889,421)	(2,562,038)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest received	-	-	3,325	3,325
Net cash provided by investing activities	-	-	3,325	3,325
Net increase (decrease) in cash and temporary investments	-	(79,770)	(1,913,221)	(1,992,991)
Cash and temporary investments, beginning of year	-	176,317	10,325,454	10,501,771
Cash and temporary investments, end of year	-	96,547	8,412,233	8,508,780
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities				
Operating income (loss)	(46,118)	(691,324)	3,153,876	2,416,434
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	46,118	112,303	563,662	722,083
Decrease (increase) in:				
Accounts receivable	-	246	(143,733)	(143,487)
Increase (decrease) in:				
Accounts payable	-	34,046	3,575	37,621
Accrued payroll	-	12,506	41,656	54,162
Compensated absences	-	8,331	(7,965)	366
Other post employment benefit obligation	-	-	-	-
Nonoperating revenues reported as operating revenues:				
Landfill closure and postclosure liability	-	-	(1,538,196)	(1,538,196)
Total adjustments	46,118	167,432	(1,081,001)	(867,451)
Net cash provided by (used for) operating activities	\$ -	(523,892)	2,072,875	1,548,983



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Internal Service Funds



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CITY OF PORTSMOUTH, VIRGINIA

Exhibit L-1

Combining Statement of Net Position

Internal Service Funds

June 30, 2013

	City Garage	Information Technology	Health Insurance	OPEB	Risk Management	Total
Assets:						
Current assets:						
Cash and temporary investments	\$ 3,121,947	2,174,073	1,657,304	5,500,000	18,747,287	31,200,611
Accounts receivable	58,097	43,899	59,685	-	-	161,681
Inventory of supplies	383,583	-	-	-	-	383,583
Total current assets	3,563,627	2,217,972	1,716,989	5,500,000	18,747,287	31,745,875
Noncurrent assets:						
Capital assets:						
Land	15,048	-	-	-	-	15,048
Buildings	693,083	-	-	-	-	693,083
Machinery, furniture, and equipment	22,982,019	5,194,934	-	-	-	28,176,953
Intangible assets	-	911,458	-	-	-	911,458
Total capital assets	23,690,150	6,106,392	-	-	-	29,796,542
Less accumulated depreciation	(15,023,454)	(5,138,247)	-	-	-	(20,161,701)
Total capital assets, net	8,666,696	968,145	-	-	-	9,634,841
Deferred outflows of resources:						
Deferred outflows from debt refunding	12,620	-	-	-	-	12,620
Total outflows of resources	12,620	-	-	-	-	12,620
Total assets and deferred outflows of resources	12,242,943	3,186,117	1,716,989	5,500,000	18,747,287	41,393,336
Liabilities:						
Current liabilities:						
Accounts payable	326,396	194,593	107,441	-	24,309	652,739
Accrued payroll	22,038	34,142	-	-	1,140	57,320
Flex spending benefits	-	-	25,680	-	-	25,680
Current compensated absences	105,378	207,554	-	-	8,310	321,242
Current obligations under capital leases	2,216,432	-	-	-	-	2,216,432
Current claims payable	-	-	1,683,000	-	2,243,115	3,926,115
Total current liabilities	2,670,244	436,289	1,816,121	-	2,276,874	7,199,528
Noncurrent liabilities:						
Noncurrent claims payable	-	-	-	-	10,259,712	10,259,712
Other post employment benefit obligation	952,988	816,271	-	-	138,411	1,907,670
Noncurrent obligations under capital leases	3,866,054	-	-	-	-	3,866,054
Total noncurrent liabilities	4,819,042	816,271	-	-	10,398,123	16,033,436
Total liabilities	7,489,286	1,252,560	1,816,121	-	12,674,997	23,232,964
Net position:						
Net investment in capital assets	2,579,690	968,146	-	-	-	3,547,836
Unrestricted (deficit)	2,173,967	965,411	(99,132)	5,500,000	6,072,290	14,612,536
Total net position	4,753,657	1,933,557	(99,132)	5,500,000	6,072,290	18,160,372
Total liabilities and net position	\$ 12,242,943	3,186,117	1,716,989	5,500,000	18,747,287	41,393,336

CITY OF PORTSMOUTH, VIRGINIA

Exhibit L-2

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

Internal Service Funds

Year ended June 30, 2013

	City Garage	Information Technology	Health Insurance	OPEB	Risk Management	Total
Operating revenues:						
Charges for services	\$ 8,275,687	5,082,552	19,391,366	-	5,685,363	38,434,968
Other	433	28,851	98,980	-	517,223	645,487
Total operating revenues	8,276,120	5,111,403	19,490,346	-	6,202,586	39,080,455
Operating expenses:						
Personnel services	1,537,619	2,542,806	-	-	183,776	4,264,201
Contractual services	431,088	1,124,544	1,387,675	-	409,449	3,352,756
Supplies and materials	871,769	577,571	-	-	6,316	1,455,656
Utilities	2,846,093	92,392	-	-	1,337	2,939,822
Internal charges	-	3,785	-	-	-	3,785
Claims, settlements, and refunds	-	-	21,746,890	-	2,477,015	24,223,905
Insurance premiums	-	-	-	-	1,124,072	1,124,072
Depreciation and amortization	1,824,001	265,925	-	-	-	2,089,926
Other - Operating Expense	496,619	292,637	11,276	-	23,876	824,408
Total operating expenses	8,007,189	4,899,660	23,145,841	-	4,225,841	40,278,531
Operating income	268,931	211,743	(3,655,495)	-	1,976,745	(1,198,076)
Nonoperating revenues (expenses):						
Investment income	1,452	663	222	-	5,702	8,039
Gain (loss) on disposal of capital assets	74,249	-	-	-	-	74,249
Interest expense and fiscal charges	(149,471)	-	-	-	-	(149,471)
Net nonoperating revenues (expenses)	(73,770)	663	222	-	5,702	(67,183)
Net income before transfers	195,161	212,406	(3,655,273)	-	1,982,447	(1,265,259)
Transfers from other funds	-	-	528,234	-	-	528,234
Change in net position	195,161	212,406	(3,127,039)	-	1,982,447	(737,025)
Net position (deficit), beginning of year	4,558,496	1,721,151	3,027,907	5,500,000	4,089,843	18,897,397
Net position (deficit), end of year	\$ 4,753,657	1,933,557	(99,132)	5,500,000	6,072,290	18,160,372

CITY OF PORTSMOUTH, VIRGINIA

Exhibit L-3

Combining Statement of Cash Flows

Internal Service Funds

Year ended June 30, 2013

	City Garage	Information Technology	Health Insurance	OPEB	Risk Management	Total
CASH FLOWS FROM OPERATING ACTIVITIES:						
Receipts from customers	\$ 8,411,536	5,118,015	19,761,859	-	6,202,586	39,493,996
Payments to suppliers	(4,818,140)	(2,168,998)	(22,728,526)	-	(4,055,436)	(33,771,100)
Payments to employees	(1,525,653)	(2,519,360)	-	-	(195,296)	(4,240,309)
Net cash provided by (used in) operating activities	2,067,743	429,657	(2,966,667)	-	1,951,854	1,482,587
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
Transfers (out) / in	-	-	528,234	-	-	528,234
Net cash provided by (used in) noncapital financing activities	-	-	528,234	-	-	528,234
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Acquisition and construction of capital assets	(949,426)	(150,545)	-	-	-	(1,099,971)
Proceeds from sale of capital assets	74,249	-	-	-	-	74,249
Disposition of capital assets	(331,911)	-	-	-	-	(331,911)
Principal paid on long-term debt	(2,213,494)	-	-	-	-	(2,213,494)
Interest paid	(149,471)	-	-	-	-	(149,471)
Net cash provided by (used in) capital and related financing activities	(3,570,053)	(150,545)	-	-	-	(3,720,598)
CASH FLOWS FROM INVESTING ACTIVITIES:						
Interest received	1,452	663	222	-	5,702	8,039
Net cash provided by (used in) investing activities	1,452	663	222	-	5,702	8,039
Net increase (decrease) in cash and temporary investments	(1,500,858)	279,775	(2,438,211)	-	1,957,556	(1,701,738)
Cash and temporary investments, beginning of year	4,622,805	1,894,298	4,095,515	5,500,000	16,789,731	32,902,349
Cash and temporary investments, end of year	3,121,947	2,174,073	1,657,304	5,500,000	18,747,287	31,200,611
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities						
Operating income/(loss)	268,931	211,743	(3,655,495)	-	1,976,745	(1,198,076)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Depreciation and amortization	1,824,001	265,925	-	-	-	2,089,926
Decrease (increase) in:						
Accounts receivable	135,416	6,612	271,513	-	-	413,541
Inventory of supplies	5,284	-	-	-	-	5,284
Increase (decrease) in:						
Accounts payable	(177,855)	(78,069)	93,635	-	(25,401)	(187,690)
Accrued payroll	22,038	34,142	-	-	1,140	57,320
Compensated absences	(10,072)	(10,696)	-	-	(12,660)	(33,428)
Flexible spending benefits	-	-	25,680	-	-	25,680
Nonoperating revenues reported as operating revenues:						
Claims payable	-	-	298,000	-	12,030	310,030
Total adjustments	1,798,812	217,914	688,828	-	(24,891)	2,680,663
Net cash provided by operating activities	\$ 2,067,743	429,657	(2,966,667)	-	1,951,854	1,482,587



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Fiduciary Funds



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CITY OF PORTSMOUTH, VIRGINIA
Combining Statement of Fiduciary Net Position
Fiduciary Funds - Pension Trust Funds
June 30, 2013

Exhibit M-1

	Portsmouth Supplemental Retirement System	Portsmouth Fire and Police Retirement System	Total
Assets			
Cash and temporary investments	\$ 618,726	1,547,680	2,166,406
Investments:			
Common stock	12,075,349	52,278,803	64,354,152
Corporate bonds	4,415,973	19,118,439	23,534,412
Total assets	17,110,048	72,944,922	90,054,970
Net position held in trust for pension benefits	\$ 17,110,048	72,944,922	90,054,970

CITY OF PORTSMOUTH, VIRGINIA

Exhibit M-2

Combining Statement of Changes in Fiduciary Net Position

Fiduciary Funds - Pension Trust Funds

Year ended June 30, 2013

	Portsmouth Supplement Retirement System	Portsmouth Fire and Police Retirement System	Total
Additions:			
Contributions	\$ 3,949,649	13,363,233	17,312,882
Investment income -			
Net increase in the fair value of investments	2,124,647	7,706,979	9,831,626
Less investment expense	(70,355)	(263,478)	(333,833)
Net investment income	2,054,292	7,443,501	9,497,793
Total additions	6,003,941	20,806,734	26,810,675
Deductions - benefits and refunds	7,388,447	18,319,043	25,707,490
Change in net position	(1,384,506)	2,487,691	1,103,185
Net plan position held in trust for pension benefits, beginning of year	18,494,554	70,457,231	88,951,785
Net plan position held in trust for pension benefits, end of year	\$ 17,110,048	72,944,922	90,054,970

Statement of Changes in Assets and Liabilities

Fiduciary Funds-Agency Fund

Year ended June 30, 2013

Description	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
Assets:				
Cash and temporary investments	\$ 135,172	90,150	(117,433)	107,889
	135,172	90,150	(117,433)	107,889
Liabilities:				
Accounts payable	135,172	211,818	(239,101)	107,889
	\$ 135,172	211,818	(239,101)	107,889



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STATISTICAL SECTION

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

Financial Trends

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

Revenue Capacity

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

Debt Capacity

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

Demographic and Economic information

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

Operating information

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

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial report for the relevant year. The City implemented Governmental Accounting Standards Board Statement No. 34 in 2002; schedules presenting government-wide information include information beginning in that year.



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CITY OF PORTSMOUTH, VIRGINIA

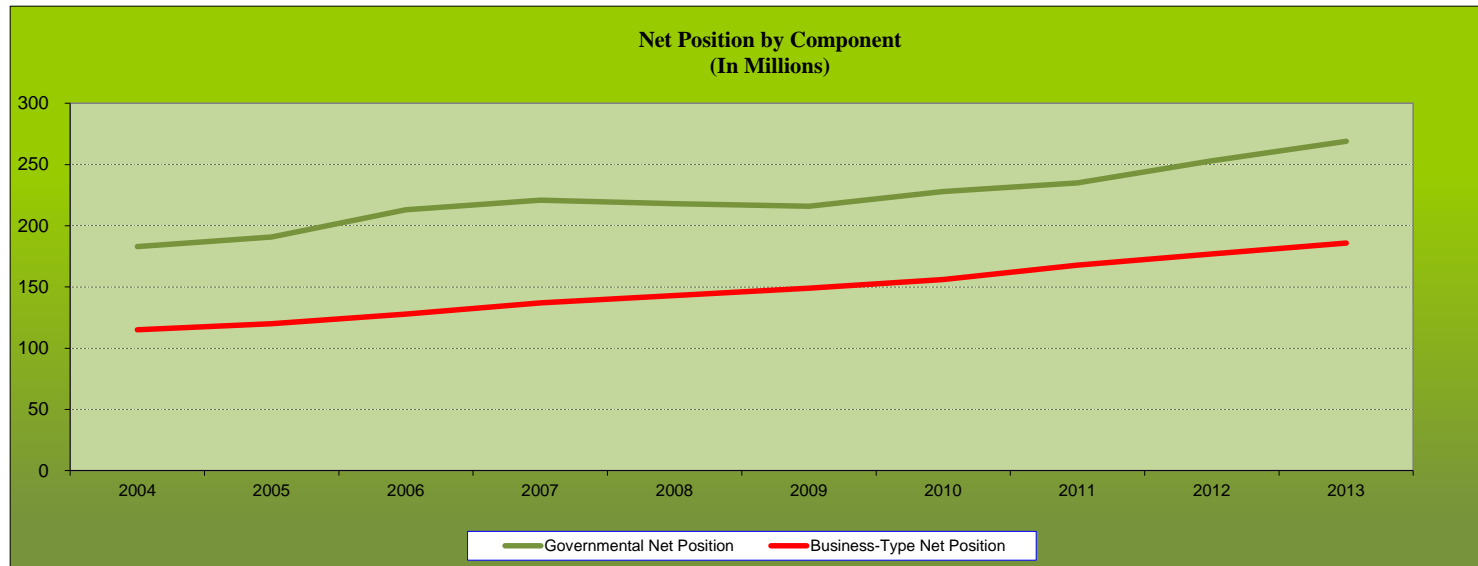
Net Position by Component

Last Ten Fiscal Years

(accrual basis of accounting)

A-1

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Governmental activities:										
Net investment in capital assets	174,607,640	175,288,130	167,581,045	178,183,374	187,359,078	176,415,840	179,076,283	186,101,165	196,244,783	210,854,679
Restricted	9,560,635	6,341,840	14,958,699	10,510,194	5,588,429	12,438,087	16,014,789	15,421,510	45,127,451	40,782,876
Unrestricted	(975,637)	10,112,505	30,296,025	32,295,766	24,710,887	27,319,933	32,818,638	33,924,914	11,685,932	17,497,544
Total governmental activities net position	183,192,638	191,742,475	212,835,769	220,989,334	217,658,394	216,173,860	227,909,710	235,447,589	253,058,166	269,135,099
Business-type activities:										
Net investment in capital assets	95,356,124	105,115,529	104,805,799	108,111,466	112,115,139	114,270,026	122,952,622	128,135,654	132,261,301	140,080,861
Restricted	7,943,529	-	-	2,190,726	3,389,920	4,117,658	12,131	-	22,450	-
Unrestricted	12,176,618	15,026,250	23,530,011	26,316,690	27,320,964	30,213,505	33,143,573	39,934,125	44,949,451	45,783,929
Total business-type activities net position	115,476,271	120,141,779	128,335,810	136,618,882	142,826,023	148,601,189	156,108,326	168,069,779	177,233,202	185,864,790
Primary government:										
Net investment in capital assets	269,963,764	280,403,659	272,386,844	286,294,840	299,474,217	290,685,866	302,028,905	314,236,819	328,506,084	350,935,540
Restricted	17,504,164	6,341,840	14,958,699	12,700,920	8,978,349	16,555,745	16,026,920	15,421,510	45,149,901	40,782,876
Unrestricted	11,200,981	25,138,755	53,826,036	58,612,456	52,031,851	57,533,438	65,962,211	73,859,039	56,635,383	63,281,473
Total primary government net position	298,668,909	311,884,254	341,171,579	357,608,216	360,484,417	364,775,049	384,018,036	403,517,368	430,291,368	454,999,889



CITY OF PORTSMOUTH, VIRGINIA

Changes in Net Position

Last Ten Fiscal Years

(accrual basis of accounting)

A-2

	Fiscal year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Expenses:										
Governmental activities:										
General government	\$ 11,692,728	13,328,360	20,456,662	30,899,380	17,457,023	26,462,771	25,866,086	28,573,377	30,092,575	27,914,580
Nondepartmental	4,762,967	5,898,408	-	-	6,135,893	-	-	-	-	-
Judicial	17,691,137	16,427,965	17,340,546	18,098,589	20,995,575	22,068,062	21,162,771	20,042,432	19,262,329	23,819,021
Public safety	40,994,089	46,918,455	49,239,795	53,309,122	58,580,530	59,957,146	63,317,938	62,543,317	67,822,960	66,483,899
Public works	27,619,634	27,842,278	29,444,928	29,347,705	31,141,010	29,535,176	20,801,656	20,669,966	19,227,479	18,919,255
Health and welfare	29,243,499	32,467,973	36,185,435	39,099,957	41,037,989	40,267,351	39,291,574	38,261,597	37,676,063	34,805,940
Parks, recreational, and cultural	11,772,825	11,774,542	11,154,672	12,440,345	13,017,308	13,000,940	12,702,857	12,333,047	12,165,461	12,107,699
Community development	7,787,772	10,543,456	10,226,594	12,716,520	9,577,401	9,306,525	14,441,114	7,738,435	8,697,999	9,317,701
Education	29,686,110	32,897,229	38,499,873	44,642,509	57,072,177	53,881,305	54,518,784	50,591,187	51,759,963	41,411,783
Interest on long-term debt	8,763,884	9,456,475	10,933,509	11,135,778	11,642,071	10,573,858	10,486,906	13,258,680	12,743,363	13,535,905
Total governmental activities expenses	190,014,645	207,555,141	223,482,014	251,689,905	266,656,977	265,053,134	262,589,686	254,012,038	259,448,192	248,315,783
Business-type activities:										
Public Utility	14,943,547	16,370,484	16,642,684	18,073,378	21,132,727	22,589,478	21,621,779	21,142,197	23,289,442	21,168,537
Golf	2,287,630	2,129,150	1,897,023	2,322,069	2,467,403	2,400,930	2,393,003	2,322,045	2,218,731	2,104,720
Port Facility and Economic Development	237,204	200,977	86,922	86,922	86,922	66,520	66,520	46,118	46,119	46,118
Parking Authority	-	-	1,599,666	1,615,350	1,750,784	1,644,011	1,625,763	1,582,680	1,558,720	1,348,920
Waste Management	16,106,743	8,467,640	8,762,865	9,567,874	12,086,129	12,314,318	14,138,088	13,576,422	11,779,665	9,662,917
Total business-type activities expenses	33,575,124	27,168,251	28,990,142	31,665,593	37,523,965	39,035,659	39,845,153	38,669,462	38,892,677	34,331,212
Total primary government expenses	223,589,769	234,723,392	252,472,156	283,355,498	304,180,942	304,088,793	302,434,839	292,681,500	298,340,869	282,646,995
Program Revenues:										
Governmental activities:										
Charges for services										
General government	2,518,350	3,101,531	4,578,378	4,118,356	2,130,746	2,146,434	1,774,399	1,891,508	1,785,252	3,104,397
Judicial	874,555	623,452	723,516	663,258	384,600	224,907	240,998	708,180	1,004,567	343,106
Public safety	1,355,608	1,421,276	1,927,252	2,108,401	2,487,410	1,298,471	2,637,180	1,673,586	2,119,660	2,497,470
Public works	11,057,015	4,214,193	4,767,368	5,270,651	5,520,368	5,637,793	6,330,032	6,880,735	7,316,713	7,809,614
Health and welfare	2,764,962	2,456,517	3,283,363	2,928,297	523,597	431,309	414,062	538,388	519,049	600,194
Parks, recreation, and cultural	1,560,925	1,433,282	1,705,343	1,157,796	1,629,137	1,579,501	1,352,352	1,302,264	2,160,956	2,587,705
Community development	859,665	2,765,041	1,773,415	986,880	705,244	491,841	495,427	518,730	523,373	1,149,814
Operating grants and contributions	66,646,513	68,278,728	73,251,426	74,604,092	79,783,849	79,186,102	82,372,531	77,217,853	86,594,753	70,737,857
Capital grants and contributions	1,817,612	1,416,967	2,788,448	3,773,230	5,062,734	500,000	4,635,095	3,344,556	6,070,568	1,422,747
Total governmental activities program revenues	89,455,205	85,710,987	94,798,509	95,610,961	98,227,685	91,496,358	100,252,076	94,075,800	108,094,891	90,252,904
Business-type activities:										
Charges for services:										
Public Utility	23,337,218	29,771,198	31,023,177	32,433,324	33,522,674	35,337,953	35,530,749	39,910,309	39,594,823	39,563,702
Golf	1,523,235	1,508,307	1,660,710	1,735,064	1,688,008	1,363,934	1,329,452	1,305,030	1,355,710	1,128,337
Port Facility and Economic Development	544,836	544,836	568,279	580,000	290,000	-	-	-	-	-
Parking Authority	-	-	1,010,413	991,755	1,063,479	1,079,056	1,071,822	1,060,760	1,111,152	1,118,200
Waste Management	7,342,536	7,290,352	7,440,339	9,375,993	12,466,329	12,332,045	15,037,913	14,123,658	12,765,158	12,502,496

(continued)

CITY OF PORTSMOUTH, VIRGINIA

Changes in Net Position

Last Ten Fiscal Years

(accrual basis of accounting)

A-2 (continued)

	Fiscal year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Business-type activities, continued:										
Operating grants and contributions	\$ 6,720,303	1,312,180	685,994	685,994	685,994	680,000	680,000	680,000	680,000	280,000
Capital grants and contributions	-	-	987,911	246,200	50,150	118,438	-	-	-	-
Total business-type activities program revenues	39,468,128	40,426,873	43,376,823	46,048,330	49,766,634	50,911,426	53,649,936	57,079,757	55,506,843	54,592,735
Total primary government program revenues	128,923,333	126,137,860	138,175,332	141,659,291	147,994,319	142,407,784	153,902,012	151,155,557	163,601,734	144,845,639
Net (Expense)/Revenue										
Governmental activities	(100,559,440)	(121,844,154)	(128,683,505)	(156,078,944)	(168,429,292)	(173,556,776)	(162,337,610)	(159,936,238)	(151,353,301)	(158,062,879)
Business-type activities	5,893,004	13,258,622	14,386,681	14,382,737	12,242,669	11,875,767	13,804,783	18,410,295	16,614,166	20,261,523
Total primary government net (expense)/revenue	(94,666,436)	(108,585,532)	(114,296,824)	(141,696,207)	(156,186,623)	(161,681,009)	(148,532,827)	(141,525,943)	(134,739,135)	(137,801,356)
General Revenues and Other Changes in Net Position:										
Governmental activities:										
Taxes:										
General property taxes	66,675,560	77,027,006	86,704,528	101,207,980	105,883,360	117,984,153	120,258,870	115,291,349	118,370,186	116,035,670
Other local taxes	24,370,065	25,714,884	27,002,058	27,929,104	37,862,311	35,706,007	36,601,504	34,894,374	35,064,984	35,995,762
Utility taxes	14,523,797	14,627,996	15,032,684	14,794,915	7,698,211	7,676,029	7,579,044	7,709,251	7,418,449	8,047,196
Licenses, permits, and privilege fees	-	-	-	-	-	-	-	-	-	-
Payment from component unit	-	-	-	-	-	-	-	-	-	-
Investment earnings	123,576	891,305	1,532,174	3,198,654	2,090,950	693,008	168,877	168,418	102,301	1,291,260
Net gain on disposal of capital assets	-	-	3,574,493	139,440	-	-	-	-	(75,704)	-
Miscellaneous	3,531,490	2,848,605	5,125,187	2,621,370	2,956,892	2,424,036	2,568,498	2,302,921	2,433,785	3,863,492
Special Item	-	-	(2,236,629)	-	-	-	-	-	-	-
Transfers	1,225,811	9,284,195	8,537,144	9,553,108	8,606,628	7,382,948	6,896,667	7,106,789	8,008,973	9,928,251
Total governmental activities	110,450,299	130,393,991	145,271,639	159,444,571	165,098,352	171,866,181	174,073,460	167,473,102	171,322,974	175,161,631
Business-type activities:										
Investment earnings	125,694	793,616	1,127,642	2,622,827	1,884,812	610,492	154,560	106,869	95,376	170,968
Special item	-	-	-	-	-	-	-	-	-	-
Gain on sale of capital assets	-	426,323	20,006	(147,433)	31,984	4,176	32,775	(69,991)	-	-
Miscellaneous	1,834,128	371,142	479,866	1,029,816	654,304	667,679	499,410	716,744	462,854	713,526
Transfers	(1,225,811)	(9,284,195)	(8,537,144)	(9,553,108)	(8,606,628)	(7,382,948)	(6,984,391)	(7,106,789)	(8,008,973)	(9,928,251)
Total business-type activities	734,011	(7,693,114)	(6,909,630)	(6,047,898)	(6,035,528)	(6,100,601)	(6,297,646)	(6,353,167)	(7,450,743)	(9,043,757)
Total primary government	111,184,310	122,700,877	138,362,009	153,396,673	159,062,824	165,765,580	167,775,814	161,119,935	163,872,231	166,117,874
Changes in Net Position:										
Governmental activities	9,890,859	8,549,837	16,588,134	3,365,627	(3,330,940)	(1,690,595)	11,735,850	7,536,864	19,969,673	17,098,752
Business-type activities	6,627,015	5,565,508	7,477,051	8,334,839	6,207,141	5,775,166	7,507,137	12,057,128	9,163,423	11,217,766
Total primary government	\$ 16,517,874	14,115,345	24,065,185	11,700,466	2,876,201	4,084,571	19,242,987	19,593,992	29,133,096	28,316,518

CITY OF PORTSMOUTH, VIRGINIA

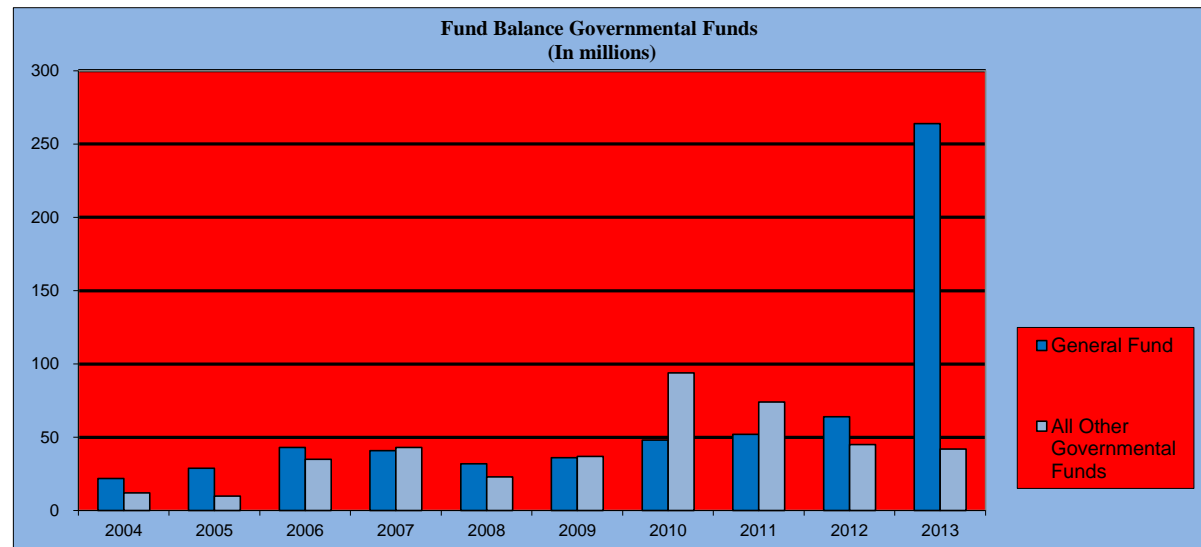
Fund Balances, Governmental Funds

A-3

Last Ten Fiscal Years (modified accrual basis of accounting)

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Fund										
Reserved	\$ 3,319,963	1,997,783	6,300,760	5,069,051	5,707,974	3,246,548	2,934,768	-	-	-
Unreserved	18,730,024	27,492,525	36,473,047	35,452,633	26,328,953	32,608,666	45,394,978	-	-	-
Nonspendable	-	-	-	-	-	-	-	2,660,735	2,464,610	2,278,106
Restricted	-	-	-	-	-	-	-	140,677	295,762	18,549,834
Committed	-	-	-	-	-	-	-	-	7,880,834	7,187,371
Assigned	-	-	-	-	-	-	-	60,627	5,846	-
Unassigned	-	-	-	-	-	-	-	48,667,799	53,631,444	236,707,641
Total General Fund	22,049,987	29,490,308	42,773,807	40,521,684	32,036,927	35,855,214	48,329,746	51,529,838	64,278,496	264,722,952
All Other Governmental Funds										
Reserved	4,072,248	6,745,024	13,796,697	12,992,195	12,390,140	9,013,543	17,861,357	-	-	-
Unreserved, reported in:										
Special revenue funds	5,764,887	6,043,199	6,380,664	5,933,041	5,230,281	6,219,375	19,580,665	-	-	-
Permanent funds (1)	120,002	140,468	185,397	297,604	407,268	394,025	448,205	-	-	-
Capital projects funds	2,100,788	(2,530,084)	14,573,363	24,241,983	5,390,537	21,751,465	56,173,437	-	-	28,235,511
Nonspendable	-	-	-	-	-	-	-	1,002,223	1,002,223	1,002,223
Restricted	-	-	-	-	-	-	-	72,136,623	43,831,689	11,394,245
Committed	-	-	-	-	-	-	-	689,701	623,988	367,043
Assigned	-	-	-	-	-	-	-	-	-	618,921
Unassigned	-	-	-	-	-	-	-	(29,999)	(278,692)	-
Total all other governmental funds	\$ 12,057,925	10,398,607	34,936,121	43,464,823	23,418,226	37,378,408	94,063,664	73,798,548	45,179,208	41,617,943

* Classification change (GASB 54) FY11 Special Revenue, Permanent, & Capital Projects fund balance is comprised of Restricted, Nonspendable, Committed, and Assigned fund balances



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

A-4

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues										
Taxes	\$ 105,968,051	116,523,150	129,336,845	142,304,393	151,595,074	161,152,304	163,986,237	159,191,656	160,062,205	160,108,769
Licenses and permits	952,160	991,695	1,162,977	1,341,290	1,153,187	926,923	1,136,981	1,117,152	883,022	832,610
Fines and forfeitures	480,247	409,096	335,211	292,244	172,007	173,529	184,741	572,821	853,101	867,213
Investment income and use of property	3,104,812	5,754,735	5,331,493	6,058,766	4,539,471	3,181,215	2,287,625	2,316,889	2,179,404	1,952,293
Charges for services	17,029,881	9,668,285	13,324,845	12,541,445	9,264,732	8,189,038	9,773,256	9,468,478	11,795,141	12,796,551
Recovered costs	2,992,593	3,460,190	6,220,227	3,622,340	4,676,217	4,135,037	4,331,770	4,085,061	3,708,285	3,598,403
Miscellaneous	2,847,396	2,499,809	3,030,478	3,114,090	5,372,509	4,556,269	9,434,921	4,931,402	17,765,172	4,451,002
Intergovernmental	65,943,667	66,665,474	73,155,576	76,192,266	80,210,496	76,140,401	78,583,705	76,639,575	75,920,149	72,780,080
Sale of commodities and property	296,891	2,064	3,574,493	139,440	242,770	-	-	-	-	-
Total revenues and other sources	199,615,698	205,974,498	235,472,145	245,606,274	257,226,463	258,454,716	269,719,236	258,323,034	273,166,479	257,386,921
Expenditures										
General government	11,900,198	13,415,671	20,992,502	23,229,371	17,701,336	16,146,243	15,503,424	15,711,620	15,501,466	15,905,233
Nondepartmental	4,904,095	5,977,663	-	-	6,681,149	9,503,827	9,276,215	9,975,985	11,496,297	12,138,227
Judicial	17,500,634	16,322,948	17,215,246	18,424,590	19,869,269	20,605,038	19,198,298	18,945,494	18,496,993	20,158,413
Public safety	41,291,931	46,172,069	49,027,166	53,524,102	58,276,566	59,009,982	60,853,783	60,446,711	62,240,428	61,441,195
Public works	16,241,531	14,650,017	16,626,200	17,092,893	18,274,869	17,413,077	15,539,098	16,033,880	15,588,397	16,786,940
Health and welfare	30,711,542	32,985,326	37,175,910	40,762,079	42,530,195	41,062,430	38,131,285	37,792,064	35,594,381	32,239,186
Parks, recreation, and cultural	11,758,214	11,530,155	11,077,141	12,010,340	12,804,623	12,230,804	11,577,153	11,608,738	11,091,361	11,469,943
Community development	7,009,129	9,858,641	9,383,948	11,418,822	9,435,979	9,033,730	9,476,115	7,175,300	8,101,488	8,872,526
Debt service:										
Principal	11,644,093	10,664,670	12,044,668	13,681,588	15,818,354	14,251,629	10,467,075	9,843,352	10,075,319	10,739,261
Interest	8,184,113	9,840,530	10,867,394	10,708,805	11,465,427	10,329,837	11,185,563	12,332,018	13,029,154	14,313,937
Education	28,541,291	31,352,585	36,670,336	42,683,991	49,845,490	49,818,483	48,171,651	48,171,651	49,571,413	39,849,897
Capital outlay	13,192,881	18,728,969	14,604,621	27,392,620	32,181,996	21,638,382	33,782,150	58,653,655	46,037,429	12,995,722
Total expenditures	202,879,652	221,499,244	235,685,132	270,929,201	294,885,253	281,043,462	283,161,810	306,690,468	296,824,126	256,910,480
Excess of revenues over (under) expenditures	(3,263,954)	(15,524,746)	(212,987)	(25,322,927)	(37,658,790)	(22,588,746)	(13,442,574)	(48,367,434)	(23,657,647)	476,441
Other financing sources (uses)										
Transfers in	9,424,450	16,346,941	19,874,456	23,954,536	24,610,728	20,261,687	22,382,161	22,117,233	22,880,724	21,594,945
Transfers out	(9,068,639)	(7,891,613)	(12,085,891)	(15,449,048)	(15,483,292)	(11,137,307)	(16,730,817)	(16,492,768)	(15,331,422)	(12,459,843)
Proceeds from capital leases	-	1,715,354.00	-	-	-	358,080	-	-	-	-
Proceeds from debt issued	80,715,550	11,167,049	-	-	-	157,743	2,219,887	-	-	-
Payments from component unit	-	-	-	-	-	-	-	-	-	-
Discount on bonds issued	-	(49,926)	(67,183)	(24,491)	-	(351,552)	(1,777,830)	-	-	-
VP&A Subsidy	-	-	-	-	-	-	1,324,727	-	-	-
Payments to escrow agent	(69,336,929)	-	(38,330,411)	(36,133,012)	-	(45,565,623)	-	-	-	-
Payment for current refunding of debt	-	-	-	(7,980,000.00)	-	-	-	-	-	-
Premium on bonds issued	-	-	1,440,585	310,130	-	994,187	839,121	3,908,502	1,962,885	10,661,550
General obligation bonds issued	-	-	24,635,213	23,259,753	-	-	74,345,113	68,547,102	31,450,000	254,465,000
BAN Proceeds	-	-	-	-	-	29,925,000	-	-	-	-
Refunding bonds issued	-	-	40,624,787	43,640,000	-	45,725,000	-	(46,778,674)	(33,175,221)	(77,854,902)
Total other financing sources (uses)	11,734,432	21,287,805	36,091,556	31,577,868	9,127,436	40,367,215	82,602,362	31,301,395	7,786,966	196,406,750
Special item - payment to component unit	-	-	(2,236,629)	-	-	-	-	-	-	-
Net change in fund balances	\$ 8,470,478	5,763,059	35,878,569	6,254,941	(28,531,354)	17,778,469	69,159,788	(17,066,039)	(15,870,681)	196,883,191
Debt service as a percentage of noncapital expenditures	10.44%	9.98%	10.32%	9.88%	10.09%	9.33%	8.34%	8.89%	9.20%	10.33%

CITY OF PORTSMOUTH, VIRGINIA

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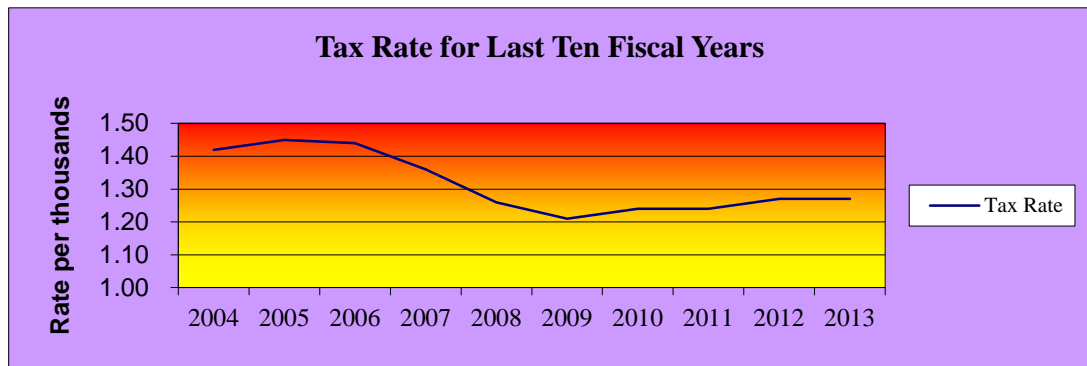
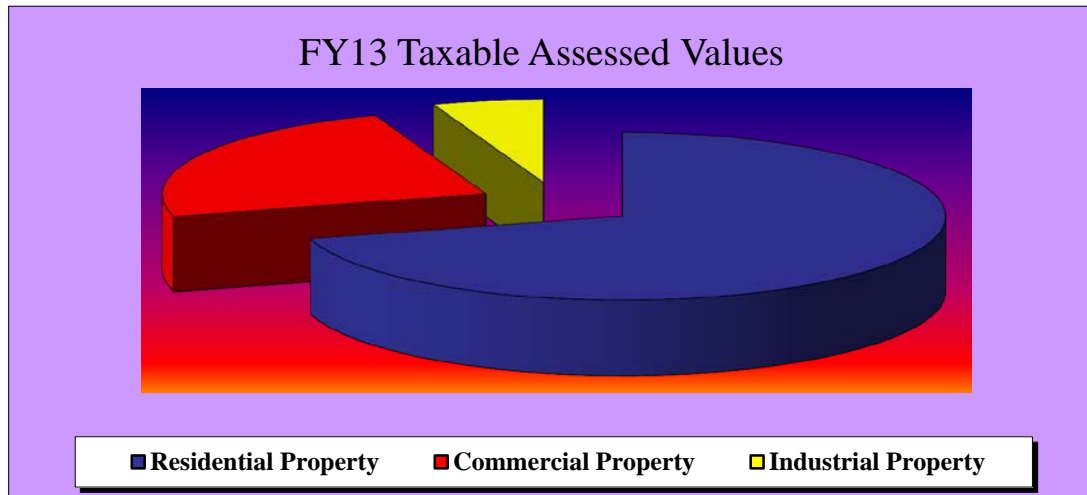
Assessed Value and Estimated Actual Value of Taxable Real Property

Last Ten Fiscal Years

(in thousands of dollars)

Fiscal Year Ended 30-Jun	Residential Property	Commercial Property	Industrial Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value
2013	\$ 5,039,792	1,697,096	396,839	7,133,727	1.27	9,152,052
2012	5,132,403	1,900,610	402,017	7,425,030	1.27	9,506,777
2011	5,198,747	1,729,629	404,688	7,333,064	1.24	9,155,769
2010	5,452,716	1,818,679	406,222	7,677,617	1.24	9,570,375
2009	5,456,525	1,717,052	418,087	7,591,664	1.21	9,338,509
2008	4,967,919	1,487,540	203,354	6,658,814	1.26	8,747,238
2007	4,128,828	1,507,162	104,730	5,740,721	1.36	7,752,616
2006	3,314,028	1,091,120	87,007	4,492,155	1.44	6,239,104
2005	2,886,714	995,814	78,203	3,960,731	1.45	4,125,762
2004	2,581,971	960,422	66,868	3,609,261	1.42	3,759,647

Source: City Assessor's Office



CITY OF PORTSMOUTH, VIRGINIA

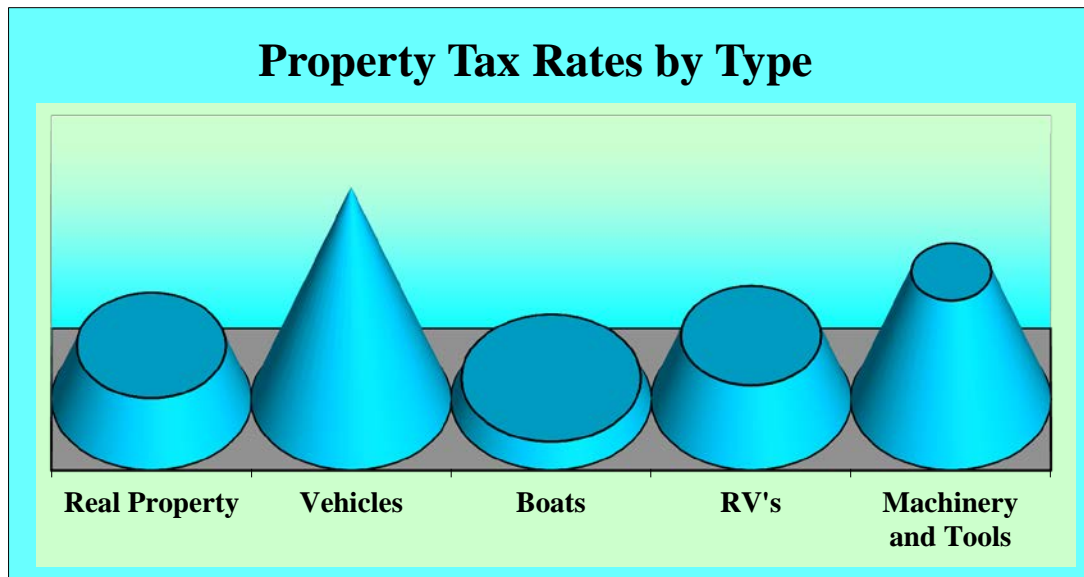
B-2

Property Tax Rates

Last Ten Fiscal Years

Fiscal Year	Real Property (1)	Personal Property (2)			Manufacturer's Machinery and Tools (3)
		Vehicles	Boats	RV's	
2013	\$ 1.27	5.00	0.50	1.50	3.00
2012	1.27	5.00	0.50	1.50	3.00
2011	1.24	5.00	0.50	1.50	3.00
2010	1.24	5.00	0.50	1.50	3.00
2009	1.21	5.00	0.50	1.50	3.00
2008	1.26	5.00	0.50	1.50	3.00
2007	1.36	5.00	0.01	1.50	3.00
2006	1.44	5.00	0.01	1.50	3.00
2005	1.45	5.00	0.01	1.50	3.00
2004	1.42	4.35	0.01	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 Tools is calculated on a straight 50 percent of original cost method. The tax rate is per \$100 of assessed value.



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

B-3

Taxpayer	2013		2004	
	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value
APM Terminals of Virginia	\$ 403,796,386	5.13%		
PRHA	46,489,927	0.59%		
South Norfolk Jordan Bridge	38,280,000	0.49%		
Earl Industries	36,934,492	0.47%		
Virginia Electric and Power	35,351,770	0.45%		
GEM Portsmouth High LLC	31,459,500	0.40%		
G & E Apartment REIT The Myrtles	27,000,000	0.34%		
Economic Development Authority of Portsmouth	25,351,060	0.32%		
Wheelabrator Portsmouth, Inc.	24,456,459	0.31%		
Westwinds Property LLC	22,281,240	0.28%		
BASF Corporation			47,091,456	1.0%
Dominion Virginia Power			42,320,350	0.9%
Verizon Virginia , Inc.			37,605,370	0.8%
KMC Telecom of Virginia, Inc			22,197,880	0.5%
Columbia Gas of Virginia, Inc.			21,684,940	0.5%
Cogentrix			20,134,270	0.4%
Gwaltney of Smithfield			10,205,379	0.2%
Universal Maritime Service Corporation			6,867,525	0.2%
Lin Television Corporation			6,753,716	0.1%
US Amines (Portsmouth) LLC			5,554,502	0.1%
	<u>\$ 691,400,834</u>	<u>8.79%</u>	<u>\$ 220,415,388</u>	<u>4.9%</u>

Source: Portsmouth City Assessor and Portsmouth Commissioner of the Revenue

CITY OF PORTSMOUTH, VIRGINIA
Property Tax Levies and Collections
Last Ten Fiscal Years

B-4

Real Estate:

Tax Year	Fiscal Year Ending	Original Tax Levy	Taxes Collected In Year of Levy	Percent of Taxes Collected In Year of Levy	Delinquent Taxes Collected to June 30, 2013	Total Tax Collections to June 30, 2013	Adjustments To Levy (3)	Outstanding Taxes A/R June 30, 2013	Percent of Adjusted Levy Collected to June 30, 2013	Adjusted Tax Levy June 30, 2013
2012	June 30, 2013	\$ 88,808,682	83,261,282	93.8	-	83,261,282	(441,001)	5,106,399	94.22	88,367,681
2011	June 30, 2012	92,659,186	85,681,654	92.5	3,479,067	89,160,721	(2,954,893)	543,572	99.39	89,704,293
2010	June 30, 2011	89,613,578	84,590,952	94.4	4,548,752	89,139,704	(248,832)	225,042	99.75	89,364,746
2009	June 30, 2010	92,594,347	88,287,197	95.3	3,812,222	92,099,419	(350,691)	144,237	99.84	92,243,656
2008	June 30, 2009	89,813,809	85,735,326	95.5	4,173,344	89,908,670	197,094	102,234	99.89	90,010,903
2007	June 30, 2008	82,061,047	80,767,754	98.4	3,548,557	84,316,311	2,309,030	53,766	99.94	84,370,077
2006	June 30, 2007	74,858,725	71,559,330	95.6	3,772,443	75,331,773	488,913	15,865	99.98	75,347,638
2005	June 30, 2006	64,686,492	60,652,216	93.8	2,935,836	63,588,052	(1,093,489)	4,952	99.99	63,593,003
2004	June 30, 2005	57,430,022	53,835,077	93.7	2,574,725	56,409,802	(1,017,290)	2,930	99.99	56,412,732
2003	June 30, 2004	51,250,872	47,590,435	92.9	2,295,054	49,885,489	(1,362,775)	2,607	99.99	49,888,097

Personal Property:

Tax Year	Fiscal Year Ending	Original Tax Levy (2)	Taxes Collected In Year of Levy (1)	Percent of Taxes Collected In Year of Levy (1)	Delinquent Taxes Collected to June 30, 2013	Total Tax Collections to June 30, 2013	Adjustments To Levy (3)	Outstanding Taxes A/R June 30, 2013	Percent of Adjusted Levy Collected to June 30, 2013	Adjusted Tax Levy June 30, 2013
2013	June 30, 2013	\$ 23,241,660	17,511,643	75.3	-	17,511,643	(466,571)	5,263,446	76.89	22,775,089
2012	June 30, 2012	21,841,734	17,181,394	78.7	7,179,733	24,361,127	3,388,461	869,068	96.56	25,230,195
2011	June 30, 2011	18,093,172	13,653,563	75.5	9,436,126	23,089,689	5,624,544	628,027	97.35	23,717,716
2010	June 30, 2010	19,582,168	14,843,139	75.8	9,072,547	23,915,686	4,905,687	572,170	97.66	24,487,856
2009	June 30, 2009	19,030,247	14,156,894	74.4	8,535,075	22,691,969	4,142,601	480,879	97.92	23,172,848
2008	June 30, 2008	20,213,758	13,813,758	68.3	10,194,460	24,008,218	4,265,643	471,183	98.08	24,479,401
2007	June 30, 2007	21,976,362	16,079,906	73.2	5,846,422	21,926,328	231,858	281,892	98.73	22,208,220
2006	June 30, 2006	22,160,657	16,589,424	74.9	5,523,384	22,112,808	(329,741)	-	100.00	21,830,916
2005	June 30, 2005	25,437,164	19,732,957	77.6	8,961,706	28,694,663	3,257,499	-	100.00	28,694,663
2004	June 30, 2004	21,146,587	16,418,177	77.6	7,538,425	23,956,602	2,810,015	-	100.00	23,956,602

(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 FY13 is \$33,474,722 less the tax credit of \$10,233,062 equaling the \$23,241,660 as shown.

(3) Includes supplements, abatements, prorations, adjustments and writeoffs

CITY OF PORTSMOUTH, VIRGINIA

C-1

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years

(dollars in thousands, except per capita)

Fiscal Year	Governmental Activities							Business-Type Activities			Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	General Obligation Notes	Cooperation Agreements	Literary Loans	Capital Leases	Less: Restricted for Debt Service	Net Government Debt	General Obligation Bonds	Revenue Bonds	Capital Leases			
2013	\$ 493,637	-	-	1,250	13,172	-	508,059	172,055	-	1,130	681,244	**	6,991
2012*	265,568	48,730	-	1,500	16,024	-	331,822	175,492	-	2,021	509,335	**	5,263
2011	265,940	50,455	-	1,875	17,254	-	335,524	125,832	-	2,574	463,930	12.90%	4,864
2010	241,816	25,329	-	2,250	13,474	-	282,869	130,284	-	2,208	415,361	12.17%	4,348
2009	199,733	-	-	2,625	16,765	-	219,123	103,454	-	3,128	325,705	9.82%	3,319
2008	203,499	6,796	-	3,000	18,116	-	231,411	107,628	-	2,232	341,271	10.16%	3,428
2007	217,814	6,794	-	3,375	18,451	3	246,437	111,996	-	2,219	360,652	11.06%	3,558
2006	171,311	7,980	34,725	3,850	18,949	683	236,132	98,372	-	1,227	335,731	10.79%	3,280
2005	120,384	7,980	51,014	4,325	22,584	644	205,643	70,198	8,138	970	284,949	9.67%	2,827
2004	122,058	7,980	53,144	4,800	22,343	1,050	209,275	67,154	8,423	564	285,416	10.12%	2,860

The City of Portsmouth has no overlapping debt.

*Restated

**Information not available at this time

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

C-2

Fiscal Year	General Bonded Debt Outstanding (1)			Percentage of Actual Taxable Value of Property	Per Capita
	General Obligation Bonds (1)	Cooperation Agreement	Total		
2013	\$ 665,692	-	665,692	7.27%	\$ 6,831
2012*	441,060	-	441,060	4.64%	4,557
2011	442,227	-	442,227	4.83%	4,636
2010	279,932	-	279,932	2.92%	2,930
2009	212,851	-	212,851	2.28%	2,169
2008	223,726	-	223,726	2.56%	2,248
2007	238,621	-	238,621	3.08%	2,354
2006	193,867	-	193,867	3.11%	1,894
2005	128,364	10,200	138,564	3.36%	1,375
2004	130,038	11,380	141,418	3.76%	1,417

*Restated

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

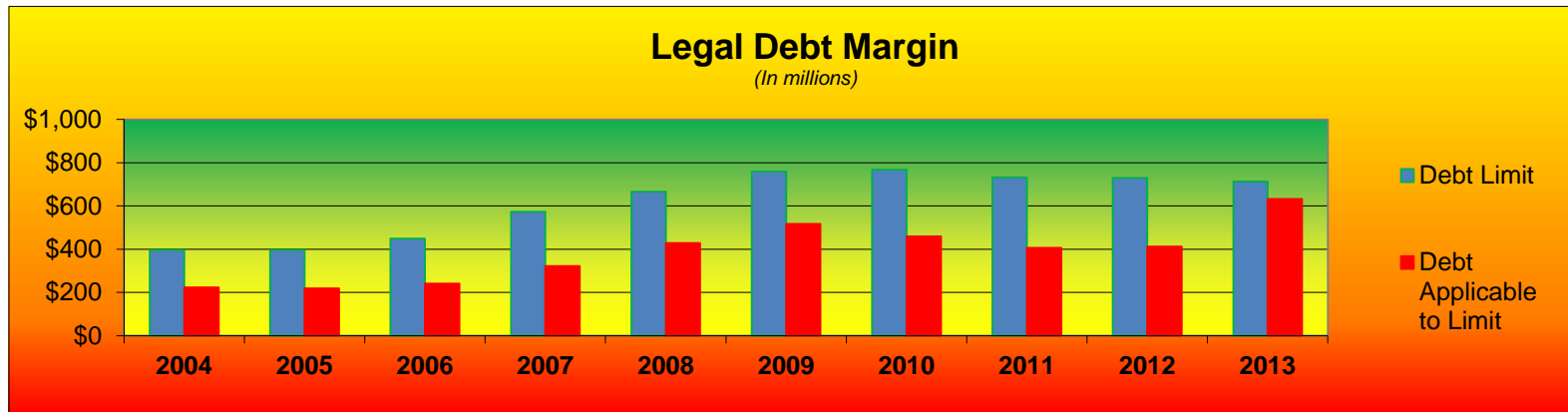
CITY OF PORTSMOUTH, VIRGINIA
Legal Debt Margin Information
Last Ten Fiscal Years
(dollars in thousands)

C-3

Legal Debt Margin Calculation for Fiscal Year 2013

Assessed value	\$ 7,133,727
Debt limit (10% of assessed value)	713,373
Debt applicable to limit:	631,649
Legal debt margin	<u>\$ 81,724</u>

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Debt limit	\$ 396,073	396,073	449,215	574,072	665,881	759,166	767,762	733,306	743,503	713,373
Total net debt applicable to limit	171,992	176,610	208,401	252,287	236,589	241,689	308,221	326,609	316,767	631,649
Legal debt margin	224,081	219,463	240,814	321,785	429,292	517,477	459,541	406,697	426,736	81,724
Total net debt applicable to limit as a percentage of debt limit	43.4%	44.6%	46.4%	43.9%	35.5%	31.8%	40.1%	44.5%	42.6%	88.5%



CITY OF PORTSMOUTH, VIRGINIA

C-4

Pledged-Revenue Coverage

Last Ten Fiscal Years

(dollars in thousands)

Golf Bonds						
Fiscal Year	Gross Revenue	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2013	\$ -	-	-	-	-	- *
2012	-	-	-	-	-	- *
2011	-	-	-	-	-	- *
2010	-	-	-	-	-	- *
2009	-	-	-	-	-	- *
2008	-	-	-	-	-	- *
2007	-	-	-	-	-	- *
2006	-	-	-	-	-	- *
2005	2,510	1,550	960	290	410	1.37
2004	1,813	1,645	168	275	426	0.24

* There are no outstanding revenue bonds for these fiscal years.

Note: Source of pledged revenue is derived from rates, fees, and charges for the use of and for the services furnished by the Golf facilities.

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

D-1

Year	Population (1)	Personal Income (thousands of dollars) (1)	Per Capita Personal Income (1)	Median Age (1)	School Enrollment (2)	Unemployment Rate (3)
2013	97,450	*	*	35.7	14,215	7.80%
2012	96,785	*	*	35.7	14,256	8.60%
2011	95,388	3,596,088	37,583	36	14,103	8.80%
2010	95,535	3,412,511	35,686	36	14,224	9.30%
2009	98,124	3,317,088	34,776	34	14,331	8.30%
2008	99,542	3,358,386	35,055	34	14,287	5.10%
2007	101,377	3,260,359	33,326	34	14,990	4.10%
2006	102,346	3,112,645	31,373	42	15,243	4.30%
2005	100,783	2,945,570	30,036	35	15,309	5.30%
2004	99,785	2,820,869	28,953	*	15,642	5.40%

*Information not available at this time.

- (1) Bureau of Economic Analysis, U.S. Department of Commerce; 2013 & 2009 from Weldon Cooper Center for Public Service, University of Virginia
- (2) Portsmouth Public Schools
- (3) Virginia Employment Commission, Economic Information Services Division. Labor Market Information.
www.virginialmi.com

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

D-2

Employer	2013			2004		
	# of Employees	Rank	Percentage of Total City Employment	# of Employees	Rank	Percentage of Total City Employment
Norfolk Naval Shipyard	9,500	1	21.42%	7,600	1	18.12%
Naval Medical Center, Portsmouth	6,721	2	15.15%	5,463	2	13.02%
US Fifth District Coast Guard Command	2,500	3	5.64%	1,400	6	3.34%
City of Portsmouth	2,383	4	5.37%	2,448	4	5.84%
Portsmouth Public Schools	2,148	5	4.84%	2,700	3	6.44%
Bon Secours Maryview Medical Center	2,000	6	4.51%	2,000	5	4.77%
Tidewater Community College	622	7	1.40%	-	-	-
General Dynamics - NASSCO (Earl Industries)	425	8	0.96%	850	7	2.03%
Gwaltney of Smithfield	-	-	-	520	9	1.24%
Wal-Mart Supercenter	380	9	0.86%	-	-	-
Alternative Behavior Services (FHC)	-	-	-	800	8	1.91%
Southeastern Public Service Authority	148	10	0.00	473	10	1.13%
Total	26,827		60.48%	24,254		57.82%

Source: Portsmouth Department of Economic Development

CITY OF PORTSMOUTH, VIRGINIA

E-1

Full-time Equivalent Employees by Function/Program

Last Ten Fiscal Years

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Fund										
General government	138	131	138	134	146	144	133	167	132	139
Judicial	236	233	233	237	252	252	249	240	242	253
Public Safety	598	598	599	599	600	597	591	590	611	625
Public Works	108	107	107	110	108	104	359	359	87	86
Health and Welfare	1	-	-	-	-	-	-	-	-	-
Parks, Recreational, and Leisure Services	153	126	146	124	126	120	127	126	106	107
Community Development	44	65	44	70	67	66	48	48	48	51
Total General Fund	1,278	1,260	1,267	1,274	1,299	1,283	1,507	1,530	1,226	1,261
Special Revenue Funds										
Willett Hall Fund	3	-	1	1	1	1	1	1	2	2
Comprehensive Services Fund	3	3	3	3	3	3	3	3	3	3
Stormwater Management Fund	33	33	33	33	31	31	23	23	23	27
Grants	-	-	31	31	31	31	28	24	27	-
Behavioral Health Services Fund	128	129	129	130	137	137	122	120	120	120
Public Law Library Fund	-	-	-	-	-	-	-	-	-	-
Social Services Fund	245	247	247	254	254	254	248	245	245	246
Total Special Revenue Funds	412	412	444	452	457	457	425	416	420	398
Capital Projects Fund										
Community Development	2	2	2	-	-	-	-	-	-	-
Enterprise Funds										
Public Utilities Fund	143	143	143	146	145	145	138	138	138	139
Golf Fund	19	19	19	19	19	19	17	17	17	17
Waste Management Fund	73	73	73	76	75	75	68	68	68	62
Parking Authority Fund	6	6	6	6	6	6	6	6	6	6
Total Enterprise Funds	241	241	241	247	245	245	229	229	229	224
Internal Service Funds										
City Garage Fund	42	41	41	41	41	41	36	36	35	35
Information Technology Fund	40	40	40	32	39	39	26	26	33	26
Risk Management Fund	-	1	3	3	3	2	8	3	3	3
Total Internal Service Funds	82	82	84	76	83	82	70	65	71	64
Total All Funds	2,015	1,997	2,038	2,049	2,084	2,067	2,231	2,240	1,946	1,947

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

E-2

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<u>Function/Program</u>										
Police										
Physical arrests	15,333	10,724	10,571	7,895	9,852	9,747	10,374	9,422	6,131	8,835
Parking violations	8,124	8,652	8,228	8,001	15,821	8,124	12,162	9,023	11,000	6,717
Traffic violations	13,603	17,896	12,294	6,774	11,431	11,424	16,140	15,594	18,648	14,343
Fire										
Emergency responses	*	*	17,310	17,386	17,035	14,073	16,135	17,447	17,618	17,421
Fires extinguished	*	*	855	662	623	590	506	626	382	307
Inspections	*	*	1,785	900	1,259	1,875	1,638	885	516	801
Refuse collection										
Refuse collected (tons/day)	*	*	162	151	165	126	158	*	*	*
Recyclables collected (pounds/day)	*	*	2	2	3	5	35	*	*	*
Other public works										
Street resurfacing (miles)	*	*	26.3	17.8	44.9	20.6	19.2	28.2	21.5	5.9
Potholes repaired	*	*	1,324	1,491	911	1,045	1,344	1,191	3,341	5,350
Parks and recreation										
Community center admissions	*	*	262,399	308,891	308,891	274,571	274,571	281,145	242,864	286,750
Library										
Volumes in collection	*	*	338,601	371,256	338,971	276,874	260,889	267,230	243,583	243,583
Total volumes borrowed	*	*	380,040	337,447	370,870	376,946	383,265	364,835	384,130	357,581
Water										
New connections	*	*	136	176	255	105	2,959	2,852	149	92
Water main breaks	*	*	125	126	102	105	88	104	91	107
Average daily consumption (millions of gallons)	17.85	17.97	18.81	16.56	13.90	13.80	13.60	13.40	17.20	24.6
Peak daily consumption (millions of gallons)	*	*	26.69	17.53	16.90	16.70	16.70	16.56	20.20	*

* Information not available at this time.

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

E-3

<u>Function/Program</u>	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	234	234	242	252	255	255	255	236	262	268
Fire stations	8	8	8	8	8	8	8	8	8	8
Refuse collection										
Collection trucks	*	*	26	26	27	27	27	27	27	27
Other public works										
Streets (miles)	403	402	398	398	351	403	393	*	399	399
Highway (miles)	*	*	888	888	82	82	82	*	*	*
Streetlights	11,634	10,722	10,693	10,661	10,665	10,665	10,665	*	10,706	10714
Traffic signals	*	*	115	130	120	120	120	*	*	121
Parks and recreation										
Acreage	203	203	250	402	402	402	402	402	402	402
Playgrounds	*	*	12	13	13	13	13	13	13	13
Baseball/softball diamonds	*	*	39	36	36	36	36	36	36	36
Soccer/football fields	*	*	35	34	34	34	34	34	34	34
Community centers	7	7	7	7	7	7	7	7	7	7
Water										
Water mains (miles)	625	625	543	543	626	626	626	626	626	626
Fire hydrants	2,523	2,530	2,514	2,514	2,530	2,530	2,593	2,593	2,593	2593
Storage capacity (millions of gallons)	*	*	8.50	8.50	8.50	8.50	9	9	9	9
Wastewater										
Sanitary sewers (miles)	437	437	437	437	438	438	438	438	438	438
Storm sewers (miles)	107	107	159	159	159	159	159	159	250	250
Treatment capacity (millions of gallons)	32	32	32	32	32	32	32	32	32	32

* Information not available at this time.

COMPLIANCE SECTION



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**Independent Auditor's 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**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and *Specifications for Audits of Counties, Cities and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Portsmouth, Virginia (the "City") as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 30, 2014.

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 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

We did identify two matters of noncompliance with State compliance requirements which are described in the accompanying schedule of findings and questioned costs as 2013-3 and 2013-4.

City of Portsmouth, Virginia's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing on internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Virginia Beach, Virginia
April 30, 2014

**Independent Auditors' Report on Compliance for
Each Major Federal Program
and on Internal Control over Compliance
Required by OMB Circular A-133**

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

Report on Compliance for Each Major Federal Program

We have audited the City of Portsmouth, Virginia's (the "City") compliance with the types of compliance requirements described in the *OMB Circular A-133 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, 2013. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs;

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2013-1 and 2013-2. Our opinion on each major federal program is not modified with respect to these matters.

The City's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

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

Virginia Beach, Virginia
April 30, 2014

City of Portsmouth, VIRGINIA
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2013

1) Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued on the financial statements:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified:	No
Significant deficiencies identified:	No
Noncompliance material to the financial statements noted?	No

Federal Awards:

Type of auditor's report issued on compliance for major programs:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified:	No
Significant deficiencies identified:	No
Any audit findings disclosed that are required to be reported in Accordance with Section 510(a) of OMB Circular A-133?	Yes

Identification of major federal programs:

<u>Name of Program</u>	<u>CFDA #</u>
Department of Agriculture:	
Child Nutrition Cluster	10.553/10.555/10.559
Department of Housing and Urban Development:	
CDBG – Entitlements Grants Cluster	14.218
Department of Education:	
Title I, Part A Cluster	84.010
Department of Health and Human Services:	
Adoption Assistance	93.659
Social Services Block Grant	93.667
Medicaid Cluster	93.778
Block Grants for Prevention and Treatment of Substance Abuse	93.959

Dollar threshold to distinguish between Types A and B Programs:	\$1,098,542
The City of Portsmouth was qualified as a low risk auditee?	Yes

2) Findings - Financial Statement Audit

None

3) Findings and Questioned Costs - Major Federal Awards

Federal Finding 2013-1: Community Development Block Grant, CFDA 14.218

Criteria:

The OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, requires the timely filing of reports with U.S. Department of Housing and Urban Development.

Condition:

The City did not comply with reporting requirements related to the program.

Cause:

Procedures are not in place to adhere to all of the federal reporting requirements related to the program.

Auditor's Recommendation:

Internal controls should be designed to ensure that the City adheres to the compliance requirements of federal award programs as outlined in OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Management's Response:

We concur that the City of Portsmouth is currently not in compliance with the necessary reporting requirements, i.e. the timely filing of form SF-272, Federal Transactions Report with the U.S. Department of Housing and Urban Development . Appropriate procedures will be put in place to ensure that this reporting is done in a regular and timely fashion and that internal controls will comply with requirements as outlined in OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Federal Finding 2013-2: Community Development Block Grant, CFDA 14.218

Criteria:

The Federal Funding Accountability and Transparency Act (FFATA) requires the Office of Management and Budget to maintain a single, searchable website that contains all information on spending associated with Federal awards. In connection with FFATA, prime recipients were required to report subawards starting March 1, 2011 with values exceeding \$25,000. Among the items required to be reported are the name of entity receiving the award, amount of the award, funding agency, CFDA program number and program source.

Condition:

During our audit of the major federal awards programs indicated above, we noted the City did not complete the subaward reporting requirement under the FFATA.

Cause:

The City was not made specifically aware of the requirement for sub-recipient reporting by the U.S. Department of Housing and Urban Development, though the requirement is in place.

Auditor's Recommendation:

Internal controls should be designed to ensure that the City adheres to the compliance requirements of federal award programs as outlined in OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

Management's Response:

We concur that the City of Portsmouth is currently not in compliance with the necessary reporting requirements. Appropriate procedures will be put in place to ensure that this reporting is done in a regular and timely fashion.

4) Findings and Questioned Costs – State Compliance**State Finding 2013-3: Special Welfare Trust****Criteria:**

The *Code of Virginia*, Section 63.2-320 requires that unexpended Special Welfare funds and dedicated funds are returned to individuals who leave the agency's custody, refunded to applicable funding sources (for example Social Security), or escheated to the State (unclaimed property), and Special Welfare accounts and Social Security income dedicated accounts without recent transaction activities are necessary.

Condition:

While performing our audit procedures to ensure compliance with Section 3-15 of the *Specifications for Audits of Counties, Cities and Towns*, we noted two instances where the balance for a child who left the agency's custody were not properly refunded to the applicable funding source or escheated to the State. The total amount of \$897 should have been refunded or escheated on a more timely basis.

Cause:

Procedures were not in place to ensure balances of individuals who leave the agency's custody are properly refunded to the applicable funding sources or escheated to the State.

Effect:

The City of Portsmouth is not in compliance with Section 3-15 of the *Specifications for Audits of Counties, Cities and Towns*.

Auditor's Recommendation:

We recommend a procedure be put in place to ensure balances of individuals who leave the agency's custody are properly refunded to the applicable funding sources or escheated to the State.

Management's Response:

The Department of Social Services has reviewed the audit findings and is in the process of developing formalized internal policy and procedures to ensure compliance with all federal, state, and local policies regarding Special Welfare Account Administration. Said

policies and procedures will be predicated upon directives provided in the Social Security Administration Handbook, Specifications for Audits of Counties, Cities, and Towns, the Virginia Department of the Treasury-Division of Unclaimed Property, Section 63.2-314 Code of Virginia, and Section 63.2-320 Code of Virginia.

Additionally the Department is utilizing the Virginia Department of Social Services Finance Guidelines Manual for Local Departments of Social Services which provides general guidelines and procedures in Section 3.50 regarding Special Welfare Account Administration.

Upon the completion of an (internal) formalized policies and procedures for the Department, the Accounting Manager will ensure the appropriate staff members are trained. The creation, implementation, and enforcement of the aforementioned policy and procedures will ensure timely remittance and escheatment of Special Welfare account balances. This should ensure the Department's future compliance.

At this time the Finance Unit of the Department is verifying the account balance of all clients and has begun the notification of and remittance to said clients. Where applicable, the escheatment process will be initiated in accordance with the funding source's guidelines. To further expedite this process the Department has been able to obtain the services of a former Finance staff member whose expertise was the Special Welfare fund.

State Finding 2013-4: Highway Maintenance Funds

Criteria:

The *Code of Virginia*, Sections 33.1-41.1 and 33.1-23.5, requires that local governments receiving street maintenance funds must submit an annual Weldon Cooper Center Local Finance Survey to the state Department of Transportation accounting for payment received and related expenditures by March 15 for the previous fiscal year.

Condition:

While performing our audit procedures to ensure compliance with Section 3-13 of the *Specifications for Audits of Counties, Cities and Towns*, we noted that the Weldon Cooper Center Local Finance Survey was not submitted to the state Department of Transportation until April 25, 2013 for fiscal year 2012.

Cause:

Procedures were not in place to ensure the report was filed on time.

Effect:

The City of Portsmouth is not in compliance with Section 3-13 of the *Specifications for Audits of Counties, Cities and Towns*.

Auditor's Recommendation:

We recommend a procedure be put in place to ensure the report is timely submitted to the Department of Transportation each year.

Management's Response:

We concur that the City of Portsmouth is not in compliance with the necessary reporting requirements, i.e. the timely filing of the Weldon Cooper Center Local Finance Survey to the state Department of Transportation. Appropriate procedures will be put in place to ensure that this reporting is done in a regular and timely fashion and that internal controls will comply with requirements as outlined in Section 3-13 of the Specifications for Audits of Counties, Cities and Towns.

5) Resolution of Prior Year's Findings**Financial Statement Finding 2012-1: Internal Control over Financial Reporting****Condition:**

While performing our audit procedures on Government-Wide net assets, we determined the beginning net assets had been restated.

Corrective Action:

Corrective action on this finding has been completed.

Federal Finding 2012-2: Community Development Block Grant, CFDA 14.218**Condition:**

The City did not comply with reporting requirements related to the program.

Corrective Action:

We noted in the current year that FFATA reporting was not performed. This is a repeat finding as the current year Finding 2013-1.

State Finding 2012-3: Special Welfare Trust**Condition:**

While performing our audit procedures to ensure compliance with Section 3-15 of the *Specifications for Audits of Counties, Cities and Towns*, we noted five instances where the balance for a child who left the agency's custody were not properly refunded to the applicable funding source or escheated to the State. The total amount of \$13,174 should have been refunded or escheated on a more timely basis.

Corrective Action:

We noted in current year testing that there were two instances where the balance for a child was not properly refunded to the applicable funding source or escheated to the State. This is a repeat finding as the current year Finding 2013-2.

CITY OF PORTSMOUTH, VIRGINIA
Schedule of Expenditures of Federal Awards

Year ended June 30, 2013

Federal Granting Agency/Pass Through Agency/Grant Program	Federal Catalogue Number		Federal Expenditures
Department of Agriculture:			
Direct payments:			
Summer Food Service Program for Children	10.559	\$	409,404
Pass-through payments:			
Virginia Department of Social Services:			
State Administrative Matching Grants for Food Stamp Program	10.561		1,834,561
Virginia Department of Agriculture and Consumer Services -			
Food Distribution	10.555		431,169
Virginia Department of Education -			
Food Service Equipment	10.579		-
National School Breakfast and Lunch Program	10.555, 10.553		5,440,867
Fruits and Vegetables	10.582		128,045
Total Department of Agriculture			8,244,046
Department of Defense:			
Direct payments:			
National Defense Education Program	12.300		-
ROTC	12.000		268,373
Total Department of Defense			268,373
Department of Education:			
Direct payments:			
Impact Aid	84.041	440,747	
ARRA - IMPACT Aid Discretionary Construction	84.401	-	440,747
Pass-through payments:			
Virginia Department of Education:			
Adult Education	84.002		158,181
Virginia Department of Education:			
Title I, Part A Cluster			
Title I Grants to Local Education Agencies	84.010	6,825,037	
ARRA - Title I Grants A	84.389	-	6,825,037
Special Education (IDEA) Cluster:			
Special Education (Title VI-B)	84.027	3,335,548	
ARRA - IDEA Title (VIB) Section 619	84.391	-	
Special Education - Preschool Grants	84.173	183,429	
ARRA - Special Education - Preschool Grants	84.392	-	3,518,977
Title I School Improvements (1003g)	84.377		182,951
Education Technology State Grants Cluster:			
Special Education - Grants for Infants and Family	84.181	101,640	
ARRA - Special Education Grants for Infants and Family	84.393	95,808	197,448
Safe and Drug Free Schools and Communities	84.186		-
Education Improvement Fund	84.215		-
Education Technology State Grant	84.318		29,778
ARRA - Education Technology State Grants	84.396		-
Improving Literacy Through Library Education	84.364		-
Improving Teacher Quality	84.367		968,325
Smart Art Afterschool Program	84.251		20,365
ARRA - State Stabilization Fund	84.394		-
Education for Homeless Children & Youth	84.196		10,389
Vocational Education	84.048		325,599
Va Comp Board - State Fiscal Stability - Govt Services ARRA	84.397		-
Investing in Innovation Fund	84.411		56,362
Total Department of Education			12,734,159

CITY OF PORTSMOUTH, VIRGINIA
Schedule of Expenditures of Federal Awards
Year ended June 30, 2013

Federal Granting Agency/Pass Through Agency/Grant Program	Federal Catalogue Number		Federal Expenditures
Environmental Protection Agency, Office of Environmental Education:			
Direct payments:			
ARRA - Capitalization for Drinking Water State Revolving Fund	66.468		-
Total Environmental Protection Agency			-
Department of Health and Human Services:			
Virginia Department of Social Services:			
Social Services Block Grant	93.667		1,180,163
Temporary Assistance for Needy Families	93.558		1,887,141
Child Care and Development Fund Cluster:			
Child Care and Development Fund	93.596	282,862	
Child Care and Development Block Grant	93.575	(255)	
ARRA - Child Care	93.713	-	282,607
Chafee Education & Training Vouchers Program	93.599		24,136
Medical Assistance Program - Title XIX	93.778		1,102,596
Foster Care - Title IV-E	93.658		1,105,356
ARRA - Foster Care - Title IV-E	93.658	-	-
Adoption Assistance	93.659		1,291,517
ARRA - Adoption Assistance	93.659	-	-
Independent Living	93.674		29,079
Low-Income Home Energy Assistance	93.568		157,584
Refugee and Entrant Assistance	93.566		6,372
Promoting Safe and Stable Families	93.556		75,113
State Children's Insurance Program	93.767		46,942
Child Welfare Services	93.645		10,044
Virginia Department of Mental Health, Mental Retardation and Substance Abuse Services:			
Projects for Assistance in Transition from Homelessness	93.150		52,965
Block Grants for Community Mental Health Services	93.958		189,911
Block Grants for Prevention and Treatment of Substance Abuse	93.959		1,071,811
Total Department of Health and Human Services			8,513,337
Department of Homeland Security:			
Direct Payments:			
FEMA	97.036		-
State and Local All Hazards Emergency Operations Planning	97.051		6,347
LEMPG	97.042		90,880
Port Security	97.056		41,560
Citizen Corp 12	97.073		20,795
Total Department of Homeland Security			159,582
Department of Housing and Urban Development:			
Direct payments:			
Community Development Block Grant	14.218		2,681,696
ARRA - Community Development Block Grant-R	14.218	-	-
ARRA - Housing Prevention Rapid Rehousing	14.257		-
Special Purpose Grant	14.225		-
HOME Investment Partnerships Program	14.239		657,777
Emergency Shelter Grants Program	14.231		-
Shelter Plus Care	14.238		381,204
Supportive Housing	14.235		118,561
Neighborhood Stabilization Program	14.256		228,978
Program and other income:			
Community Development Block Grant	14.218		132,056
HOME Investment Partnerships Program	14.239		76,951
Total Department of Housing and Urban Development			4,277,224

CITY OF PORTSMOUTH, VIRGINIA
Schedule of Expenditures of Federal Awards

Year ended June 30, 2013

Federal Granting Agency/Pass Through Agency/Grant Program	Federal Catalogue Number	Federal Expenditures
Department of Justice:		
Direct Payments:		
Weed and Seed	16.595	16,169
Federal Seizures	16.000	14,151
Pass-through payments:		
Virginia Department of Criminal Justice Services:		
Juvenile Accountability Incentive Block Grant	16.523	20,317
Victim Witness	16.575	337,014
U.S. Department of Justice:		
Justice Assistance Grant Program	16.738	79,729
Bulletproof Vest Partnership Program	16.607	8,730
ARRA - Edward Byrne Memorial Justice Assistance Grant Program	16.804	13,124
Total Department of Justice		489,234
Department of Transportation:		
Pass-through Payments:		
Federal Transit Administration-Hampton Roads Transit:		
Highway Planning and Construction	20.205	1,830,488
ARRA - Traffic Signal Improvements	20.932	-
Virginia Department of Motor Vehicles:		
Comprehensive Speed, DUI/Passenger and CMV Occupant Restraint Enforcement	20.607	10,511
Total Department of Transportation		1,840,999
National Science Foundation:		
Trans - NSF Recovery Act Research Support	47.082	49,342
Total National Science Foundation		49,342
Department of Energy:		
Direct Payments:		
ARRA - Energy Efficiency Cons Block Grant	81.128	41,783
Total Department of Energy		41,783
Total all agencies		\$ 36,618,079

CITY OF PORTSMOUTH, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2013

(1) General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all Federal awards of the City of Portsmouth, Virginia (the City). The City's reporting entity is defined in note 1 to the City's financial statements. All federal awards received directly from federal agencies as well as Federal awards passed through other government agencies are included in the schedule. The City reports federal grants for the School Board in its Schedule of Expenditures of Federal Awards because the City is the legal grantee of these funds.

(2) Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting, which is described in Exhibit H, Note 1 to the City's financial statements.

(3) Relationship to Financial Statements

Federal awards revenues are reported in the City's financial statements as follows:

Intergovernmental revenue:

City:

Governmental Fund	
General Fund	\$ -
Special Revenue Funds:	
Virginia Public Assistance	9,253,980
Mental Health Services	1,512,135
Donations	(90,275)
Asset Forfeiture	119,385
Grants	1,591,429
Stimulus	565,801
Capital Projects Funds -	
Capital Projects Funds	1,273,216
Community Development	2,592,639
Total City	16,818,311

Component Unit - School Board:

Operating	709,119
Grants	12,684,155
Cafeteria	5,440,867

Total component unit - School Board 18,834,141

Total federal expenditures from Intergovernmental Revenue 35,652,452

Add:	Donations Fund expenditures in excess of revenues	90,275
	Community development fund program and other income	
Add:	PU/CIP Fund Expenditures in excess of revenues	557,271
Add:	General Fund Fema expenditures in excess of revenue	
Less:	Pass-through payments to School Board	
Add:	CDBG Expenditures in excess of revenues	955,842
Less:	VPA Revenues in excess of expenditures	220,769
Less:	Grant Expenditures in excess of revenues	29,843
Less:	Asset forfeiture revenues in excess of expenditures	105,234
Add:	Stimulus Expenditures in excess of revenue	
Less:	Grant unspent revenues	-
Less:	CDBG Unspent Revenue	
Less:	Stimulus unspent revenues	281,915
Less:	PU/CIP Fund unspent revenues	
Total federal expenditures per Schedule of Expenditures of Federal Awards		36,618,079

(4) Subrecipients

Federal funds passed through to subrecipients for the year ended June 30, 2013 were as follows:

Federal Granting Agency/Grant Program	Amount
Department of Health and Human Services -	
Child Care and Development Fund	282,862
Department of Housing and Urban Development:	
Community Development Block Grant	2,910,675
HOME Investment Partnerships Program	657,777
Shelter Plus Care	381,204
Total federal funds passed through to subrecipients	\$ 4,232,517



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