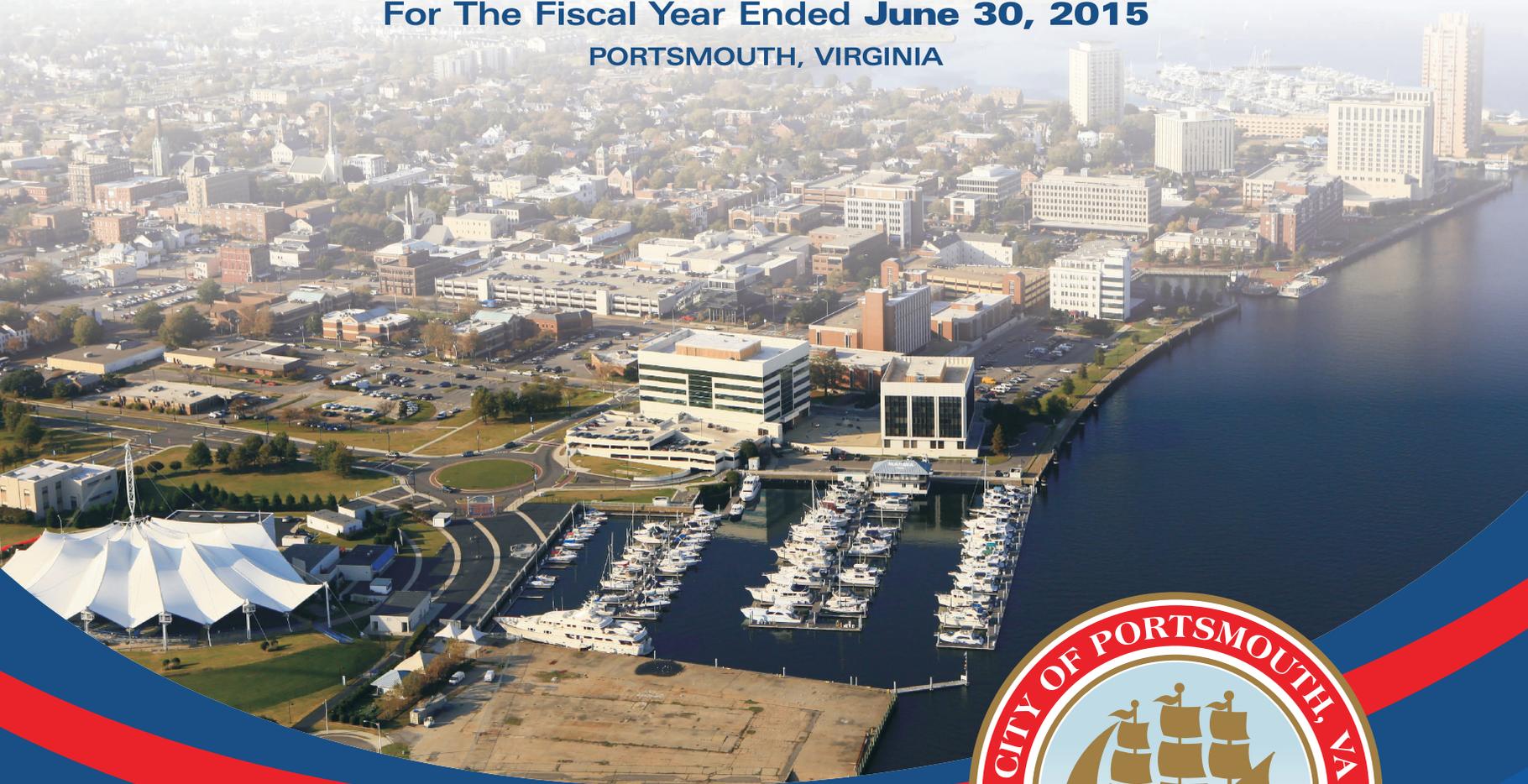


The New Portsmouth

**2015 Comprehensive Annual
FINANCIAL REPORT**

For The Fiscal Year Ended June 30, 2015

PORTSMOUTH, VIRGINIA



COMPREHENSIVE ANNUAL FINANCIAL REPORT

CITY OF PORTSMOUTH, VIRGINIA

YEAR ENDED JUNE 30, 2015

Prepared by:

DEPARTMENT OF FINANCE



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CITY OF PORTSMOUTH, VIRGINIA

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CITY OF PORTSMOUTH, VIRGINIA

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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 12/31/2016



Paige D. Cherry
Term Expires 12/31/2016



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



Elizabeth M. Psimas
Vice Mayor
Term Expires 12/31/2016



Danny W. Meeks
Term Expires 12/31/2016



Dr. Mark M. Whitaker
Term Expires 12/31/2016

City Council Appointments

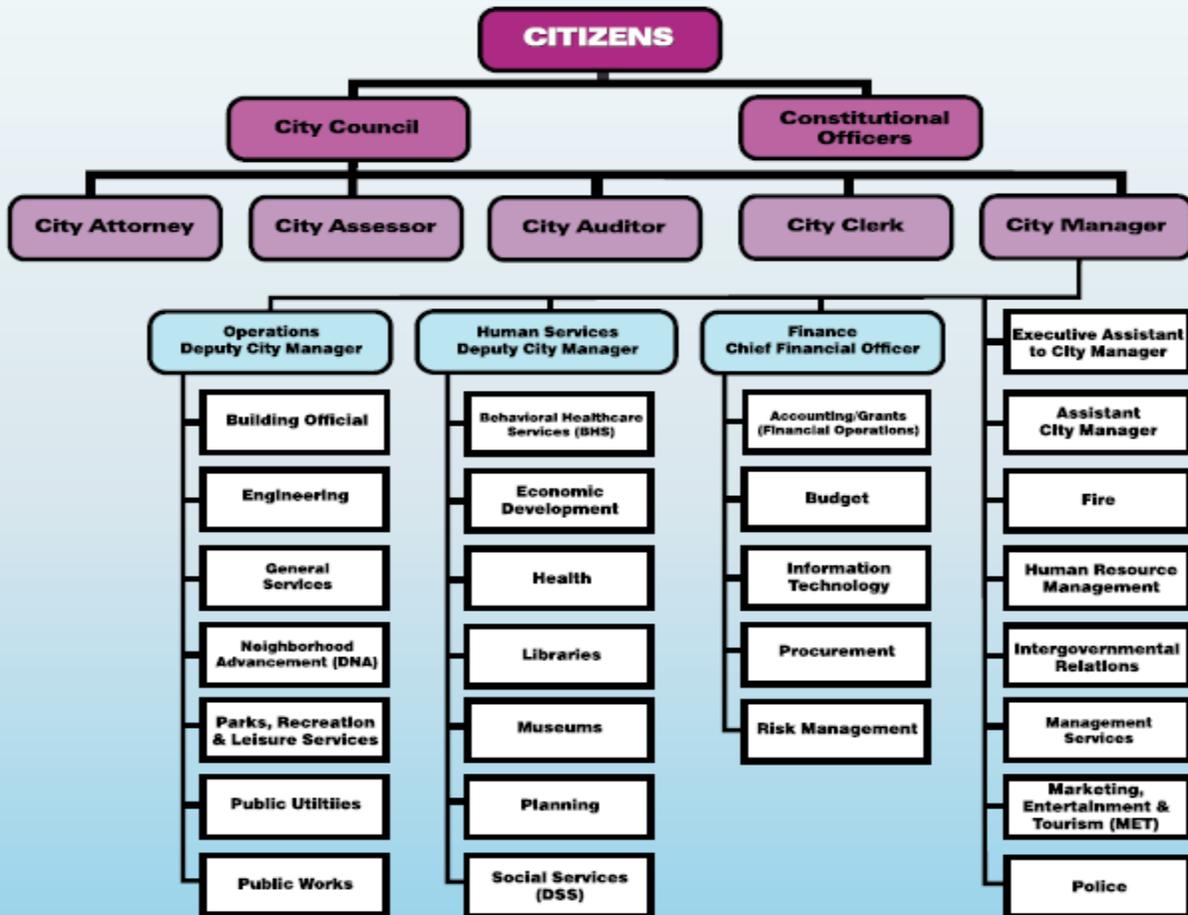
Interim City Manager, G. Brannon Godfrey
Janey Culpepper, City Assessor
Jesse A. Thomas, City Auditor
Debra Y. White, City Clerk
Cheran D. Cordell, Interim City Attorney

Constitutional Officers

Stephanie N. Morales, Commonwealth's Attorney
Cynthia P. Morrison, Clerk of the Circuit Court
Franklin D. Edmondson, Commissioner of the Revenue
William "Bill" Watson, 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, 2014

Executive Director/CEO



November 30, 2015

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

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the City of Portsmouth, Virginia (the City) for the fiscal year ended June 30, 2015, in accordance with State Statutes and City Code. The City's Department of Finance prepared this report in accordance with generally accepted accounting principles in the United States of America. (GAAP).

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

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

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

PROFILE OF THE CITY

The City of Portsmouth was settled in 1752 and incorporated by the Virginia General Assembly in 1858. The City lies in Hampton Roads, one of the world's great natural harbors, situated at the confluence of the James, Nansemond 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, Chesapeake, and Norfolk. The City's land area of approximately 33 square miles is mostly developed, with an estimated population of 96,800 in 2015.

With 90 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 14,000 people on base, the Atlantic Area Command and United States Coast Guard (USCG)

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

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

Structure of the Government and Its Services

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

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

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

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

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

The City provides a full range of municipal services to meet the needs of its citizens including police and fire protection, collection and disposal of refuse and recycling, water, sewer and storm

water services, street and highway maintenance, parks and recreation, libraries and cultural resources, city planning, health and social services, parking, street and highway maintenance and general administration. The City budget appropriates city, state and federal pass-through funds for education, health, mental health assistance, social services, judicial activities and other programs.

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

Budget Process

The Commonwealth of Virginia and City Charter mandate a balanced budget. The annual budget serves as the foundation for the City's financial planning and control. The City Manager proposes budget to City Council at least 90 days before the end of each fiscal year and it is adopted by City Council at least 45 days before the close of the fiscal year. The budget is prepared by fund (e.g. general, special revenue, capital projects), function (e.g. public safety) and department (e.g. police, parks and recreation). Budget to actual comparisons are provided in this report for governmental funds where an appropriated annual budget has been adopted. These comparisons are presented in the Other Required Supplementary Information Section of this report.

Economic Development Activity

Economic Development in Portsmouth continues to experience a major increase in activity especially in critical sectors such as retail, multifamily, and port-related developments. The private sector is currently investing over \$160 million in new construction or redevelopment.

Below are examples of just a few of the projects currently being facilitated and driven by Economic Development in conjunction with the City's related private and public partners.

Retail Development

In October 2014, the first phase of Midtown Marketplace, a 21-acre development in the heart of the city's hottest retail submarket opened with its anchor tenant, Kroger Marketplace. On the site of the former I.C. Norcom High School, Kroger's 124,000 square foot store pairs food with general merchandise including kitchenware, jewelry, bed and bath items, apparel, toys, and seasonal items. Kroger invested over \$21.5 million in the store and hired over 350 people. In May 2015, the second phase of the center opened when CRES-EG Development LLC, one of the region's premier development groups, began its phased opening of \$10 million of construction for in-line shops and outparcels for T.J.Maxx, CATO Fashions, Hibbett Sports, Dunkin Donuts, and Wendy's. The Economic Development Authority subdivided and sold the former school site to Kroger and CRES-EG. Annual tax revenue from the completed project exceeds \$1 million annually. Other national companies investing in this emerging retail corridor include WaWa with a \$4.5 million investment and Auto Bell with a \$1.1 million investment.

Multi-family Development

During the last two years nearly \$100 million and nearly 800 multi-family units have been constructed, announced, or are under contract in Downtown Portsmouth.

Completed developments include The Quarters at Park View, a \$17 million apartment community by The Whitmore Company which opened in late 2014 and has leased 140 luxury apartments. Whitmore now has under construction two (2) more developments; King's Court, a 46-unit community and \$6.3 million investment, and Sterling Court, a 67-unit apartment building representing another \$9.2 million investment. Both are expected to be ready for residents by summer 2016.

The Economic Development Authority has sold one site and has another under contract for multi-family development with The Breeden Company. The \$17.1 million Harbor Vista development is under construction. This 2.5 acre site will include 134 units and is targeted to open in mid-2016. Following the opening of Harbor Vista, The Breeden Company will buy the 2-acre North Pier site and invest \$25 million to develop 187 apartments on that site.

Two historic buildings, the Seaboard Building and the Governor Dinwiddie, have been sold to Monument Construction and Development to convert to multi-family use. Monument will invest nearly \$20 million in the two properties and add over 125 new multi-family units to Downtown.

Port-Related Activity

In late summer of 2014, APM Terminals sold its interest in its port facilities to Alinda Capital Partners and Universities Superannuation Scheme (collectively, "Alinda"). The port terminal is now referred to as Virginia International Gateway ("VIG"). Since 2010, VIG has been leased to the Virginia Port Authority (VPA) for a term of 20 years. Alinda is now the largest taxpayer in the City.

Other port related activity includes the VPA's reopening of Portsmouth Marine Terminal (PMT). PMT is one of four general cargo facilities owned and marketed by the VPA, the Commonwealth's agency for international transportation and maritime commerce. Except for a 20-year lease executed in October 2012 with EcoFuels for a proposed wood pellet export terminal, the 287-acre PMT was largely inactive from 2010-2014. Things changed in April 2014 when VPA struck a deal with Pasha Group to export Jeeps and Chryslers from PMT. In October 2014, VPA re-established container business at PMT and now moves nearly 200,000 containers through the terminal annually.

The Port of Hampton Roads, to include all terminals in Portsmouth, is one of the world's largest natural harbors. The year-round, ice-free harbor covers approximately 25 square miles and is located 18 miles from the open sea. The Port of Hampton Roads offers direct access to over 45 countries worldwide.

Other Development Projects

The Commons at Portsmouth Center (Formerly Victory Village)

The Commons at Portsmouth Center is a proposed 90-acre mixed-use development centrally located within the City at the intersections of Victory Boulevard, Greenwood Drive, and I-264. It is a planned mixed-use development designed to feature multi-family housing, medical office space, and retail shops.

The Commons is anchored by the \$85 million Portsmouth Campus of Tidewater Community College (TCC), a state-of-the-art facility with enrollment exceeding 13,000 annually. The campus includes 183,000 square feet of academic and practical application training space and a 57,500 square foot student center. One of the college's featured programs is the Beazley School of Nursing. It boasts its own hospital clinical labs and Virginia's first four human-patient simulator labs. TCC is now among the City's largest employer with over 600 faculty, staff and administrators on its payroll.

Across the street from The Commons, Autumn Care, a nursing and rehabilitation center, has 15 acres under contract to relocate and expand its Portsmouth facility. The newly constructed facility is expected to have a value of \$12-\$15 million.

Greenwood/Elmhurst Industrial Corridor

The Greenwood/Elmhurst Industrial Corridor is an industrial area between Airline Boulevard and Interstate 264. The area generally contains Airline Boulevard and Elmhurst Lane industrial properties, Airline Industrial Park, and Greenwood Industrial Park.

One of the key sites in the Corridor is the former Gwaltney Plant which has been sitting dormant since its closure in 2013. This nearly 50 year old obsolete facility on 13-acres has been sold to Interchange, a third-party logistics/distribution center development company. Interchange plans to demolish the old plant and invest \$5 million to construct 200,000 square-feet of new distribution space.

Incentive Programs

In 2014, the City was awarded and activated its second state-designated Enterprise Zone. A highly coveted designation, the Virginia Enterprise Zone Program is a state and local partnership and is one of the most effective methods of using incentives to stimulate economic development. This second zone adds additional geography to this statutory program and is utilized as a business attraction tool for the City's industrial waterfront areas of West Norfolk and Pinners Point along the Western Branch of the Elizabeth River and the Paradise Creek/Elm Avenue Corridor along the Southern Branch of the Elizabeth River.

In September 2013, the Economic Development Authority established a Local Incentives Program for small businesses/property owners as a means of leveraging private investment for façade, interior and safety improvements. The program continues and is well funded and well received by property owners and businesses.

General Fund Performance

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

A strong unassigned fund balance is an indication of financial flexibility and fiscal strength. The City's general unassigned fund balance at June 30, 2015 was \$54,088,231 which represents 24.7% of fiscal year 2015 general fund's total revenues and transfers. 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 (2013 unassigned fund balance excludes the impact of the \$168.3 million in pension funds that were transferred to the Pension Plan in August 2013):

Fiscal Year	General Fund Unassigned Fund Balance	General Fund Total Revenues	Ratio	
2015	\$ 54,088,231	218,836,434	24.7	%
2014	52,168,051	216,678,591	24.1	%
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	%

Financial Policies

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

Written, adopted financial policies have many benefits, such as assisting the elected officials and staff in the financial management of the City, saving time and energy when discussing financial matters, engendering public confidence, and providing continuity over time as elected officials and staff members change. City Management will annually review the City's Financial Policies, and City Council will reaffirm them at least once every three years. The policies discussed below had a significant impact on the financial results reported for fiscal year 2015.

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 2015, 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 decreased from \$71,136,111 in fiscal year 2014 to \$60,618,293, a decrease of 14.8%. The majority of the decrease in fund balance was the result of cash funding capital projects and the re-appropriation of reverted School funds.

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 2015, the City remained in compliance with this policy. The general fund unassigned fund balance equaled 24.7% 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 may invest idle cash in overnight repurchase agreements and other investments ranging from one to thirty days to maturity. During the 2015 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, 2015.

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, 2014.

This was the 38th 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.

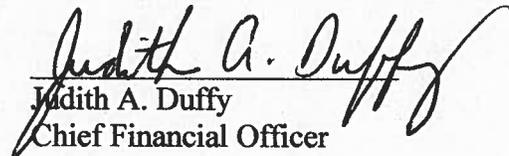
A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments

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

Respectfully submitted,


Lydia Pettis Patton
City Manager


Judith A. Duffy
Chief Financial Officer



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FINANCIAL SECTION



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Report of Independent Auditor

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Portsmouth, Virginia, (the "City") as of and for the year ended June 30, 2015, 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 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of June 30, 2015, 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

Restatement

As described in Note 17 to the financial statements, effective July 1, 2014, the City adopted the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and Governmental Accounting Standards Board ("GASB") Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – and amendment of GASB Statement No. 68*. Our opinions are not modified with respect to this matter.

As described in Note 17 to the financial statements, certain errors resulting in the overstatement of previously reported public utility capital assets and revenues at June 30, 2014, were discovered by management of the City during the current year. Accordingly, an adjustment has been made to net position as of June 30, 2014 to correct these errors. 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 other than management's discussion and analysis as described in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, other supplementary information, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying 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. Such information is the responsibility of management and was derived from and relates to the underlying accounting and other records used to prepare the financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2015, 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.

Cherry Bekart LLP

Virginia Beach, Virginia
November 30, 2015

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, 2015. 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.

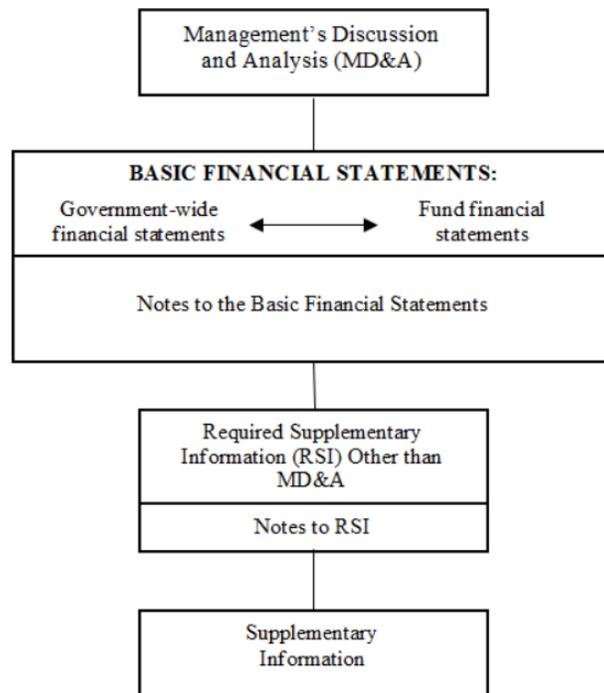
FINANCIAL HIGHLIGHTS

- ◆ The City's net position totaled \$197.8 million at June 30, 2015, decreasing \$22.2 million over June 30, 2014.
- ◆ The City's unrestricted net position totaled (\$249.4) million, which was comprised of (\$283.6) million resulting from governmental activities and \$34.2 million resulting from business-type activities.
- ◆ Government-wide current assets totaled \$257.5 million, of which \$159.0 million was attributable to governmental activities and \$98.5 million was attributable to business-type activities; while current liabilities totaled \$62.5 million, with \$46.8 million from governmental activities and \$15.7 million from business-type activities. The ratio of current assets to current liabilities was 4.1:1 overall – 3.4:1 for governmental activities and 6.3:1 for business-type activities.
- ◆ The City's long-term indebtedness at June 30, 2015 totaled \$803.1 million, for a decrease of (\$85.0) million from the prior year. The long-term indebtedness includes landfill closure and post-closure care of \$4.9 million, compensated absences of \$8.1 million and net pension liabilities of \$108.4 million.
- ◆ The City's governmental general revenues and transfers of \$177.8 million were (\$12.6) million less than expenses, net of program revenues of \$93.2 million. Taxes funded 92.3% of general revenues and transfers.
- ◆ The General Fund total fund balance decreased 14.8% during the current year to \$60.6 million from \$71.1 million in the prior year.
- ◆ Total net position for the Public Utility Fund rose 5.0% from \$162.9 million as restated at June 30, 2014 to \$171.0 million at June 30, 2015.

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 three major governmental funds: the the General Fund, the Debt Service Fund, and the Capital Improvements Fund.

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

In fact, the City's enterprise funds (one type of proprietary fund) are the same as business-type activities, but the fund financial statements provide more detailed and additional information, such as cash flows. The City has 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, 2015 and 2014 (in millions)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	restated		restated		restated	
	2015	2014*	2015	2014*	2015	2014*
Current assets	\$ 159.0	176.1	98.5	103.5	257.5	279.6
Long-term assets	-	-	-	-	-	-
Capital assets	529.7	519.5	274.5	268.0	804.2	787.5
Total assets	688.8	696.2	373.0	371.5	1,061.8	1,067.7
Deferred outflows of resources	20.5	7.7	6.4	5.2	26.9	12.9
Total assets and deferred outflows of resources	709.3	703.9	379.4	376.7	1,088.7	1,080.6
Current liabilities	46.8	50.1	15.7	16.8	62.5	66.9
Long-term liabilities	627.3	435.1	175.6	173.2	802.9	608.3
Total liabilities	674.1	485.2	191.4	190.0	865.5	675.2
Deferred inflows of resources	23.2	-	2.2	-	25.4	-
Total liabilities and deferred inflows of resources	697.3	485.2	193.6	190.0	865.5	675.2
Net position:						
Net investment in capital assets	244.4	232.6	151.6	146.3	396.0	378.9
Restricted	51.1	75.0	-	-	51.1	75.0
Unrestricted (deficit)	(283.6)	(308.2)	34.2	29.9	(249.4)	(278.3)
Total net position, as restated	12.0	(0.6)	185.8	176.2	197.8	175.6
Total liabilities and net position	\$ 709.3	703.9	379.4	376.7	1,088.7	1,080.6

*Restated as described in Note 17

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 \$197.8 million at June 30, 2015. 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 25.9% of the City's net position is currently subject to various external restrictions.

The net position of the City's governmental activities increased by \$12.6 million from (\$0.6) million to \$12.0 million, as reflected in the Statement of Activities.

The net position of the City's business-type activities increased by \$9.6 million from \$176.2 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, 2015 and 2014 (in millions)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	Restated		Restated		Restated	
	2015	2014*	2015	2014*	2015	2014*
Revenues						
<u>Program revenues:</u>						
Charges for services	\$ 20.2	17.6	55.3	57.8	75.5	75.4
Operating grants and contributions	68.0	71.8	-	-	68.0	71.8
Capital grants and contributions	5.1	2.7	-	-	5.1	2.7
<u>General revenues:</u>						
Taxes	164.1	162.4	-	-	164.1	162.4
Other	4.5	6.6	1.4	1.1	5.9	7.7
Total revenues	261.9	261.1	56.7	58.9	318.6	320.0
Expenses						
General government	30.8	206.3	-	-	30.8	206.3
Judicial	22.7	42.7	-	-	22.7	42.7
Public safety	56.8	104.2	-	-	56.8	104.2
Public works	24.3	31.9	-	-	24.3	31.9
Health and welfare	32.9	53.6	-	-	32.9	53.6
Parks, recreational, and cultural	9.9	15.4	-	-	9.9	15.4
Community development	6.5	11.8	-	-	6.5	11.8
Education	55.1	53.0	-	-	55.1	53.0
Public Utility	-	-	24.0	34.2	24.0	34.2
Golf	-	-	2.3	3.4	2.3	3.4
Parking Authority	-	-	1.2	1.6	1.2	1.6
Waste Management	-	-	10.3	13.1	10.3	13.1
Interest on long-term debt	19.5	19.6	-	-	19.5	19.6
Total expenses	258.5	538.5	37.8	52.3	296.3	590.8
Excess (deficiency) before transfers	3.4	(277.4)	18.9	6.6	22.3	(270.8)
Transfers	9.2	9.0	(9.2)	(9.0)	-	-
Change in net position	12.6	(268.4)	9.7	(2.4)	22.3	(270.8)
Net position, beginning of year, as restated	(0.6)	267.8	176.2	178.6	175.6	446.4
Net position, end of year, as restated	\$ 12.0	(0.6)	185.9	176.2	197.9	175.6

*Restated as described in Note 17

Governmental Activities

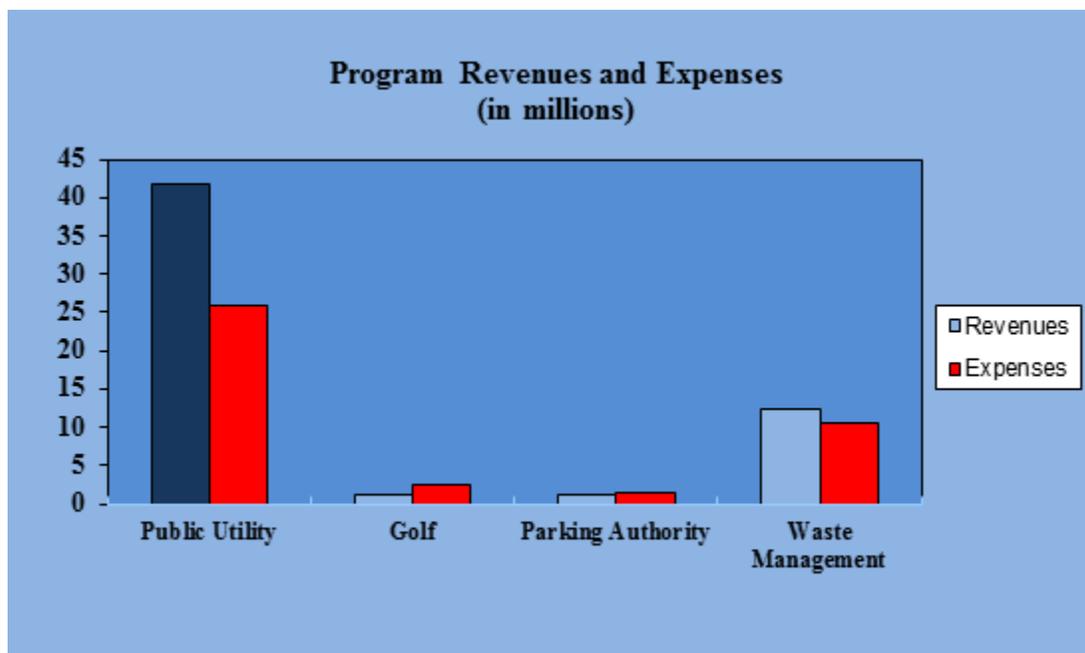
The City's total revenues from governmental activities were \$262 million for the fiscal year ended June 30, 2015, which represents an increase of \$.9 million from the prior year. The largest source of revenue is taxes, which represents 62.7% of the total and is comprised of property taxes, other local taxes, and utility taxes. The City's assessed real property value increased 0.2% 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 \$93.3 million. The largest component of program revenues for governmental activities is operating grants and contributions totaling \$68.0 million, representing 72.9% of total program revenues for governmental activities.

For the fiscal year ended June 30, 2015, expenses for the City's governmental activities totaled \$258.5 million. The City's expenses cover a wide range of services, with 22.0% related to public safety, 21.3% related to education, and 12.7% related to health and welfare.

Business-Type Activities

The total net position for business-type activities increased \$9.6 million from \$176.2 million in fiscal year 2014 to \$185.8 million in fiscal year 2015, primarily due to Waste Management activities. Charges for services, including water and sewer utility fees, waste management fees, parking fees, and golf fees, represent 98.1% 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, 2015, the governmental funds reflected a combined fund balance of \$108.5 million. The General Fund's fund balance totaled \$60.6 million at June 30, 2015, a decrease of \$10.5 million from the prior year's \$71.1 million. The General Fund's unassigned fund balance totaled \$54.1 million at June 30, 2015. The decrease in total fund balance is for planned one-time use for capital project expenditures.

The City spent \$23.6 million in the Capital Improvements Fund to fund major projects, including the new police headquarters and on a recreation facilities. The Capital Improvements Fund has a \$34.2 million fund balance at June 30, 2015, all of which is restricted for future capital project costs.

General Fund Budgetary Highlights

General Fund Budgetary Highlights

General Fund

Fiscal Year Ended June 30, 2015 (in millions)

	Original Budget	Final Budget	Actual
Revenues and transfers			
Taxes	\$ 161.3	161.3	164.1
Intergovernmental	39.4	39.5	39.0
Transfers	10.3	10.6	10.5
Other	15.2	33.7	15.8
Total	\$ 226.2	245.1	229.5
Expenditures and transfers			
Expenditures	\$ 228.6	195.3	190.9
Transfers	10.7	49.8	49.0
Total	\$ 239.4	245.2	240.0

Actual expenditures in the above chart are shown on the budgetary basis (see Schedule I-3). The General Fund had a \$10.5 million dollar decrease in fund balance.

Final budgeted General Fund revenues and other financing sources exceeded the actual revenues during fiscal year 2015. Actual general fund expenditures and transfers were \$5.2 million less than the final budget.

Proprietary Funds

Total net position of the Public Utility Fund increased \$8.1 million during fiscal year 2015 from \$162.9 million to \$171.0 million. Of the total net position, \$133.6 million represents its net investment in capital assets. Unrestricted net position totaled \$37.4 million. The increase in net position is due primarily to the fund's net income before transfers of \$17.3 million.

Total net position of the Parking Authority, a blended component unit, decreased from the prior year by \$0.2 million, from \$0.9 to \$0.7.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2015, the City had invested \$826.5 million net of depreciation in a broad range of capital assets, including machinery and equipment, buildings, park and golf facilities, roads, bridges, and water and sewer lines, as reflected in the following schedule:

Capital Assets (net of depreciation)							
As of June 30, 2015 (in millions)							
		Governmental Activities		Business-Type Activities		Total Primary Government	
		2015	2014	2015	2014	2015	2014
Land	\$	25.9	25.9	15.3	15.3	41.2	41.2
Buildings		229.4	237.8	8.5	9.1	237.9	246.9
Improvements other than buildings		141.5	143.8	160.5	143.2	302.0	287.0
Machinery, furniture, and equipment		12.8	13.8	7.1	6.0	19.9	19.8
Intangibles		0.4	0.5	-	-	0.4	0.5
Construction in progress		119.8	97.7	83.1	94.4	202.9	192.1
Total	\$	529.8	519.5	274.5	268.0	804.3	787.5

Major capital asset activity for the fiscal year ended June 30, 2015 included:

- ◆ Capital asset additions for governmental activities totaled \$22.0 million for construction in progress, \$.6 million for improvements other than buildings (infrastructure), and \$2.5 million for machinery, furniture, and equipment. There were no additions for buildings in the fiscal year.
- ◆ Capital asset additions for business-type activities totaled \$25.1 million for improvements other than buildings (infrastructure), and \$2.7 million for machinery, furniture and equipment. Construction in progress decreased by \$11.4 million. There were no additions for buildings in the fiscal year.
- ◆ Depreciation expense totaled \$13.1 million and \$7.9 million for governmental and business-type activities, respectively.
- ◆ Construction in progress totaled \$119.8 million for governmental activities at June 30, 2015.
- ◆ Construction in progress totaled \$83.1 million for business-type activities at June 30, 2015.

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 2016-2021 Capital Improvement Program established a five year program totaling \$251.5 million. The major projects include \$104.3 million for water and sewer improvements, \$56.5 million for drainage and street improvements, \$31.9 million for municipal facilities, \$8.0 million for fleet management, \$1.6 million for industrial and economic development projects, \$4.8 for leisure services projects, \$24.8 million for parking authority projects, and \$19.7 million for education.

Long-term Debt

At year-end, the City had \$624.7 million in outstanding debt, excluding claims payable, other post employment benefit obligations, compensated absences, landfill closure and post closure care costs, and net pension obligations. General obligation bonds outstanding represented \$615.5 million of this total, as reflected in the following schedule:

Outstanding Debt

As of June 30, 2015 and 2014 (in millions)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
General obligation bonds	\$ 456.1	473.5	159.4	165.5	615.5	639.0
Obligation under capital leases	8.2	10.2	0.2	0.4	8.4	10.6
Literary loans	0.8	1.0	-	-	0.8	1.0
Total	\$ 465.1	484.7	159.6	165.9	624.7	650.6

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 \$717.0 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 2015 was 6.9%, which compares to the national unemployment rate of 6.3% for June 2015. Per capita income as of 2013 (latest data available from the Bureau of Economic Analysis) was \$39,047, a decrease of 0.8% from what was reported for 2012. Average per capita income in 2013 was \$48,838 for Virginia and \$44,765 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, 2015

Exhibit A

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
Assets:				
Current assets:				
Cash and temporary investments (note 3)	\$ 104,915,042	62,491,992	167,407,034	32,197,312
Restricted cash and temporary investments (note 3)	14,715,192	31,476,041	46,191,233	1,006,008
Receivables (net of allowance for uncollectibles):				
Taxes	11,799,175	-	11,799,175	-
Accounts	7,631,884	6,514,280	14,146,164	4,216,556
Other	-	-	-	7,297
Internal balances (note 10)	2,981,212	(2,981,212)	-	-
Due from component units (note 10)	700,657	-	700,657	(292,532)
Due from other governments (note 11)	15,778,819	-	15,778,819	2,688,047
Prepaid items	21,067	508,428	529,495	-
Prepaid interest	-	-	-	77,612
Inventory of supplies	455,026	532,063	987,089	222,538
Total current assets	158,998,074	98,541,592	257,539,666	40,122,838
Noncurrent assets:				
Notes receivable (note 12)	-	-	-	171,052
Property held for resale	-	-	-	9,269,845
Capital assets (note 4):				
Land	25,887,579	15,348,574	41,236,153	7,507,590
Buildings	327,439,146	25,228,458	352,667,604	93,890,024
Improvements other than buildings	496,571,828	257,256,153	753,827,981	-
Machinery, furniture, and equipment	52,562,805	25,412,744	77,975,549	26,116,994
Intangibles	911,458	-	911,458	422,270
Construction in progress	119,756,020	83,055,148	202,811,168	-
Total capital assets	1,023,128,836	406,301,077	1,429,429,913	127,936,878
Less accumulated depreciation	(493,321,822)	(131,801,865)	(625,123,687)	(57,591,830)
Total capital assets, net	529,807,014	274,499,212	804,306,226	70,345,048
Other assets	-	-	-	4,970,897
Total noncurrent assets	529,807,014	274,499,212	804,306,226	84,756,842
Total assets	688,805,088	373,040,804	1,061,845,892	124,879,680
Deferred outflows of resources:				
Deferred outflows from debt refundings	8,489,477	5,235,236	13,724,713	-
Deferred outflows related to pensions	12,033,594	1,116,100	13,149,694	12,048,636
Total outflows of resources	20,523,071	6,351,336	26,874,407	12,048,636
Total assets and deferred outflows of resources	\$ 709,328,159	379,392,140	1,088,720,299	136,928,316

(continued)

CITY OF PORTSMOUTH, VIRGINIA
Statement of Net Position
June 30, 2015

Exhibit A (continued)

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
Liabilities:				
Current liabilities:				
Accounts payable	\$ 8,506,306	5,021,737	13,528,043	6,095,068
Accrued payroll	2,214,480	196,911	2,411,391	8,270,354
Construction payable	-	1,634,314	1,634,314	-
Health claim payable	-	-	-	912,670
Accrued interest payable	7,298,203	-	7,298,203	-
Deposits	271,542	1,405,847	1,677,389	-
Unearned revenues (note 12)	1,156,478	52,148	1,208,626	-
Claims payable (note 15)	4,656,448	-	4,656,448	1,487,561
Compensated absences (note 5)	1,321,365	132,522	1,453,887	1,443,900
General obligation bonds, net (note 5)	18,961,022	7,055,138	26,016,160	-
Obligations under capital leases (notes 5 and 6)	2,134,500	196,493	2,330,993	-
Literary loans (note 5)	250,000	-	250,000	-
Total current liabilities	46,770,344	15,695,110	62,465,454	18,209,553
Noncurrent liabilities:				
Claims payable (note 15)	10,974,541	-	10,974,541	1,239,664
Other post employment benefit obligation (note 8)	67,342,267	8,661,524	76,003,791	-
Compensated absences (note 5)	6,019,557	603,706	6,623,263	2,947,970
General obligation bonds, net (note 5)	437,183,433	152,380,642	589,564,075	-
Obligations under capital leases (notes 5 and 6)	6,072,179	26,508	6,098,687	1,001,007
Landfill closure and postclosure care (notes 5 and 13)	-	4,873,581	4,873,581	-
Literary loans (note 5)	500,000	-	500,000	-
Net pension liability	99,228,076	9,203,277	108,431,353	137,958,036
Total noncurrent liabilities	627,320,053	175,749,238	803,069,291	143,146,677
Total liabilities	674,090,397	191,444,348	865,534,745	161,356,230
Deferred inflows related to pensions	23,234,853	2,155,003	25,389,856	23,679,312
Net position:				
Net investment in capital assets	244,408,023	151,551,705	395,959,728	69,344,041
Restricted for:				
Capital projects	34,233,963	-	34,233,963	-
Behavioral health services	4,585,997	-	4,585,997	-
Grants and donations	3,306,701	-	3,306,701	528,276
Other purposes:				
Restricted	6,459,573	-	6,459,573	2,962,330
Nonspendable	2,638,168	-	2,638,168	-
Unrestricted (deficit)	(283,629,516)	34,241,084	(249,388,432)	(120,941,873)
Total net position	12,002,909	185,792,789	197,795,698	(48,107,226)
Total liabilities and net position	\$ 709,328,159	379,392,140	1,088,720,299	136,928,316

See accompanying notes to basic financial statements.

CITY OF PORTSMOUTH, VIRGINIA

Exhibit B

Statement of Activities

Year ended June 30, 2015

Function/Program Activities	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Primary Government:								
Governmental:								
General government	\$ 30,847,939	3,191,781	11,148,585	-	(16,507,573)	-	(16,507,573)	-
Judicial	22,663,405	576,660	10,110,046	-	(11,976,699)	-	(11,976,699)	-
Public safety	56,785,068	3,528,623	6,097,213	-	(47,159,232)	-	(47,159,232)	-
Public works	24,259,546	7,596,091	11,834,911	5,052,229	223,685	-	223,685	-
Health and welfare	32,894,672	973,317	26,975,337	-	(4,946,018)	-	(4,946,018)	-
Parks, recreational, and cultural	9,868,300	2,321,055	1,105,088	-	(6,442,157)	-	(6,442,157)	-
Community development	6,474,948	1,971,830	711,347	-	(3,791,771)	-	(3,791,771)	-
Education	55,140,801	-	-	-	(55,140,801)	-	(55,140,801)	-
Interest on long-term debt	19,484,834	-	-	-	(19,484,834)	-	(19,484,834)	-
Total governmental activities	258,419,513	20,159,357	67,982,527	5,052,229	(165,225,400)	-	(165,225,400)	-
Business-type:								
Public Utility	23,945,770	41,521,351	-	-	-	17,575,581	17,575,581	-
Golf	2,336,303	1,096,110	-	-	-	(1,240,193)	(1,240,193)	-
Port Facility	46,119	-	-	-	-	(46,119)	(46,119)	-
Parking Authority	1,185,598	924,588	-	-	-	(261,010)	(261,010)	-
Waste Management	10,245,752	11,751,149	-	-	-	1,505,397	1,505,397	-
Total business-type activities	37,759,542	55,293,198	-	-	-	17,533,656	17,533,656	-
Total primary government	296,179,055	75,452,555	67,982,527	5,052,229	(165,225,400)	17,533,656	(147,691,744)	-
Component Units:								
School Board	171,187,530	16,732,355	29,091,141	-	-	-	-	(125,364,034)
Economic Development Authority	1,436,527	2,268,177	-	-	-	-	-	831,650
Port and Industrial Commission	8,083	345	-	-	-	-	-	(7,738)
Total component units	\$ 172,632,140	19,000,877	29,091,141	-	-	-	-	(124,540,122)
General Revenues:								
Taxes:								
General property taxes					\$ 116,197,273	-	116,197,273	-
Business and occupational license taxes					6,733,763	-	6,733,763	-
Restaurant food taxes					7,736,074	-	7,736,074	-
Sales and Use Tax					7,355,914	-	7,355,914	-
Telecommunications					8,323,611	-	8,323,611	-
Other local taxes					9,784,928	-	9,784,928	-
Utility taxes					8,001,981	-	8,001,981	-
Grants and contributions not restricted to specific programs					-	-	-	79,400,839
Contributions - Land					-	268,297	268,297	1,765,472
Investment earnings					662,555	486,790	1,149,345	17,460
Miscellaneous					3,776,579	587,082	4,363,661	1,226,686
Payment from primary government					-	-	-	52,400,000
Transfers					9,244,703	(9,244,703)	-	-
Total General Revenues and Transfers					177,817,381	(7,902,534)	169,914,847	134,810,457
Change in Net Position					12,591,981	9,631,122	22,223,103	10,270,335
Net position, beginning of year, as restated					(589,072)	176,161,667	175,572,595	(58,377,561)
Net position, end of year					\$ 12,002,909	185,792,789	197,795,698	(48,107,226)

See accompanying notes to basic financial statements.

CITY OF PORTSMOUTH, VIRGINIA

Exhibit C

Balance Sheet
Governmental Funds
June 30, 2015

	General	Debt Service	Capital Improvements	Other Governmental Funds	Total
Assets:					
Cash and temporary investments (note 3)	\$ 36,516,829	3,191,125	20,971,932	12,828,860	73,508,746
Restricted cash and temporary investments (note 3)	254,070	-	14,461,122	-	14,715,192
Receivables (net of allowance for uncollectibles):					
Taxes	11,799,175	-	-	-	11,799,175
Accounts	6,614,682	-	26,200	768,341	7,409,223
Due from other funds (note 10)	6,196,307	-	-	-	6,196,307
Due from component units (note 10)	700,657	-	-	-	700,657
Due from other governments (note 11)	12,122,418	-	-	3,656,401	15,778,819
Inventory of supplies	32,445	-	-	2,223	34,668
Advances receivable	1,603,500	-	-	-	1,603,500
Total assets	75,840,083	3,191,125	35,459,254	17,255,825	131,746,287
Liabilities:					
Accounts payable	3,701,623	550	1,022,815	1,639,927	6,364,915
Accrued payroll	1,780,314	-	-	345,622	2,125,936
Deposits	69,066	-	202,476	-	271,542
Due to other funds (note 10)	-	-	-	4,006,351	4,006,351
Unearned revenues (note 12)	50,808	-	-	849,023	899,831
Total liabilities	5,601,811	550	1,225,291	6,840,923	13,668,575
Deferred inflows of resources:					
Deferred inflows from unavailable revenues	9,619,979	-	-	-	9,619,979
Total inflows of resources	9,619,979	-	-	-	9,619,979
Total liabilities and deferred inflows of resources	15,221,790	550	1,225,291	6,840,923	23,288,554
Fund balances:					
Nonspendable fund balances	1,635,945	-	-	1,002,223	2,638,168
Restricted fund balances	254,070	3,190,575	34,233,963	12,186,312	49,864,920
Assigned fund balances	4,640,047	-	-	421,026	5,061,073
Unassigned	54,088,231	-	-	(3,194,659)	50,893,572
Total fund balances	60,618,293	3,190,575	34,233,963	10,414,902	108,457,733
Total liabilities, deferred inflows of resources, and fund balances	\$ 75,840,083	3,191,125	35,459,254	17,255,825	131,746,287

See accompanying notes to basic financial statements.

(continued)

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

Governmental Funds

June 30, 2015

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

Total fund balances for governmental funds	\$	108,457,733
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Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:

Land	25,872,531	
Buildings	326,746,063	
Machinery, furniture and equipment	22,823,339	
Improvements other than buildings	496,571,828	
Construction in progress	119,756,020	
Accumulated depreciation	(470,306,297)	521,463,484

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

9,363,332

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	(7,029,423)	
Other post employment benefit obligation	(64,522,763)	
Accrued interest payable	(7,298,203)	
General obligation bonds	(456,144,455)	
Obligations under capital leases	(5,609,089)	
Literary loans	(750,000)	
Deferred inflows related to pension	(23,234,853)	
Net pension liability	(99,228,076)	(663,816,862)

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

8,489,477

Deferred outflows related to pension earnings which is not reported on governmental funds

12,033,594 20,523,071

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.

16,012,151

Net position of governmental activities

\$ 12,002,909

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, 2015

	General	Debt Service	Capital Improvements	Other Governmental Funds	Total
Revenues:					
Taxes	\$ 164,133,541	-	-	-	164,133,541
Intergovernmental	39,001,405	-	5,052,229	31,920,941	75,974,575
Charges for services	4,994,956	-	-	7,800,075	12,795,031
Investment income	94	-	72,889	2,804	75,787
Recovered costs	3,749,129	-	-	186,394	3,935,523
Fines and forfeitures	692,844	-	-	-	692,844
Licenses and permits	954,328	-	-	-	954,328
Use of property	1,729,781	-	-	298,850	2,028,631
Miscellaneous	3,580,356	-	65,183	33,070	3,678,609
Total revenues	218,836,434	-	5,190,301	40,242,134	264,268,869
Expenditures:					
Current:					
General government	17,544,278	-	-	40,090	17,584,368
Nondepartmental	12,584,942	-	-	-	12,584,942
Judicial	19,826,246	-	-	1,151,724	20,977,970
Public safety	56,221,837	-	-	921,829	57,143,666
Public works	17,415,832	-	-	2,442,045	19,857,877
Health and welfare	1,262,023	-	-	32,779,947	34,041,970
Parks, recreational, cultural	8,794,508	-	-	780,206	9,574,714
Community development	4,725,709	-	-	943,722	5,669,431
Education	52,550,163	-	-	-	52,550,163
Debt service	-	37,679,945	-	-	37,679,945
Fiscal charges	-	4,550	-	-	4,550
Costs of issuance	-	375,220	-	-	375,220
Capital outlay	23,771	-	23,590,389	1,410,965	25,025,125
Total expenditures	190,949,309	38,059,715	23,590,389	40,470,528	293,069,941
Revenues over (under) expenditures	27,887,125	(38,059,715)	(18,400,088)	(228,394)	(28,801,072)
Other financing sources (uses):					
Transfers from other funds (note 10)	10,620,357	37,683,495	12,626,030	5,105,128	66,035,010
Transfers to other funds (note 10)	(49,025,300)	-	(560,000)	(6,917,567)	(56,502,867)
Issuance of general obligation bonds (note 5)	-	30,821,906	-	-	30,821,906
Refunding payments made to escrow agent	-	(30,446,686)	-	-	(30,446,686)
Total other financing sources (uses)	(38,404,943)	38,058,715	12,066,030	(1,812,439)	9,907,363
Net change in fund balances	(10,517,818)	(1,000)	(6,334,058)	(2,040,833)	(18,893,709)
Fund balances, beginning of year	71,136,111	3,191,575	40,568,021	12,455,735	127,351,442
Fund balances, end of year	\$ 60,618,293	3,190,575	34,233,963	10,414,902	108,457,733

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, 2015

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

Net change in fund balances - total governmental funds	\$ (18,893,709)
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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.

Transfer of capital assets to City Enterprise operations	(1,705,058)	
Purchases of assets	24,053,807	
Depreciation expense	(11,382,137)	10,966,612

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	(30,821,906)	
Payments to escrow agent	29,119,541	
Principal payments of debt	18,912,511	
Amortization expense	1,163,868	18,374,014

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.	826,361
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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 deferred outflows - debt	770,591	
Change in deferred outflows - pension	12,033,594	
Change in deferred inflows	(23,234,853)	
Change in compensated absences	707,764	
Change in net pension liability	10,424,327	
Change in other post employment benefit obligation	617,874	
Change in accrued interest	672,470	1,991,767

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.	(673,064)
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Change in net position of governmental activities	\$ 12,591,981
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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, 2015

	Public Utility	Parking Authority	Nonmajor Enterprise Funds	Total	Governmental Activities - Internal Service Funds
Assets					
Current assets:					
Cash and temporary investments (note 3)	\$ 50,684,773	427,647	11,379,572	62,491,992	31,406,296
Restricted cash and temporary investments (note 3)	31,294,727	181,314	-	31,476,041	-
Accounts receivable (net of allowance for uncollectibles)	4,390,990	7,314	2,115,976	6,514,280	222,661
Inventory of supplies	492,997	-	39,066	532,063	420,358
Prepaid expenses	-	-	508,428	508,428	21,067
Total current assets	86,863,487	616,275	14,043,042	101,522,804	32,070,382
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	254,525,968	260,636	2,469,549	257,256,153	-
Machinery, furniture, and equipment	14,346,152	434,794	10,631,798	25,412,744	29,739,466
Intangible assets	-	-	-	-	911,458
Construction in progress	83,055,148	-	-	83,055,148	-
Total capital assets	352,944,034	20,043,020	33,314,023	406,301,077	31,359,055
Less accumulated depreciation	(106,115,147)	(12,196,337)	(13,490,381)	(131,801,865)	(23,015,525)
Total capital assets, net	246,828,887	7,846,683	19,823,642	274,499,212	8,343,530
Deferred outflows of resources:					
Deferred outflows from debt refunding	4,690,520	91,469	453,247	5,235,236	-
Deferred outflows related to pensions	703,631	20,624	391,845	1,116,100	-
Total outflows of resources	5,394,151	112,093	845,092	6,351,336	-
Total assets and deferred outflows of resources	339,086,525	8,575,051	34,711,776	382,373,352	40,413,912
Liabilities:					
Current liabilities:					
Accounts payable	347,014	22,222	2,124,574	2,493,810	2,098,590
Construction payable	1,634,314	-	-	1,634,314	-
Accrued interest payable	2,383,039	49,474	95,414	2,527,927	-
Accrued payroll	121,509	4,568	70,834	196,911	88,544
Flex spending benefits	-	-	-	-	42,801
Deposits	1,373,688	-	32,159	1,405,847	-
Due to other funds (note 10)	-	1,117,888	259,824	1,377,712	812,244
Unearned revenues (note 12)	15,986	36,162	-	52,148	-
Compensated absences (note 5)	76,114	2,958	53,450	132,522	56,069
General obligation bonds (note 5)	6,245,138	440,000	370,000	7,055,138	-
Obligations under capital leases (notes 5 and 6)	-	-	196,493	196,493	1,295,735
Claims payable (note 15)	-	-	-	-	4,656,448
Total current liabilities	12,196,802	1,673,272	3,202,748	17,072,822	9,050,431
Noncurrent liabilities:					
Claims payable (note 15)	-	-	-	-	10,974,541
Other post employment benefit obligation (note 8)	5,405,606	222,983	3,032,935	8,661,524	2,819,504
Compensated absences (note 5)	346,742	13,468	243,496	603,706	255,430
Obligations under capital leases (notes 5 and 6)	-	-	26,508	26,508	1,301,855
Landfill closure and postclosure liability (notes 5 and 13)	-	-	4,873,581	4,873,581	-
Advances payable	-	1,603,500	-	1,603,500	-
General obligation bonds (note 5)	142,951,708	4,113,049	5,315,885	152,380,642	-
Net pension liability (notes 5 and 7)	5,802,088	170,067	3,231,122	9,203,277	-
Total noncurrent liabilities	154,506,144	6,123,067	16,723,527	177,352,738	15,351,330
Deferred inflows related to pensions	1,358,594	39,822	756,587	2,155,003	-
Total liabilities	168,061,540	7,836,161	20,682,862	196,580,563	24,401,761
Net position:					
Net investment in capital assets	133,617,286	3,566,416	14,368,003	151,551,705	5,745,940
Unrestricted (deficit)	37,407,699	(2,827,526)	(339,089)	34,241,084	10,266,211
Total net position	171,024,985	738,890	14,028,914	185,792,789	16,012,151
Total liabilities and net position	\$ 339,086,525	8,575,051	34,711,776	382,373,352	40,413,912

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, 2015

	Public Utility	Parking Authority	Nonmajor Enterprise Funds	Total	Governmental Activities - Internal Service Funds
Operating revenues:					
Charges for services	\$ 41,839,018	923,516	12,695,399	55,457,933	44,696,575
Contributions	-	-	268,297	268,297	793,203
Use of property	51,687	-	-	51,687	-
Other	245,932	201,764	146,916	594,612	233,376
Total operating revenues	42,136,637	1,125,280	13,110,612	56,372,529	45,723,154
Operating expenses:					
Personnel services	6,509,076	202,456	4,097,275	10,808,807	4,621,372
Contractual services	3,137,102	163,891	4,830,457	8,131,450	4,170,302
Supplies and materials	2,876,458	23,322	389,531	3,289,311	3,980,194
Utilities	1,276,007	124,248	126,083	1,526,338	171,363
Internal charges	1,102,746	58,431	1,528,588	2,689,765	5,469
Claims, settlements, and refunds	-	-	-	-	25,212,516
Insurance premiums	-	-	-	-	4,350,742
Payments in lieu of taxes	1,069,990	-	-	1,069,990	-
Rent	-	-	70,738	70,738	-
Depreciation and amortization	6,737,903	455,441	698,985	7,892,329	1,698,644
Closure/postclosure	-	-	111,706	111,706	-
Other	815,496	53,603	344,732	1,213,831	900,068
Total operating expenses	23,524,778	1,081,392	12,198,095	36,804,265	45,110,670
Operating income (loss)	18,611,859	43,888	912,517	19,568,264	612,484
Nonoperating revenues (expenses):					
Investment income	533,477	(114,048)	-	419,429	-
Gain (loss) on disposal of capital assets	8,143	-	-	8,143	21,567
Interest expense and fiscal charges	(1,808,649)	(103,134)	(278,219)	(2,190,002)	(74,687)
Net nonoperating revenues (expenses)	(1,267,029)	(217,182)	(278,219)	(1,762,430)	(53,120)
Net income (loss) before transfers	17,344,830	(173,294)	634,298	17,805,834	559,364
Transfers from other funds (note 10)	4,000,000	10,228	1,448,452	5,458,680	3,041,978
Transfers to other funds (note 10)	(13,215,163)	(8,090)	(410,140)	(13,633,393)	(4,274,406)
Change in net position	8,129,667	(171,156)	1,672,610	9,631,121	(673,064)
Net position, beginning of year, as restated (note 17)	162,895,318	910,046	12,356,304	176,161,668	16,685,215
Net position, end of year	\$ 171,024,985	738,890	14,028,914	185,792,789	16,012,151

See accompanying notes to basic financial statements.

Statement of Cash Flows

Proprietary Funds

Year ended June 30, 2015

	Public Utility	Parking Authority	Nonmajor Enterprise Funds	Total	Governmental Activities - Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash received from customers	\$ 42,147,716	1,108,407	13,377,618	56,633,741	45,709,033
Cash payments to suppliers for goods and services	(10,546,929)	117,056	(6,228,422)	(16,658,295)	(35,866,613)
Cash payments to employees for services	(6,571,286)	(210,688)	(4,079,276)	(10,861,250)	(4,419,808)
Net cash provided by (used in) operating activities	25,029,501	1,014,775	3,069,920	29,114,196	5,422,612
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Transfers in from other funds	4,000,000	10,228	1,448,452	5,458,680	3,041,978
Transfers out to other funds	(13,215,163)	(8,090)	(410,140)	(13,633,393)	(4,274,406)
Net cash provided by (used in) noncapital financing activities	(9,215,163)	2,138	1,038,312	(8,174,713)	(1,232,428)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Acquisition and construction of capital assets	(14,603,561)	-	(1,878,071)	(16,481,632)	(1,084,041)
Cash proceeds from disposal of capital assets	-	-	-	-	21,567
Decrease in construction projects payable	(898,441)	-	-	(898,441)	-
Proceeds from long-term debt	-	-	-	-	-
Principal paid on long-term debt	(5,227,762)	(842,507)	(586,956)	(6,657,225)	(1,268,465)
Payment to other funds	-	-	-	-	-
Interest paid	(2,139,379)	(112,480)	(285,970)	(2,537,829)	(74,687)
Net cash provided by (used in) capital and related financing activities	(22,869,143)	(954,987)	(2,750,997)	(26,575,127)	(2,405,626)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest received	533,477	(114,048)	-	419,429	-
Net cash provided by (used in) investing activities	533,477	(114,048)	-	419,429	-
Net increase (decrease) in cash and temporary investments	(6,521,328)	(52,122)	1,357,235	(5,216,215)	1,784,558
Cash and temporary investments, beginning of year	88,500,828	661,083	10,022,337	99,184,248	29,621,738
Cash and temporary investments, end of year	81,979,500	608,961	11,379,572	93,968,033	31,406,296
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities					
Operating income/(loss)	18,611,859	43,888	912,517	19,568,264	612,484
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization	6,737,903	455,441	698,985	7,892,329	1,698,644
Decrease (increase) in:					
Accounts receivable	(70,990)	1,800	244,847	175,657	(14,121)
Inventory of supplies	3,007	-	(39,066)	(36,059)	13,602
Prepaid expenses	-	-	(508,428)	(508,428)	(21,067)
Deposits	82,069	-	22,159	104,228	-
Due from other funds	-	-	-	-	-
Increase (decrease) in:					
Accounts payable	(272,137)	(10,174)	1,609,201	1,326,890	830,070
Accrued payroll	8,394	(203)	7,432	15,623	10,909
Compensated absences	(64,248)	(7,859)	11,911	(60,196)	(28,504)
Due to other funds	-	550,725	-	550,725	611,888
Flexible spending benefits	-	-	-	-	4,519
Other post employment benefit obligation	(51,785)	(1,501)	(26,644)	(79,930)	219,159
Net pension liability	45,429	1,331	25,300	72,060	-
Landfill closure and postclosure liability	-	-	111,706	111,706	-
Unearned revenues	-	(18,673)	-	(18,673)	-
Claims payable	-	-	-	-	1,485,029
Total adjustments	6,417,642	970,887	2,157,403	9,545,932	4,810,128
Net cash provided by operating activities	\$ 25,029,501	1,014,775	3,069,920	29,114,196	5,422,612

See accompanying notes to basic financial statements.

CITY OF PORTSMOUTH, VIRGINIA
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2015

Exhibit F-1

	Pension Trusts	Agency Special Welfare Fund
Assets		
Cash and temporary investments (note 3)	\$ 2,421,442	5,530
Investments (note 3):		
Common stock	171,053,412	-
Corporate bonds	74,771,441	-
Total assets	248,246,295	5,530
Liabilities - Cash held for others	-	5,530
Net position -		
Net position held in trust for pension benefits	\$ 248,246,295	-

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, 2015

Exhibit F-2

Additions:	
Contributions	\$ 8,539,101
Investment income -	
Net investment income	624,269
Less investment expense	(251,270)
Net investment income	372,999
Total additions	8,912,100
Deductions - benefits and administrative expenses	28,900,683
Change in net position	(19,988,583)
Net plan position held in trust for pension benefits, beginning of year	268,234,878
Net plan position held in trust for pension benefits, end of year	\$ 248,246,295

See accompanying notes to basic financial statements.

CITY OF PORTSMOUTH, VIRGINIA

Exhibit G-1

Statement of Net Position

Component Units

June 30, 2015

	School Board	Economic Development Authority	Port and Industrial Commission	Total
Assets:				
Current assets:				
Cash and temporary investments (note 3)	\$ 28,085,351	4,017,539	1,100,430	33,203,320
Receivables (net of allowance for uncollectibles)				
Accounts	4,156,556	60,000	-	4,216,556
Other	-	6,952	345	7,297
Due from other component unit	-	(284,449)	(8,083)	(292,532)
Due from other governments (note 11)	2,688,047	-	-	2,688,047
Prepaid interest	77,612	-	-	77,612
Inventory of supplies	222,538	-	-	222,538
Total current assets	35,230,104	3,800,042	1,092,692	40,122,838
Noncurrent assets:				
Notes receivable	-	-	171,052	171,052
Property held for resale	-	9,230,348	39,497	9,269,845
Capital assets (note 4):				
Land	6,085,707	1,421,883	-	7,507,590
Buildings	93,535,748	354,276	-	93,890,024
Machinery, furniture, and equipment	26,116,994	-	-	26,116,994
Intangible	422,270	-	-	422,270
Total capital assets	126,160,719	1,776,159	-	127,936,878
Less accumulated depreciation	(57,578,705)	(13,125)	-	(57,591,830)
Total capital assets, net	68,582,014	1,763,034	-	70,345,048
Other assets	4,722,647	-	248,250	4,970,897
Total noncurrent assets	73,304,661	10,993,382	458,799	84,756,842
Deferred outflows related to pensions	12,048,636	-	-	12,048,636
Total assets	\$ 120,583,401	14,793,424	1,551,491	136,928,316

(continued)

CITY OF PORTSMOUTH, VIRGINIA

Exhibit G-1 (continued)

Statement of Net Position

Component Units

June 30, 2015

	School Board	Economic Development Authority	Port and Industrial Commission	Total
Liabilities:				
Current liabilities:				
Accounts payable	\$ 6,090,029	5,039	-	6,095,068
Accrued payroll	7,684,371	-	-	7,684,371
Accrued payroll taxes	585,983	-	-	585,983
Claims payable (note 15)	1,487,561	-	-	1,487,561
Health claims payable	912,670	-	-	912,670
Compensated absences (note 5)	1,443,900	-	-	1,443,900
Total current liabilities	18,204,514	5,039	-	18,209,553
Noncurrent liabilities:				
Claims payable (note 15)	1,239,664	-	-	1,239,664
Compensated absences (note 5)	2,947,970	-	-	2,947,970
Obligations under capital leases (notes 5 and 6)	1,001,007	-	-	1,001,007
Net pension liability	137,958,036	-	-	137,958,036
Total noncurrent liabilities	143,146,677	-	-	143,146,677
Total liabilities	161,351,191	5,039	-	161,356,230
Deferred inflows related to pensions	23,679,312	-	-	23,679,312
Net position:				
Net investment in capital assets	67,581,007	1,763,034	-	69,344,041
Restricted for grants	605,888	-	-	605,888
Restricted for other purposes	1,882,631	1,079,699	-	2,962,330
Unrestricted (deficit)	(134,516,628)	11,945,652	1,551,491	(121,019,485)
Total net position	(64,447,102)	14,788,385	1,551,491	(48,107,226)
Total liabilities and net position	\$ 120,583,401	14,793,424	1,551,491	136,928,316

See accompanying notes to basic financial statements.

CITY OF PORTSMOUTH, VIRGINIA
Statement of Activities
Component Unit
Year ended June 30, 2015

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, attendance, and health services	\$ 8,585,978	743,237	-	-	(7,842,741)	-	-	(7,842,741)
Instruction	116,773,400	36,548	23,666,175	-	(93,070,677)	-	-	(93,070,677)
Pupil transportation	7,162,598	89,795	-	-	(7,072,803)	-	-	(7,072,803)
Operations and maintenance	14,712,853	8,756	-	-	(14,704,097)	-	-	(14,704,097)
Information technology	6,989,614	-	-	-	(6,989,614)	-	-	(6,989,614)
Food services	7,776,816	1,625,939	5,424,966	-	(725,911)	-	-	(725,911)
Self insured health	9,073,104	14,228,080	-	-	5,154,976	-	-	5,154,976
Interest on long-term debt	113,167	-	-	-	(113,167)	-	-	(113,167)
Total School Board	171,187,530	16,732,355	29,091,141	-	(125,364,034)	-	-	(125,364,034)
Economic Development Authority								
Economic Development Authority	1,436,527	2,268,177	-	-	-	831,650	-	831,650
Port and Industrial Commission								
Port and Industrial Commission	8,083	345	-	-	-	-	(7,738)	(7,738)
Total Component Units	\$ 172,632,140	19,000,877	29,091,141	-	(125,364,034)	831,650	(7,738)	(124,540,122)
General Revenues:								
Grants and contributions not restricted to specific programs					\$ 79,400,839	-	-	79,400,839
Contributions - Land					-	1,725,975	39,497	1,765,472
Investment earnings					463	5,968	11,029	17,460
Miscellaneous					1,613,965	(387,788)	509	1,226,686
Payment from primary government					52,400,000	-	-	52,400,000
Total General Revenues and Transfers					133,415,267	1,344,155	51,035	134,810,457
Change in net position					8,051,233	2,175,805	43,297	10,270,335
Net position, beginning of year, as restated					(72,498,335)	12,612,580	1,508,194	(58,377,561)
Net position, end of year					\$ (64,447,102)	14,788,385	1,551,491	(48,107,226)

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, parks and recreation, public libraries, education, and water, sewer and storm water systems and general administrative services.

The following is a summary of the more significant policies:

A. Financial Reporting Entity

The City's financial reporting entity is defined and its financial statements are presented in accordance with 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 accounting principles generally accepted in the United States of America, 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. All component units have a year end of June 30. A description of the discretely presented component units follows:

1. School Board - The School Board is a legally separate entity that is responsible for the public education system in the City for grades kindergarten through twelve. The members of its board are elected by voters; however, 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. 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. EDA - The EDA was established under the Industrial Development and Revenue Bond Act of the Commonwealth of Virginia to facilitate economic development activity in the community to provide financial benefits to the City of Portsmouth. EDA is authorized to acquire, own, lease, and dispose of properties to the extent that such activities may promote industry and develop trade by inducing enterprises to locate and remain in Portsmouth. The Economic Development Authority has only one fund and the board is appointed by the City Council. 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. PPIC - The PPIC was created in 1954 and is authorized to acquire, own, lease, and dispose of properties in and around the various ports within the City to the extent that such activities may promote industry and develop trade by inducing enterprises to locate and remain in Portsmouth. The PPIC has only one fund. 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).

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

The City reports the following nonmajor governmental funds:

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

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

Proprietary Fund Types

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

Enterprise Funds - Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The City has two major enterprise funds: (1) the Public Utility Fund, which accounts for the utility activity provided to the City, and (2) the Parking Authority, a blended component unit, which is responsible for the operation and maintenance of parking garages, parking lots, and all street parking meters for the City.

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 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 30, December 31, March 31, and June 30, and are considered delinquent after each due date. The real estate tax rate during 2015 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 1 with payment due the following June 5. Taxes on motor vehicles bought and sold after January 1 are prorated and the tax levies are adjusted. During the fiscal year, the personal property taxes reported as revenue are the adjusted levies less an allowance for uncollectibles. Personal property taxes are considered delinquent after the June 5 due date or, in the case of supplemental levies, thirty days after the taxes are levied and billed. The personal property tax rate for 2015, 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 (taxes)	\$ 3,589,144
Allowance for uncollectibles	752,790
Total General Fund	4,341,934
Special Revenue Funds:	
Stormwater Management Fund - allowance for uncollectibles	363,472
Behavioral Health Services Fund - allowance for uncollectibles	26,276
Total Special Revenue Funds	389,748
Total governmental activities	4,731,682
Business-Type Activities:	
Enterprise Funds:	
Public Utility Fund - allowance for uncollectibles	552,997
Parking Authority Fund - allowance for uncollectibles	7,199
Waste Management Fund - allowance for uncollectibles	1,085,451
Total business-type activities	\$ 1,645,647

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 either a) not in spendable form or b) legally or contractually required to be maintained intact

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

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

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

In governmental funds, other than the general fund, assigned fund balance represents the remaining amounts (except for negative balances) that are not classified as nonspendable and are neither restricted nor committed.

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

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

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

J. Capital Assets

Capital assets and improvements include substantially all land, buildings, equipment, water distribution and sewage collection systems, and other elements of the City's infrastructure having a useful life of more than one year with a cost of more than \$5,000 with the exception of infrastructure assets, 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 annual leave time in varying amounts based on length of service. They may accumulate unused annual leave earned and, upon retirement, termination, or death, may be compensated for the accumulated amounts at their current rates of pay not to exceed 44 days. City employees accrue sick leave at the rate of eight hours for each full calendar month of work completed. Sick leave may be accumulated and carried forward until the time of retirement, termination, or death when the leave is forfeited except for employees eligible for retirement under the Portsmouth Supplemental or Portsmouth Fire and Police retirement systems. For employees eligible to retire under the Portsmouth Retirement Systems under regular service retirement and excluding deferred or vested retirement, one-half of unused sick leave as of the effective date of retirement shall be added to creditable service for retirement purposes.

The liability for compensated absences has been recorded in accordance with the provisions of 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 are reported to account for debt refundings when the refunding bonds exceeded the net carrying amounts of the refunded debt and accounting for pension costs. 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 are recorded to account for unavailable tax revenue and accounting for pension costs.

N. Pension Accounting

The GASB issued Statement No. 68 "Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27." In addition, GASB issued Statement No. 71 "Pension Transition for Contributions made subsequent to the Measurement Date" as an amendment of GASB Statement No. 68. The requirements of these Statements are effective for financial statements for the fiscal years beginning after June 15, 2014. The City has included the required financial information in the basic financial statements, Notes & "Retirement Plans" and Exhibit I-4 for fiscal year 2015.

O. 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 U.S. generally accepted accounting principles (GAAP). Actual results could differ from those estimates.

P. Budgetary Accounting

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

The General, Special Revenue, and all proprietary funds have legally adopted annual budgets. Project length budgets are adopted for the Capital Project fund, the Community Development and the Grants Fund in lieu of annual budgets.

Notes to Basic Financial Statements, Continued
June 30, 2015

(2) FUND BALANCE

Fund balances at June 30, 2015 are composed of the following:

	General Fund	Debt Service	Capital Improvements	Other Nonmajor
Nonspendable:				
Inventory of supplies	\$ 32,445	-	-	2,223
Advances receivable	1,603,500	-	-	-
Permanent - cemetery care	-	-	-	1,000,000
Total nonspendable fund balances	1,635,945	-	-	1,002,223
Restricted:				
Restricted cash	254,070	3,190,575	14,461,122	-
Capital improvements	-	-	19,772,841	-
Behavioral health services	-	-	-	4,585,997
Public law library	-	-	-	33,646
Stormwater management infrastructure maintenance	-	-	-	2,782,844
Grants	-	-	-	1,400,292
Childrens services	-	-	-	288,612
Donations	-	-	-	1,906,409
Asset forfeiture	-	-	-	614,259
Permanent - cemetery care	-	-	-	574,253
Total restricted fund balances	254,070	3,190,575	34,233,963	12,186,312
Committed:				
Total committed fund balances	-	-	-	-
Assigned:				
Planned use of fund balance	4,640,047	-	-	-
Willett Hall	-	-	-	421,026
Total assigned fund balances	4,640,047	-	-	421,026
Unassigned:				
General Fund	54,088,231	-	-	-
Community development - (HUD) housing assistance	-	-	-	(601,471)
Social Services	-	-	-	(2,593,188)
Total unassigned fund balance	54,088,231	-	-	(3,194,659)
Total fund balances	\$ 60,618,293	3,190,575	34,233,963	10,414,902

(3) DEPOSITS AND INVESTMENTS

Deposits and Restricted Cash

At June 30, 2015, the carrying value of the City's deposits with banks and savings institutions was \$167,407,034 which includes \$5,530 in the fiduciary funds. All cash of the City except petty cash of \$94,223 is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Sec. 2.2-4400 et seq. of the Code of Virginia or covered by federal depository insurance. As of June 30, 2015 restricted cash totaled \$46,191,233, 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'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. 2.2-4400 et seq. of the Code of Virginia. The City Treasurer is responsible for diversifying the use of investment instruments to avoid incurring unreasonable risks inherent in over investing in specific instruments, individual financial institutions or maturities. It is the policy of the City to concentrate its investment efforts to banks located in the Commonwealth of Virginia which are under the Virginia statutes for public funds and all banks must be approved by depositories by the State Treasury Board. The City's policy is to invest only in "prime quality" commercial paper, with a maturity of two hundred seventy days or less, or issuing corporations organized under the laws of the United States, or any state thereof including paper issued by banks and bank holding companies. Prime quality shall be as rated by the Moody's Investors Services, Inc. within its ratings of prime 1 or prime 2, by Standard and Poor's, Inc. within its ratings of A-1 or A-2, or by Fitch Investors Service within its ratings of F-1 and F-2. The maximum percentage of funds to be invested in any one issue shall not exceed 5% of the total portfolio.

As of June 30, 2015, the City's investment balances were as follows:

	Carrying Amount	Actual Credit Ratings	Required Credit Ratings	Average Days/Years to Maturity
SNAP investments	\$ 45,963,358	AAAm	N/A	1 day
PFM Funds-Prime, Institutional Class	35,340	AAAm	N/A	1 day
Certificates of Deposit/Money Market	1,093,111	AAAm	N/A	1 day
	\$ 47,091,809			

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, 2015, 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, 2015, the City's pension investments were professionally managed by John Hancock Retirement Plan Services 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 John Hancock Retirement Plan Services. 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, 2015, the fair value of the City's pension investments is as follows:

Fund Name	Investment Type	Weighted Average Maturity/Liquidation	Fair Value
John Hancock Retirement Plan Fund:			
Goldman Sachs Sm Cap Val Inst	Equity	1 day	\$ 7,485,048
AQR Managed Futures Strategy I	Equity	1 day	5,681,202
Hotchkis & Wiley Mid Cap Val I	Equity	1 day	12,312,047
NYL Guaranteed Int. Acct	Equity	1 day	61,795,351
Principal Glob Real Est Sec I	Equity	1 day	6,079,315
American EuroPacific Growth R6	Equity	1 day	36,472,733
Shafer Cullen Div Ops Inv	Equity	1 day	103,023,068
Templeton Global Bond Fund Adv	Equity	1 day	12,976,089
Cash	Equity	1 day	2,421,442
			\$ 248,246,295

Component Unit - School Board

All of the deposits of the School Board, a discretely presented component unit, of \$28,085,351 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 \$11,427,506 invested in the School OPEB Trust Fund. The City Treasurer's policies on deposits and investments, as noted above, also apply to the School Board.

Component Unit - Economic Development Authority

At year end, the carrying value of deposits with banks for the Economic Development Authority, a discretely presented component unit, was \$4,017,539. All cash is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 et. seq. of the Code of Virginia or covered by federal depository insurance.

Component Unit - Portsmouth Port and Industrial Commission

At year end, the carrying value of deposits with banks for the Portsmouth Port and Industrial Commission, a discretely presented component unit, was \$1,100,430. 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, 2015 was as follows:

Primary Government - Governmental Activities				
	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
Capital assets not being depreciated:				
Land	\$ 25,887,579	-	-	25,887,579
Construction in progress	97,710,836	22,738,711	(693,527)	119,756,020
Total capital assets not being depreciated/amortized	123,598,415	22,738,711	(693,527)	145,643,599
Capital assets being depreciated:				
Buildings	328,237,488	-	(798,342)	327,439,146
Improvements other than buildings	183,872	586,904	-	770,776
Improvements other than buildings (Infrastructure)	495,760,752	40,300	-	495,801,052
Machinery, furniture, and equipment	51,836,252	2,465,457	(1,738,904)	52,562,805
Intangibles	911,458	-	-	911,458
Total capital assets being depreciated/amortized	876,929,822	3,092,661	(2,537,246)	877,485,237
Less accumulated depreciation for:				
Buildings	(90,448,890)	(7,533,463)	79,834	(97,902,519)
Improvements other than buildings	(103,461)	(27,274)	-	(130,735)
Improvements other than buildings (Infrastructure)	(352,055,292)	(2,933,799)	-	(354,989,091)
Machinery, furniture, and equipment	(38,024,926)	(2,493,154)	752,354	(39,765,726)
Intangibles	(440,661)	(93,090)	-	(533,751)
Total accumulated depreciation	(481,073,230)	(13,080,780)	832,188	(493,321,822)
Total capital assets being depreciated/amortized, net	395,856,592	(9,988,119)	(1,705,058)	384,163,415
Governmental activities capital assets, net	\$ 519,455,007	12,750,592	(2,398,585)	529,807,014

Under Virginia Law, localities have a tenancy-in-common with the school board whenever a locality incurs a financial obligation for school property which is payable over more than one fiscal year. The School Board and City have agreed that such property with a net book value of \$85,133,801 will be carried on the City's financial statements until the outstanding debt is repaid.

Capital Asset Activity for the year ended June 30, 2015 (continued)

Depreciation/amortization expense was charged to functions as follows:

General government	\$	21,440
Judicial		2,045,311
Public safety		387,932
Public works		5,015,581
Health and welfare		21,353
Parks, recreation and cultural		419,021
Community development		880,860
Education		<u>2,590,638</u>
Total governmental activities		<u>11,382,136</u>

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.

		<u>1,698,644</u>
Total governmental activities	\$	<u>13,080,780</u>

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

	Authorization	June 30, 2015	Commitments
Drainage Facilities Repair & Lake Mgt	\$ 26,612,447	21,677,591	581,613
Churchland Bridge	14,572,697	1,843,871	1,207,753
Victory Boulevard (2% City Match to VDOT)	13,547,131	13,200,853	-
Behavioral Health building	8,295,671	7,228,270	578,507
PS New Radio System	7,000,000	3,039,106	220,200
Churchland Library joint with Suffolk	6,744,612	6,743,177	-
Upgrade City's Traffic Signal (2-4)	6,600,000	3,934,933	2,136,119
Seawall Reinforcement	6,110,421	3,765,521	661,114
Portsmouth Sportscomplex Acquisition & Renovation	4,422,090	4,147,613	248,736
Pavillion-Canopy	3,882,025	3,741,164	-
Churchland High School - air quality	3,667,441	3,654,249	-
801 Water Street	3,564,871	3,230,337	-
Judicial Facilities Improvements	3,308,410	3,055,015	-
Update Traffic Signal-10 Intersections	3,393,600	2,949,291	933
Renovations to Various Buildings	3,285,699	3,194,300	27,180
Update Traffic Signal-8 Intersections	3,244,800	2,242,286	-
City / Schools Joint Financial Management System	2,936,486	2,568,695	351,813
Roof Replacement	2,731,968	2,537,329	44,643
Bridge Repairs	2,733,465	1,861,975	871,305
Dredging of Lake and Ponds	2,303,571	100,687	-
Traffic Signal Improvements	2,280,579	3,529,170	10,568
Parking Garage Repairs - Harbor Tower	2,256,002	1,906,863	-
City-wide Recycling Program	2,179,690	2,174,911	-
Hazmat Program	2,080,963	1,938,805	21,400
Replacement of HVACs	1,936,052	1,758,343	-
Recreation Facility Repair/Replacement	1,345,285	1,090,143	77,206
City Gateways	1,308,516	915,753	24,762
Midtown Corridor	1,210,000	1,182,400	-
Terminal Impact Mitigation	936,809	921,164	-
School bus fleet replacement	1,956,083	1,930,143	-
Various projects under \$1,000,000 each	12,893,137	7,692,062	579,759
	\$ 159,340,521	119,756,020	7,643,611

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 \$7,643,611 have been reserved for encumbrances for capitalizable and noncapitalizable expenditures in the capital improvements fund.

Primary Government - Business-Type Activities	Balance July 1, 2014 as restated	Additions	Deletions	Balance June 30, 2015
Capital assets not being depreciated:				
Land	\$ 15,348,574	-	-	15,348,574
Construction in progress	72,142,474	15,766,455	(4,853,781)	83,055,148
Total capital assets not being depreciated	<u>87,491,048</u>	<u>15,766,455</u>	<u>(4,853,781)</u>	<u>98,403,722</u>
Capital assets being depreciated:				
Buildings	25,228,458	-	-	25,228,458
Improvements other than buildings	2,532,397	-	-	2,532,397
Improvements other than buildings (Infrastructure)	251,312,161	3,411,595	-	254,723,756
Machinery, furniture, and equipment	23,264,209	2,165,509	(16,974)	25,412,744
Total capital assets being depreciated	<u>302,337,225</u>	<u>5,577,104</u>	<u>(16,974)</u>	<u>307,897,355</u>
Less accumulated depreciation for:				
Buildings	(16,111,774)	(575,467)	-	(16,687,241)
Improvements other than buildings	(2,330,544)	(15,231)	-	(2,345,775)
Improvements other than buildings (Infrastructure)	(88,685,387)	(5,782,543)	-	(94,467,930)
Machinery, furniture, and equipment	(16,798,806)	(1,519,087)	16,974	(18,300,919)
Total accumulated depreciation	<u>(123,926,511)</u>	<u>(7,892,328)</u>	<u>16,974</u>	<u>(131,801,865)</u>
Total capital assets being depreciated, net	<u>178,410,714</u>	<u>(2,315,224)</u>	<u>-</u>	<u>176,095,490</u>
Business-type activities capital assets, net	<u>\$ 265,901,762</u>	<u>13,451,231</u>	<u>(4,853,781)</u>	<u>274,499,212</u>

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

Public utilities	\$ 6,737,903
Parking authority	455,441
Port facility	46,119
Golf	110,598
Waste management	<u>542,269</u>
Total business-type activities	<u>\$ 7,892,330</u>

Capital Assets – business type activities (continued)

Primary Government - Major Enterprise Funds	Balance July 1, 2014 as restated	Additions	Deletions	Balance June 30, 2015
<i>Public Utility Fund</i>				
Capital assets not being depreciated:				
Land	\$ 324,079	-	-	324,079
Construction in progress	72,142,474	15,766,455	(4,853,781)	83,055,148
Total capital assets not being depreciated	<u>72,466,553</u>	<u>15,766,455</u>	<u>(4,853,781)</u>	<u>83,379,227</u>
Capital assets being depreciated:				
Buildings	692,687	-	-	692,687
Improvements other than buildings (Infrastructure)	251,114,373	3,411,595	-	254,525,968
Machinery, furniture, and equipment	14,058,715	287,437	-	14,346,152
Total capital assets being depreciated	<u>265,865,775</u>	<u>3,699,032</u>	<u>-</u>	<u>269,564,807</u>
Less accumulated depreciation for:				
Buildings	(145,015)	(17,158)	-	(162,173)
Improvements other than buildings (Infrastructure)	(88,487,599)	(5,782,544)	-	(94,270,143)
Machinery, furniture, and equipment	(10,744,630)	(938,201)	-	(11,682,831)
Total accumulated depreciation	<u>(99,377,244)</u>	<u>(6,737,903)</u>	<u>-</u>	<u>(106,115,147)</u>
Total capital assets being depreciated, net	<u>166,488,531</u>	<u>(3,038,871)</u>	<u>-</u>	<u>163,449,660</u>
Public Utility Fund capital assets, net	<u>\$ 238,955,084</u>	<u>12,727,584</u>	<u>(4,853,781)</u>	<u>246,828,887</u>
<i>Parking Authority</i>				
Capital assets not being depreciated:				
Land	\$ 679,680	-	-	679,680
Construction in progress	-	-	-	-
Total capital assets not being depreciated	<u>679,680</u>	<u>-</u>	<u>-</u>	<u>679,680</u>
Capital assets being depreciated:				
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	<u>19,363,340</u>	<u>-</u>	<u>-</u>	<u>19,363,340</u>
Less accumulated depreciation for:				
Buildings	(11,300,810)	(427,086)	-	(11,727,896)
Improvements other than buildings	(190,268)	(6,633)	-	(196,901)
Machinery, furniture, and equipment	(249,819)	(21,721)	-	(271,540)
Total accumulated depreciation	<u>(11,740,897)</u>	<u>(455,440)</u>	<u>-</u>	<u>(12,196,337)</u>
Total capital assets being depreciated, net	<u>7,622,443</u>	<u>(455,440)</u>	<u>-</u>	<u>7,167,003</u>
Parking Authority capital assets, net	<u>\$ 8,302,123</u>	<u>(455,440)</u>	<u>-</u>	<u>7,846,683</u>

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

	Project Authorization	Expended to June 30, 2015	Commitments
<u>Public Utility Fund:</u>			
Lake Kilby replacement filters	\$ 45,600,000	2,141,562	49,957
Downtown master utility	35,900,000	14,792,334	3,189,476
Sanitary sewer overflow elimination	23,957,100	11,143,231	3,020,349
Infrastructure improvements	16,424,453	3,143,002	318,869
Low pressure transmission mains	13,250,000	1,796,962	137,579
Miscellaneous sewer improvements	11,498,167	7,438,510	1,647,742
Meter replacement program	10,999,000	9,428,660	400,286
Lake Kilby raw water pumping station	7,833,256	7,141,418	-
Replacement of water plant equipment	7,470,396	3,402,178	181,869
Sewer cave-in repair	5,924,238	5,149,940	202,393
Dam upgrades	5,500,000	1,466,917	10,292
Miscellaneous water improvements	3,124,524	2,399,968	747,757
Williams Court outlet sewer	2,500,000	2,314,278	-
Godwin Street reservoir replacement	1,218,058	1,160,508	-
Various projects under \$1,000,000 each	1,355,331	243,799	-
	\$ 192,554,523	73,163,267	9,906,569

In addition to the amount of \$73,163,267 shown above as expended to June 30, 2015, \$7,487,757 is included in construction in progress for capitalized interest and \$2,404,124 for the Prentis Park Water Project, bringing total construction in progress to \$83,055,148. 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, 2014 as restated	Additions	Deletions	Balance June 30, 2015
Capital assets not being depreciated:				
Land	\$ 6,125,204	-	(39,497)	6,085,707
Construction in progress	-	-	-	-
Total capital assets not being depreciated	<u>6,125,204</u>	<u>-</u>	<u>(39,497)</u>	<u>6,085,707</u>
Capital assets being depreciated:				
Buildings	94,028,205		(492,457)	93,535,748
Machinery, furniture, and equipment	25,807,839	1,256,267	(947,112)	26,116,994
Intangibles	422,270	-	-	422,270
Total capital assets being depreciated	<u>120,258,314</u>	<u>1,256,267</u>	<u>(1,439,569)</u>	<u>120,075,012</u>
Less accumulated depreciation for:				
Buildings	(37,050,131)	(2,847,543)	492,494	(39,405,180)
Machinery, furniture, and equipment	(17,537,855)	(1,128,029)	914,629	(17,751,255)
Intangibles	(389,143)	(33,127)	-	(422,270)
Total accumulated depreciation	<u>(54,977,129)</u>	<u>(4,008,699)</u>	<u>1,407,123</u>	<u>(57,578,705)</u>
Capital assets being depreciated/amortized				
Total capital assets - being depreciated	<u>65,281,185</u>	<u>(2,752,432)</u>	<u>(32,446)</u>	<u>62,496,307</u>
School Board capital assets, net	\$ 71,406,389	(2,752,432)	(71,943)	68,582,014
Economic Development Authority Component Unit				
	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
Capital assets not being depreciated:				
Land	\$ 1,421,883	-	-	1,421,883
Total capital assets not being depreciated	<u>1,421,883</u>	<u>-</u>	<u>(610,530)</u>	<u>1,421,883</u>
Capital assets being depreciated:				
Buildings	300,000	752,025	(697,749)	354,276
Total capital assets being depreciated	<u>300,000</u>	<u>752,025</u>	<u>(697,749)</u>	<u>354,276</u>
Less accumulated depreciation for:				
Buildings	(5,625)	(94,719)	87,219	(13,125)
Total accumulated depreciation	<u>(5,625)</u>	<u>(94,719)</u>	<u>87,219</u>	<u>(13,125)</u>
Total capital assets being depreciated, net	<u>294,375</u>	<u>657,306</u>	<u>(610,530)</u>	<u>341,151</u>
Economic development authority capital assets, net	\$ 1,716,258	657,306	(610,530)	1,763,034

(5) LONG - TERM DEBT

Details of Long-Term Indebtedness

At June 30, 2015, 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)	- %	\$ 200,562
2001B VPSA School Financing Bonds	3.1 - 5.1 %	1,301,973
2005C Taxable G.O. Refunding Bonds	5.0 - 5.4 %	538,682
2006B Taxable G.O. Refunding Bonds	- %	2,023,805
2006B VPSA School Financing Bonds	4.2 - 5.1 %	4,030,835
2009A G.O. Refunding Bonds	4.0 - 4.8 %	6,341,434
2009B G.O. Refunding Bonds	3.5 - 5.3 %	11,081,797
2009C Taxable G.O. Refunding Bonds	5.6 - 6.4 %	16,576,090
2009D G.O. Refunding Bonds	3.0 - 4.0 %	5,907,916
2009 VPSA Qualified School Construction Bonds		15,745,061
2010A G.O. Public Improvement Bonds	3.0 - 4.0 %	2,334,866
2010B Taxable G.O. Public Improvement Bonds (BAB)	4.7 - 6.3 %	29,240,000
2010D G.O. & Refunding Bonds	3.0 - 5.3 %	30,647,526
2011 G.O. Refunding Bonds	2.5 - 5.0 %	15,356,375
2012A G.O. Public Utility & Refunding Bonds	2.0 - 5.0 %	26,132,956
2012B Taxable G.O. Refunding Bonds	1.5 - 3.9 %	6,970,000
2012C G.O. Public Improvement & Refunding Bonds	2.0 - 4.0 %	14,847,058
2012D Taxable G.O. Refunding Bonds	0.7 - 1.7 %	1,960,000
2013A G.O. Public Improvement & Refunding Bonds	3.0 - 5.0 %	63,694,660
2013B Taxable G.O. & Refunding Bonds	0.4 - 4.5 %	170,410,000
2015A G.O. Refunding Bonds	1.8 - 3.3 %	10,123,257
2015B Taxable G.O. Refunding Bonds	0.2 - 3.3 %	20,679,602
Total general obligation bonds, net		456,144,455
Capital leases		8,206,679
Literary loans		750,000
Compensated absences		7,340,922
Net pension liability		99,228,076
Total governmental activities		\$ 571,670,132

Details of Long-Term Indebtedness (continued)

		Interest Rate	Amount Outstanding
Business-Type Activities			
General obligation bonds, net:			
Public Utility:			
2009D	G.O. Refunding Bonds	3.0 - 4.0%	\$ 1,400,792
2009E	Prentis Park Bonds	-	2,083,575
2010A	G.O. Public Improvement Bonds	3.0 - 4.0%	2,249,725
2010B	Taxable G.O. Public Improvement Bonds (BAB)	4.7 - 6.3%	25,110,000
2011	G.O. Refunding Bonds	2.5 - 5.0%	8,572,038
2012A	G.O. Public Utility & Refunding Bonds	2.0 - 5.0%	55,516,066
2012C	G.O. Public Improvement & Refunding Bonds	2.0 - 4.0%	9,737,565
2013A	G.O. Public Improvement & Refunding Bonds	2.0 - 5.0%	1,662,972
2013B	Taxable G.O. & Refunding Bonds	0.4 - 2.6%	20,515,000
2015A	G.O. Refunding Bonds	1.8 - 3.3%	14,074,393
2015B	Taxable G.O. Refunding Bonds	0.2 - 3.3%	8,274,719
			149,196,845
Golf:			
2009B	G.O. Refunding Bonds	3.5 - 5.3%	1,152,244
2011	G.O. Refunding Bonds	2.5 - 5.0%	2,295,236
2012A	G.O. Public Utility & Refunding Bonds	2.3 - 5.0%	1,087,629
2013A	G.O. Public Improvement & Refunding Bonds	2.0 - 3.0%	372,429
2013B	Taxable G.O. & Refunding Bonds	0.4 - 2.6%	390,000
2015A	G.O. Refunding Bonds	1.8 - 3.3%	388,347
			5,685,885
Parking Authority:			
2009A	G.O. Refunding Bonds	4.0 - 4.8%	74,593
2009B	G.O. Refunding Bonds	5.0%	20,539
2011	G.O. Refunding Bonds	2.5 - 5.0%	215,267
2012A	G.O. Public Utility & Refunding Bonds	2.3 - 5.0%	201,993
2012C	G.O. Public Improvement & Refunding Bonds	3.5 - 4.0%	49,210
2013A	G.O. Public Improvement & Refunding Bonds	3.0%	35,704
2013B	Taxable G.O. & Refunding Bonds	0.4 - 3.9%	3,930,000
2015A	G.O. Refunding Bonds	1.8 - 3.3%	25,743
			4,553,049
Total general obligation bonds, net			159,435,779
Capital leases			223,001
Landfill closure and postclosure care			4,873,581
Compensated absences			736,228
Net pension liability			9,203,277
Total business type activities			\$ 174,471,866

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

CITY OF PORTSMOUTH, VIRGINIA
Notes to Basic Financial Statements
June 30, 2015

Exhibit H (continued)

At June 30, 2015, the long-term indebtedness of the School Board component unit consisted of the following:

	Amount Outstanding
School Board:	
Capital leases	\$ 1,001,007
Compensated absences	4,391,870
Claims payable	2,727,225
Net pension liability	137,958,036
Total long-term liabilities	\$ 146,078,138

The following is a summary of changes in long-term indebtedness of the City for the year ended June 30, 2015:

	Balance June 30, 2014 as restated	Increases	Decreases	Balance June 30, 2015	Due Within One Year
Primary Government -					
Governmental Activities:					
General obligation bonds	\$ 459,453,150	29,466,659	(46,855,931)	442,063,878	18,961,022
Bond premiums/(discounts)	14,044,214	1,355,247	(1,318,884)	14,080,577	884,252
	<u>473,497,364</u>	<u>30,821,906</u>	<u>(48,174,815)</u>	<u>456,144,455</u>	<u>19,845,274</u>
Capital leases	10,246,247	-	(2,039,568)	8,206,679	2,134,500
Literary loans	1,000,000	-	(250,000)	750,000	250,000
Compensated absences	8,077,190	3,946,712	(4,682,980)	7,340,922	1,321,365
Net pension liability	109,652,403	-	(10,424,327)	99,228,076	-
Total Governmental Activities	\$ 602,473,204	34,768,618	(65,571,690)	571,670,132	23,551,139
Business Type Activities:					
General obligation bonds	\$ 156,987,703	20,538,341	(28,014,129)	149,511,915	7,055,138
Bond premiums/(discounts)	8,505,969	2,256,026	(838,133)	9,923,863	596,879
	<u>165,493,672</u>	<u>22,794,367</u>	<u>(28,852,262)</u>	<u>159,435,778</u>	<u>7,652,017</u>
Capital leases	415,571	-	(192,570)	223,001	196,493
Landfill closure and postclosure care	4,761,875	111,706	-	4,873,581	-
Compensated absences	796,424	397,973	(458,169)	736,228	132,522
Net pension liability	10,170,121	-	(966,844)	9,203,277	-
Total Business Type Activities	\$ 181,637,663	23,304,046	(30,469,845)	174,471,865	7,981,032
Major Enterprise Funds:					
<u>Public Utility Fund</u>					
General obligation bonds	146,237,763	20,130,000	(26,739,188)	139,628,576	6,245,138
Bond premiums/(discounts)	8,049,790	2,250,186	(731,706)	9,568,270	540,523
	<u>154,287,553</u>	<u>22,380,186</u>	<u>(27,470,894)</u>	<u>149,196,846</u>	<u>6,785,661</u>
Compensated absences	487,104	236,899	(301,147)	422,856	76,114
Net pension liability	6,411,622	-	(609,534)	5,802,088	-
Total Public Utility Fund	<u>161,186,279</u>	<u>22,617,085</u>	<u>(28,381,575)</u>	<u>155,421,790</u>	<u>6,861,775</u>
<u>Parking Authority</u>					
General obligation bonds	4,944,940	23,341	(464,941)	4,503,341	440,000
Bond premiums/(discounts)	68,898	2,441	(21,631)	49,708	5,010
	<u>5,013,838</u>	<u>25,782</u>	<u>(486,572)</u>	<u>4,553,049</u>	<u>445,010</u>
Compensated absences	24,285	11,500	(19,359)	16,426	2,958
Net pension liability	187,993	-	(17,926)	170,067	-
Total Parking Authority	<u>5,226,116</u>	<u>37,282</u>	<u>(523,857)</u>	<u>4,739,542</u>	<u>447,968</u>

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, 2015 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, 2015:

	Balance July 1, 2014 as restated	Increases	Decreases	Balance June 30, 2015	Due Within One Year
School Board:					
Capital leases	\$ 3,710,390	-	2,709,383	1,001,007	-
Compensated absences	5,390,885	1,806,696	(2,805,711)	4,391,870	1,443,900
Claims Payable	1,977,122	8,046,267	(7,296,164)	2,727,225	1,487,561
Net pension liability	151,177,804	-	(13,219,768)	137,958,036	-
Total School Board	\$ 162,256,201	9,852,963	(20,612,260)	146,078,138	2,931,461

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.

Refunding / Defeased Debt

On April 7, 2015, the City issued \$50,005,000 of general obligation refunding bonds with a true interest cost of 2.805% to refund the Series 2006A general obligation bonds and a portion of the Series 2005A and 2005B general obligation bonds. The net proceeds were placed in an irrevocable escrow trust to provide for future debt service payments. Accordingly, the refunded bonds are considered defeased and the escrow account's assets and liabilities for the defeased debt are not included in the City's financial statements. At June 30, 2015, the outstanding par amount of the remaining defeased debt for the April 7, 2015 refunding is \$34,905,000. The total net present value savings achieved was \$4,474,852 representing a 8.79% of the original bond par amount.

Debt Limit

The Commonwealth of Virginia imposes a legal limit of 10 percent of the assessed valuation of taxed real property as a ceiling in the amount of the general obligation borrowings, which may be issued by the City without referendum. At June 30, 2015 the City's debt limit is \$716,965,971 of which \$140,814,554 is available for the issuance of additional debt. There are no overlapping tax jurisdictions. However, the City has adopted three debt affordability policies that restrict the amount of debt below the amount indicated by the legal debt margin. The policies include the ratio of all net tax supported Debt Service to combined General Fund and School revenues should not exceed 10%, the ratio of net tax supported Debt Service to Market Value should not exceed four percent, and the 10 year debt payout ratio of net tax supported Debt Service should be greater than or equal to 50%.

Debt Compliance and Repayment

The annual requirements to amortize all outstanding long-term indebtedness of the City to maturity as of June 30, 2015 (except compensated absences and landfill closure and post closure care) are as follows:

Governmental Activities:

Fiscal Year Ending	General Obligation Bonds		Literary Loans		Capital Leases	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 18,961,022	17,276,649	250,000	15,000	2,134,500	719,968
2017	19,910,821	17,021,013	250,000	10,000	1,716,998	614,260
2018	20,707,296	16,534,201	250,000	5,000	1,489,647	473,297
2019	21,318,181	15,969,547	-	-	1,079,508	329,031
2020	21,904,785	15,265,533	-	-	1,174,232	180,750
2021-2025	116,290,750	63,453,314	-	-	611,792	30,536
2026-2030	107,603,220	39,855,413	-	-	-	-
2031-2035	92,582,803	18,322,300	-	-	-	-
2036-2040	22,785,000	1,462,604	-	-	-	-
	\$ 442,063,878	205,160,574	750,000	30,000	8,206,677	2,347,842

Business-Type Activities:

Fiscal Year Ending	General Obligation Bonds		Capital Leases	
	Principal	Interest	Principal	Interest
2016	\$ 7,055,138	5,982,193	196,493	2,908
2017	7,090,138	5,938,987	26,508	262
2018	7,365,138	5,749,516	-	-
2019	7,680,138	5,547,413	-	-
2020	7,895,137	5,308,105	-	-
2021-2025	37,708,182	21,960,004	-	-
2026-2030	29,774,335	14,411,382	-	-
2031-2035	19,492,885	9,144,516	-	-
2036-2040	19,810,687	4,402,513	-	-
2041-2042	5,640,137	281,500	-	-
	\$ 149,511,915	78,726,129	223,001	3,170

Authorized but Unissued Bonds

A summary of bonds authorized but unissued by project as of June 30, 2015 are listed below. These projects are self supporting and debt service will be paid from the public utility fund revenue.

Project	Total
Suction Wells	\$ 4,048,533
Miscellaneous Sewer Projects	8,000,000
Sewer Cave-in Repairs	500,000
Sanitary Sewer Overflow Elimination Program	8,973,284
Infrastructure Improvements	7,275,684
Dam Upgrades	2,900,000
Replacement of Water Plant Equipment	3,281,076
Automated Meter Reading	1,969,000
Replacement of 2" Water Mains	1,336,648
Lake Kilby Water Pump Station	252,120
Downtown Master Utility Plan	19,000,000
Low Pressure Transmission	11,626,135
Lake Kilby Replacement Filters	39,000,000
Total Authorized and Unissued Debt June 30, 2015	<u>\$ 108,162,480</u>

Notes to Basic Financial Statements, Continued
June 30, 2015

(6) LEASING ARRANGEMENTS

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

	Governmental	Internal Service	Enterprise
Buildings	\$ 12,347,181	-	-
Machinery, furniture, and equipment	2,115,395	11,924,291	3,714,431
Less accumulated depreciation	(6,143,668)	(6,533,675)	(2,374,050)
Capital assets, net	\$ 8,318,908	5,390,616	1,340,381

Depreciation expense on leased assets was \$2,130,008 for the fiscal year ended June 30, 2015.

The projected minimum capital and operating lease payments of the City as of June 30, 2015 is as follows:

Fiscal Year Ending	Capital	Operating
2016	\$ 3,053,840	709,072
2017	2,358,028	
2018	1,962,945	-
2019	1,408,539	-
2020	1,354,982	-
2021	642,328	-
Total minimum lease payments	10,780,662	709,072
Less amount representing interest	(2,350,982)	
Present value of minimum capital lease payments	\$ 8,429,680	

Total operating lease payments for the year ended June 30, 2015 were \$1,026,801.

(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 described below.

Portsmouth Retirement Systems

Summary of Significant Accounting Policies

Measurement focus and basis of accounting. The City accounts for the Portsmouth Supplemental Retirement System 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.

Method used to value investments. 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.

Plan Description - Portsmouth Supplemental Retirement System

Plan description and membership. The Portsmouth Supplemental Retirement System (PSRS) is a single-employer non-contributory retirement system that was established on October 1, 1953. It was designed to provide retirement, death, or disability benefits for all regular full-time, permanent employees who were not eligible for membership in VRS or the Portsmouth Fire and Police Retirement System (FPRS). On December 1, 1984, the City offered an option to all employees of the PSRS to either remain with their current system or transfer to VRS. All regular full-time employees hired after December 1, 1984, with the exception of City Council members, are members of VRS as required by State statutes. Therefore, the PSRS has become essentially a "closed" system.

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

Benefits may be increased from time to time by cost of living adjustments approved by 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. 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.

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.

Plan Participants

Participation in the Portsmouth Supplemental Retirement System and the Fire and Police Retirement System consisted of the following as of June 30, 2014:

	<u>PSRS</u>	<u>FPRS</u>
Retirees and beneficiaries	378	630
Vested terminated employees not yet receiving benefits	20	43
Current vested employees	24	48
	<u>422</u>	<u>721</u>

Contributions

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

Total employer contributions to the PSRS and FPRS for fiscal year 2015 were \$2,438,432 and \$6,734,263, respectively.

Plan Investments

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

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

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

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

The Board has engaged BB&T, Scott & Stringfellow, Inc. to assist the Board in areas of asset allocation, investment policy, portfolio strategy implementation, performance monitoring and evaluation, and implementation of rebalancing policy.

BB&T, Scott & Stringfellow, Inc. is responsible for investing Plan assets in a manner consistent with this Investment Policy within the John Hancock Retirement Plans Services Investment Platform. See subsequent event footnote number 18 for change of investment firms.

Objectives. Objectives of the Investment Policy are as follows:

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

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

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

	<u>Target</u>	<u>Range</u>
Equities	50%	45% - 70%
Fixed Income	45%	25% - 45%
Alternatives	5%	0% - 10%

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

Asset allocation policy is reviewed regularly. A review may be brought forward if significant changes occur to the Plan’s financial position or spending policy.

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

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

1. Equities:

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

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

2. Fixed Income:

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

3. Alternative Investments:

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

A. Real Estate:

- 1. The investment medium shall be equity real estate
- 2. Investments shall provide asset class diversification to reduce portfolio standard deviation.
- 3. The funds will be invested publicly traded real estate mutual funds and not in real estate limited partnerships.

4. Investments shall be diversified and of high quality; core assets will comprise a majority of the allocation.
5. A benchmark for returns comparisons includes, but is not limited to the Russell Open-End Real Estate Universe.

B. Managed Futures:

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

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

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

Concentrations

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

Rate of Return

For the year ended June 30, 2015, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 0.49 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability of the Portsmouth Retirement Systems

The FPRS and PSRS net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2013, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

Changes in Net Pension Liability - FPRS

	Increase (Decrease)		
	Total	Plan	Net
	Pension	Fiduciary	Pension
	Liability	Net Position	Liability
	(a)	(b)	(a) - (b)
Balance at June 30, 2013	\$ 250,415,803	\$187,926,711	62,489,092
Change for the year:			
Service Cost	875,496	-	875,496
Interest	17,479,148	-	17,479,148
Changes of benefit terms	3,220,420	-	3,220,420
Differences between expected and actual experience	2,306,432	-	2,306,432
Contributions - employer	-	5,186,714	(5,186,714)
Contributions - employee	-	-	-
Net investment income	-	21,908,537	(21,908,537)
Benefit payments, including refunds of employee contributions	(19,431,115)	(19,431,115)	-
Administrative expenses	-	(205,149)	205,149
Other changes	-	-	-
Net changes	4,450,381	7,458,987	(3,008,606)
Balance at June 30, 2014	254,866,184	195,385,698	59,480,486

Changes in Net Pension Liability - PSRS

	Increase (Decrease)		
	Total	Plan	Net
	Pension	Fiduciary	Pension
	Liability	Net Position	Liability
	(a)	(b)	(a) - (b)
Balance at June 30, 2013	96,191,377	70,476,413	25,714,964
Change for the year:			
Service Cost	89,198	-	89,198
Interest	6,661,939	-	6,661,939
Changes of benefit terms	1,244,771	-	1,244,771
Differences between expected and actual experience	(1,195,876)	-	(1,195,876)
Contributions - employer	-	1,782,818	(1,782,818)
Contributions - employee	-	-	-
Net investment income	-	7,874,597	(7,874,597)
Benefit payments, including refunds of employee contributions	(8,512,885)	(8,512,885)	-
Administrative expenses	-	(73,287)	73,287

Other changes	-	-	-
Net changes	(1,712,853)	1,071,243	(2,784,096)
Balance at June 30, 2014	94,478,524	71,547,656	22,930,868

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of June 30, 2014, using the following actuarial assumptions, applied to all periods included in the measurement:

Measurement Date	June 30, 2014
Actuarial Cost Method	Entry Age Normal – Level Percentage of Pay
Interest Rate	7.25%
Annual Rates of Increase:	
Salaries	3.00%
Future Social Security Wage Bases	3.00%
Future Social Security Cost of Living Increases	2.50%
Statutory Limits on Compensation and Benefits	2.50%

Mortality rates were based on the RP-2014 Generational Mortality Table (Scale MP-2014).

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2013 through June 30, 2014.

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

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

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

	1% Decrease (6.25%)	Current Discount (7.25%)	1% Increase (8.25%)
PSRS			
Total Pension Liability	\$ 102,957,440	94,478,524	87,202,571
Less: Fiduciary Net Position	71,547,656	71,547,656	71,547,656
Net Pension Liability	\$ 31,409,784	22,930,868	15,654,915
FPRS			
Total Pension Liability	\$ 281,354,346	254,866,184	232,650,892
Less: Fiduciary Net Position	195,385,698	195,385,698	195,385,698
Net Pension Liability	\$ 85,968,648	59,480,486	37,265,194

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

For the year ended June 30, 2015 the City recognized pension expenses of \$1,417,550 for PSRS and \$9,241,136 for FPRS. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	PSRS		FPRS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	-	-	-	-
Change in assumptions	-	-	-	-
Net difference between projected and actual earnings on pension plan investments	-	2,418,828	-	7,063,028
Employer contribution subsequent to the measurement date	2,438,432		6,734,263	-
Total	2,438,432	2,418,828	6,734,263	7,063,028

Deferred outflows of resources will be recognized in pension expense in fiscal year 2016. The amounts reported as deferred inflows of resources related to PSRS and FPRS pensions will be recognized in pension expense as follows:

Year ended June 30	PSRS		FPRS	
2015	\$	604,707	\$	1,765,758
2016	\$	604,707	\$	1,765,758
2017	\$	604,707	\$	1,765,758
2018	\$	604,707	\$	1,765,754
Thereafter	\$	-	\$	-

Virginia Retirement System

Plan Description

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

The City is a separate cost pool within VRS, and makes contributions based on rates set by VRS's actuarial calculations of the annual required contributions. All full-time, salaried permanent employees of the City and

the Portsmouth's public school divisions are automatically covered by VRS upon employment. This plan is administered by the Virginia Retirement System.

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

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

VRS PLAN 1	VRS PLAN 2	HYBRID RETIREMENT PLAN
<p>About VRS Plan 1 VRS Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for VRS Plan 1 if their membership date is before July 1, 2010 and they were vested as of January 1, 2013.</p>	<p>About VRS Plan 2 VRS Plan 2 is a defined benefit plan. The retirement is based on a member's age, creditable service, and average final compensation at retirement using a formula. Employees are eligible for VRS Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010 and they were not vested as of January 1, 2013.</p>	<p>About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan as well as VRS Plan 1 and VRS Plan 2 members who were eligible and opted into the plan during a special election window. (See "Eligible Members")</p> <ul style="list-style-type: none"> • The defined benefit is based on a member's age, creditable compensation and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required

<p>Eligible Members Employees are in VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p> <p>Hybrid Opt-In Election VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt-into the Hybrid Retirement Plan during a special election window held January 1 through April 20, 2013.</p> <p>The Hybrid Retirement Plan’s effective date for eligible VRS Plan 1 members who opted in was July 1, 2014 through April 1, 2014.</p> <p>If eligible deferred workers returned to work during the election window, they were also eligible to Opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and had prior service under VRS Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 1 or ORP.</p>	<p>Eligible Members Employees are in VRS Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p> <p>Hybrid Opt-In Election VRS Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan’s effective date for eligible VRS Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and have prior service under VRS Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 2 or ORP.</p>	<p>fees.</p> <p>Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> • Political subdivision employees* • Judges appointed or elected to an original term on or after January 1, 2014 • Members in VRS Plan 1 or VRS Pan 2 who elected to opt into the plan during the election window held January 1 – April 30; the plan’s effective date for opt-in members was July 1, 2014 <p>*Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <p>Political subdivision employees who are covered by enhanced benefits for hazardous duty employees</p> <p>Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under VRS Plan 1 or VRS Plan 2 (as applicable) or ORP.</p>
<p>Retirement Contributions Members contribute up to 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some school divisions and political subdivisions elected to phase in the required 5% member contribution; all employees will be paying the full 5% by July 1, 2016. Member</p>	<p>Retirement Contributions Same as VRS Plan 1</p>	<p>Retirement Contributions A member’s retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee’s creditable compensation and are</p>

<p>contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p>		<p>required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.</p>
<p>Creditable Service Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p>	<p>Creditable Service Same as VRS Plan 1.</p>	<p>Creditable Service <u>Defined Benefit Component:</u> Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p> <p><u>Defined Contributions Component:</u> Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p>
<p>Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and</p>	<p>Vesting Same as VRS Plan 1.</p>	<p>Vesting <u>Defined Benefit Component:</u> Defined benefit vesting is the minimum length of service a member needs to qualify for a future benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of</p>

<p>service requirements for their plan. Members also must be vested to receive a full refund of their member retirement contribution account balance if they leave employment and request a refund.</p> <p>Members are always 100% vested in the contributions that they make.</p>		<p>creditable service. VRS Plan 1 or VRS Pan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p> <p><u>Defined Contributions Component:</u> Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.</p> <p>Members are always 100% vested in the contributions that they make.</p> <p>Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p> <ul style="list-style-type: none"> • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. <p>Distribution is not required by law until age 70½.</p>
<p>Calculating the Benefit The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit</p>	<p>Calculating the Benefit See definition under VRS Plan 1.</p>	<p>Calculating the Benefit <u>Defined Benefit Component:</u> See definition under VRS Plan 1.</p> <p><u>Defined Contribution Component:</u> The benefit is based on contributions made by the member and any</p>

<p>payout options available to a member at retirement. An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.</p>		<p>matching contributions made by the employer, plus net investment earnings on those contributions.</p>
<p>Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation Same as VRS Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>
<p>Service Retirement Multiplier The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.7%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.7% or 1.85% as elected by the employer.</p>	<p>Service Retirement Multiplier Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.</p>	<p>Service Retirement Multiplier The retirement multiplier is 1.0%. For members that opted into the Hybrid Retirement Plan from VRS Plan 1 or VRS Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.</p>
<p>Normal Retirement Age Age 65.</p>	<p>Normal Retirement Age Normal Social Security retirement age.</p>	<p>Normal Retirement Age Defined Benefit Component: Same as VRS Plan 2. Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Earliest Unreduced Retirement Eligibility Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit at age 65 with at least five years (60 months) of creditable service or at</p>	<p>Earliest Unreduced Retirement Eligibility Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit when they reach normal Social Security retirement</p>	<p>Earliest Unreduced Retirement Eligibility Defined Benefit Component: Members are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five</p>

<p>age 50 with at least 30 years of creditable service.</p> <p>Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.</p>	<p>age and have at least five years (60 months) of creditable service or at age and service equal 90.</p> <p>Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.</p>	<p>years (60 months) of creditable service or at age and service equal 90.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Earliest Reduced Retirement Eligibility</p> <p>Members may retire with an reduced retirement benefit as early as age 55 with at least five years (60 months) of creditable service or at age 50 with at least 10 years of creditable service.</p>	<p>Earliest Unreduced Retirement Eligibility</p> <p>Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.</p>	<p>Earliest Unreduced Retirement Eligibility</p> <p><u>Defined Benefit Component:</u> Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions</p>
<p>Cost-of-Living Adjustment (COLA) in Retirement</p> <p>The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.</p> <p><u>Eligibility:</u> For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.</p> <p>For members who retire with a reduced benefit and who have less</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement</p> <p>The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.</p> <p><u>Eligibility:</u> Same as VRS Plan 1.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement</p> <p><u>Defined Benefit Component:</u> Same as VRS Plan 2.</p> <p><u>Defined Contribution Component:</u> Not Applicable.</p> <p><u>Eligibility:</u> Same as VRS Plan 1 and VRS Plan 2.</p>

<p>than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p>		
<p><u>Exceptions to COLA Effective Dates:</u> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 – December 31) from the date the monthly benefit begins. 	<p><u>Exceptions to COLA Effective Dates:</u> Same as VRS Plan 1.</p>	<p><u>Exceptions to COLA Effective Dates:</u> Same as VRS Plan 1 and VRS Plan 2.</p>
<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service regardless of when it was</p>	<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service regardless of when it</p>	<p>Disability Coverage Eligible political subdivision and school division (including VRS Pan 1 and VRS Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless</p>

<p>earned, purchased or granted.</p> <p>Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>	<p>was earned, purchased or granted.</p> <p>Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>	<p>their local governing body provides and employer-paid comparable program for its members.</p> <p>State employees (including VRS Plan 1 and VRS Plan 2 opt-ins) participating in the Hybrid Retirement Plan are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.</p> <p>Hybrid members (including VRS Plan 1 and VRS Plan 2 opt-ins) covered under VSDP or VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>
<p>Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, and eligible period of leave or VRS refunded service as creditable service in their plan.</p> <p>Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.</p>	<p>Purchase of Prior Service Same as VRS Plan 1.</p>	<p>Purchase of Prior Service <u>Defined Benefit Component:</u> Same as VRS Plan 1.</p> <p><u>Defined Contribution Component:</u> Not applicable.</p>

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/2014-annual-report.pdf> or obtained by writing the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Employees Covered by Benefit Terms

As of the June 30, 2014 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	City	School - Non Professional
Inactive members or their beneficiaries currently receiving benefits	1,241	331
Inactive members:		
Vested inactive members	384	42
Non-vested Inactive members	586	131
Inactive members active elsewhere in VRS	181	68
Total inactive members	2,392	572
Active members	1,451	401
Total covered employees	3,843	973

The number of covered employees within the School - Professional division are not available at this time.

Contributions

All full-time, salaried permanent employees of the City are automatically covered by VRS Retirement Plan upon employment. This plan is administered by the Virginia Retirement System. 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. Prior to July 1, 2012 all or part of the 5% member contribution may have been 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.

The City's contractually required contribution rate for the year ended June 30, 2015 was 10.82 percent of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2014. The actuarial rate for the plan was 12.09 percent. This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the City were \$8,202,685 and \$7,350,860 for the years ended June 30, 2015 and June 30, 2014, respectively.

The School Board (Non-Professional employees) contractually required contribution rate for the fiscal year ended June 30, 2015 was 10.42 percent of annual covered payroll. The actuarial rate for this plan was 13.03 percent. This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to

the pension plan from the School Board (non-professional employees) were \$731,636 and \$1,004,423 for the years ended June 30, 2015 and June 30, 2014, respectively.

The School Board (Professional employees) contractually required contribution rate for the fiscal year ended June 30, 2015 was 14.50 percent of annual covered payroll. The actuarial rate for this plan was 18.20 percent. This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Based on the provisions of §51.1-145 of the *Code of Virginia*, as amended, the contributions were funded at 79.69% of the actuarial rate for the year ended June 30, 2015. Contribution to the pension plan from the school division were \$11,317,000 and \$9,199,000 for the years ended June 30, 2015 and June 30, 2014, respectively.

Net Pension Liability

The City's and School Board's (Non-Professional employees) net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2013, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

The School Board (Professional employees) Net Pension Liability was measured as of June 30, 2014 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions – General Employees

The total pension liability for General Employees in the City's Retirement Plan was based on an actuarial valuation as of June 30, 2013, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

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

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

Mortality rates: 14 % of deaths are assumed to be service related
Largest 10 – Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females were set back 2 years.

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

All Others (Non 10 Largest) – Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females were set back 2 years.

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
U.S. Equity	19.50%	6.46%	1.26%
Developed Non U.S. Equity	16.50%	6.28%	1.04%
Emerging Market Equity	6.00%	10.00%	0.60%
Fixed Income	15.00%	0.09%	0.01%
Emerging Debt	3.00%	3.51%	0.11%
Rate Sensitive Credit	4.50%	3.51%	0.16%
Non Rate Sensitive Credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public Real Estate	2.25%	6.12%	0.14%
Private Real Estate	12.75%	7.10%	0.91%
Private Equity	12.00%	10.41%	1.25%
Cash	1.00%	-1.50%	-0.02%
Total	100.00%		5.83%
	Inflation		2.50%
	* Expected arithmetic nominal return		8.33%

* Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the City for the VRS Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, the City is assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability - VRS - City

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at June 30, 2013	\$ 270,968,771	\$ 226,678,948	\$ 44,289,823
Change for the year:			
Service Cost	7,865,420	-	7,865,420
Interest	18,592,496	-	18,592,496
Differences between expected and actual experience	-	-	-
Contributions - employer	-	5,702,215	(5,702,215)
Contributions - employee	-	3,522,637	(3,522,637)
Net investment income	-	35,693,002	(35,693,002)
Benefit payments, including refunds of employee contributions	(10,723,367)	(10,723,367)	-
Administrative expenses	-	(191,765)	191,765
Other changes	-	1,881	(1,881)
Net changes	15,734,549	34,004,603	(18,270,054)
Balance at June 30, 2014	\$ 286,703,320	\$ 260,683,551	\$ 26,019,769

Changes in Net Pension Liability - VRS - School (Non-Professional)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at June 30, 2013	\$ 35,854,243	\$ 26,386,043	\$ 9,468,200
Change for the year:			
Service Cost	743,215	-	743,215
Interest	2,434,509	-	2,434,509
Differences between expected and actual experience	-	-	-
Contributions - employer	-	648,377	(648,377)
Contributions - employee	-	354,802	(354,802)
Net investment income	-	4,075,199	(4,075,199)
Benefit payments, including refunds of employee contributions	(2,151,081)	(2,151,081)	-
Administrative expenses	-	(22,705)	22,705
Other changes	-	215	(215)
Net changes	1,026,643	2,904,807	(1,878,164)
Balance at June 30, 2014	\$ 36,880,886	\$ 29,290,850	\$ 7,590,036

Financial disclosure with regards to Changes in Net Pension Liability as it relates to VRS- School (Professional) was not available at the time of reporting.

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

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

	1.00% Decrease	Current Discount	1.00% Increase
	(6.00%)	Rate	(8.00%)
	(6.00%)	(7.00%)	(8.00%)
VRS - City			
Net Pension Liability	\$65,019,000	\$26,020,000	(\$6,311,000)
School division's proportionate share of the VRS Teacher (Professional) Employee Retirement Plan			
Net Pension Liability	\$191,433,000	\$130,368,000	\$80,092,000
School division's (Non-Professional) Employee Retirement Plan			
Net Pension Liability	\$11,816,161	\$7,590,036	\$4,028,680

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

For the year ended June 30, 2015, the City recognized pension expense of \$3,340,000.

For the year ended June 30, 2015, the School (Professional) division recognized pension expense of \$2,754,000. Since there was a change in proportionate share between June 30, 2013 and June 30, 2014, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

The School (Non-Professional) division recognized pension expense of \$585,525.

At June 30, 2015, the City and School (Professional and Non-Professional) divisions reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	City		Schools - Professional		Schools - Non-Professional	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Difference between expected and actual experience						

Change in assumptions	-	-	-	-	-	-
Net difference between projected and actual earnings on pension plan investments	-	15,908,000	-	19,358,000	-	1,815,312
Changes in proportion and difference between Employer contributions and proportionate share of contributions	-	-	-	2,506,000	-	-
Employer contributions subsequent to the measurement date	8,202,685	-	11,317,000	-	731,636	-
Total	\$ 8,202,685	\$ 15,908,000	\$ 11,317,000	\$ 21,864,000	\$ 731,636	\$ 1,815,312

Deferred outflows of resources will be recognized in pension expense in fiscal year 2016. Amounts reported as deferred inflows of resources related to the City and School pension and will be recognized in pension expense as follows:

Year ended June 30	City	School (Professional)	School (Non-Professional)
2016	\$ 3,977,000	\$ 5,391,000	\$ 453,828
2017	\$ 3,977,000	\$ 5,391,000	\$ 453,828
2018	\$ 3,977,000	\$ 5,391,000	\$ 453,828
2019	\$ 3,977,000	\$ 5,391,000	\$ 453,828
Thereafter	\$ 0	\$ 300,000	\$ 0

Payables to the Pension Plans

At June 30, 2015, the City reported a liability of \$9,546 and the School division reported a liability of \$1,559,637 for legally required contributions to the pension plans.

Notes to Basic Financial Statements, Continued
June 30, 2015

(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. Effective, January 1, 2014, the City changed eligibility from 10 years to 25 years of city service to be eligible for retiree health coverage. In addition, post-65 retiree health coverage was eliminated for future retirees on June 30, 2015. 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 2015, the City contributed \$3,867,736 to the program, all for current premiums (approximately 20% of total premiums), and there was no additional prefunding contribution. Retired employees receiving benefits contributed \$4,020,787 (approximately 17% of total premiums) through required monthly contributions that vary from \$580.26 to \$3,176 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 of Portsmouth	School Board
Annual required contribution	\$ 3,631,500	497,355
Interest on net OPEB obligation	3,068,686	(377,610)
Adjustment to annual required contribution	(3,850,026)	296,605
Annual OPEB cost	2,850,160	416,350
Contributions made	3,563,519	255,425
Increase (decrease) in net OPEB obligation	(713,359)	671,775
Net OPEB obligation (asset), beginning of year	76,717,150	(5,394,422)
Net OPEB obligation (asset), end of year	\$ 76,003,791	(4,722,647)

The fiscal year ended June 30, 2015 was the eighth year for which an actuarially determined ARC had been calculated for the City of Portsmouth Retired Employees Health Care Program. Fiscal year 2015's actuarially determined ARC was calculated to be \$3,631,500. The City's contribution to the ARC was \$ \$3,563,519, \$3,523,085 and \$5,118,100, for fiscal years 2015, 2014, 2013, 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 2015 is as follows:

City of Portsmouth:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2015	\$ 2,850,160	125.0%	\$ 76,003,791
6/30/2014	14,748,860	23.9%	76,717,150
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)
6/30/2015	\$ 416,350	-61%	\$ (4,722,647)
6/30/2014	379,064	0%	(5,394,422)
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: 1/1/2015	\$ -	43,459,500	43,459,500	0.0%	76,188,000	57%
School Board: 7/1/2014	\$ 11,468,684	11,273,969	(194,715)	102%	91,342,343	-0.2%

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, 2015 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included (a) a 3.0% 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 5.9% initially, reduced by decrements to an ultimate rate of 5.5% 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 \$3,631,500 for fiscal year 2015 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 30 years in developing the annual required contribution.

Notes to Basic Financial Statements, Continued
June 30, 2015

(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. Participation in the plan is optional. 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, 2015 are as follows:

Due to:	Due From:				Total
	Nonmajor Governmental Funds	Parking Authority	Nonmajor Enterprise Funds	Internal Service Funds	
General Fund	\$ 4,006,351	1,117,888	259,824	812,244	6,196,307

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, 2015 between the City and the component units are as follows:

Due from (to) component units	Primary Government			Total
	School Board	Economic Development Authority	Port and Industrial Commission	
General Fund	\$ 408,125	284,449	8,083	700,657

The Statement of Net Position reflects \$700,657 as due from component units with no obligations to component units as noted in the above table.

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, 2015 are as follows:

Transfers to:	Transfers from:								Total
	General Fund	Nonmajor Governmental Funds	Capital Improvements Fund	Waste Management Fund	Golf Fund	Parking Authority Fund	Internal Service Funds	Public Utility Fund	
General Fund	\$ -	1,060,357	560,000	-	-	-	-	8,875,000	10,620,357
Capital Improvements Fund	7,033,049	4,609,072	-	-	-	-	983,908	-	12,626,030
Nonmajor Governmental Funds	5,044,505	60,623	-	-	-	-	-	-	5,105,128
Public Utility Fund	-	-	-	-	-	-	-	-	-
Public Utility CIP Fund	-	-	-	-	-	-	-	4,000,000	4,000,000
Nonmajor Enterprise Funds	1,448,452	-	-	-	-	-	-	-	1,448,452
Debt Service	35,489,066	1,145,538	-	392,702	17,438	8,090	290,498	340,163	37,683,495
Parking Authority	10,228	-	-	-	-	-	-	-	10,228
OPEB	-	-	-	-	-	-	-	-	-
Internal Service Funds	-	41,978	-	-	-	-	3,000,000	-	3,041,978
									-
Total	\$ 49,025,300	6,917,568	560,000	392,702	17,438	8,090	4,274,406	13,215,163	74,535,668

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, 2015 are as follows:

Transfers to:				
Transfers from:	General Fund	School Board	Total	
General Fund	\$	52,400,000	-	52,400,000
Economic Development Authority	\$	125,000		125,000
Total	\$	125,000	52,400,000	52,525,000

Notes to Basic Financial Statements, Continued
June 30, 2015

(11) DUE FROM/TO OTHER GOVERNMENTS**Due From Other Governments**

Amounts due from other governments at June 30, 2015 are as follows:

	Federal	State	Total
Governmental activities:			
General Fund:			
Sales and use tax	\$ -	1,299,016	1,299,016
Personal property tax relief	-	9,862,962	9,862,962
Constitutional officers' support	-	743,026	743,026
Other	-	217,414	217,414
Total General Fund	-	12,122,418	12,122,418
Nonmajor governmental funds:			
Community services act fund	-	698,892	698,892
Social services fund	-	1,572,224	1,572,224
Grants fund	327,108	427,864	754,972
Donations fund	-	(17,928)	(17,928)
Community development fund	648,241	-	648,241
Total nonmajor governmental funds	\$ 975,349	2,681,052	3,656,401
Total governmental activities	975,349	14,803,470	15,778,819

Notes to Basic Financial Statements, Continued
June 20, 2015

(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				Governmental Activities	Business-Type Activities
	General Fund	Capital Improvements Fund	Nonmajor Governmental Funds	Total		
Property taxes	\$ 50,808	-	-	50,808	50,808	-
Parking space rentals	-	-	-	-	-	36,162
Notes receivable	-	-	-	-	-	15,986
Community Development	-	-	648,241	648,241	648,241	-
BHS fees	-	-	63,677	63,677	63,677	-
Stormwater fees	-	-	137,105	137,105	137,105	-
Total unearned revenues	\$ 50,808	-	849,023	899,831	899,831	52,148

(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 \$4,873,581 reported as landfill closure and postclosure care liability at June 30, 2015 represents the cumulative amount reported to date based on the use of 48.4% of the estimated capacity of the landfill. The City will recognize the remaining estimated cost of closure and post-closure care of \$5,195,801 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 2015. 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 66.7 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.

Pollution Remediation Obligation

GASB Statement 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, identifies the circumstances under which a government entity would be required to repost a liability related to pollution remediation. According to the standard, a government would have to estimate its expected outlays for pollution remediation if it knows a site is polluted and any of the following recognition triggers occur:

- Pollution poses an imminent danger to the public or environment and the government has little or no discretion to avoid fixing the problem;
- A government has violated a pollution prevention related permit or license;
- A regulator has identified (or evidence indicates it will identify) a government as responsible (or potentially responsible) for cleaning up pollution, or for paying all or some of the cost of the clean up;
- A government is named (or evidence indicates that it will be named) in a lawsuit to compel it to address the pollution; and
- A government begins or legally obligates itself to begin cleanup or post-cleanup activities (limited to amounts the government is legally required to complete).

During the fiscal year the City incurred costs of \$42,218 for pollution remediation measures for asbestos remediation at the complex at 1801 Portsmouth Boulevard and \$4,450 for other asbestos removal and inspections at various locations throughout the City. At this time, the City has future obligations related to the renovations taking place at the Portsmouth Naval Shipyard Museum., the scope of which is unknown at this time.

Guarantor

The City was a guarantor for \$2,465,314 of debt for the Southeastern Public Service Authority (SPSA) as of June 30, 2015. See Note 16 for more information on this guarantee and the SPSA joint venture.

Notes to Basic Financial Statements, Continued
June 30, 2015

(14) COMMITMENTS AND 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 and Title 2 of the Code of Federal Regulations, these programs are still subject to financial and compliance audits by the grantors or their representatives. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grant. Based on prior experience, City management believes such disallowances, if any, will not be significant.

(15) SELF-INSURANCE PROGRAMS

City

The City is self-insured for exposures to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; terrorist acts; and natural disasters. The City uses internal service funds including 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 \$100,000,000 loss limit per occurrence. The City purchases commercial excess insurance policies for workers' compensation and general liability. For the fiscal years ending June 30, 2014 and June 30, 2015, property damage claims did not exceed \$75,000.

All funds of the City participate in the program and make payments to the Risk Management Fund based on actuarial estimates of the amounts needed to pay prior and current year claims and to establish a reserve for catastrophic losses. The risk management claims liability of \$14,261,874 (undiscounted) reported in the fund at June 30, 2015 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 \$3,287,333. A loss analysis, which included an estimate of incurred but not reported claims, was conducted by Glicksman Consulting LLC, as of June 30, 2015 to compute this liability.

Changes in the fund's claims liability amount in fiscal years 2015 and 2014 were:

Risk Management:	2015	2014
Claims payable, beginning of year	\$ 11,596,960	12,502,827
Claims expense and changes in estimates	4,885,402	1,906,378
Claims payments, net	(2,220,488)	(2,812,245)
Claims payable, end of year	\$ 14,261,874	11,596,960

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, 2015 is \$ 1,369,115 (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, 2014 to compute this liability.

Changes in the medical claim liability amount in fiscal years 2015 and 2014 were:

Medical:	2,015	2,014
Claims payable, beginning of year	\$ 2,549,000	1,683,000
Claims expense and changes in estimates	19,383,009	24,886,714
Claims payments	(20,562,894)	(24,020,714)
Claims payable, end of year	\$ 1,369,115	2,549,000

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 Glicksman Consulting, LLC on this fund. The actuarially computed liability as of June 30, 2015 was determined to be \$1,814,555(undiscounted).

Changes in the school's claim liability amount in fiscal years 2015 and 2014 were:

School Board:	2015	2014
Claims payable, beginning of year	\$ 1,977,122	2,387,438
Claims and changes in estimates	70,221	(1,309)
Claim payments	(232,788)	(409,007)
Claims payable, end of year	\$ 1,814,555	1,977,122

Self-Insured Health Care Benefits Plan

Effective January 1, 2015, the School Board established a Self-Insured Health Care Benefits Plan (Self-Insured Health Plan) for all School Board employees and retirees. The Self-Insured Health Plan policy year is based on a calendar year. The Self-Insured Health Plan is accounted for within the General Fund with employer and employee premiums, medical claims, administrative costs, wellness program costs, and other health plan costs recorded in the General Fund. Expenditures charged to various School Board departments are based expected claims liability and administrative costs for a full calendar year as provided by the third party health care benefit consultant. Medical claim expenses paid on behalf of each individual employee covered during a single policy year are covered by excess loss insurance with a specific stop loss limit of \$150,000. The Self-Insured Health Plan also has aggregate stop loss coverage at 120% of expected medical claims during a single policy year.

Claim processing and payments for all health care claims are made through a third party administrator. The School Board uses information provided by the third party administrator and health care benefit consultant to aid in the determination of health self-insurance liabilities. The computed liability as of June 30, 2015 is \$912,670 (undiscounted), as follows:

	Balance as of July 1	Claims and Changes in Estimates	Claim Payments	Balance as of June 30
Medical Claims				
2014-2015	\$ -	\$ 7,976,046	\$ 7,063,376	\$ 912,670

Notes to Basic Financial Statements, Continued
June 30, 2015

(16) JOINT VENTURES

Southeastern Public Service Authority (SPSA)

SPSA is a joint venture of the cities of Chesapeake, Franklin, Norfolk, Portsmouth, Suffolk and Virginia Beach and the counties of Isle of Wight and Southampton, created for the purpose of providing, operating and maintaining a regional system for the collection, transfer, processing and disposal of solid waste refuse. SPSA is a primary government, with no component units, that is a public body politic and corporate created pursuant to the Virginia Water and Sewer Authorities Act, and is governed by a sixteen-member Board of Directors consisting of eight members appointed by the Governor and eight members appointed by each of the member city or county. Budgeting and financing of SPSA is subject to the approval of the Board of Directors with each representative having a single vote. SPSA is responsible for its own financial matters, maintains its own books of accounts and is audited annually by independent accountants that it engages.

In June 2010 SPSA entered into a debt repayment plan with the Virginia Resource Authority (VRA) which required that the eight member communities' guarantee, through a general obligation pledge repayment of the remaining VRA bonds outstanding and previous guarantees were rescinded. The member community guarantee percentages were calculated based on a three year average of proportional municipal tonnages. The member jurisdiction guarantees as of June 30, 2015 were as follows:

<u>Member community</u>	<u>Guarantee percentage</u>	<u>Principal guarantee</u>
Chesapeake	22.49%	\$ 5,398,725
Franklin	0.97%	232,848
Isle of Wight	3.98%	955,398
Norfolk	16.98%	4,076,049
Portsmouth	10.27%	2,465,314
Southampton	2.10%	504,105
Suffolk	12.87%	3,089,444
Virginia Beach	30.34%	7,283,117
	<u>100.00%</u>	<u>\$ 24,005,000</u>

JOINTLY GOVERNED ORGANIZATIONS

Hampton Roads Regional Jail Authority (HRRJA)

HRRJA is a regional organization which includes the cities of Chesapeake, Hampton, Newport News, Norfolk, and Portsmouth and is governed by a 15 member Board of Directors, consisting of three representatives appointed by each of the member cities. HRRJA is a primary government with no component units created pursuant to Article #3 Chapter 3 Title 53 of the Code of Virginia. The Authority was created for the purpose of providing, operating and maintaining a regional jail facility for the correctional overflow from each community. The participating governments do not have an equity interest in HRRJA and accordingly no equity interest has been reflected in the City's financial statements at June 30, 2015. Completed financial statements of the Commission can be obtained from HRRJA, 2690 Elmhurst Lane, Portsmouth, Virginia 23701-2745.

Hampton Roads Planning District Commission (the Commission)

A regional planning agency authorized by the Virginia Area Development Act of 1968, it was created by the merger of the Southeastern Virginia Planning District Commission and the Peninsula Planning District Commission on July 1, 1990. The Commission performs various planning services for the cities of Chesapeake, Franklin, Hampton, Newport News, Norfolk, Portsmouth, Poquoson, Suffolk, Williamsburg

Notes to Basic Financial Statements, Continued
June 30, 2015

and Virginia Beach and the counties of Gloucester, Isle of Wight, James City, Southampton and York. Revenue of the Commission is received primarily from local governmental (member) contributions and various state and federal grant programs. The participating governments do not have an equity interest in the Commission and accordingly no equity interest has been reflected in the City's financial statements at June 30, 2015. Completed financial statements of the Commission can be obtained from the Commission.

Transportation District Commission (TDC)

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

Hampton Roads Economic Development Alliance (HREDA)

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

RELATED ORGANIZATIONS**Portsmouth Redevelopment and Housing Authority (PRHA)**

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

New Port Community Development Authority

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

Notes to Basic Financial Statements, Continued
June 30, 2015

(17) RESTATEMENTS

In fiscal year 2015, the City implemented GASB No. 68 and GASB No. 71, Accounting and Reporting for pensions, which required a restatement of prior period net pension in the amount of \$119,822,524.

During fiscal year 2015, a system coding error was found for the processing of partial refunds of public utility security deposits. Instead of reducing the deposit liability account, a revenue account had been reduced. Full refunds were coded properly. Net position is being increased by \$1,588,407 for the partial refunds processed from fiscal year 2010 through fiscal year 2014.

The new fixed asset system that was implemented during fiscal year 2013 helped the City to identify capital assets that were inaccurately recorded in prior financial statements. During fiscal year 2015 additional public utility projects were identified to be capitalized and as a result, these items required a restatement of prior period capital asset balances in the amount of \$22,228,606 with prior periods depreciation expense of \$2,061,708.

The City's net position has been adjusted accordingly to reflect these adjustments:

	Governmental Activities	Business-type Activities	Total	School Activities
Net position, as previously reported	\$ 109,063,331	186,805,089	295,868,420	78,678,469
Prior Period revenue adjustment -Public Utility	-	1,588,407	1,588,407	
Prior period capital asset adjustment Public Utility	-	(2,061,708)	(2,061,708)	
Prior period pension expense adjustments:				
Net pension liability	(109,652,403)	(10,170,121)	(119,822,524)	(151,176,804)
Total revenue/expense adjustments	(109,652,403)	(10,643,422)	(120,295,825)	(151,176,804)
Net position, as restated	<u>\$ (589,072)</u>	<u>176,161,667</u>	<u>175,572,595</u>	<u>(72,498,335)</u>

	Public Utility Fund	Parking Authority	Golf	Waste Management
Net position, as previously reported	\$ 169,780,241	1,097,979	4,188,629	9,904,947
Prior period revenue adjustment	1,588,407	-	-	-
Prior period capital asset adjustments:	(2,061,708)	-	-	-
Prior period pension expense adjustments:	(6,411,622)	(187,933)	(1,025,844)	(2,544,721)
Total prior period adjustments	(6,884,923)	(187,933)	(1,025,844)	(2,544,721)
Net Position, as restated	<u>\$ 162,895,318</u>	<u>910,046</u>	<u>3,162,785</u>	<u>7,360,226</u>

Notes to Basic Financial Statements, Continued
June 30, 2015

(18) FUND DEFICITS

The Social Services Fund, a Special Revenue Fund, had a fund balance deficit of \$2,593,188. This deficit will be mainly funded by future intergovernmental revenues from the Commonwealth of Virginia. The Community Development fund has a fund deficit of \$601,471 which will be funded by future intergovernmental revenues from the federal government.

The Portsmouth Public School System, a component unit of the City, is reporting a net position deficit of \$64,447,102 at June 30, 2015. This deficit is primarily due to the net pension obligation which is \$137,958,036.

Notes to Basic Financial Statements, Continued
June 30, 2015

(19) SUBSEQUENT EVENTS**City Manager Employment Contract**

On August 11, 2015 the City Council adopted an ordinance approving the contract for employment for the City Manager commencing September 1, 2015. In the event the City Manager's employment is terminated by City Council and certain conditions are met, the City Council must continue to compensate the former City Manager for salary and benefits for a period of six months.

Grant Repayment

In October 2015, the City repaid \$250,000 to the Commonwealth of Virginia for a portion of a grant from the Commonwealth Opportunity Fund. The grant was initially provided for incentives for APM to build a \$450 million port facility in Portsmouth. However, grant requirements to create 90% of its expected jobs were not met and the company returned the grant funds to the City.

Settlement Agreement

As part of a settlement agreement between the City and HRT, HRT agreed to pay \$60,000 a year from July 2015 through July 2019 for a total of \$300,000, plus 5% of ticket sales at Portsmouth Visitor Center as well as advertising expenses, preferences for bus signs and grant funding.

Retirement Investment Firm

The Portsmouth Retirement Systems changed their investment advisory firm from BB&T Scott Stringfellow to Morgan Stanley in September 2015.



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



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CITY OF PORTSMOUTH, VIRGINIA
Budgetary Comparison Schedule
Schedule of Revenues and Other Financing Sources
General Fund
For year ended June 30, 2015

Exhibit I-1

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Taxes:				
General property taxes:				
Real property - current	\$ 84,660,000	84,660,000	86,059,099	1,399,099
Real property - delinquent	1,811,252	1,811,252	1,412,679	(398,573)
Real property - Public Services Corporation	1,798,942	1,798,942	1,714,356	(84,586)
Personal property - current	18,685,000	18,685,000	18,897,537	212,537
Personal property - delinquent	2,035,000	2,035,000	2,899,041	864,041
Personal property - Public Services Corporation	3,501,203	3,501,203	3,400,967	(100,236)
Machine and tool taxes	1,200,000	1,200,000	1,095,539	(104,461)
Penalties and other charges	1,350,000	1,350,000	1,332,663	(17,337)
Interest	550,000	550,000	499,183	(50,817)
Total general property taxes	115,591,397	115,591,397	117,311,064	1,719,667
Other local taxes:				
Admission and amusement taxes	170,000	170,000	225,941	55,941
Bank franchise taxes	370,000	370,000	412,220	42,220
Business and occupational license taxes	6,260,386	6,260,386	6,733,763	473,377
Cigarette taxes	3,912,350	3,912,350	3,625,687	(286,663)
Licensing fees - current	2,150,000	2,150,000	2,158,798	8,798
Licensing fees - delinquent	435,000	435,000	386,969	(48,031)
Lodging taxes	750,000	750,000	773,708	23,708
Motor vehicle license fee	-	-	247	247
Recordation taxes	850,000	850,000	1,063,911	213,911
Restaurant food taxes	7,500,000	7,500,000	7,736,074	236,074
Sales and use tax - local	7,309,079	7,309,079	7,355,914	46,835
Short-term rental taxes	35,464	35,464	23,653	(11,811)
Telecommunications	7,976,378	7,976,378	8,323,611	347,233
Total other local taxes	37,718,657	37,718,657	38,820,496	1,101,839
Utility taxes:				
Electricity taxes	4,039,193	4,039,193	4,013,140	(26,053)
E-911 taxes	442,742	442,742	433,704	(9,038)
Gas taxes	1,400,000	1,400,000	1,409,411	9,411
Water taxes	2,154,502	2,154,502	2,145,726	(8,776)
Total utility taxes	8,036,437	8,036,437	8,001,981	(34,456)
Total taxes	161,346,491	161,346,491	164,133,541	2,787,050
Intergovernmental revenue:				
Commonwealth of Virginia:				
Noncategorical aid:				
Mobile home sales taxes	-	-	2,823	2,823
Personal property tax relief act	9,862,962	9,862,962	9,862,962	-
Recordation tax distribution	256,877	256,877	315,734	58,857
Rolling stock taxes	45,813	45,813	43,494	(2,319)
Vehicle rental tax	260,527	260,527	215,633	(44,894)

(continued)

CITY OF PORTSMOUTH, VIRGINIA
Budgetary Comparison Schedule
Schedule of Revenues and Other Financing Sources
General Fund
For year ended June 30, 2015

Exhibit I-1 (continued)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Circuit Court Clerk	\$ 867,062	867,062	902,659	35,597
City Registrar	45,000	45,000	52,220	7,220
City Sheriff	6,022,160	6,054,801	5,938,022	(116,779)
City Treasurer	291,534	291,534	286,168	(5,366)
Commissioner of Revenue	244,474	244,474	249,140	4,666
Commonwealth Attorney	1,741,016	1,741,016	1,514,381	(226,635)
DMV select	69,124	69,124	67,913	(1,211)
VA Sports Hall of Fame	500,000	500,000	250,000	(250,000)
VA Dept of Emerg Management	-	-	57,570	57,570
Other categorical aid:				
Build America Bond Subsidy	541,726	541,726	550,329	8,603
Correctional facilities block grant	1,111,544	1,111,544	1,047,240	(64,304)
Law enforcement grant	5,786,667	5,786,667	5,786,668	1
Library funds - books	156,492	156,492	157,023	531
Street and highway maintenance	11,615,290	11,615,290	11,697,806	82,516
Total Commonwealth of Virginia	39,418,268	39,450,909	38,997,785	(453,124)
Total intergovernmental revenue	39,418,268	39,450,909	38,997,785	(453,124)
Charges for services:				
Ambulance fees - current	2,300,000	2,300,000	2,177,314	(122,686)
Circuit Court Clerk fees	9,729	9,729	10,226	497
City Sheriff fees	21,697	21,697	131,326	109,629
Concession fees	13,363	13,363	20,732	7,369
ATM Fees	2,000	2,000	2,983	983
EZ Pass fees	35,000	35,000	37,870	2,870
Courthouse maintenance fees	60,285	60,285	52,628	(7,657)
Courthouse replacement fees	76,518	76,518	73,577	(2,941)
False alarm fees	20,000	20,000	12,935	(7,065)
Fire report fees	1,000	1,000	1,350	350
Fire and EMS attendance fees	-	18,000	30,656	12,656
Library fines and fees	13,000	16,000	35,979	19,979
DNA sample	500	500	599	99
Merchandise commissions	2,000	2,000	2,234	234
Erosion and sediment control	130,000	130,000	13,050	(116,950)
Monument restoration	-	73,183	-	(73,183)
Museum admission charges	865,000	945,031	1,112,512	167,481
Cable TV local access channel fees	75,000	75,000	99,288	24,288
Notary Fees	-	-	305	305
Concealed carry permit	5,000	5,000	31,526	26,526
Police firearms buyback	-	-	353	353
Police record fees	40,000	40,000	44,369	4,369
Police cell phones	-	1,600	-	(1,600)
Recreation activity fees	800,437	832,183	765,775	(66,408)
Rental inspection fees	50,000	50,000	51,050	1,050
Inspections	75,000	75,000	80,260	5,260
Street closure applications	-	-	110	110
Plans and specifications	4,000	4,000	3,273	(727)
Swimming fees	-	-	1,985	1,985
Vacant structure	6,500	6,500	6,775	275
UMOJA	-	18,000	19,650	1,650
Cock Island Race	-	7,120	11,917	4,797
Pokey Smokey II	3,500	3,500	11,633	8,133
Ticket sales-Visitor Center	-	-	8,743	8,743
EMS collections - delinquent	25,000	25,000	133,150	108,150
Bicycle storage	-	-	55	55
Certificate of Occupancy	300	300	301	1
Total charges for services	4,634,829	4,867,509	4,986,489	118,980

(continued)

CITY OF PORTSMOUTH, VIRGINIA
Budgetary Comparison Schedule
Schedule of Revenues and Other Financing Sources
General Fund
For year ended June 30, 2015

Exhibit I-1 (continued)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Investment income-				
Investment income	\$ 30,714	30,714	94	(30,620)
Total investment income	30,714	30,714	94	(30,620)
Recovered costs:				
City garage fund	578,609	578,609	578,609	-
Information technology fund	292,288	292,288	292,288	-
Court appointed attorneys	1,384	1,384	2,762	1,378
Golf fund	108,168	108,168	108,168	-
Health department	60,667	60,667	81,417	20,750
Health insurance fund	10,680	10,680	10,680	-
Law library fund	3,732	3,732	3,732	-
Behavioral health services fund	326,041	326,041	326,041	-
DEA	57,102	57,102	33,231	(23,871)
Training academy upkeep	25,000	25,000	13,297	(11,703)
Parking authority	46,394	46,394	46,394	-
Citywide telephone charges	213,532	213,532	172,807	(40,725)
Fire watch/EMS	9,861	9,861	12,708	2,847
Postage	236,744	236,744	353,801	117,057
Public utility fund	703,145	703,145	703,145	-
Risk management fund	4,946	4,946	4,946	-
Social security payments - jail	7,200	7,200	200	(7,000)
Stormwater management fund	77,192	77,192	77,192	-
Social services fund	544,567	544,567	544,567	-
Waste management fund	185,271	185,271	185,271	-
Jail weekends	11,090	11,090	18,988	7,898
Prisoner upkeep fees	55,283	55,283	43,126	(12,157)
Fed prisoner transport	8,060	8,060	23,538	15,478
Other recovered costs	69,598	69,598	112,221	42,623
Total recovered costs	3,636,554	3,636,554	3,749,129	112,575
Fines and forfeitures:				
Circuit Court fines	12,134	12,134	20,275	8,141
Conviction fees	136,214	136,214	148,522	12,308
General District Court fines	462,001	462,001	522,358	60,357
Overweight vehicle fines	5,496	5,496	-	(5,496)
Juvenile Court fines	2,482	2,482	1,689	(793)
Total fines and forfeitures	618,327	618,327	692,844	74,517
Licenses and permits:				
Bicycle licenses	264	264	305	41
Building plan review fees	29,895	29,895	30,630	735
Building reinspection fees	3,225	3,225	1,835	(1,390)
Building structure permits	292,380	292,380	213,281	(79,099)
Dog impounding fees	1,530	1,530	1,190	(340)
Dog licenses	34,016	34,016	27,659	(6,357)
Electrical inspection fees	23,978	23,978	22,170	(1,808)
Electrical permits	70,075	70,075	64,331	(5,744)
Elevator inspection fees	5,093	5,093	4,185	(908)
Hauling and permits fees	74,325	74,325	135,700	61,375

(continued)

CITY OF PORTSMOUTH, VIRGINIA
Budgetary Comparison Schedule
Schedule of Revenues and Other Financing Sources
General Fund
For year ended June 30, 2015

Exhibit I-1 (continued)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
License transfer fees	\$ 2,755	2,755	2,864	109
Mechanical inspection fees	1,425	1,425	300	(1,125)
Mechanical permits	104,645	104,645	109,663	5,018
Miscellaneous permits	13,433	13,433	14,820	1,387
Permits-PRHA	3,000	3,000	8,250	5,250
Penalties on licenses	22,755	22,755	63,307	40,552
Plumbing inspection fees	53	53	-	(53)
Plumbing permits	69,338	69,338	56,970	(12,368)
Restricted parking permits	1,776	1,776	2,939	1,163
Right of way permits	55,620	55,620	156,114	100,494
Sign permit fees	4,432	4,432	4,865	433
Site plan review fees	5,475	5,475	6,525	1,050
State surcharge on permits	2,000	2,000	(117)	(2,117)
Taxi operators permits	1,845	1,845	1,630	(215)
Yard sale permits	2,543	2,543	2,740	197
Zoning and plat fees	17,303	17,303	22,172	4,869
Total licenses and permits	843,179	843,179	954,328	111,149
Use of property:				
Rental of antenna sites	90,000	90,000	90,943	943
Rental of recreation facilities	40,000	49,779	56,414	6,635
Rental of general properties	1,830,000	1,830,000	1,582,424	(247,576)
Total use of property	1,960,000	1,969,779	1,729,781	(239,998)
Miscellaneous:				
Admin fee - state income tax	360	360	-	(360)
Admin fee - RE	400,000	400,000	523,919	123,919
Admin fee - PP	950,000	950,000	796,424	(153,576)
Admin fee - Parking	43,668	43,668	19,395	(24,273)
Admin fee - EMS	3,109	3,109	7,382	4,273
Returned check fee	-	-	340	340
Vending Machine Commissions	10,000	10,000	12,224	2,224
Gift shop sales	-	209,898	165,163	(44,735)
Sale of abandoned property	1,300	1,300	3,620	2,320
Other revenue	100,000	441,421	84,846	(356,575)
Unclaimed property tax refunds	-	-	36,138	36,138
Payments in lieu of taxes:				
Housing Authority	47,189	47,189	38,503	(8,686)
Regional Jail	453,047	453,047	494,840	41,793
Virginia Port Authority	400,000	400,000	339,779	(60,221)
Public utility fund	1,094,600	1,094,600	1,069,990	(24,610)
Cash Over/Under	-	-	(120)	(120)
Total miscellaneous revenue	3,503,273	4,054,592	3,592,443	(462,149)
Total revenues	215,991,635	216,818,054	218,836,434	2,018,380

(continued)

CITY OF PORTSMOUTH, VIRGINIA
Budgetary Comparison Schedule
Schedule of Revenues and Other Financing Sources
General Fund
For year ended June 30, 2015

Exhibit I-1 (continued)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Planned use of fund balance	\$ -	17,724,394	-	(17,724,394)
Transfers from other funds:				
Other financing sources:				
BHS	338,000	338,000	338,000	-
Stormwater Management	410,689	410,689	410,689	-
In - Donations	-	286,185	-	(286,185)
In - Recreation	-	-	311,668	311,668
Public utility fund	8,875,000	8,875,000	8,875,000	-
In - Economic Development Authority	125,000	125,000	125,000	-
Capital improvement fund	560,000	560,000	560,000	-
Total other financing sources	10,308,689	10,594,874	10,620,357	25,483
Total revenues and other financing sources	\$ 226,300,324	245,137,322	229,456,791	(15,680,531)

Unaudited – see accompanying report of independent auditor.

CITY OF PORTSMOUTH, VIRGINIA
Budgetary Comparison Schedule
Schedule of Expenditures and Other Financing Uses
General Fund
Year ended June 30, 2015

Exhibit I-2

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
General government:				
Administration:				
Legislative:				
City council	\$ 338,473	312,703	297,800	14,903
City clerk	340,649	337,835	325,896	11,939
City auditor	127,006	130,306	126,658	3,648
Total legislative	806,128	780,844	750,354	30,490
Executive:				
City manager	943,435	948,576	1,028,084	(79,508)
Management and legislative services	480,608	492,704	421,400	71,304
Communication and marketing	1,452,278	1,632,115	1,751,825	(119,710)
Total executive	2,876,321	3,073,395	3,201,309	(127,914)
Boards and commissions				
Civil service commission	97,180	97,180	53,989	43,191
General registrar	593,187	600,287	584,385	15,902
Total boards and commissions	690,367	697,467	638,374	59,093
Total administration	4,372,816	4,551,706	4,590,037	(38,331)
City attorney	1,429,421	1,430,409	1,224,109	206,300
Human resource management	1,143,707	1,160,529	1,076,224	84,305
Financial administration:				
Commissioner of revenue	1,785,796	1,818,651	1,609,082	209,569
City assessor	972,047	955,590	955,506	84
City treasurer	2,077,692	2,135,983	2,202,758	(66,775)
Procurement and risk management	1,076,103	1,144,983	1,049,163	95,820
Finance	1,902,799	1,889,565	1,735,123	154,442
Total financial administration	7,814,437	7,944,772	7,551,632	393,140
Public transportation	2,539,414	3,102,276	3,102,276	-
Total general government	17,299,795	18,189,692	17,544,278	645,414
Nondepartmental:				
Miscellaneous	14,468,438	13,106,589	12,192,016	914,573
Support to civic organizations	392,926	392,926	392,926	-
Total nondepartmental	14,861,364	13,499,515	12,584,942	914,573

(continued)

CITY OF PORTSMOUTH, VIRGINIA
Budgetary Comparison Schedule
Schedule of Expenditures and Other Financing Uses
General Fund
Year ended June 30, 2015

Exhibit I-2 (continued)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Judicial:				
Circuit court judges	\$ 601,468	601,468	558,854	42,614
Circuit court clerk	1,601,502	1,660,275	1,525,858	134,417
Magistrate	11,665	11,665	6,426	5,239
General district court	50,953	51,386	37,765	13,621
Juvenile and domestic relations court	30,622	30,622	28,495	2,127
Juvenile court services	1,257,816	1,257,816	1,120,384	137,432
Commonwealths attorney	2,933,726	2,999,674	2,928,579	71,095
Sheriff	13,583,633	14,142,034	13,619,885	522,149
Total judicial	20,071,385	20,754,940	19,826,246	928,694
Public Safety:				
Police	32,972,328	29,732,752	28,862,796	869,956
E-911 communications	2,091,825	2,065,843	1,907,468	158,375
Operations Support bureau	43,137	43,137	158,217	(115,080)
Admin & Support bureau	-	-	444,408	(444,408)
Field Operations bureau	15,210	15,210	14,164	1,046
Animal control & security	867,166	902,280	878,323	23,957
Fire, rescue, and emergency services	27,575,347	23,981,889	23,956,461	25,428
Total public safety	63,565,013	56,741,111	56,221,837	519,274
Public works:				
Engineering	1,439,011	1,315,629	1,166,262	149,367
Streets and highways	3,425,100	3,356,083	3,275,491	80,592
Mosquito control	499,490	485,095	405,325	79,770
Traffic engineering	2,462,031	2,397,799	2,373,535	24,264
General services:				
Properties management	3,728,092	3,943,629	4,065,391	(121,762)
Utilities	2,350,000	2,450,000	2,455,528	(5,528)
Rental of land and buildings	591,721	591,721	561,853	29,868
Storeroom	-	-	19,236	(19,236)
Harbor Center pavilion	334,874	336,049	369,477	(33,428)
Landscape maintenance	2,606,514	2,825,520	2,723,734	101,786
Total public works	17,436,833	17,701,525	17,415,832	285,693
Health and welfare	1,267,485	1,267,485	1,262,023	5,462
Parks, recreation, and cultural:				
Museum	1,894,430	2,468,708	2,319,152	149,556
Parks, recreational, and cultural	4,693,842	4,511,001	4,302,733	208,268
Public library	2,301,400	2,327,223	2,172,623	154,600
Total parks, recreation, and cultural	8,889,672	9,306,932	8,794,508	512,424

(continued)

CITY OF PORTSMOUTH, VIRGINIA
Budgetary Comparison Schedule
Schedule of Expenditures and Other Financing Uses
General Fund
Year ended June 30, 2015

Exhibit I-2 (continued)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Community development:				
Permits and inspections	\$ 641,458	655,122	643,158	11,964
Economic development	945,050	958,842	834,019	124,823
Neighborhood advancement	2,185,110	2,064,527	1,952,520	112,007
Planning	1,560,743	1,571,045	1,296,012	275,033
Total community development	5,332,361	5,249,536	4,725,709	523,827
Education	52,400,000	52,400,000	52,400,000	-
Debt service:				
Debt service	27,352,125	153,033	150,163	2,870
Fiscal charges	5,000	-	-	-
Total debt service	27,357,125	153,033	150,163	2,870
Capital outlay	75,000	75,000	23,771	51,229
Total expenditures	228,556,033	195,338,769	190,949,309	4,389,460
Other financing uses:				
Transfers to other funds:				
Community Development	-	250,487	142,811	(107,676)
Behavioral health services fund	651,169	651,169	651,169	-
Social services fund	3,813,311	3,813,311	3,171,729	(641,582)
Comprehensive services fund	754,357	754,357	968,011	213,654
Grants fund	-	8,969	8,386	(583)
Parking authority	10,228	10,228	10,228	-
Golf	1,318,452	1,448,452	1,448,452	-
Willett Hall fund	102,399	102,399	102,399	-
Out - Debt service	-	35,725,108	35,489,066	(236,042)
Capital Improvements	4,076,049	7,033,049	7,033,049	-
Total transfers to other funds	10,725,965	49,797,529	49,025,300	(772,229)
Total other financing uses	10,725,965	49,797,529	49,025,300	(772,229)
Total expenditures and other financing sources (uses)	239,356,998	245,211,298	239,998,380	(5,212,918)
Net change in fund balance	(12,981,674)	1,024	(10,517,818)	(10,518,842)
Fund balance - beginning	-	-	71,136,111	71,136,111
Fund balance - ending	\$ (12,981,674)	1,024	60,618,293	60,617,269

Unaudited – see accompanying report of independent auditor.

Budgetary Comparison Schedule

Note to Required Supplementary Information

General Fund

Fiscal Year ended June 30, 2015

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, 2015, as amended. The budget as adopted by the City Council may be amended by the City Council through supplemental appropriations or transfers, as necessary. The legal level of budgetary control rests at the fund level with the exception of the General Fund, which is appropriated at the activity or function level. In addition, the City Code provides that the City Manager may transfer any unencumbered appropriation balance less than \$100,000 from one department, project, program, or purpose within the same fund. The City Manager shall make a monthly report to the City Council of all transfers greater than \$50,000. Also, the City Manager may transfer any or all of the unencumbered balance of the emergency contingency account to any item in the City budget provided that any such utilization from the emergency budget contingency is reported to the City Council at the next regular council meeting.

The General, Special Revenue, and all proprietary funds have legally adopted annual budgets with the exception of the Grants Fund, Community Development Fund, and the Donations Fund. The Capital Projects Funds, Grants 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 upon City Council action. According to the City Code, unexpended, unencumbered appropriations lapse at the end of the fiscal year.

The General Fund's budget is adopted on a basis consistent with U.S. generally accepted accounting principles (GAAP).

Required Supplementary Information (Unaudited)
Schedule of Changes in the Net Pension Liability and Related Ratios (PSRS)
Fiscal Year Ended June 30, 2015

<u>Total pension liability</u>	<u>2014</u>
Service cost	\$ 89,198
Interest	6,661,939
Changes in benefit terms	1,244,771
Differences between expected and actual experience	(1,195,876)
Changes of assumptions	-
Benefit payments, including refunds of member contributions	(8,512,885)
Net change in total pension liability	(1,712,853)
Total pension liability - beginning	96,191,377
Total pension liability - ending (a)	<u>\$ 94,478,524</u>
Plan fiduciary net position	
Contributions - employer	\$ 1,782,818
Contributions - member	-
Net investment income	7,874,597
Benefit payments, including refunds of member contributions	(8,512,885)
Administrative expense	(73,287)
Other	-
Net change in plan fiduciary net position	<u>1,071,243</u>
Plan fiduciary net position - beginning	70,476,413
Plan fiduciary net position - ending (b)	<u>\$ 71,547,656</u>
City's net pension liability (a) - (b)	<u>\$ 22,930,868</u>
Plan fiduciary net position as a percentage of total pension liability	75.73%
Covered employee payroll	<u>\$ 1,195,973</u>
City's net pension liability as a percentage of covered employee payroll	1917.34%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Required Supplementary Information (Unaudited)
Schedule of Actuarially Determined Contributions and Schedule of
Investments (PSRS)
Fiscal Year Ended June 30, 2015

	2014	2015
Actuarially determined contribution	1,944,892	1,924,912
Contributions in relation to the actuarially determined contribution	1,782,818	2,438,432
Contribution deficiency (excess)	162,074	<u>(513,520)</u>
Covered employee payroll	1,195,973	1,034,003
Contributions as a percentage of covered-employee payroll	149.07%	235.82%
Notes to schedule -		
Measurement date	June 30, 2014	June 30, 2015
Methods and assumptions used to determine contribution rate:		
Actuarial cost method	Entry Age Normal - Level Percentage of Pay	Entry Age Normal - Level Percentage of Pay
Interest rate	7.25%	7.25%
Annual rates of increase:		
Salaries	3.00%	3.00%
Future Social Security wage bases	3.00%	3.00%
Future Social Security cost of living increases	2.50%	2.50%
Statutory limits on compensation and benefits	2.50%	2.50%
Mortality	RP-2014 Generational Mortality Table (Scale MP-2014)	RP-2014 Generational Mortality Table (Scale MP-2014)
Projected rate of return	7.25%	7.25%
Plan fiduciary net position	Fair Market Value of Assets	Fair Market Value of Assets
Annual money-weighted rate of return, net of investment expense	13.95%	0.62%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Required Supplementary Information (Unaudited)
Schedule of Changes in the City's Net Pension Liability and Related Ratios
(FPRS)
Fiscal Year Ended June 30, 2015

<u>Total pension liability</u>	<u>2014</u>
Service cost	875,496
Interest	17,479,148
Changes in benefit terms	3,220,420
Differences between expected and actual experience	2,306,432
Changes of assumptions	-
Benefit payments, including refunds of member contributions	(19,431,115)
Net change in total pension liability	4,450,381
Total pension liability - beginning	250,415,803
Total pension liability - ending (a)	254,866,184
Plan fiduciary net position	
Contributions - employer	\$ 5,186,714
Contributions - member	-
Net investment income	21,908,537
Benefit payments, including refunds of member contributions	(19,431,115)
Administrative expense	(205,149)
Other	-
Net change in plan fiduciary net position	7,458,987
Plan fiduciary net position - beginning	187,926,711
Plan fiduciary net position - ending (b)	195,385,698
City's net pension liability (a) - (b)	59,480,486
Plan fiduciary net position as a percentage of total pension liability	76.66%
Covered employee payroll	\$ 5,079,287
City's net pension liability as a percentage of covered employee payroll	1171.04%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Required Supplementary Information (Unaudited)
Schedule of Actuarially Determine Contributions and Schedule of
Investments (FPRS)
Fiscal Year Ended June 30, 2015

	2014	2015
Actuarially determined contribution	5,658,234	5,840,300
Contributions in relation to the actuarially determined contribution	5,186,714	6,734,263
Contribution deficiency (excess)	471,520	(893,963)
Covered employee payroll	5,079,287	3,871,105
Contributions as a percentage of covered-employee payroll	102.12%	173.96%
Notes to schedule -		
Measurement date	June 30, 2014	June 30, 2015
Methods and assumptions used to determine contribution rate:		
Actuarial cost method	Entry Age Normal - Level Percentage of Pay	Entry Age Normal - Level Percentage of Pay
Interest rate	7.25%	7.25%
Annual rates of increase:		
Salaries	3.00%	3.00%
Future Social Security wage bases	3.00%	3.00%
Future Social Security cost of living increases	2.50%	2.50%
Statutory limits on compensation and benefits	2.50%	2.50%
Mortality	RP-2014 Generational Mortality Table (Scale MP-2014)	RP-2014 Generational Mortality Table (Scale MP-2014)
Projected rate of return	7.25%	7.25%
Plan fiduciary net position	Fair Market Value of Assets	Fair Market Value of Assets
Annual money-weighted rate of return, net of investment expense	13.95%	0.61%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Required Supplementary Information (Unaudited)**Schedule of Employer's Share of Net Pension Liability and Related Ratios (VRS-City)****Fiscal Year Ended June 30, 2015**

	2014
Total Pension Liability	
Service cost	\$ 7,865,420
Interest	18,592,496
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions	-
Benefit Payments, including refunds of employee contributions	(10,723,367)
Net change in total pension liability	15,734,549
Total pension liability - beginning	270,968,771
Total pension liability - ending (a)	\$ 286,703,320
 Plan fiduciary net position	
Contributions - employer	\$ 5,702,215
Contributions - employee	3,522,637
Net investment income	35,693,002
Benefit Payments, including refunds of employee contributions	(10,723,367)
Administrative expense	(191,765)
Other	1,881
Net change in plan fiduciary net position	34,004,603
Plan fiduciary net position - beginning	226,678,948
Plan fiduciary net position - ending (b)	\$ 260,683,551
 Net pension liability - ending (a) - (b)	\$ 26,019,769
 Plan fiduciary net position as a percentage of the total Pension liability	90.92%
 Covered - employee payroll	69,382,620
 Net pension liability as a percentage of covered-employee payroll	38%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Required Supplementary Information (Unaudited)**Schedule of Employer's Share of Net Pension Liability and Related Ratios (VRS-School Board (Non-Professional))
Fiscal Year Ended June 30, 2015**

	2014
Total Pension Liability	
Service cost	\$ 743,215
Interest	2,434,509
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions	-
Benefit Payments, including refunds of employee contributions	(2,151,081)
Net change in total pension liability	1,026,643
Total pension liability - beginning	35,854,243
Total pension liability - ending (a)	\$ 36,880,886
 Plan fiduciary net position	
Contributions - employer	\$ 648,377
Contributions - employee	354,802
Net investment income	4,075,199
Benefit Payments, including refunds of employee contributions	(2,151,081)
Administrative expense	(22,705)
Other	215
Net change in plan fiduciary net position	2,904,807
Plan fiduciary net position - beginning	26,386,043
Plan fiduciary net position - ending (b)	\$ 29,290,850
 Net pension liability - ending (a) - (b)	\$ 7,590,036
 Plan fiduciary net position as a percentage of the total Pension liability	79.42%
 Covered - employee payroll	8,517,527
 Net pension liability as a percentage of covered-employee payroll	89%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

CITY OF PORTSMOUTH, VIRGINIA
Required Supplementary Information (Unaudited)
Schedule of Employer's Share of Net Pension Liability and Related Ratios
(VRS - School Board (Professional))
Fiscal Year Ended June 30, 2015

Schedule I-4 (continued)

	2015
Employer's Proportion of the Net Pension Liability (Asset)	1.08%
Employer's Proportionate Share of the Net Position Liability (Asset)	\$130,368,000
Employer's Covered- Employee Payroll	80,447,384
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	162%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.88%

Required Supplementary Information (Unaudited)**Schedule of Employer's
Contributions (VRS)
Fiscal Year Ended June 30, 2015**

Date	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Employee Payroll	Contributions as a % of Covered Employee Payroll
<i>City of Portsmouth</i>					
2015	\$ 7,507,199	8,202,685	695,486	69,382,620	13%
<i>School Board (Professional)</i>					
2015	\$ 11,664,871	11,317,000	347,871	80,447,384	14%
<i>School Board (Non-Professional)</i>					
2015	\$ 887,526	731,636	155,890	8,517,527	9%

Changes of benefit terms

There have been no significant changes to the System benefit provisions since the prior actuarial valuation. A hybrid plan with changes to the defined benefit plan structure and a new defined contribution component were adopted in 2012. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. The liabilities presented do not reflect the hybrid plan since it covers new members joining the System after the valuation date of June 30, 2013 and the impact on the liabilities as of the measurement date of June 30, 2014 are minimal.

Changes of assumptions (Non-professional retirement plan)

The following changes in actuarial assumptions were made effective June 30, 2013 based on the most recent experience study of the System for the four-year period ending June 30, 2012:

Largest 10 – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Required Supplementary Information (Unaudited)
Schedule of Funding Progress for Defined Other Post Employment Benefit Plans

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial 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:						
1/1/2015	-	\$ 43,459,500	43,459,500	- %	76,188,000	57 %
1/1/2014	-	167,607,600	167,607,600	- %	76,188,000	220 %
1/1/2013	-	195,796,500	195,796,500	- %	70,574,100	277 %
1/1/2012	-	195,796,500	195,796,500	- %	70,574,100	277 %
1/1/2011	-	221,375,695	221,375,695	- %	78,275,583	283 %
1/1/2010	-	221,375,695	221,375,695	- %	73,342,372	302 %
1/1/2009	-	187,436,612	187,436,612	- %	77,011,285	243 %

SCHOOL BOARD PLAN:

7/1/2015	11,468,684	\$ 11,273,969	194,715	102 %	91,342,343	- %
7/1/2014	10,652,405	10,468,165	184,220	102 %	92,083,073	- %
7/1/2013	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:

6/30/2015	\$ 3,631,500	136 %
6/30/2014	15,293,600	24 %
6/30/2013	17,529,200	29 %
6/30/2012	16,290,970	29 %
6/30/2011	16,455,303	35 %
6/30/2010	16,455,303	25 %
6/30/2009	13,811,219	37 %
6/30/2008	14,981,028	21 %

SCHOOL BOARD PLAN:

6/30/2015	\$ 416,350	54 %
6/30/2014	379,064	- %
6/30/2013	766,102	- %
6/30/2012	1,050,365	667 %
6/30/2011	1,005,217	99 %
6/30/2010	1,025,000	98 %
6/30/2009	1,004,007	125 %
6/30/2008	486,533	176 %

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.



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Nonmajor Governmental Funds



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CITY OF PORTSMOUTH, VIRGINIA

Exhibit J-1

Combining Balance Sheet
 Nonmajor Government Funds
 June 30, 2015

	Special Revenue Funds											Permanent Fund - Cemetery	Total
	Behavioral Health Services	Public Law Library	Social Services	Stormwater Management	Grants	Children's Services	Donations	Willet Hall	Recreation	Community Development	Asset Forfeiture Fund		
Assets:													
Cash and temporary investments	\$ 4,787,127	37,247	-	2,555,235	745,617	-	1,926,902	571,919	-	-	630,560	1,574,253	12,828,860
Accounts receivable (net of allowance for uncollectibles \$556,778)	258,025	-	13,562	432,522	-	-	-	64,232	-	-	-	-	768,341
Due from other governments	-	-	1,572,224	-	754,972	698,892	(17,928)	-	-	648,241	-	-	3,656,401
Inventory of supplies	-	-	-	-	-	-	-	2,223	-	-	-	-	2,223
Total assets	5,045,152	37,247	1,585,786	2,987,757	1,500,589	698,892	1,908,974	638,374	-	648,241	630,560	1,574,253	17,255,825
Liabilities:													
Accounts payable	287,162	3,601	111,558	36,353	84,132	344,580	2,565	211,428	-	542,247	16,301	-	1,639,927
Accrued payroll	108,316	-	185,989	31,455	16,165	-	-	3,697	-	-	-	-	345,622
Due to other funds	-	-	3,881,427	-	-	65,700	-	-	-	59,224	-	-	4,006,351
Unearned revenues	63,677	-	-	137,105	-	-	-	-	-	648,241	-	-	849,023
Total liabilities	459,155	3,601	4,178,974	204,913	100,297	410,280	2,565	215,125	-	1,249,712	16,301	-	6,840,923
Fund balances:													
Nonspendable fund balances	-	-	-	-	-	-	-	2,223	-	-	-	1,000,000	1,002,223
Restricted fund balances	4,585,997	33,646	-	2,782,844	1,400,292	288,612	1,906,409	-	-	-	614,259	574,253	12,186,312
Assigned fund balances	-	-	-	-	-	-	-	421,026	-	-	-	-	421,026
Unassigned	-	-	(2,593,188)	-	-	-	-	-	-	(601,471)	-	-	(3,194,659)
Total fund balances	4,585,997	33,646	(2,593,188)	2,782,844	1,400,292	288,612	1,906,409	423,249	-	(601,471)	614,259	1,574,253	10,414,902
Total liabilities and fund balances	\$ 5,045,152	37,247	1,585,786	2,987,757	1,500,589	698,892	1,908,974	638,374	-	648,241	630,560	1,574,253	17,255,825

CITY OF PORTSMOUTH, VIRGINIA

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

Year ended June 30, 2015

	Special Revenue Funds												Total
	Behavioral Health Services	Public Law Library	Social Services	Stormwater Management	Grants	Children's Services	Donations	Willett Hall	Recreation	Community Development	Asset Forfeiture Fund	Permanent Fund - Cemetery	
Revenues:													
Intergovernmental	\$ 10,057,912	-	14,214,463	-	3,090,717	2,841,298	-	-	-	1,412,301	304,250	-	31,920,941
Charges for services	325,470	27,943	427	7,381,839	-	-	23,196	-	-	-	-	41,200	7,800,075
Investment income	-	-	-	-	-	-	-	-	-	-	-	2,804	2,804
Recovered costs	-	-	96,085	-	-	-	-	90,309	-	-	-	-	186,394
Use of property	-	-	-	-	-	-	53,828	-	-	245,022	-	-	298,850
Miscellaneous	4,461	-	441	16,374	10,542	-	-	-	-	-	1,252	-	33,070
Total revenues	10,387,843	27,943	14,311,416	7,398,213	3,101,259	2,841,298	-	167,333	-	1,657,323	305,502	44,004	40,242,134
Expenditures:													
Current:													
General government	-	-	-	-	-	-	-	-	-	-	-	40,090	40,090
Judicial	-	22,854	-	-	1,110,325	-	-	-	-	-	18,545	-	1,151,724
Public safety	-	-	-	-	921,829	-	-	-	-	-	-	-	921,829
Public works	-	-	-	2,307,788	-	-	-	-	-	-	134,257	-	2,442,045
Health and welfare	9,620,504	-	18,982,666	-	564,354	3,612,423	-	-	-	-	-	-	32,779,947
Parks, recreational, cultural	-	-	-	-	507,624	-	-	272,582	-	-	-	-	780,206
Community development	-	-	-	-	27,078	-	-	-	-	916,644	-	-	943,722
Capital outlay	50,028	-	-	253,859	48,427	-	-	-	-	1,058,651	-	-	1,410,965
Total expenditures	9,670,532	22,854	18,982,666	2,561,647	3,179,637	3,612,423	-	272,582	-	1,975,295	152,802	40,090	40,470,528
Revenues over (under) expenditures	717,311	5,089	(4,671,250)	4,836,566	(78,378)	(771,125)	-	(105,249)	-	(317,972)	152,700	3,914	(228,394)
Other financing sources (uses):													
Transfers from other funds	651,169	-	3,171,729	-	69,009	968,011	-	102,399	-	142,811	-	-	5,105,128
Transfers to other funds	(487,894)	-	(902,277)	(4,803,234)	-	-	(351,871)	-	(311,668)	-	(60,623)	-	(6,917,567)
Total other financing sources (uses)	163,275	-	2,269,452	(4,803,234)	69,009	968,011	(351,871)	102,399	(311,668)	142,811	(60,623)	-	(1,812,439)
Net change in fund balances	880,586	5,089	(2,401,798)	33,332	(9,369)	196,886	(351,871)	(2,850)	(311,668)	(175,161)	92,077	3,914	(2,040,833)
Fund balances, beginning of year	3,705,411	28,557	(191,390)	2,749,512	1,409,661	91,726	2,258,280	426,099	311,668	(426,310)	522,182	1,570,339	12,455,735
Fund balances, end of year	\$ 4,585,997	33,646	(2,593,188)	2,782,844	1,400,292	288,612	1,906,409	423,249	-	(601,471)	614,259	1,574,253	10,414,902

CITY OF PORTSMOUTH, VIRGINIA

Exhibit J-3

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

Special Revenue Funds

Year ended June 30, 2015

	Behavioral Health Services			Public Law Library		
	Budget	Actual	Variance favorable (unfavorable)	Budget	Actual	Variance favorable (unfavorable)
Revenues:						
Intergovernmental	\$ 11,107,215	10,057,912	(1,049,303)	-	-	-
Charges for services	382,000	325,470	(56,530)	31,026	27,943	(3,083)
Miscellaneous	250,000	4,461	(245,539)	-	-	-
Total revenues	11,739,215	10,387,843	(1,351,372)	31,026	27,943	(3,083)
Expenditures:						
Health and welfare	11,989,997	9,620,504	2,369,493	-	-	-
Judicial	-	-	-	31,026	22,854	8,172
Capital outlay	138,000	50,028	87,972	-	-	-
Total expenditures	12,127,997	9,670,532	2,457,465	31,026	22,854	8,172
Revenues over (under) expenditures	(388,782)	717,311	1,106,093	-	5,089	5,089
Other financing sources (uses) -						
Transfers from other funds	651,169	651,169	-	-	-	-
Transfers to other funds	(505,244)	(487,894)	17,350	-	-	-
Total other financing sources (uses)	145,925	163,275	17,350	-	-	-
Revenues and other financing sources over/(under) expenditures and other financing uses	\$ (242,857)	880,586	1,123,443	\$ -	5,089	5,089
Fund balances at beginning of year		3,705,411	3,705,411		28,557	28,557
Fund balances at end of year		4,585,997	4,828,854		33,646	33,646

CITY OF PORTSMOUTH, VIRGINIA

Exhibit J-3 (continued)

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

Special Revenue Funds

Year ended June 30, 2015

	Social Services			Stormwater Management		
	Budget	Actual	Variance favorable (unfavorable)	Budget	Actual	Variance favorable (unfavorable)
Revenues:						
Intergovernmental	\$ 15,904,357	14,214,463	(1,689,894)	-	-	-
Charges for services	10,000	427	(9,573)	7,511,211	7,381,839	(129,372)
Recovered costs	75,000	96,085	21,085	-	-	-
Miscellaneous	20,000	441	(19,559)	-	16,374	16,374
Total revenues	16,009,357	14,311,416	(1,697,941)	7,511,211	7,398,213	(112,998)
Expenditures:						
Health and welfare	18,852,069	18,982,666	(130,597)	-	-	-
Public works	-	-	-	2,402,955	2,307,788	95,167
Capital outlay	68,322	-	68,322	303,000	253,859	49,141
Total expenditures	18,920,391	18,982,666	(62,275)	2,705,955	2,561,647	144,308
Revenues over (under) expenditures	(2,911,034)	(4,671,250)	(1,760,216)	4,805,256	4,836,566	31,310
Other financing sources (uses) -						
Transfers from other funds	3,813,311	3,171,729	(641,582)	-	-	-
Transfers to other funds	(902,277)	(902,277)	-	(4,805,256)	(4,803,234)	2,022
Total other financing sources (uses)	2,911,034	2,269,452	(641,582)	(4,805,256)	(4,803,234)	2,022
Revenues and other financing sources over/(under) expenditures and other financing uses	\$ -	(2,401,798)	(2,401,798)	\$ -	33,332	33,332
Fund balances at beginning of year		(191,390)	(191,390)		2,749,512	2,749,512
Fund balances at end of year		(2,593,188)	(2,593,188)		2,782,844	2,782,844

CITY OF PORTSMOUTH, VIRGINIA

Exhibit J-3 (continued)

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

Special Revenue Funds

Year ended June 30, 2015

	Children's Services			Willett Hall		
	Budget	Actual	Variance favorable (unfavorable)	Budget	Actual	Variance favorable (unfavorable)
Revenues:						
Intergovernmental	\$ 2,140,447	2,841,298	700,851	-	-	-
Charges for services	-	-	-	20,000	23,196	3,196
Recovered costs	-	-	-	125,000	90,309	(34,691)
Use of property	-	-	-	70,000	53,828	(16,172)
Miscellaneous	-	-	-	2,156	-	(2,156)
Total revenues	2,140,447	2,841,298	700,851	217,156	167,333	(49,823)
Expenditures:						
Health and welfare	2,894,804	3,612,423	(717,619)	-	-	-
Parks, recreational, and cultural	-	-	-	319,555	272,582	46,973
Total expenditures	2,894,804	3,612,423	(717,619)	319,555	272,582	46,973
Revenues over (under) expenditures	(754,357)	(771,125)	(16,768)	(102,399)	(105,249)	(2,850)
Other financing sources (uses) -						
Transfers from other funds	754,357	968,011	213,654	102,399	102,399	-
Total other financing sources (uses)	754,357	968,011	213,654	102,399	102,399	-
Revenues and other financing sources over/(under) expenditures and other financing uses	\$ -	196,886	196,886	\$ -	(2,850)	(2,850)
Fund balances at beginning of year		91,726	91,726		426,099	426,099
Fund balances at end of year		288,612	288,612		423,249	423,249

CITY OF PORTSMOUTH, VIRGINIA

Exhibit J-3 (continued)

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

Special Revenue Funds

Year ended June 30, 2015

	Recreation			Community Development		
	Budget	Actual	Variance favorable (unfavorable)	Budget	Actual	Variance favorable (unfavorable)
Revenues:						
Intergovernmental	\$ -	-	-	17,915,390	1,412,301	(16,503,089)
Investment income	-	-	-	(95,866)	-	95,866
Use of property	-	-	-	(171,410)	245,022	416,432
Miscellaneous	-	-	-	(697,376)	-	697,376
Total revenues	-	-	-	16,950,738	1,657,323	(15,293,415)
Expenditures:						
Community Development	-	-	-	3,450,268	916,644	2,533,624
Capital outlay	-	-	-	1,723,941	1,058,651	665,290
Total expenditures	-	-	-	5,174,209	1,975,295	3,198,914
Revenues over (under) expenditures	-	-	-	11,776,529	(317,972)	(12,094,501)
Other financing sources (uses) -						
Transfers from other funds	-	-	-	250,487	142,811	(107,676)
Transfers to other funds	-	(311,668)	(311,668)	-	-	-
Total other financing sources (uses)	-	(311,668)	(311,668)	250,487	142,811	(107,676)
Revenues and other financing sources over/(under) expenditures and other financing uses	\$ -	(311,668)	(311,668)	\$ 12,027,016	(175,161)	(12,202,177)
Fund balances at beginning of year		311,668	311,668		(426,310)	(426,310)
Fund balances at end of year		-	-		(601,471)	(12,628,487)

Nonmajor Proprietary Funds



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CITY OF PORTSMOUTH, VIRGINIA
Combining Statement of Net Position
Nonmajor Proprietary Funds
June 30, 2015

Exhibit K-1

	Port Facility	Golf	Waste Management	Total
Assets:				
Current assets:				
Cash and temporary investments	\$ -	101,794	11,277,778	11,379,572
Accounts receivable	-	177	2,115,799	2,115,976
Inventory of supplies	-	39,066	-	39,066
Prepaid expenses	-	-	508,428	508,428
Total current assets	-	141,037	13,902,005	14,043,042
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	-	1,018,780	9,613,018	10,631,798
Total capital assets	7,812,158	12,979,572	12,522,293	33,314,023
Less accumulated depreciation	(5,755,160)	(2,384,373)	(5,350,848)	(13,490,381)
Total capital assets, net	2,056,998	10,595,199	7,171,445	19,823,642
Deferred outflows of resources:				
Deferred outflows from debt refunding	-	453,247	-	453,247
Deferred outflows related to pensions	-	112,579	279,266	391,845
Total outflows of resources	-	565,826	279,266	845,092
Total assets and deferred outflows of resources	2,056,998	11,302,062	21,352,716	34,711,776
Liabilities:				
Current liabilities:				
Accounts payable	-	94,146	2,030,428	2,124,574
Accrued interest payable	-	95,414	-	95,414
Accrued payroll	-	17,627	53,207	70,834
Deposits	10,000	22,159	-	32,159
Due to other funds	259,824	-	-	259,824
Compensated absences	-	15,331	38,119	53,450
General obligation bonds	-	370,000	-	370,000
Current obligations under capital leases	-	-	196,493	196,493
Total current liabilities	269,824	614,677	2,318,247	3,202,748
Noncurrent liabilities:				
Other post employment benefit obligation	-	656,474	2,376,461	3,032,935
Compensated absences	-	69,843	173,653	243,496
Obligations under capital leases	-	-	26,508	26,508
Landfill closure and postclosure liability	-	-	4,873,581	4,873,581
General obligation bonds	-	5,315,885	-	5,315,885
Net pension liability	-	928,320	2,302,802	3,231,122
Total noncurrent liabilities	-	6,970,522	9,753,005	16,723,527
Deferred inflows related to pensions	-	217,372	539,215	756,587
Total liabilities	269,824	7,802,571	12,610,467	20,682,862
Net position:				
Net investment in capital assets	2,056,998	5,362,561	6,948,444	14,368,003
Unrestricted (deficit)	(269,824)	(1,863,070)	1,793,805	(339,089)
Total net position	1,787,174	3,499,491	8,742,249	14,028,914
Total liabilities and net position	\$ 2,056,998	11,302,062	21,352,716	34,711,776

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, 2015

	Port Facility	Golf	Waste Management	Total
Operating revenues:				
Charges for services	\$ -	1,096,110	11,599,289	12,695,399
Contributions	-	-	268,297	268,297
Other	-	145,885	1,031	146,916
Total operating revenues	-	1,241,995	11,868,617	13,110,612
Operating expenses:				
Personnel services	-	1,000,469	3,096,806	4,097,275
Contractual services	-	394,904	4,435,553	4,830,457
Supplies and materials	-	206,203	183,328	389,531
Utilities	-	123,697	2,386	126,083
Internal charges	-	44,737	1,483,851	1,528,588
Rent	-	70,738	-	70,738
Depreciation and amortization	46,119	110,597	542,269	698,985
Closure/postclosure	-	-	111,706	111,706
Other	-	113,571	231,161	344,732
Total operating expenses	46,119	2,064,916	10,087,060	12,198,095
Operating income (loss)	(46,119)	(822,921)	1,781,557	912,517
Nonoperating revenues (expenses):				
Interest expense and fiscal charges	-	(271,387)	(6,832)	(278,219)
Net nonoperating revenues (expenses)	-	(271,387)	(6,832)	(278,219)
Net income (loss) before transfers	(46,119)	(1,094,308)	1,774,725	634,298
Transfers from other funds	-	1,448,452	-	1,448,452
Transfers to other funds	-	(17,438)	(392,702)	(410,140)
Change in net position	(46,119)	336,706	1,382,023	1,672,610
Net position, beginning of year, as restated (Note 17)	1,833,293	3,162,785	7,360,226	12,356,304
Net position, end of year	\$ 1,787,174	3,499,491	8,742,249	14,028,914

Combining Statement of Cash Flows

Nonmajor Proprietary Funds

Year ended June 30, 2015

	Port Facility	Golf	Waste Management	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers	\$ -	1,264,154	12,113,464	13,377,618
Payments to suppliers	-	(991,988)	(5,236,434)	(6,228,422)
Payments to employees	-	(879,570)	(3,087,130)	(3,966,700)
Net cash provided by (used for) operating activities	-	(607,404)	3,789,900	3,182,496
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers in	-	1,448,452	-	1,448,452
Transfers out	-	(17,438)	(392,702)	(410,140)
Net cash provided by (used in) noncapital financing activities	-	1,431,014	(392,702)	1,038,312
CASH FLOWS FROM CAPITAL AND RELATING FINANCING ACTIVITIES:				
Acquisition of PP&E	-	-	(1,878,071)	(1,878,071)
Gain or (Loss) on write-down of capital assets	-	-	-	-
Principal paid on long-term debt	-	(506,965)	(192,570)	(699,535)
Interest paid	-	(279,137)	(6,833)	(285,970)
Net cash provided by (used in) capital and related financing activities	-	(786,102)	(2,077,474)	(2,863,576)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest received	-	-	-	-
Net cash provided by investing activities	-	-	-	-
Net increase (decrease) in cash and temporary investments	-	37,508	1,319,724	1,357,232
Cash and temporary investments, beginning of year	-	64,283	9,958,054	10,022,337
Cash and temporary investments, end of year	-	101,791	11,277,778	11,379,569
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities				
Operating income (loss)	(46,119)	(822,921)	1,781,557	912,517
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	46,119	110,597	542,269	698,985
Decrease (increase) in:				
Accounts receivable	-	-	244,847	244,847
Prepaid expenses	-	-	(508,428)	(508,428)
Inventory of supplies	-	(39,066)	-	(39,066)
Deposits	-	22,159	-	22,159
Increase (decrease) in:				
Accounts payable	-	928	1,608,273	1,609,201
Accrued payroll	-	780	6,652	7,432
Compensated absences	-	6,279	5,632	11,911
Net pension liability	-	119,844	18,031	137,875
Other post employment benefit obligation	-	(6,004)	(20,639)	(26,643)
Nonoperating revenues reported as operating revenues:				
Landfill closure and postclosure liability	-	-	111,706	111,706
Total adjustments	46,119	215,517	2,008,343	2,269,979
Net cash provided by (used for) operating activities	\$ -	(607,404)	3,789,900	3,182,496



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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, 2015

	City Garage	Information Technology	Health Insurance	OPEB	Risk Management	Total
Assets:						
Current assets:						
Cash and temporary investments	\$ 250	3,478,991	7,359,006	-	20,568,049	31,406,296
Accounts receivable	99,128	-	123,533	-	-	222,661
Inventory of supplies	420,358	-	-	-	-	420,358
Prepaid expenses	-	15,000	-	-	6,067	21,067
Total current assets	519,736	3,493,991	7,482,539	-	20,574,116	32,070,382
Noncurrent assets:						
Capital assets:						
Land	15,048	-	-	-	-	15,048
Buildings	693,083	-	-	-	-	693,083
Machinery, furniture, and equipment	24,179,731	5,559,735	-	-	-	29,739,466
Intangible assets	-	911,458	-	-	-	911,458
Total capital assets	24,887,862	6,471,193	-	-	-	31,359,055
Less accumulated depreciation	(17,451,638)	(5,563,887)	-	-	-	(23,015,525)
Total capital assets, net	7,436,224	907,306	-	-	-	8,343,530
Deferred outflows of resources:						
Total outflows of resources	-	-	-	-	-	-
Total assets and deferred outflows of resources	7,955,960	4,401,297	7,482,539	-	20,574,116	40,413,912
Liabilities:						
Current liabilities:						
Accounts payable	364,694	453,465	531,357	-	749,074	2,098,590
Accrued payroll	37,904	48,599	-	-	2,041	88,544
Flex spending benefits	-	-	42,801	-	-	42,801
Due to other funds	812,244	-	-	-	-	812,244
Current compensated absences	22,748	32,170	-	-	1,151	56,069
Current obligations under capital leases	1,295,735	-	-	-	-	1,295,735
Current claims payable	-	-	1,369,115	-	3,287,333	4,656,448
Total current liabilities	2,533,325	534,234	1,943,273	-	4,039,599	9,050,431
Noncurrent liabilities:						
Noncurrent claims payable	-	-	-	-	10,974,541	10,974,541
Other post employment benefit obligation	1,394,197	1,063,099	245,427	-	116,781	2,819,504
Noncurrent compensated absences	103,632	146,555	-	-	5,243	255,430
Noncurrent obligations under capital leases	1,301,855	-	-	-	-	1,301,855
Total noncurrent liabilities	2,799,684	1,209,654	245,427	-	11,096,565	15,351,330
Total liabilities	5,333,009	1,743,888	2,188,700	-	15,136,164	24,401,761
Net position:						
Net investment in capital assets	4,838,634	907,306	-	-	-	5,745,940
Unrestricted (deficit)	(2,215,683)	1,750,103	5,293,839	-	5,437,952	10,266,211
Total net position	2,622,951	2,657,409	5,293,839	-	5,437,952	16,012,151
Total liabilities and net position	\$ 7,955,960	4,401,297	7,482,539	-	20,574,116	40,413,912

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, 2015

	City Garage	Information Technology	Health Insurance	OPEB	Risk Management	Total
Operating revenues:						
Charges for services	\$ 9,310,140	5,449,694	24,251,379	-	5,685,362	44,696,575
Contributions	793,203	-	-	-	-	793,203
Other	42	32,918	57,582	-	142,834	233,376
Total operating revenues	10,103,385	5,482,612	24,308,961	-	5,828,196	45,723,154
Operating expenses:						
Personnel services	2,022,610	2,452,828	-	-	145,934	4,621,372
Contractual services	827,390	1,410,214	1,519,809	-	412,889	4,170,302
Supplies and materials	3,655,216	319,027	-	-	5,951	3,980,194
Utilities	76,732	92,864	-	-	1,767	171,363
Internal charges	-	5,469	-	-	-	5,469
Claims, settlements, and refunds	-	-	21,474,540	-	3,737,976	25,212,516
Insurance premiums	-	-	-	-	4,350,742	4,350,742
Depreciation and amortization	1,480,631	218,013	-	-	-	1,698,644
Other - Operating Expense	586,799	297,643	10,680	-	4,946	900,068
Total operating expenses	8,649,378	4,796,058	23,005,029	-	8,660,205	45,110,670
Operating income	1,454,007	686,554	1,303,932	-	(2,832,009)	612,484
Nonoperating revenues (expenses):						
Gain (loss) on disposal of capital assets	21,567	-	-	-	-	21,567
Interest expense and fiscal charges	(74,687)	-	-	-	-	(74,687)
Net nonoperating revenues (expenses)	(53,120)	-	-	-	-	(53,120)
Net income before transfers	1,400,887	686,554	1,303,932	-	(2,832,009)	559,364
Transfers from other funds	41,978	-	3,000,000	-	-	3,041,978
Transfers to other funds	(1,033,482)	(231,595)	-	(3,000,000)	(9,329)	(4,274,406)
Change in net position	409,383	454,959	4,303,932	(3,000,000)	(2,841,338)	(673,064)
Net position (deficit), beginning of year	2,213,568	2,202,450	989,907	3,000,000	8,279,290	16,685,215
Net position (deficit), end of year	\$ 2,622,951	2,657,409	5,293,839	-	5,437,952	16,012,151

Combining Statement of Cash Flows

Internal Service Funds

Year ended June 30, 2015

	City Garage	Information Technology	Health Insurance	OPEB	Risk Management	Total
CASH FLOWS FROM OPERATING ACTIVITIES:						
Receipts from customers	\$ 10,119,059	5,512,939	24,248,839	-	5,828,196	45,709,033
Payments to suppliers	(4,962,832)	(1,807,019)	(23,475,610)	-	(5,375,725)	(35,621,186)
Payments to employees	(2,049,935)	(2,471,683)	-	-	(143,617)	(4,665,235)
Net cash provided by (used in) operating activities	3,106,292	1,234,237	773,229	-	308,854	5,422,612
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
Transfers (out) / in	(991,504)	(231,595)	3,000,000	(3,000,000)	(9,329)	(1,232,428)
Net cash provided by (used in) noncapital financing activities	(991,504)	(231,595)	3,000,000	(3,000,000)	(9,329)	(1,232,428)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Acquisition and construction of capital assets	(793,203)	(290,838)	-	-	-	(1,084,041)
Proceeds from sale of capital assets	21,567	-	-	-	-	21,567
Principal paid on long-term debt	(1,268,465)	-	-	-	-	(1,268,465)
Interest paid	(74,687)	-	-	-	-	(74,687)
Net cash provided by (used in) capital and related financing activities	(2,114,788)	(290,838)	-	-	-	(2,405,626)
CASH FLOWS FROM INVESTING ACTIVITIES:						
Interest received	-	-	-	-	-	-
Net cash provided by (used in) investing activities	-	-	-	-	-	-
Net increase (decrease) in cash and temporary investments	-	711,804	3,773,229	(3,000,000)	299,525	1,784,558
Cash and temporary investments, beginning of year	250	2,767,187	3,585,777	3,000,000	20,268,524	29,621,738
Cash and temporary investments, end of year	250	3,478,991	7,359,006	-	20,568,049	31,406,296
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities						
Operating income/(loss)	1,454,007	686,554	1,303,932	-	(2,832,009)	612,484
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Depreciation and amortization	1,480,631	218,013	-	-	-	1,698,644
Decrease (increase) in:						
Accounts receivable	15,674	30,327	(60,122)	-	-	(14,121)
Prepaid expenses	-	(15,000)	-	-	(6,067)	(21,067)
Inventory of supplies	13,602	-	-	-	-	13,602
Increase (decrease) in:						
Accounts payable	(442,185)	333,198	459,358	-	479,699	830,070
Accrued payroll	2,530	7,884	-	-	495	10,909
Compensated absences	(14,470)	(16,982)	-	-	2,948	(28,504)
Due to other funds	611,888	-	-	-	-	611,888
Flexible spending benefits	-	-	4,519	-	-	4,519
OPEB	(15,385)	(9,757)	245,427	-	(1,126)	219,159
Nonoperating revenues reported as operating revenues:						
Claims payable	-	-	(1,179,885)	-	2,664,914	1,485,029
Total adjustments	1,652,285	547,683	(530,703)	-	3,140,863	4,810,128
Net cash provided by operating activities	\$ 3,106,292	1,234,237	773,229	-	308,854	5,422,612



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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, 2015

Exhibit M-1

	Portsmouth Supplemental Retirement System	Portsmouth Fire and Police Retirement System	Total
Assets			
Cash and temporary investments	\$ 699,314	1,722,128	2,421,442
Investments:			
Common stock	45,290,283	125,763,129	171,053,412
Corporate bonds	19,797,440	54,974,001	74,771,441
Total assets	65,787,037	182,459,258	248,246,295
Net position held in trust for pension benefits	\$ 65,787,037	182,459,258	248,246,295

CITY OF PORTSMOUTH, VIRGINIA
Combining Statement of Changes in Fiduciary Net Position
Fiduciary Funds - Pension Trust Funds
Year ended June 30, 2015

Exhibit M-2

	Portsmouth Supplement Retirement System	Portsmouth Fire and Police Retirement System	Total
Additions:			
Contributions	\$ 2,086,662	6,452,439	8,539,101
Investment income -			
Net investment income	168,023	456,246	624,269
Less investment expense	(67,152)	(184,118)	(251,270)
Net investment income	100,871	272,128	372,999
Total additions	2,187,533	6,724,567	8,912,100
Deductions - benefits and administrative expenses	8,289,065	20,611,618	28,900,683
Change in net position	(6,101,532)	(13,887,051)	(19,988,583)
Net position restricted for pension benefits, beginning of year	71,888,569	196,346,309	268,234,878
Net position restricted for pension benefits, end of year	\$ 65,787,037	182,459,258	248,246,295

Statement of Changes in Assets and Liabilities

Fiduciary Funds-Agency Fund

Year ended June 30, 2015

Description	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
Assets:				
Cash and temporary investments	\$ 339	79,549	(74,358)	5,530
	339	79,549	(74,358)	5,530
Liabilities:				
Accounts payable	339	87,882	(82,691)	5,530
	\$ 339	87,882	(82,691)	5,530



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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									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Governmental activities:										
Net investment in capital assets	167,581,045	178,183,374	187,359,078	176,415,840	179,076,283	186,101,165	196,244,783	210,854,679	232,550,945	244,408,023
Restricted	14,958,699	10,510,194	5,588,429	12,438,087	16,014,789	15,421,510	45,127,451	40,782,876	75,183,391	51,224,402
Unrestricted	30,296,025	32,295,766	24,710,887	27,319,933	32,818,638	33,924,914	11,685,932	17,497,544	(198,671,005)	(283,629,516)
Total governmental activities net position	220,989,334	217,658,394	216,173,860	227,909,710	235,447,589	253,058,166	253,058,166	269,135,099	109,063,331	12,002,909
Business-type activities:										
Net investment in capital assets	104,805,799	108,111,466	112,115,139	114,270,026	122,952,622	128,135,654	132,261,301	140,080,861	146,080,861	151,551,705
Restricted	-	2,190,726	3,389,920	4,117,658	12,131	-	22,450	-	-	-
Unrestricted	23,530,011	26,316,690	27,320,964	30,213,505	33,143,573	39,934,125	44,949,451	45,783,929	40,508,841	34,241,084
Total business-type activities net position	136,618,882	142,826,023	148,601,189	156,108,326	168,069,779	177,233,202	177,233,202	185,864,790	186,805,089	185,792,789
Primary government:										
Net investment in capital assets	286,294,840	299,474,217	290,685,866	302,028,905	314,236,819	328,506,084	328,506,084	350,935,540	378,847,193	395,959,728
Restricted	12,700,920	8,978,349	16,555,745	16,026,920	15,421,510	45,149,901	45,149,901	40,782,876	75,183,391	51,224,402
Unrestricted	58,612,456	52,031,851	57,533,438	65,962,211	73,859,039	56,635,383	56,635,383	63,281,473	(158,162,164)	(249,388,432)
Total primary government net position	360,484,417	364,775,049	384,018,036	403,517,368	430,291,368	430,291,368	430,291,368	454,999,889	295,868,420	197,795,698

CITY OF PORTSMOUTH, VIRGINIA

A-2

Changes in Net Position

Last Ten Fiscal Years

(accrual basis of accounting)

	Fiscal year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Expenses:										
Governmental activities:										
General government	\$ 20,456,662	30,899,380	17,457,023	26,462,771	25,866,086	28,573,377	30,092,575	27,914,580	195,651,602	30,847,939
Nondepartmental	-	-	6,135,893	-	-	-	-	-	-	-
Judicial	17,340,546	18,098,589	20,995,575	22,068,062	21,162,771	20,042,432	19,262,329	23,819,021	25,931,635	22,663,405
Public safety	49,239,795	53,309,122	58,580,530	59,957,146	63,317,938	62,543,317	67,822,960	66,483,899	58,678,933	56,785,068
Public works	29,444,928	29,347,705	31,141,010	29,535,176	20,801,656	20,669,966	19,227,479	18,919,255	22,082,142	24,259,546
Health and welfare	36,185,435	39,099,957	41,037,989	40,267,351	39,291,574	38,261,597	37,676,063	34,805,940	35,701,774	32,894,672
Parks, recreational, and cultural	11,154,672	12,440,345	13,017,308	13,000,940	12,702,857	12,333,047	12,165,461	12,107,699	10,405,765	9,868,300
Community development	10,226,594	12,716,520	9,577,401	9,306,525	14,441,114	7,738,435	8,697,999	9,317,701	7,924,716	6,474,948
Education	38,499,873	44,642,509	57,072,177	53,881,305	54,518,784	50,591,187	51,759,963	41,411,783	52,948,197	55,140,801
Interest on long-term debt	10,933,509	11,135,778	11,642,071	10,573,858	10,486,906	13,258,680	12,743,363	13,535,905	19,560,389	19,484,834
Total governmental activities expenses	223,482,014	251,689,905	266,656,977	265,053,134	262,589,686	254,012,038	259,448,192	248,315,783	428,885,153	258,419,513
Business-type activities:										
Public Utility	16,642,684	18,073,378	21,132,727	22,589,478	21,621,779	21,142,197	23,289,442	21,168,537	25,719,104	23,945,770
Golf	1,897,023	2,322,069	2,467,403	2,400,930	2,393,003	2,322,045	2,218,731	2,104,720	2,406,829	2,336,303
Port Facility and Economic Development	87,904	86,922	86,922	86,922	66,520	46,118	46,119	46,118	46,118	46,119
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	1,395,552	1,185,598
Waste Management	8,762,865	9,567,874	12,086,129	12,314,318	14,138,088	13,576,422	11,779,665	9,662,917	10,559,613	10,245,752
Total business-type activities expenses	28,990,142	31,665,593	37,523,965	39,035,659	39,845,153	38,669,462	38,892,677	34,331,212	40,127,216	37,759,542
Total primary government expenses	252,472,156	283,355,498	304,180,942	304,088,793	302,434,839	292,681,500	298,340,869	282,646,995	469,012,369	296,179,055
Program Revenues:										
Governmental activities:										
Charges for services										
General government	4,578,378	4,118,356	2,130,746	2,146,434	1,774,399	1,891,508	1,785,252	3,104,397	3,395,648	3,191,781
Judicial	723,516	663,258	384,600	224,907	240,998	708,180	1,004,567	343,106	271,277	576,660
Public safety	1,927,252	2,108,401	2,487,410	1,298,471	2,637,180	1,673,586	2,119,660	2,497,470	1,676,260	3,528,623
Public works	4,767,368	5,270,651	5,520,368	5,637,793	6,330,032	6,880,735	7,316,713	7,809,614	8,017,983	7,596,091
Health and welfare	3,283,363	2,928,297	523,597	431,309	414,062	538,388	519,049	600,194	596,831	973,317
Parks, recreation, and cultural	1,705,343	1,157,796	1,629,137	1,579,501	1,352,352	1,302,264	2,160,956	2,587,705	2,396,043	2,321,055
Community development	1,773,415	986,880	705,244	491,841	495,427	518,730	523,373	1,149,814	1,206,617	1,971,830
Operating grants and contributions	73,251,426	74,604,092	79,783,849	79,186,102	82,372,531	77,217,853	86,594,753	70,737,857	71,792,163	67,982,527
Capital grants and contributions	2,788,448	3,773,230	5,062,734	500,000	4,635,095	3,344,556	6,070,568	1,422,747	2,655,741	5,052,229
Total governmental activities program revenues	94,798,509	95,610,961	98,227,685	91,496,358	100,252,076	94,075,800	108,094,891	90,252,904	92,008,563	93,194,113
Business-type activities:										
Charges for services:										
Public Utility	31,023,177	32,433,324	33,522,674	35,337,953	35,530,749	39,910,309	39,594,823	39,563,702	41,678,038	41,521,351
Golf	1,660,710	1,735,064	1,688,008	1,363,934	1,329,452	1,305,030	1,355,710	1,128,337	1,082,375	1,096,110
Port Facility and Economic Development	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	1,093,811	924,588
Waste Management	7,440,339	9,375,993	12,466,329	12,332,045	15,037,913	14,123,658	12,765,158	12,502,496	12,331,294	11,751,149

(continued)

CITY OF PORTSMOUTH, VIRGINIA

Changes in Net Position

Last Ten Fiscal Years

(accrual basis of accounting)

A-2 (continued)

	Fiscal year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Business-type activities, continued:										
Operating grants and contributions	\$ 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	43,376,823	46,048,330	49,766,634	50,911,426	53,649,936	57,079,757	55,506,843	54,592,735	56,185,518	55,293,198
Total primary government program revenues	138,175,332	141,659,291	147,994,319	142,407,784	153,902,012	151,155,557	163,601,734	144,845,639	148,194,081	148,487,311
Net (Expense)/Revenue										
Governmental activities	(128,683,505)	(156,078,944)	(168,429,292)	(173,556,776)	(162,337,610)	(159,936,238)	(151,353,301)	(158,062,879)	(336,876,590)	(165,225,400)
Business-type activities	14,386,681	14,382,737	12,242,669	11,875,767	13,804,783	18,410,295	16,614,166	20,261,523	16,058,302	17,533,656
Total primary government net (expense)/revenue	(114,296,824)	(141,696,207)	(156,186,623)	(161,681,009)	(148,532,827)	(141,525,943)	(134,739,135)	(137,801,356)	(320,818,288)	(147,691,744)
General Revenues and Other Changes in Net Assets:										
Governmental activities:										
Taxes:										
General property taxes	86,704,528	101,207,980	105,883,360	117,984,153	120,258,870	115,291,349	118,370,186	116,035,670	116,536,186	116,197,273
Other local taxes	27,002,058	27,929,104	37,862,311	35,706,007	36,601,504	34,894,374	35,064,984	35,995,762	37,674,332	39,934,290
Utility taxes	15,032,684	14,794,915	7,698,211	7,676,029	7,579,044	7,709,251	7,418,449	8,047,196	8,145,465	8,001,981
Licenses, permits, and privilege fees	-	-	-	-	-	-	-	-	-	-
Payment from component unit	-	-	-	-	-	-	-	-	-	-
Investment earnings	1,532,174	3,198,654	2,090,950	693,008	168,877	168,418	102,301	1,291,260	591,371	662,555
Net gain on disposal of capital assets	3,574,493	139,440	-	-	-	-	(75,704)	-	-	-
Miscellaneous	5,125,187	2,621,370	2,956,892	2,424,036	2,568,498	2,302,921	2,433,785	3,863,492	6,192,905	3,776,579
Special Item	(2,236,629)	-	-	-	-	-	-	-	-	-
Transfers	8,537,144	9,553,108	8,606,628	7,382,948	6,896,667	7,106,789	8,008,973	9,928,251	9,006,934	9,244,703
Total governmental activities	145,271,639	159,444,571	165,098,352	171,866,181	174,073,460	167,473,102	171,322,974	175,161,631	178,147,193	177,817,381
Business-type activities:										
Contributions-Land	-	-	-	-	-	-	-	-	-	268,297
Investment earnings	1,127,642	2,622,827	1,884,812	610,492	154,560	106,869	95,376	170,968	537,392	486,790
Special item	-	-	-	-	-	-	-	-	-	-
Gain on sale of capital assets	20,006	(147,433)	31,984	4,176	32,775	(69,991)	-	-	-	-
Miscellaneous	479,866	1,029,816	654,304	667,679	499,410	716,744	462,854	713,526	593,289	587,082
Transfers	(8,537,144)	(9,553,108)	(8,606,628)	(7,382,948)	(6,984,391)	(7,106,789)	(8,008,973)	(9,928,251)	(9,006,934)	(9,244,703)
Total business-type activities	(6,909,630)	(6,047,898)	(6,035,528)	(6,100,601)	(6,297,646)	(6,353,167)	(7,450,743)	(9,043,757)	(7,876,253)	(7,902,534)
Total primary government	138,362,009	153,396,673	159,062,824	165,765,580	167,775,814	161,119,935	163,872,231	166,117,874	170,270,940	169,914,847
Change in Net Position:										
Governmental activities	16,588,134	3,365,627	(3,330,940)	(1,690,595)	11,735,850	7,536,864	19,969,673	17,098,752	(158,729,397)	12,591,981
Business-type activities	7,477,051	8,334,839	6,207,141	5,775,166	7,507,137	12,057,128	9,163,423	11,217,766	8,182,049	9,631,122
Total primary government	\$ 24,065,185	11,700,466	2,876,201	4,084,571	19,242,987	19,593,992	29,133,096	28,316,518	(150,547,348)	22,223,103

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

A-3

	Fiscal year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Fund										
Reserved	\$ 6,300,760	5,069,051	5,707,974	3,246,548	2,934,768	-	-	-	-	-
Unreserved	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	2,081,981	1,635,945
Restricted	-	-	-	-	-	140,677	295,762	18,549,834	233,444	254,070
Committed	-	-	-	-	-	-	7,880,834	7,187,371	16,652,635	-
Assigned	-	-	-	-	-	60,627	5,846	-	4,640,047	4,640,047
Unassigned	-	-	-	-	-	48,667,799	53,631,444	236,707,641	52,168,051	54,088,231
Total General Fund	42,773,807	40,521,684	32,036,927	35,855,214	48,329,746	51,529,838	64,278,496	264,722,952	71,136,111	60,618,293
All Other Governmental Funds										
Reserved	13,796,697	12,992,195	12,390,140	9,013,543	17,861,357	-	-	-	-	-
Unreserved, reported in:										
Special revenue funds	6,380,664	5,933,041	5,230,281	6,219,375	19,580,665	-	-	-	-	-
Permanent funds (1)	185,397	297,604	407,268	394,025	448,205	-	-	-	-	-
Capital projects funds	14,573,363	24,241,983	5,390,537	21,751,465	56,173,437	-	-	-	-	-
Nonspendable	-	-	-	-	-	1,002,223	1,002,223	1,002,223	1,002,223	1,002,223
Restricted	-	-	-	-	-	72,136,623	43,831,689	39,629,756	55,095,264	49,610,850
Committed	-	-	-	-	-	689,701	623,988	367,043	423,876	-
Assigned	-	-	-	-	-	-	-	618,921	311,668	421,026
Unassigned	-	-	-	-	-	(29,999)	(278,692)	-	(617,700)	(3,194,659)
Total all other governmental funds	\$ 34,936,121	43,464,823	23,418,226	37,378,408	94,063,664	73,798,548	45,179,208	41,617,943	56,215,331	47,839,440

*Classification change (GASB54) FY11 Special Revenue, Permanent, & Capital Projects fund balance is comprised of Restricted, 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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Revenues										
Taxes	\$ 129,336,845	142,304,393	151,595,074	161,152,304	163,986,237	159,191,656	160,062,205	160,108,769	161,907,337	164,133,541
Licenses and permits	1,162,977	1,341,290	1,153,187	926,923	1,136,981	1,117,152	883,022	832,610	959,486	954,328
Fines and forfeitures	335,211	292,244	172,007	173,529	184,741	572,821	853,101	867,213	633,409	692,844
Investment income and use of property	5,331,493	6,058,766	4,539,471	3,181,215	2,287,625	2,316,889	2,179,404	1,952,293	2,034,326	2,104,418
Charges for services	13,324,845	12,541,445	9,264,732	8,189,038	9,773,256	9,468,478	11,795,141	12,796,551	12,659,493	12,795,031
Recovered costs	6,220,227	3,622,340	4,676,217	4,135,037	4,331,770	4,085,061	3,708,285	3,598,403	3,842,764	3,935,523
Miscellaneous	3,030,478	3,114,090	5,372,509	4,556,269	9,434,921	4,931,402	17,765,172	4,451,002	6,252,378	3,678,609
Intergovernmental	73,155,576	76,192,266	80,210,496	76,140,401	78,583,705	76,639,575	75,920,149	72,780,080	74,876,626	75,974,575
Sale of commodities and property	3,574,493	139,440	242,770	-	-	-	-	-	-	-
Total revenues and other sources	235,472,145	245,606,274	257,226,463	258,454,716	269,719,236	258,323,034	273,166,479	257,386,921	263,165,819	264,268,869
Expenditures										
General government	20,992,502	23,229,371	17,701,336	16,146,243	15,503,424	15,711,620	15,501,466	15,905,233	17,178,147	17,584,368
Nondepartmental	-	-	6,681,149	9,503,827	9,276,215	9,975,985	11,496,297	12,138,227	180,581,237	12,584,942
Judicial	17,215,246	18,424,590	19,869,269	20,605,038	19,198,298	18,945,494	18,496,993	20,179,701	20,547,549	20,977,970
Public safety	49,027,166	53,524,102	58,276,566	59,009,982	60,853,783	60,446,711	62,240,428	61,441,195	54,113,766	57,143,666
Public works	16,626,200	17,092,893	18,274,869	17,413,077	15,539,098	16,033,880	15,588,397	16,786,940	17,804,330	19,857,877
Health and welfare	37,175,910	40,762,079	42,530,195	41,062,430	38,131,285	37,792,064	35,594,381	32,239,186	34,072,749	34,041,970
Parks, recreation, and cultural	11,077,141	12,010,340	12,804,623	12,230,804	11,577,153	11,608,738	11,091,361	11,448,655	10,672,489	9,574,714
Community development	9,383,948	11,418,822	9,435,979	9,033,730	9,476,115	7,175,300	8,101,488	7,906,297	6,717,779	5,669,431
Debt service:										
Principal	12,044,668	13,681,588	15,818,354	14,251,629	10,467,075	9,843,352	10,075,319	10,739,261	19,951,362	18,912,510
Interest	10,867,394	10,708,805	11,465,427	10,329,837	11,185,563	12,332,018	13,029,154	14,313,937	16,213,438	19,147,205
Education	36,670,336	42,683,991	49,845,490	49,818,483	48,171,651	48,171,651	49,571,413	39,849,897	50,528,423	52,550,163
Capital outlay	14,604,621	27,392,620	32,181,996	21,638,382	33,782,150	58,653,655	46,037,429	13,961,951	23,674,694	25,025,125
Total expenditures	235,685,132	270,929,201	294,885,253	281,043,462	283,161,810	306,690,468	296,824,126	256,910,480	452,055,963	293,069,941
Excess of revenues over (under) expenditures	(212,987)	(25,322,927)	(37,658,790)	(22,588,746)	(13,442,574)	(48,367,434)	(23,657,647)	476,441	(188,890,144)	(28,801,072)
Other financing sources (uses)										
Transfers in	19,874,456	23,954,536	24,610,728	20,261,687	22,382,161	22,117,233	22,880,724	21,594,945	88,968,251	66,035,010
Transfers out	(12,085,891)	(15,449,048)	(15,483,292)	(11,137,307)	(16,730,817)	(16,492,768)	(15,331,422)	(12,459,843)	(78,447,095)	(56,502,867)
Proceeds from capital leases	-	-	-	358,080	-	-	-	-	-	-
Proceeds from debt issued	-	-	-	157,743	2,219,887	-	-	-	-	-
Payments from component unit	-	-	-	-	-	-	-	-	-	-
Discount on bonds issued	(67,183)	(24,491)	-	(351,552)	(1,777,830)	-	-	-	-	-
VPSA Subsidy	-	-	-	-	1,324,727	-	-	-	-	-
Payments to escrow agent	(38,330,411)	(36,133,012)	-	(45,565,623)	-	-	-	-	-	-
Payment for current refunding of debt	-	(7,980,000.00)	-	-	-	-	-	-	-	(30,446,686)
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	-	30,821,906
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)	36,091,556	31,577,868	9,127,436	40,367,215	82,602,362	31,301,395	7,786,966	196,406,750	10,521,156	9,907,363
Special item - payment to component unit	(2,236,629)	-	-	-	-	-	-	-	-	-
Net change in fund balances	\$ 35,878,569	6,254,941	(28,531,354)	17,778,469	69,159,788	(17,066,039)	(15,870,681)	196,883,191	(178,368,988)	(18,893,709)
Debt service as a percentage of noncapital expenditure, as restated	10.32%	9.88%	10.38%	9.12%	8.30%	8.64%	9.21%	9.66%	8.41%	13.44%

CITY OF PORTSMOUTH, VIRGINIA
Assessed Value and Estimated Actual Value of Taxable Real Property
 Last Ten Fiscal Years
(in thousands of dollars)

B-1

Fiscal Year Ended 30-Jun	Residential Property	Commercial Property	Industrial Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value
2015	\$ 5,024,940	1,745,055	399,665	7,169,660	1.27	7,169,660
2014	5,032,854	1,723,320	402,731	7,158,905	1.27	7,158,905
2013	5,039,792	1,697,096	396,839	7,133,727	1.27	7,133,727
2012	5,132,403	1,900,610	402,017	7,435,030	1.27	7,435,030
2011	5,198,747	1,729,629	404,688	7,333,064	1.24	7,333,064
2010	5,452,716	1,818,679	406,222	7,677,617	1.24	7,677,617
2009	5,456,525	1,717,052	418,087	7,591,664	1.21	7,591,664
2008	4,967,919	1,487,540	203,354	6,658,813	1.26	6,658,813
2007	4,128,828	1,507,162	104,730	5,740,720	1.36	5,740,720
2006	3,314,028	1,091,120	87,007	4,492,155	1.44	4,492,155

Source: City Assessor's Office

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

B-2

Fiscal Year	Real Property (1)	Personal Property (2)			Manufacturer's Machinery and Tools (3)
		Vehicles	Boats	RV's	
2015	\$ 1.27	5.00	0.50	1.50	3.00
2014	1.27	5.00	0.50	1.50	3.00
2013	1.27	5.00	0.50	1.50	3.00
2012	1.27	5.00	0.50	1.50	3.00
2011	1.24	5.00	0.50	1.50	3.00
2010	1.24	5.00	0.50	1.50	3.00
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

(6) 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.

(7) 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.

(8) The assessment basis for Manufacturer's Machinery and Tool is calculated on a straight 50 percent of original cost method. The tax rate is per \$100 of assessed value.

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

B-3

Taxpayer	2015		2006	
	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value
Virginia International Gateway Inc.	\$ 402,226,211	5.10%		
PRHA	43,192,242	0.55%		
Virginia Electric and Power	36,465,240	0.46%		
South Norfolk Jordan Bridge	34,320,000	0.43%		
GEM Portsmouth High LLC	31,459,500	0.40%		
Earl Industries	30,020,749	0.38%		
G & E Apartment REIT The Myrtles	27,000,000	0.34%		
Economic Development Authority of Portsmouth	23,668,280	0.30%		
Columbia Gas of Virginia	23,588,012	0.30%		
Wheelabrator Portsmouth, Inc.	23,056,268	0.29%		
Dominion Virginia Power			\$ 55,231,054	1.06%
BASF Corporation			31,188,442	0.60%
Verizon Virginia , Inc.			26,109,350	0.50%
Columbia Gas of Virginia, Inc			22,260,708	0.43%
Cogentrix Virginia Leasing Corp.			15,561,740	0.30%
Gwaltney of Smithfield			10,180,656	0.19%
Universal Maritime Service Corporation			9,234,011	0.18%
EDS Information Services, LLC			8,624,898	0.16%
Earl Industries			7,433,727	0.14%
Weeks Marine			4,824,729	0.09%
	<u>\$ 674,996,502</u>	<u>8.55%</u>	<u>\$ 190,649,315</u>	<u>4.80%</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, 2015	Total Tax Collections to June 30, 2015	Adjustments To Levy (3)	Outstanding Taxes A/R June 30, 2015	Percent of Adjusted Levy Collected to June 30, 2015
2014	June 30, 2015	\$ 89,337,507	83,972,704	93.99	-	83,972,704	(1,037,187)	4,327,616	95.10
2013	June 30, 2014	89,135,633	83,706,341	93.91	3,432,291	87,138,632	(874,102)	1,122,899	98.73
2012	June 30, 2013	88,808,682	83,261,282	93.75	4,488,489	87,749,771	(549,335)	509,576	99.42
2011	June 30, 2012	92,659,186	85,681,654	92.47	3,844,459	89,526,113	(3,003,533)	129,540	99.86
2010	June 30, 2011	89,613,578	84,590,952	94.40	4,684,241	89,275,193	(262,441)	75,944	99.92
2009	June 30, 2010	92,594,347	88,287,197	95.35	3,872,448	92,159,645	(384,935)	49,767	99.95
2008	June 30, 2009	89,813,809	85,735,326	95.46	4,203,759	89,939,085	184,359	59,083	99.95
2007	June 30, 2008	82,061,047	80,767,754	98.42	3,566,549	84,334,303	2,305,156	31,900	99.96
2006	June 30, 2007	74,858,725	71,559,330	95.59	3,774,798	75,334,128	486,893	11,490	99.98
2005	June 30, 2006	64,686,492	60,652,216	93.76	2,937,144	63,589,360	(1,094,984)	2,148	100.00

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, 2015	Total Tax Collections to June 30, 2015	Adjustments To Levy (3)	Outstanding Taxes A/R June 30, 2015	Percent of Adjusted Levy Collected to June 30, 2015
2015	June 30, 2015	\$ 22,974,088	17,782,605	77.40	-	17,782,605	263,402	5,454,885	76.53
2014	June 30, 2014	23,014,501	17,444,594	75.80	8,226,600	25,671,194	3,743,964	1,087,271	95.94
2013	June 30, 2013	23,241,660	17,511,643	75.35	8,083,088	25,594,731	3,075,901	722,830	97.25
2012	June 30, 2012	21,841,734	17,181,394	78.66	7,379,960	24,561,354	3,229,534	509,914	97.97
2011	June 30, 2011	18,093,172	13,653,563	75.46	9,527,117	23,180,680	5,562,561	475,053	97.99
2010	June 30, 2010	19,582,168	14,843,139	75.80	9,093,695	23,936,834	4,839,749	485,083	98.01
2009	June 30, 2009	19,030,247	14,156,894	74.39	8,550,388	22,707,282	3,677,035	-	100.00
2008	June 30, 2008	20,213,758	13,813,758	68.34	10,194,460	24,008,218	3,794,460	-	100.00
2007	June 30, 2007	21,976,362	16,079,906	73.17	5,846,422	21,926,328	(50,034)	-	100.00
2006	June 30, 2006	22,160,657	16,589,424	74.86	5,523,384	22,112,808	(47,849)	-	100.00

- (1) Personal property taxes are assessed on property owned as of January 1 and become due June 5th of each year. Because the due date falls so near the last day of the fiscal year, there is normally a substantial amount of delinquent taxes receivable as of the close of the fiscal year, the majority of which is collected in the following fiscal year.
- (2) The original levy for FY15 is \$33,239,114 less the tax credit of \$10,265,026 equaling the \$22,974,088 as shown
- (3) Includes supplements, abatements, prorations, adjustments and writeoffs.

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

C-1

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			
2015	\$ 456,144	-	-	750	8,206	-	465,100	159,436	-	223	624,759	*	*
2014	473,497	-	-	1,000	10,246	-	484,743	165,494	-	416	650,653	*	*
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

The City of Portsmouth has no overlapping debt.

* Information not available at this time.

CITY OF PORTSMOUTH, VIRGINIA
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years

C-2

(dollars in thousands, except per capita)

Fiscal Year	General Bonded Debt Outstanding (1)			Percentage of Actual Taxable Value of Property	Per Capita
	General Obligation Bonds (1)	Cooperation Agreement	Total		
2015	\$ 615,580	-	615,580	8.59%	6,359
2014	638,991	-	638,991	8.93%	6,596
2013	665,692	-	665,692	9.33%	6,831
2012	441,060	-	441,060	6.44%	4,557
2011	442,227	-	442,227	6.03%	4,636
2010	279,932	-	279,932	3.65%	2,930
2009	212,851	-	212,851	2.80%	2,169
2008	223,726	-	223,726	3.36%	2,248
2007	238,621	-	238,621	4.16%	2,354
2006	193,867	-	193,867	4.32%	1,894

(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 2015

Assessed value	\$ 7,169,660
Debt limit (10% of assessed value)	716,966
Debt applicable to limit:	<u>577,420</u>
Legal debt margin	<u>\$ 139,546</u>

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013*	2014	2015
Debt limit	\$ 449,215	574,072	665,881	759,166	767,762	733,306	743,503	713,373	715,891	716,966
Total net debt applicable to limit	208,401	252,287	236,589	241,689	308,221	326,609	316,767	631,739	606,121	576,151
Legal debt margin	240,814	321,785	429,292	517,477	459,541	406,697	426,736	81,634	109,770	140,815
Total net debt applicable to limit as a percentage of debt limit	46.4 %	43.9 %	35.5 %	31.8 %	40.1 %	44.5 %	42.6 %	88.6 %	84.7 %	80.4 %

*Restated

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)
2015	96,802	*	*	35.0	15,291	6.70%
2014	96,871	*	*	35.0	14,809	6.90%
2013	97,450	3,756,474	39,047	34.9	14,215	7.80%
2012	96,470	3,795,731	39,346	35.0	14,256	8.60%
2011	95,388	3,596,088	37,583	36.0	14,103	8.80%
2010	95,535	3,412,511	35,686	36.0	14,224	9.30%
2009	98,124	3,317,088	34,776	34.0	14,331	8.30%
2008	99,542	3,358,386	35,055	34.0	14,287	5.10%
2007	101,377	3,260,359	33,326	34.0	14,990	4.10%
2006	102,346	3,112,645	31,373	42.0	15,243	4.30%

*Information not available at this time.

(1) Bureau of Economic Analysis, U.S. Department of Commerce; 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	2015			2006		
	# of Employees	Rank	Percentage of Total City Employment	# of Employees	Rank	Percentage of Total City Employment
Norfolk Naval Shipyard	9,000	1	21.17 %	7,600	1	16.85 %
Naval Medical Center, Portsmouth	5,400	2	12.70 %	5,463	2	12.11 %
City of Portsmouth	2,409	3	5.67 %	2,542	3	5.64 %
Portsmouth Public Schools	2,278	4	5.36 %	2,500	4	5.54 %
US Coast Guard Command - Portsmouth	2,233	5	5.25 %	1,500	6	3.33 %
Bon Secours Maryview Medical Center	2,000	6	4.70 %	2,200	5	4.88 %
Virginia International Gateway	711	7	1.67 %	-	-	- %
Tidewater Community College	520	8	1.22 %	-	-	- %
Wal-Mart Supercenter	390	9	0.92 %	-	-	- %
Hampton Roads Regional Jail	375	10	0.88 %	-	-	- %
Alternative Behavior Services (FHC)	-	-	- %	800	7	1.77 %
Southeastern Public Service Authority	-	-	- %	473	8	1.05 %
Gwaltney of Smithfield	-	-	- %	440	9	0.98 %
General Dynamics - NASSCO (Earl Industries)	-	-	- %	414	10	1 %
Total	25,316		59.56 %	23,932		53.05 %

Sources: Portsmouth Department of Economic Development
Virginia Labor Market Information
Virginia Employment Commission, Economic Information Service Division

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

E-1

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Fund										
General government	138	134	146	144	133	167	132	139	123	127
Judicial	233	237	252	252	249	240	242	253	246	242
Public Safety	599	599	600	597	591	590	611	625	584	576
Public Works	107	110	108	104	359	359	87	86	96	89
Health and Welfare	-	-	-	-	-	-	-	-	-	-
Parks, Recreational, and Leisure Services	146	124	126	120	127	126	106	107	73	70
Community Development	44	70	67	66	48	48	48	51	46	43
Total General Fund	1,267	1,274	1,299	1,283	1,507	1,530	1,226	1,261	1,168	1,147
Special Revenue Funds										
Willett Hall Fund	1	1	1	1	1	1	2	2	1	1
Comprehensive Services Fund	3	3	3	3	3	3	3	3	2	1
Stormwater Management Fund	33	33	31	31	23	23	23	27	22	24
Grants	31	31	31	31	28	24	27	-	-	-
Behavioral Health Services Fund	129	130	137	137	122	120	120	120	94	85
Public Law Library Fund	-	-	-	-	-	-	-	-	-	-
Social Services Fund	247	254	254	254	248	245	245	246	216	174
Total Special Revenue Funds	444	452	457	457	425	416	420	398	335	285
Capital Projects Fund										
Community Development	2	-	-	-	-	-	-	-	-	-
Enterprise Funds										
Public Utilities Fund	143	146	145	145	138	138	138	139	103	102
Golf Fund	19	19	19	19	17	17	17	17	16	15
Waste Management Fund	73	76	75	75	68	68	68	62	50	45
Parking Authority Fund	6	6	6	6	6	6	6	6	3	2
Total Enterprise Funds	241	247	245	245	229	229	229	224	172	164
Internal Service Funds										
City Garage Fund	41	41	41	41	36	36	35	35	34	32
Information Technology Fund	40	32	39	39	26	26	33	26	25	22
Risk Management Fund	3	3	3	2	8	3	3	3	1	1
Total Internal Service Funds	84	76	83	82	70	65	71	64	60	55
Total All Funds	2,036	2,049	2,084	2,067	2,231	2,240	1,946	1,947	1,735	1,651

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

E-2

<u>Function/Program</u>	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Police										
Physical arrests	10,571	7,895	9,852	9,747	10,374	9,422	6,131	8,835	8,844	8,218
Parking violations	8,228	8,001	15,821	8,124	12,162	9,023	11,000	6,717	5,558	3,639
Traffic violations	12,294	6,774	11,431	11,424	16,140	15,594	18,648	14,343	12,297	17,119
Fire										
Emergency responses	17,310	17,386	17,035	14,073	16,135	17,447	17,618	17,421	17,517	17,787
Fires extinguished	855	662	623	590	506	626	382	307	291	322
Inspections	1,785	900	1,259	1,875	1,638	885	516	801	696	923
Refuse collection										
Refuse collected (tons/day)	162	151	165	126	158	*	*	*	183	142
Recyclables collected (pounds/day)	2	2	3	5	35	*	*	*	22,913	134,700
Other public works										
Street resurfacing (miles)	26	17.8	44.9	20.6	19.0	28	21.5	5.9	19.0	18
Potholes repaired	1,324	1,491	911	1,045	1,344	1,191	3,341	5,350	8,615	8,480
Parks and recreation										
Community center admissions	262,399	308,891	308,891	274,571	274,571	281,145	242,864	286,750	231,897	219,261
Library										
Volumes in collection	338,601	371,256	338,971	276,874	260,889	267,230	243,583	243,583	243,856	316,177
Total volumes borrowed	380,040	337,447	370,870	376,946	383,265	364,835	384,130	357,581	325,694	290,763
Water										
New connections	136	176	255	105	2,959	2,852	149	92	85	2,037
Water main breaks	125	126	102	105	88	104	91	107	118	163
Average daily consumption (millions of gallons)	19	16.56	13.90	13.80	14.00	13	17.20	24.60	18.0	20.2

* 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>	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	242	252	255	255	255	236	262	268	256	256
Fire										
Stations	8	8	8	8	8	8	8	8	8	8
Fire trucks	*	*	*	*	12	12	12	12	12	12
Boat	*	*	*	*	1	1	1	1	1	1
Emergency Medical Services										
Ambulances	*	*	*	*	5	5	5	5	5	5
Refuse collection										
Collection trucks	26	26	27	27	27	27	27	27	27	27
Other public works										
Streets (miles)	398	398	351	403	393	393	399	399	399	399
Highway (miles)	888	888	888	888	888	887	887	887	887	887
Streetlights	10,693	10,661	10,665	10,665	10,665	*	10,706	10,714	10,723	10,747
Signalized Intersections	115	130	120	120	120	120	120	121	123	122
Parks and recreation										
Acreage	250	402	402	402	402	402	402	402	402	588
Playgrounds	12	13	13	13	13	13	13	13	13	15
Baseball/softball diamonds	39	36	36	36	36	36	36	36	36	36
Soccer/football fields	35	34	34	34	34	34	34	34	34	34
Community centers	7	7	7	7	7	7	7	7	7	7
Pools/Splash Park	*	*	*	*	*	*	*	*	*	3
Golf Course	1	1	1	1	1	1	1	1	1	1
Water										
Water mains (miles)	543	543	626	626	626	626	626	626	626	626
Fire hydrants	2,514	2,514	2,530	2,530	2,593	2,593	2,593	2,593	2,593	2,593
Storage capacity (millions of gallons)	9	9	9	9	9	9	9	9	9	9
Wastewater										
Sanitary sewers (miles)	437	437	438	438	438	438	438	438	438	438
Storm sewers (miles)	159	159	159	159	159	159	250	250	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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**Report of Independent Auditor on Internal Control over Financial
Reporting and on Compliance and Other Matters Based on an Audit
of Financial Statements Performed in Accordance with
Government Auditing Standards**

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, 2015, and the related notes to the financial statements and have issued our report thereon dated November 30, 2015. That report recognizes that the City implemented new accounting standards effective July 1, 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as 2015-001 and 2015-002 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards, and four matters of noncompliance with State compliance requirements which are described in the accompanying schedule of findings and questioned costs as 2015-003 through 2015-006.

City of Portsmouth, Virginia's Response to Findings

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

Purpose of this Report

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

A handwritten signature in cursive script that reads "Cheryl Bekant LLP".

Virginia Beach, Virginia
November 30, 2015

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

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, 2015. 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, 2015.

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.

Cherry Bekant LLP

Virginia Beach, Virginia
November 30, 2015

CITY OF PORTSMOUTH, VIRGINIA

Schedule of Expenditures of Federal Awards

Year ended June 30, 2015

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	\$ 324,038
Pass-through payments:		
Virginia Department of Social Services:		
State Administrative Matching Grants for Food Stamp Program	10.561	1,713,476
Virginia Department of Agriculture and Consumer Services -		
Food Distribution	10.555	322,654
Virginia Department of Education -		
National School Breakfast and Lunch Program	10.555, 10.553	5,276,345
Fruits and Vegetables	10.582	148,621
Total Department of Agriculture		7,785,134
Department of Defense:		
Direct payments:		
ROTC	12.000	241,746
Total Department of Defense		241,746
Department of Education:		
Direct payments:		
Impact Aid	84.041	322,103
Pass-through payments:		
Virginia Department of Education:		
Adult Education	84.002	209,519
Virginia Department of Education:		
Title I, Part A Cluster		
Title I Grants to Local Education Agencies	84.010	5,822,770
Special Education (IDEA) Cluster:		
Special Education (Title VI-B)	84.027	4,072,052
Special Education - Preschool Grants	84.173	169,534
Education Technology State Grants Cluster:		
Special Education - Grants for Infants and Family	84.181	160,879
Mathematics and Science Partnerships	84.366	13,779
Improving Teacher Quality	84.367	1,070,758
Education for Homeless Children & Youth	84.196	9,443
Vocational Education	84.048	287,309
Total Department of Education		12,138,146

CITY OF PORTSMOUTH, VIRGINIA

Schedule of Expenditures of Federal Awards

Year ended June 30, 2015

Federal Granting Agency/Pass Through Agency/Grant Program	Federal Catalogue Number	Federal Expenditures
Department of Health and Human Services:		
Virginia Department of Social Services:		
Social Services Block Grant	93.667	1,110,834
Temporary Assistance for Needy Families	93.558	1,778,880
Child Care and Development Fund Cluster:		
Child Care and Development Fund	93.596	262,582
Chafee Education & Training Vouchers Program	93.599	8,508
Medical Assistance Program - Title XIX	93.778	1,962,562
Foster Care - Title IV-E	93.658	1,072,462
Adoption Assistance	93.659	879,289
Independent Living	93.674	22,322
Low-Income Home Energy Assistance	93.568	198,423
Refugee and Entrant Assistance	93.566	3,185
Promoting Safe and Stable Families	93.556	60,902
State Children's Insurance Program	93.767	58,794
Child Welfare Services	93.645	12,219
Virginia Department of Mental Health, Mental Retardation and Substance Abuse Services:		
Projects for Assistance in Transition from Homelessness	93.150	52,933
Block Grants for Community Mental Health Services	93.958	163,738
Block Grants for Prevention and Treatment of Substance Abuse	93.959	1,009,298
Total Department of Health and Human Services		8,656,931
Department of Homeland Security:		
Direct Payments:		
LEMPG	97.042	56,838
Port Security	97.056	89,914
Total Department of Homeland Security		146,752
Department of Housing and Urban Development:		
Direct payments:		
Community Development Block Grant	14.218	1,605,113
HOME Investment Partnerships Program	14.239	88,037
Shelter Plus Care	14.238	470,094
Supportive Housing	14.235	94,261
Neighborhood Stabilization Program	14.256	27,078
Program and other income:		
Community Development Block Grant	14.218	227,212
HOME Investment Partnerships Program	14.239	17,810
Total Department of Housing and Urban Development		2,529,605

CITY OF PORTSMOUTH, VIRGINIA

Schedule of Expenditures of Federal Awards

Year ended June 30, 2015

Federal Granting Agency/Pass Through Agency/Grant Program	Federal Catalogue Number	Federal Expenditures
Department of Justice:		
Direct Payments:		
Weed and Seed	16.595	460
Federal Seizures	16.000	83,932
Pass-through payments:		
Virginia Department of Criminal Justice Services:		
Juvenile Accountability Incentive Block Grant	16.523	27,687
Victim Witness	16.575	363,530
U.S. Department of Justice:		
Justice Assistance Grant Program	16.738	37,494
Bulletproof Vest Partnership Program	16.607	28,905
Total Department of Justice		542,008
Department of Transportation:		
Pass-through Payments:		
Federal Transit Administration-Hampton Roads Transit:		
Highway Planning and Construction (Capital Improvements)	20.205	1,920,446
Highway Planning and Construction (Safe Routes to School Grant)	20	41,517
Virginia Department of Motor Vehicles:		
Comprehensive Speed, DUI/Passenger and CMV Occupant Restraint Enforcement	20.607	62,922
Total Department of Transportation		2,024,885
Total all agencies		\$ 34,065,207

CITY OF PORTSMOUTH, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2015

(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:

<u>Intergovernmental revenue:</u>	<u>Amount</u>
<u>City:</u>	
Special Revenue Funds:	
Virginia Public Assistance	\$ 9,283,235
Mental Health Services	1,487,697
Asset Forfeiture	112,300
Grants	968,001
Capital Projects Funds -	
Capital Projects Funds	4,532,133
Community Development	1,657,324
Total City	18,040,690
 <u>Component Unit - School Board:</u>	
Operating	563,849
Grants	11,696,681
Cafeteria	5,747,620
Total component unit - School Board	18,008,150
Total federal expenditures from Intergovernmental Revenue	36,048,840
Less: PU/CIP und revenues in excess of expenditures	2,611,687
Add: Grant revenues in excess of expenditures	(615,220)
Less: VPA revenues in excess of expenditures	138,798
Less: Asset Forfeiture revenues in excess of expenditures	28,368
Less: BHS revenues in excess of expenditures	100,849
Add: CDBG expenditures in excess of revenues	(280,847)
Total federal expenditures per Schedule of Expenditures of Federal Awards	\$ 34,065,207

(4) Subreceipts

Federal funds passed through to subrecipients for the year ended June 30, 2015 were as follows:

<u>Federal Granting Agency/Grant Program</u>	<u>Amount</u>
Department of Health and Human Services -	
Child Care and Development Fund	262,582
Department of Housing and Urban Development:	
Community Development Block Grant	1,632,191
HOME Investment Partnerships Program	88,037
Shelter Plus Care	470,094
Total federal funds passed through to subrecipients	\$ 2,452,904

City of Portsmouth, Virginia
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2015

1) Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued on the financial statements:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified:	Yes
Significant deficiencies identified:	None reported
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:	None reported
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	No

Identification of major federal programs:

<u>Name of Program</u>	<u>CFDA #</u>
Department of Agriculture:	
Child Nutrition Cluster	10.555, 10.559
Department of Transportation:	
Highway Planning and Construction Cluster	20.205
Department of Housing and Urban Development:	
Shelter Plus Care	14.238
Department of Education:	
Title I, Part A Cluster	84.010
Special Education Cluster (IDEA)	84.027, 84.173

Dollar threshold to distinguish between Types A and B Programs:	\$1,021,956
The City of Portsmouth was qualified as a low risk auditee?	No

2) Findings - Financial Statement Audit

2015-001: Material Weakness over Financial Reporting - Prior Period Adjustment

Criteria:

Construction in progress should be capitalized and depreciated upon its completion and placed in service date.

Condition:

Several construction projects were identified by management in the current year as being completed in prior years, resulting in an overstatement of capital assets and understatement of depreciation expense.

Cause:

Procedures were not in place to timely identify when projects were being completed.

Effect:

The City's financial statements were misstated by \$2,061,708.

Auditor's Recommendation:

The City should design and implement a procedure to ensure, at least annually, departments are reviewing construction in progress for projects that are completed or scrapped to allow for timely capitalization or write-off. The City should also design an analytical review during their annual close-out period and CAFR preparation and inquire of the departments about projects with little or no activity.

Management's Response:

The City concurs that in prior fiscal years, construction in progress was not properly closed out and assets capitalized upon the completion of capital projects. Procedures were implemented in FY2014 to more closely track the progress of construction to ensure construction in progress is properly closed and transferred to assets as appropriate. The prior year projects closed in FY2015 completed the two-year cleanup process and going forward the City is on track to close projects as completed.

2015-002: Material Weakness over Financial Reporting - Prior Period Adjustment

Criteria:

Refunds of deposits payable should be recorded against the deposit liability account.

Condition:

In the current year, a system coding error was found for the processing of partial refunds of public utility security deposits. Instead of reducing the deposit liability account, a revenue account was reduced.

Cause:

Procedures were not in place to ensure partial refunds were properly recorded.

Effect:

The City's financial statements for the Public Utility Fund were misstated by \$1,588,407.

Auditor’s Recommendation:

The City should design and implement a procedure to ensure partial refunds are properly recorded.

Management’s Response:

The City concurs that there was a coding error in the general ledger which affected partial refunds of deposits due customers. For customers that opted to use refunds of security deposits to pay their utility bill, the customer bill was paid but instead of the security deposit liability account being reduced, City revenue was reduced. The account code error was found and corrected by City staff in FY2015 and all refunds are properly recorded in the general ledger.

3) Findings and Questioned Costs - Major Federal Awards

None

4) Findings and Questioned Costs – State Compliance

2015-003: Nonmaterial Noncompliance – Property Taxes and Property Taxes Receivable

Criteria:

The *Code of Virginia* requires the Commissioner of Revenue or appropriate official such as a Real Estate Assessor approve exonerations or abatements and forward those to the Treasurer for proper recording.

Condition:

While performing our audit procedures to ensure compliance with Section 2-4 of the *Specifications for Audits of Counties, Cities, and Towns*, we noted one instance where the Real Estate Assessor’s approved abatement for real estate taxes had not been properly recorded in the Treasurer’s general ledger.

Cause:

The Treasurer did not properly record the approved abatement.

Effect:

The City of Portsmouth is potentially at risk for exonerations and abatements being approved but not properly recorded.

Auditor’s Recommendation:

We recommend the City implement a process to ensure all approved exonerations and abatements are properly recorded in the Treasurer’s general ledger.

Management’s Response:

The City concurs that one abatement was not properly recorded in the City Treasurer’s ledger. The City has in place procedures for recording abatements and, if an abatement is not recorded properly, the taxpayer generally notifies the City. The City will review and strengthen these procedures to include an additional review of approved abatements entered into the system to verify all abatements approved have been recorded.

2015-004: Nonmaterial Noncompliance – Social Services, Information System Security Controls

Criteria:

The *Code of Virginia*, Section 63.2 requires that the local security officer review all employees' access to each application with employees' supervisors to ensure the access is properly aligned with job responsibilities.

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 the Portsmouth Department of Social Services did not have documentation of an annual review of user access.

Cause:

Procedures were not in place to ensure employees' access was reviewed annually.

Effect:

The City of Portsmouth is potentially at risk for employees having access to systems that they do not need.

Auditor's Recommendation:

We recommend the City implement a process to ensure all employees' access is reviewed on an annual basis.

Management's Response:

The City's Department of Social Services concurs that the annual security review was not completed by June 30. Staff has revised procedures to include a comprehensive annual review of employee access to systems. Each employee will be required to complete a new Access Security form and the Security Officer will check the employee's current access to the access indicated on the form and make corrections. Supervisor will be required to evaluate access and make necessary changes with appropriate explanation/justifications.

2015-005: Nonmaterial Noncompliance – Social Services, Continuity of Operations

Criteria:

The *Code of Virginia*, Section 63.2 requires that current documented Business Continuity Plan based on the department plan template be updated within the previous 12 months. The plan should address three types of disruptions: loss of access to a facility; loss of services due to a reduced workforce; and loss of services due to equipment or systems failure. The plan should also prioritize tasks and assign responsibilities and detail procedures to implement actions to continue essential functions within the recovery time objectives established by the COOP team to maintain essential functions for up to 30 days.

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 the Portsmouth Department of Social Services Emergency Operations Plan had not been updated since 2009, and that the report did not include all of the necessary requirements.

Cause:

Procedures were not in place to ensure the report was updated on an annual basis and that the report contained all the necessary requirements.

Effect:

The City of Portsmouth is potentially at risk for delays in continuing their operations following a disruption of services.

Auditor's Recommendation:

We recommend the City implement a process to ensure the Business Continuity of Operations plan is reviewed on an annual basis and that the plan contains all the necessary requirements.

Management's Response:

The City's Department of Social Services concurs that the Business Continuity Plan was not completed by June 30, 2015, however, the plan has been completed since and a schedule to review it annually will be implemented. The three types of disruptions are specifically addressed by the revised plan. The plan is consistent with the procedures and requirements of the Virginia Department of Social Services (DSS) and the Virginia Department of Emergency Manager (VDEM) for providing essential services during a natural disaster and/or the continuation of operations during an extraordinary event.

To facilitate the plan, the department will coordinate and communicate with all other City departments that may provide assistance to include but not be limited to securing an alternate operating site. Identified essential staff and recovery team members will administer and execute the plan in addition to ensuring operations return to full capacity and compliance.

2015-006: Nonmaterial Noncompliance – Economic Interest Disclosure Statements**Criteria:**

The *Code of Virginia*, Section 2.2-3115 requires that local officials file a semi-annual disclosure form by December and June 15th of each year.

Condition:

While performing our audit procedures to ensure compliance with Section 3-5 of the *Specifications for Audits of Counties, Cities, and Towns*, we noted one Statement of Economic Interest was filed after December 15, 2014 and June 15, 2015, and two statements were not filed for June 15, 2015

Cause:

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

Effect:

The City of Portsmouth is not in compliance with the State's conflict of interest disclosure filing requirement.

Auditor's Recommendation:

We recommend a procedure be put in place to ensure the reports for all local officials are filed by December and June 15th each year.

Management's Response:

The City concurs that the City of Portsmouth was not in compliance with the State's conflict of interest disclosure filing requirement. Appropriate procedures have been put in place to ensure that this reporting is done in a timely fashion and that internal controls will comply with requirements as outlined in Section 3-5 of the *Specifications for Audits of Counties, Cities, and Towns*.

5) Resolution of Prior Year's Findings

Financial Statement Audit Finding 2014-001: Material Weakness over Financial Reporting - Prior Period Adjustment

Condition:

Several construction projects were identified by management in the current year as being completed in prior years, resulting in an overstatement of capital assets and understatement of depreciation expense.

Corrective Action:

Corrective action on this finding has not been completed.

State Compliance Finding 2014-002: Nonmaterial Noncompliance – Social Services, Information System Security Controls for Terminated Employees

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 an employee left the Portsmouth Department of Social Services and their access was not terminated in a timely basis.

Corrective Action:

Corrective action on this finding has been completed.

State Compliance Finding 2014-003: Nonmaterial Noncompliance – Social Services, Continuity of Operations

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 the Portsmouth Department of Social Services Emergency Operations Plan had not been updated since 2009, and that the report did not include all of the necessary requirements.

Corrective Action:

Corrective action on this finding has not been completed.

State Compliance Finding 2014-004: Nonmaterial Noncompliance - Highway Maintenance

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 the City received an extension for the filing until March 28, 2014; however, the Weldon Cooper Center Local Finance Survey was not submitted to the state Department of Transportation until April 3, 2014 for fiscal year 2013.

Corrective Action:

Corrective action on this finding has been completed.

State Compliance Finding 2014-005: Nonmaterial Noncompliance – Economic Interest Disclosure Statement

Condition:

While performing our audit procedures to ensure compliance with Section 3-5 of the *Specifications for Audits of Counties, Cities, and Towns*, we noted one Statement of Economic Interest was filed after January 15, 2014.

Corrective Action:

Corrective action on this finding has not been completed.



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