

# 2014

Comprehensive Annual

# FINANCIAL REPORT

For The Fiscal Year Ended  
June 30, 2014



*Portsmouth, Virginia...  
The Right Side of the River*



**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**CITY OF PORTSMOUTH, VIRGINIA**

YEAR ENDED JUNE 30, 2014

Prepared by:

DEPARTMENT OF FINANCE



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CITY OF PORTSMOUTH, VIRGINIA

Comprehensive Annual Financial Report  
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June 30, 2014

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## **INTRODUCTORY SECTION**

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# Portsmouth City Council Members



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



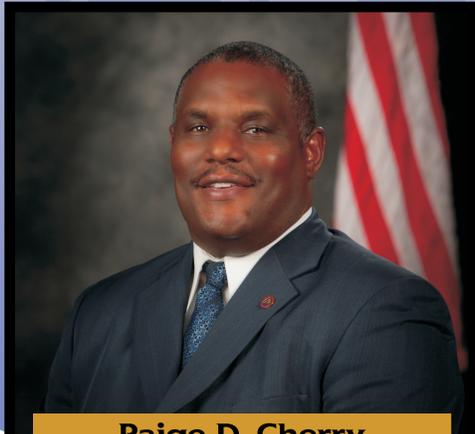
**William E. Moody, Jr.**  
Term Expires: 12/31/2014



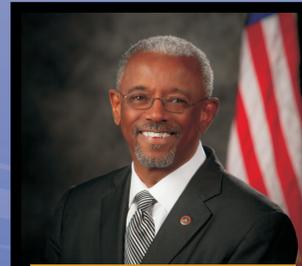
**Marlene W. Randall**  
Term Expires: 12/31/2014



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



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



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



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

## City Council Appointments

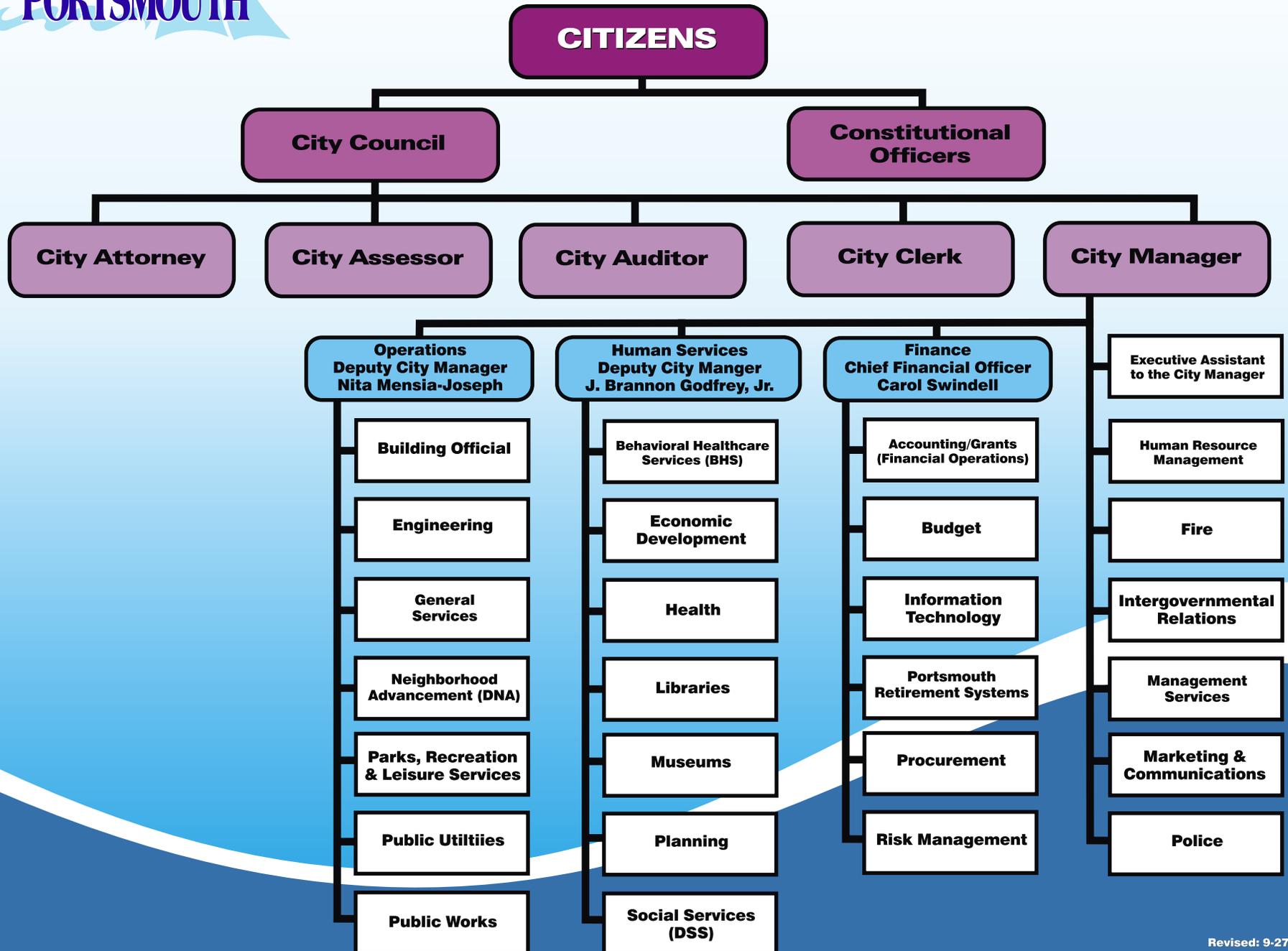
John L. Rowe, Jr., City Manager  
Janey Culpepper, Assessor  
Jesse Thomas, City Auditor  
Debra Y. White, City Clerk  
George M. Willson, City Attorney

## Constitutional Officers

Earle C. Mobley, Commonwealth's Attorney  
Cynthia P. Morrison, Clerk of the Circuit Court  
Franklin D. Edmondson, Commissioner of the Revenue  
William "Bill" Watson, City Sheriff  
James L. Williams, City Treasurer



# ORGANIZATION OF THE CITY OF PORTSMOUTH, VA





Government Finance Officers Association

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

Presented to

**City of Portsmouth  
Virginia**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2013**

Executive Director/CEO



December 5, 2014

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

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the City of Portsmouth, Virginia (the City) for the fiscal year ended June 30, 2014, in accordance with State statutes and City Code. The City's Department of Finance prepared this report in accordance with generally accepted accounting principles as set forth in the pronouncements of the Governmental Accounting Standards Board (GASB), the authoritative body for accounting standards that apply to local governments.

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

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

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

## **PROFILE OF THE CITY OF PORTSMOUTH**

The City of Portsmouth was settled in 1752 and incorporated by the Virginia General Assembly in 1858. The City lies in Hampton Roads, one of the world's great natural harbors, situated at the confluence of the James and Elizabeth Rivers where they empty into the Chesapeake Bay. The City is located in the center of the Hampton Roads region, bordered by the cities of Suffolk, Chesapeake, and Norfolk. The City's land area of approximately 33 square miles is mostly developed, with an estimated population of 96,205 in 2013.

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

Portsmouth is home to the Norfolk Naval Shipyard, a government facility with approximately 9,000 employees, the U.S. Coast Guard Fifth District Headquarters with approximately 2,500 employees, and the Naval Regional Medical Center (U.S. Naval Hospital) with approximately 7,000 employees. In addition, Portsmouth is the headquarters for the commanding officer of the U.S. Coast Guard Atlantic Area; this command provides the operational leadership for all U.S. Coast Guard 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.

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

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

The operation of public schools in Portsmouth is the responsibility of the School Board, consisting of nine members elected by the citizens at-large for four-year terms. By State law, the School Board operates independently from the City Council, but is fiscally dependent on it. The School Board sets policies, hires the School Superintendent, and determines the use of its funds subject to legal restrictions.

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

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

### **Overview of Selected Governmental Services and Functions**

The City provides general governmental services to meet the needs of its citizens including police and fire protection, collection and disposal of refuse, water and sewer services, parks and recreation, libraries and cultural resources, health and social services, and street and highway maintenance. Services provided by the City that receive partial funding from the

Commonwealth include public education in grades kindergarten through twelve, and certain technical and special education, mental health assistance, social services, and judicial activities.

*Portsmouth Public Schools*

The Portsmouth Public Schools program provides quality instruction to all children who enroll. The School System has 2,058 employees, including 1,007 teachers and 1,051 support and administrative staff. The system operates 27 public education facilities as described in the following table. The City's three high schools are operated as magnet schools with each school focusing on one of the following areas: math, science and technology, performing arts, and international studies.

**Public Education Facilities  
2013-2014**

4	Preschools
13	Elementary Schools
3	Middle Schools
3	High Schools
<u>4</u>	Alternative Schools
27	Total

**Average Daily Membership of Portsmouth Public Schools**

2014	14,809
2013	14,215
2012	14,256
2011	14,103
2010	14,224
2009	14,331
2008	14,287
2007	14,990
2006	15,243
2005	15,309

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*Source:* Portsmouth Public School Board's FY 2014 CAFR.

*Public Safety*

The Police Department is responsible for enforcing the law, maintaining public order, protecting the constitutional rights of individuals, and providing a wide variety of public services in partnership with the community. The department consists of 284 sworn officers. Uniform Patrol is deployed on a 24/7 basis and provides the immediate response to the daily calls for police services in the City. These officers handle a wide variety of service requests in both the emergency and routine categories. Command personnel are charged to closely evaluate changing conditions on the street and deploy personnel in an effective manner in order to maintain public order. In addition, the department has a number of support positions filled by both sworn and civilian personnel who are assigned various tasks that include animal control,

security guards, communications dispatchers, administrative, and property/evidence personnel. These support functions play a major role in providing effective police services to the community.

The department has implemented a Community Policing Program, which include initiatives such as the Police Service Areas that coincide with the neighborhoods in the City. Neighborhood Impact Officers work with the community stakeholders throughout the City in order to improve the quality of life of residents, business owners, and visitors.

The department has also implemented a School Resource Officer program which assigns police officers to specific schools in order to: (i) provide a positive role model for the students, (ii) build strong working relationships with the faculty and administration, and (iii) investigate criminal activity occurring on school grounds.

The safety of the citizens of Portsmouth is a core focus of the Police Department, and the efforts of the department continue to make Portsmouth a safer city. Key results of these efforts include:

- ◆ A reduction in overall crime of 11% from the previous year
- ◆ Crime decreased by 14% compared to the City's 5-year weighted average level.
- ◆ The most significant change as a result of crime reduction efforts was a 19% decrease in violent crimes (homicide, rape, robbery, and aggravated assault).

The Portsmouth Department of Fire, Rescue, and Emergency Services provides fire protection, emergency medical care, hazardous materials response, disaster preparedness services, arson investigation, fire prevention, inspection, and training for the citizens and businesses of Portsmouth. The department has authorized 226 sworn firefighters serving the City from eight stations. The department also operates five ambulances. The Department also currently has 22 non-sworn and part-time members that provide administrative, clerical, and support efforts.

In May 2014, the department was the recipient of the American Heart Association's Mission: Lifeline<sup>®</sup> EMS Bronze Award which recognizes the department's commitment and success in implementing specific quality improvement measures for the treatment of patients who suffer a severe heart attack known as a STEMI (ST Elevation Myocardial Infarction).

### *Public Works*

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

### *Social Services*

The Department of Social Services, staffed by 248 full-time employees, carries out responsibility for the administration of federal and state mandated human services programs for the City including Child and Family Services (Child Protective Services, Foster Care, Adoption Services, Adult Services, Adult Protective Services, and Generic Service Intake) and Financial Services

Administration including initial and on-going case management (Temporary Assistance to Needy Families, Medicaid, Food Stamps, Energy Assistance Program, Virginia Independence Program, and Virginia's Initiative for Employment not Welfare). Additionally, the department is responsible for eligibility determination for the Tax Relief and Tax Assistance Program.

### *Department of Public Utilities*

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

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

### **Independent Commissions & Authorities**

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

#### *Portsmouth Redevelopment and Housing Authority*

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

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

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

#### *Economic Development Authority*

The Economic Development Authority of the City of Portsmouth ("EDA") is governed by a seven member board of seven directors who are appointed by the City Council. The EDA functions in a dual capacity as the landholder and marketing agent for various publicly owned land throughout the City. Its main mission is to foster economic development within the City.

#### *Portsmouth Port and Industrial Commission*

The Portsmouth Port and Industrial Commission (PPIC) also serves to foster economic development within the City. The PPIC focuses its efforts on stimulating the waterfront development and closely related industrial and commercial activities. The Commission has the authority to condemn property for public reuse and the power to acquire the necessary capital. The Commission is composed of seven members appointed by City Council to serve four-year terms. The PPIC is working with PER Properties to develop a previously vacated water-front industrial site upon completion of certain environmental remediation. This project is expected to create approximately 35 jobs. The company has indicated that it has spent more than \$1 million to date and expects to spend more than \$5 million to develop the site.

#### *Portsmouth Parking Authority*

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

### **Economic Development Activity**

Economic development in Portsmouth continues to provide positive momentum for the City. Although Portsmouth is surrounded by other independent cities and annexation is not possible, the City has undertaken an asset management strategy to inventory and analyze the best and highest uses for the properties located within the City for potential development activities.

Since the late 1970's, more than 1,500 acres have been assembled for industrial use. Below are some of the major sites that the City has recycled for new economic development:

#### *Victory Village*

Victory Village is a 135-acre mixed-use development centrally located within the City and the Hampton Roads region at the intersections of Victory Boulevard, Greenwood Drive, and I-264. The contiguous development areas include a golf course, shopping center, and residential development. The master developer, Victory Crossing Developers LLC, is responsible for designing, constructing, and arranging financing for the development.

The 135-acre area is expected to include office buildings, hotels, and residential units. It already includes the new \$60 million Portsmouth Campus of the Tidewater Community College. It is also adjacent to Bide-A-Wee Golf Course, an 18-hole public championship golf course, owned and operated by the City. In 2009, it was named the "Top Municipal Course in Virginia." *Golf Digest Magazine* also recognized Bide-A-Wee as one of the "Top 50" golf courses in the United States. Adjacent to Victory Village is the 450,000 square foot Victory Crossing Shopping Center.

#### *PortCentre Commerce Park*

PortCentre Commerce Park is a 60-acre office and light industrial park located between I-264 and the Norfolk Naval Shipyard in downtown Portsmouth. The park is marketed by the City's Economic Development Authority.

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

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

#### *North Pier and Desks Inc. Site*

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

#### *The Former I. C. Norcom High School Site*

Fiscal Year 2013-2014 saw the start of the construction of the "The Kroger Market Place" shopping center on the 21-acre site of the former I. C. Norcom High School. In November 2014, Kroger opened its new 140,000 square foot retail facility.

In addition to Kroger's development of the site, in Fiscal Year 2013-2014, the City successfully recruited one of the region's premier development groups, Ellis-Gibson Development, to develop the remainder of the site.

When completed, this project will represent approximately \$30 million in new investment and approximately 600 jobs. The City anticipates that tax receipts from the completed project will exceed \$1 million annually.

### *APM Terminals*

In 2007, APM Terminals completed the construction of its privately owned shipping terminal on the Elizabeth River. This \$450 million terminal is the single largest private investment in Hampton Roads to date, and it is the eighth largest on record in Virginia. In July 2010, APM Terminals entered into a lease agreement with the Virginia Port Authority (VPA) by which APM Terminals agreed to lease its facilities located in the City to the VPA for a period of 20 years. APM Terminals is the largest taxpayer in the City.

The lease agreement does not affect APM Terminal's commitment to the City or its status as a taxpayer in that APM Terminals has agreed to pay the City all taxes applicable to the leased facilities.

Other economic development accomplishments include:

- In July 2013, Economic Development created and filled the position of Tourism Administrator to grow visitor spending by attracting residents of Hampton Roads, group tours, conference groups, and travel writers. In March 2014, the staff landed the 2015 Society of American Travel Writers Conference, the nation's premiere association of professional travel writers and editors. Their work is published in the country's largest newspapers and travel magazines. Some 30 to 40 writers are expected to attend the three day conference in May 2015.
- During fiscal year 2013-14, the Economic Development Department applied for and received the City's second state-designated Enterprise Zone. This new zone was selected from among 11 applicants from across the Commonwealth of Virginia, and it took effect in January 2014. This new zone focuses on the City's industrial waterfront areas of West Norfolk, Pinnars Point, and the Paradise Creek/Elm Avenue Industrial Corridor along the Southern Branch of the Elizabeth River. Additionally, the staff initiated, developed, implemented, and administered a Local Incentives Program funded by the Economic Development Authority. During Fiscal Year 2013-2014, this new program has provided matching grants equaling over \$35,000 for six property owners and/or businesses through its Façade Improvement Grants and Safety and Security Grants.
- The City launched a major branding and image enhancement campaign, "Portsmouth, The Right Side of the River," in an effort to increase top-of-mind awareness and to position Portsmouth as a viable competitor within the Hampton Roads region.

## **Quality of Life and Neighborhoods**

In March 2014, the City began the construction of its new Behavioral Healthcare Services building which will consolidate administrative, mental health, and substance use services into one facility. The new site is collocated next door to the Department of Social Services and Department of Public Health to facilitate access of services for Portsmouth citizens. The anticipated completion date is April 2015.

Over the past year, the City has been working on updating various components of the City's floodplain management program. City staff has been working with FEMA on a physical revision of the City's Flood Insurance Rate Maps (FIRMs).

The FIRMs are projected to be finalized in early 2015 and become effective in mid-2015. Also, City staff is working with the U.S. Army Corps of Engineers to update the City's Floodplain Management Plan and Repetitive Loss Plan. Both of these updates are projected to be completed by January 2015.

In August 2013, the City instituted a curbside recycling program, which includes both single stream and bulk waste. The program has been overwhelmingly successful, with an actual 50% participation rate within the first year, versus an expected participation rate of 20%.

As for the Portsmouth Public Library, the Library of Virginia loaned state-of-the-art scanning equipment to Portsmouth Public Library's *Esther M. Wilson Local History Room* to digitize historic photographs and documents. Digitization volunteers included members of the Friends of the Portsmouth Public Library as well as the Portsmouth History Commission. Ten thousand items were scanned during the project run.

The Health & Wellness Information Center (HWIC) opened at the City's Main Library on May 1, 2014. HWIC is designed as a safe place for everyone to find accurate information about their health concerns, representing a partnership with the Library, Portsmouth Health Department, Eastern Virginia Medical School Brickell Library, Portsmouth Department of Behavioral Healthcare Services, Portsmouth Department of Social Services, Portsmouth Emergency Medical Services, Portsmouth Family Medicine, and Bon Secours Maryview Hospital.

As for the City's Department of Museums, on July 1, 2014, the Department of Museums welcomed a new museum to the department. The Portsmouth Community Colored Library Museum is located at 904 Elm Street in Portsmouth. It opened in December 2013 as a result of a partnership between the City of Portsmouth and the African-American Historical Society, Inc. of Portsmouth.

## **General Fund Performance**

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

A strong unassigned fund balance is an indication of financial flexibility and fiscal strength. The City's unassigned fund balance at June 30, 2014 was \$52,168,051 which represented 21% of the

following year'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):

<b>Fiscal Year</b>	<b>General Fund Unassigned Fund Balance</b>	<b>General Fund Total Revenues</b>	<b>Ratio</b>
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 %
2010	45,377,732	211,496,674	21.5 %

### *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 2014.

### 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 2014, 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 (excluding the impact of the \$168.3 million in pension funds that were transferred to the Pension Plan in August 2013) decreased from \$96,374,798 in fiscal year 2013 to \$71,136,111, a decrease of 26%. 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 2014, the City remained in compliance with this policy. The general fund unassigned fund balance equaled 21% of general fund revenues.

### **Cash Management**

The City uses a pooled cash concept to allow greater investment flexibility and maximize its return on investment. The City pools cash from all funds, except those restricted for specific purposes or managed by fiscal agents, for investment purposes. The City invests idle cash in overnight repurchase agreements and other investments ranging from one to thirty days to maturity. During the 2014 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, 2014.

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, 2013.

This was the 37<sup>th</sup> consecutive year that the City of Portsmouth has earned this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

### **Acknowledgments**

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

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

Respectfully submitted,



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John L. Rowe, Jr.  
City Manager



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Carol O. Swindell  
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, 2014, 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, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

### *Change in Accounting Principle*

As described in Note 1 to the financial statements, the City adopted new accounting guidance, GASB Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*. Our opinions are not modified with respect to this matter.

### *Prior Period Adjustment*

As described in Note 18 to the financial statements, certain errors resulting in the overstatement of previously reported general government and public utility capital assets and social services revenues at June 30, 2013, were discovered by management of the City during the current year. Accordingly, an adjustment has been made to net position/fund balance as of June 30, 2013 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 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 December 5, 2014, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Cherry Bekart LLP

Virginia Beach, Virginia  
December 5, 2014

# MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Portsmouth's (City's) Comprehensive Annual Financial Report (CAFR) presents Management's Discussion and Analysis (MD&A) of the City's financial performance during the fiscal year ended June 30, 2014. 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.

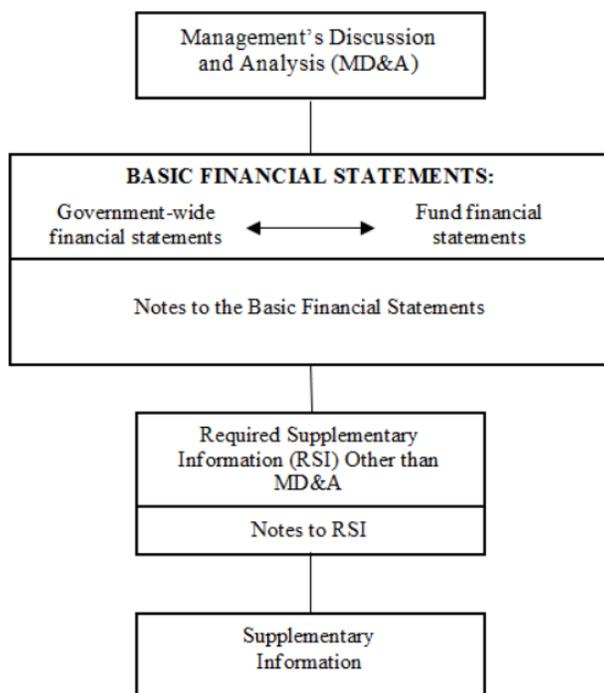
## FINANCIAL HIGHLIGHTS

- ◆ The City's net position totaled \$295.8 million at June 30, 2014, decreasing \$150.6 million over June 30, 2013. This was primarily due to the transfer of \$168.3 million in pension obligation bond proceeds into the Pension Fund in fiscal year 2014.
- ◆ The City's unrestricted net position totaled (\$158.2) million, which was comprised of (\$198.7) million resulting from governmental activities and \$40.5 million resulting from business-type activities.
- ◆ Government-wide current assets totaled \$280.3 million, of which \$176.8 million was attributable to governmental activities and \$103.5 million was attributable to business-type activities; while current liabilities totaled \$66.9 million, with \$50.1 million from governmental activities and \$16.8 million from business-type activities. The ratio of current assets to current liabilities was 4.2:1 overall – 3.5:1 for governmental activities and 6.2:1 for business-type activities.
- ◆ The City's long-term indebtedness at June 30, 2014 totaled \$717.9 million, for a decrease of \$16.5 million from the prior year. The long-term indebtedness includes landfill closure and post-closure care of \$4.8 million and compensated absences of \$3.7 million.
- ◆ The City's governmental general revenues and transfers of \$178.0 million were \$158.8 million less than expenses, net of program revenues of \$92.1 million. This was primarily due to the transfer of \$168.3 million in pension obligation bond proceeds into the Pension Fund in fiscal year 2014. Taxes funded 91.1% of general revenues and transfers.
- ◆ The General Fund total fund balance decreased 73.1% during the current year to \$71.1 million from \$264.7 million in the prior year. This was primarily due to the transfer of \$168.3 million in pension obligation bond proceeds into the Pension Fund in fiscal year 2014.
- ◆ Total net position for the Public Utility Fund rose 4.0% from \$163.2 million at June 30, 2013 to \$169.8 million at June 30, 2014.

## 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, 2014 and 2013 (in millions)**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2014	2013*	2014	2013*	2014	2013*
Current assets	\$ 176.8	358.4	103.5	120.5	280.3	478.9
Long-term assets	-	0.8	-	-	-	0.8
Capital assets	519.4	507.8	268.0	246.0	787.4	753.8
<b>Total assets</b>	<b>696.2</b>	<b>867.0</b>	<b>371.5</b>	<b>366.5</b>	<b>1,067.7</b>	<b>1,233.5</b>
Deferred outflows of resources	7.7	8.6	5.2	5.9	12.9	14.5
<b>Total assets and deferred outflows of resources</b>	<b>703.9</b>	<b>875.7</b>	<b>376.7</b>	<b>372.4</b>	<b>1,080.6</b>	<b>1,248.1</b>
Current liabilities	50.1	50.1	16.8	17.2	66.9	67.3
Long-term liabilities	544.8	557.8	173.1	176.6	717.9	734.4
<b>Total liabilities</b>	<b>594.9</b>	<b>607.9</b>	<b>189.9</b>	<b>193.8</b>	<b>784.8</b>	<b>801.7</b>
Net position:						
Net investment in capital assets	232.6	210.1	146.3	132.8	378.9	342.9
Restricted	75.1	40.8	-	-	75.1	40.8
Unrestricted	(198.7)	16.9	40.5	45.8	(158.2)	62.7
<b>Total net position, as restated</b>	<b>109.0</b>	<b>267.8</b>	<b>186.8</b>	<b>178.6</b>	<b>295.8</b>	<b>446.4</b>
<b>Total liabilities and net position</b>	<b>\$ 703.9</b>	<b>875.7</b>	<b>376.7</b>	<b>372.4</b>	<b>1,080.6</b>	<b>1,248.1</b>

\*Restated

Net position (assets plus deferred outflows minus liabilities plus deferred inflows) may serve over time as a useful indicator of a government's financial position. The City of Portsmouth's net position was \$295.8 million at June 30, 2014. 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 25.4% of the City's net position is currently subject to various external restrictions.

The net position of the City's governmental activities decreased by \$158.8 million from \$267.8 million to \$109.0 million, as reflected in the Statement of Activities. This was primarily due to the transfer of \$168.3 million in pension obligation bond proceeds into the Pension Fund in fiscal year 2014.

The net position of the City's business-type activities increased by \$8.2 million from \$178.6 million to \$186.8 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, 2014 and 2013 (in millions)**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2014	2013*	2014	2013*	2014	2013*
<b>Revenues</b>						
<u>Program revenues:</u>						
Charges for services	\$ 17.6	18.1	56.2	54.3	73.8	72.4
Operating grants and contributions	71.8	70.7	-	0.3	71.8	71.0
Capital grants and contributions	2.7	1.4	-	-	2.7	1.4
<u>General revenues:</u>						
Taxes	162.4	160.1	-	-	162.4	160.1
Other	6.6	4.6	1.1	0.9	7.7	5.5
<b>Total revenues</b>	<b>261.1</b>	<b>254.9</b>	<b>57.3</b>	<b>55.5</b>	<b>318.4</b>	<b>310.4</b>
<b>Expenses</b>						
General government	195.7	28.6	-	-	195.7	28.6
Judicial	25.9	23.8	-	-	25.9	23.8
Public safety	58.7	66.5	-	-	58.7	66.5
Public works	22.1	18.9	-	-	22.1	18.9
Health and welfare	35.7	34.8	-	-	35.7	34.8
Parks, recreational, and cultural	10.4	12.1	-	-	10.4	12.1
Community development	7.9	9.3	-	-	7.9	9.3
Education	52.9	41.4	-	-	52.9	41.4
Public Utility	-	-	25.7	28.4	25.7	28.4
Golf	-	-	2.4	2.1	2.4	2.1
Parking Authority	-	-	1.4	1.3	1.4	1.3
Waste Management	-	-	10.6	9.7	10.6	9.7
Interest on long-term debt	19.6	13.6	-	-	19.6	13.6
<b>Total expenses</b>	<b>428.9</b>	<b>249.0</b>	<b>40.1</b>	<b>41.6</b>	<b>469.0</b>	<b>290.6</b>
<b>Excess (deficiency) before transfers</b>	<b>(167.8)</b>	<b>5.9</b>	<b>17.2</b>	<b>13.9</b>	<b>(150.6)</b>	<b>19.8</b>
<b>Transfers</b>	<b>9.0</b>	<b>9.9</b>	<b>(9.0)</b>	<b>(9.9)</b>	<b>-</b>	<b>-</b>
Change in net position	(158.8)	15.8	8.2	4.0	(150.6)	19.8
Net position, beginning of year, as restated	267.8	252.0	178.6	174.6	446.4	426.6
Net position, end of year	\$ 109.0	267.8	186.8	178.6	295.8	446.4

\*Restated

## Governmental Activities

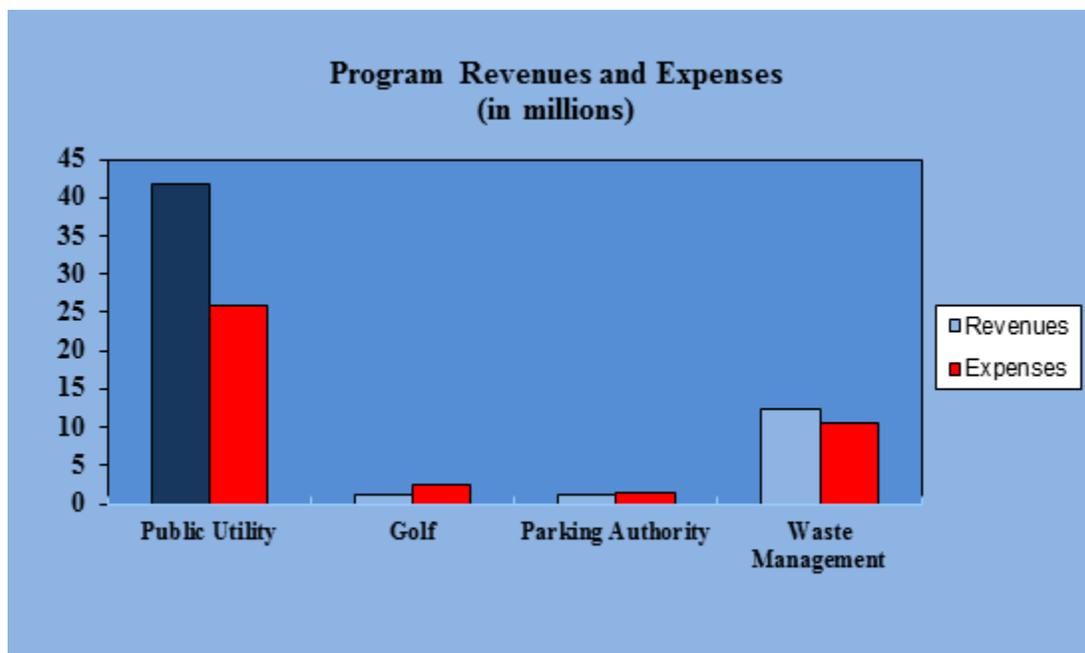
The City's total revenues from governmental activities were 261.1 million for the fiscal year ended June 30, 2014, which represents an increase of \$6.2 million from the prior year. The largest source of revenue is taxes, which represents 62.2% of the total and is comprised of property taxes, other local taxes, and utility taxes. The City's assessed real property value increased 0.4% 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 \$92.1 million. The largest component of program revenues for governmental activities is operating grants and contributions totaling \$71.8 million, representing 78.0% of total program revenues for governmental activities.

For the fiscal year ended June 30, 2014, expenses for the City's governmental activities totaled \$428.9 million. The City's expenses cover a wide range of services, with 13.7% related to public safety, 12.3% related to education, and 8.3% related to health and welfare.

## Business-Type Activities

The total net position for business-type activities increased \$8.2 million from \$178.6 million in fiscal year 2013 to \$186.8 million in fiscal year 2014, primarily due to Waste Management activities. Charges for services, including water and sewer utility fees, waste management fees, parking fees, and golf fees, represent 98.0% 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, 2014, the governmental funds reflected a combined fund balance of \$127.4 million. The General Fund's fund balance totaled \$71.1 million at June 30, 2014, a decrease of \$193.6 million from the prior year's \$264.7 million. The General Fund's unassigned fund balance totaled \$52.2 million at June 30, 2014. The decrease

in total fund balance is primarily due to the transfer of \$168.3 million in pension obligation bond proceeds into the Pension Fund in fiscal year 2014.

The City spent \$23.1 million in the Capital Improvements Fund to fund major projects, including the New Courts Complex. The Capital Improvements Fund has a \$40.6 million fund balance at June 30, 2014, 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, 2014 (in millions)

	Original Budget	Final Budget	Actual
<b>Revenues and transfers</b>			
Taxes	\$ 157.8	157.8	161.9
Intergovernmental	39.2	39.5	39.4
Transfers	10.3	10.3	10.4
Other	25.4	202.3	15.4
<b>Total</b>	<b>\$ 232.7</b>	<b>409.9</b>	<b>227.1</b>
<b>Expenditures and transfers</b>			
Expenditures	\$ 219.5	357.3	351.4
Transfers	13.2	52.6	69.3
<b>Total</b>	<b>\$ 232.7</b>	<b>409.9</b>	<b>420.7</b>

Actual expenditures in the above chart are shown on the budgetary basis (see Schedule I-3). The General Fund had a \$193.6 million dollar decrease in fund balance. This was primarily due to the transfer of \$168.3 million in pension obligation bond proceeds which were transferred into the Pension Fund in fiscal year 2014.

Final budgeted General Fund revenues and other financing sources exceeded the actual revenues during fiscal year 2014. Actual general fund expenditures and transfers were \$10.8 million more than the final budget.

### Proprietary Funds

Total net position of the Public Utility Fund increased \$6.6 million during fiscal year 2014 from \$163.2 million to \$169.8 million. Of the total net position, \$130.0 million represents its net investment in capital assets. Unrestricted net position totaled \$39.8 million. The increase in net position is due primarily to the fund's net income before transfers of \$15.7 million.

Total net position of the Parking Authority, a blended component unit, at June 30, 2014 remained the same as the prior year at \$1.1 million.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At the end of fiscal year 2014, the City had invested \$787.4 million in a broad range of capital assets, including machinery and equipment, buildings, park and golf facilities, roads, bridges, and water and sewer lines, as reflected in the following schedule:

<b>Capital Assets (net of depreciation)</b>			
<b>As of June 30, 2014 (in millions)</b>			
	Governmental Activities	Business-Type Activities	Total Primary Government
Land	\$ 25.9	15.3	41.2
Buildings	237.7	9.1	246.8
Improvements other than buildings	143.8	143.2	287.0
Machinery, furniture, and equipment	13.8	6.0	19.8
Intangibles	0.5	-	0.5
Construction in progress	97.7	94.4	192.1
<b>Total</b>	<b>\$ 519.4</b>	<b>268.0</b>	<b>787.4</b>

Major capital asset activity for the fiscal year ended June 30, 2014 included:

- ◆ Capital asset additions for governmental activities totaled \$97.3 million for buildings, \$13.3 million for construction in progress, \$2.0 million for improvements other than buildings (infrastructure), and \$2.8 million for machinery, furniture, and equipment.
- ◆ Capital asset additions for business-type activities totaled \$28.3 million for construction in progress, \$5.0 million for improvements other than buildings (infrastructure), and \$1.0 million for machinery, furniture and equipment.
- ◆ Depreciation expense totaled \$12.9 million and \$7.3 million for governmental and business-type activities, respectively.
- ◆ Construction in progress totaled \$97.7 million for governmental activities at June 30, 2014.
- ◆ Construction in progress totaled \$94.4 million for business-type activities at June 30, 2014.

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

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

## Long-term Debt

At year-end, the City had \$650.6 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 \$639.0 million of this total, as reflected in the following schedule:

### Outstanding Debt

As of June 30, 2014 and 2013 (in millions)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
General obligation bonds	\$ 473.5	493.6	165.5	172.1	639.0	665.7
Obligation under capital leases	10.2	13.2	0.4	1.1	10.6	14.3
Literary loans	1.0	1.3	-	-	1.0	1.3
Total	\$ 484.7	508.1	165.9	173.2	650.6	681.3

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 \$715.9 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 2014 was 6.9%, which compares to the national unemployment rate of 6.3% for June 2014. 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.

## **Basic Financial Statements**



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**CITY OF PORTSMOUTH, VIRGINIA**  
**Statement of Net Position**  
**June 30, 2014**

**Exhibit A**

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
<b>Assets:</b>				
Current assets:				
Cash and temporary investments (note 3)	\$ 109,734,336	60,162,950	169,897,286	28,120,559
Restricted cash and temporary investments (note 3)	28,280,667	39,021,298	67,301,965	1,003
Receivables (net of allowance for uncollectibles):				
Taxes	11,477,151	-	11,477,151	-
Accounts	7,549,008	6,689,937	14,238,945	739,228
Other	-	-	-	7,695
Internal balances (note 10)	2,822,737	(2,822,737)	-	-
Due from component units (note 10)	515,933	-	515,933	-
Due from other governments (note 11)	15,798,665	-	15,798,665	2,373,912
Prepaid items	48,574	-	48,574	-
Inventory of supplies	522,414	496,004	1,018,418	203,433
Notes receivable (note 12)	4,152	-	4,152	167,668
<b>Total current assets</b>	<b>176,753,637</b>	<b>103,547,452</b>	<b>280,301,089</b>	<b>31,613,498</b>
Noncurrent assets:				
Other assets	-	-	-	5,873,724
Property held for resale	-	-	-	8,867,026
Capital assets (note 4):				
Land	25,887,579	15,348,574	41,236,153	7,547,087
Buildings	328,237,488	25,228,458	353,465,946	94,328,205
Improvements other than buildings	495,944,624	232,104,035	728,048,659	-
Machinery, furniture, and equipment	51,836,251	22,776,126	74,612,377	25,722,419
Intangibles	911,458	-	911,458	422,270
Construction in progress	97,710,836	94,403,894	192,114,730	-
<b>Total capital assets</b>	<b>1,000,528,236</b>	<b>389,861,087</b>	<b>1,390,389,323</b>	<b>128,019,981</b>
Less accumulated depreciation	(481,073,233)	(121,897,617)	(602,970,850)	(54,897,334)
<b>Total capital assets, net</b>	<b>519,455,003</b>	<b>267,963,470</b>	<b>787,418,473</b>	<b>73,122,647</b>
<b>Total noncurrent assets</b>	<b>519,455,003</b>	<b>267,963,470</b>	<b>787,418,473</b>	<b>87,863,397</b>
<b>Total assets</b>	<b>696,208,640</b>	<b>371,510,922</b>	<b>1,067,719,562</b>	<b>119,476,895</b>
Deferred outflows of resources:				
Deferred outflows from debt refundings	7,718,886	5,220,723	12,939,609	-
<b>Total outflows of resources</b>	<b>7,718,886</b>	<b>5,220,723</b>	<b>12,939,609</b>	<b>-</b>
<b>Total assets and deferred outflows of resources</b>	<b>\$ 703,927,526</b>	<b>376,731,645</b>	<b>1,080,659,171</b>	<b>119,476,895</b>

(continued)

**CITY OF PORTSMOUTH, VIRGINIA**  
**Statement of Net Position**  
**June 30, 2014**

**Exhibit A (continued)**

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
<b>Liabilities:</b>				
<b>Current liabilities:</b>				
Accounts payable	\$ 9,501,220	4,042,673	13,543,893	8,021,065
Accrued payroll	1,927,498	181,288	2,108,786	8,172,719
Construction payable	-	2,532,755	2,532,755	-
Accrued interest payable	7,970,673	-	7,970,673	-
Deposits	200,681	2,890,024	3,090,705	-
Due to other governments	236,455	-	236,455	-
Due to primary government (note 10)	-	-	-	107,808
Unearned revenues (note 12)	319,925	70,821	390,746	-
Claims payable (note 15)	5,343,147	-	5,343,147	627,331
Compensated absences (note 5)	4,400,863	749,099	5,149,962	1,756,800
Grants payable	-	-	-	20,000
General obligation and revenue bonds, net (note 5)	17,891,407	6,108,654	24,000,061	-
Obligations under capital leases (notes 5 and 6)	2,039,568	192,570	2,232,138	-
Literary loans (note 5)	250,000	-	250,000	-
<b>Total current liabilities</b>	<b>50,081,437</b>	<b>16,767,884</b>	<b>66,849,321</b>	<b>18,705,723</b>
<b>Noncurrent liabilities:</b>				
Claims payable (note 15)	8,802,813	-	8,802,813	1,349,791
Other post employment benefit obligation (note 8)	67,740,982	8,741,453	76,482,435	-
Compensated absences (note 5)	3,676,327	47,325	3,723,652	3,634,085
General obligation and revenue bonds, net (note 5)	455,605,957	159,385,018	614,990,975	-
Obligations under capital leases (notes 5 and 6)	8,206,679	223,001	8,429,680	2,871,034
Landfill closure and postclosure care (notes 5 and 13)	-	4,761,875	4,761,875	-
Literary loans (note 5)	750,000	-	750,000	-
Net pension obligation (notes 5 and 8)	-	-	-	117,019
<b>Total noncurrent liabilities</b>	<b>544,782,758</b>	<b>173,158,672</b>	<b>717,941,430</b>	<b>7,971,929</b>
<b>Total liabilities</b>	<b>594,864,195</b>	<b>189,926,556</b>	<b>784,790,751</b>	<b>26,677,652</b>
<b>Net position:</b>				
Net investment in capital assets	232,550,945	146,296,248	378,847,193	70,251,613
<b>Restricted for:</b>				
Capital projects	40,568,021	-	40,568,021	-
Behavioral health services	3,705,411	-	3,705,411	-
Grants and donations	3,050,241	-	3,050,241	611,099
<b>Other purposes:</b>				
Debt service	2,930,422	-	2,930,422	-
Restricted	21,845,092	-	21,845,092	-
Spendable	-	-	-	2,573,235
Nonspendable	3,084,204	-	3,084,204	-
Unrestricted	(198,671,005)	40,508,841	(158,162,164)	19,363,296
<b>Total net position</b>	<b>109,063,331</b>	<b>186,805,089</b>	<b>295,868,420</b>	<b>92,799,243</b>
<b>Total liabilities and net position</b>	<b>\$ 703,927,526</b>	<b>376,731,645</b>	<b>1,080,659,171</b>	<b>119,476,895</b>

See accompanying notes to basic financial statements.

CITY OF PORTSMOUTH, VIRGINIA

Exhibit B

Statement of Activities

Year ended June 30, 2014

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	
<b>Primary Government:</b>								
Governmental:								
General government	\$ 195,651,602	3,395,648	11,111,906	-	(181,144,048)	-	(181,144,048)	-
Judicial	25,931,635	271,277	10,825,508	-	(14,834,850)	-	(14,834,850)	-
Public safety	58,678,933	1,676,260	7,581,894	-	(49,420,779)	-	(49,420,779)	-
Public works	22,082,142	8,017,983	11,216,911	2,655,741	(191,507)	-	(191,507)	-
Health and welfare	35,701,774	596,831	28,636,761	-	(6,468,182)	-	(6,468,182)	-
Parks, recreational, and cultural	10,405,765	2,396,043	806,442	-	(7,203,280)	-	(7,203,280)	-
Community development	7,924,716	1,206,617	1,612,741	-	(5,105,358)	-	(5,105,358)	-
Education	52,948,197	-	-	-	(52,948,197)	-	(52,948,197)	-
Interest on long-term debt	19,560,389	-	-	-	(19,560,389)	-	(19,560,389)	-
<b>Total governmental activities</b>	<b>428,885,153</b>	<b>17,560,659</b>	<b>71,792,163</b>	<b>2,655,741</b>	<b>(336,876,590)</b>	<b>-</b>	<b>(336,876,590)</b>	<b>-</b>
Business-type:								
Public Utility	25,719,104	41,678,038	-	-	-	15,958,934	15,958,934	-
Golf	2,406,829	1,082,375	-	-	-	(1,324,454)	(1,324,454)	-
Port Facility	46,118	-	-	-	-	(46,118)	(46,118)	-
Parking Authority	1,395,552	1,093,811	-	-	-	(301,741)	(301,741)	-
Waste Management	10,559,613	12,331,294	-	-	-	1,771,681	1,771,681	-
<b>Total business-type activities</b>	<b>40,127,216</b>	<b>56,185,518</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>16,058,302</b>	<b>16,058,302</b>	<b>-</b>
<b>Total primary government</b>	<b>469,012,369</b>	<b>73,746,177</b>	<b>71,792,163</b>	<b>2,655,741</b>	<b>(336,876,590)</b>	<b>16,058,302</b>	<b>(320,818,288)</b>	<b>-</b>
<b>Component Units:</b>								
School Board	159,915,375	2,510,303	30,529,719	-	-	-	-	(126,875,353)
Economic Development Authority	488,150	1,475,482	-	-	-	-	-	987,332
Port and Industrial Commission	94,265	-	-	-	-	-	-	(94,265)
<b>Total component units</b>	<b>\$ 160,497,790</b>	<b>3,985,785</b>	<b>30,529,719</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(125,982,286)</b>
<b>General Revenues:</b>								
Taxes:								
General property taxes					\$ 116,536,186	-	116,536,186	-
Business and occupational license taxes					6,180,757	-	6,180,757	-
Restaurant food taxes					7,381,589	-	7,381,589	-
Sales and Use Tax					7,435,543	-	7,435,543	-
Telecommunications					8,336,224	-	8,336,224	-
Other local taxes					8,340,219	-	8,340,219	-
Utility taxes					8,145,465	-	8,145,465	-
Grants and contributions not restricted to specific programs					-	-	-	75,109,298
Investment earnings					591,371	537,392	1,128,763	28,573
Miscellaneous					6,192,905	593,289	6,786,194	599,576
Payment from primary government					-	-	-	50,257,282
Transfers					9,006,934	(9,006,934)	-	-
<b>Total General Revenues and Transfers</b>					<b>178,147,193</b>	<b>(7,876,253)</b>	<b>170,270,940</b>	<b>125,994,729</b>
Special item - construction in progress assets					-	-	-	(4,778,996)
<b>Change in Net Position</b>					<b>(158,729,397)</b>	<b>8,182,049</b>	<b>(150,547,348)</b>	<b>(4,766,553)</b>
Net position, beginning of year, as restated (note 18)					267,792,728	178,623,040	446,415,768	97,565,796
<b>Net position, end of year</b>					<b>\$ 109,063,331</b>	<b>186,805,089</b>	<b>295,868,420</b>	<b>92,799,243</b>

**CITY OF PORTSMOUTH, VIRGINIA**

**Exhibit C**

**Balance Sheet  
Governmental Funds  
June 30, 2014**

	General	Debt Service	Capital Improvements	Other Governmental Funds	Total
<b>Assets:</b>					
Cash and temporary investments (note 3)	\$ 50,396,813	3,191,575	14,168,743	12,355,467	80,112,598
Restricted cash and temporary investments (note 3)	233,444	-	28,047,223	-	28,280,667
Receivables (net of allowance for uncollectibles):					
Taxes	11,477,151	-	-	-	11,477,151
Accounts	6,366,926	-	-	973,542	7,340,468
Due from other funds (note 10)	2,759,575	-	-	-	2,759,575
Due from component units (note 10)	515,933	-	-	-	515,933
Due from other governments (note 11)	12,459,468	-	-	3,339,197	15,798,665
Prepaid items	48,574	-	-	-	48,574
Inventory of supplies	86,231	-	-	2,223	88,454
Advances receivable	1,995,750	-	-	-	1,995,750
Notes receivable (note 12)	-	-	4,152	-	4,152
<b>Total assets</b>	<b>86,339,865</b>	<b>3,191,575</b>	<b>42,220,118</b>	<b>16,670,429</b>	<b>148,421,987</b>
<b>Liabilities:</b>					
Accounts payable	5,013,462	-	1,445,469	1,735,487	8,194,418
Accrued payroll	1,509,191	-	-	340,672	1,849,863
Deposits	(1,795)	-	202,476	-	200,681
Due to other governments (note 11)	236,455	-	-	-	236,455
Due to other funds (note 10)	-	-	-	1,732,232	1,732,232
Unearned revenues (note 12)	18,893	-	4,152	406,303	429,348
<b>Total liabilities</b>	<b>6,776,206</b>	<b>-</b>	<b>1,652,097</b>	<b>4,214,694</b>	<b>12,642,997</b>
<b>Deferred inflows of resources:</b>					
Deferred inflows from unavailable revenues	8,427,548	-	-	-	8,427,548
<b>Total inflows of resources</b>	<b>8,427,548</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,427,548</b>
<b>Total liabilities and deferred inflows of resources</b>	<b>15,203,754</b>	<b>-</b>	<b>1,652,097</b>	<b>4,214,694</b>	<b>21,070,545</b>
<b>Fund balances:</b>					
Nonspendable fund balances	2,081,981	-	-	1,002,223	3,084,204
Restricted fund balances	233,444	3,191,575	40,568,021	11,335,668	55,328,708
Committed fund balances	16,652,635	-	-	423,876	17,076,511
Assigned fund balances	-	-	-	311,668	311,668
Unassigned	52,168,051	-	-	(617,700)	51,550,351
<b>Total fund balances</b>	<b>71,136,111</b>	<b>3,191,575</b>	<b>40,568,021</b>	<b>12,455,735</b>	<b>127,351,442</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 86,339,865</b>	<b>3,191,575</b>	<b>42,220,118</b>	<b>16,670,429</b>	<b>148,421,987</b>

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, 2014**

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

Total fund balances for governmental funds		\$ 127,351,442
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	327,544,405	
Machinery, furniture and equipment	22,700,560	
Improvements other than buildings	495,944,624	
Construction in progress	97,710,836	
Accumulated depreciation	(459,276,086)	510,496,870
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.		8,536,971
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	(7,737,187)	
Other post employment benefit obligation	(65,140,637)	
Accrued interest payable	(7,970,673)	
General obligation bonds	(473,497,364)	
Obligations under capital leases	(6,380,192)	
Literary loans	(1,000,000)	(561,726,053)
Deferred outflows from debt refunding as a result of bond refunding, which is not reported on governmental funds		7,718,886
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.		16,685,215
Net position of governmental activities		\$ 109,063,331

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, 2014**

	General	Debt Service	Capital Improvements	Other Governmental Funds	Total
<b>Revenues:</b>					
Taxes	\$ 161,907,337	-	-	-	161,907,337
Intergovernmental	39,398,341	-	2,655,741	32,822,544	74,876,626
Charges for services	3,831,583	-	-	8,827,910	12,659,493
Investment income	47,885	-	46,253	6,974	101,112
Recovered costs	3,638,814	-	-	203,950	3,842,764
Fines and forfeitures	633,409	-	-	-	633,409
Licenses and permits	959,486	-	-	-	959,486
Use of property	1,762,888	-	-	170,326	1,933,214
Miscellaneous	4,498,848	-	1,719,836	33,694	6,252,378
<b>Total revenues</b>	<b>216,678,591</b>	<b>-</b>	<b>4,421,830</b>	<b>42,065,398</b>	<b>263,165,819</b>
<b>Expenditures:</b>					
<b>Current:</b>					
General government	16,607,947	-	560,000	10,200	17,178,147
Nondepartmental	180,581,237	-	-	-	180,581,237
Judicial	19,467,585	-	-	1,079,964	20,547,549
Public safety	53,397,309	-	-	716,457	54,113,766
Public works	15,338,806	-	290,163	2,175,361	17,804,330
Health and welfare	1,246,672	-	-	32,826,077	34,072,749
Parks, recreational, cultural	9,347,218	-	243,045	1,082,226	10,672,489
Community development	4,818,521	-	-	1,899,258	6,717,779
Education	50,528,423	-	-	-	50,528,423
Debt service	-	36,144,471	-	-	36,144,471
Fiscal charges	-	11,489	-	-	11,489
Costs of issuance	-	8,840	-	-	8,840
Capital outlay	28,111	-	23,117,757	528,826	23,674,694
<b>Total expenditures</b>	<b>351,361,829</b>	<b>36,164,800</b>	<b>24,210,965</b>	<b>40,318,369</b>	<b>452,055,963</b>
<b>Revenues over (under) expenditures</b>	<b>(134,683,238)</b>	<b>(36,164,800)</b>	<b>(19,789,135)</b>	<b>1,747,029</b>	<b>(188,890,144)</b>
<b>Other financing sources (uses):</b>					
Transfers from other funds (note 10)	10,421,206	39,356,375	32,681,645	6,509,025	88,968,251
Transfers to other funds (note 10)	(69,324,809)	-	(560,000)	(8,562,286)	(78,447,095)
<b>Total other financing sources (uses)</b>	<b>(58,903,603)</b>	<b>39,356,375</b>	<b>32,121,645</b>	<b>(2,053,261)</b>	<b>10,521,156</b>
<b>Net change in fund balances</b>	<b>(193,586,841)</b>	<b>3,191,575</b>	<b>12,332,510</b>	<b>(306,232)</b>	<b>(178,368,988)</b>
<b>Fund balances, beginning of year, as restated (note 18)</b>	<b>264,722,952</b>	<b>-</b>	<b>28,235,511</b>	<b>12,761,967</b>	<b>305,720,430</b>
<b>Fund balances, end of year</b>	<b>\$ 71,136,111</b>	<b>3,191,575</b>	<b>40,568,021</b>	<b>12,455,735</b>	<b>127,351,442</b>

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, 2014**

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

Net change in fund balances - total governmental funds	\$ (178,368,988)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Donated assets and loss on disposal of assets are not reported in the governmental funds but are reflected in the statement of activities.

Purchases of assets	23,452,076	
Depreciation expense	(11,090,204)	12,361,872

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.

Principal payments of debt	19,951,362	
Amortization expense	1,147,028	21,098,390

Some revenues in the statement of activities do not provide the use of current financial resources and therefore, are not reported as revenues in the governmental funds.	357,681
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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	(910,503)	
Change in compensated absences	(574,295)	
Change in other post employment benefit obligation	(7,542,168)	
Change in net pension asset	(329,279)	
Change in accrued interest	(3,346,950)	(12,703,195)

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.	(1,475,157)
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Change in net position of governmental activities	\$ (158,729,397)
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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, 2014

	Public Utility	Parking Authority	Nonmajor Enterprise Funds	Total	Governmental Activities - Internal Service Funds
<b>Assets</b>					
Current assets:					
Cash and temporary investments (note 3)	\$ 49,774,892	365,721	10,022,337	60,162,950	29,621,738
Restricted cash and temporary investments (note 3)	38,725,936	295,362	-	39,021,298	-
Accounts receivable (net of allowance for uncollectibles)	4,320,000	9,114	2,360,823	6,689,937	208,540
Inventory of supplies	496,004	-	-	496,004	433,960
<b>Total current assets</b>	<b>93,316,832</b>	<b>670,197</b>	<b>12,383,160</b>	<b>106,370,189</b>	<b>30,264,238</b>
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	229,373,850	260,636	2,469,549	232,104,035	-
Machinery, furniture, and equipment	13,570,632	434,794	8,770,700	22,776,126	29,135,691
Intangible assets	-	-	-	-	911,458
Construction in progress	94,403,894	-	-	94,403,894	-
<b>Total capital assets</b>	<b>338,365,142</b>	<b>20,043,020</b>	<b>31,452,925</b>	<b>389,861,087</b>	<b>30,755,280</b>
Less accumulated depreciation	(97,348,350)	(11,740,897)	(12,808,370)	(121,897,617)	(21,797,147)
<b>Total capital assets, net</b>	<b>241,016,792</b>	<b>8,302,123</b>	<b>18,644,555</b>	<b>267,963,470</b>	<b>8,958,133</b>
Deferred outflows of resources:					
Deferred outflows from debt refunding	4,553,465	102,001	565,257	5,220,723	-
<b>Total outflows of resources</b>	<b>4,553,465</b>	<b>102,001</b>	<b>565,257</b>	<b>5,220,723</b>	<b>-</b>
<b>Total assets and deferred outflows of resources</b>	<b>338,887,089</b>	<b>9,074,321</b>	<b>31,592,972</b>	<b>379,554,382</b>	<b>39,222,371</b>
<b>Liabilities:</b>					
Current liabilities:					
Accounts payable	619,151	32,396	515,373	1,166,920	1,268,520
Construction payable	2,532,755	-	-	2,532,755	-
Accrued interest payable	2,713,769	58,820	103,164	2,875,753	-
Accrued payroll	113,115	4,771	63,402	181,288	77,635
Flex spending benefits	-	-	-	-	38,282
Deposits	2,880,024	-	10,000	2,890,024	-
Due to other funds (note 10)	-	567,163	259,824	826,987	200,356
Unearned revenues (note 12)	15,986	54,835	-	70,821	-
Compensated absences (note 5)	487,104	16,413	245,582	749,099	234,170
General obligation bonds (note 5)	5,239,188	439,466	430,000	6,108,654	-
Obligations under capital leases (notes 5 and 6)	-	-	192,570	192,570	1,268,465
Claims payable (note 15)	-	-	-	-	5,343,147
<b>Total current liabilities</b>	<b>14,601,092</b>	<b>1,173,864</b>	<b>1,819,915</b>	<b>17,594,871</b>	<b>8,430,575</b>
Noncurrent liabilities:					
Claims payable (note 15)	-	-	-	-	8,802,813
Other post employment benefit obligation (note 8)	5,457,391	224,484	3,059,578	8,741,453	2,600,345
Compensated absences (note 5)	-	7,872	39,453	47,325	105,833
Obligations under capital leases (notes 5 and 6)	-	-	223,001	223,001	2,597,590
Landfill closure and postclosure liability (notes 5 and 13)	-	-	4,761,875	4,761,875	-
Advances payable	-	1,995,750	-	1,995,750	-
General obligation bonds (note 5)	149,048,365	4,574,372	5,762,281	159,385,018	-
<b>Total noncurrent liabilities</b>	<b>154,505,756</b>	<b>6,802,478</b>	<b>13,846,188</b>	<b>175,154,422</b>	<b>14,106,581</b>
<b>Total liabilities</b>	<b>169,106,848</b>	<b>7,976,342</b>	<b>15,666,103</b>	<b>192,749,293</b>	<b>22,537,156</b>
Net position:					
Net investment in capital assets	130,008,640	3,685,648	12,601,960	146,296,248	5,092,078
Unrestricted (deficit)	39,771,601	(2,587,669)	3,324,909	40,508,841	11,593,137
<b>Total net position</b>	<b>169,780,241</b>	<b>1,097,979</b>	<b>15,926,869</b>	<b>186,805,089</b>	<b>16,685,215</b>
<b>Total liabilities and net position</b>	<b>\$ 338,887,089</b>	<b>9,074,321</b>	<b>31,592,972</b>	<b>379,554,382</b>	<b>39,222,371</b>

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, 2014**

	Public Utility	Parking Authority	Nonmajor Enterprise Funds	Total	Governmental Activities - Internal Service Funds
<b>Operating revenues:</b>					
Charges for services	\$ 41,678,038	1,093,811	13,413,669	56,185,518	43,802,603
Use of property	61,236	-	-	61,236	-
Other	199,042	230,199	102,812	532,053	658,024
<b>Total operating revenues</b>	<b>41,938,316</b>	<b>1,324,010</b>	<b>13,516,481</b>	<b>56,778,807</b>	<b>44,460,627</b>
<b>Operating expenses:</b>					
Personnel services	8,171,559	316,403	4,631,800	13,119,762	5,146,517
Contractual services	2,970,534	112,263	4,825,618	7,908,415	3,894,583
Supplies and materials	3,128,603	22,662	360,904	3,512,169	1,717,298
Utilities	1,339,120	123,586	118,958	1,581,664	2,870,064
Internal charges	1,080,603	57,573	1,589,445	2,727,621	3,851
Claims, settlements, and refunds	-	-	-	-	26,894,064
Insurance premiums	-	-	-	-	322,765
Payments in lieu of taxes	1,069,990	-	-	1,069,990	-
Rent	-	-	91,152	91,152	-
Depreciation and amortization	6,178,818	476,159	652,672	7,307,649	1,807,802
Closure/postclosure	-	-	144,014	144,014	-
Other	884,042	160,351	306,427	1,350,820	885,394
<b>Total operating expenses</b>	<b>24,823,269</b>	<b>1,268,997</b>	<b>12,720,990</b>	<b>38,813,256</b>	<b>43,542,338</b>
<b>Operating income (loss)</b>	<b>17,115,047</b>	<b>55,013</b>	<b>795,491</b>	<b>17,965,551</b>	<b>918,289</b>
<b>Nonoperating revenues (expenses):</b>					
Investment income	531,257	145	5,990	537,392	15,539
Gain (loss) on disposal of capital assets	-	-	-	-	52,431
Interest expense and fiscal charges	(1,965,825)	(126,555)	(291,570)	(2,383,950)	(12,620)
<b>Net nonoperating revenues (expenses)</b>	<b>(1,434,568)</b>	<b>(126,410)</b>	<b>(285,580)</b>	<b>(1,846,558)</b>	<b>55,350</b>
<b>Net income (loss) before transfers</b>	<b>15,680,479</b>	<b>(71,397)</b>	<b>509,911</b>	<b>16,118,993</b>	<b>973,639</b>
Transfers from other funds (note 10)	2,883,816	229,636	1,857,692	4,971,144	2,541,978
Transfers to other funds (note 10)	(12,013,554)	(165,239)	(729,295)	(12,908,088)	(4,990,774)
<b>Change in net position</b>	<b>6,550,741</b>	<b>(7,000)</b>	<b>1,638,308</b>	<b>8,182,049</b>	<b>(1,475,157)</b>
Net position, beginning of year, as restated (note 18)	163,229,500	1,104,979	14,288,561	178,623,040	18,160,372
<b>Net position, end of year</b>	<b>\$ 169,780,241</b>	<b>1,097,979</b>	<b>15,926,869</b>	<b>186,805,089</b>	<b>16,685,215</b>

See accompanying notes to basic financial statements.

## Statement of Cash Flows

## Proprietary Funds

Year ended June 30, 2014

	Public Utility	Parking Authority	Nonmajor Enterprise Funds	Total	Governmental Activities - Internal Service Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Cash received from customers	\$ 43,321,534	1,321,804	13,593,569	58,236,907	44,413,768
Cash payments to suppliers for goods and services	(10,078,840)	(260,546)	(7,339,197)	(17,678,583)	(35,849,524)
Cash payments to employees for services	(6,240,078)	(251,167)	(3,816,641)	(10,307,886)	(4,414,766)
Net cash provided by (used in) operating activities	27,002,616	810,091	2,437,731	30,250,438	4,149,478
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>					
Transfers in from other funds	2,883,816	229,636	1,857,692	4,971,144	2,541,978
Transfers out to other funds	(12,013,554)	(165,239)	(729,295)	(12,908,088)	(4,990,774)
Net cash provided by (used in) noncapital financing activities	(9,129,738)	64,397	1,128,397	(7,936,944)	(2,448,796)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>					
Acquisition and construction of capital assets	(28,607,541)	-	(673,460)	(29,281,001)	(1,131,094)
Cash proceeds from disposal of capital assets	-	-	-	-	52,431
Decrease in construction projects payable	(316,092)	-	-	(316,092)	-
Principal paid on long-term debt	(5,027,514)	(657,259)	(1,096,637)	(6,781,410)	(2,203,811)
Interest paid	(1,910,891)	(95,756)	(288,464)	(2,295,111)	(12,620)
Net cash provided by (used in) capital and related financing activities	(35,862,038)	(753,015)	(2,058,561)	(38,673,614)	(3,295,094)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Interest received	531,257	145	5,990	537,392	15,539
Net cash provided by (used in) investing activities	531,257	145	5,990	537,392	15,539
Net increase (decrease) in cash and temporary investments	(17,457,903)	121,618	1,513,557	(15,822,728)	(1,578,873)
Cash and temporary investments, beginning of year	105,958,731	539,465	8,508,780	115,006,976	31,200,611
Cash and temporary investments, end of year	88,500,828	661,083	10,022,337	99,184,248	29,621,738
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities</b>					
Operating income/(loss)	17,115,047	55,013	795,491	17,965,551	918,289
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization	6,178,818	476,159	652,672	7,307,649	1,807,802
Decrease (increase) in:					
Accounts receivable	944,836	(469)	77,088	1,021,455	(46,859)
Inventory of supplies	112,071	-	-	112,071	(50,377)
Deposits	421,365	-	-	421,365	-
Due from other funds	1,031	-	-	1,031	-
Increase (decrease) in:					
Accounts payable	281,981	(8,749)	(46,693)	226,539	615,781
Accrued payroll	22,754	(199)	9,240	31,795	20,315
Compensated absences	27,616	2,898	(6,650)	23,864	18,761
Due to other funds	-	224,638	-	224,638	200,356
Flexible spending benefits	-	-	-	-	12,602
Other post employment benefit obligation	1,881,111	62,537	812,569	2,756,217	692,675
Nonoperating revenues reported as operating revenues:					
Landfill closure and postclosure liability	-	-	144,014	144,014	-
Unearned Revenues	15,986	(1,737)	-	14,249	-
Claims payable	-	-	-	-	(39,867)
Total adjustments	9,887,569	755,078	1,642,240	12,284,887	3,231,189
Net cash provided by operating activities	\$ 27,002,616	810,091	2,437,731	30,250,438	4,149,478

See accompanying notes to basic financial statements.

**CITY OF PORTSMOUTH, VIRGINIA**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**June 30, 2014**

**Exhibit F-1**

		Pension Trusts	Agency Special Welfare Fund
<b>Assets</b>			
Cash and temporary investments (note 3)	\$	3,025,788	339
Investments (note 3):			
Common stock		180,578,389	-
Corporate bonds		84,630,701	-
<b>Total assets</b>		<b>268,234,878</b>	<b>339</b>
Liabilities - Cash held for others		-	339
<b>Net position -</b>			
Net position held in trust for pension benefits	\$	268,234,878	-

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, 2014**

**Exhibit F-2**

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Additions:	
Contributions	\$ 7,603,125
Transfer from General Fund	168,348,154
Investment income -	
Net increase in the fair value of investments	30,477,879
Less investment expense	278,436
Net investment income	<u>30,199,443</u>
Total additions	206,150,722
Deductions - benefits and refunds	<u>27,970,814</u>
Change in net position	178,179,908
Net plan position held in trust for pension benefits, beginning of year	<u>90,054,970</u>
Net plan position held in trust for pension benefits, end of year	<u>\$ 268,234,878</u>

See accompanying notes to basic financial statements.

**CITY OF PORTSMOUTH, VIRGINIA**

**Exhibit G-1**

**Statement of Net Position**

**Component Units**

**June 30, 2014**

	School Board	Economic Development Authority	Port and Industrial Commission	Total
<b>Assets:</b>				
<b>Current assets:</b>				
Cash and temporary investments (note 3)	\$ 25,089,662	2,102,126	929,774	28,121,562
Receivables (net of allowance for uncollectibles)				
Accounts	739,228	-	-	739,228
Other	-	7,695	167,668	175,363
Due from other governments (note 11)	2,373,912	-	-	2,373,912
Inventory of supplies	203,433	-	-	203,433
<b>Total current assets</b>	<b>28,406,235</b>	<b>2,109,821</b>	<b>1,097,442</b>	<b>31,613,498</b>
<b>Noncurrent assets:</b>				
Property held for resale	-	8,867,026	-	8,867,026
<b>Capital assets (note 4):</b>				
Land	6,125,204	1,421,883	-	7,547,087
Buildings	94,028,205	300,000	-	94,328,205
Machinery, furniture, and equipment	25,722,419	-	-	25,722,419
Intangible	422,270	-	-	422,270
<b>Total capital assets</b>	<b>126,298,098</b>	<b>1,721,883</b>	<b>-</b>	<b>128,019,981</b>
Less accumulated depreciation	(54,891,709)	(5,625)	-	(54,897,334)
<b>Total capital assets, net</b>	<b>71,406,389</b>	<b>1,716,258</b>	<b>-</b>	<b>73,122,647</b>
Other assets	5,394,422	60,000	419,302	5,873,724
<b>Total noncurrent assets</b>	<b>76,800,811</b>	<b>10,643,284</b>	<b>419,302</b>	<b>87,863,397</b>
<b>Total assets</b>	<b>\$ 105,207,046</b>	<b>12,753,105</b>	<b>1,516,744</b>	<b>119,476,895</b>

(continued)

## CITY OF PORTSMOUTH, VIRGINIA

Exhibit G-1 (continued)

## Statement of Net Position

## Component Units

June 30, 2014

	School Board	Economic Development Authority	Port and Industrial Commission	Total
Liabilities:				
Current liabilities:				
Accounts payable	\$ 7,999,798	14,017	7,250	8,021,065
Accrued payroll	7,616,102	-	-	7,616,102
Accrued payroll taxes	556,617	-	-	556,617
Due to primary government (note 10)	-	106,508	1,300	107,808
Claims payable (note 15)	627,331	-	-	627,331
Compensated absences (note 5)	1,756,800	-	-	1,756,800
Grants Payable	-	20,000	-	20,000
Total current liabilities	18,556,648	140,525	8,550	18,705,723
Noncurrent liabilities:				
Claims payable (note 15)	1,349,791	-	-	1,349,791
Compensated absences (note 5)	3,634,085	-	-	3,634,085
Obligations under capital leases (notes 5 and 6)	2,871,034	-	-	2,871,034
Net pension obligation (notes 5 and 8)	117,019	-	-	117,019
Total noncurrent liabilities	7,971,929	-	-	7,971,929
Total liabilities	26,528,577	140,525	8,550	26,677,652
Net position:				
Net investment in capital assets	68,535,355	1,716,258	-	70,251,613
Restricted for grants	611,099	-	-	611,099
Restricted for other purposes	2,573,235	-	-	2,573,235
Unrestricted	6,958,780	10,896,322	1,508,194	19,363,296
Total net position	78,678,469	12,612,580	1,508,194	92,799,243
Total liabilities and net position	\$ 105,207,046	12,753,105	1,516,744	119,476,895

See accompanying notes to basic financial statements.

**CITY OF PORTSMOUTH, VIRGINIA**  
**Statement of Activities**  
**Component Unit**  
**Year ended June 30, 2014**

**Exhibit G-2**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	School Board	Economic Development Authority	Port and Industrial Commission	
<b>School Board</b>								
Administration	\$ 4,670,922	-	-	-	(4,670,922)	-	-	(4,670,922)
Instruction	117,950,884	36,752	25,061,820	-	(92,852,312)	-	-	(92,852,312)
Attendance and health services	3,032,072	426,069	-	-	(2,606,003)	-	-	(2,606,003)
Pupil transportation	6,567,662	90,012	-	-	(6,477,650)	-	-	(6,477,650)
Operations and maintenance	15,372,087	9,372	-	-	(15,362,715)	-	-	(15,362,715)
Information technology	4,159,832	-	-	-	(4,159,832)	-	-	(4,159,832)
Food services	8,015,665	1,948,098	5,467,899	-	(599,668)	-	-	(599,668)
Interest on long-term debt	146,251	-	-	-	(146,251)	-	-	(146,251)
Total School Board	159,915,375	2,510,303	30,529,719	-	(126,875,353)	-	-	(126,875,353)
<b>Economic Development Authority</b>								
Economic Development Authority	488,150	1,475,482	-	-	-	987,332	-	987,332
<b>Port and Industrial Commission</b>								
Port and Industrial Commission	94,265	-	-	-	-	-	(94,265)	(94,265)
Total Component Units	\$ 160,497,790	3,985,785	30,529,719	-	(126,875,353)	987,332	(94,265)	(125,982,286)
General Revenues:								
Grants and contributions not restricted to specific programs					\$ 75,109,298	-	-	75,109,298
Investment earnings					6,345	7,564	14,664	28,573
Miscellaneous					596,709	2,867	-	599,576
Payment from primary government					50,257,282	-	-	50,257,282
Total General Revenues and Transfers					125,969,634	10,431	14,664	125,994,729
Special item - construction in progress assets					(4,778,996)	-	-	(4,778,996)
Change in net position					(5,684,715)	997,763	(79,601)	(4,766,553)
Net position, beginning of year, as restated					84,363,184	11,614,817	1,587,795	97,565,796
Net position, end of year					\$ 78,678,469	12,612,580	1,508,194	92,799,243

See accompanying notes to basic financial statements.

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

The City of Portsmouth, Virginia (the City) was established by act of the Virginia General Assembly in 1858. It is a political subdivision of the Commonwealth of Virginia operating under the Council-Manager form of government. City Council consists of a mayor and six other council members. The City is not part of a county and has taxing powers subject to statewide restrictions and tax limits.

The City provides a full range of municipal services including police and fire, sanitation, health and social services, public improvements, planning and zoning, general administrative services, education, and water and sewer systems.

The following is a summary of the more significant policies:

**A. Financial Reporting Entity**

The City's financial reporting entity is defined and its financial statements are presented in accordance with GASB Statement No. 14, *The Financial Reporting Entity*, as amended. This Statement defines the distinction between the City as a primary government and its related entities. The financial reporting entity consists of the primary government and its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either a) the ability of the primary government to impose its will, or b) the possibility that the component unit will provide a financial benefit or impose a financial burden on the primary government. The primary government may also be financially accountable if the component unit is fiscally dependent on the primary government, regardless of whether the component unit has a separately elected governing board. As such, the City of Portsmouth School Board (School Board), the Economic Development Authority of the City of Portsmouth, Virginia (Economic Development Authority or the EDA), and the Portsmouth Port and Industrial Commission (the Commission or the PPIC) are reported as separate and discretely presented component units in the City's reporting entity. The Portsmouth Parking Authority (Parking Authority) is presented as a blended component unit of the City. The primary government is hereafter referred to as the "City" and the reporting entity, which includes the City and its component units, is hereafter referred to as the "Reporting Entity".

As required by generally accepted accounting principles, the accompanying financial statements include all activities of the City, such as general operation and support services. The School Board's governmental operations and the proprietary operations of the Economic Development Authority and the Portsmouth Port and Industrial Commission are separately disclosed on Exhibit G-2.

***Discretely Presented Component Units***

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

A description of the discretely presented component units follows:

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

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

2. The Economic Development Authority is authorized to acquire, own, lease, and dispose of properties to the extent that such activities may promote industry and develop trade by inducing enterprises to locate and remain in Portsmouth. The Economic Development Authority has only one fund. Complete, audited financial statements may be obtained as follows:

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

3. The Portsmouth Port and Industrial Commission is authorized to acquire, own, lease, and dispose of properties in and around the various ports within the City to the extent that such activities may promote industry and develop trade by inducing enterprises to locate and remain in Portsmouth. The Portsmouth Port and Industrial Commission has only one fund. Complete, audited financial statements may be obtained as follows:

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

***Blended Component Unit***

The Parking Authority is considered to be a blended component unit in the City's financial statements under the guidelines of GASB 61. Blended component units are entities that are legally separate from the City, but which provide services entirely, or almost entirely, to the City or otherwise exclusively benefit the City. Activities of blended component units are considered to be so intertwined with the City's that they are, in substance, part of the City's operations. The Parking Authority is fiscally dependent on the City. The Parking Authority's resources and services provided are almost entirely for the direct benefit of the primary government. The City Council appoints all of the members of the Board of Directors and appropriates funds annually to the Authority. The City Council can also remove members at will, modify or approve the budget, set rates/fees, and hire or dismiss those persons responsible for the day-to-day operations of the Authority. The City and the Parking Authority have a financial benefit/burden relationship and management (below the level of the elected officials) of the City has operational responsibilities for the activities of the Parking Authority. The City is legally entitled to or can otherwise access the Authority's resources and is also obligated for the debt of the Authority. The Parking Authority's outstanding debt is expected to be repaid entirely with resources of the City. No distinction is made between the activities of the Parking Authority and the

City. As a result, the Parking Authority is reported as an enterprise fund in the City's financial statements. Separately audited financial statements are not available for the Parking Authority.

**B. Basis of Presentation**

**Government-Wide and Fund Financial Statements**

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business type. In the government-wide Statement of Net Position, both the governmental and business-type activities are (a) reported by columns, and (b) reflected on a full accrual, economic resources basis, which incorporates long-term assets and receivables as well as long-term debt and obligations. Each presentation provides valuable information that can be analyzed and compared (between years and between governments) to enhance the usefulness of the information. For the most part, the effect of interfund activity has been removed from the government-wide financial statements.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (public safety, public works, health and welfare, etc.) that is otherwise being supported by general government revenues (property taxes, utility taxes, and other local taxes, etc.). The Statement of Activities reduces gross expenses (including depreciation) by directly related program revenues. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not specifically restricted to the various programs are reported as general revenues. The City does not allocate indirect expenses. The operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

In the fund financial statements, financial transactions and accounts of the City are organized on the basis of funds. Each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. Major individual governmental funds and major individual enterprise funds, those comprising a significant portion of the City's financial activity, are reported in separate columns in the fund financial statements. The nonmajor funds are combined in a single column in the fund financial statements and detailed in the combining statements.

Internal service funds of the City (which traditionally provide services primarily to other funds of the government) are presented in summary form as part of the proprietary fund financial statements. Since the principal users of the internal services are the City's governmental activities, financial statements of internal service funds are consolidated into the governmental activities column when presented at the government-wide level. To the extent possible, the costs of these services are reflected in the appropriate functional activity (public safety, judicial, health and welfare, etc.).

The City's fiduciary funds are presented in the fund financial statements by type (pension trust funds and agency). Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the City, these funds are not incorporated into the government-wide statements. The following is a brief description of the specific funds used by the City.

***Governmental Fund Types***

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

The City reports the following major governmental funds:

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

Capital Projects Fund - Capital Improvements Fund - The Capital Improvements Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

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 1<sup>st</sup> 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<sup>th</sup>, December 31<sup>st</sup>, March 31<sup>st</sup>, and June 30<sup>th</sup>, and are considered delinquent after each due date. The real estate tax rate during 2014 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<sup>st</sup> with payment due the following June 5<sup>th</sup>. Taxes on motor vehicles bought and sold after January 1<sup>st</sup> 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<sup>th</sup> due date or, in the case of supplemental levies, thirty days after the taxes are levied and billed. The personal property tax rate for 2014, 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)	\$ 3,482,835
Allowance for uncollectibles	733,298
<b>Total General Fund</b>	<b>4,216,133</b>

Special Revenue Funds:

Stormwater Management Fund - allowance for uncollectibles	471,548
Behavioral Health Services Fund - allowance for uncollectibles	181,526
<b>Total Special Revenue Funds</b>	<b>653,074</b>

**Total governmental activities** **4,869,207**

**Business-Type Activities:**

Enterprise Funds:

Public Utility Fund - allowance for uncollectibles	870,664
Parking Authority Fund - allowance for uncollectibles	6,127
Waste Management Fund - allowance for uncollectibles	930,427

**Total business-type activities** **\$ 1,807,218**

**F. Cash and Temporary Investments**

Cash and temporary investments from certain funds are combined and invested in local bank repurchase agreements and certificates of deposit. Each fund's share of the pooled cash is accounted for within the individual fund. Pooled cash overdrafts have been reclassified as interfund receivables and payables. The income from the pooled monies has been allocated to the respective funds based on the pooled cash balances of each fund at the end of each month. For purposes of the statement of cash flows, investments with original maturities of three months or less from date of purchase are considered cash equivalents and are reported as cash and temporary investments.

**G. Investments**

Investments are carried at fair value. Fair value is determined by quoted market prices. Investments in corporate bonds and commercial paper are valued at amortized cost if the maturity date is less than one year.

**H. Inventories**

Inventories consist of expendable materials and supplies held for future consumption and are valued at cost using the first-in, first-out (FIFO) basis. All inventories are recorded under the purchases method, as expenditures or expenses when purchased, rather than when consumed.

**I. Fund Balances**

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

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

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

*Committed* - Fund balance is reported as committed when the use of amounts is constrained by limitations that the government imposes upon itself. Such constraints are imposed by the City Council, the City's highest level of decision making authority. A Council ordinance is required to commit funds and to remove or change the specified use of committed funds.

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

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

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

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

**J. Capital Assets**

Capital assets and improvements include substantially all land, buildings, equipment, water distribution and sewage collection systems, and other elements of the City's infrastructure having a useful life of more than one year with a cost of more than \$5,000 with the exception of infrastructure assets, which have a threshold of \$100,000. Capital assets which are used for general governmental purposes and are not available for expenditure are accounted for and reported in the government-wide financial statements. Infrastructure elements include the roads, bridges, curbs and gutters, streets and sidewalks, parkland and improvements, and tunnels.

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

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

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

**K. Compensated Absences**

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

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

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

**L. Intra-entity Activity**

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

**M. Deferred Outflows/Inflows of Resources**

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

**N. Pension Accounting**

The GASB issued Statement No. 67, "Financial Reporting for Pension Plans; an amendment of GASB Statement No. 25", which replaces the requirements of Statements No. 25 and No.50. This Statement provides guidance and new requirements for pension plans that are administered through trusts or equivalent arrangements. The requirements of this Statement are effective for financial statements for fiscal years beginning after June 15, 2013. The City has included the additional reporting requirements under GASB 67 in note 7 "Retirement Plans" and Exhibits I-4 and I-5 of the comprehensive annual financial report for fiscal year 2014.

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

**(2) EQUITY**

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

Fund balances at June 30, 2014 are composed of the following:

	General Fund	Debt Service	Capital Improvements	Other Nonmajor
<b>Nonspendable</b>				
Inventory of supplies	\$ 86,231	-	-	2,223
Advances receivable	1,995,750	-	-	-
Permanent - cemetery care	-	-	-	1,000,000
<b>Total nonspendable fund balances</b>	<b>2,081,981</b>	<b>-</b>	<b>-</b>	<b>1,002,223</b>
<b>Restricted</b>				
Restricted cash	233,444	3,191,575	28,047,223	-
Capital improvements	-	-	12,520,798	-
Behavioral health services	-	-	-	3,705,411
Public law library	-	-	-	28,557
Stormwater management infrastructure maintenance	-	-	-	2,749,512
Grants	-	-	-	1,409,661
Comprehensive services	-	-	-	91,726
Donations	-	-	-	2,258,280
Asset forfeiture	-	-	-	522,182
Permanent - cemetery care	-	-	-	570,339
<b>Total restricted fund balances</b>	<b>233,444</b>	<b>3,191,575</b>	<b>40,568,021</b>	<b>11,335,668</b>
<b>Committed</b>				
Planned use of fund balance	16,531,093	-	-	-
Encumbrances	121,542	-	-	-
Willet Hall	-	-	-	423,876
<b>Total committed fund balances</b>	<b>16,652,635</b>	<b>-</b>	<b>-</b>	<b>423,876</b>
<b>Assigned</b>				
Recreation	-	-	-	311,668
<b>Total assigned fund balances</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>311,668</b>
<b>Unassigned</b>				
General Fund	52,168,051	-	-	-
Social Services	-	-	-	(191,390)
Community Development	-	-	-	(426,310)
<b>Total unassigned fund balance</b>	<b>52,168,051</b>	<b>-</b>	<b>-</b>	<b>(617,700)</b>
<b>Total fund balances</b>	<b>\$ 71,136,111</b>	<b>3,191,575</b>	<b>40,568,021</b>	<b>12,455,735</b>

**(3) CASH**

**Deposits and Restricted Cash**

At June 30, 2014, the carrying value of the City's deposits with banks and savings institutions was \$169,897,286 which includes \$339 in the fiduciary funds. All cash of the City except petty cash of \$64,993 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, 2014 restricted cash totaled \$67,301,965, which represents the City's unspent bond proceeds and related investment income.

**Investments**

State statutes authorize the City to invest in obligations of the United States or agencies thereof, securities unconditionally guaranteed by the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, banker's acceptances, repurchase agreements, certificates of deposit, and the State Treasurer's Local Government Investment Pool (LGIP). The pension trust funds are

also authorized to invest in common stocks and marketable debt securities which mature within twenty years with credit ratings no lower than Baa or BBB as measured by Moody's, Standard and Poor's, or Fitch IBCA's rating services.

**Investment Policy**

The primary goal of the investment policy is to maximize return on investment while minimizing risk to the investment. The City's investment policy addresses custodial credit risk, interest rate risk, concentration of risk, and credit risk, in which instruments are to be diversified and maturities timed according to anticipated needs in order to minimize any exposure. The City's policy does not address foreign currency risk. The City's investment policy requires that all investments and investment practices meet or exceed all statutes and guidelines governing the investment of public funds in Virginia, including the Investment Code of Virginia and the guidelines established by the State Treasury Board and the Governmental Accounting Standards Board. The policy specifically states that the City shall limit investments to those allowed under the Virginia Security for Public Deposits Act, Sec. 2.2-4400 et seq. of the Code of Virginia. The City Treasury is responsible for diversifying the use of investment instruments to avoid incurring unreasonable risks inherent in over investing in specific instruments, individual financial institutions or maturities. It is the policy of the City to concentrate its investment efforts to banks located in the State of Virginia which are under the Virginia statutes for public funds and all banks must be approved by depositories 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, 2014, the City's investment balances were as follows:

	Carrying Amount	Actual Credit Ratings	Required Credit Ratings	Average Days/Years to Maturity
SNAP investments	\$ 63,863,552	AAAm	n/a	1 day
PFM Funds-Prime, Institutional Class	35,314	AAAm	n/a	1 day
Certificates of Deposit/Money Market	4,185,710	AAAm	n/a	1 day
	\$ 68,084,576			

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](http://www.finra.org)) and Securities Investor Protection Corporation (SIPC) ([www.sipc.org](http://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, 2014, 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, 2014, the City's pension investments were professionally managed by New York Life Investment Management LLC which invests primarily in Equity Funds. The fair value of the fund is determined by daily trades of securities. The allocation of the investment accounts are authorized between the Board of Trustees of the Portsmouth Fire and Police, the Portsmouth Supplemental Retirement Systems, Scott & Stringfellow, and New York Life Investment Management LLC. The target allocation for all funds is 59.0% for equities, 32.0% for fixed income securities and 9.0% for real estate. None of the City's pension investments have credit ratings.

At June 30, 2014, the fair value of the City's pension investments is as follows:

Fund Name	Investment Type	Weighted Average Maturity/Liquidation	Fair Value
New York Life Fund:			
Goldman Sachs Sm Cap Val Inst	Equity	1 day	8,205,233
AQR Managed Futures Strategy I	Equity	1 day	5,661,820
Hotchkis & Wiley Mid Cap Val I	Equity	1 day	13,993,446
NYL Guaranteed Int. Acct	Equity	1 day	69,652,556
Principal Glob Real Est Sec I	Equity	1 day	6,680,136
American EuroPacific Growth R6	Equity	1 day	40,768,953
Shafer Cullen Div Ops Inv	Equity	1 day	105,268,801
Templeton Global Bond Fund Adv	Equity	1 day	14,978,145
Cash	Equity	1 day	3,025,788
			\$ 268,234,878

**Component Unit - School Board**

All of the deposits of the School Board, a discretely presented component unit, of \$25,089,662 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 \$11,468,684 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 \$2,102,126. 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 \$929,774. 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, 2014 was as follows:

<b>Primary Government - Governmental Activities</b>	Balance July 1, 2013 as restated	Additions	Deletions	Balance June 30, 2014
Capital assets not being depreciated:				
Land	\$ 25,625,989	261,590	-	25,887,579
Construction in progress	175,475,946	13,291,309	(91,056,419)	97,710,836
Total capital assets not being depreciated/amortized	201,101,935	13,552,899	(91,056,419)	123,598,415
Capital assets being depreciated:				
Buildings	230,958,348	97,279,140	-	328,237,488
Improvements other than buildings	183,872	-	-	183,872
Improvements other than buildings (Infrastructure)	493,759,541	2,001,211	-	495,760,752
Machinery, furniture, and equipment	49,526,261	2,806,339	(496,349)	51,836,251
Intangibles	911,458	-	-	911,458
Total capital assets being depreciated/amortized	775,339,480	102,086,690	(496,349)	876,929,821
Less accumulated depreciation for:				
Buildings	(83,517,950)	(6,930,940)	-	(90,448,890)
Improvements other than buildings	(85,074)	(18,387)	-	(103,461)
Improvements other than buildings (Infrastructure)	(348,736,259)	(3,319,034)	-	(352,055,293)
Machinery, furniture, and equipment	(35,984,721)	(2,536,555)	496,349	(38,024,927)
Intangibles	(347,572)	(93,090)	-	(440,662)
Total accumulated depreciation	(468,671,576)	(12,898,006)	496,349	(481,073,233)
Total capital assets being depreciated/amortized, net	306,667,904	89,188,684	-	395,856,588
Governmental activities capital assets, net	\$ 507,769,839	102,741,583	(91,056,419)	519,455,003

Under Virginia Law, certain property, with a net book value of \$87,455,258 maintained by the School Board is subject to tenancy-in-common with the City if the City has incurred a financial obligation for the property which is payable over more than one fiscal year. The School Board and City have agreed that such property will be carried on the City's financial statements until the outstanding debt is repaid.

Capital Asset Activity for the year ended June 30, 2014 (continued)

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**Depreciation/amortization expense was charged to functions as follows:**

General government	\$	23,784
Judicial		1,548,774
Public safety		395,089
Public works		5,369,033
Health and welfare		44,972
Parks, recreation and cultural		407,918
Community development		880,860
Education		<u>2,419,774</u>
<b>Total governmental activities</b>		<b><u>11,090,204</u></b>

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>1,807,802</u>
<b>Total governmental activities</b>	\$	<b><u>12,898,006</u></b>

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

	Authorization	June 30, 2014	Commitments
Drainage Facilities Repair & Lake Mgt	\$ 26,612,447	19,412,515	1,651,518
Churchland Bridge	14,572,697	1,181,634	1,527,700
Victory Boulevard (2% City Match to VDOT)	13,547,131	13,194,353	-
Behavioral Health building	8,295,671	2,449,119	2,780,565
PS New Radio System	7,000,000	2,999,305	-
Churchland Library joint with Suffolk	6,744,612	6,743,177	-
Seawall Reinforcement	6,110,421	6,006,550	423,559
Churchland High School - air quality	3,667,441	3,667,441	-
Judicial Facilities Improvements	3,640,000	2,950,442	-
Update Traffic Signal-10 Intersections	3,393,600	2,948,329	124,206
Renovations to Various Buildings	3,319,986	3,105,992	20,073
Update Traffic Signal-8 Intersections	3,244,800	2,242,286	-
City / Schools Joint Financial Management System	2,936,486	2,936,486	-
Roof Replacement	2,747,545	2,453,006	44,643
Bridge Repairs	2,609,465	1,845,737	5,400
Crawford Parkway Bulkhead Replacement	2,459,304	2,459,304	-
Traffic Signal Improvements	2,280,579	3,519,270	10,568
Parking Garage Repairs - Harbor Tower	2,256,002	1,287,224	-
Hazmat Program	2,084,958	1,938,805	-
Replacement of HVACs	1,936,052	1,701,461	-
Street Improvements - South Portsmouth	1,864,003	1,864,003	-
Recreation Facility Repair/Replacement	1,398,215	591,172	186,884
City Gateways	1,308,516	726,997	48,207
Midtown Corridor	1,210,000	1,182,400	-
Terminal Impact Mitigation	936,809	936,809	-
Various projects under \$1,000,000 each	9,039,424	7,367,019	547,857
	\$ 135,216,164	97,710,836	7,371,180

When a project is authorized, financing is either presently available or general obligation bonds are authorized to be issued. In anticipation of the issuance of general obligation bonds, bond anticipation notes may be utilized to provide temporary financing. Commitments totaling \$6,112,228 have been reserved for encumbrances for capitalizable and noncapitalizable expenditures in the capital improvements fund.

<b>Primary Government - Business-Type Activities</b>	Balance July 1, 2013 as restated	Additions	Deletions	Balance June 30, 2014
Capital assets not being depreciated:				
Land	\$ 15,348,574	-	-	15,348,574
Construction in progress	71,168,342	28,335,454	(5,099,902)	94,403,894
Total capital assets not being depreciated	86,516,916	28,335,454	(5,099,902)	109,752,468
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)	224,536,036	5,035,602	-	229,571,638
Machinery, furniture, and equipment	22,053,764	1,009,848	(287,486)	22,776,126
Total capital assets being depreciated	274,350,655	6,045,450	(287,486)	280,108,619
Less accumulated depreciation for:				
Buildings	(15,516,535)	(595,239)	-	(16,111,774)
Improvements other than buildings	(2,315,314)	(15,230)	-	(2,330,544)
Improvements other than buildings (Infrastructure)	(81,446,982)	(5,258,799)	-	(86,705,781)
Machinery, furniture, and equipment	(15,598,623)	(1,438,381)	287,486	(16,749,518)
Total accumulated depreciation	(114,877,454)	(7,307,649)	287,486	(121,897,617)
Total capital assets being depreciated, net	159,473,201	(1,262,199)	-	158,211,002
Business-type activities capital assets, net	\$ 245,990,117	27,073,255	(5,099,902)	267,963,470

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

Public utilities	\$ 6,178,818
Parking authority	476,159
Port facility	46,118
Golf	108,754
Waste management	497,800
Total business-type activities	\$ 7,307,649

Capital Assets – business type activities (continued)

<b>Primary Government - Major Enterprise Funds</b>	Balance July 1, 2013 as restated	Additions	Deletions	Balance June 30, 2014
<b><i>Public Utility Fund</i></b>				
Capital assets not being depreciated:				
Land	\$ 324,079	-	-	324,079
Construction in progress	71,168,342	28,335,454	(5,099,902)	94,403,894
Total capital assets not being depreciated	<u>71,492,421</u>	<u>28,335,454</u>	<u>(5,099,902)</u>	<u>94,727,973</u>
Capital assets being depreciated:				
Buildings	692,687	-	-	692,687
Improvements other than buildings (Infrastructure)	224,338,248	5,035,602	-	229,373,850
Machinery, furniture, and equipment	13,234,244	336,388	-	13,570,632
Total capital assets being depreciated	<u>238,265,179</u>	<u>5,371,990</u>	<u>-</u>	<u>243,637,169</u>
Less accumulated depreciation for:				
Buildings	(127,857)	(17,158)	-	(145,015)
Improvements other than buildings (Infrastructure)	(81,249,194)	(5,258,799)	-	(86,507,993)
Machinery, furniture, and equipment	(9,792,481)	(902,861)	-	(10,695,342)
Total accumulated depreciation	<u>(91,169,532)</u>	<u>(6,178,818)</u>	<u>-</u>	<u>(97,348,350)</u>
Total capital assets being depreciated, net	<u>147,095,647</u>	<u>(806,828)</u>	<u>-</u>	<u>146,288,819</u>
Public Utility Fund capital assets, net	<u>\$ 218,588,068</u>	<u>27,528,626</u>	<u>(5,099,902)</u>	<u>241,016,792</u>
<b><i>Parking Authority</i></b>				
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	(10,853,951)	(446,859)	-	(11,300,810)
Improvements other than buildings	(183,635)	(6,633)	-	(190,268)
Machinery, furniture, and equipment	(227,152)	(22,667)	-	(249,819)
Total accumulated depreciation	<u>(11,264,738)</u>	<u>(476,159)</u>	<u>-</u>	<u>(11,740,897)</u>
Total capital assets being depreciated, net	<u>8,098,602</u>	<u>(476,159)</u>	<u>-</u>	<u>7,622,443</u>
Parking Authority capital assets, net	<u>\$ 8,778,282</u>	<u>(476,159)</u>	<u>-</u>	<u>8,302,123</u>

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

	Project Authorization	Expended to June 30, 2014	Commitments
<b>Public Utility Fund:</b>			
Lake Kilby replacement filters	\$ 45,600,000	2,138,321	49,957
Downtown master utility	35,900,000	10,917,978	6,300,820
Sanitary sewer overflow elimination	23,957,100	9,865,176	3,705,265
Infrastructure improvements	16,424,453	3,084,371	363,321
Low pressure transmission mains	13,250,000	1,779,011	155,531
Miscellaneous sewer improvements	11,498,167	4,735,509	1,205,325
Meter replacement program	10,999,000	7,423,446	769,292
Lake Kilby raw water pumping station	7,833,256	7,141,418	-
Replacement of water plant equipment	7,470,396	3,291,375	131,216
Sewer cave-in repair	5,924,238	4,634,048	154,902
Dam upgrades	5,500,000	1,385,088	92,121
Suction well rehabilitation	5,146,500	1,095,882	-
Miscellaneous water improvements	3,124,524	1,610,704	264,222
Williams Court outlet sewer	2,500,000	2,217,397	197,178
Water plant residuals management and disposal	1,442,186	1,442,186	-
Replacement 2" water mains	1,336,648	-	-
Godwin Street reservoir replacement	1,218,058	1,160,508	-
Various projects under \$1,000,000 each	1,389,660	169,585	-
	\$ 200,514,186	64,092,003	13,389,150

In addition to the amount of \$64,092,003 shown above as expended to June 30, 2014, \$27,907,766 is included in construction in progress for capitalized interest and \$2,404,125 for the Prentis Park Water Project, bringing total construction in progress to \$94,403,894. 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.

<b>School Board Component Unit</b>				
	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
Capital assets not being depreciated:				
Land	\$ 6,125,204	-	-	6,125,204
Construction in progress	16,075,473	-	(16,075,473)	-
Total capital assets not being depreciated	<u>22,200,677</u>	<u>-</u>	<u>(16,075,473)</u>	<u>6,125,204</u>
Capital assets being depreciated:				
Buildings	82,731,728	11,296,477	-	94,028,205
Machinery, furniture, and equipment	25,247,354	490,065	(15,000)	25,722,419
Intangibles	422,270	-	-	422,270
Total capital assets being depreciated	<u>108,401,352</u>	<u>11,786,542</u>	<u>(15,000)</u>	<u>120,172,894</u>
Less accumulated depreciation for:				
Buildings	(33,179,273)	(3,870,858)	-	(37,050,131)
Machinery, furniture, and equipment	(16,277,867)	(1,189,568)	15,000	(17,452,435)
Intangibles	(304,689)	(84,454)	-	(389,143)
Total accumulated depreciation	<u>(49,761,829)</u>	<u>(5,144,880)</u>	<u>15,000</u>	<u>54,891,709</u>
Capital assets being depreciated/amortized				
Total capital assets - being depreciated	<u>58,639,523</u>	<u>6,641,662</u>	<u>-</u>	<u>65,281,185</u>
School Board capital assets, net	\$ 80,840,200	6,641,662	(16,075,473)	71,406,389

<b>Economic Development Authority Component Unit</b>				
	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
Capital assets not being depreciated:				
Land	\$ 1,205,660	216,223	-	1,421,883
Total capital assets not being depreciated	<u>1,205,660</u>	<u>216,223</u>	<u>-</u>	<u>1,421,883</u>
Capital assets being depreciated:				
Buildings	-	300,000	-	300,000
Total capital assets being depreciated	<u>-</u>	<u>300,000</u>	<u>-</u>	<u>300,000</u>
Less accumulated depreciation for:				
Buildings	-	(5,625)	-	(5,625)
Total accumulated depreciation	<u>-</u>	<u>(5,625)</u>	<u>-</u>	<u>(5,625)</u>
Total capital assets being depreciated, net	<u>-</u>	<u>294,375</u>	<u>-</u>	<u>294,375</u>
Economic development authority capital assets, net	\$ 1,205,660	510,598	-	1,716,258

**(5) LONG - TERM DEBT**

**Details of Long-Term Indebtedness**

At June 30, 2014, the long-term indebtedness of the City consisted of the following:

	<b>Interest Rate</b>	<b>Amount Outstanding</b>
<b>Governmental Activities</b>		
General obligation bonds, net:		
2001	VPSA Qualified Zone Academy Bonds (QZAB) - %	\$ 256,618
2001B	VPSA School Financing Bonds 3.1 - 5.1 %	1,468,866
2003	G.O. Refunding Bonds 4.9 - 5.0 %	4,581,351
2004A	VML/VACo Revenue Bonds 4.0 - 5.0 %	158,727
2005A	G.O. & Refunding Bonds 4.0 - 5.0 %	6,612,080
2005C	Taxable G.O. Refunding Bonds 5.0 - 5.4 %	1,047,363
2006A	G.O. & Refunding Bonds 4.1 - 5.0 %	25,520,268
2006B	Taxable G.O. Refunding Bonds - %	2,955,708
2006B	VPSA School Financing Bonds 4.2 - 5.1 %	4,321,914
2009	VPSA Qualified School Construction Bonds (QSCB) - %	16,200,483
2009A	G.O. Refunding Bonds 4.0 - 4.8 %	6,338,383
2009B	G.O. Refunding Bonds 3.5 - 5.3 %	11,464,233
2009C	Taxable G.O. Refunding Bonds 5.6 - 6.4 %	16,558,461
2009D	G.O. Refunding Bonds 3.0 - 4.0 %	7,468,887
2010A	G.O. Public Improvement Bonds 3.0 - 4.0 %	3,054,821
2010B	Taxable G.O. Public Improvement Bonds (BAB) 4.7 - 6.3 %	29,240,000
2010D	G.O. & Refunding Bonds 3.0 - 5.3 %	30,679,789
2011	G.O. Refunding Bonds 2.5 - 5.0 %	15,506,512
2012A	G.O. Public Utility & Refunding Bonds 2.0 - 5.0 %	26,236,266
2012B	Taxable G.O. Refunding Bonds 1.5 - 3.9 %	6,970,000
2012C	G.O. Public Improvement & Refunding Bonds 2.0 - 4.0 %	14,946,741
2012D	Taxable G.O. Refunding Bonds 0.7 - 1.7 %	2,010,000
2013A	G.O. Public Improvement & Refunding Bonds 3.0 - 5.0 %	64,099,893
2013B	Taxable G.O. & Refunding Bonds 0.4 - 4.5 %	175,800,000
Total general obligation bonds, net		473,497,364
Capital leases		10,246,247
Literary loans		1,000,000
Compensated absences		8,077,190
Total governmental activities		\$ 492,820,801

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

		<b>Interest Rate</b>	<b>Amount Outstanding</b>
<b>Business-Type Activities</b>			
General obligation bonds, net:			
Public Utility:			
2003	G.O. Refunding Bonds	4.9 - 5.0 %	\$ 2,632,237
2005A	G.O. & Refunding Bonds	4.0 - 5.0 %	4,329,479
2005B	G.O. Public Utility Refunding Bonds	3.8 - 5.0 %	8,004,358
2006A	G.O. & Refunding Bonds	4.1 - 5.0 %	10,837,983
2009D	G.O. Refunding Bonds	3.0 - 4.0 %	1,503,591
2009E	Prentis Park Bonds	-	2,163,713
2010A	G.O. Public Improvement Bonds	3.0 - 4.0 %	2,952,967
2010B	Taxable G.O. Public Improvement Bonds (BAB)	4.7 - 6.3 %	25,110,000
2011	G.O. Refunding Bonds	2.5 - 5.0 %	8,656,242
2012A	G.O. Public Utility & Refunding Bonds	2.0 - 5.0 %	55,715,920
2012C	G.O. Public Improvement & Refunding Bonds	2.0 - 4.0 %	9,793,598
2013A	G.O. Public Improvement & Refunding Bonds	2.0 - 5.0 %	1,692,465
2013B	Taxable G.O. & Refunding Bonds	0.4 - 2.6 %	20,895,000
			154,287,553
Golf:			
2005A	G.O. & Refunding Bonds	4.0 - 5.0 %	833,636
2009B	G.O. Refunding Bonds	3.5 - 5.3 %	1,154,721
2011	G.O. Refunding Bonds	2.5 - 5.0 %	2,326,109
2012A	G.O. Public Utility & Refunding Bonds	2.3 - 5.0 %	1,097,958
2013A	G.O. Public Improvement & Refunding Bonds	2.0 - 3.0 %	384,857
2013B	Taxable G.O. & Refunding Bonds	0.4 - 2.6 %	395,000
			6,192,281
Parking Authority:			
2003	G.O. Refunding Bonds	4.3 - 5.0 %	376,122
2005A	G.O. & Refunding Bonds	4.0 - 5.0 %	35,572
2009A	G.O. Refunding Bonds	4.0 - 4.8 %	74,556
2009B	G.O. Refunding Bonds	5.0 %	20,588
2011	G.O. Refunding Bonds	2.5 - 5.0 %	217,294
2012A	G.O. Public Utility & Refunding Bonds	2.3 - 5.0 %	203,826
2012C	G.O. Public Improvement & Refunding Bonds	3.5 - 4.0 %	49,472
2013A	G.O. Public Improvement & Refunding Bonds	3.0 %	36,408
2013B	Taxable G.O. & Refunding Bonds	0.4 - 3.9 %	4,000,000
			5,013,838
Total general obligation bonds, net			165,493,672
Capital leases			415,571
Landfill closure and postclosure care			4,761,875
Compensated absences			796,424
Total business type-activities			\$ 171,467,542

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

**CITY OF PORTSMOUTH, VIRGINIA**  
**Notes to Basic Financial Statements**  
**June 30, 2014**

**Exhibit H (continued)**

At June 30, 2014, the long-term indebtedness of the School Board component unit consisted of the following:

	<b>Amount Outstanding</b>
<b>School Board:</b>	
Capital leases	\$ 2,871,034
Compensated absences	5,390,885
Claims payable	1,977,122
Net pension obligation	117,019
<b>Total long-term liabilities</b>	<b>\$ 10,356,060</b>

The following is a summary of changes in long-term indebtedness of the City for the year ended June 30, 2014:

	<b>Balance June 30, 2013</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2014</b>	<b>Due Within One Year</b>
<b>Primary Government - Governmental Activities:</b>					
General obligation bonds	\$ 478,445,615	-	(18,992,465)	459,453,150	17,891,407
Bond premiums/(discounts)	15,191,242	-	(1,147,028)	14,044,214	1,147,029
	<u>493,636,857</u>	<u>-</u>	<u>(20,139,493)</u>	<u>473,497,364</u>	<u>19,038,436</u>
Capital leases	13,171,576	-	(2,925,329)	10,246,247	2,039,568
Literary loans	1,250,000	-	(250,000)	1,000,000	250,000
Compensated absences	7,484,134	600,622	(7,566)	8,077,190	4,400,863
<b>Total Governmental Activities</b>	<b>\$ 515,542,567</b>	<b>600,622</b>	<b>(23,322,388)</b>	<b>492,820,801</b>	<b>25,728,867</b>
<b>Business Type Activities:</b>					
General obligation bonds	\$ 162,914,282	-	(5,926,579)	156,987,703	6,108,654
Bond premiums/(discounts)	9,140,586	-	(634,617)	8,505,969	634,618
	<u>172,054,868</u>	<u>-</u>	<u>(6,561,196)</u>	<u>165,493,672</u>	<u>6,743,272</u>
Capital leases	1,129,560	-	(713,989)	415,571	192,570
Landfill closure and postclosure care	4,617,861	144,014	-	4,761,875	-
Compensated absences	772,560	32,799	(8,935)	796,424	749,099
<b>Total Business Type Activities</b>	<b>\$ 178,574,849</b>	<b>176,813</b>	<b>(7,284,120)</b>	<b>171,467,542</b>	<b>7,684,941</b>
<b>Major Enterprise Funds:</b>					
<b>Public Utility Fund</b>					
General obligation bonds	151,299,247	-	(5,061,484)	146,237,763	5,239,188
Bond premiums/(discounts)	8,608,552	-	(558,762)	8,049,790	558,763
	<u>159,907,799</u>	<u>-</u>	<u>(5,620,246)</u>	<u>154,287,553</u>	<u>5,797,951</u>
Compensated absences	459,488	28,345	(729)	487,104	487,104
<b>Total Public Utility Fund</b>	<b>160,367,287</b>	<b>28,345</b>	<b>(5,620,975)</b>	<b>154,774,657</b>	<b>6,285,055</b>
<b>Parking Authority</b>					
General obligation bonds	5,395,035	-	(450,095)	4,944,940	439,466
Bond premiums/(discounts)	89,909	-	(21,011)	68,898	21,011
	<u>5,484,944</u>	<u>-</u>	<u>(471,106)</u>	<u>5,013,838</u>	<u>460,477</u>
Compensated absences	21,387	2,898	-	24,285	16,413
<b>Total Parking Authority</b>	<b>5,506,331</b>	<b>2,898</b>	<b>(471,106)</b>	<b>5,038,123</b>	<b>476,890</b>

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities in the governmental funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term, are reported in the government-wide Statement of Net Position. Compensated absences (except School Board and most proprietary funds) are liquidated by the General Fund. 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, 2014 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, 2014:

	<b>Balance, July 1, 2013 as restated</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2014</b>	<b>Due Within One Year</b>
<b>School Board:</b>					
Capital leases	\$ 3,710,390	-	(839,356)	2,871,034	-
Compensated absences	5,341,092	1,806,696	(1,756,903)	5,390,885	1,756,800
Claims Payable	2,387,438	317,832	(728,148)	1,977,122	627,331
Net pension obligation	115,393	8,077	(6,451)	117,019	-
Total School Board	\$ 11,554,313	2,132,605	(3,330,858)	10,356,060	2,384,131

The debt recorded in the enterprise and internal service funds is paid from revenues earned in those funds. General obligation debt is paid from the General Fund for which the primary funding sources are general property taxes and other local taxes.

**Defeased Debt**

In prior years, the City defeased certain general obligation public improvement bonds by placing funds in irrevocable escrow accounts to provide for future debt service payments on the defeased debt. Accordingly, the escrow accounts assets and liabilities for the defeased debt are not included in the City's financial statements. At June 30, 2014, the outstanding balance of the defeased debt is \$125,750,000.

**Debt Compliance and Repayment**

The annual requirements to amortize all outstanding long-term indebtedness of the City to maturity as of June 30, 2014 (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
2015	\$ 17,891,407	18,242,588	250,000	20,000	2,039,568	812,682
2016	19,621,060	17,729,966	250,000	15,000	2,134,501	719,968
2017	20,980,386	17,238,120	250,000	10,000	1,716,998	614,260
2018	21,762,296	16,692,965	250,000	5,000	1,489,647	473,297
2019	22,038,180	16,089,564	-	-	1,079,508	329,031
2020-2024	114,054,634	68,189,335	-	-	1,786,025	211,286
2025-2029	109,115,187	44,673,825	-	-	-	-
2030-2034	92,270,000	22,683,700	-	-	-	-
2035-2039	41,720,000	3,382,744	-	-	-	-
	\$ 459,453,150	224,922,807	1,000,000	50,000	10,246,247	3,160,524

**Business-Type Activities:**

Fiscal Year Ending	General Obligation Bonds		Capital Leases	
	Principal	Interest	Principal	Interest
2015	\$ 6,108,654	6,500,236	192,570	6,832
2016	7,225,100	6,294,081	196,493	2,908
2017	7,450,573	6,078,474	26,508	262
2018	7,685,138	5,862,820	-	-
2019	8,005,138	5,647,105	-	-
2020-2024	38,933,987	23,977,590	-	-
2025-2029	30,267,462	16,223,834	-	-
2030-2034	22,405,688	10,193,806	-	-
2035-2039	18,935,688	5,438,222	-	-
2040-2042	9,970,275	728,859	-	-
	\$ 156,987,703	86,945,027	415,571	10,002

**(6) LEASING ARRANGEMENTS**

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

	Governmental	Internal Service	Enterprise
Buildings	\$ 12,347,181	-	-
Machinery, furniture, and equipment	7,294,417	20,811,460	6,624,948
Less accumulated depreciation	(10,861,048)	(16,187,023)	(4,936,598)
<b>Capital assets, net</b>	<b>\$ 8,780,550</b>	<b>4,624,437</b>	<b>1,688,350</b>

Depreciation expense on leased assets was \$2,659,055 for the fiscal year ended June 30, 2014.

The projected minimum capital and operating lease payments of the City as of June 30, 2014 is as follows:

Fiscal Year Ending	Capital	Operating
2015	\$ 3,051,652	585,112
2016	3,053,870	274,627
2017	2,358,028	-
2018	1,962,944	-
2019	1,408,539	-
2020-2021	1,997,311	-
<b>Total minimum lease payments</b>	<b>13,832,344</b>	<b>859,739</b>
Less amount representing interest	(3,170,526)	
<b>Present value of minimum capital lease payments</b>	<b>\$ 10,661,818</b>	

Total operating lease payments for the year ended June 30, 2014 were \$1,045,152.

**(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 are members of VRS as required by State statutes. Therefore, the PSRS has become a "closed" system.

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

Benefits may be increased from time to time by cost of living adjustments approved by 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	621
Vested terminated employees not yet receiving benefits	30	45
Current vested employees	<u>24</u>	<u>65</u>
	<u><u>432</u></u>	<u><u>731</u></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 2014 were \$1,782,818 and \$5,186,714, respectively. The City issued Pension Obligation Bonds with net proceeds of \$168,322,000. Those funds were contributed to the retirement plans in fiscal year 2014, which increased the funded ratios of the PSRS and FPRS plans to 75.7% and 76.7%, 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 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.

Scott & Stringfellow, Inc. is responsible for investing Plan assets in a manner consistent with this Investment Policy within the New York Life Investment Management Retirement Plans Investment Platform.

*Objectives.* Objectives of the Investment Policy are as follows:

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

*Performance Objectives.* In achieving the Plan's objectives, the Plan's performance goal 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 New York Life Investment Management annually to reflect target asset allocation percentages by the 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. US-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 review 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, Agriculturals, 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 in 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 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 US Government and US 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, 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 13.95%. 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 components of the net pension liability of PSRS and FPRS at June 30, 2014, were as follows:

	PSRS	FPRS
Total pension liability	\$ 94,478,524	\$ 254,866,184
Plan fiduciary net position	(71,547,656)	(195,385,698)
City's net position liability	\$ 22,930,868	\$ 59,480,486
 Plan fiduciary net position as a percentage of the total pension liability	 75.7%	 76.7%

*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, 2012 through June 3, 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%. 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%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount (7.25%)	1% Increase (8.25%)
City's net pension obligation - PSRS	\$ 31,409,784	22,930,868	15,654,915
City's net pension obligation - FPRS	\$ 85,968,648	59,480,486	37,265,194

**Virginia Retirement System**

***Plan Description***

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

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

public school divisions and employees of participating employers are automatically covered by VRS upon employment.

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

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:

<b>VRS PLAN 1</b>	<b>VRS PLAN 2</b>	<b>HYBRID RETIREMENT PLAN</b>
<p><b>About VRS Plan 1</b>  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><b>About VRS Plan 2</b>  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><b>About the Hybrid Retirement Plan</b>  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"> <li>• The defined benefit is based on a member’s age, creditable compensation and average final compensation at retirement using a formula.</li> <li>• 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.</li> <li>• 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</li> </ul>

		<p>defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.</p>
<p><b>Eligible Members</b>          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><b>Hybrid Opt-In Election</b>          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><b>Eligible Members</b>          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><b>Hybrid Opt-In Election</b>          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><b>Eligible Members</b>          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"> <li>• State employees*</li> <li>• School division employees</li> <li>• Political subdivision employees*</li> <li>• Judges appointed or elected to an original term on or after January 1, 2014</li> <li>• 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</li> </ul> <p>*Non-Eligible Members          Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> <li>• Members of the State Police Officers' Retirement System (SPORS)</li> <li>• Members of the Virginia Law Officers' Retirement System (VaLORS)</li> <li>• Political subdivision employees who are covered by enhanced benefits for hazardous duty employees</li> </ul> <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</p>

		VRS Plan 1 or VRS Plan 2 (as applicable) or ORP.
<p><b>Retirement Contributions</b>  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 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><b>Retirement Contributions</b>  Same as VRS Plan 1</p>	<p><b>Retirement Contributions</b>  A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.</p>
<p><b>Creditable Service</b>  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><b>Creditable Service</b>  Same as VRS Plan 1.</p>	<p><b>Creditable Service</b>  <u><b>Defined Benefit Component:</b></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><b>Defined Contributions Component:</b>  Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p>
<p><b>Vesting</b>  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 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><b>Vesting</b>  Same as VRS Plan 1.</p>	<p><b>Vesting</b>  <b>Defined Benefit Component:</b>  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 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><b>Defined Contributions Component:</b>  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"> <li>• After two years, a member is 50% vested and may withdraw 50% of employer contributions.</li> <li>• After three years, a member is 75% vested and may withdraw 75% of employer contributions.</li> <li>• After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.</li> </ul> <p>Distribution is not required by law until age 70½.</p>
<p><b>Calculating the Benefit</b>  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 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><b>Calculating the Benefit</b>  See definition under VRS Plan 1.</p>	<p><b>Calculating the Benefit</b>  <u><b>Defined Benefit Component:</b></u>  See definition under VRS Plan 1.</p> <p><b>Defined Contribution Component:</b>  The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.</p>
<p><b>Average Final Compensation</b>  A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p><b>Average Final Compensation</b>  A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p><b>Average Final Compensation</b>  Same as VRS Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>
<p><b>Service Retirement Multiplier</b>  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</p>	<p><b>Service Retirement Multiplier</b>  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</p>	<p><b>Service Retirement Multiplier</b>  The retirement multiplier is 1.0%.</p> <p>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</p>

<p>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>January 1, 2013.</p>	<p>retirement benefit for service credited in those plans.</p>
<p><b>Normal Retirement Age</b> Age 65.</p>	<p><b>Normal Retirement Age</b> Normal Social Security retirement age.</p>	<p><b>Normal Retirement Age</b> <b><u>Defined Benefit Component:</u></b> Same as VRS Plan 2.</p> <p><b>Defined Contribution Component:</b> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p><b>Earliest Unreduced Retirement Eligibility</b> 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 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><b>Earliest Unreduced Retirement Eligibility</b> Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of 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><b>Earliest Unreduced Retirement Eligibility</b> <b><u>Defined Benefit Component:</u></b> Members are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or at age and service equal 90.</p> <p><b>Defined Contribution Component:</b> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p><b>Earliest Reduced Retirement Eligibility</b> 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><b>Earliest Unreduced Retirement Eligibility</b> Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.</p>	<p><b>Earliest Unreduced Retirement Eligibility</b> <b><u>Defined Benefit Component:</u></b> Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.</p>

		<p><b>Defined Contribution Component:</b>  Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b>  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><b>Eligibility:</b>  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 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><b>Exceptions to COLA Effective Dates:</b>  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"> <li>• The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.</li> </ul>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b>  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><b>Eligibility:</b>  Same as VRS Plan 1.</p> <p><b>Exceptions to COLA Effective Dates:</b>  Same as VRS Plan 1.</p>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b>  <b>Defined Benefit Component:</b>  Same as VRS Plan 2.</p> <p><b>Defined Contribution Component:</b>  Not Applicable.</p> <p><b>Eligibility:</b>  Same as VRS Plan 1 and VRS Plan 2.</p> <p><b>Exceptions to COLA Effective Dates:</b>  Same as VRS Plan 1 and VRS Plan 2.</p>

<ul style="list-style-type: none"> <li>• The member retires on disability.</li> <li>• The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).</li> <li>• 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.</li> <li>• 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.</li> </ul>		
<p><b>Disability Coverage</b>  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 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><b>Disability Coverage</b>  Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service regardless of when it was earned, purchased or granted.</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><b>Disability Coverage</b>  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 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>

		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><b>Purchase of Prior Service</b>  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><b>Purchase of Prior Service</b>  Same as VRS Plan 1.</p>	<p><b>Purchase of Prior Service</b>  <u><b>Defined Benefit Component:</b></u>  Same as VRS Plan 1.</p> <p><b>Defined Contribution</b>  <u><b>Component:</b></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/2012-annual-report.pdf> or obtained by writing the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

***Funding Policy***

Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5% of their annual reported compensation to VRS. All or part of the 5% member contribution may be assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. In addition, the City of Portsmouth and the School Board component unit are required to contribute the remaining amounts necessary to fund their participation in VRS using the actuarial basis specified by the *Code of Virginia* and approved by the VRS Board of Trustees. The combined City and employees' contribution rate for the fiscal year ended 2014 was 11.82% of annual covered payroll. The School Board (non-professional employees) contribution rate for the fiscal year ended 2014 was 13.04% of annual covered payroll.

The School Board 2014 contribution to the VRS statewide teacher pool was \$9,191,479. The contribution for 2013 was \$8,857,467, and the contribution for 2012 was \$8,492,549.

***Annual Pension Cost***

For the fiscal year ended June 30, 2014, the City's annual pension cost of \$7,350,860 was equal to the City's required and actual contributions. The School Board's annual pension cost of \$1,006,049 was not equal to the School Board's required or actual contributions. The School Board's actual contributions were \$1,004,423.

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

	<b>City</b>	<b>School Board</b>
Annual Required Contribution	7,350,860	1,004,423
Interest on net pension obligation	-	8,078
Adjustment to annual required contribution	-	(6,452)
Annual pension cost	7,350,860	1,006,049
Contributions made	7,350,860	1,004,423
Increase (decrease) in net pension obligation	-	1,626
Net pension obligation at beginning of year	-	115,393
Net pension obligation at end of year	-	117,019

***Three-Year Contribution Trend Information***

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
<b>VRS - City:</b>			
6/30/2014	\$ 7,350,860	100%	-
6/30/2013	8,053,484	100%	-
6/30/2012	8,059,173	100%	-
<b>VRS - School Board:</b>			
6/30/2014	\$ 1,006,049	99.84%	117,019
6/30/2013	999,782	100%	115,393
6/30/2012	938,596	100%	113,673

The fiscal year 2014 required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) an investment rate of return (net of administrative expenses) of 7%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees, 3.75% to 6.20% per year for teachers, and

3.50% to 4.75% per year for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.5% per year for Plan 1 employees and 2.25% for Plan 2 employees. Both the investment rate of return and the projected salary increases also include an inflation component of 2.5%.

The actuarial value of the City's and School Board's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The City's and School Board's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2013 for the Unfunded Actuarial Accrued Liability (UAAL) was 30 years.

***Funded Status of Pension Plans***

As of June 30, 2014, the most recent actuarial valuation date, the plan was 79.54% funded. The actuarial accrued liability for benefits was \$270,968,771, and the actuarial value of assets was \$215,522,103, resulting in an unfunded actuarial accrued liability (UAAL) of \$55,446,668. The covered payroll (annual payroll of active employees covered by the plan was \$60,835,483 and the ratio of the UAAL to the covered payroll was 91.14%.

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

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
<b>VIRGINIA RETIREMENT SYSTEM PLANS:</b>						
City of Portsmouth Employees:						
7/1/2014	\$ 215,522,103	270,968,771	55,446,668	79.54%	60,835,483	91.14%
School Board Nonprofessional Employees:						
7/1/2014	\$ 25,087,356	35,854,243	10,766,887	69.97%	7,127,249	151.07%

**(8) OTHER POST EMPLOYMENT BENEFITS (OPEB)**

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

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

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

*Funding Policy.* The contribution requirements of plan members and the City are established and may be amended by the City Council. The School Board has the authority to establish and amend the funding policy of their plan. The required contribution is based on projected pay-as-you-go financing requirements, with the potential for additional amounts to prefund benefits as determined annually by the City Council. For fiscal year 2014, the City contributed \$3,583,546 to the program, all for current premiums (approximately 41% of total premiums), and there was no additional prefunding contribution. Retired employees receiving benefits contributed \$5,116,424 (approximately 59% of total premiums) through required monthly contributions that vary from \$580.26 to \$992.57 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:

	<b>City</b>	<b>School Board</b>
Annual required contribution	\$ 15,293,600	473,757
Interest on net OPEB obligation	2,619,655	(404,144)
Adjustment to annual required contribution	(3,164,395)	309,451
Annual OPEB cost	14,748,860	379,064
Contributions made	3,757,800	-
Increase (decrease) in net OPEB obligation	10,991,060	379,064
Net OPEB obligation (asset) at beginning of year	65,491,375	(5,773,486)
Net OPEB obligation (asset) at end of year	\$ 76,482,435	(5,394,422)

The fiscal year ended June 30, 2014 was the seventh year for which an actuarially determined ARC had been calculated for the City of Portsmouth Retired Employees Health Care Program. Fiscal year 2014's actuarially determined ARC was calculated to be \$15,293,600. The City's contribution to the ARC was \$3,757,800, \$5,118,100, \$4,684,000 and \$5,680,817 for fiscal years 2014, 2013, 2012, and 2011, 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 2014 is as follows:

City of Portsmouth

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2014	\$ 14,748,860	25.5%	\$ 76,482,435
6/30/2013	15,423,095	33.2%	65,491,375
6/30/2012	16,290,970	28.8%	55,186,380

School Board

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation/(Asset)
6/30/2014	\$ 379,064	0%	\$ (5,394,422)
6/30/2013	766,102	0%	(5,773,486)
6/30/2012	1,050,365	667%	(6,539,588)

*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
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City of Portsmouth

1/1/2014	\$ -	167,607,600	167,607,600	0.0%	76,188,000	219.9%
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School Board

7/1/2014	\$ 10,652,405	10,468,185	184,220	102%	92,083,073	-0.2%
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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, 2014 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 \$15,293,600 for fiscal year 2014 is the amount determined under the actuarial cost method selected and consists of the normal cost plus amortization of the unfunded actuarial accrued liability (UAAL, or the excess of the past service liability over the actuarial value of assets). The UAAL is amortized as a level percent of projected payroll on a closed basis over a period of 28 years in developing the annual required contribution.

**(9) DEFERRED COMPENSATION PLAN**

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all full-time permanent City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are held in trust for the participants. The assets are not included in the accompanying financial statements.

**(10) INTERFUND BALANCES AND TRANSFERS**

**Due From/To Other Funds**

Individual fund interfund receivable and payable balances at June 30, 2014 are as follows:

Due to:	Due From:				Total
	Nonmajor Governmental Funds	Parking Authority	Nonmajor Enterprise Funds	Internal Service Funds	
General Fund	\$ 1,732,232	567,163	259,824	200,356	2,759,575

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, 2014 between the City and the component units are as follows:

Due from (to) component units	Primary Government			Total
	School Board	Economic Development Authority (EDA)	Port and Industrial Commission (PPIC)	
General Fund	\$ 408,125	106,508	1,300	515,933

The Statement of Net Position reflects \$515,933 as due from component units with no obligations to component units as noted in the above table. The difference between the amount the City shows as due from the School component unit and the amount the Schools report in their CAFR is \$408,125. This discrepancy relates to FY 2012-13 School encumbrances that were closed at the end of FY 2013-14. These funds have not been re-appropriated by City Council and are therefore due to the City as of June 30, 2014.

**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, 2014 are as follows:

Transfers to:	Transfers from:						Total
	General Fund	Capital Improvements Fund	Nonmajor Governmental Funds	Public Utility Fund	Nonmajor Enterprise Funds	Internal Service Funds	
General Fund	\$ -	560,000	850,789	8,875,000	-	-	10,285,789
Debt Service Fund	35,104,895	-	776,674	254,738	729,295	2,490,774	39,356,376
Capital Improvements Fund	26,112,510	(306,360)	6,875,495	-	-	-	32,681,645
Nonmajor Governmental Funds	6,491,675	-	17,350	-	-	-	6,509,025
Parking Authority	64,397	-	-	-	-	-	64,397
Nonmajor Proprietary Funds	1,551,332	306,360	-	-	-	-	1,857,692
Internal Service Funds	-	-	41,978	-	-	2,500,000	2,541,978
<b>Total</b>	<b>\$ 69,324,809</b>	<b>560,000</b>	<b>8,562,286</b>	<b>9,129,738</b>	<b>729,295</b>	<b>4,990,774</b>	<b>93,296,902</b>

**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, 2014 are as follows:

Transfers to:	Transfers from:	
	Economic Development Authority	Total
General Fund	\$ 135,417	135,417

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

**Due From Other Governments**

Amounts due from other governments at June 30, 2014 are as follows:

	Federal	State	Total
<b>Governmental activities:</b>			
General Fund:			
Sales and use tax	\$ -	800,856	800,856
Personal property tax relief	-	9,862,962	9,862,962
Constitutional officers' support	-	753,184	753,184
Other	-	1,042,466	1,042,466
<b>Total General Fund</b>	<b>-</b>	<b>12,459,468</b>	<b>12,459,468</b>
Nonmajor governmental funds:			
Community services act fund	-	317,980	317,980
Social services fund	-	1,611,681	1,611,681
Grants fund	340,942	537,593	878,535
Donations fund	-	(17,434)	(17,434)
Community development fund	548,435	-	548,435
<b>Total nonmajor governmental funds</b>	<b>889,377</b>	<b>2,449,820</b>	<b>3,339,197</b>
<b>Total governmental activities</b>	<b>\$ 889,377</b>	<b>14,909,288</b>	<b>15,798,665</b>

**(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	\$ 18,893	-	-	18,893	296,880	-
Parking space rentals	-	-	-	-	-	54,835
Notes receivable	-	4,152	-	4,152	23,045	15,986
BHS fees	-	-	222,911	222,911	-	-
Stormwater fees	-	-	183,392	183,392	-	-
<b>Total unearned revenues</b>	<b>\$ 18,893</b>	<b>4,152</b>	<b>406,303</b>	<b>429,348</b>	<b>319,925</b>	<b>70,821</b>

**(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 \$4,761,875 reported as landfill closure and postclosure care liability at June 30, 2014 represents the cumulative amount reported to date based on the use of 48% of the estimated capacity of the landfill. The City will recognize the remaining estimated cost of closure and post-closure care of \$5,158,698 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 2014. 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 40.7 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.

**(14) CONTINGENT LIABILITIES**

**Litigation**

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

**Federally Assisted Grant Programs**

The City participates in a number of federally assisted grant programs. Although the City has been audited in accordance with the provisions of OMB Circular A-133, these programs are still subject to financial and compliance audits by the grantors or their representatives. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grant. Based on prior experience, City management believes such disallowances, if any, will not be significant.

**Joint Ventures**

***Hampton Roads Regional Jail Authority***

The City has agreed to pay its proportionate share of the debt service, issued by the Hampton Roads Regional Jail Authority (the Jail Authority), subject to the appropriation of funds for such purpose, if the Jail Authority lacks sufficient funds to do so. The outstanding balance as of June 30, 2014 is \$41,020,000. The purpose of the Jail Authority is to operate a jail facility in the City to hold prisoners primarily from member jurisdictions and from other jurisdictions on a space available basis. The Jail Authority is governed by a twelve-member board consisting of three representatives from each member jurisdiction, namely the City Manager, the Sheriff, and one member of the City Council (as designated by the City Council). The agreement of the member jurisdictions to pay is not legally binding and is allocated as follows: Portsmouth, 28.6%; Hampton, 20.0%; Newport News, 22.8%; and Norfolk, 28.6%. No payments were made under the provisions of this agreement during the year ended June 30, 2014.

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

**(15) SELF-INSURANCE PROGRAMS**

***City***

The City is self-insured for exposures to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; terrorist acts; and natural disasters. The City uses internal service funds such as the Risk Management Fund to account for and finance its uninsured risks of loss and the Health Insurance Fund to pay health insurance premiums. The Risk Management Fund pays insurance premiums and provides for payment of approved claims for workers' compensation, general

## Notes to Basic Financial Statements, Continued

liability, fidelity, wharfingers, hull and machinery, and property. The property deductible is \$100,000 per occurrence with a \$395,305,426 loss limit per occurrence. The City purchases commercial excess insurance policies for workers' compensation and general liability. For the fiscal years ending June 30, 2013 and June 30, 2014, 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 \$11,596,960 (undiscounted) reported in the fund at June 30, 2014 is based on the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The amount due within one year is \$2,463,900. A loss analysis, which included an estimate of incurred but not reported claims, was conducted by Glicksman Consulting LLC, as of June 30, 2014 to compute this liability.

Changes in the fund's claims liability amount in fiscal years 2014 and 2013 were:

	2014	2013
Risk management claims payable at beginning of year	\$ 12,502,827	12,490,797
Risk management claims expense and changes in estimates	1,906,378	2,489,045
Risk management claims payments, net	(2,812,245)	(2,477,015)
Risk management claims payable at end of year	\$ 11,596,960	12,502,827

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, 2014 is \$ 2,549,000 (undiscounted) and is due within one year. A loss analysis, which included an estimate of incurred but not reported claims, was conducted by Mercer Human Resource Consulting, Incorporated as of June 30, 2014 to compute this liability.

Changes in the medical claim liability amount in fiscal years 2014 and 2013 were:

	2014	2013
Medical claims payable at beginning of year	\$ 1,683,000	1,385,000
Medical claims expense and changes in estimates	24,886,714	21,945,758
Medical claims payments	(24,020,714)	(21,647,758)
Medical claims payable at end of year	\$ 2,549,000	1,683,000

**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

## Notes to Basic Financial Statements, Continued

liability. A loss analysis was conducted by Glicksman Consulting, LLC on this fund. The actuarially computed liability as of June 30, 2014 was determined to be \$1,977,122 (undiscounted).

Changes in the school's claim liability amount in fiscal years 2014 and 2013 were:

	2014	2013
Claims payable at beginning of year	\$ 2,387,438	2,364,402
Claims and changes in estimates	(1,309)	733,157
Claim payments	(409,007)	(710,121)
Claims payable at end of year	\$ 1,977,122	2,387,438

**(16) RELATED ORGANIZATIONS**

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

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

**(17) PENSION TRANSFER**

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

**(18) RESTATEMENT**

The new fixed asset system that was implemented during fiscal year 2013 has helped the City continue to identify capital assets that were inaccurately recorded in prior financial statements. As a result, these items required a restatement of prior period capital asset balances in the amount of \$7,963,656.

Through an internal review of the Social Services Fund, the City discovered that the fund balance was overstated by \$672,833 in intergovernmental revenue and \$52,368 in expenditures. As a result, this required a restatement of prior period fund balance in the amount of \$620,465.

## Notes to Basic Financial Statements, Continued

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

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Net position, as previously reported	\$ 269,135,099	185,864,790	454,999,889
Prior period capital asset adjustments:			
General Government	(721,906)	-	(721,906)
Public Utility	-	(7,241,750)	(7,241,750)
<u>Total capital asset adjustments</u>	<u>(721,906)</u>	<u>(7,241,750)</u>	<u>(7,963,656)</u>
Prior period revenue/expense adjustments:			
Health and Welfare	(620,465)	-	(620,465)
<u>Total revenue/expense adjustments</u>	<u>(620,465)</u>	<u>-</u>	<u>(620,465)</u>
Net position, as restated	<u>\$ 267,792,728</u>	<u>178,623,040</u>	<u>446,415,768</u>

	<u>Social Services Fund</u>	<u>Public Utility Fund</u>
Net position, as previously reported	\$ 438,392	170,471,250
Prior period capital asset adjustments	-	(7,241,750)
Prior period revenue/expenditure adjustments	<u>(620,465)</u>	<u>-</u>
Net position, as restated	<u>\$ (182,073)</u>	<u>163,229,500</u>



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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, 2014**

**Exhibit I-1**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>Taxes:</b>				
General property taxes:				
Real property - current	\$ 84,889,109	84,889,109	86,230,626	1,341,517
Real property - delinquent	1,678,227	1,678,227	1,566,791	(111,436)
Real property - Public Services Corporation	1,806,490	1,806,490	1,746,916	(59,574)
Personal property - current	18,225,532	18,225,532	18,674,391	448,859
Personal property - delinquent	1,952,075	1,952,075	2,505,748	553,673
Personal property - Public Services Corporation	3,596,796	3,596,796	3,432,008	(164,788)
Machine and tool taxes	1,115,070	1,115,070	1,238,588	123,518
Penalties and other charges	1,218,659	1,218,659	1,386,660	168,001
Interest	541,069	541,069	544,400	3,331
<b>Total general property taxes</b>	<b>115,023,027</b>	<b>115,023,027</b>	<b>117,326,128</b>	<b>2,303,101</b>
Other local taxes:				
Admission and amusement taxes	241,101	241,101	192,996	(48,105)
Bank franchise taxes	355,202	355,202	374,280	19,078
Business and occupational license taxes	5,858,000	5,858,000	6,180,757	322,757
Cigarette taxes	2,900,000	2,900,000	2,781,446	(118,554)
Licensing fees - current	1,636,800	1,636,800	1,733,348	96,548
Licensing fees - delinquent	461,809	461,809	370,170	(91,639)
Lodging taxes	716,851	716,851	735,321	18,470
Motor vehicle license fee	1,000	1,000	425	(575)
Recordation taxes	663,733	663,733	885,283	221,550
Restaurant food taxes	7,029,436	7,029,436	7,381,589	352,153
Sales and use tax - local	7,057,447	7,057,447	7,435,543	378,096
Short-term rental taxes	34,998	34,998	28,362	(6,636)
Telecommunications	8,467,367	8,467,367	8,336,224	(131,143)
<b>Total other local taxes</b>	<b>35,423,744</b>	<b>35,423,744</b>	<b>36,435,744</b>	<b>1,012,000</b>
Utility taxes:				
Electricity taxes	3,608,681	3,608,681	3,997,984	389,303
E-911 taxes	-	-	436,378	436,378
Gas taxes	1,382,719	1,382,719	1,407,600	24,881
Water taxes	2,328,490	2,328,490	2,303,503	(24,987)
<b>Total utility taxes</b>	<b>7,319,890</b>	<b>7,319,890</b>	<b>8,145,465</b>	<b>825,575</b>
<b>Total taxes</b>	<b>157,766,661</b>	<b>157,766,661</b>	<b>161,907,337</b>	<b>4,140,676</b>
Intergovernmental revenue:				
Commonwealth of Virginia:				
Noncategorical aid:				
Mobile home sales taxes	-	-	1,459	1,459
Personal property tax relief act	9,862,962	9,862,962	9,862,962	-
Recordation tax distribution	294,185	294,185	214,762	(79,423)
Rolling stock taxes	34,368	34,368	45,813	11,445
Vehicle rental tax	367,075	367,075	237,813	(129,262)

(continued)

**CITY OF PORTSMOUTH, VIRGINIA**  
**Budgetary Comparison Schedule**  
**Schedule of Revenues and Other Financing Sources**  
**General Fund**  
**For year ended June 30, 2014**

**Exhibit I-1 (continued)**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
Circuit Court Clerk	\$ 897,274	897,274	910,076	12,802
City Registrar	40,932	40,932	52,287	11,355
City Sheriff	5,942,019	5,942,019	5,910,845	(31,174)
City Treasurer	290,025	290,025	284,399	(5,626)
Commissioner of Revenue	257,932	257,932	244,302	(13,630)
Commonwealth Attorney	1,820,570	1,820,570	1,759,743	(60,827)
DMV select	69,124	69,124	88,736	19,612
VA Sports Hall of Fame	500,000	500,000	500,000	-
VA Dept of Emerg Management	-	-	412,687	412,687
Other categorical aid:				
Build America Bond Subsidy	541,726	541,726	481,005	(60,721)
Correctional facilities block grant	1,230,817	1,230,817	1,099,876	(130,941)
Law enforcement grant	5,786,667	5,786,667	5,786,668	1
Library funds - books	152,577	152,577	117,369	(35,208)
Street and highway maintenance	11,083,972	11,382,768	11,387,539	4,771
<b>Total Commonwealth of Virginia</b>	<b>39,172,225</b>	<b>39,471,021</b>	<b>39,398,341</b>	<b>(72,680)</b>
<b>Total intergovernmental revenue</b>	<b>39,172,225</b>	<b>39,471,021</b>	<b>39,398,341</b>	<b>(72,680)</b>
Charges for services:				
Ambulance fees - current	2,260,000	2,260,000	1,451,680	(808,320)
Circuit Court Clerk fees	8,689	8,689	10,287	1,598
City Sheriff fees	19,197	151,430	154,859	3,429
Concession fees	17,680	17,680	11,195	(6,485)
ATM Fees	-	-	2,166	2,166
EZ Pass fees	-	211,400	207,725	(3,675)
Courthouse maintenance fees	56,815	56,815	54,307	(2,508)
Courthouse replacement fees	69,131	69,131	74,959	5,828
False alarm fees	21,218	21,218	15,380	(5,838)
Fire report fees	1,125	1,125	1,060	(65)
Fire and EMS attendance fees	-	9,030	12,260	3,230
Library fines and fees	31,800	33,177	23,500	(9,677)
DNA sample	825	825	653	(172)
Merchandise commissions	1,261	1,261	1,810	549
Erosion and sediment control	147,396	147,396	132,453	(14,943)
Monument restoration	-	47,780	47,780	-
Museum admission charges	1,031,006	1,136,340	951,085	(185,255)
Cable TV local access channel fees	98,295	98,295	78,214	(20,081)
Notary Fees	-	-	235	235
Concealed carry permit	-	-	32,419	32,419
Fees-Police firearms buyback	-	14	14	-
Police record fees	44,091	44,091	42,542	(1,549)
Recreation activity fees	176,242	183,780	184,682	902
Rental inspection fees	55,103	55,103	50,885	(4,218)
Inspections	37,162	37,162	132,787	95,625
Plans and specifications	3,585	3,585	2,885	(700)
Swimming fees	-	-	59	59
Vacant structure	5,437	5,437	5,875	438
UMOJA	-	17,033	17,033	-
Cock Island Race	-	14,894	14,894	-
Splash Park	4,000	4,000	261	(3,739)
Pokey Smokey II	-	7,515	7,515	-
Ticket sales-Visitor Center	-	27,557	27,557	-
EMS collections - delinquent	50,000	50,000	80,307	30,307
Bicycle storage	-	-	85	85
Certificate of Occupancy	-	-	175	175
<b>Total charges for services</b>	<b>4,140,058</b>	<b>4,721,763</b>	<b>3,831,583</b>	<b>(890,180)</b>

(continued)

**CITY OF PORTSMOUTH, VIRGINIA**  
**Budgetary Comparison Schedule**  
**Schedule of Revenues and Other Financing Sources**  
**General Fund**  
**For year ended June 30, 2014**

**Exhibit I-1 (continued)**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
Investment income-				
Investment income	\$ 16,631	16,631	41,600	24,969
Unrealized Gain or Loss	-	-	6,285	6,285
<b>Total investment income</b>	<b>16,631</b>	<b>16,631</b>	<b>47,885</b>	<b>31,254</b>
Recovered costs:				
City garage fund	567,264	567,264	567,264	-
Information technology fund	286,557	286,557	286,557	-
Court appointed attorneys	1,357	1,357	1,091	(266)
Golf fund	106,047	106,047	106,047	-
Health department	59,477	59,477	82,430	22,953
Health insurance fund	3,352	3,352	3,352	-
Law library fund	3,659	3,659	3,659	-
Behavioral health services fund	310,952	310,952	310,952	-
DEA	55,982	55,982	12,612	(43,370)
Training academy upkeep	51,130	51,130	25,000	(26,130)
Parking authority	45,484	45,484	45,484	-
Citywide telephone charges	180,720	180,720	189,031	8,311
Fire watch/EMS	50,566	50,566	21,777	(28,789)
Postage	335,653	335,653	295,999	(39,654)
Public utility fund	689,358	689,358	757,047	67,689
Risk management fund	4,849	4,849	4,849	-
Social security payments - jail	9,180	9,180	1,400	(7,780)
Stormwater management fund	56,678	56,678	53,678	(3,000)
Social services fund	513,774	513,774	513,774	-
Waste management fund	181,638	181,638	181,638	-
Jail weekends	-	-	17,594	17,594
Prisoner upkeep fees	32,347	32,347	52,892	20,545
Fed prisoner transport	9,704	9,704	6,000	(3,704)
Other recovered costs	107,100	107,100	98,687	(8,413)
<b>Total recovered costs</b>	<b>3,662,828</b>	<b>3,662,828</b>	<b>3,638,814</b>	<b>(24,014)</b>
Fines and forfeitures:				
Circuit Court fines	16,717	16,717	12,870	(3,847)
Conviction fees	155,855	155,855	139,403	(16,452)
General District Court fines	914,678	914,678	474,195	(440,483)
Overweight vehicle fines	-	-	5,496	5,496
Juvenile Court fines	2,482	2,482	1,445	(1,037)
<b>Total fines and forfeitures</b>	<b>1,089,732</b>	<b>1,089,732</b>	<b>633,409</b>	<b>(456,323)</b>
Licenses and permits:				
Bicycle licenses	335	335	319	(16)
Building plan review fees	23,253	23,253	34,340	11,087
Building reinspection fees	6,826	6,826	3,150	(3,676)
Building structure permits	270,935	270,935	317,176	46,241
Dog impounding fees	1,026	1,026	1,450	424
Dog licenses	29,809	29,809	27,332	(2,477)
Electrical inspection fees	29,674	29,674	26,835	(2,839)
Electrical permits	76,617	76,617	74,664	(1,953)
Elevator inspection fees	3,683	3,683	5,585	1,902
Hauling and permits fees	69,390	69,390	89,650	20,260

(continued)

**CITY OF PORTSMOUTH, VIRGINIA**  
**Budgetary Comparison Schedule**  
**Schedule of Revenues and Other Financing Sources**  
**General Fund**  
**For year ended June 30, 2014**

**Exhibit I-1 (continued)**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
License transfer fees	\$ 2,593	2,593	2,756	163
Mechanical inspection fees	1,935	1,935	1,180	(755)
Mechanical permits	115,344	115,344	122,828	7,484
Miscellaneous permits	14,455	14,455	16,805	2,350
Permits-PRHA	2,100	2,100	3,000	900
Penalties on licenses	56,760	56,760	40,114	(16,646)
Plumbing inspection fees	100	100	35	(65)
Plumbing permits	46,792	46,792	60,610	13,818
Restricted parking permits	3,774	3,774	3,477	(297)
Right of way permits	53,043	53,043	97,815	44,772
Sign permit fees	3,741	3,741	4,179	438
Site plan review fees	7,027	7,027	6,375	(652)
State surcharge on permits	2,000	2,000	93	(1,907)
Taxi operators permits	2,433	2,433	2,010	(423)
Yard sale permits	2,944	2,944	3,220	276
Zoning and plat fees	24,563	24,563	14,488	(10,075)
<b>Total licenses and permits</b>	<b>851,152</b>	<b>851,152</b>	<b>959,486</b>	<b>108,334</b>
Use of property:				
Rental of antenna sites	112,827	112,827	88,032	(24,795)
Rental of recreation facilities	23,396	24,832	44,114	19,282
Rental of general properties	1,634,813	1,634,813	1,630,742	(4,071)
<b>Total use of property</b>	<b>1,771,036</b>	<b>1,772,472</b>	<b>1,762,888</b>	<b>(9,584)</b>
Miscellaneous:				
Admin fee - state income tax	810	810	240	(570)
Admin fee - RE	402,138	402,138	431,386	29,248
Admin fee - PP	932,505	932,505	905,242	(27,263)
Admin fee - Parking	45,698	45,698	54,450	8,752
Admin fee - EMS	19,304	19,304	5,272	(14,032)
Admin fees 6 to 6	-	-	60	60
Returned check fee	-	-	250	250
Vending Machine Commissions	4,461	8,160	8,695	535
Gift shop sales	-	194,775	194,666	(109)
Sale of abandoned property	1,686	1,686	2,993	1,307
Other revenue	25,000	281,140	434,510	153,370
Unclaimed property tax refunds	68,704	68,704	9,070	(59,634)
Payments in lieu of taxes:				
Housing Authority	47,189	47,189	29,768	(17,421)
Regional Jail	505,219	505,219	935,117	429,898
Virginia Port Authority	399,254	399,254	395,445	(3,809)
Public utility fund	1,067,460	1,067,460	1,069,990	2,530
Cash Over/Under	-	-	41	41
Payment from Portsmouth Public Schools	3,400,000	3,400,000	21,653	(3,378,347)
<b>Total miscellaneous revenue</b>	<b>6,919,428</b>	<b>7,374,042</b>	<b>4,498,848</b>	<b>(2,875,194)</b>
<b>Total revenues</b>	<b>215,389,751</b>	<b>216,726,302</b>	<b>216,678,591</b>	<b>(47,711)</b>

(continued)

**CITY OF PORTSMOUTH, VIRGINIA**  
**Budgetary Comparison Schedule**  
**Schedule of Revenues and Other Financing Sources**  
**General Fund**  
**For year ended June 30, 2014**

**Exhibit I-1 (continued)**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
Planned use of fund balance	\$ 6,987,371	182,897,023	-	(182,897,023)
Other financing sources:				
Payments from Economic Development Authority	125,000	125,000	135,417	10,417
BHS	338,000	338,000	338,000	-
Stormwater Management	410,689	410,689	410,689	-
In - Donations	-	(27,529)	102,100	129,629
Public utility fund	8,875,000	8,875,000	8,875,000	-
Capital improvement fund	560,000	560,000	560,000	-
<b>Total other financing sources</b>	<b>10,308,689</b>	<b>10,281,160</b>	<b>10,421,206</b>	<b>140,046</b>
<b>Total revenues and other financing sources</b>	<b>\$ 232,685,811</b>	<b>409,904,485</b>	<b>227,099,797</b>	<b>(182,804,688)</b>

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, 2014**

**Exhibit I-2**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
General government:				
Administration:				
Legislative:				
City council	\$ 328,497	312,268	272,723	39,545
City clerk	320,013	320,580	317,760	2,820
City auditor	121,698	124,860	118,948	5,912
Total legislative	770,208	757,708	709,431	48,277
Executive:				
City manager	868,629	978,845	955,851	22,994
Management and legislative services	400,036	418,381	415,056	3,325
Communication and marketing	1,639,793	1,695,561	1,693,693	1,868
Total executive	2,833,458	3,029,487	3,036,489	28,187
Boards and commissions				
Civil service commission	97,180	97,180	30,266	66,914
General registrar	556,573	567,129	549,276	17,853
Total boards and commissions	653,753	664,309	579,542	84,767
Total administration	4,257,419	4,451,504	4,325,462	126,042
City attorney	1,470,889	1,455,482	1,319,005	136,477
Human resource management	1,130,171	1,121,001	975,675	145,326
Financial administration:				
Commissioner of revenue	1,645,115	1,645,115	1,622,465	22,650
City assessor	841,142	879,314	869,832	9,482
City treasurer	1,894,172	2,211,237	2,262,956	(51,719)
Procurement and risk management	1,116,988	1,328,115	1,153,019	175,096
Finance	1,889,501	1,880,305	1,658,738	221,567
Total financial administration	7,386,918	7,944,086	7,567,010	377,076
Public transportation	3,047,838	3,047,838	2,420,795	627,043
<b>Total general government</b>	17,293,235	18,019,911	16,607,947	1,411,964
Nondepartmental:				
Miscellaneous	13,603,643	181,347,380	180,402,363	945,017
Support to civic organizations	415,926	443,126	428,362	14,764
<b>Total nondepartmental</b>	14,019,569	181,790,506	180,830,725	959,781

(continued)

**CITY OF PORTSMOUTH, VIRGINIA**  
**Budgetary Comparison Schedule**  
**Schedule of Expenditures and Other Financing Uses**  
**General Fund**  
**Year ended June 30, 2014**

**Exhibit I-2 (continued)**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>Judicial:</b>				
Circuit court judges	\$ 554,989	539,989	518,005	21,984
Circuit court clerk	1,565,365	1,552,618	1,489,888	62,730
Magistrate	11,743	9,958	8,036	1,922
General district court	50,905	47,690	32,641	15,049
Juvenile and domestic relations court	29,963	27,963	23,787	4,176
Juvenile court services	1,180,891	1,310,891	1,261,331	49,560
Commonwealths attorney	2,980,477	2,952,477	2,901,479	50,998
Sheriff	12,993,041	13,260,415	13,232,418	27,997
<b>Total judicial</b>	<b>19,367,374</b>	<b>19,702,001</b>	<b>19,467,585</b>	<b>234,416</b>
<b>Public Safety:</b>				
Police	33,259,648	28,935,781	27,758,529	1,177,252
E-911 communications	2,008,489	1,993,191	1,926,174	67,017
Operations Support bureau	62,702	62,702	296,508	(233,806)
Admin & Support bureau	-	(1)	397,287	(397,288)
Field Operations bureau	15,210	15,596	24,250	(8,654)
Animal control & security	859,010	851,631	744,871	106,760
Fire, rescue, and emergency services	27,118,514	22,731,547	22,249,690	481,857
<b>Total public safety</b>	<b>63,323,573</b>	<b>54,590,447</b>	<b>53,397,309</b>	<b>1,193,138</b>
<b>Public works:</b>				
Engineering	1,361,549	1,291,237	1,078,343	212,894
Streets and highways	3,493,214	3,735,178	3,624,083	111,095
Mosquito control	484,794	488,519	451,696	36,823
Traffic engineering	2,716,606	2,692,244	2,483,454	208,790
<b>General services:</b>				
Properties management	3,746,899	3,721,245	3,741,671	(20,426)
Utilities	2,699,500	2,699,500	2,222,291	477,209
Rental of land and buildings	654,757	654,757	596,970	57,787
Storeroom	-	-	(10,095)	10,095
Harbor Center pavilion	350,135	350,135	339,765	10,370
Landscape maintenance	-	787,024	810,628	(23,604)
<b>Total public works</b>	<b>15,507,454</b>	<b>16,419,839</b>	<b>15,338,806</b>	<b>1,081,033</b>
<b>Health and welfare</b>	<b>1,187,134</b>	<b>1,246,672</b>	<b>1,246,672</b>	<b>-</b>
<b>Parks, recreation, and cultural:</b>				
Museum	1,764,811	2,250,160	2,250,162	(2)
Parks, recreational, and cultural	6,525,827	5,622,083	4,957,634	664,449
Public library	2,209,126	2,176,774	2,139,422	37,352
<b>Total parks, recreation, and cultural</b>	<b>10,499,764</b>	<b>10,049,017</b>	<b>9,347,218</b>	<b>701,799</b>

(continued)

**CITY OF PORTSMOUTH, VIRGINIA**  
**Budgetary Comparison Schedule**  
**Schedule of Expenditures and Other Financing Uses**  
**General Fund**  
**Year ended June 30, 2014**

**Exhibit I-2 (continued)**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
Community development:				
Permits and inspections	\$ 2,399,958	1,171,272	1,130,410	40,862
Economic development	885,291	941,870	896,011	45,859
Neighborhood advancement	-	1,488,720	1,391,609	97,111
Planning	1,618,615	1,533,536	1,400,491	133,045
<b>Total community development</b>	<b>4,903,864</b>	<b>5,135,398</b>	<b>4,818,521</b>	<b>316,877</b>
<b>Education</b>	<b>47,300,000</b>	<b>50,278,935</b>	<b>50,278,935</b>	<b>-</b>
Debt service:				
Debt service	25,975,605	-	-	-
Fiscal charges	15,000	-	-	-
<b>Total expenditures</b>	<b>219,467,572</b>	<b>357,296,026</b>	<b>351,361,829</b>	<b>5,934,197</b>
Other financing uses:				
Transfers to other funds:				
Behavioral health services fund	(692,413)	(692,413)	(692,413)	-
Social services fund	(4,772,167)	(4,772,167)	(4,380,341)	391,826
Comprehensive services fund	(1,529,079)	(1,529,079)	(947,242)	581,837
Grants fund	-	-	(378,867)	(378,867)
Waste management fund	(280,000)	(280,000)	(280,000)	-
Parking authority	(64,397)	(64,397)	(64,397)	-
Golf	(1,271,332)	(1,271,332)	(1,271,332)	-
Willett Hall fund	(92,812)	(92,812)	(92,812)	-
Debt service	-	(35,412,220)	(35,104,894)	307,326
Capital Improvements	(4,516,039)	(8,494,039)	(26,112,511)	(17,618,472)
<b>Total transfers to other funds</b>	<b>(13,218,239)</b>	<b>(52,608,459)</b>	<b>(69,324,809)</b>	<b>(16,716,350)</b>
<b>Total other financing uses</b>	<b>(13,218,239)</b>	<b>(52,608,459)</b>	<b>(69,324,809)</b>	<b>(16,716,350)</b>
<b>Total expenditures and other financing sources (uses)</b>	<b>232,685,811</b>	<b>409,904,485</b>	<b>420,686,638</b>	<b>10,782,153</b>
Net change in fund balance	-	-	(193,586,841)	(193,586,841)
Fund balance - beginning	-	-	264,722,952	264,722,952
Fund balance - ending	\$ -	-	71,136,111	71,136,111

Unaudited – see accompanying report of independent auditor.

**Budgetary Comparison Schedule**

**Note to Required Supplementary Information**

**General Fund**

**Year ended June 30, 2014**

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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, 2014, as amended. The budget as adopted by the City Council may be amended by the City Council through supplemental appropriations or transfers, as necessary. The legal level of budgetary control rests at the fund level with the exception of the General Fund, which is appropriated at the activity or function level. In addition, the City Code provides that the City Manager may transfer any unencumbered appropriation balance less than \$100,000 from one department, project, program, or purpose within the same fund. Also, the City Manager may transfer any or all of the unencumbered balance of the emergency contingency account to any item in the City budget provided that any such utilization from the emergency budget contingency is reported to the City Council at the next regular council meeting.

The General, Special Revenue, and all proprietary funds have legally adopted annual budgets with the exception of the Grants Fund, 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 generally accepted accounting principles (GAAP).

Required Supplementary Information (Unaudited)

Schedule of Funding Progress for Virginia Retirement System 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
<b>VIRGINIA RETIREMENT SYSTEM PLANS:</b>						
<i>A. City of Portsmouth Employees:</i>						
6/30/2013	\$ 215,522,103	270,968,771	55,446,668	80 %	60,835,483	91 %
6/30/2012	207,498,444	266,104,881	58,606,437	78 %	64,532,134	91 %
6/30/2011	205,840,390	255,942,936	50,102,546	80 %	63,694,256	79 %
<i>B. School Board Nonprofessional Employees</i>						
6/30/2013	\$ 25,087,356	35,854,243	10,766,887	70 %	7,127,249	151 %
6/30/2012	24,997,565	35,749,827	10,752,262	70 %	6,749,363	159 %
6/30/2011	25,829,515	35,671,426	9,841,911	72 %	6,989,874	141 %

Unaudited - see accompanying report of independent auditor.

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

	Virginia Retirement System
Valuation date	6/30/2013
Actuarial cost method	Entry age normal
Amortization method	Level percent, open
Remaining amortization period	30 Years
Asset valuation method	Five-Year Smoothed Market Value
Actuarial assumptions:	
Investment rate of return	7.00 %
Projected salary increases:	
Non-LEO Employees	3.75 - 5.60 %
LEO Employees	3.50 - 4.75 %
Cost-of-living adjustments	2.25 - 2.50 %

Unaudited - see accompanying report of independent auditor.

**Required Supplementary Information (Unaudited)**  
**Schedule of Changes in the City's Net Pension Liability and Related Ratios ( PSRS)**  
**Fiscal Year Ended June 30, 2014**

<b><u>Total pension liability</u></b>	<b><u>2014</u></b>
Service cost	N/A
Interest	N/A
Changes in benefit terms	N/A
Differences between expected and actual experience	N/A
Changes of assumptions	N/A
Benefit payments, including refunds of member contributions	N/A
<b>Net change in total pension liability</b>	N/A
<b>Total pension liability - beginning</b>	N/A
<b>Total pension liability - ending (a)</b>	<b>\$ 94,478,524</b>
<b>Plan fiduciary net position</b>	
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	1,071,243
Plan fiduciary net position - beginning	70,476,413
Plan fiduciary net position - ending (b)	\$ 71,547,656
City's net pension liability (a) - (b)	\$ 22,930,868
Plan fiduciary net position as a percentage of total pension liability	75.73%
Covered employee payroll	\$ 1,195,973
City's net pension liability as a percentage of covered employee payroll	1917.34%

Note to schedule -

Fiscal year ended June 30, 2014 is the first year of implementation of GASB 67. As such, only one year of trend information is available. Additional years will be added as the information becomes available until a full 10-year trend is compiled.

**Required Supplementary Information (Unaudited)**  
**Schedule of City Contributions and Schedule of Investments (PSRS)**  
**Fiscal Year Ended June 30, 2014**

	<u>2014</u>
Actuarially determined contribution	N/A
Contributions in relation to the actuarially determined contribution	N/A
Contribution deficiency (excess)	N/A
Covered employee payroll	N/A
Contributions as a percentage of covered-employee payroll	N/A
<b>Notes to schedule -</b>	
Measurement date	June 30, 2014
Methods and assumptions used to determine contribution rate:	
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	RP-2014 Generational Mortality Table (Scale MP-2014)
Projected rate of return	7.25%
Plan fiduciary net position	Fair market value of assets
Annual money-weighted rate of return, net of investment expense	13.95%

Fiscal year ended June 30, 2014 is the first year of implementation of GASB 67. As such, only one year of trend information is available. Additional years will be added as the information becomes available until a full 10-year trend is compiled.

**Required Supplementary Information (Unaudited)**  
**Schedule of Changes in the City's Net Pension Liability and Related Ratios ( FPRS)**  
**Fiscal Year Ended June 30, 2014**

<b><u>Total pension liability</u></b>	<b><u>2014</u></b>
Service cost	N/A
Interest	N/A
Changes in benefit terms	N/A
Differences between expected and actual experience	N/A
Changes of assumptions	N/A
Benefit payments, including refunds of member contributions	N/A
<b>Net change in total pension liability</b>	N/A
<b>Total pension liability - beginning</b>	N/A
<b>Total pension liability - ending (a)</b>	<b>\$ 254,866,184</b>
<b>Plan fiduciary net position</b>	
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	<u>7,458,987</u>
Plan fiduciary net position - beginning	187,926,711
Plan fiduciary net position - ending (b)	<u>\$ 195,385,698</u>
City's net pension liability (a) - (b)	<u>\$ 59,480,486</u>
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%

Note to schedule -

Fiscal year ended June 30, 2014 is the first year of implementation of GASB 67. As such, only one year of trend information is available. Additional years will be added as the information becomes available until a full 10-year trend is compiled.

**Required Supplementary Information (Unaudited)**  
**Schedule of City Contributions and Schedule of Investments (FPRS)**  
**Fiscal Year Ended June 30, 2014**

	<u>2014</u>
Actuarially determined contribution	N/A
Contributions in relation to the actuarially determined contribution	N/A
Contribution deficiency (excess)	N/A
Covered employee payroll	N/A
Contributions as a percentage of covered-employee payroll	N/A
<b>Notes to schedule -</b>	
Measurement date	June 30, 2014
Methods and assumptions used to determine contribution rate:	
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	RP-2014 Generational Mortality Table (Scale MP-2014)
Projected rate of return	7.25%
Plan fiduciary net position	Fair market value of assets
Annual money-weighted rate of return, net of investment expense	13.95%

Fiscal year ended June 30, 2014 is the first year of implementation of GASB 67. As such, only one year of trend information is available. Additional years will be added as the information becomes available until a full 10-year trend is compiled.

**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
<b>CITY OF PORTSMOUTH RETIRED EMPLOYEES HEALTH CARE PROGRAM:</b>						
7/1/2013	-	\$ 195,796,500	195,796,500	0%	70,574,100	277%
7/1/2012	-	195,796,500	195,796,500	0%	70,574,100	277%
7/1/2011	-	221,375,695	221,375,695	0%	78,275,583	283%
7/1/2010	-	221,375,695	221,375,695	0%	73,342,372	302%
7/1/2009	-	187,436,612	187,436,612	0%	77,011,285	243%

**SCHOOL BOARD PLAN:**

7/1/2013	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:**

6/30/2013	\$ 17,529,200	29.2%
6/30/2012	16,290,970	28.8%
6/30/2011	16,455,303	35.0%
6/30/2010	16,455,303	25.0%
6/30/2009	13,811,219	37.1%
6/30/2008	14,981,028	21.4%

**SCHOOL BOARD PLAN:**

6/30/2013	\$ 766,102	0.0%
6/30/2012	1,050,365	667.0%
6/30/2011	1,005,217	99.0%
6/30/2010	1,025,000	98.0%
6/30/2009	1,004,007	125.0%
6/30/2008	486,533	176.0%

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



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## **Nonmajor Governmental Funds**



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**CITY OF PORTSMOUTH, VIRGINIA**  
**Combining Balance Sheet**  
**Nonmajor Government Funds**  
**June 30, 2014**

**Exhibit J-1**

	Special Revenue Funds											Permanent Fund - Cemetary	Total
	Behavioral Health Services	Public Law Library	Social Services	Stormwater Management	Grants	Comprehensive Services	Donations	Willet Hall	Recreation	Community Development	Asset Forfeiture Fund		
<b>Assets:</b>													
Cash and temporary investments	\$ 3,811,328	29,896	-	2,576,863	584,376	130,553	2,278,839	523,613	327,973	-	521,687	1,570,339	12,355,467
Accounts receivable (net of allowance for uncollectibles \$556,778)	430,533	-	4,618	509,344	-	-	-	29,047	-	-	-	-	973,542
Due from other governments	-	-	1,611,681	-	878,535	317,980	(17,929)	-	-	548,435	495	-	3,339,197
Inventory of supplies	-	-	-	-	-	-	-	2,223	-	-	-	-	2,223
<b>Total assets</b>	<b>4,241,861</b>	<b>29,896</b>	<b>1,616,299</b>	<b>3,086,207</b>	<b>1,462,911</b>	<b>448,533</b>	<b>2,260,910</b>	<b>554,883</b>	<b>327,973</b>	<b>548,435</b>	<b>522,182</b>	<b>1,570,339</b>	<b>16,670,429</b>
<b>Liabilities:</b>													
Accounts payable	206,595	1,339	418,885	136,167	35,158	355,629	2,630	125,641	16,305	437,138	-	-	1,735,487
Accrued payroll	106,944	-	194,179	17,136	18,092	1,178	-	3,143	-	-	-	-	340,672
Due to other funds	-	-	1,194,625	-	-	-	-	-	-	537,607	-	-	1,732,232
Unearned revenues	222,911	-	-	183,392	-	-	-	-	-	-	-	-	406,303
<b>Total liabilities</b>	<b>536,450</b>	<b>1,339</b>	<b>1,807,689</b>	<b>336,695</b>	<b>53,250</b>	<b>356,807</b>	<b>2,630</b>	<b>128,784</b>	<b>16,305</b>	<b>974,745</b>	<b>-</b>	<b>-</b>	<b>4,214,694</b>
<b>Fund balances:</b>													
Nonspendable fund balances	-	-	-	-	-	-	-	2,223	-	-	-	1,000,000	1,002,223
Restricted fund balances	3,705,411	28,557	-	2,749,512	1,409,661	91,726	2,258,280	-	-	-	522,182	570,339	11,335,668
Committed fund balances	-	-	-	-	-	-	-	423,876	-	-	-	-	423,876
Assigned fund balances	-	-	-	-	-	-	-	-	311,668	-	-	-	311,668
Unassigned	-	-	(191,390)	-	-	-	-	-	-	(426,310)	-	-	(617,700)
<b>Total fund balances</b>	<b>3,705,411</b>	<b>28,557</b>	<b>(191,390)</b>	<b>2,749,512</b>	<b>1,409,661</b>	<b>91,726</b>	<b>2,258,280</b>	<b>426,099</b>	<b>311,668</b>	<b>(426,310)</b>	<b>522,182</b>	<b>1,570,339</b>	<b>12,455,735</b>
<b>Total liabilities and fund balances</b>	<b>\$ 4,241,861</b>	<b>29,896</b>	<b>1,616,299</b>	<b>3,086,207</b>	<b>1,462,911</b>	<b>448,533</b>	<b>2,260,910</b>	<b>554,883</b>	<b>327,973</b>	<b>548,435</b>	<b>522,182</b>	<b>1,570,339</b>	<b>16,670,429</b>

**CITY OF PORTSMOUTH, VIRGINIA**

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**

**Nonmajor Governmental Funds**

**Year ended June 30, 2014**

	Special Revenue Funds											Permanent Fund - Cemetery	Total
	Behavioral Health Services	Public Law Library	Social Services	Stormwater Management	Grants	Comprehensive Services	Donations	Willett Hall	Recreation	Community Development	Asset Forfeiture Fund		
<b>Revenues:</b>													
Intergovernmental	\$ 9,692,904	-	15,361,457	-	3,494,878	2,693,318	-	-	-	1,389,654	190,333	-	32,822,544
Charges for services	593,299	31,172	3,532	7,558,181	-	-	-	19,328	587,998	-	-	34,400	8,827,910
Investment income	2,744	-	-	1,690	-	-	-	275	209	-	-	2,056	6,974
Recovered costs	-	-	76,967	-	-	-	-	126,983	-	-	-	-	203,950
Use of property	-	-	-	-	-	-	-	69,778	-	100,548	-	-	170,326
Miscellaneous	67	-	16,733	5,544	11,350	-	-	-	-	-	-	-	33,694
<b>Total revenues</b>	<b>10,289,014</b>	<b>31,172</b>	<b>15,458,689</b>	<b>7,565,415</b>	<b>3,506,228</b>	<b>2,693,318</b>	<b>-</b>	<b>216,364</b>	<b>588,207</b>	<b>1,490,202</b>	<b>190,333</b>	<b>36,456</b>	<b>42,065,398</b>
<b>Expenditures:</b>													
<b>Current:</b>													
General government	-	-	-	-	-	-	-	-	-	-	-	10,200	10,200
Judicial	-	26,520	-	-	1,025,555	-	-	-	-	-	27,889	-	1,079,964
Public safety	-	-	-	-	716,457	-	-	-	-	-	-	-	716,457
Public works	-	-	-	2,071,874	-	-	-	-	-	-	103,487	-	2,175,361
Health and welfare	9,348,059	-	19,250,503	-	527,258	3,548,834	151,423	-	-	-	-	-	32,826,077
Parks, recreational, cultural	-	-	-	-	372,815	-	-	252,343	457,068	-	-	-	1,082,226
Community development	-	-	-	-	3,903	-	-	-	-	1,895,355	-	-	1,899,258
Capital outlay	7,388	-	-	423,330	73,816	-	-	-	-	24,292	-	-	528,826
<b>Total expenditures</b>	<b>9,355,447</b>	<b>26,520</b>	<b>19,250,503</b>	<b>2,495,204</b>	<b>2,719,804</b>	<b>3,548,834</b>	<b>151,423</b>	<b>252,343</b>	<b>457,068</b>	<b>1,919,647</b>	<b>131,376</b>	<b>10,200</b>	<b>40,318,369</b>
<b>Revenues over (under) expenditures</b>	<b>933,567</b>	<b>4,652</b>	<b>(3,791,814)</b>	<b>5,070,211</b>	<b>786,424</b>	<b>(855,516)</b>	<b>(151,423)</b>	<b>(35,979)</b>	<b>131,139</b>	<b>(429,445)</b>	<b>58,957</b>	<b>26,256</b>	<b>1,747,029</b>
<b>Other financing sources (uses):</b>													
Transfers from other funds	692,413	-	4,380,341	-	396,217	947,242	-	92,812	-	-	-	-	6,509,025
Transfers to other funds	(1,960,954)	-	(597,844)	(5,901,388)	-	-	(102,100)	-	-	-	-	-	(8,562,286)
<b>Total other financing sources (uses)</b>	<b>(1,268,541)</b>	<b>-</b>	<b>3,782,497</b>	<b>(5,901,388)</b>	<b>396,217</b>	<b>947,242</b>	<b>(102,100)</b>	<b>92,812</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,053,261)</b>
<b>Net change in fund balances</b>	<b>(334,974)</b>	<b>4,652</b>	<b>(9,317)</b>	<b>(831,177)</b>	<b>1,182,641</b>	<b>91,726</b>	<b>(253,523)</b>	<b>56,833</b>	<b>131,139</b>	<b>(429,445)</b>	<b>58,957</b>	<b>26,256</b>	<b>(306,232)</b>
<b>Fund balances, beginning of year, as restated (note 18)</b>	<b>4,040,385</b>	<b>23,905</b>	<b>(182,073)</b>	<b>3,580,689</b>	<b>227,020</b>	<b>-</b>	<b>2,511,803</b>	<b>369,266</b>	<b>180,529</b>	<b>3,135</b>	<b>463,225</b>	<b>1,544,083</b>	<b>12,761,967</b>
<b>Fund balances, end of year</b>	<b>\$ 3,705,411</b>	<b>28,557</b>	<b>(191,390)</b>	<b>2,749,512</b>	<b>1,409,661</b>	<b>91,726</b>	<b>2,258,280</b>	<b>426,099</b>	<b>311,668</b>	<b>(426,310)</b>	<b>522,182</b>	<b>1,570,339</b>	<b>12,455,735</b>

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, 2014

	Behavioral Health Services			Public Law Library		
	Budget	Actual	Variance favorable (unfavorable)	Budget	Actual	Variance favorable (unfavorable)
Revenues:						
Intergovernmental	\$ 10,202,156	9,692,904	(509,252)	\$ -	-	-
Charges for services	672,000	593,299	(78,701)	31,026	31,172	146
Investment income	-	2,744	2,744	-	-	-
Miscellaneous	1,750,000	67	(1,749,933)	-	-	-
Total revenues	12,624,156	10,289,014	(2,335,142)	31,026	31,172	146
Expenditures:						
Health and welfare	11,348,215	9,348,059	2,000,156	-	-	-
Judicial	-	-	-	31,026	26,520	4,506
Capital outlay	7,400	7,388	12	-	-	-
Total expenditures	11,355,615	9,355,447	2,000,168	31,026	26,520	4,506
Revenues over (under) expenditures	1,268,541	933,567	(334,974)	-	4,652	4,652
Other financing sources (uses) -						
Transfers from other funds	692,413	692,413	-	-	-	-
Transfers to other funds	(1,960,954)	(1,960,954)	-	-	-	-
Total other financing sources (uses)	(1,268,541)	(1,268,541)	-	-	-	-
Revenues and other financing sources over/(under) expenditures and other financing uses	\$ -	(334,974)	(334,974)	\$ -	4,652	4,652
Fund balances at beginning of year		4,040,385	4,040,385		23,905	23,905
Fund balances at end of year		3,705,411	3,705,411		28,557	28,557

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, 2014

	Social Services			Stormwater Management		
	Budget	Actual	Variance favorable (unfavorable)	Budget	Actual	Variance favorable (unfavorable)
Revenues:						
Intergovernmental	\$ 18,996,567	15,361,457	(3,635,110)	\$ -	-	-
Charges for services	4,696	3,532	(1,164)	7,511,148	7,558,181	47,033
Investment income	-	-	-	-	1,690	1,690
Recovered costs	85,000	76,967	(8,033)	-	-	-
Miscellaneous	198,276	16,733	(181,543)	1,000,000	5,544	(994,456)
<b>Total revenues</b>	<b>19,284,539</b>	<b>15,458,689</b>	<b>(3,825,850)</b>	<b>8,511,148</b>	<b>7,565,415</b>	<b>(945,733)</b>
Expenditures:						
Health and welfare	23,294,951	19,250,503	4,044,448	-	-	-
Public works	-	-	-	2,183,738	2,071,874	111,864
Capital outlay	68,322	-	68,322	424,000	423,330	670
<b>Total expenditures</b>	<b>23,363,273</b>	<b>19,250,503</b>	<b>4,112,770</b>	<b>2,607,738</b>	<b>2,495,204</b>	<b>112,534</b>
Revenues over (under) expenditures	(4,078,734)	(3,791,814)	286,920	5,903,410	5,070,211	(833,199)
Other financing sources (uses) -						
Transfers from other funds	4,772,778	4,380,341	(392,437)	-	-	-
Transfers to other funds	(694,044)	(597,844)	96,200	(5,903,410)	(5,901,388)	2,022
<b>Total other financing sources (uses)</b>	<b>4,078,734</b>	<b>3,782,497</b>	<b>(296,237)</b>	<b>(5,903,410)</b>	<b>(5,901,388)</b>	<b>2,022</b>
Revenues and other financing sources over/(under) expenditures and other financing uses	\$ -	(9,317)	(9,317)	\$ -	(831,177)	(831,177)
Fund balances at beginning of year, as restated (note 18)		(182,073)	(182,073)		3,580,689	3,580,689
<b>Fund balances at end of year</b>		<b>(191,390)</b>	<b>(191,390)</b>		<b>2,749,512</b>	<b>2,749,512</b>

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, 2014

	Comprehensive Services			Willett Hall		
	Budget	Actual	Variance favorable (unfavorable)	Budget	Actual	Variance favorable (unfavorable)
Revenues:						
Intergovernmental	\$ 3,772,950	2,693,318	(1,079,632)	\$ -	-	-
Charges for services	-	-	-	20,000	19,328	(672)
Investment income	-	-	-	-	275	275
Recovered costs	-	-	-	125,000	126,983	1,983
Use of property	-	-	-	70,000	69,778	(222)
Miscellaneous	-	-	-	1,866	-	(1,866)
Total revenues	3,772,950	2,693,318	(1,079,632)	216,866	216,364	(502)
Expenditures:						
Health and welfare	5,302,029	3,548,834	1,753,195	-	-	-
Parks, recreational, and cultural	-	-	-	309,678	252,343	57,335
Total expenditures	5,302,029	3,548,834	1,753,195	309,678	252,343	57,335
Revenues over (under) expenditures	(1,529,079)	(855,516)	673,563	(92,812)	(35,979)	56,833
Other financing sources (uses) -						
Transfers from other funds	1,529,079	947,242	(581,837)	92,812	92,812	-
Total other financing sources (uses)	1,529,079	947,242	(581,837)	92,812	92,812	-
Revenues and other financing sources over/(under) expenditures and other financing uses	\$ -	91,726	91,726	\$ -	56,833	56,833
Fund balances at beginning of year		-	-		369,266	369,266
Fund balances at end of year		91,726	91,726		426,099	426,099

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, 2014

	Recreation			Community Development		
	Budget	Actual	Variance favorable (unfavorable)	Budget	Actual	Variance favorable (unfavorable)
Revenues:						
Intergovernmental	\$ -	-	-	\$ 17,522,220	1,389,654	(16,132,566)
Charges for services	640,437	587,998	(52,439)	-	-	-
Investment income	-	209	209	(95,866)	-	95,866
Use of property	-	-	-	(366,290)	100,548	466,838
Miscellaneous	-	-	-	(697,376)	-	697,376
Total revenues	640,437	588,207	(52,230)	16,362,688	1,490,202	(14,872,486)
Expenditures:						
Parks, recreational, and cultural	640,437	457,068	183,369	-	-	-
Neighborhood advancement	-	-	-	-	1,895,355	(1,895,355)
Capital outlay	-	-	-	4,765,115	24,292	4,740,823
Total expenditures	640,437	457,068	183,369	4,765,115	1,919,647	2,845,468
Revenues and other financing sources over/(under) expenditures and other financing uses	\$ -	131,139	131,139	\$ 11,597,573	(429,445)	(12,027,018)
Fund balances at beginning of year		180,529	180,529		3,135	3,135
Fund balances at end of year		311,668	311,668		(426,310)	(12,023,883)

**Nonmajor Proprietary Funds**



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**CITY OF PORTSMOUTH, VIRGINIA**  
**Combining Statement of Net Position**  
**Nonmajor Proprietary Funds**  
**June 30, 2014**

**Exhibit K-1**

	Port Facility	Golf	Waste Management	Total
<b>Assets:</b>				
<b>Current assets:</b>				
Cash and temporary investments	\$ -	64,283	9,958,054	10,022,337
Accounts receivable	-	177	2,360,646	2,360,823
<b>Total current assets</b>	<b>-</b>	<b>64,460</b>	<b>12,318,700</b>	<b>12,383,160</b>
<b>Noncurrent assets:</b>				
<b>Capital assets:</b>				
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	7,751,920	8,770,700
<b>Total capital assets</b>	<b>7,812,158</b>	<b>12,979,572</b>	<b>10,661,195</b>	<b>31,452,925</b>
Less accumulated depreciation	(5,709,041)	(2,273,777)	(4,825,552)	(12,808,370)
<b>Total capital assets, net</b>	<b>2,103,117</b>	<b>10,705,795</b>	<b>5,835,643</b>	<b>18,644,555</b>
<b>Deferred outflows of resources:</b>				
Deferred outflows from debt refunding	-	565,257	-	565,257
<b>Total outflows of resources</b>	<b>-</b>	<b>565,257</b>	<b>-</b>	<b>565,257</b>
<b>Total assets and deferred outflows of resources</b>	<b>2,103,117</b>	<b>11,335,512</b>	<b>18,154,343</b>	<b>31,592,972</b>
<b>Liabilities:</b>				
<b>Current liabilities:</b>				
Accounts payable	-	93,218	422,155	515,373
Accrued interest payable	-	103,164	-	103,164
Accrued payroll	-	16,847	46,555	63,402
Deposits	10,000	-	-	10,000
Due to other funds	259,824	-	-	259,824
Compensated absences	-	39,442	206,140	245,582
General obligation bonds	-	430,000	-	430,000
Current obligations under capital leases	-	-	192,570	192,570
<b>Total current liabilities</b>	<b>269,824</b>	<b>682,671</b>	<b>867,420</b>	<b>1,819,915</b>
<b>Noncurrent liabilities:</b>				
Other post employment benefit obligation	-	662,478	2,397,100	3,059,578
Compensated absences	-	39,453	-	39,453
Obligations under capital leases	-	-	223,001	223,001
Landfill closure and postclosure liability	-	-	4,761,875	4,761,875
General obligation bonds	-	5,762,281	-	5,762,281
<b>Total noncurrent liabilities</b>	<b>-</b>	<b>6,464,212</b>	<b>7,381,976</b>	<b>13,846,188</b>
<b>Total liabilities</b>	<b>269,824</b>	<b>7,146,883</b>	<b>8,249,396</b>	<b>15,666,103</b>
<b>Net position:</b>				
Net investment in capital assets	2,103,117	5,078,771	5,420,072	12,601,960
Unrestricted (deficit)	(269,824)	(890,142)	4,484,875	3,324,909
<b>Total net position</b>	<b>1,833,293</b>	<b>4,188,629</b>	<b>9,904,947</b>	<b>15,926,869</b>
<b>Total liabilities and net position</b>	<b>\$ 2,103,117</b>	<b>11,335,512</b>	<b>18,154,343</b>	<b>31,592,972</b>

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, 2014

	Port Facility	Golf	Waste Management	Total
Operating revenues:				
Charges for services	\$ -	1,082,375	12,331,294	13,413,669
Other	-	101,679	1,133	102,812
Total operating revenues	-	1,184,054	12,332,427	13,516,481
Operating expenses:				
Personnel services	-	1,100,534	3,531,266	4,631,800
Contractual services	-	338,839	4,486,779	4,825,618
Supplies and materials	-	178,381	182,523	360,904
Utilities	-	115,119	3,839	118,958
Internal charges	-	77,740	1,511,705	1,589,445
Rent	-	91,152	-	91,152
Depreciation and amortization	46,118	108,754	497,800	652,672
Closure/postclosure	-	-	144,014	144,014
Other	-	109,063	197,364	306,427
Total operating expenses	46,118	2,119,582	10,555,290	12,720,990
Operating income (loss)	(46,118)	(935,528)	1,777,137	795,491
Nonoperating revenues (expenses):				
Investment income	-	-	5,990	5,990
Interest expense and fiscal charges	-	(287,247)	(4,323)	(291,570)
Net nonoperating revenues (expenses)	-	(287,247)	1,667	(285,580)
Net income (loss) before transfers	(46,118)	(1,222,775)	1,778,804	509,911
Transfers from other funds	-	1,271,332	586,360	1,857,692
Transfers to other funds	-	-	(729,295)	(729,295)
Change in net position	(46,118)	48,557	1,635,869	1,638,308
Net position, beginning of year	1,879,411	4,140,072	8,269,078	14,288,561
Net position, end of year	\$ 1,833,293	4,188,629	9,904,947	15,926,869

## Combining Statement of Cash Flows

## Nonmajor Proprietary Funds

Year ended June 30, 2014

	Port Facility	Golf	Waste Management	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Receipts from customers	\$ -	1,184,408	12,409,161	13,593,569
Payments to suppliers	-	(888,332)	(6,450,865)	(7,339,197)
Payments to employees	-	(898,963)	(2,917,678)	(3,816,641)
Net cash provided by (used for) operating activities	-	(602,887)	3,040,618	2,437,731
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Transfers in	-	1,271,332	586,360	1,857,692
Transfers out	-	-	(729,295)	(729,295)
Net cash provided by (used in) noncapital financing activities	-	1,271,332	(142,935)	1,128,397
<b>CASH FLOWS FROM CAPITAL AND RELATING FINANCING ACTIVITIES:</b>				
Acquisition of PP&E	-	(29,597)	(643,863)	(673,460)
Principal paid on long-term debt	-	(386,971)	(709,666)	(1,096,637)
Interest paid	-	(284,141)	(4,323)	(288,464)
Net cash provided by (used in) capital and related financing activities	-	(700,709)	(1,357,852)	(2,058,561)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Interest received	-	-	5,990	5,990
Net cash provided by investing activities	-	-	5,990	5,990
Net increase (decrease) in cash and temporary investments	-	(32,264)	1,545,821	1,513,557
Cash and temporary investments, beginning of year	-	96,547	8,412,233	8,508,780
Cash and temporary investments, end of year	-	64,283	9,958,054	10,022,337
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities</b>				
Operating income (loss)	(46,118)	(935,528)	1,777,137	795,491
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	46,118	108,754	497,800	652,672
Decrease (increase) in:				
Accounts receivable	-	354	76,734	77,088
Increase (decrease) in:				
Accounts payable	-	21,962	(68,655)	(46,693)
Accrued payroll	-	4,341	4,899	9,240
Compensated absences	-	(7,079)	429	(6,650)
Other post employment benefit obligation	-	204,309	608,260	812,569
Nonoperating revenues reported as operating revenues:				
Landfill closure and postclosure liability	-	-	144,014	144,014
Total adjustments	46,118	332,641	1,263,481	1,642,240
Net cash provided by (used for) operating activities	\$ -	(602,887)	3,040,618	2,437,731



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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, 2014**

	City Garage	Information Technology	Health Insurance	OPEB	Risk Management	Total
<b>Assets:</b>						
<b>Current assets:</b>						
Cash and temporary investments	\$ 250	2,767,187	3,585,777	3,000,000	20,268,524	29,621,738
Accounts receivable	114,802	30,327	63,411	-	-	208,540
Inventory of supplies	433,960	-	-	-	-	433,960
<b>Total current assets</b>	<b>549,012</b>	<b>2,797,514</b>	<b>3,649,188</b>	<b>3,000,000</b>	<b>20,268,524</b>	<b>30,264,238</b>
<b>Noncurrent assets:</b>						
<b>Capital assets:</b>						
Land	15,048	-	-	-	-	15,048
Buildings	693,083	-	-	-	-	693,083
Machinery, furniture, and equipment	23,866,794	5,268,897	-	-	-	29,135,691
Intangible assets	-	911,458	-	-	-	911,458
<b>Total capital assets</b>	<b>24,574,925</b>	<b>6,180,355</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>30,755,280</b>
Less accumulated depreciation	(16,451,273)	(5,345,874)	-	-	-	(21,797,147)
<b>Total capital assets, net</b>	<b>8,123,652</b>	<b>834,481</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,958,133</b>
<b>Deferred outflows of resources:</b>						
<b>Total assets and deferred outflows of resources</b>	<b>8,672,664</b>	<b>3,631,995</b>	<b>3,649,188</b>	<b>3,000,000</b>	<b>20,268,524</b>	<b>39,222,371</b>
<b>Liabilities:</b>						
<b>Current liabilities:</b>						
Accounts payable	806,879	120,267	71,999	-	269,375	1,268,520
Accrued payroll	35,374	40,715	-	-	1,546	77,635
Flex spending benefits	-	-	38,282	-	-	38,282
Due to other funds	200,356	-	-	-	-	200,356
Current compensated absences	101,759	129,657	-	-	2,754	234,170
Current obligations under capital leases	1,268,465	-	-	-	-	1,268,465
Current claims payable	-	-	2,549,000	-	2,794,147	5,343,147
<b>Total current liabilities</b>	<b>2,412,833</b>	<b>290,639</b>	<b>2,659,281</b>	<b>-</b>	<b>3,067,822</b>	<b>8,430,575</b>
<b>Noncurrent liabilities:</b>						
Noncurrent claims payable	-	-	-	-	8,802,813	8,802,813
Other post employment benefit obligation	1,409,582	1,072,856	-	-	117,907	2,600,345
Noncurrent compensated absences	39,091	66,050	-	-	692	105,833
Noncurrent obligations under capital leases	2,597,590	-	-	-	-	2,597,590
<b>Total noncurrent liabilities</b>	<b>4,046,263</b>	<b>1,138,906</b>	<b>-</b>	<b>-</b>	<b>8,921,412</b>	<b>14,106,581</b>
<b>Total liabilities</b>	<b>6,459,096</b>	<b>1,429,545</b>	<b>2,659,281</b>	<b>-</b>	<b>11,989,234</b>	<b>22,537,156</b>
<b>Net position:</b>						
Net investment in capital assets	4,257,597	834,481	-	-	-	5,092,078
Unrestricted (deficit)	(2,044,029)	1,367,969	989,907	3,000,000	8,279,290	11,593,137
<b>Total net position</b>	<b>2,213,568</b>	<b>2,202,450</b>	<b>989,907</b>	<b>3,000,000</b>	<b>8,279,290</b>	<b>16,685,215</b>
<b>Total liabilities and net position</b>	<b>\$ 8,672,664</b>	<b>3,631,995</b>	<b>3,649,188</b>	<b>3,000,000</b>	<b>20,268,524</b>	<b>39,222,371</b>

**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, 2014**

	City Garage	Information Technology	Health Insurance	OPEB	Risk Management	Total
Operating revenues:						
Charges for services	\$ 9,115,506	5,004,330	23,914,231	-	5,768,536	43,802,603
Other	431	37,451	236,757	-	383,385	658,024
<b>Total operating revenues</b>	<b>9,115,937</b>	<b>5,041,781</b>	<b>24,150,988</b>	<b>-</b>	<b>6,151,921</b>	<b>44,460,627</b>
Operating expenses:						
Personnel services	2,388,719	2,622,249	-	-	135,549	5,146,517
Contractual services	615,137	1,129,614	1,477,483	-	672,349	3,894,583
Supplies and materials	1,433,345	281,782	-	-	2,171	1,717,298
Utilities	2,791,658	76,900	-	-	1,506	2,870,064
Internal charges	-	3,851	-	-	-	3,851
Claims, settlements, and refunds	-	-	24,081,819	-	2,812,245	26,894,064
Insurance premiums	-	-	-	-	322,765	322,765
Depreciation and amortization	1,600,174	207,628	-	-	-	1,807,802
Other - Operating Expense	581,764	295,429	3,352	-	4,849	885,394
<b>Total operating expenses</b>	<b>9,410,797</b>	<b>4,617,453</b>	<b>25,562,654</b>	<b>-</b>	<b>3,951,434</b>	<b>43,542,338</b>
<b>Operating income</b>	<b>(294,860)</b>	<b>424,328</b>	<b>(1,411,666)</b>	<b>-</b>	<b>2,200,487</b>	<b>918,289</b>
Nonoperating revenues (expenses):						
Investment income	42	1,864	705	-	12,928	15,539
Gain (loss) on disposal of capital assets	52,431	-	-	-	-	52,431
Interest expense and fiscal charges	(12,620)	-	-	-	-	(12,620)
<b>Net nonoperating revenues (expenses)</b>	<b>39,853</b>	<b>1,864</b>	<b>705</b>	<b>-</b>	<b>12,928</b>	<b>55,350</b>
<b>Net income before transfers</b>	<b>(255,007)</b>	<b>426,192</b>	<b>(1,410,961)</b>	<b>-</b>	<b>2,213,415</b>	<b>973,639</b>
Transfers from other funds	41,978	-	2,500,000	-	-	2,541,978
Transfers to other funds	(2,327,060)	(157,299)	-	(2,500,000)	(6,415)	(4,990,774)
<b>Change in net position</b>	<b>(2,540,089)</b>	<b>268,893</b>	<b>1,089,039</b>	<b>(2,500,000)</b>	<b>2,207,000</b>	<b>(1,475,157)</b>
<b>Net position (deficit), beginning of year</b>	<b>4,753,657</b>	<b>1,933,557</b>	<b>(99,132)</b>	<b>5,500,000</b>	<b>6,072,290</b>	<b>18,160,372</b>
<b>Net position (deficit), end of year</b>	<b>\$ 2,213,568</b>	<b>2,202,450</b>	<b>989,907</b>	<b>3,000,000</b>	<b>8,279,290</b>	<b>16,685,215</b>

## Combining Statement of Cash Flows

## Internal Service Funds

Year ended June 30, 2014

	City Garage	Information Technology	Health Insurance	OPEB	Risk Management	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>						
Receipts from customers	\$ 9,059,232	5,055,353	24,147,262	-	6,151,921	44,413,768
Payments to suppliers	(4,791,442)	(1,861,902)	(24,719,494)	-	(4,476,686)	(35,849,524)
Payments to employees	(1,883,317)	(2,370,938)	-	-	(160,511)	(4,414,766)
Net cash provided by (used in) operating activities	2,384,473	822,513	(572,232)	-	1,514,724	4,149,478
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>						
Transfers (out) / in	(2,285,082)	(157,299)	2,500,000	(2,500,000)	(6,415)	(2,448,796)
Net cash provided by (used in) noncapital financing activities	(2,285,082)	(157,299)	2,500,000	(2,500,000)	(6,415)	(2,448,796)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>						
Acquisition and construction of capital assets	(1,057,130)	(73,964)	-	-	-	(1,131,094)
Proceeds from sale of capital assets	52,431	-	-	-	-	52,431
Principal paid on long-term debt	(2,203,811)	-	-	-	-	(2,203,811)
Interest paid	(12,620)	-	-	-	-	(12,620)
Net cash provided by (used in) capital and related financing activities	(3,221,130)	(73,964)	-	-	-	(3,295,094)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>						
Interest received	42	1,864	705	-	12,928	15,539
Net cash provided by (used in) investing activities	42	1,864	705	-	12,928	15,539
Net increase (decrease) in cash and temporary investments	(3,121,697)	593,114	1,928,473	(2,500,000)	1,521,237	(1,578,873)
Cash and temporary investments, beginning of year	3,121,947	2,174,073	1,657,304	5,500,000	18,747,287	31,200,611
Cash and temporary investments, end of year	250	2,767,187	3,585,777	3,000,000	20,268,524	29,621,738
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities</b>						
Operating income/(loss)	(294,860)	424,328	(1,411,666)	-	2,200,487	918,289
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Depreciation and amortization	1,600,174	207,628	-	-	-	1,807,802
Decrease (increase) in:						
Accounts receivable	(56,705)	13,572	(3,726)	-	-	(46,859)
Inventory of supplies	(50,377)	-	-	-	-	(50,377)
Increase (decrease) in:						
Accounts payable	480,483	(74,326)	(35,442)	-	245,066	615,781
Accrued payroll	13,336	6,573	-	-	406	20,315
Compensated absences	35,472	(11,847)	-	-	(4,864)	18,761
Due to other funds	200,356	-	-	-	-	200,356
Flexible spending benefits	-	-	12,602	-	-	12,602
OPEB	456,594	256,585	-	-	(20,504)	692,675
Nonoperating revenues reported as operating revenues:						
Claims payable	-	-	866,000	-	(905,867)	(39,867)
Total adjustments	2,679,333	398,185	839,434	-	(685,763)	3,231,189
Net cash provided by operating activities	\$ 2,384,473	822,513	(572,232)	-	1,514,724	4,149,478



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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, 2014**

**Exhibit M-1**

	Portsmouth Supplemental Retirement System	Portsmouth Fire and Police Retirement System	Total
<b>Assets</b>			
Cash and temporary investments	\$ 878,855	2,146,933	3,025,788
Investments:			
Common stock	48,349,850	132,228,539	180,578,389
Corporate bonds	22,659,864	61,970,837	84,630,701
Total assets	71,888,569	196,346,309	268,234,878
Net position held in trust for pension benefits	\$ 71,888,569	196,346,309	268,234,878

**CITY OF PORTSMOUTH, VIRGINIA**

**Exhibit M-2**

**Combining Statement of Changes in Fiduciary Net Position**

**Fiduciary Funds - Pension Trust Funds**

**Year ended June 30, 2014**

	Portsmouth Supplement Retirement System	Portsmouth Fire and Police Retirement System	Total
<b>Additions:</b>			
Contributions	\$ 2,416,411	5,186,714	7,603,125
Transfer from General Fund	51,916,660	116,431,494	168,348,154
Investment income -			
Net increase in the fair value of investments	9,058,436	21,419,443	30,477,879
Less investment expense	(73,287)	(205,149)	(278,436)
Net investment income	8,985,149	21,214,294	30,199,443
Total additions	63,318,220	142,832,502	206,150,722
Deductions - benefits and administrative expenses	(8,539,699)	(19,431,115)	(27,970,814)
Change in net position	54,778,521	123,401,387	178,179,908
Net position restricted for pension benefits, beginning of year	17,110,048	72,944,922	90,054,970
Net position restricted for pension benefits, end of year	\$ 71,888,569	196,346,309	268,234,878

## Statement of Changes in Assets and Liabilities

## Fiduciary Funds-Agency Fund

Year ended June 30, 2014

Description	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
Assets:				
Cash and temporary investments	\$ 107,889	94,208	(201,758)	339
	107,889	94,208	(201,758)	339
Liabilities:				
Accounts payable	107,889	227,814	(335,364)	339
	\$ 107,889	227,814	(335,364)	339



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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									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Governmental activities:</b>										
Net investment in capital assets	175,288,130	167,581,045	178,183,374	187,359,078	176,415,840	179,076,283	186,101,165	196,244,783	210,854,679	232,550,945
Restricted	6,341,840	14,958,699	10,510,194	5,588,429	12,438,087	16,014,789	15,421,510	45,127,451	40,782,876	75,183,391
Unrestricted	10,112,505	30,296,025	32,295,766	24,710,887	27,319,933	32,818,638	33,924,914	11,685,932	17,497,544	(198,671,005)
<b>Total governmental activities net position</b>	<b>191,742,475</b>	<b>212,835,769</b>	<b>220,989,334</b>	<b>217,658,394</b>	<b>216,173,860</b>	<b>227,909,710</b>	<b>235,447,589</b>	<b>253,058,166</b>	<b>269,135,099</b>	<b>109,063,331</b>
<b>Business-type activities:</b>										
Net investment in capital assets	105,115,529	104,805,799	108,111,466	112,115,139	114,270,026	122,952,622	128,135,654	132,261,301	140,080,861	146,296,248
Restricted	-	-	2,190,726	3,389,920	4,117,658	12,131	-	22,450	-	-
Unrestricted	15,026,250	23,530,011	26,316,690	27,320,964	30,213,505	33,143,573	39,934,125	44,949,451	45,783,929	40,508,841
<b>Total business-type activities net position</b>	<b>120,141,779</b>	<b>128,335,810</b>	<b>136,618,882</b>	<b>142,826,023</b>	<b>148,601,189</b>	<b>156,108,326</b>	<b>168,069,779</b>	<b>177,233,202</b>	<b>185,864,790</b>	<b>186,805,089</b>
<b>Primary government:</b>										
Investment in capital assets	280,403,659	272,386,844	286,294,840	299,474,217	290,685,866	302,028,905	314,236,819	328,506,084	350,935,540	378,847,193
Restricted	6,341,840	14,958,699	12,700,920	8,978,349	16,555,745	16,026,920	15,421,510	45,149,901	40,782,876	75,183,391
Unrestricted	25,138,755	53,826,036	58,612,456	52,031,851	57,533,438	65,962,211	73,859,039	56,635,383	63,281,473	(158,162,164)
<b>Total primary government net position</b>	<b>311,884,254</b>	<b>341,171,579</b>	<b>357,608,216</b>	<b>360,484,417</b>	<b>364,775,049</b>	<b>384,018,036</b>	<b>403,517,368</b>	<b>430,291,368</b>	<b>454,999,889</b>	<b>295,868,420</b>



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

A-2

	Fiscal year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Expenses:										
Governmental activities:										
General government	\$ 13,328,360	20,456,662	30,899,380	17,457,023	26,462,771	25,866,086	28,573,377	30,092,575	27,914,580	195,651,602
Nondepartmental	5,898,408	-	-	6,135,893	-	-	-	-	-	-
Judicial	16,427,965	17,340,546	18,098,589	20,995,575	22,068,062	21,162,771	20,042,432	19,262,329	23,819,021	25,931,635
Public safety	46,918,455	49,239,795	53,309,122	58,580,530	59,957,146	63,317,938	62,543,317	67,822,960	66,483,899	58,678,933
Public works	27,842,278	29,444,928	29,347,705	31,141,010	29,535,176	20,801,656	20,669,966	19,227,479	18,919,255	22,082,142
Health and welfare	32,467,973	36,185,435	39,099,957	41,037,989	40,267,351	39,291,574	38,261,597	37,676,063	34,805,940	35,701,774
Parks, recreational, and cultural	11,774,542	11,154,672	12,440,345	13,017,308	13,000,940	12,702,857	12,333,047	12,165,461	12,107,699	10,405,765
Community development	10,543,456	10,226,594	12,716,520	9,577,401	9,306,525	14,441,114	7,738,435	8,697,999	9,317,701	7,924,716
Education	32,897,229	38,499,873	44,642,509	57,072,177	53,881,305	54,518,784	50,591,187	51,759,963	41,411,783	52,948,197
Interest on long-term debt	9,456,475	10,933,509	11,135,778	11,642,071	10,573,858	10,486,906	13,258,680	12,743,363	13,535,905	19,560,389
<b>Total governmental activities expenses</b>	<b>207,555,141</b>	<b>223,482,014</b>	<b>251,689,905</b>	<b>266,656,977</b>	<b>265,053,134</b>	<b>262,589,686</b>	<b>254,012,038</b>	<b>259,448,192</b>	<b>248,315,783</b>	<b>428,885,153</b>
Business-type activities:										
Public Utility	16,370,484	16,642,684	18,073,378	21,132,727	22,589,478	21,621,779	21,142,197	23,289,442	21,168,537	25,719,104
Golf	2,129,150	1,897,023	2,322,069	2,467,403	2,400,930	2,393,003	2,322,045	2,218,731	2,104,720	2,406,829
Port Facility and Economic Development	200,977	87,904	86,922	86,922	86,922	66,520	46,118	46,119	46,118	46,118
Parking Authority	-	1,599,666	1,615,350	1,750,784	1,644,011	1,625,763	1,582,680	1,558,720	1,348,920	1,395,552
Waste Management	8,467,640	8,762,865	9,567,874	12,086,129	12,314,318	14,138,088	13,576,422	11,779,665	9,662,917	10,559,613
<b>Total business-type activities expenses</b>	<b>27,168,251</b>	<b>28,990,142</b>	<b>31,665,593</b>	<b>37,523,965</b>	<b>39,035,659</b>	<b>39,845,153</b>	<b>38,669,462</b>	<b>38,892,677</b>	<b>34,331,212</b>	<b>40,127,216</b>
<b>Total primary government expenses</b>	<b>234,723,392</b>	<b>252,472,156</b>	<b>283,355,498</b>	<b>304,180,942</b>	<b>304,088,793</b>	<b>302,434,839</b>	<b>292,681,500</b>	<b>298,340,869</b>	<b>282,646,995</b>	<b>469,012,369</b>
Program Revenues:										
Governmental activities:										
Charges for services										
General government	3,101,531	4,578,378	4,118,356	2,130,746	2,146,434	1,774,399	1,891,508	1,785,252	3,104,397	3,395,648
Judicial	623,452	723,516	663,258	384,600	224,907	240,998	708,180	1,004,567	343,106	271,277
Public safety	1,421,276	1,927,252	2,108,401	2,487,410	1,298,471	2,637,180	1,673,586	2,119,660	2,497,470	1,676,260
Public works	4,214,193	4,767,368	5,270,651	5,520,368	5,637,793	6,330,032	6,880,735	7,316,713	7,809,614	8,017,983
Health and welfare	2,456,517	3,283,363	2,928,297	523,597	431,309	414,062	538,388	519,049	600,194	596,831
Parks, recreation, and cultural	1,433,282	1,705,343	1,157,796	1,629,137	1,579,501	1,352,352	1,302,264	2,160,956	2,587,705	2,396,043
Community development	2,765,041	1,773,415	986,880	705,244	491,841	495,427	518,730	523,373	1,149,814	1,206,617
Operating grants and contributions	68,278,728	73,251,426	74,604,092	79,783,849	79,186,102	82,372,531	77,217,853	86,594,753	70,737,857	71,792,163
Capital grants and contributions	1,416,967	2,788,448	3,773,230	5,062,734	500,000	4,635,095	3,344,556	6,070,568	1,422,747	2,655,741
<b>Total governmental activities program revenues</b>	<b>85,710,987</b>	<b>94,798,509</b>	<b>95,610,961</b>	<b>98,227,685</b>	<b>91,496,358</b>	<b>100,252,076</b>	<b>94,075,800</b>	<b>108,094,891</b>	<b>90,252,904</b>	<b>92,008,563</b>
Business-type activities:										
Charges for services:										
Public Utility	29,771,198	31,023,177	32,433,324	33,522,674	35,337,953	35,530,749	39,910,309	39,594,823	39,563,702	41,678,038
Golf	1,508,307	1,660,710	1,735,064	1,688,008	1,363,934	1,329,452	1,305,030	1,355,710	1,128,337	1,082,375
Port Facility and Economic Development	544,836	568,279	580,000	290,000	-	-	-	-	-	-
Parking Authority	-	1,010,413	991,755	1,063,479	1,079,056	1,071,822	1,060,760	1,111,152	1,118,200	1,093,811
Waste Management	7,290,352	7,440,339	9,375,993	12,466,329	12,332,045	15,037,913	14,123,658	12,765,158	12,502,496	12,331,294

(continued)

CITY OF PORTSMOUTH, VIRGINIA

Changes in Net Position

Last Ten Fiscal Years

(accrual basis of accounting)

A-2 (continued)

	Fiscal year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Business-type activities, continued:										
Operating grants and contributions	\$ 1,312,180	685,994	685,994	685,994	680,000	680,000	680,000	680,000	280,000	-
Capital grants and contributions	-	987,911	246,200	50,150	118,438	-	-	-	-	-
Total business-type activities program revenues	40,426,873	43,376,823	46,048,330	49,766,634	50,911,426	53,649,936	57,079,757	55,506,843	54,592,735	56,185,518
Total primary government program revenues	126,137,860	138,175,332	141,659,291	147,994,319	142,407,784	153,902,012	151,155,557	163,601,734	144,845,639	148,194,081
Net (Expense)/Revenue										
Governmental activities	(121,844,154)	(128,683,505)	(156,078,944)	(168,429,292)	(173,556,776)	(162,337,610)	(159,936,238)	(151,353,301)	(158,062,879)	(336,876,590)
Business-type activities	13,258,622	14,386,681	14,382,737	12,242,669	11,875,767	13,804,783	18,410,295	16,614,166	20,261,523	16,058,302
Total primary government net (expense)/revenue	(108,585,532)	(114,296,824)	(141,696,207)	(156,186,623)	(161,681,009)	(148,532,827)	(141,525,943)	(134,739,135)	(137,801,356)	(320,818,288)
General Revenues and Other Changes in Net Assets:										
Governmental activities:										
Taxes:										
General property taxes	77,027,006	86,704,528	101,207,980	105,883,360	117,984,153	120,258,870	115,291,349	118,370,186	116,035,670	116,536,186
Other local taxes	25,714,884	27,002,058	27,929,104	37,862,311	35,706,007	36,601,504	34,894,374	35,064,984	35,995,762	37,674,332
Utility taxes	14,627,996	15,032,684	14,794,915	7,698,211	7,676,029	7,579,044	7,709,251	7,418,449	8,047,196	8,145,465
Licenses, permits, and privilege fees	-	-	-	-	-	-	-	-	-	-
Payment from component unit	-	-	-	-	-	-	-	-	-	-
Investment earnings	891,305	1,532,174	3,198,654	2,090,950	693,008	168,877	168,418	102,301	1,291,260	591,371
Net gain on disposal of capital assets	-	3,574,493	139,440	-	-	-	-	(75,704)	-	-
Miscellaneous	2,848,605	5,125,187	2,621,370	2,956,892	2,424,036	2,568,498	2,302,921	2,433,785	3,863,492	6,192,905
Special Item	-	(2,236,629)	-	-	-	-	-	-	-	-
Transfers	9,284,195	8,537,144	9,553,108	8,606,628	7,382,948	6,896,667	7,106,789	8,008,973	9,928,251	9,006,934
Total governmental activities	130,393,991	145,271,639	159,444,571	165,098,352	171,866,181	174,073,460	167,473,102	171,322,974	175,161,631	178,147,193
Business-type activities:										
Investment earnings	793,616	1,127,642	2,622,827	1,884,812	610,492	154,560	106,869	95,376	170,968	537,392
Special item	-	-	-	-	-	-	-	-	-	-
Gain on sale of capital assets	426,323	20,006	(147,433)	31,984	4,176	32,775	(69,991)	-	-	-
Miscellaneous	371,142	479,866	1,029,816	654,304	667,679	499,410	716,744	462,854	713,526	593,289
Transfers	(9,284,195)	(8,537,144)	(9,553,108)	(8,606,628)	(7,382,948)	(6,984,391)	(7,106,789)	(8,008,973)	(9,928,251)	(9,006,934)
Total business-type activities	(7,693,114)	(6,909,630)	(6,047,898)	(6,035,528)	(6,100,601)	(6,297,646)	(6,353,167)	(7,450,743)	(9,043,757)	(7,876,253)
Total primary government	122,700,877	138,362,009	153,396,673	159,062,824	165,765,580	167,775,814	161,119,935	163,872,231	166,117,874	170,270,940
Change in Net Position:										
Governmental activities	8,549,837	16,588,134	3,365,627	(3,330,940)	(1,690,595)	11,735,850	7,536,864	19,969,673	17,098,752	(158,729,397)
Business-type activities	5,565,508	7,477,051	8,334,839	6,207,141	5,775,166	7,507,137	12,057,128	9,163,423	11,217,766	8,182,049
Total primary government	\$ 14,115,345	24,065,185	11,700,466	2,876,201	4,084,571	19,242,987	19,593,992	29,133,096	28,316,518	(150,547,348)

**CITY OF PORTSMOUTH, VIRGINIA**

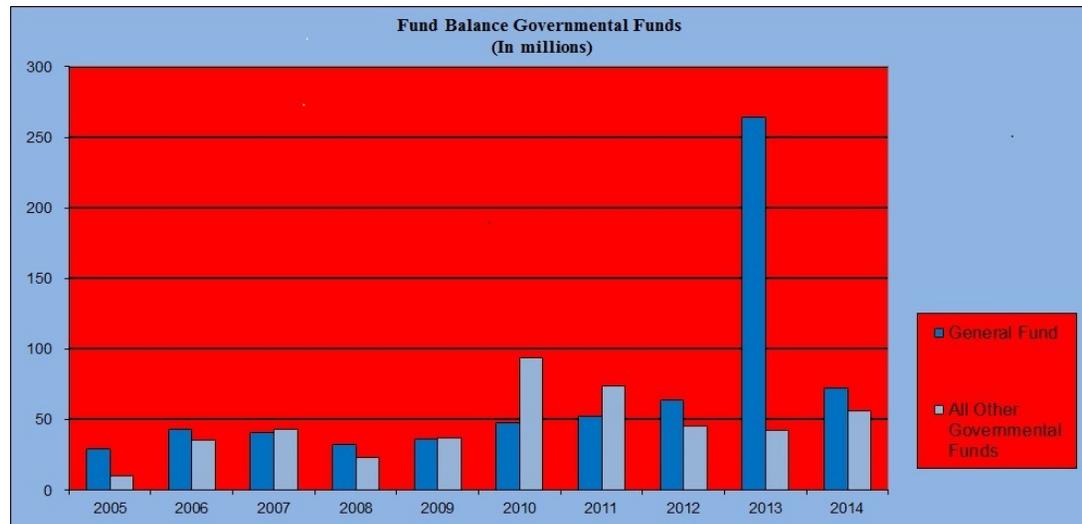
**Fund Balances, Governmental Funds**

**Last Ten Fiscal Years (modified accrual basis of accounting)**

A-3

	Fiscal year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>General Fund</b>										
Reserved	\$ 1,997,783	6,300,760	5,069,051	5,707,974	3,246,548	2,934,768	-	-	-	-
Unreserved	27,492,525	36,473,047	35,452,633	26,328,953	32,608,666	45,394,978	-	-	-	-
Nonspendable	-	-	-	-	-	-	2,660,735	2,464,610	2,278,106	2,081,981
Restricted	-	-	-	-	-	-	140,677	295,762	18,549,834	233,444
Committed	-	-	-	-	-	-	-	7,880,834	7,187,371	16,652,635
Assigned	-	-	-	-	-	-	60,627	5,846	-	-
Unassigned	-	-	-	-	-	-	48,667,799	53,631,444	236,707,641	52,168,051
<b>Total General Fund</b>	<b>29,490,308</b>	<b>42,773,807</b>	<b>40,521,684</b>	<b>32,036,927</b>	<b>35,855,214</b>	<b>48,329,746</b>	<b>51,529,838</b>	<b>64,278,496</b>	<b>264,722,952</b>	<b>71,136,111</b>
<b>All Other Governmental Funds</b>										
Reserved	6,745,024	13,796,697	12,992,195	12,390,140	9,013,543	17,861,357	-	-	-	-
Unreserved, reported in:										
Special revenue funds	6,043,199	6,380,664	5,933,041	5,230,281	6,219,375	19,580,665	-	-	-	-
Permanent funds (1)	140,468	185,397	297,604	407,268	394,025	448,205	-	-	-	-
Capital projects funds	(2,530,084)	14,573,363	24,241,983	5,390,537	21,751,465	56,173,437	-	-	28,235,511	40,568,021
Nonspendable	-	-	-	-	-	-	1,002,223	1,002,223	1,002,223	1,002,223
Restricted	-	-	-	-	-	-	72,136,623	43,831,689	11,394,245	55,095,264
Committed	-	-	-	-	-	-	689,701	623,988	367,043	423,876
Assigned	-	-	-	-	-	-	-	-	618,921	311,668
Unassigned	-	-	-	-	-	-	(29,999)	(278,692)	-	(617,700)
<b>Total all other governmental funds</b>	<b>\$ 10,398,607</b>	<b>34,936,121</b>	<b>43,464,823</b>	<b>23,418,226</b>	<b>37,378,408</b>	<b>94,063,664</b>	<b>73,798,548</b>	<b>45,179,208</b>	<b>41,617,943</b>	<b>56,215,331</b>

\*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

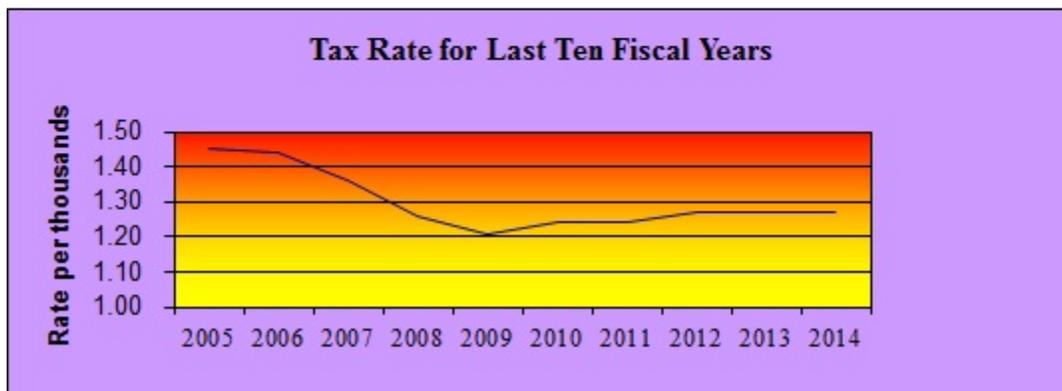
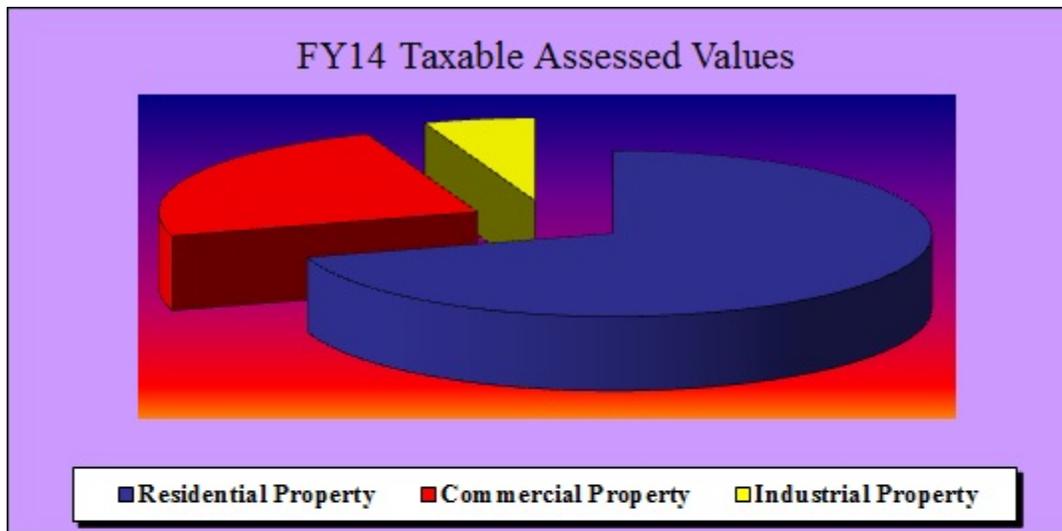
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Revenues</b>										
Taxes	\$ 116,523,150	129,336,845	142,304,393	151,595,074	161,152,304	163,986,237	159,191,656	160,062,205	160,108,769	161,907,337
Licenses and permits	991,695	1,162,977	1,341,290	1,153,187	926,923	1,136,981	1,117,152	883,022	832,610	959,486
Fines and forfeitures	409,096	335,211	292,244	172,007	173,529	184,741	572,821	853,101	867,213	633,409
Investment income and use of property	5,754,735	5,331,493	6,058,766	4,539,471	3,181,215	2,287,625	2,316,889	2,179,404	1,952,293	2,034,326
Charges for services	9,668,285	13,324,845	12,541,445	9,264,732	8,189,038	9,773,256	9,468,478	11,795,141	12,796,551	12,659,493
Recovered costs	3,460,190	6,220,227	3,622,340	4,676,217	4,135,037	4,331,770	4,085,061	3,708,285	3,598,403	3,842,764
Miscellaneous	2,499,809	3,030,478	3,114,090	5,372,509	4,556,269	9,434,921	4,931,402	17,765,172	4,451,002	6,252,378
Intergovernmental	66,665,474	73,155,576	76,192,266	80,210,496	76,140,401	78,583,705	76,639,575	75,920,149	72,780,080	74,876,626
Sale of commodities and property	2,064	3,574,493	139,440	242,770	-	-	-	-	-	-
<b>Total revenues and other sources</b>	<b>205,974,498</b>	<b>235,472,145</b>	<b>245,606,274</b>	<b>257,226,463</b>	<b>258,454,716</b>	<b>269,719,236</b>	<b>258,323,034</b>	<b>273,166,479</b>	<b>257,386,921</b>	<b>263,165,819</b>
<b>Expenditures</b>										
General government	13,415,671	20,992,502	23,229,371	17,701,336	16,146,243	15,503,424	15,711,620	15,501,466	15,905,233	17,178,147
Nondepartmental	5,977,663	-	-	6,681,149	9,503,827	9,276,215	9,975,985	11,496,297	12,138,227	180,581,237
Judicial	16,322,948	17,215,246	18,424,590	19,869,269	20,605,038	19,198,298	18,945,494	18,496,993	20,179,701	20,547,549
Public safety	46,172,069	49,027,166	53,524,102	58,276,566	59,009,982	60,853,783	60,446,711	62,240,428	61,441,195	54,113,766
Public works	14,650,017	16,626,200	17,092,893	18,274,869	17,413,077	15,539,098	16,033,880	15,588,397	16,786,940	17,804,330
Health and welfare	32,985,326	37,175,910	40,762,079	42,530,195	41,062,430	38,131,285	37,792,064	35,594,381	32,239,186	34,072,749
Parks, recreation, and cultural	11,530,155	11,077,141	12,010,340	12,804,623	12,230,804	11,577,153	11,608,738	11,091,361	11,448,655	10,672,489
Community development	9,858,641	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
Debt service:										
Principal	10,664,670	12,044,668	13,681,588	15,818,354	14,251,629	10,467,075	9,843,352	10,075,319	10,739,261	19,951,362
Interest	9,840,530	10,867,394	10,708,805	11,465,427	10,329,837	11,185,563	12,332,018	13,029,154	14,313,937	16,213,438
Education	31,352,585	36,670,336	42,683,991	49,845,490	49,818,483	48,171,651	48,171,651	49,571,413	39,849,897	50,528,423
Capital outlay	18,728,969	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
<b>Total expenditures</b>	<b>221,499,244</b>	<b>235,685,132</b>	<b>270,929,201</b>	<b>294,885,253</b>	<b>281,043,462</b>	<b>283,161,810</b>	<b>306,690,468</b>	<b>296,824,126</b>	<b>256,910,480</b>	<b>452,055,963</b>
<b>Excess of revenues over (under) expenditures</b>	<b>(15,524,746)</b>	<b>(212,987)</b>	<b>(25,322,927)</b>	<b>(37,658,790)</b>	<b>(22,588,746)</b>	<b>(13,442,574)</b>	<b>(48,367,434)</b>	<b>(23,657,647)</b>	<b>476,441</b>	<b>(188,890,144)</b>
<b>Other financing sources (uses)</b>										
Transfers in	16,346,941	19,874,456	23,954,536	24,610,728	20,261,687	22,382,161	22,117,233	22,880,724	21,594,945	88,968,251
Transfers out	(7,891,613)	(12,085,891)	(15,449,048)	(15,483,292)	(11,137,307)	(16,730,817)	(16,492,768)	(15,331,422)	(12,459,843)	(78,447,095)
Proceeds from capital leases	1,715,354,000	-	-	-	358,080	-	-	-	-	-
Proceeds from debt issued	11,167,049	-	-	-	157,743	2,219,887	-	-	-	-
Payments from component unit	-	-	-	-	-	-	-	-	-	-
Discount on bonds issued	(49,926)	(67,183)	(24,491)	-	(351,552)	(1,777,830)	-	-	-	-
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)	-	-	-	-	-	-	-
Premium on bonds issued	-	1,440,585	310,130	-	994,187	839,121	3,908,502	1,962,885	10,661,550	-
General obligation bonds issued	-	24,635,213	23,259,753	-	-	74,345,113	68,547,102	31,450,000	254,465,000	-
BAN Proceeds	-	-	-	-	29,925,000	-	-	-	-	-
Refunding bonds issued	-	40,624,787	43,640,000	-	45,725,000	-	(46,778,674)	(33,175,221)	(77,854,902)	-
<b>Total other financing sources (uses)</b>	<b>21,287,805</b>	<b>36,091,556</b>	<b>31,577,868</b>	<b>9,127,436</b>	<b>40,367,215</b>	<b>82,602,362</b>	<b>31,301,395</b>	<b>7,786,966</b>	<b>196,406,750</b>	<b>10,521,156</b>
Special item - payment to component unit	-	(2,236,629)	-	-	-	-	-	-	-	-
<b>Net change in fund balances</b>	<b>\$ 5,763,059</b>	<b>35,878,569</b>	<b>6,254,941</b>	<b>(28,531,354)</b>	<b>17,778,469</b>	<b>69,159,788</b>	<b>(17,066,039)</b>	<b>(15,870,681)</b>	<b>196,883,191</b>	<b>(178,368,988)</b>
Debt service as a percentage of noncapital expenditure, as restated	9.98%	10.32%	9.88%	10.38%	9.12%	8.30%	8.64%	9.21%	9.66%	8.41%

**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
2014	\$ 5,032,854	1,723,320	402,731	7,158,905	1.27	9,130,377
2013	5,039,792	1,697,096	396,839	7,133,727	1.27	9,152,052
2012	5,132,403	1,900,610	402,017	7,435,030	1.27	9,506,777
2011	5,198,747	1,729,629	404,688	7,333,064	1.24	9,155,769
2010	5,452,716	1,818,679	406,222	7,677,617	1.24	9,570,375
2009	5,456,525	1,717,052	418,087	7,591,664	1.21	9,338,509
2008	4,967,919	1,487,540	203,354	6,658,813	1.26	8,747,238
2007	4,128,828	1,507,162	104,730	5,740,720	1.36	7,752,616
2006	3,314,028	1,091,120	87,007	4,492,155	1.44	6,239,104
2005	2,886,714	995,814	78,203	3,960,731	1.45	4,125,762

Source: City Assessor's Office

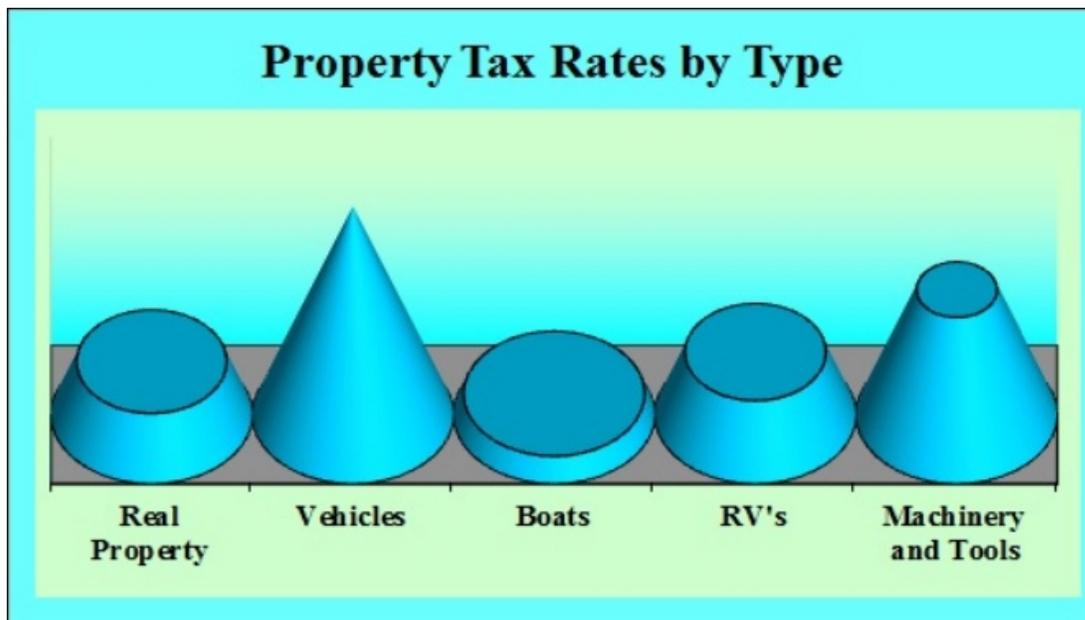


**CITY OF PORTSMOUTH, VIRGINIA**  
**Property Tax Rates**  
 Last Ten Fiscal Years

**B-2**

Fiscal Year	Real Property (1)	Personal Property (2)			Manufacturer's Machinery and Tools (3)
		Vehicles	Boats	RV's	
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
2005	1.45	5.00	0.01	1.50	3.00

- (1) As required by State law, real estate is assessed at 100% of estimated fair market value. The real estate rate is per \$100 of assessed value.
- (2) Most personal property, primarily vehicles and boats, is assessed at 100% of the National Automobile Dealer Association (NADA) average loan values and BUC Boat Price Guide values. Business personal property is assessed using a predetermined depreciation schedule.
- (3) The assessment basis for Manufacturer's Machinery and 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	2014		2005	
	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value
APM Terminals of Virginia	\$ 402,949,386	5.12%		
PRHA	43,082,212	0.55%		
South Norfolk Jordan Bridge	38,280,000	0.49%		
Virginia Electric and Power	36,006,163	0.46%		
GEM Portsmouth High LLC	31,459,500	0.40%		
Earl Industries	31,116,541	0.40%		
G & E Apartment REIT The Myrtles	27,000,000	0.34%		
Economic Development Authority of Ports.	25,351,060	0.32%		
Wheelabrator Portsmouth, Inc.	23,594,062	0.30%		
Westwinds Property LLC	22,514,340	0.29%		
BASF Corporation			\$ 43,432,142	1.00%
Dominion Virginia Power			42,320,350	0.90%
Verizon Virginia, Inc.			37,605,370	0.80%
KMC Telecom of Virginia, Inc			22,197,880	0.50%
Columbia Gas of Virginia, Inc.			21,684,940	0.50%
Cogentrix			20,134,270	0.40%
Gwaltney of Smithfield			10,180,656	0.20%
Lin Television Corporation			9,088,804	0.20%
Universal Maritime Service Corporation			7,449,119	0.20%
EDS Information Services, LLC			6,563,836	0.10%
	<u>\$ 681,353,264</u>	<u>8.67%</u>	<u>\$ 220,657,367</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, 2014	Total Tax Collections to June 30, 2014	Adjustments To Levy (3)	Outstanding Taxes A/R June 30, 2014	Percent of Adjusted Levy Collected to June 30, 2014
2013	June 30, 2014	\$ 89,135,633	83,706,341	93.91	-	83,706,341	(790,874)	4,638,418	94.75
2012	June 30, 2013	88,808,682	83,261,282	93.75	4,228,445	87,489,727	(502,888)	816,067	99.08
2011	June 30, 2012	92,659,186	85,681,654	92.47	3,767,626	89,449,280	(2,991,597)	218,309	99.76
2010	June 30, 2011	89,613,578	84,590,952	94.40	4,657,413	89,248,365	(258,686)	106,527	99.88
2009	June 30, 2010	92,594,347	88,287,197	95.35	3,851,998	92,139,195	(382,179)	72,973	99.92
2008	June 30, 2009	89,813,809	85,735,326	95.46	4,192,477	89,927,803	186,287	72,293	99.92
2007	June 30, 2008	82,061,047	80,767,754	98.42	3,560,460	84,328,214	2,306,826	39,659	99.95
2006	June 30, 2007	74,858,725	71,559,330	95.59	3,774,195	75,333,525	488,073	13,273	99.98
2005	June 30, 2006	64,686,492	60,652,216	93.76	2,937,027	63,589,243	(1,094,068)	3,181	99.99
2004	June 30, 2005	57,430,022	53,835,077	93.74	2,575,813	56,410,890	(1,017,690)	1,442	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, 2014	Total Tax Collections to June 30, 2014	Adjustments To Levy (3)	Outstanding Taxes A/R June 30, 2014	Percent of Adjusted Levy Collected to June 30, 2014
2014	June 30, 2014	\$ 23,014,501	17,444,594	75.80	-	17,444,594	(140,927)	5,428,980	76.27
2013	June 30, 2013	23,241,660	17,511,643	75.35	7,897,808	25,409,451	3,205,554	1,037,763	96.08
2012	June 30, 2012	21,841,734	17,181,394	78.66	7,295,710	24,477,104	3,249,288	613,918	97.55
2011	June 30, 2011	18,093,172	13,653,563	75.46	9,468,351	23,121,914	5,575,542	546,800	97.69
2010	June 30, 2010	19,582,168	14,843,139	75.80	9,087,690	23,930,829	4,880,286	531,625	97.83
2009	June 30, 2009	19,030,247	14,156,894	74.39	8,550,388	22,707,282	4,128,691	451,656	98.05
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
2005	June 30, 2005	25,437,161	19,732,957	77.58	8,961,703	28,694,660	3,257,499	-	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 FY14 is \$32,854,846 less the tax credit of \$9,840,345 equaling the \$23,014,501 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			
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
2005	120,384	7,980	51,014	4,325	22,584	644	205,643	70,198	8,138	970	284,949	9.67%	2,827

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		
2014	\$ 638,991	-	638,991	7.00%	\$ *
2013	665,692	-	665,692	7.27%	6,831
2012	441,060	-	441,060	4.64%	4,557
2011	442,227	-	442,227	4.83%	4,636
2010	279,932	-	279,932	2.92%	2,930
2009	212,851	-	212,851	2.28%	2,169
2008	223,726	-	223,726	2.56%	2,248
2007	238,621	-	238,621	3.08%	2,354
2006	193,867	-	193,867	3.11%	1,894
2005	128,364	10,200	138,564	3.36%	1,375

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

\*Information not available at this time.

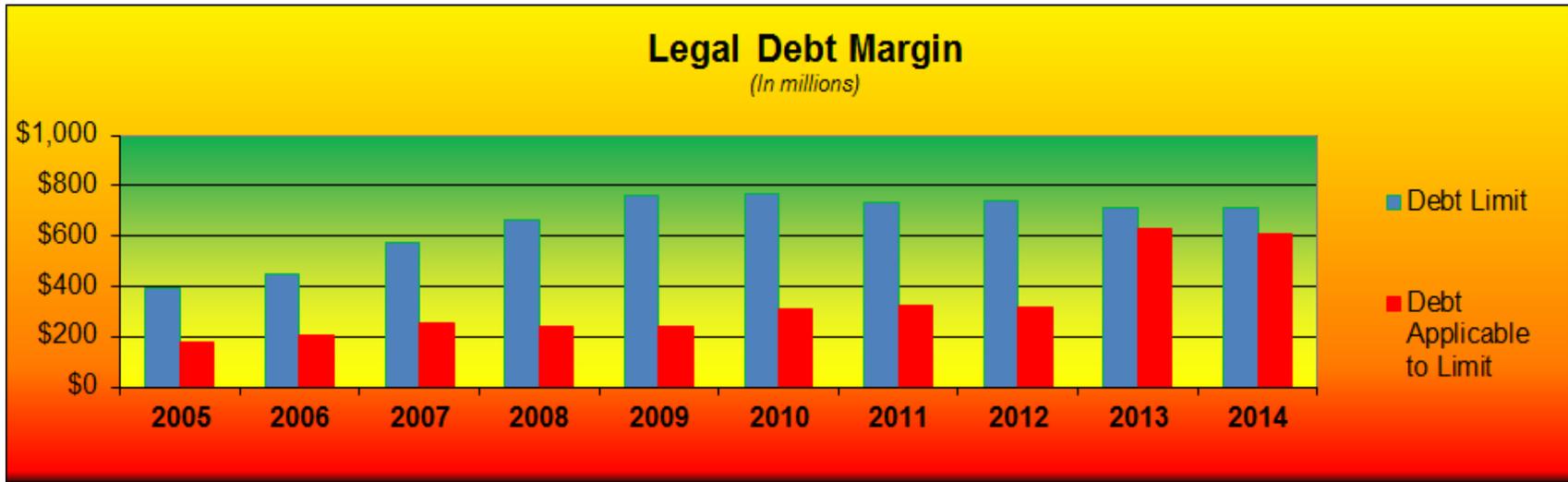
**CITY OF PORTSMOUTH, VIRGINIA**  
**Legal Debt Margin Information**  
**Last Ten Fiscal Years**  
*(dollars in thousands)*

**Legal Debt Margin Calculation for Fiscal Year 2014**

Assessed value	\$ 7,158,905
Debt limit (10% of assessed value)	715,891
Debt applicable to limit:	<u>606,121</u>
Legal debt margin	<u>\$ 109,770</u>

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013*	2014
Debt limit	\$ 396,073	449,215	574,072	665,881	759,166	767,762	733,306	743,503	713,373	715,891
Total net debt applicable to limit	176,610	208,401	252,287	236,589	241,689	308,221	326,609	316,767	631,739	606,121
Legal debt margin	219,463	240,814	321,785	429,292	517,477	459,541	406,697	426,736	81,634	109,770
Total net debt applicable to limit as a percentage of debt limit	44.6 %	46.4 %	43.9 %	35.5 %	31.8 %	40.1 %	44.5 %	42.6 %	88.6 %	84.7 %

\*Restated



**CITY OF PORTSMOUTH, VIRGINIA**  
**Pledged-Revenue Coverage**  
**Last Ten Fiscal Years**  
(dollars in thousands)

C-4

Fiscal Year	Golf Bonds						
	Gross Revenue	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage	
				Principal	Interest		
2014	\$ -	-	-	-	-	-	- *
2013	-	-	-	-	-	-	- *
2012	-	-	-	-	-	-	- *
2011	-	-	-	-	-	-	- *
2010	-	-	-	-	-	-	- *
2009	-	-	-	-	-	-	- *
2008	-	-	-	-	-	-	- *
2007	-	-	-	-	-	-	- *
2006	-	-	-	-	-	-	- *
2005	2,510	1,550	960	290	410		1.37

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

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

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

**D-1**

Year	Population (1)	Personal Income (thousands of dollars) (1)	Per Capita Personal Income (1)	Median Age (1)	School Enrollment (2)	Unemployment Rate (3)
2014	*	*	*	*	14,809	6.90%
2013	97,450	*	*	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%
2005	100,783	2,945,570	30,036	35.0	15,309	5.30%

\*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](http://www.virginialmi.com)

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

**D-2**

Employer	2014			2005		
	# of Employees	Rank	Percentage of Total City Employment	# of Employees	Rank	Percentage of Total City Employment
Norfolk Naval Shipyard	9,000	1	20.49 %	7,600	1	17.80 %
Naval Medical Center, Portsmouth	5,347	2	12.17 %	5,463	2	12.79 %
US Coast Guard Command - Portsmouth	2,233	3	5.08 %	1,500	6	3.51 %
City of Portsmouth	2,416	4	5.50 %	2,542	3	5.95 %
Portsmouth Public Schools	2,055	5	4.68 %	2,500	4	5.86 %
Bon Secours Maryview Medical Center	1,991	6	4.53 %	2,200	5	5.15 %
Tidewater Community College	506	7	1.15 %	-	-	- %
General Dynamics - NASSCO (Earl Industries)	-	-	- %	425	10	1.00 %
Gwaltney of Smithfield	-	-	- %	440	9	1.03 %
Wal-Mart Supercenter	378	8	0.86 %	380	11	0.89 %
Hampton Roads Regional Jail	364	9	%	300	12	0.70 %
Alternative Behavior Services (FHC)	-	-	0.83 %	800	7	1.87 %
Southeastern Public Service Authority	-	-	- %	473	8	1.11 %
Fairlead Integrated	200	10	0.46 %	-	-	- %
<b>Total</b>	<b>24,490</b>		<b>56 %</b>	<b>24,623</b>		<b>58 %</b>

Sources: Portsmouth Department of Economic Development  
Virginia Employment Commission, Quarterly Census of Employment and Wages  
Virginia Labor Market Information

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

E-1

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>General Fund</b>										
General government	131	138	134	146	144	133	167	132	139	123
Judicial	233	233	237	252	252	249	240	242	253	246
Public Safety	598	599	599	600	597	591	590	611	625	584
Public Works	107	107	110	108	104	359	359	87	86	96
Health and Welfare	-	-	-	-	-	-	-	-	-	-
Parks, Recreational, and Leisure Services	126	146	124	126	120	127	126	106	107	73
Community Development	65	44	70	67	66	48	48	48	51	46
<b>Total General Fund</b>	<b>1,260</b>	<b>1,267</b>	<b>1,274</b>	<b>1,299</b>	<b>1,283</b>	<b>1,507</b>	<b>1,530</b>	<b>1,226</b>	<b>1,261</b>	<b>1,168</b>
<b>Special Revenue Funds</b>										
Willett Hall Fund	-	1	1	1	1	1	1	2	2	1
Comprehensive Services Fund	3	3	3	3	3	3	3	3	3	2
Stormwater Management Fund	33	33	33	31	31	23	23	23	27	22
Grants	-	31	31	31	31	28	24	27	-	-
Behavioral Health Services Fund	129	129	130	137	137	122	120	120	120	94
Public Law Library Fund	-	-	-	-	-	-	-	-	-	-
Social Services Fund	247	247	254	254	254	248	245	245	246	216
<b>Total Special Revenue Funds</b>	<b>412</b>	<b>444</b>	<b>452</b>	<b>457</b>	<b>457</b>	<b>425</b>	<b>416</b>	<b>420</b>	<b>398</b>	<b>335</b>
<b>Capital Projects Fund</b>										
Community Development	2	2	-	-	-	-	-	-	-	-
<b>Enterprise Funds</b>										
Public Utilities Fund	143	143	146	145	145	138	138	138	139	103
Golf Fund	19	19	19	19	19	17	17	17	17	16
Waste Management Fund	73	73	76	75	75	68	68	68	62	50
Parking Authority Fund	6	6	6	6	6	6	6	6	6	3
<b>Total Enterprise Funds</b>	<b>241</b>	<b>241</b>	<b>247</b>	<b>245</b>	<b>245</b>	<b>229</b>	<b>229</b>	<b>229</b>	<b>224</b>	<b>172</b>
<b>Internal Service Funds</b>										
City Garage Fund	41	41	41	41	41	36	36	35	35	34
Information Technology Fund	40	40	32	39	39	26	26	33	26	25
Risk Management Fund	1	3	3	3	2	8	3	3	3	1
<b>Total Internal Service Funds</b>	<b>82</b>	<b>84</b>	<b>76</b>	<b>83</b>	<b>82</b>	<b>70</b>	<b>65</b>	<b>71</b>	<b>64</b>	<b>60</b>
<b>Total All Funds</b>	<b>1,995</b>	<b>2,036</b>	<b>2,049</b>	<b>2,084</b>	<b>2,067</b>	<b>2,231</b>	<b>2,240</b>	<b>1,946</b>	<b>1,947</b>	<b>1,735</b>

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

**E-2**

<u>Function/Program</u>	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Police										
Physical arrests	10,724	10,571	7,895	9,852	9,747	10,374	9,422	6,131	8,835	8,844
Parking violations	8,652	8,228	8,001	15,821	8,124	12,162	9,023	11,000	6,717	5,558
Traffic violations	17,896	12,294	6,774	11,431	11,424	16,140	15,594	18,648	14,343	12,297
Fire										
Emergency responses	*	17,310	17,386	17,035	14,073	16,135	17,447	17,618	17,421	17,517
Fires extinguished	*	855	662	623	590	506	626	382	307	291
Inspections	*	1,785	900	1,259	1,875	1,638	885	516	801	696
Refuse collection										
Refuse collected (tons/day)	*	162	151	165	126	158	*	*	*	183
Recyclables collected (pounds/day)	*	2	2	3	5	35	*	*	*	22,913
Other public works										
Street resurfacing (miles)	*	26.3	17.8	44.9	20.6	19	28.2	21.5	5.9	19
Potholes repaired	*	1,324	1,491	911	1,045	1,344	1,191	3,341	5,350	8,615
Parks and recreation										
Community center admissions	*	262,399	308,891	308,891	274,571	274,571	281,145	242,864	286,750	231,897
Library										
Volumes in collection	*	338,601	371,256	338,971	276,874	260,889	267,230	243,583	243,583	243,856
Total volumes borrowed	*	380,040	337,447	370,870	376,946	383,265	364,835	384,130	357,581	325,694
Water										
New connections	*	136	176	255	105	2,959	2,852	149	92	85
Water main breaks	*	125	126	102	105	88	104	91	107	118
Average daily consumption (millions of gallons)	18	18.81	16.56	13.90	13.80	14	13.40	17.20	24.6	18
Peak daily consumption (millions of gallons)	*	26.69	17.53	16.90	16.70	17	16.56	20.20	*	*

\* Information not available at this time.

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

**E-3**

<u>Function/Program</u>	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	234	242	252	255	255	255	236	262	268	256
Fire stations	8	8	8	8	8	8	8	8	8	8
Refuse collection										
Collection trucks	*	26	26	27	27	27	27	27	27	27
Other public works										
Streets (miles)	402	398	398	351	403	393	*	399	399	399
Highway (miles)	*	888	888	82	82	82	*	*	*	887
Streetlights	10,722	10,693	10,661	10,665	10,665	10,665	*	10,706	10,714	10,723
Traffic signals	*	115	130	120	120	120	*	*	121	123
Parks and recreation										
Acreage	203	250	402	402	402	402	402	402	402	402
Playgrounds	*	12	13	13	13	13	13	13	13	13
Baseball/softball diamonds	*	39	36	36	36	36	36	36	36	36
Soccer/football fields	*	35	34	34	34	34	34	34	34	34
Community centers	7	7	7	7	7	7	7	7	7	7
Water										
Water mains (miles)	625	543	543	626	626	626	626	626	626	626
Fire hydrants	2,530	2,514	2,514	2,530	2,530	2,593	2,593	2,593	2,593	2,593
Storage capacity (millions of gallons)	*	9	9	9	9	9	9	9	9	9
Wastewater										
Sanitary sewers (miles)	437	437	437	438	438	438	438	438	438	438
Storm sewers (miles)	107	159	159	159	159	159	159	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, 2014, and the related notes to the financial statements and have issued our report thereon dated December 5, 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 deficiency described in the accompanying schedule of findings and questioned costs as 2014-001 to be a material weakness.

### **Compliance and Other Matters**

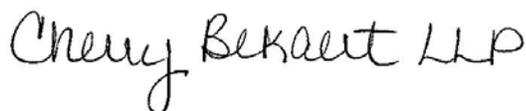
As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect 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 2014-002 through 2014-005.

### **City of Portsmouth, Virginia's Response to Findings**

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing on internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 Bekart LLP".

Virginia Beach, Virginia  
December 5, 2014

**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, 2014. 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, 2014.

**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 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.

Cheryl Bekant LLP

Virginia Beach, Virginia  
December 5, 2014

**City of Portsmouth, Virginia**  
**Schedule of Findings and Questioned Costs**  
**For the Fiscal Year Ended June 30, 2014**

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

Financial Statements:

Type of auditor's report issued on the financial statements:	<b>Unmodified</b>
Internal control over financial reporting:	
Material weaknesses identified:	<b>Yes</b>
Significant deficiencies identified:	<b>None reported</b>
Noncompliance material to the financial statements noted?	<b>No</b>

Federal Awards:

Type of auditor's report issued on compliance for major programs:	<b>Unmodified</b>
Internal control over financial reporting:	
Material weaknesses identified:	<b>No</b>
Significant deficiencies identified:	<b>None reported</b>
Any audit findings disclosed that are required to be reported in Accordance with Section 510(a) of OMB Circular A-133?	<b>No</b>

Identification of major federal programs:

<u><b>Name of Program</b></u>	<u><b>CFDA #</b></u>
Department of Agriculture:	
SNAP Cluster	10.561
Child Nutrition Cluster	10.553, 10.555, 10.559
Department of Housing and Urban Development:	
CDBG – Entitlements Grants Cluster	14.218
Department of Education:	
Title I, Part A Cluster	84.010
Improving Teacher Quality State Grants	84.367
Department of Health and Human Services:	
TANF Cluster	93.558
Foster Care Title IV-E	93.658

Dollar threshold to distinguish between Types A and B Programs:	<b>\$1,089,859</b>
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The City of Portsmouth was qualified as a low risk auditee?	<b>No</b>
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## 2) Findings - Financial Statement Audit

### 2014-001: 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 \$7,963,656.

**Auditor's Recommendation:**

The City should design and implement a procedure to ensure that 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:**

We concur that construction in progress was not properly closed out upon the completion of capital projects. We have already implemented procedures to track the progress of construction to ensure construction in progress is properly transferred to assets in services.

## 3) Findings and Questioned Costs - Major Federal Awards

None

## 4) Findings and Questioned Costs – State Compliance

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

**Criteria:**

The *Code of Virginia*, Section 63.2 requires that when a user leaves the local Department of Social Services, their privileges must be immediately removed from all systems that they were authorized to use.

**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.

**Cause:**

Information on terminated employees was not timely provided to allow for user access to be removed within three days of the employee's termination.

**Effect:**

The City of Portsmouth is potentially at risk of unauthorized users accessing these systems.

**Auditor's Recommendation:**

We recommend the City implement a process to ensure user access to social services systems be removed within three days of the employee's termination.

**Management's Response:**

When an employee leaves the employment (their last day being physically present in the building) of the Portsmouth Department of Social Services, the immediate supervisor is to execute an "Employee Separation & Transfer Checklist" form. This form terminates all of the employee's privileges and access to systems. The completed form is forwarded to the department's Security Officer, who executes the process to remove the employee. This procedure will be reviewed with all supervisors to ensure timely execution is performed in accordance with the referenced state code section.

**2014-003: 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 Business Continuity Plan is being updated and upon completion a schedule to review it every twelve months will be implemented. The three types of disruptions will be specifically addressed by the revised plan. The plan will be consistent with the procedures of the Virginia Department of Social Services regarding providing essential services during a natural disaster and/or the continuation of operations during an extraordinary event. It will identify the essential staff members and recovery team that will implement and execute the plan. Procedures for a process to return to full operations will be included. The staff will be provided a copy of the plan and the specific assignments will be reviewed to ensure compliance. Additionally, the department will coordinate with and communicate to all other city departments that may provide assistance to involve securing an alternate operating site.

**2014-004: Nonmaterial Noncompliance - Highway Maintenance****Criteria:**

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

**Condition:**

While performing our audit procedures to ensure compliance with Section 3-13 of the *Specifications for Audits of Counties, Cities and Towns*, we noted that the 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.

**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 annual transportation spending reporting requirements.

**Auditor's Recommendation:**

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

**Management's Response:**

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

## **2014-005: Nonmaterial Noncompliance – Economic Interest Disclosure Statements**

### **Criteria:**

The *Code of Virginia*, Section 2.2-3115 requires that local officials file an annual disclosure form by January 15<sup>th</sup> 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 that one Statement of Economic Interest was filed after January 15, 2014.

### **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 January 15<sup>th</sup> each year.

### **Management's Response:**

We concur that the City of Portsmouth is 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**

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

#### **Condition:**

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

#### **Corrective Action:**

Corrective action on this finding has been completed.

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

#### **Condition:**

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

#### **Corrective Action:**

Corrective action on this finding has been completed.

### **State Finding 2013-3: Special Welfare Trust**

**Condition:**

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

**Corrective Action:**

Corrective action on this finding has been completed.

### **State Finding 2013-4: Highway Maintenance Funds**

**Condition:**

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

**Corrective Action:**

We noted in current year testing that the survey was not reported timely. This is a repeat finding as the current year Finding 2014-004.

**CITY OF PORTSMOUTH, VIRGINIA**

**Schedule of Expenditures of Federal Awards**

Year ended June 30, 2014

<b>Federal Granting Agency/Pass Through Agency/Grant Program</b>	<b>Federal Catalogue Number</b>	<b>Federal Expenditures</b>
<b>Department of Agriculture:</b>		
Direct payments:		
Summer Food Service Program for Children	10.559	\$ 236,028
Pass-through payments:		
Virginia Department of Social Services:		
State Administrative Matching Grants for Food Stamp Program	10.561	2,052,211
Virginia Department of Agriculture and Consumer Services - Food Distribution	10.555	435,202
Virginia Department of Education - Food Service Equipment	10.579	-
National School Breakfast and Lunch Program	10.555, 10.553	5,271,468
Fruits and Vegetables	10.582	196,431
<b>Total Department of Agriculture</b>		<b>8,191,340</b>
<b>Department of Defense:</b>		
Direct payments:		
National Defense Education Program	12.300	-
ROTC	12.000	229,934
<b>Total Department of Defense</b>		<b>229,934</b>
<b>Department of Education:</b>		
Direct payments:		
Impact Aid	84.041	522,484
ARRA - IMPACT Aid Discretionary Construction	84.401	-
<b>Total Impact Aid</b>		<b>522,484</b>
Pass-through payments:		
Virginia Department of Education:		
Adult Education	84.002	171,567
Virginia Department of Education:		
Title I, Part A Cluster		
Title I Grants to Local Education Agencies	84.010	6,511,886
ARRA - Title I Grants A	84.389	-
<b>Total Title I Grants to Local Education Agencies</b>		<b>6,511,886</b>
Special Education (IDEA) Cluster:		
Special Education (Title VI-B)	84.027	3,332,494
ARRA - IDEA Title (VIB) Section 619	84.391	-
Special Education - Preschool Grants	84.173	178,303
ARRA - Special Education - Preschool Grants	84.392	-
<b>Total Special Education (IDEA) Cluster</b>		<b>3,510,797</b>
Title I School Improvements (1003g)	84.377	49,852
Education Technology State Grants Cluster:		
Special Education - Grants for Infants and Family	84.181	165,663
ARRA - Special Education Grants for Infants and Family	84.393	-
<b>Total Special Education - Grants for Infants and Family</b>		<b>165,663</b>
Safe and Drug Free Schools and Communities	84.186	-
Education Improvement Fund	84.215	-
Education Technology State Grant	84.318	-
ARRA - Education Technology State Grants	84.396	-
Improving Literacy Through Library Education	84.364	-
Improving Teacher Quality	84.367	1,113,089
Smart Art Afterschool Program	84.251	1,513
ARRA - State Stabilization Fund	84.394	-
Education for Homeless Children & Youth	84.196	14,734
Vocational Education	84.048	194,792
Va Comp Board - State Fiscal Stability - Govt Services ARRA	84.397	-
Investing in Innovation Fund	84.411	26,129
<b>Total Department of Education</b>		<b>12,282,506</b>

**CITY OF PORTSMOUTH, VIRGINIA**

**Schedule of Expenditures of Federal Awards**

Year ended June 30, 2014

Federal Granting Agency/Pass Through Agency/Grant Program	Federal Catalogue Number		Federal Expenditures
<b>Environmental Protection Agency, Office of Environmental Education:</b>			
Direct payments:			
ARRA - Capitalization for Drinking Water State Revolving Fund	66.468		-
Total Environmental Protection Agency			-
<b>Department of Health and Human Services:</b>			
Virginia Department of Social Services:			
Social Services Block Grant	93.667		1,197,535
Temporary Assistance for Needy Families	93.558		1,916,446
Child Care and Development Fund Cluster:			
Child Care and Development Fund	93.596	275,609	
Child Care and Development Block Grant	93.575	(406)	
ARRA - Child Care	93.713	-	275,203
Chafee Education & Training Vouchers Program	93.599		20,114
Medical Assistance Program - Title XIX	93.778		1,833,384
Foster Care - Title IV-E	93.658		1,062,484
ARRA - Foster Care - Title IV-E	93.658	-	-
Adoption Assistance	93.659		831,937
ARRA - Adoption Assistance	93.659	-	-
Independent Living	93.674		35,797
Low-Income Home Energy Assistance	93.568		193,106
Refugee and Entrant Assistance	93.566		13,395
Promoting Safe and Stable Families	93.556		81,787
State Children's Insurance Program	93.767		64,224
Child Welfare Services	93.645		13,583
Virginia Department of Mental Health, Mental Retardation and Substance Abuse Services:			
Projects for Assistance in Transition from Homelessness	93.150		48,498
Block Grants for Community Mental Health Services	93.958		163,738
Block Grants for Prevention and Treatment of Substance Abuse	93.959		1,001,798
Total Department of Health and Human Services			8,753,029
<b>Department of Homeland Security:</b>			
Direct Payments:			
FEMA	97.036		-
State and Local All Hazards Emergency Operations Planning	97.051		-
LEMPG	97.042		60,086
Port Security	97.056		74,148
Citizen Corp 12	97.073		-
Total Department of Homeland Security			134,234
<b>Department of Housing and Urban Development:</b>			
Direct payments:			
Community Development Block Grant	14.218		1,333,850
ARRA - Community Development Block Grant-R	14.218	-	-
ARRA - Housing Prevention Rapid Rehousing	14.257		-
Special Purpose Grant	14.225		-
HOME Investment Partnerships Program	14.239		485,252
Emergency Shelter Grants Program	14.231		-
Shelter Plus Care	14.238		456,144
Supportive Housing	14.235		71,113
Neighborhood Stabilization Program	14.256		3,903
Program and other income:			
Community Development Block Grant	14.218		44,880
HOME Investment Partnerships Program	14.239		55,668
Total Department of Housing and Urban Development			2,450,810

CITY OF PORTSMOUTH, VIRGINIA

Schedule of Expenditures of Federal Awards

Year ended June 30, 2014

Federal Granting Agency/Pass Through Agency/Grant Program	Federal Catalogue Number	Federal Expenditures
<b>Department of Justice:</b>		
Direct Payments:		
Weed and Seed	16.595	373
Federal Seizures	16.000	-
Pass-through payments:		
Virginia Department of Criminal Justice Services:		
Juvenile Accountability Incentive Block Grant	16.523	17,128
Victim Witness	16.575	313,956
U.S. Department of Justice:		
Justice Assistance Grant Program	16.738	118,948
Bulletproof Vest Partnership Program	16.607	-
ARRA - Edward Byrne Memorial Justice Assistance Grant Program	16.804	-
Total Department of Justice		450,405
<b>Department of Transportation:</b>		
Pass-through Payments:		
Federal Transit Administration-Hampton Roads Transit:		
Highway Planning and Construction	20.205	3,804,506
ARRA - Traffic Signal Improvements	20.932	-
Virginia Department of Motor Vehicles:		
Comprehensive Speed, DUI/Passenger and CMV Occupant Restraint Enforcement	20.607	31,857
Total Department of Transportation		3,836,363
<b>National Science Foundation:</b>		
Trans - NSF Recovery Act Research Support	47.082	-
Total National Science Foundation		-
<b>Department of Energy:</b>		
Direct Payments:		
ARRA - Energy Efficiency Cons Block Grant	81.128	-
Total Department of Energy		-
Total all agencies		\$ 36,328,620

**CITY OF PORTSMOUTH, VIRGINIA**

**Notes to Schedule of Expenditures of Federal Awards**

Year ended June 30, 2014

**(1) General**

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

**(2) Basis of Accounting**

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

**(3) Relationship to Financial Statements**

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

Intergovernmental revenue:

<u>City:</u>	
Governmental Fund	
General Fund	\$ -
Special Revenue Funds:	
Virginia Public Assistance	9,447,329
Mental Health Services	1,561,197
Donations	-
Asset Forfeiture	32,092
Grants	1,827,155
Stimulus	-
Capital Projects Funds -	
Capital Projects Funds	2,587,096
Community Development	941,770
<b>Total City</b>	<b>16,396,639</b>

Component Unit - School Board:

Operating	752,418
Grants	11,607,907
Cafeteria	5,903,101
<b>Total component unit - School Board</b>	<b>18,263,426</b>

Total federal expenditures from Intergovernmental Revenue 34,660,065

Add: Donations Fund expenditures in excess of revenues	-
Community development fund program and other income	
Add: PU/CIP Fund Expenditures in excess of revenues	1,202,349
Add: Social Services expenditures in excess of revenues	143,878
<u>Less: Pass-through payments to School Board</u>	
Add: CDBG Expenditures in excess of revenues	977,880
Less: VPA Revenues in excess of expenditures	-
Less: Grant Revenues in excess of expenditures	441,958
Less: Asset forfeiture revenues in excess of expenditures	32,092
Add: Stimulus Expenditures in excess of revenue	
Less: Grant unspent revenues	-
Less: CDBG Unspent Revenue	
Less: BHS revenues in excess of expenditures	181,500
Less: PU/CIP Fund unspent revenues	
<b>Total federal expenditures per Schedule of Expenditures of Federal Awards</b>	<b>36,328,620</b>

**(4) Subreceipts**

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

<u>Federal Granting Agency/Grant Program</u>	<u>Amount</u>
<b>Department of Health and Human Services -</b>	
Child Care and Development Fund	275,609
<b>Department of Housing and Urban Development:</b>	
Community Development Block Grant	1,337,753
HOME Investment Partnerships Program	485,252
Shelter Plus Care	456,144
<b>Total federal funds passed through to subrecipients</b>	<b>\$ 2,554,758</b>