



2021 ANNUAL COMPREHENSIVE FINANCIAL REPORT

City of Newport News, VA



Fiscal Year Ended June 30, 2021

Newport News 
Where Great Things Are Happening

CITY OF NEWPORT NEWS, VIRGINIA

Annual Comprehensive Financial Report

Fiscal Year Ended June 30, 2021

Prepared by the
Department of Finance

2400 Washington Avenue
Newport News, VA 23607

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City of Newport News, Virginia

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City of Newport News

Office of the City Manager

November 23, 2021

The Honorable City Council
City of Newport News
Newport News, Virginia 23607

We are pleased to submit the Annual Comprehensive Financial Report (ACFR) of the City of Newport News, Virginia (the City), as of and for the fiscal year ended June 30, 2021 (FY 2021).

Cherry Bekaert LLP, Certified Public Accountants, conducted the audit of the City's financial statements, as of and for the year ended June 30, 2021, and have issued an unmodified ("clean") opinion on those statements. The independent auditor's report is located at the front of the Financial Section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. This letter of transmittal is intended to provide a profile of the City and summary information about its economic condition and is intended to complement the MD&A.

Responsibility for the accuracy of the data and the completeness of all information rests with City management. Management believes that the City's accounting system provides adequate internal controls. These controls are designed to provide reasonable, but not absolute, assurance regarding the safekeeping of assets against loss from unauthorized use or disposition, and the reliability of the financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived, and the evaluation of those costs and benefits requires estimates and judgments by management.

To the best of our knowledge and belief, the attached data is accurate in all material respects and is reported in a manner that presents fairly the financial position and the results of operations of the various funds and component units of the City. Extensive disclosures have been included to help the reader gain full understanding of the City's financial affairs.

PROFILE OF THE CITY AND ITS GOVERNMENT

The City of Newport News, incorporated in 1896, is located on the eastern coast of Virginia. It occupies 69 square miles with a population of 186,247, based on the 2020 Census. Newport News is the fourth largest City by acreage and the fifth largest City by population in the Commonwealth of Virginia.

Newport News is a vibrant City at the mid-point of the Atlantic Coast and at the center of the Virginia Beach-Norfolk-Newport News Metropolitan Statistical Area, the 37th largest market in the United States and the largest metro between Washington and Atlanta, with a population estimate of 1.7 million. Newport News is located on the Virginia Peninsula, surrounded by the James River to the south, the York River to the north, and the Chesapeake Bay to the east. The diversity of available resources and quality of life for those who live here are further enhanced by its close proximity to 18 other cities and counties. In total, these entities blend synergistically

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into Virginia's Hampton Roads region, with Newport News a vital contributor to the desirable lifestyle, high energy, and economic strength of this vibrant area.

The City has a council-manager form of government. Policy-making and legislative authority is vested in a Council consisting of the Mayor and six other members, all elected on a non-partisan basis. The Mayor and Council members serve four-year terms, with three members elected every two years. The Mayor is elected at large and the six members of Council are elected by voters of the districts in which they reside. The Council appoints the City Manager who carries out its policies, directs daily operations and appoints the heads of various departments. The Council also appoints the City Clerk and the City Attorney, who is the legal advisor to the Council, the City administration, boards, commissions and agencies of the City.



The City provides a full range of services, including police, fire protection and emergency medical response, juvenile detention, social services, recreational activities, cultural events, and the construction and maintenance of highways, streets and infrastructure. In addition to these general government activities, the City provides street lighting, storm water, water and wastewater services to its citizens. The City's Waterworks Department also provides water to the cities of Hampton and Poquoson and to parts of York and James City counties.

This report covers financial transactions of all services provided by the City. The City is financially responsible for a legally separate school district, Newport News Public Schools (Schools or School Board), which is reported separately within the financial statements. Also included, as component units, are the Peninsula Airport Commission (Airport or PAC) and the Economic/Industrial Development Authorities (E/IDA), because of City Council's financial accountability for those entities as well as their significant financial ties with the City.

The independent agencies that are NOT included in the City financial statements are the Newport News Redevelopment and Housing Authority (NNRHA), the Hampton Roads Community Action Program (HRCAP) and the Hampton-Newport News Community Services Board (HNNCSB).

The City's annual budget process, the foundation for communicating major financial operating objectives and for allocating resources to achieve them, is a complex undertaking involving the entire government. The City is required by State code to adopt a final budget by the 15th day of the last month of the fiscal year (June 15).

Once the budget is approved, there is significant focus on the control of expenditures and monitoring revenues. Ongoing monitoring of revenues and expenditures throughout the year is a responsibility shared by department directors and the Department of Budget and Evaluation (Budget Department).

The Budget Department reviews all departmental transfer requests to ensure sufficient appropriations are available. The City Manager has the authority to transfer budgeted amounts among departments within any fund; however, any revisions altering the total appropriations of any fund must be approved by City Council. Budget to actual comparisons are provided in this report for each governmental and enterprise fund for which an annual budget has been adopted.

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COVID-19

The City continued its response to the coronavirus pandemic, which began in March 2020, throughout the fiscal year. While the duration and economic impact of the pandemic are unknown at this time, the City implemented a variety of relief programs to help mitigate the impact, maintain critical services and keep residents and employees safe. To assist in these efforts and to address public health needs, the City has been allocated unprecedented levels of federal funding since the onset of the pandemic. This funding has included:

- A \$31.2 million allocation of the Coronavirus Relief Fund (CRF) from the Coronavirus Aid, Relief, and Economic Security (CARES) Act during calendar year 2020 to assist the City in its response efforts by funding necessary expenditures incurred due to the public health emergency. These funds have been used to support and improve public health and safety, critical technology infrastructure, and community well-being and resiliency efforts.
- A \$66.8 million allocation of the Coronavirus State and Local Fiscal Recovery Funds (CSLFRF) from the American Rescue Plan Act (ARPA) during calendar year 2021. These funds may be used to support public health expenditures, address negative economic impacts caused by the public health emergency, replace lost public sector revenue, provide premium pay for essential workers, and/or invest in water, sewer, and broadband infrastructure, must be obligated by December 31, 2024, and must be spent by December 31, 2026. Additional information regarding ARPA funds can be found in Note 16, Subsequent Events, of the Notes to the Financial Statements.

The City also received various smaller grants and allocations from other sources to support its COVID-19 relief and recovery efforts.

LOCAL ECONOMY AND OUTLOOK

The Newport News economy continues to improve as real estate and personal property assessments continue to increase and some consumer-driven revenues including sales and meals tax continue to perform well. Employment also steadily recovered during the fiscal year. Unemployment was at 11.9% in July 2020 and decreased to 6.2% in June 2021 as vaccine availability improved and businesses reopened. The outlook continues to improve for FY 2022 with unemployment almost back to pre-pandemic levels at 4.8% in September 2021.

Newport News has an economic foundation which was historically based largely on livelihoods benefitting from the constant presence of water – shipbuilding, fishing, and naval and commercial transport networks. Over the past 40 years, the City has evolved into a community now defined by science and technology industries balanced between commercial and military applications, research facilities, higher education, manufacturing, distribution, and healthcare.

Newport News is home to the State's largest private employer, Huntington Ingalls, with nearly 26,000 workers employed in the City at its Newport News Shipbuilding division (Shipyard) and its affiliated companies. Ship building and repair have remained exceptionally strong in 2021. Huntington Ingalls – Newport News Shipbuilding continues to build the next generation of Ford-class aircraft carriers, and will work jointly with Connecticut based Electric Boat to build a new fleet of Columbia-class ballistic missile submarines for the Navy. To support this effort, the Shipyard will invest more than \$750 million in its Newport News facility and create 1,000 new jobs by the year 2025.

In addition to the defense sector, Newport News is also home to Jefferson Lab, a world-class national laboratory specializing in particle physics. The Lab has won over \$3.2 billion in federal funding and made groundbreaking discoveries in nuclear physics. In recent years, Jefferson Lab completed a \$400 million federally funded upgrade,

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doubling the power of the existing facility. Its Continuous Electron Beam Accelerator Facility has a 20-year backlog of scientists waiting to use this facility. This unique and important science asset, attracting over 1,600 international users annually, is a significant contributor to the local economy.

LONG-TERM FINANCIAL PLANNING AND DEBT ADMINISTRATION

The City has adopted policies which guide its capital improvement planning and its issuance of long-term debt. These policies are intended to help the City maintain or improve its bond rating, help the City manage its capital investments in a manner which does not create an undue financial burden on its citizens and taxpayers, and keep changes in debt service obligations at levels that do not reduce the City's ability to provide acceptable municipal and educational services to its citizens.

The following are the City's Capital Financing Debt Management Policies:

Debt Indicator	Established Policy	FY 2020	FY 2021
Outstanding General Obligation to Taxable Real and Personal Property Value	No greater than 3.0%	2.2%	2.3%
General Fund Debt Service to General Fund Revenue	No greater than 9.5%	8.2%	7.7%
Proportion of Capital Improvement Plan spending with Cash Capital	No less than 20%	20.0%	20.0%
Outstanding General Obligation Debt Scheduled to be repaid within 5 years	No less than 30%	43.2%	42.0%
Outstanding General Obligation Debt Scheduled to be repaid within 10 years	No less than 60%	73.0%	72.0%

The City maintains strong credit ratings with the financial ratings agencies Standard & Poor's (S&P) and Moody's with long-term credit ratings of AA+ and Aa1, respectively. The City's Waterworks Department also maintains strong credit ratings of AAA with S&P and Aa1 with Moody's. These credit ratings were reaffirmed in the spring of 2021 and allow the City to gain access to capital at lower interest rates.

As required by City Code, the City Manager submits a multi-year Capital Improvements Plan (CIP) to City Council no later than November 1 of each year. The FY 2022 to FY 2026 Capital Improvements Plan was approved by City Council on September 14, 2021. The CIP reflects the vision and priorities of City Council for the construction and maintenance of the buildings and infrastructure owned by the City. Although intended to be a commitment to a multi-year capital needs program, the CIP is fundamentally a planning document, subject to annual modification and amendment as changing priorities, availability of funding and other factors create the need for revision. Most projects in the CIP are funded by 20-year General Obligation Bonds issued by the City with level annual principal payments. The annual principal and interest payments (debt service) are included in the City's annual operating budget. The General, Wastewater, Stormwater, and Solid Waste funds each pay for a proportionate share of principal and interest payments. The Waterworks Fund pays all of the debt service related to its capital projects. The FY 2022 Budget provides that the General Fund will pay 81.3%, or \$47.2 million, of the total debt service budget of \$58.0 million.

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SIGNIFICANT STRATEGIC PRIORITY ACCOMPLISHMENTS FOR FY 2021

The Council has identified several broad strategic priorities to guide the City's operations:



Highlights of the significant accomplishments and initiatives undertaken or completed during the year in support of these priorities follows.

Health, Safety & Well-Being

The City is committed to fostering a healthy environment with equitable outcomes and providing public safety services to enable all residents and visitors to be confident in their safety and well-being.

In our effort to mitigate the spread of COVID-19, the city partnered with Newport News Public Schools, Christopher Newport University, York County, York County Schools, Riverside Health Systems and the Virginia Department of Health to open a closed pod Vaccination Clinic. This clinic provided vaccinations for first responders, teachers and phase 1A, B, and C essential workforce and immunocompromised individuals across the area. The City also partnered with the Virginia Department of Emergency Management to open a public Community Clinic in the Denbigh area of the City with a capacity of up to 1,000 vaccines per day for citizens across the region.

The City launched a progressive new program designed to provide crisis intervention services to individuals within the City. The Community Assistance Response Program (CARE) is the result of a partnership between the Newport News Fire Department (NNFD), the Newport News Police Department (NNPD) and the Hampton-Newport News Community Services Board (HNNCSB). Members of the CARE team provide initial support for those experiencing mental or behavioral health issues within Newport News. Crisis Intervention Teams like the CARE program are advanced, community-based approaches to improve the outcomes of these encounters.



The Police Department continues to utilize the 21st Century Policing Model as a community policing foundation to reduce crime, interact with citizens, and produce the most proactive police department on the East Coast. In 2020, the Police Department achieved a 9% overall crime reduction, on top of the 11% reduction in 2019. Year-to-date in 2021 the Department is experiencing a 7% reduction in crime. The Department has placed a strong emphasis on training, attending classes on mental health, autism, and recently, implicit bias. In addition, the

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Department added two domestic violence advocates and two social workers, and has implemented an alternative response team for calls surrounding mental illness.

In FY 2021, the Department of Juvenile Services sought enabling legislation to begin a Youth Court Program in Newport News, which had not been previously sanctioned under Virginia code as an acceptable diversion program for low level first time juvenile offenders. HB2017 was signed into law by Governor Northam shortly thereafter, allowing the Department of Juvenile Services to begin the process of piloting the Youth Justice Diversion Program (formerly known as Youth Court) for the City of Newport News. The program educates youth who make unfortunate decisions to be accountable and responsible for their actions and provides resources they need to avoid further confrontation with the justice system. The program is expected to start hearing cases in FY 2022.

The City also supports programs to increase access to food and medical services, as well as programs to encourage healthy living. For our most vulnerable citizens, the City administers public welfare benefits, including Supplemental Nutrition Assistance for Needy Families, Medicaid, the Comprehensive Services Act, Energy assistance and Child Care assistance. Approximately 67,054 residents were served by these programs in FY 2021.

In addition, in an effort to address the greater number of residents in need due to the coronavirus pandemic, the City allocated over \$900,000 of its Coronavirus Aid, Relief, and Economic Security Act (CARES) funds to establish the Supplemental Assistance Funding for Emergencies (SAFE) Program for residents, and provided over \$2.7 million of its CARES funds to support local non-profit partners who provide critical services. The SAFE program provided one-time assistance to residents who did not meet federal and state eligibility for other social service benefits with various expenses, such as rent/mortgage, utilities, food, medication, transportation, and childcare. The non-profit grant program provided operational and project support funding to 31 local non-profits who provide services to the community.

In FY 2021, Newport News also became part of Virginia's Health Equity Program, a state-local partnership created to increase equitable access to essential supplies in underserved and historically disadvantaged communities, many of which have been disproportionately impacted by COVID-19. As part of this effort, the City's paramedicine team distributes personal protective equipment (PPE) and public health information to residents.

Education and Learning

The City is continually looking for ways to strengthen education and access to learning for all residents. One of the most important services provided by a City to its taxpayers is the education of the children of the community. Newport News Public Schools (NNPS) provides a full range of public education services to approximately 28,680 students, with a mission of ensuring that all students graduate "college, career and citizen-ready." NNPS, along with learning institutions nationwide, pivoted to online instruction in March 2020 due to COVID-19 and continued to adapt to students' needs as pandemic restrictions continued to change. NNPS has ensured students have the resources necessary to be successful in this new environment including technology, internet access, nutrition and more. More information about important achievements of the Schools is available in the separately published Schools Annual Comprehensive Financial Report.

Newport News partnered with other communities to create the Coastal Virginia STEM Hub, a regional learning ecosystem for the 17 municipalities in the Hampton Roads region. This program is anchored by the Brooks Crossing Innovation and Opportunity Center in the City's Southeast Community. This Ecosystem encompasses schools, after-school and summer programs, science centers, museums and businesses that together constitute a rich array of learning opportunities for Newport News young people.

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The Newport News Public Library (NNPL) supports the community's need for access to information, resources and digital connectivity that enhance education and learning. NNPL expanded Wi-Fi service by removing connectivity time limits and extending Wi-Fi signal ranges at all branches to increase digital access to resources. NNPL also doubled its Wi-Fi devices. These devices can be checked out by any NNPL library card holder to help meet digital access needs. NNPL held its second virtual Summer Reading Challenge and challenged the City of Newport News to read one hour a week for a community goal of 500,000 minutes and surpassed that goal with 709 participants reading 519,325 minutes over the summer.

As part of the ongoing efforts aimed at student success, NNPL successfully collaborated with Newport News Public Schools (NNPS) to configure a daily data exchange that allows all NNPS students to automatically receive library memberships.

During FY 2021, NNPL also launched Career Online High School (COHS), a program designed for adults who didn't complete high school and could benefit from additional job training. Graduates of COHS earn a high school diploma and a career certification through an accredited high school.



Newport News is home to Christopher Newport University (CNU). Selected by The Princeton Review to be included in *The 387 Best Colleges: 2022 Edition*, CNU is a public school offering a private school experience in the heart of Newport News — great teaching, small classes, and a safe, vibrant campus. A “student-first, teaching-first” community, CNU is dedicated to the ideals of scholarship, leadership and service. Academic programs at CNU encompass more than 90 areas of study, from biology to business administration and political science to the performing arts. Christopher Newport University is committed to ensuring that all people are welcomed, honored and fully engaged in the life of the academic community.

Opportunity & Economic Prosperity

Newport News promotes the expansion of economic activity, provides varied economic opportunities for its residents, and fosters a healthy climate for new and existing businesses. During FY 2021, the focal point of economic development activity within the City was on continued support and expansion of the City's research, science, technology and advanced manufacturing sectors and on support of entrepreneurship, small business and residents.

In May 2021, Governor Northam announced that IndieDwell, a non-profit affordable housing manufacturer, will invest over \$2 million to establish an East Coast facility in the City's Southeast Community and create 250 jobs with full benefits for community residents in partnership with Virginia Housing. Opportunities will include on-the-job training, as well as some employee ownership of the new entity.

BUSINESS EXPANSION

In September 2021, Governor Northam announced that Aery Aviation, a full-service provider to the commercial and government aerospace industries, is investing \$15.3 million and creating 211 new jobs to expand its global headquarters in Newport News. The company will construct a new, 60,000-square-foot engineering technology center and hangar facility with access to the airport runway to expand capabilities in maintenance and modification services for its clients.

Liebherr Mining Equipment Company, located in the Copeland Industrial Park, also expanded its operations this year. Liebherr USA celebrated its 50th year in Newport News with the completion of a \$45 million expansion in August 2020 consisting of three new buildings totaling 251,000 square feet. Liebherr manufactures the world's largest mining trucks, each selling at a seven-figure price.

Ferguson Enterprises, the largest wholesale plumbing distributor in the U.S., completed construction of an eight-

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story, 260,000 square foot campus, investing nearly \$83 million and creating 350 new jobs. The new facility houses 1,600 Ferguson employees working in marketing and communications, Ferguson's national sales center, ebusiness, human resources, information technology, security, and other corporate functions.

SMALL BUSINESS AND RESIDENT SUPPORT

While there was significant economic development activity in the City during FY2021, lagging economic recovery related to COVID-19 continued to be a challenge for the City's small businesses and residents.

To ensure the resiliency of our local businesses, the City partnered with the Economic Development Authority and established a series of grant programs utilizing CARES funds to support small businesses impacted by the COVID-19 pandemic. The COVID-19 Resiliency Grant, Back to Business Grant and Grow Your eBusiness Grant provided financial assistance to small businesses in Newport News. Nearly 600 applications were submitted, and over \$1.85 million in grants were awarded during late FY2020 and early FY 2021.

In June 2021, The Offices @ Two Five & J, a 5,420 square foot co-working space, opened in the Southeast Community. A culmination of more than \$2 million in investment, including a \$480,000 grant from the Virginia Department of Housing and Community Development's Industrial Revitalization Fund, The Offices @ Two Five & J serves as a business hub to encourage professional and entrepreneurial growth and success, networking, and idea sharing, while providing support services to small business owners and entrepreneurs at all stages of business development.

In addition to assisting small businesses and entrepreneurs reopen their doors, the City recognized that unemployment continued to be a concern for residents as a result of the pandemic. To address this problem head-on and help residents get back to work, the City launched the CARES Workforce Assistance Program (C-WAP). This innovative new program offered residents workforce development training in industries such as healthcare, information technology, shipbuilding and repair, construction and truck driving. Over 200 residents participated in the program, with 300 credentials issued and 94 participants gaining employment.



To complement the C-WAP program, the City launched YouthBuild, a workforce development and education program utilizing a \$1.4 million grant from the U.S. Department of Labor. YouthBuild provides education and occupational skill development to help participants obtain employment in construction and other in-demand industries to include carpentry and maintenance, and pre-apprenticeships in plumbing, HVAC, and electrical services. In the fall, YouthBuild participants put their new skills to good use by working with Habitat for Humanity to help build a home in the City's Southeast Community, receiving additional instruction from certified grade A construction professionals.

Fun, Entertainment & Culture

While events looked a little different during the year due to COVID-19 restrictions, Newport News continued to offer a variety of special events for citizens and guests of all ages. Celebration in Lights, Virginia's first drive-through holiday event, celebrated its 28th year with 32,952 vehicles compared to 21,479 in 2019 - a 53% increase in attendance and the 3rd highest vehicle count since the event opened.

Newport News also celebrated the 7th Anniversary of the One City Marathon in March of 2021. Despite the transition to a virtual format, the event was a success, with more than 700 entries in the five races and a number of individuals participating in the newly created multi-race challenges. As in prior years, the race had participants from across the country, and this year even had participants from across the globe! The City is planning on returning this event to an in-person format in March 2022.

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A new outdoor basketball court donated by NFL player and Denbigh High School graduate Antoine Bethea and the Bethea Family Foundation was completed in FY 2021. The Antoine Bethea Basketball court, located behind Denbigh Community Center, is the first full sized lighted outdoor court in the City and also includes bleachers, fencing, adjacent parking and nearby restrooms.

The City completed renovations to the historic Lee Hall Depot in June 2021. The restored 1881 train depot serves as a museum for the community and includes period rooms outfitted to 1900.

Christopher Newport University completed construction of the \$60 million, 83,000 square foot Mary M. Torggler Fine Arts Center, with a ribbon cutting ceremony in May of 2021. The Center houses over 7,500 square feet of gallery exhibition space, a 150 seat auditorium, a community gallery, and studios and classrooms. Located in the heart of Newport News, the Center's mission is to enrich the cultural landscape of the commonwealth of Virginia by presenting exceptional visual arts programming that empowers creative expression, critical thinking, lifelong learning and cultural dialogue.

Welcoming Communities with Connected Neighborhoods

Newport News continually invests in communities Citywide to create inviting, attractive neighborhoods that are diverse and vibrant.

In 2019, the City of Newport News and the Newport News Redevelopment and Housing Authority received a \$30 million grant from HUD's Choice Neighborhoods Initiative program. This funding is transforming the Marshall-Ridley area in the Southeast Community, creating new housing options, community services, recreational opportunities and parks.

Construction began in mid-July 2021 on the first phase of construction for the City's Choice Neighborhoods Initiative (CNI). The mixed-use development will feature apartments, townhomes and retail space and is a critical element in the revitalization of the City's Southeast Community, with an estimated completion date of late fall 2022. The \$19.7 million project is being funded by the CNI grant from HUD, Affordable Housing Tax Credits, Home Investment Partnership dollars, State Vibrant Communities allocations, Virginia Housing Trust contributions and City resources.

Building off the momentum of the CNI transformation, master planning of the Southeast Community Resource Area (SECRA) began in earnest in FY 2021. The plan for this seven-block area, between Orcutt and Wickham avenues and 28th and 36th streets, was developed with community input through stakeholder interviews, open houses and a community survey, and includes a new Middle School, community building, library, community garden and more. The vision for the area is that it will be a 21st century one-stop shop that supports all residents, educates the mind, body and spirit, and creates a distinctive community gathering place.



The Downtown Reimagined Initiative casts a bold redevelopment vision for the City's Downtown area by capitalizing on the Newport News waterfront. \$3 million in public space improvements have been committed to activate the James River waterfront by creating an outdoor public performance space; wide sidewalks for multimodal use, food trucks, and art shows; and an enhanced connection between existing park spaces.

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Due in large part to private investment, development of the Downtown 23rd Street Corridor, also referred to as Restaurant Row, is beginning to take shape consistent with the Downtown Reimagined vision. Provost Construction, a local investor, has redeveloped a historic warehouse building at 206 23rd Street for its office space. Coastal Fermentory, a locally-owned microbrewery, is co-located in the Provost building and serves as the perfect complement to the adjacent Ironclad Distillery, a locally-owned micro-distillery. Additional multi-story warehouse buildings along the 23rd Street corridor are being converted into a mixed-use, 32-unit apartment building, including first floor restaurant and retail space.



During FY 2021, in the North end of the City, master planning of the Sherwood Site began. The master plan will guide the development of the site to support the vision recommended in the *Denbigh-Warwick Area Plan* of it becoming a “civic hub” where residents and visitors shop, work, live and play. The Sherwood Site is an approximately 32-acre site that fronts Warwick Boulevard. The site is the first major implementation area of the plan. The concept for the Sherwood Site is to harness the potential of relocating the Grissom Library and municipal services to create a highly visible and inviting hub.

Newport News also strives to improve connectivity within the City and region, and create safe, effective and efficient transit choices. To that end, the City began construction of the \$47 million transportation center located at Bland Boulevard, between Warwick Boulevard and Interstate 64. This new facility, located adjacent to the Newport News/Williamsburg International Airport, will serve as a hub for Hampton Roads Transit, taxis and shuttles and modernize and streamline transportation on the Peninsula, in Hampton Roads, and throughout the Commonwealth with project completion anticipated in the summer of 2022.

Fiscal Year 2021 also saw the completion of the \$65 million Atkinson Boulevard project. This addition to the City’s roadway network provides a new 1.2 mile four lane divided roadway with a 1,740 foot long bridge and multi-use path over CSX railroad and I-64 between Warwick Boulevard and Jefferson Avenue, north of Denbigh Boulevard and south of Fort Eustis Boulevard. This project provides traffic efficiency improvements for citizens in this developing part of the City and adds a much needed connection between Warwick Boulevard and Jefferson Avenue. These efficiencies provide a savings of time and reductions in air pollution for each vehicle mile.

Quality Government & Innovation

The City seeks to provide high quality government services and facilities for the residents of Newport News and embraces innovation as a business practice to provide more value to residents.

The Newport News Fire Department was selected by the National Fire Protection Association (NFPA) to participate in the second phase of a pilot program to build a digital community risk assessment (CRA) tool. Aligned to NFPA’s *Standard on Community Risk Assessment and Community Risk Reduction Plan Development*, the tool, or “dashboard,” enables community leaders to gain valuable insights and make data-informed decisions around fire prevention and other risk-reduction activities in their communities. As one of only 250 fire departments nationwide chosen to participate in this phase, Newport News Fire Department has free access to the dashboard, which includes customized visualizations (maps, charts, graphs) that illustrate each community’s risks and hazards across a variety of categories such as demographics, geography, building stock, economics, infrastructure, and event loss history. The dashboard also provides a snapshot of local capacity for risk reduction activities with information about public safety response agencies and community service organizations.

During FY 2021, Waterworks began the deployment phase of an innovative Advanced Metering Infrastructure (AMI) project. AMI enables continuous two-way communication over a fixed network between the water utility system and water meters. The implementation of smart metering will reduce wasted water because leaks can be detected and addressed sooner. In addition, use of these smart meters will save Waterworks labor, fuel, and

CITY OF NEWPORT NEWS, VIRGINIA

vehicle costs associated with truck rollouts, and allow customers to access timely and detailed consumption data, receive quicker response times for move-ins and move-outs, and be alerted about potential high bills by identifying high usage earlier. Approximately 10,000 smart meters were installed in FY 2021. This project is expected to be completed by the end of calendar year 2023.

In the fall of 2020, the City launched GeoHUB, an interactive portal for open data, making more than 50 datasets available for citizens to view, download and manipulate. This data sharing portal provides a user-friendly way to access City data and information about the many projects and initiatives throughout the City in a manner that helps drive innovation, increase civic participation and improve how the City serves its residents.



The City's Human Resources Department partnered with external organizations to create opportunities for Workforce Development initiatives across various populations in the City. Over the course of the past year, the City of Newport News became certified by the Virginia Values Veterans (V3) program, hiring over 40 veterans and eight military spouses. The City also sponsored two transitioning veteran fellows in the Department of Defense's (DOD) Skillbridge program. The DOD Skillbridge program allows transitioning service members to complete 12 weeks of on the job training, preparing them for a successful second career after retirement. The City also collaborates with Newport News Public Schools and local public and for profit colleges and universities to offer a variety of internship opportunities.

To ensure a full and representative count in the decennial census, City staff assisted the Complete Count Committee in the 2020 Census. The 2020 Census came with some unique challenges; for the first time, the Census was online and, while the Census Bureau came up with several new outreach methods to help people take the Census online, this still created a barrier for many of our hard-to-count communities. The digital divide was then compounded by COVID-19 shutting down or limiting community resources where people could go to complete their Census. The City set up a robust outreach campaign, NN Counts, which focused on meeting people where they were and partnered with over 60 organizations to help spread the word about the Census, in person at first, and then online. Newport News staff worked with regional partners on bus ads in English and Spanish, and once the pandemic hit, gave out Census hand sanitizer and masks at local mobile food pantries, schools and health fairs to ensure Newport News citizens were counted.

Environmental Stewardship & Sustainability

The City preserves and protects natural resources and green spaces for current and future generations and is a leader in regional sustainability efforts to ensure the long-term viability of Hampton Roads. In FY 2021, Waterworks established a new 585-acre Natural Area Preserve as part of its Source Water Protection Program. A State grant provided funding to acquire additional property within the reservoir watersheds.

During the fiscal year the Engineering Department completed the Richneck Regional Water Quality and Flood Control Best Management Practice (BMP). This twenty acre project addresses storm water quality and quantity as well as flood control for the watershed. As a storm water management facility, these BMPs will remain as a vegetated space, allowing habitat for several vegetative and animal species, becoming an environmental asset to the City.

CITY OF NEWPORT NEWS, VIRGINIA

AWARDS

The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Newport News for its Comprehensive Annual Financial Report for the year ended June 30, 2020. This was the 42nd consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Annual Comprehensive Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for one year. We believe that our current 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

The preparation of this report could not be accomplished without the dedicated service of the staff of the Department of Finance. We would like to express our appreciation to all members of the Finance Department, particularly the Accounting staff, as well as the other City departments and agencies, especially the Department of Budget and Evaluation and Internal Audit who contributed to the completion of this report. We also gratefully acknowledge the members of City Council for their leadership and guidance in establishing sound and progressive financial management policies.

Respectfully submitted,



Cynthia D. Rohlf
City Manager

Susan M. Goodwin
Director of Finance

CITY OF NEWPORT NEWS, VIRGINIA

CITY GOVERNMENT OFFICIALS

at June 30, 2021

City Council

McKinley L. Price, DDS.....Mayor
Saundra N. Cherry, D. Min Vice Mayor
Marcellus L. Harris III, D. Div.....Member
David H. JenkinsMember
Sharon P. Scott, MPA.....Member
Tina L. VickMember
Dr. Patricia P. Woodbury.....Member

Office of the City Manager

Cynthia D. Rohlf..... City Manager
Alan K. Archer.....Assistant City Manager
Ralph L. Clayton, IIIAssistant City Manager

Department of Finance

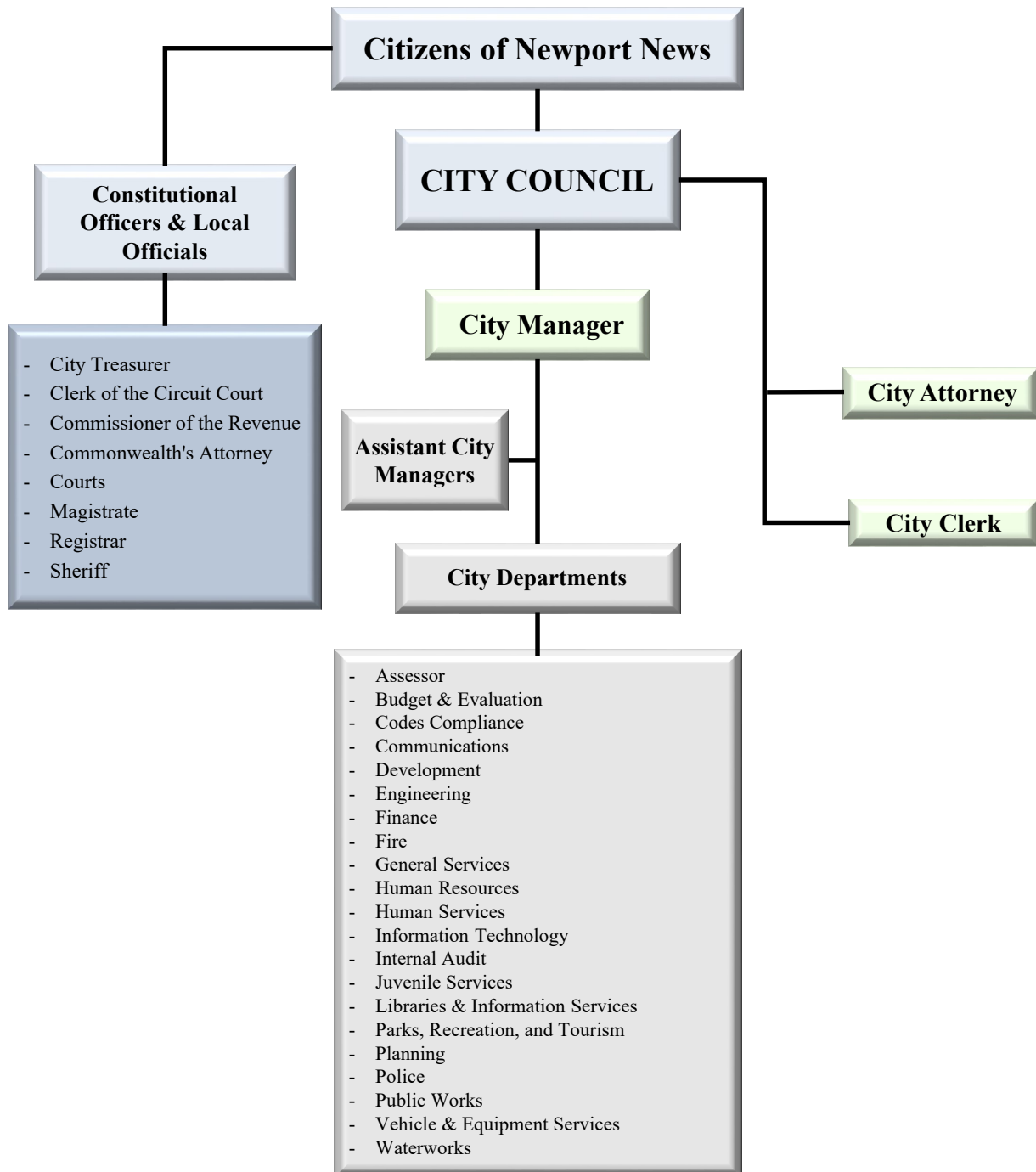
Susan M. Goodwin..... Director of Finance
Virginia A. Lovell Assistant Director of Finance
Kelsey S. TiceAccounting Manager

Other Officials

Marty Eubank..... City Treasurer
Tiffany Boyle..... Commissioner of the Revenue
Earl L. Wynings, Jr. Real Estate Assessor
Lisa Cipriano..... Director of Budget and Evaluation
Florence G. Kingston..... Director of Development
Cathy S. Matthews Director of Internal Audit
Yann A. Le GouellecDirector of Public Utilities

CITY OF NEWPORT NEWS, VIRGINIA
ANNUAL COMPREHENSIVE FINANCIAL REPORT
For the Year Ended June 30, 2021

ORGANIZATION CHART





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Newport News
Virginia**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2020

Christopher P. Morill

Executive Director/CEO

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Report of Independent Auditor

To the Honorable Members of City Council
City of Newport News, 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 Newport News, Virginia (the "City"), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards and specifications require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 of Newport News, Virginia, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 (o) to the basic financial statements, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*, effective July 1, 2020. As a result, related net position and fund balances have been restated. 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 the required supplementary information other than management's discussion and analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and 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, Supplementary Information, and Statistical Section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The 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, the Supplementary Information and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2021, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Richmond, Virginia
November 23, 2021

CITY OF NEWPORT NEWS, VIRGINIA MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is a narrative overview and analysis of the financial activities of the City of Newport News, Virginia (the City), as of and for the fiscal year ended June 30, 2021 (FY 2021). This discussion and analysis is intended to serve as an introduction to the City's basic financial statements, which have the following components: (1) management's discussion and analysis (MD&A), (2) government-wide financial statements, (3) fund financial statements, and (4) notes to the financial statements.

FINANCIAL HIGHLIGHTS FOR FY 2021

- At the end of the fiscal year 2021, the total net position of the City on a government-wide basis, excluding component units, was \$768.9 million. This amount represents an increase of \$97.0 million, or 14.4%, over the prior year. The net position for governmental activities was \$370.5 million, an increase of \$75.5 million over the prior year. The business-type activities net position was \$398.4 million, an increase of \$21.5 million over the prior year.
- Property tax rates remain the same as in the prior year, real estate tax at \$1.22 per \$100 of assessed valuation and personal property tax at \$4.50 per \$100 of assessed valuation. Real Estate assessed values increased by 3.4% and Personal Property assessed values increased by 6.8% from prior year.
- At the close of FY 2021, unassigned fund balance for the General Fund was \$71.4 million or 14.1% of FY 2021 total General Fund revenues and transfers in and an increase of \$0.77 million from the prior year.
- General Fund revenues and transfers increased by \$14.5 million or 3.0% above FY 2020, primarily due to an increase in general property tax revenue. Expenditures and transfers out increased \$13.6 million, or 2.8% higher than the prior fiscal year, primarily due to an increase in transfers out to capital projects. FY 2021 expenditures and transfers out were 0.1% less than budget.
- During the fiscal year, the total bonded debt for the City and Public Utilities increased by approximately \$46.9 million and \$53.2 million, respectively. The net increases are due to the issuance of new debt and refunding of previous debts, which are offset by related principal payments. Prior to the bond sales, the financial rating agency Standard & Poor's reaffirmed the City's long term credit rating of AA+ and Public Utilities' AAA rating. Moody's also reaffirmed the City's Aa1 rating and Public Utilities' Aa1 rating.
- The City implemented the provisions of Governmental Accounting Standards Board GASB Statement No. 84 (GASB 84), *Fiduciary Activities* in FY21.

OVERVIEW OF THE FINANCIAL STATEMENTS

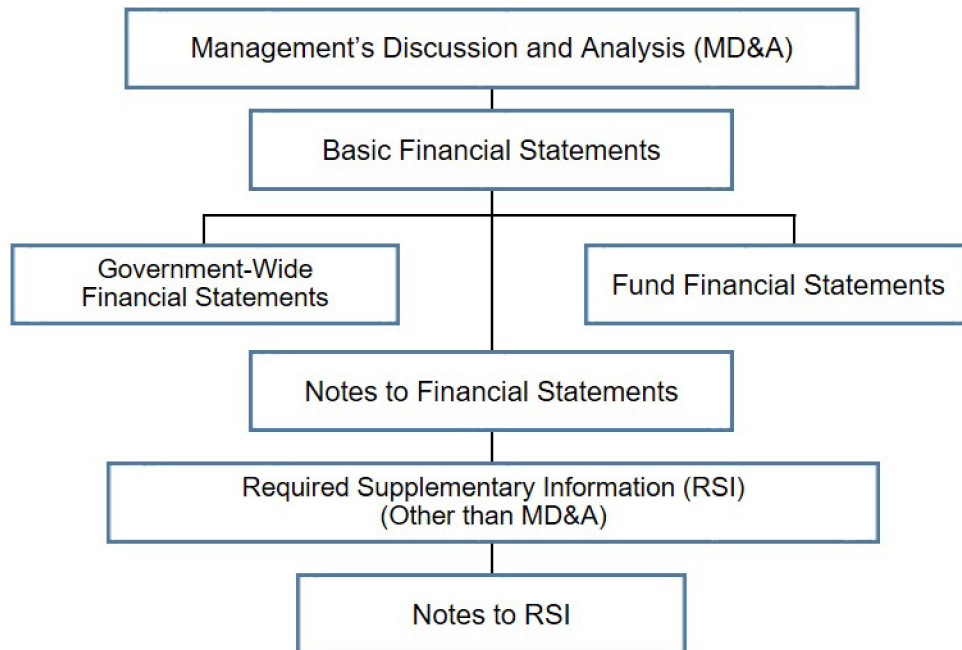
The City's basic financial statements comprise three components: *government-wide financial statements*, *fund financial statements*, and *notes to the financial statements*. This report also contains required other supplementary information sections in addition to the basic financial statements themselves.

- The first two statements are *government-wide financial statements* which provide both long and short-term information about the City's overall financial status.
- The remaining statements are fund financial statements which focus on individual parts of the City's government, reporting the City's operations in more detail than the government-wide statements.
- *Governmental funds* statements tell how general government services like public safety were financed in the short term as well as what amounts remain for future spending.
- *Proprietary funds* statements offer short- and long-term financial information about the activities the government operates like businesses, such as the public utilities (Waterworks) system.
- *Fiduciary funds* statements provide information about the financial relationships in which the City acts solely as a trustee or custodian for the benefit of others, to whom the resources in question belong. The Pension fund is an example of a fiduciary fund of the City.

CITY OF NEWPORT NEWS, VIRGINIA MANAGEMENT'S DISCUSSION AND ANALYSIS

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. Figure A shows how the required parts of this Management's Discussion and Analysis and the City's basic financial statements are arranged and relate to one another.

Figure A
Required Components of Newport News' Financial Statements



Government-Wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position and the Statement of Activities, which are the government-wide statements, include all of the government's assets and liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two government-wide statements report the City's net position and how it has changed. Net position—the difference between the City's assets and deferred outflows and liabilities and deferred inflows—is one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net position is an indicator of whether its financial health is improving or deteriorating. Other non-financial factors, such as changes in the City's property tax base and the condition of the City's roads and other infrastructure, also need to be considered to assess the overall health of the City.

In the Statement of Net Position and the Statement of Activities, the City's activity is shown in three categories:

- *Governmental activities* – Most of the City's basic services are included here, such as the police, fire, public works, parks, internal services and general administration. Taxes, state and federal grants finance most of these activities.
- *Business-type activities* – The City charges fees to customers to help cover the costs of certain services it provides. The operation and performance of the City's public utility, the Waterworks system, is included here.
- *Component units* – The City includes three other separate legal entities in its report - the Peninsula Airport Commission (PAC), the Economic and Industrial Development Authorities (E/IDA), and the Newport News Public Schools (Schools). Although legally separate, these "component units" are included with the City financial statements because for E/IDA and Schools, the City provides a significant portion of their operating funding, and for PAC, the City appoints four of their six commission members, thereby exhibiting significant control over the organization.

CITY OF NEWPORT NEWS, VIRGINIA MANAGEMENT'S DISCUSSION AND ANALYSIS

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant funds, not the City as a whole. Funds are accounting mechanisms that the City uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by Virginia law and by bond covenants, while City Council establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

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) how cash and other financial assets can readily be converted to cash flow to support the operations of the City and (2) the balances remaining at year-end that are available for spending. Consequently, the governmental fund 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 statements, additional information is provided on a subsequent page that explains the relationship (or differences) between the government-wide and fund statements.
- *Proprietary funds* – The City maintains two different types of proprietary funds, enterprise funds and internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Enterprise funds include the Public Utility Fund. Internal service funds are used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for the operation of vehicles and equipment and includes this activity in its government-wide financial statements.
- *Fiduciary funds* – The City is the trustee, or fiduciary, for certain donated funds. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. The City is responsible for ensuring that the assets reported in this fund are used for their intended purpose. The fiduciary funds include the Pension and Other Postemployment Benefits Trust Funds, Custodial Funds and the Line of Duty Act Fund. These activities are reported in a separate statement of fiduciary net position. The City excludes this activity from its government-wide financial statements because the City cannot use these assets to finance its operations.

The Total Governmental Funds' column requires reconciliation because of the different measurement focus from the government-wide statements (current financial resources versus total economic resources), which is reflected on the page following each statement. For example, the flow of current financial resources will reflect bond proceeds and interfund transfers as other financing sources as well as capital expenditures and bond principal payments as expenditures. The reconciliation will eliminate these transactions and incorporate the capital assets and long-term obligations (bonds and others) into the Governmental Activities column in the government-wide statements.

Notes to the Basic Financial Statements

The notes to the financial statements provide additional information that is essential for a full understanding of the information provided in the government-wide and fund financial statements. The notes also present certain required supplementary information concerning the City's progress in funding its obligation to provide pension and other postemployment benefits to its employees.

CITY OF NEWPORT NEWS, VIRGINIA MANAGEMENT'S DISCUSSION AND ANALYSIS

Statement of Net Position

The following table reflects the condensed net position:

Table 1 - Summary of Net Position (in millions):

	Governmental Activities		Business-type Activities		Total Primary Government	
	2021	2020*	2021	2020	2021	2020*
Current and other assets	\$ 411.0	287.2	217.0	140.8	628.0	428.0
Capital assets, net	870.6	847.7	414.1	407.8	1,284.7	1,255.5
Total assets	1,281.6	1,134.9	631.1	548.6	1,912.7	1,683.5
Deferred outflows of resources	91.1	53.2	11.3	7.4	102.4	60.6
Current and other liabilities	164.0	136.3	49.5	47.3	213.5	183.6
Long-term liabilities	829.2	746.4	194.0	131.1	1,023.2	877.5
Total liabilities	993.2	882.7	243.5	178.4	1,236.7	1,061.1
Deferred inflows of resources	9.0	10.4	0.5	0.7	9.5	11.1
Net position:						
Net investment in capital assets	492.5	488.2	354.1	342.3	846.6	830.5
Restricted	52.2	48.3	-	-	52.2	48.3
Unrestricted (deficit)	(174.2)	(241.5)	44.3	34.6	(129.9)	(206.9)
Total net position	\$ 370.5	\$ 295.0	\$ 398.4	\$ 376.9	\$ 768.9	\$ 671.9

* As restated

Over time, net position may serve as a useful indicator of a government's financial position. At the end of the fiscal year, the City's total net position was \$768.9 million. This amount represents an increase of \$97.0 million, or 14.4%, over the prior year's net position. The net position for governmental activities increased by \$75.5 million and the business-type activities net position increased by \$21.5 million.

By far, the largest portion of the City's net position is its investment in capital assets (e.g., land, buildings, equipment, and infrastructure) less accumulated depreciation and less any related outstanding 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. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Approximately 6.8% of the City's net position is subject to external restrictions or legal constraints. See note 1(L) for more information concerning the City's net position components.

CITY OF NEWPORT NEWS, VIRGINIA MANAGEMENT'S DISCUSSION AND ANALYSIS

Statement of Activities

The following table shows the revenues and expenses of the governmental and business-type activities:

Table 2 - Changes in Net Position (in millions):

	Governmental Activities		Business-type Activities		Total Primary Government	
	2021	2020*	2021	2020	2021	2020*
Revenues						
Program revenues:						
Charges for services	\$ 89.1	88.0	98.8	96.3	187.9	184.3
Operating grants and contributions	66.5	37.8	-	-	66.5	37.8
Capital grants and contributions	25.8	20.2	2.4	3.3	28.2	23.5
General revenues:						
General property taxes	300.5	285.8	-	-	300.5	285.8
Other taxes	112.3	105.9	-	-	112.3	105.9
Grants and contributions not restricted to specific programs	47.8	48.2	-	-	47.8	48.2
Investment earnings	3.1	5.7	0.3	1.4	3.4	7.1
Miscellaneous	16.0	12.8	1.5	1.3	17.5	14.1
Total revenues	661.1	604.4	103.0	102.3	764.1	706.7
Expenses						
General government	105.0	98.0	-	-	105.0	98.0
Judicial administration	8.3	8.0	-	-	8.3	8.0
Public safety	143.5	131.2	-	-	143.5	131.2
Public works	77.4	76.4	-	-	77.4	76.4
Health and welfare	55.7	46.6	-	-	55.7	46.6
Education	135.1	148.7	-	-	135.1	148.7
Parks, recreation and culture	32.9	33.6	-	-	32.9	33.6
Community development	15.5	13.5	-	-	15.5	13.5
Interest and other fiscal charges	21.7	22.1	-	-	21.7	22.1
Public utility	-	-	72.0	67.8	72.0	67.8
Total expenses	595.1	578.1	72.0	67.8	667.1	645.9
Excess before special item and transfers	66.0	26.3	31.0	34.5	97.0	60.8
Transfers	9.5	9.5	(9.5)	(9.5)	-	-
Change in net position	75.5	35.8	21.5	25.0	97.0	60.8
Beginning net position	295.0	259.2	376.9	351.9	671.9	611.1
Ending net position	\$ 370.5	295.0	398.4	376.9	768.9	671.9

* As restated

CITY OF NEWPORT NEWS, VIRGINIA MANAGEMENT'S DISCUSSION AND ANALYSIS

Revenues

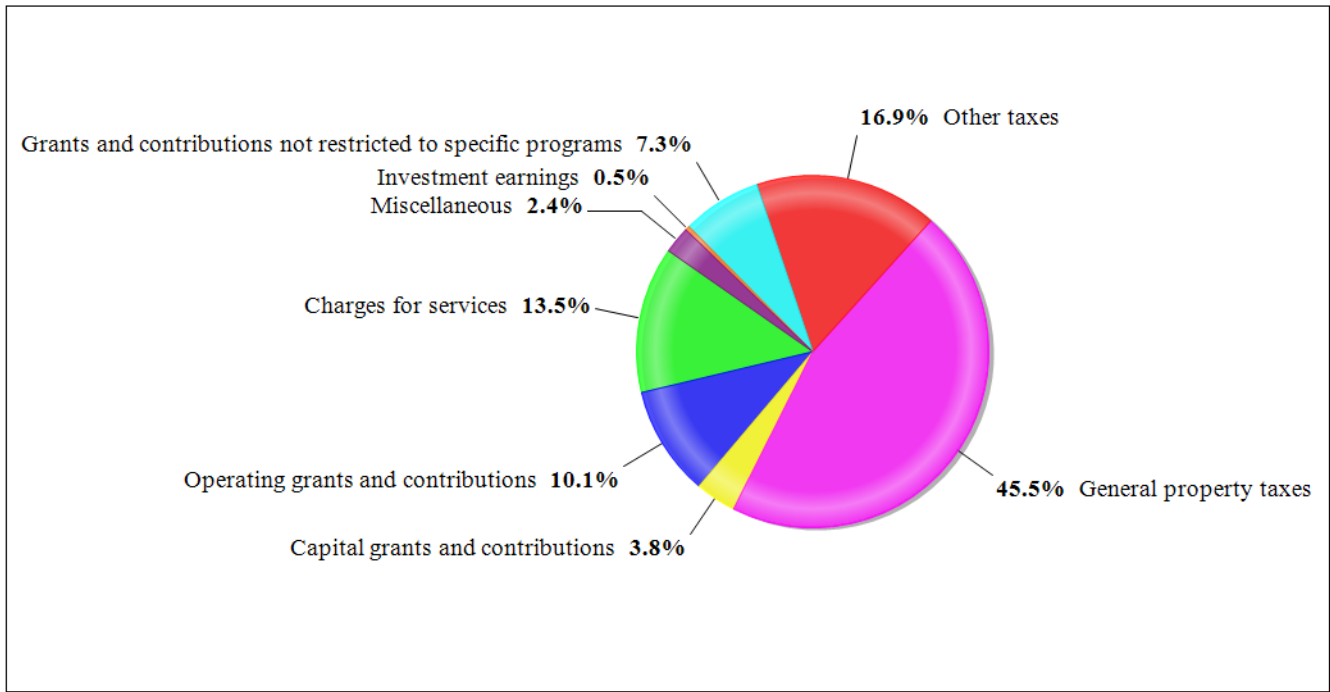
The City's total revenues for the Primary Government, which include governmental and business-type activities, were \$764.1 million, a \$57.4 million increase over revenues from the prior year. These revenues consist of program and general revenues. Program revenues are derived from the program itself and reduce the reliance on the City's general revenues; these include charges for services, operating and capital grants, and contributions. General revenues are all other revenues and include property and other taxes, and interest earnings.

For *Governmental Activities*, program revenues totaled \$181.4 million, compared to \$146.0 million from the prior year, an increase of \$35.4 million. This increase is primarily due to an increase in federal operating grants for COVID-19 response and recovery received in the Non-Major Special Revenue funds.

General revenues totaled \$479.7 million. This represents an increase of \$21.3 million over the prior year due to an increase in property tax revenues generated from higher property assessments. As mentioned earlier, there was no change to real or personal property tax rates for FY 2021. The largest revenue sources for the City are general property taxes at 46% of total revenue.

Approximately 62% of the City's revenue from governmental activities comes from some type of tax and nearly 13% comes from fees charged for services.

Revenues by Source – Governmental Activities June 30, 2021



Business-type Activities generated program and general revenues of \$102.9 million, primarily from charges for services (\$98.8 million) in FY 2021.

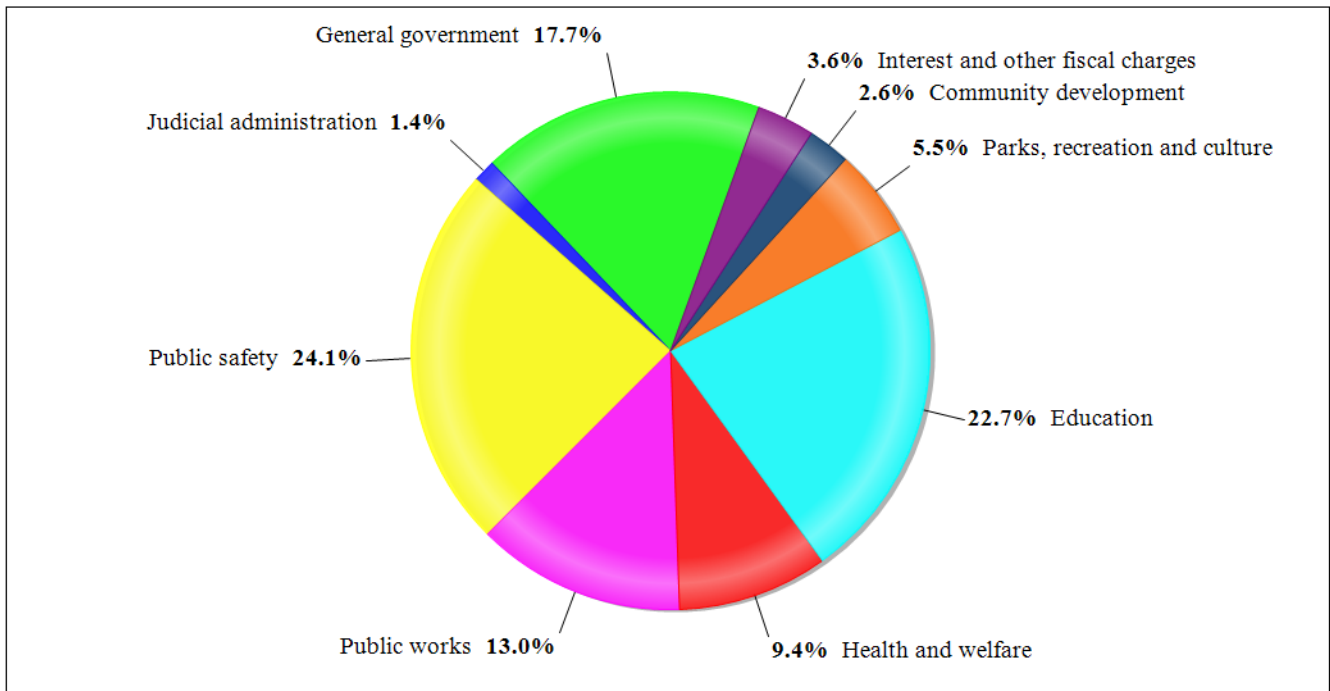
CITY OF NEWPORT NEWS, VIRGINIA MANAGEMENT'S DISCUSSION AND ANALYSIS

Expenses

The City's total cost to provide all programs and services for the Primary Government was \$667.1 million, a \$21.2 million increase over expenses from the prior year.

Expenses for *Governmental Activities* totaled \$595.1 million, an increase of \$17.0 million from the prior year primarily due to public safety and health and welfare outreach in response to the City's COVID-19 pandemic response and recovery efforts. Education and Public Safety continue to be among the City's highest priorities and commitments representing \$278.6 million or nearly 47% of total governmental expenses. The graph below shows the breakdown of major expenses by function for the governmental activities.

Expenses by Source – Governmental Activities June 30, 2021



Expenses for the *Business-type Activities* include those related to water utility services. For the current fiscal year these totaled \$72.0 million, a \$4.2 million increase from prior year.

CITY OF NEWPORT NEWS, VIRGINIA MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of Newport News' governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. In particular, restricted, committed, assigned, and unassigned fund balances may serve as a useful measure of the city's net resources available at the end of a fiscal year.

At the end of the fiscal year, the total fund balance for the City's governmental funds was \$285.1 million, compared to \$185.6 million in the prior fiscal year, an increase of \$99.5 million. This increase was due to an increase in cash in the bond fund due to a bond sale taking place in the current fiscal year; an increase in cash in the general capital improvements fund due to an increased transfer from the General Fund as a result of large General Fund expenditure savings; and an increase in cash in the non-major governmental funds primarily from an increase in federal operating grants related to COVID-19 response and recovery.

At the end of the fiscal year, the classification of total governmental fund balances was as follows:

- \$1.5 million is nonspendable which consists of inventories in the General Fund and Non-Major Governmental Funds.
- \$116.3 million is restricted, which can be spent only for the specific purposes stipulated by external providers, such as grantors or restricted through legislation. In the Bond Fund, this amount is restricted for capital projects funded by general obligation bonds (\$64.1 million). In the Non-Major Governmental Funds, this amount is restricted for specific purposes, mainly in the Stormwater, Wastewater, and Solid Waste funds (\$50.1 million).
- \$66.2 million is committed, which can only be used for specific purposes imposed by the formal action of City Council. These balances primarily represent fund balances in the debt service and general capital improvement funds.
- \$29.8 million is assigned, which applies to amounts that are intended for specific purposes but do not meet the criteria to be classified as restricted or committed. For example, this amount includes reserve for encumbrances at year end, as well as, self insurance reserves for worker's compensation, general, auto, and health insurance.
- \$71.3 million is unassigned, which is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications.

GENERAL FUND BUDGETARY HIGHLIGHTS

General Fund (Budget Basis) FY 2021

	Original Budget	Final Budget	Actual (Budget Basis)
Revenues:			
Taxes	\$ 400,308,962	400,308,962	409,689,732
Intergovernmental	48,111,300	48,111,300	47,820,668
Other	56,499,686	56,499,686	48,067,041
Total	<u>504,919,948</u>	<u>504,919,948</u>	<u>505,577,441</u>
Expenditures and transfers:			
Expenditures	442,736,379	442,736,379	419,562,088
Transfers out	61,794,766	61,794,766	84,464,766
Total	<u>504,531,145</u>	<u>504,531,145</u>	<u>504,026,854</u>
Change in fund balance	<u>\$ 388,803</u>	<u>388,803</u>	<u>1,550,587</u>

Actual General Fund revenues and transfers from other funds exceeded budgeted revenues by \$0.7 million primarily due to property taxes trending more favorably than anticipated. Expenditures were under budget by \$23.2 million due to expenditure controls put in place to mitigate the economic impact of the COVID-19 pandemic and public safety payroll expenses supported by federal CARES grants. Transfers out were over budget by \$22.7 million due to an increase in transfers to capital projects.

CITY OF NEWPORT NEWS, VIRGINIA MANAGEMENT'S DISCUSSION AND ANALYSIS

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2021, totaled \$1,284.8 million (net of depreciation). This investment includes land, buildings and improvements, drainage and water/sewer systems, machinery and equipment, roads, bridges, and construction in progress.

City of Newport News' Capital Assets (net of depreciation):

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 91,874,857	91,769,877	8,336,904	8,336,904	100,211,761	100,106,781
Construction in progress	120,423,941	125,992,376	23,628,837	10,580,781	144,052,778	136,573,157
Buildings	225,427,162	245,497,878	76,813,726	80,305,584	302,240,888	325,803,462
Water systems	-	-	288,477,468	291,459,616	288,477,468	291,459,616
Improvements	100,186,542	107,250,040	6,506,090	6,781,510	106,692,632	114,031,550
Machinery and equipment	42,120,571	45,020,858	10,364,555	10,297,392	52,485,126	55,318,250
Infrastructure	290,600,537	232,174,673	-	-	290,600,537	232,174,673
	<u>\$ 870,633,610</u>	<u>847,705,702</u>	<u>414,127,580</u>	<u>407,761,787</u>	<u>1,284,761,190</u>	<u>1,255,467,489</u>

Major capital asset additions during the fiscal year included the following:

- Atkinson Boulevard
- Mariners Museum Multipurpose Trail
- Waterworks Work Order Modernization Project
- Magruder Waterline Relocation Project

Additional information on the City's capital assets can be found in Note 4 to the basic financial statements.

Long-Term Debt

At the end of the current fiscal year, the City had total outstanding debt of \$544.7 million, an increase of 22.4% from last year, as shown in the table below. Capital leases, landfill liability, accrued vacation, net pension obligations, other postemployment benefit obligations and claims payable are not included in these figures.

City of Newport News' Outstanding Debt, General Obligation Bonds, Literary Loans and Revenue Bonds (in millions):

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
General obligation bonds	\$ 407.2	360.2	24.3	30.2	431.5	390.4
Literary loans	2.5	2.9	-	-	2.5	2.9
Revenue bonds	-	-	110.7	51.6	110.7	51.6
	<u>\$ 409.7</u>	<u>363.1</u>	<u>135.0</u>	<u>81.8</u>	<u>544.7</u>	<u>444.9</u>

The amount of the debt outstanding related to School Board activities is \$58.9 million of the total outstanding general obligation bonds of the governmental activities.

Additional information on the City's long-term debt can be found in Note 7 to the basic financial statements.

CITY OF NEWPORT NEWS, VIRGINIA MANAGEMENT'S DISCUSSION AND ANALYSIS

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Prior to the COVID-19 pandemic, unemployment rates in Newport News were trending in the 3-4% range. As a result of mandated business closures related to the COVID-19 pandemic, unemployment in Newport News was 11.9% at the beginning of fiscal year 2021, a decrease from the pandemic high of 14.3% in April 2020. Employment steadily recovered during the fiscal year, with the unemployment rate improving to 6.2% in June 2021 as vaccine availability improved and businesses reopened. The outlook continues to improve for FY 2022 with unemployment almost back to prepandemic levels at 4.8% in September 2021.

The FY 2022 approved revenue budget for the General Fund increased by 3.9% compared to the FY 2021 adopted budget. The FY 2022 adopted budget includes allocations for 7,341 positions (including schools), a net increase of 36 positions from the FY 2021 adopted budget.

City management makes the City's financial strength a top priority through adherence to sound financial policies and conservative budgeting practices. The Newport News economy continues to improve with growth in real estate assessments. Strategic focus areas include providing the capital assets required to maintain City assets and operations in an environmentally friendly way, providing the funding to Schools for improvement in educational opportunities for students, promoting opportunities for economic development and job creation, and maintaining a motivated and service focused workforce.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the funds it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Director of Finance, 2400 Washington Avenue, Newport News, Virginia 23607.

City of Newport News, Virginia
Statement of Net Position
June 30, 2021

	Primary Government			Discretely presented component units	
	Governmental activities	Business-type activities	Total	Public schools	Others
Assets					
Cash and cash equivalents	\$ 264,969,360	\$ 96,363,280	\$ 361,332,640	\$ 78,530,617	\$ 7,429,569
Restricted cash and investments	75,439,024	87,964,431	163,403,455	-	29,801,008
Accounts receivable, net	36,087,300	12,856,466	48,943,766	363,917	10,267,690
Receivable from Primary Government	-	-	-	7,317,173	-
Receivables from other governments	26,156,204	-	26,156,204	12,053,351	-
Due from OPEB Fund	506,061	-	506,061	-	-
Inventory, at cost	2,562,914	4,284,956	6,847,870	2,220,497	-
Land held for lease or resale	-	7,102,444	7,102,444	-	35,363,639
Wetlands credits	-	5,530,135	5,530,135	-	-
Net pension asset	5,286,730	387,910	5,674,640	1,180,874	-
Capital assets:					
Nondepreciable capital assets:					
Land	91,874,857	8,336,904	100,211,761	2,263,424	6,808,770
Construction in progress	120,423,941	23,628,836	144,052,777	-	11,921,602
Depreciable capital assets:					
Buildings	360,196,264	149,126,375	509,322,639	122,884,357	201,667,374
Improvements	238,604,242	-	238,604,242	87,554,255	19,700,793
Water system	-	498,611,452	498,611,452	-	-
Airport assets	-	-	-	-	184,625,996
Machinery and equipment	159,767,269	47,218,223	206,985,492	69,043,964	7,155,639
Infrastructure	692,701,279	-	692,701,279	-	2,543,500
Total capital assets	1,663,567,852	726,921,790	2,390,489,642	281,746,000	434,423,674
Less accumulated depreciation	(792,934,242)	(312,794,210)	(1,105,728,452)	(152,213,534)	(207,198,081)
Capital assets, net	870,633,610	414,127,580	1,284,761,190	129,532,466	227,225,593
Restricted assets:					
Other assets	12,242	2,438,256	2,450,498	5,061,094	240,494
Total assets	1,281,653,445	631,055,458	1,912,708,903	236,259,989	310,327,993
Deferred outflows of resources					
Employer contributions subsequent to the measurement date	41,147,427	4,695,016	45,842,443	40,208,443	249,652
Net difference between projected and actual earnings on plan investments	37,752,221	4,609,569	42,361,790	32,528,672	242,402
Changes in proportion and difference between employer contributions and proportionate share of contributions	1,076,942	68,742	1,145,684	191,811	5,961
Changes in assumptions	4,402,229	197,081	4,599,310	25,249,191	291,975
Difference between expected and actual experience	1,263,308	91,993	1,355,301	1,045,440	69,516
Investment Experience	183,302	11,700	195,002	438,641	-
Debt refundings resulting in loss transactions	5,226,073	1,650,241	6,876,314	-	2,995,968
Total deferred outflows of resources	91,051,502	11,324,342	102,375,844	99,662,198	3,855,474
Liabilities					
Accounts payable	32,206,940	6,140,585	38,347,525	4,832,799	4,060,874
Accrued liabilities	18,911,819	4,932,199	23,844,018	28,922,922	443,313
Deposits	4,067,101	-	4,067,101	-	28,537
Unearned revenues	34,601,475	26,790,154	61,391,629	43,320	-
Payable to Newport News Public Schools	7,317,173	-	7,317,173	-	-
Payable to Pension Fund	268,450	-	268,450	-	-
Long term liabilities:					
Due within one year	66,692,293	11,639,310	78,331,603	7,207,372	9,859,826
Due in more than one year	829,155,907	193,989,483	1,023,145,390	485,350,971	68,285,335
Total liabilities	993,221,158	243,491,731	1,236,712,889	526,357,384	82,677,885
Deferred inflows of resources					
Property taxes collected in advance	994,257	-	994,257	-	-
Net difference between projected and actual earnings on plan investments	-	-	-	8,962,848	-
Difference between expected and actual experience	3,207,975	264,686	3,472,661	21,031,589	1,352,516
Changes in assumptions	4,757,511	260,679	5,018,190	7,061,329	1,942,194
Changes in proportionate share	-	-	-	12,900,130	16,283
Deferred contribution to City - AHTIC	-	-	-	3,522,996	-
Deferred grant proceeds	-	-	-	3,250,545	-
Total deferred inflows of resources	8,959,743	525,365	9,485,108	56,729,437	3,310,993
Net position					
Net investment in capital assets	492,496,633	354,046,458	846,543,091	115,367,599	156,657,365
Restricted for:					
Capital projects	1,507,812	-	1,507,812	163,090	28,663,018
Debt service	-	-	-	-	1,644,666
Grants	2,836,057	-	2,836,057	-	-
Other governmental purposes	47,845,487	-	47,845,487	20,868,033	-
Unrestricted (deficit)	(174,161,943)	44,316,246	(129,845,697)	(383,563,356)	41,229,540
Total net position	\$ 370,524,046	\$ 398,362,704	\$ 768,886,750	\$ (247,164,634)	\$ 228,194,589

See accompanying notes to basic financial statements.

City of Newport News, Virginia
Statement of Activities
Year Ended June 30, 2021

	Program revenues				Net (expense) revenue and changes in net position				
	Expenses	Charges for services	Operating grants and contributions	Capital grants and contributions	Primary government			Public schools	Other component units
					Governmental activities	Business-type activities	Total		
Primary Government:									
Governmental activities:									
General government	\$ 105,028,091	\$ 14,871,702	\$ 3,106,770	\$ 25,828,575	\$ (61,221,044)	\$ -	\$ (61,221,044)		
Judicial administration	8,327,279	2,015,894	531,342	-	(5,780,043)	-	(5,780,043)		
Public safety	143,534,390	7,237,084	20,205,035	-	(116,092,271)	-	(116,092,271)		
Public works	77,355,328	59,878,417	18,032,450	-	555,539	-	555,539		
Health and welfare	55,695,474	13,181	7,208,915	-	(48,473,378)	-	(48,473,378)		
Education	135,102,119	-	1,059,652	-	(134,042,467)	-	(134,042,467)		
Parks, recreation and culture	32,861,435	5,092,732	2,645,474	-	(25,123,229)	-	(25,123,229)		
Community development	15,491,592	6,076	13,682,868	-	(1,802,648)	-	(1,802,648)		
Interest and other fiscal charges	21,713,471	-	-	-	(21,713,471)	-	(21,713,471)		
Total governmental activities	595,109,179	89,115,086	66,472,506	25,828,575	(413,693,012)	-	(413,693,012)		
Business-type activities:									
Public utility	71,951,302	98,809,975	-	2,411,869	-	29,270,542	29,270,542		
Total Primary Government	\$ 667,060,481	\$ 187,925,061	\$ 66,472,506	\$ 28,240,444	(413,693,012)	29,270,542	(384,422,470)		
Component units:									
Public Schools	\$ 360,691,466	3,172,919	98,065,482	1,495,769				(257,957,296)	-
Peninsula Airport Commission	14,419,074	4,527,524	-	5,177,358				-	(4,714,192)
Economic and Industrial Development Authorities	18,273,345	21,042,521	-	-				-	2,769,176
Total component units	\$ 393,383,885	\$ 28,742,964	\$ 98,065,482	\$ 6,673,127				(257,957,296)	(1,945,016)
General revenues:									
City taxes:									
General property taxes					\$ 300,491,142	-	300,491,142	-	-
E-911 service					931,808	-	931,808	-	-
Local sales and use					30,890,502	-	30,890,502	-	-
Consumers' utility					6,293,046	-	6,293,046	-	-
Consumption					690,110	-	690,110	-	-
Telecom sales and use					8,738,029	-	8,738,029	-	-
Business license					19,472,960	-	19,472,960	-	-
Rental car					936,211	-	936,211	-	-
Motor vehicle license					4,395,285	-	4,395,285	-	-
Bank stock taxes					1,137,056	-	1,137,056	-	-
Recordation and wills					2,447,772	-	2,447,772	-	-
Tobacco					4,213,953	-	4,213,953	-	-
Hotel and motel room tax					3,807,496	-	3,807,496	-	-
Restaurant food tax					27,936,394	-	27,936,394	-	-
Tourism zone tax					21,325	-	21,325	-	-
Amusement					371,020	-	371,020	-	-
Total City taxes					412,774,109	-	412,774,109	-	-
Grants and contributions not restricted to specific programs					47,820,669	-	47,820,669	166,369,971	480,000
Payment from the City					-	-	-	119,779,623	-
Investment earnings					3,144,359	283,132	3,427,491	30,173	416,465
Miscellaneous					16,026,872	1,431,493	17,458,365	-	2,725,531
Transfers					9,500,000	(9,500,000)	-	-	-
Total general revenues and transfers					489,266,009	(7,785,375)	481,480,634	286,179,767	3,621,996
Change in net position					75,572,997	21,485,167	97,058,164	28,222,471	1,676,980
Net position, as restated, beginning of year					294,951,049	376,877,537	671,828,586	(275,387,105)	226,517,609
Net position end of year					\$ 370,524,046	\$ 398,362,704	\$ 768,886,750	\$ (247,164,634)	\$ 228,194,589

See accompanying notes to basic financial statements.

City of Newport News, Virginia
Balance Sheet
Governmental Funds
June 30, 2021

	General Fund	Debt Service Fund	Bond Fund	Capital Projects Other Federal and State Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets						
Cash and cash equivalents	\$ 114,819,604	6,859,548	-	-	133,242,161	254,921,313
Restricted cash	-	-	74,376,572	1,062,452	-	75,439,024
Accounts receivable, net	27,004,195	-	-	-	9,016,006	36,020,201
Other Prepaid Asset	12,242	-	-	-	-	12,242
Receivables from other funds	515,978	-	-	-	4,060,590	4,576,568
Receivables from other governments	15,388,136	-	-	7,287,867	3,480,200	26,156,203
Due from OPEB Fund	506,061	-	-	-	-	506,061
Inventory, at cost	1,527,891	-	-	-	6,593	1,534,484
Total assets	<u>\$ 159,774,107</u>	<u>6,859,548</u>	<u>74,376,572</u>	<u>8,350,319</u>	<u>149,805,550</u>	<u>399,166,096</u>
Liabilities						
Accounts payable	\$ 23,078,033	122,150	2,633,981	2,653,296	3,208,345	31,695,805
Accrued liabilities	10,996,062	70,500	340,541	128,621	1,268,775	12,804,499
Deposits	4,067,101	-	-	-	-	4,067,101
Unearned revenues	130,721	-	-	-	34,470,754	34,601,475
Payable to Newport News Public Schools	-	-	7,317,173	-	-	7,317,173
Payable to major governmental funds	-	-	-	-	515,978	515,978
Payable to other funds	-	-	-	4,060,590	-	4,060,590
Payable to Pension Fund	268,450	-	-	-	-	268,450
Total liabilities	<u>38,540,367</u>	<u>192,650</u>	<u>10,291,695</u>	<u>6,842,507</u>	<u>39,463,852</u>	<u>95,331,071</u>
Deferred inflows of resources						
Unavailable revenue-property taxes	16,562,976	-	-	-	-	16,562,976
Property taxes collected in advance	994,257	-	-	-	-	994,257
Unavailable revenue-EMS bills	340,283	-	-	-	-	340,283
Unavailable revenue-stormwater fees	-	-	-	-	805,147	805,147
Total deferred inflows of resources	<u>17,897,516</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>805,147</u>	<u>18,702,663</u>
Fund balances						
Nonspendable	1,527,891	-	-	-	6,593	1,534,484
Restricted	613,622	-	64,084,877	1,507,812	50,067,922	116,274,233
Committed	-	6,666,898	-	-	59,509,550	66,176,448
Assigned	29,818,238	-	-	-	-	29,818,238
Unassigned	71,376,473	-	-	-	(47,514)	71,328,959
Total fund balances	<u>103,336,224</u>	<u>6,666,898</u>	<u>64,084,877</u>	<u>1,507,812</u>	<u>109,536,551</u>	<u>285,132,362</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 159,774,107</u>	<u>6,859,548</u>	<u>74,376,572</u>	<u>8,350,319</u>	<u>149,805,550</u>	<u>399,166,096</u>

See accompanying notes to basic financial statements.

City of Newport News, Virginia
Reconciliation of the Balance Sheet of Governmental Funds to the
Statement of Net Position
June 30, 2021

Fund balances - total governmental funds		\$ 285,132,362
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Net pension assets are not current financial resources and, therefore, are unavailable in the funds.		5,286,730
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Governmental capital assets	1,582,320,292	
Less accumulated depreciation	<u>(740,760,447)</u>	
		841,559,845
Other long-term assets are not available to pay for current period expenditures and, therefore, are unavailable in the funds.		17,708,405
Internal service funds are used by management to charge the costs of certain activities to individual funds.		
Internal service funds are used by management to charge the costs of certain activities to individual funds.	39,269,354	
Adjustment to add back accrued vacation included below	<u>287,039</u>	
		39,556,393
Deferred charge on refunding are reported as deferred outflows of resources in the government-wide financial statements, but are not reported in the governmental funds' statements.		5,226,073
Unmatured interest payable reported in governmental activities will not be paid with current financial resources and, therefore, are not reported in the funds.		(5,957,505)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:		
General obligation bonds, net	(444,758,525)	
Literary fund bonds	(2,528,952)	
Landfill liability	(2,507,000)	
Accrued vacation	(20,082,634)	
Workers' compensation and other claims	(15,607,901)	
Net pension liability	(320,173,475)	
Net OPEB liability	(77,948,068)	
Net line of duty obligations	(9,482,645)	
Incurred but not reported claims	<u>(2,759,000)</u>	
		(895,848,200)
Deferred inflows and outflows of resources related to pension plans and OPEB are not due and payable in the current period and therefore, not reported in the governmental funds:		
Deferred inflows - difference between expected and actual experience related to pension and OPEB	(3,207,975)	
Deferred inflows - changes in assumptions related to pension and OPEB	(4,757,511)	
Deferred outflows - employer contributions made subsequent to the measurement date	41,147,427	
Deferred outflows - difference between expected and actual experience	1,263,308	
Deferred outflows - difference between projected and actual earnings on plan investments	37,752,221	
Deferred outflows - changes in proportion and difference between employer contributions and proportionate share of contributions	1,076,942	
	183,302	
Deferred outflows - changes in assumptions	<u>4,402,229</u>	77,859,943
Net position of governmental activities		<u>\$ 370,524,046</u>

See accompanying notes to basic financial statements.

City of Newport News, Virginia
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
Year ended June 30, 2021

	General Fund	Debt Service Fund	Bond Fund	Capital Projects Other Federal and State Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:						
General property taxes	\$ 297,406,765	-	-	-	-	297,406,765
Other local taxes	112,282,967	-	-	-	-	112,282,967
Licenses and permits	2,820,467	-	-	-	-	2,820,467
Fines and forfeitures	1,242,956	-	-	-	-	1,242,956
Intergovernmental	47,820,668	1,059,652	-	24,622,125	65,412,855	138,915,300
Charges for services	21,764,441	-	-	-	61,058,271	82,822,712
Interest and rent	2,592,863	-	-	5,277	515,768	3,113,908
Recovered costs	5,043,417	-	-	-	6,000	5,049,417
Miscellaneous	5,102,897	275,753	-	-	4,055,483	9,434,133
Total revenues	496,077,441	1,335,405	-	24,627,402	131,048,377	653,088,625
Expenditures:						
Current operating:						
General government	98,980,321	-	-	-	3,245,945	102,226,266
Judicial administration	7,211,816	-	-	-	558,141	7,769,957
Public safety	118,551,132	-	-	-	20,802,584	139,353,716
Public works	6,614,417	-	-	-	57,766,793	64,381,210
Health and welfare	36,990,713	-	-	-	18,655,139	55,645,852
Education	113,389,307	-	5,362,703	-	-	118,752,010
Parks, recreation, and culture	25,690,294	-	-	-	3,925,448	29,615,742
Community Development	9,569,365	-	-	-	4,731,786	14,301,151
Debt service:						
Principal	-	33,303,414	-	-	-	33,303,414
Interest and other charges	-	21,656,135	509,784	-	-	22,165,919
Capital outlay	-	-	32,071,090	25,013,748	9,448,000	66,532,838
Total expenditures	416,997,365	54,959,549	37,943,577	25,013,748	119,133,836	654,048,075
Excess (deficiency) of revenues over (under) expenditures	79,080,076	(53,624,144)	(37,943,577)	(386,346)	11,914,541	(959,450)
Other financing sources (uses):						
Transfers in	9,500,000	56,982,491	-	-	38,179,077	104,661,568
Transfers out	(84,464,766)	-	-	-	(10,696,802)	(95,161,568)
Premium on bonds	-	-	13,695,066	-	-	13,695,066
Bond and note issuance of debt	-	-	77,000,000	-	-	77,000,000
Payment to Refunding Bond Escrow Agent	-	-	(56,912,279)	-	-	(56,912,279)
Issuance of Refunding Bonds - Premium	-	-	2,458,955	-	-	2,458,955
Issuance of Refunding Bonds	-	-	54,785,000	-	-	54,785,000
Total other financing sources (uses), net	(74,964,766)	56,982,491	91,026,742	-	27,482,275	100,526,742
Net changes in fund balances	4,115,310	3,358,347	53,083,165	(386,346)	39,396,816	99,567,292
Fund Balance at June 30, 2020, as restated	99,220,914	3,308,551	11,001,712	1,894,158	70,139,735	185,565,070
Fund balances at June 30, 2021	\$ 103,336,224	6,666,898	64,084,877	1,507,812	109,536,551	285,132,362

See accompanying notes to basic financial statements.

City of Newport News, Virginia
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balance to the Statement of Activities
Year ended June 30, 2021

Net change in fund balances - total governmental funds		\$ 99,567,292
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. The Statement of Activities also includes expenses that relate to assets acquired that do not meet the capitalization threshold of the City:		
Capital outlay expenditures	66,532,838	
Plus: Capital outlay expenditures not included in capital outlays, net of disposals	11,265,561	
Less: Non-capitalized asset	(12,079,925)	
Depreciation expense	<u>(30,770,949)</u>	
		34,947,525
Newport News Public Schools, a component unit of the City, allows the City to record its construction in progress and certain capital assets on the City's financial statements for any projects using bond funds as a funding source. The City also records depreciation expense on these assets. These assets will revert back to the Schools when the debt is paid in full. These assets are not reported in the governmental funds.		(10,744,968)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. Unavailable revenues increased by this amount in the current year.		3,084,377
Change in pension asset valuation. These assets are not reported in the governmental funds.		(1,782,237)
Investment gains and changes in assumptions are recognized resulting from deferred inflows or outflows in the Statement of Activities, but are not reported as gains or losses in the funds.		1,534,267
Experience loss and change in proportion are recognized resulting from deferred inflows or outflows in the Statement of Activities, but are not reported as gains or losses in the funds.		36,508,432
Change in annual employer contributions to the pension funds. These activities are reported as deferred outflows in the Statement of Activities, but are not reported in the funds.		1,682,201
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position:		
Principal repayments	85,273,415	
Debt issued	(131,785,000)	
Net premium of long-term debt amortization	(7,452,362)	
Amortization of refunding losses	<u>(349,922)</u>	
		(54,313,869)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. These activities consist of changes in:		
Accrued interest	452,449	
Landfill liability	352,000	
Accrued vacation	1,820,172	
Net pension obligation	(36,114,908)	
Net OPEB obligation	2,080,017	
Net line of duty obligation	(2,184,159)	
Workers' compensation and other claims	(1,595,872)	
Incurred but not reported liabilities	<u>(31,000)</u>	
		(35,221,301)
Internal service funds are used by management to charge the costs of certain services to individual funds. The net income of the internal service fund is reported with governmental activities (excludes change in compensated absences).		<u>311,278</u>
Change in net position of governmental activities		<u><u>\$ 75,572,997</u></u>

See accompanying notes to basic financial statements.

City of Newport News, Virginia
Statement of Net Position
Proprietary Funds
June 30, 2021

	Major Fund - Public Utility	Internal Service Fund
Assets		
Current assets:		
Cash and cash equivalents	\$ 96,363,280	10,048,047
Restricted cash	87,964,431	-
Accounts receivable, net	12,856,466	67,100
Inventory	4,284,956	1,028,430
Prepaid bond principal	2,438,256	-
Total current assets	<u>203,907,389</u>	<u>11,143,577</u>
Noncurrent assets:		
Land held for resale	7,102,444	-
Wetlands credit	5,530,135	-
Capital assets:		
Nondepreciable capital assets:		
Land	8,336,904	20,257
Construction in progress	23,628,836	1,144,361
Depreciable capital assets:		
Buildings	149,126,375	3,469,775
Improvements	-	1,128,639
Water system	498,611,452	-
Machinery and equipment	47,218,223	75,484,528
Total capital assets	726,921,790	81,247,560
Less accumulated depreciation	(312,794,210)	(52,173,795)
Capital assets, net	414,127,580	29,073,765
Net pension asset	387,910	-
Total noncurrent assets	<u>427,148,069</u>	<u>29,073,765</u>
Total assets	<u>631,055,458</u>	<u>40,217,342</u>
Deferred outflows of resources		
Employer contributions subsequent to the measurement date	4,695,016	-
Difference between expected and actual experience	91,993	-
Difference in proportion and difference between employer contributions and proportionate share of contributions	68,742	-
Change in assumptions	197,081	-
Net difference between projected and actual earnings on plan investments	4,609,569	-
Investment Experience	11,700	-
Debt refundings resulting in loss transactions	1,650,241	-
Total deferred outflows	<u>11,324,342</u>	<u>-</u>
Liabilities		
Current liabilities:		
Accounts payable	6,140,586	511,134
Accrued liabilities	4,932,199	436,854
Unearned revenues	26,790,154	-
General obligation bonds payable, net	7,670,575	-
Revenue bonds payable, net	3,968,734	-
Total current liabilities	<u>49,502,248</u>	<u>947,988</u>
Noncurrent liabilities:		
Deposits	5,516,478	-
General obligation bonds payable, net	17,064,244	-
Revenue bonds payable, net	120,992,241	-
Net pension liability	40,055,520	-
Net OPEB liability	10,361,000	-
Total noncurrent liabilities	<u>193,989,483</u>	<u>-</u>
Total liabilities	<u>243,491,731</u>	<u>947,988</u>
Deferred inflows of resources		
Difference between expected and actual experience	264,686	-
Changes in assumptions	260,679	-
Total deferred inflows	<u>525,365</u>	<u>-</u>
Net position		
Net investment in capital assets	354,046,458	29,073,765
Unrestricted	44,316,246	10,195,589
Total net position	<u>\$ 398,362,704</u>	<u>39,269,354</u>

City of Newport News, Virginia
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
Year ended June 30, 2021

	Major Fund - Public Utility	Internal Service Fund
Operating Revenues:		
Water sales	\$ 60,194,110	-
Charges for services	28,559,656	13,319,746
Miscellaneous	10,056,209	201,240
Total operating revenues	<u>98,809,975</u>	<u>13,520,986</u>
Operating expenses:		
Personal services	26,257,084	3,543,850
Contractual services	12,113,035	207,308
Internal services	1,141,122	149,585
Materials and supplies	12,123,856	4,715,742
Depreciation	13,756,021	6,163,326
Other	2,710,710	-
Total operating expenses	<u>68,101,828</u>	<u>14,779,811</u>
Operating income (loss)	<u>30,708,147</u>	<u>(1,258,825)</u>
Nonoperating revenues (expenses):		
Interest revenue	283,132	30,451
Gain (loss) on disposal of capital assets	211,247	362,822
Amortization on bond premium	1,431,493	-
Gain (loss) on long-term debt	(320,677)	-
Interest expense	(3,740,044)	-
Total nonoperating revenues (expenses), net	<u>(2,134,849)</u>	<u>393,273</u>
Income before capital contributions and transfers out	<u>28,573,298</u>	<u>(865,552)</u>
Capital contributions for capital assets	2,411,869	1,206,450
Transfers out	(9,500,000)	-
Change in net position	21,485,167	340,898
Net position at June 30, 2020	<u>376,877,537</u>	<u>38,928,456</u>
Net position at June 30, 2021	<u>\$ 398,362,704</u>	<u>39,269,354</u>

See accompanying notes to basic financial statements.

City of Newport News, Virginia
Statement of Cash Flows
Proprietary Funds
Year ended June 30, 2021

	Major Fund - Public Utility	Internal Service Funds
Cash flows from operating activities:		
Receipts from customers	\$ 95,602,886	\$ 13,520,986
Payments to suppliers	(23,589,234)	(5,099,485)
Payments to employees	(25,809,395)	(3,543,850)
Other payments	(2,710,711)	-
Net cash provided by operating activities	43,493,546	4,877,651
Cash flows used in noncapital financing activities:		
Transfers to other funds	(9,500,000)	-
Net cash used in noncapital financing activities	(9,500,000)	-
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(20,227,651)	(5,253,718)
Contributed capital	2,411,869	1,206,450
Proceeds from sale of capital assets	317,084	727,862
Premium on bonds issued	8,223,829	-
Repayment and retirement of long-term debt, net	(5,323,149)	-
Bond issuance cost	(347,810)	-
Interest paid	(3,392,233)	-
Proceeds from debt refunding	62,255,000	-
Net cash used in capital and related financing activities	43,916,939	(3,319,406)
Cash flows provided by investing activities		
Interest received	283,132	30,452
Net cash provided (used) by investing activities	283,132	30,452
Increase in cash and restricted cash	78,193,617	1,588,697
Cash, cash equivalents, and restricted cash at beginning of year	106,134,094	8,459,350
Cash, cash equivalents, and restricted cash at end of year	184,327,711	10,048,047
Reported as:		
Cash and cash equivalents	96,363,280	10,048,047
Restricted cash	87,964,431	-
Total cash, cash equivalents, and restricted cash	184,327,711	10,048,047
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating Income (Loss)	30,708,147	(1,258,825)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	13,756,021	6,163,326
Change in:		
Accounts receivable	(2,267,456)	(67,100)
Inventories	(212,451)	(64,720)
Accounts payable, accrued liabilities, leases payable, and payroll accruals	1,797,827	104,970
Unearned revenues	(939,634)	-
Deposits	249,371	-
Net pension asset	113,759	-
Net pension liability	4,990,715	-
Net OPEB liability	(330,407)	-
Deferred outflows of resources	(4,214,351)	-
Deferred inflows of resources	(157,995)	-
Total adjustments	12,785,399	6,136,476
Net cash provided by operating activities	\$ 43,493,546	\$ 4,877,651

See accompanying notes to basic financial statements.

City of Newport News, Virginia
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2021

	Pension, Other Postemployment Benefits, & Line of Duty Act Fund	Custodial Funds
Assets		
Cash and cash equivalents	\$ 12,507,032	7,720,780
Cash and cash equivalents with trustee	6,576,049	-
Investments, at fair value::		
Debt securities	72,866,348	-
Equity investments	398,215,119	-
Private equities	54,348,213	-
Bond mutual fund	150,165,992	-
Commingled equity fund	413,957,034	-
Real estate and timber	96,067,794	-
Accounts receivable	-	4,529,716
Due from other components	348,487	-
Sales receivable	686,501	-
Total assets	<u>\$ 1,205,738,569</u>	<u>12,250,496</u>
Liabilities		
Accounts payable	\$ 1,520,436	2,488,539
Due to City	506,061	-
Purchases payable	152,139	-
Accrued Liabilities	-	49,073
Deposits	-	3,202
Total liabilities	<u>2,178,636</u>	<u>2,540,814</u>
Net Position		
Assets held in trust:		
Restricted for pension benefits	1,152,141,192	-
Restricted for OPEB benefits	48,163,363	-
Restricted for LODA benefits	3,255,378	-
Restricted for custodial funds	-	9,709,682
Total net position	<u>\$ 1,203,559,933</u>	<u>9,709,682</u>

See accompanying notes to basic financial statements.

City of Newport News, Virginia
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year ended June 30, 2021

	Pension, Other Postemployment Benefits, & Line of Duty Act Fund	Custodial Funds
Additions:		
Employer contributions:		
City General Fund	\$ 36,293,546	-
Waterworks Fund	4,385,194	-
School Operating Fund	8,485,299	-
Employee contributions:		
City General Fund	3,676,356	-
Waterworks Fund	483,644	-
School Operating Fund	488,952	-
Other contributions:		
Income from leave exchange	136,338	-
Employee buy-back	1,368	-
Federal	-	3,376,680
Local	-	109,504
Other Additions		
Payments collected for other localities	-	23,182,839
Total contributions	<u>53,950,697</u>	<u>26,669,023</u>
Investment income:		
Net depreciation - bonds	(1,580,278)	-
Net appreciation - stocks	277,935,311	-
Interest	1,937,740	-
Dividends	5,712,519	-
Real estate operating income	11,504,617	-
Commission recapture	5,549	-
Other investment income	21,263	-
Total investment income	295,536,721	-
Less investment expenses	(2,283,567)	-
Net investment gain	<u>293,253,154</u>	<u>-</u>
Total additions	<u>347,203,851</u>	<u>26,669,023</u>
Deductions:		
Benefits paid to participants	99,013,515	-
Refunds of member contributions	44,888	-
Administrative expenses	1,214,884	-
Personal services	-	1,277,284
Contractual services	-	1,418,177
Equipment & Materials	-	36,147
Youth Workforce	-	681,933
Travel	-	6,854
Property rental	-	93,109
Payments collected for other localities	-	21,311,333
Miscellaneous	-	24,752
Total deductions	<u>100,273,287</u>	<u>24,849,589</u>
Change in net position	246,930,564	1,819,434
Net position at June 30, 2020, as restated	956,629,369	7,890,248
Net position at June 30, 2021	<u>\$ 1,203,559,933</u>	<u>9,709,682</u>

See accompanying notes to basic financial statements.

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City of Newport News, Virginia
Notes to the Financial Statements
June 30, 2021

(1) Summary of Significant Accounting Policies

(a) The Reporting Entity

The City of Newport News, Virginia (City or Primary Government) was established by act of the Virginia General Assembly in 1958. 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 Commonwealth wide 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, sewer, and a water system administered by the Newport News Department of Public Utilities.

The City's reporting entity, as defined by accounting principles generally accepted in the United States of America (GAAP), consists of the Primary Government as well as 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 to impose will by the Primary Government, or (b) the possibility that the component unit will provide a financial benefit or impose a financial burden on the Primary Government.

The accompanying financial statements present the City and its component units. The financial data of the component units are included in the City's reporting entity because of the significance of their operational or financial relationships with the City.

Blended component units. The Public Utility Fund serves all the citizens of the City and is governed by a board comprised of the City's elected council. Both the rates for user charges and bond issuance authorizations are approved by the City Council and the legal liability for the general obligation portion of the debt resides with the City. This fund is reported as an enterprise fund.

Discretely presented component units. Three of the City's component units are discretely presented. Discretely presented component units are entities that are legally separate from the City, but for which the City is financially accountable, or whose relationships with the City are such that exclusion would cause the City's financial statements to be incomplete. These component units are segregated from the Primary Government to emphasize that they are legally separate from the City. All of the component units have a fiscal year end of June 30.

Major discretely presented component unit

- The Newport News Public Schools (Schools or School Board) are responsible for elementary and secondary education within the City. The School Board is elected by the voters of Newport News and operates the four early childhood centers, twenty-four elementary, seven middle, five high schools and one middle-high school combination in the City. The School Board may not issue debt. City Council makes an annual appropriation to the School Board, but is prohibited from exercising any control over specific expenditures of School Board operating funds. Transfers within the School Operating Fund are under the control of the School Board at the categorical level. Expenditures are controlled in the School Cafeteria and School Grants Funds through use of budgets approved by the School Board. Separate audited financial statements are available for the Newport News Public Schools online at www.sbo.nn.k12.va.us.

Nonmajor discretely presented component units

- The Economic and Industrial Development Authorities (E/IDA or the Authorities) are two legally separate entities included in the City's financial statements due to financial/legal inter-dependency with the City. The E/IDA acquires, maintains and develops land for sale or lease, promotes both economic and industrial development and growth in the City, and includes the Parking Authority. The City Council approves the E/IDA's budget. Separate audited financial statements are available for the E/IDA online at www.newportnewsva.com/about/annual-audit/.

City of Newport News, Virginia
Notes to the Financial Statements
June 30, 2021

- The Peninsula Airport Commission (PAC) is a legally separate entity included in the City's financial statements. The PAC operates the Newport News/Williamsburg International Airport. The City appoints four of PAC's six commission members, thus holding a voting majority of the Board. The City has a financial benefit/burden relationship with the PAC as described within GAAP. The PAC's governing body is not substantially the same as the City, nor does the PAC exclusively serve the City, or have its total debt outstanding repaid by the City. Separate audited financial statements are available for PAC online at www.peninsulaairportcommission.org/.

(b) Government-wide and Fund Financial Statements

The government-wide financial statements report information on all of the nonfiduciary activities of the Primary Government and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services. Likewise, the Primary Government is reported separately from certain legally separate component units for which the Primary Government is financially accountable.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or activity is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Included in direct expenses are certain indirect costs that have been allocated to the various programs. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported as general revenues.

Separate fund financial statements are provided for governmental funds, proprietary funds, and the fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

(c) Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Real estate and property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are susceptible to accrual (i.e., both measurable and available). Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period, usually 45 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this rule include: (1) landfill liability, accrued vacation, other postemployment benefits, worker's compensation and other claims, and incurred but not reported medical claims (IBNR), which are recognized when paid and (2) principal and interest payments on general long term debt, both of which are recognized when due.

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; therefore, revenues are recognized based upon the expenditures recorded. 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 criteria are met.

City of Newport News, Virginia
Notes to the Financial Statements
June 30, 2021

In the fund financial statements, real and personal property taxes are recorded as revenues and receivables when levied and billed, net of allowances for uncollectible amounts. Property tax receivables not collected within 45 days after year-end are reflected as unavailable revenues. Sales and utility taxes, which are collected by the Commonwealth of Virginia or utility companies by year-end and subsequently remitted to the City, are recognized as revenues and receivables upon collection by the Commonwealth of Virginia or utility company, which is generally in the month preceding receipt by the City.

Licenses and permits, fines and forfeitures, charges for services 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.

The City reports the following major governmental funds:

The *General Fund* is the City's primary operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

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

The *Bond Fund* is a capital projects fund used to account for the proceeds of all general obligation bond issues except those of the Proprietary Funds. Proceeds are used for various capital outlays in accordance with the respective bond ordinances.

The *Capital Projects Other Federal and State Fund* accounts for the federal entitlements used for capital expenditures as well as various federal and state grants for capital outlay in accordance with the respective grant agreements.

The City reports the following major proprietary fund:

The *Public Utility Fund* accounts for the water utility that provides water service to the City and various surrounding localities. Operation of the proprietary fund is designed to be self-supporting through user charges. This fund services its own debt and construction projects and records the acquisition of its depreciable assets and land.

Additionally, the City reports the following fund types:

The *Internal Service Fund* accounts for the financing of vehicle and equipment services provided to other departments or agencies of the City on a cost reimbursement basis.

The *Pension Trust Employees' Retirement Fund* accounts for all contributions and investments accumulated for employees' retirement. Also, the fund pays for all related expenses incurred as well as retiree benefits.

The *Other Postemployment Benefits (OPEB) Fund* accounts for all contributions and investments accumulated for employees' medical benefits and life insurance coverage at retirement. The fund pays for all related expenses incurred as well as health, dental and life insurance benefits.

The *Line of Duty Act Fund* accounts for all contributions and investments accumulated for hazardous duty personnel, including volunteers and paid full time and part time employees who fall under the guidelines of eligible personnel under the Line of Duty Act. The fund provides benefits to eligible family members of eligible employees and volunteers killed or disabled in the line of duty.

The *Custodial Funds* account for assets held by the City in a trustee capacity or as a custodian for individuals, private organizations, and other funds.

City of Newport News, Virginia
Notes to the Financial Statements
June 30, 2021

Nonmajor governmental funds

Special Revenue Funds account for revenues and expenditures related to programs that are restricted in nature for specific purposes. Examples include the Stormwater Fund, the Solid Waste Fund, the Wastewater Fund, activities of the Community Development Block Grant Program, individual grant programs, community services programs for mental health and substance abuse, and economic aid to certain qualifying citizens under several different programs.

Capital Projects Fund, excluding the Bond Fund and Capital Projects Other Federal and State Fund, accounts for capital expenditures.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's public utility function and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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. The principal operating revenues of the City's proprietary funds are charges to customers for sales and services. The Public Utility's Enterprise Fund also recognizes certain rental fees as operating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

In all funds, when both restricted and unrestricted resources are available for a particular use and have not been earmarked for other purposes, it is the City's policy to use restricted resources first for any allowable costs. After restricted resources have been depleted, unrestricted resources are used as they are needed unless the City determines otherwise.

Since the governmental funds' financial statements are presented on a different measurement focus and basis of accounting than the government-wide 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. In addition, 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 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 Governmental Funds' Statement of Revenues, Expenditures, and Changes in Fund Balances.

(d) Cash and Cash Equivalents and Investments

The City utilizes the pooled cash investment method, except for the PAC. Income from the investment of pooled cash is allocated to the various funds, based on the percentage of cash and cash equivalents of each fund to the total pooled cash and cash equivalents. In addition, the City has restricted deposits held by trustees for future retirements of bonds at the appropriate call date, retirements of certain certificates of participation at maturity and construction projects.

Investments are stated at fair value, except for cash equivalents where cost approximates fair value. Retirement plan investments are reported at fair value. Retirement plan short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. The fair value of real estate investments is based on independent appraisals. All other investments are valued based on amounts provided by the investment advisor or fund administrator.

For purposes of the Statement of Cash Flows, all highly liquid debt instruments with original maturities of three months or less from the date of purchase are considered to be cash equivalents.

City of Newport News, Virginia
Notes to the Financial Statements
June 30, 2021

(e) Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” or “advances to/from other funds” in the fund statements. Any residual balances outstanding between governmental activities and business-type activities would be reported in the government-wide financial statements as “internal balances.”

In the fund statements, long-term interfund advances and advances to component units are recorded as a receivable with a corresponding nonspendable fund balance by the advancing fund.

Provisions for uncollectible water, sewer, stormwater and emergency medical bills are based upon a historical analysis of uncollected accounts and are applied as a percentage of delinquent/terminated accounts in the year-end accounts receivable balance. Provision for uncollectible property taxes is based upon a historical percentage of accounts written off applied to the total levies of all years carried in taxes receivable.

The two major sources of property taxes are described below as reported in the fund financial statements:

Real Estate – Each year as of July 1, the City levies real estate taxes on all real estate within its boundaries, except that exempted by statute. Real estate taxes are levied on the estimated market value of the property and become a lien on real property the first day of the levy year. The City follows the practice of reassessing all property annually. Real estate taxes are collected in semi-annual payments due December 5 and June 5. During the fiscal year, the current year real estate taxes reported as revenue are the levies on assessed valuation on July 1, less an allowance for uncollectible amounts and taxes not collected within 45 days after year-end. The tax rate for 2021 was \$1.22 per \$100 of assessed value.

Personal Property – The City levies personal property taxes on motor vehicles and tangible personal business property. These levies are made each year as of January 1 with payment due the following December 5 and June 5. The current year personal property taxes reported as revenue are the levies on assessed valuation at January 1, less an allowance for uncollectible amounts and taxes not collected within 45 days after year-end. The 2021 tax rates per \$100 of assessed value were:

Mobile homes	\$	1.22
Trawlers	\$	0.90
Pleasure boats	\$	1.00
Machinery & tools	\$	3.75
Motor vehicles	\$	4.50

Unearned revenues represent amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Unearned revenues consist of amounts prepaid and not yet earned, such as prepaid sewer assessments and prepayments for instructional classes.

Unavailable revenues in the governmental fund types consist of revenues that are measurable but not available for use during the current period. Property taxes receivable at June 30, but not collected within 45 days after that date are reported as unavailable revenues in the financial statements.

City of Newport News, Virginia
Notes to the Financial Statements
June 30, 2021

(f) Allowances for Uncollectibles

The City calculates allowances for uncollectibles using historical collection data, specific account analysis and management's judgment. The allowance at June 30, 2021, is composed of the following:

General Fund - allowance for uncollectibles

Taxes receivable:	
Real estate	\$ 2,323,512
Personal property	4,649,109
Total taxes	<u>\$ 6,972,621</u>
Emergency medical services receivable	<u>1,175,243</u>
Total General Fund	<u><u>8,147,864</u></u>

Nonmajor Governmental

Special Revenue Funds - accounts receivable \$ 2,492,450

Public Utility Fund - accounts receivable 2,600,440

Custodial Fund - accounts receivable \$ 930,373

(g) Inventories

Inventories, which consist of materials and supplies held for future consumption, are stated at cost using the first-in, first-out and average cost methods. The cost of inventory is recorded as an expenditure at the time individual inventory items are consumed (consumption method).

(h) Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental's or business-type's activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of \$5,000 or more and an initial useful life of more than 1 year. Assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Under Virginia law, certain property maintained by the School Board is subject to a "tenancy-in-common" with the City if the City incurred a financial obligation for the property payable over more than one fiscal year. The School Board and the City have agreed that such property will be carried on the City's financial statements until the outstanding debt is repaid. After repayment, the asset is transferred to the School Board. At June 30, 2021, the City holds capital assets related to school property with a net book value of approximately \$159,478,190.

Capital assets of the Primary Government, as well as the component units, are depreciated using the straight line method over the following estimated useful lives:

Buildings	40 - 60 years
Building improvements	25 - 30 years
Infrastructure (including water system)	15 - 100 years
Machinery and equipment	4 - 20 years

City of Newport News, Virginia
Notes to the Financial Statements
June 30, 2021

(i) Land Held for Resale

Land held for resale by the E/IDA is stated at acquisition cost plus improvements and capitalized interest, if applicable, but not in excess of net realizable value. Capitalized costs of projects are assigned to individual components of the projects based on specific identification. If specific identification is not practicable, capitalized interest costs are allocated to each parcel benefited, based on relative fair value before construction. As land is sold, all costs associated with that land are charged to cost of land sold.

(j) Compensated Absences

City employees are granted vacation and sick pay in varying amounts as services are provided. They may accumulate, subject to certain limitations, unused vacation leave, and upon retirement, termination or death, may be compensated for their unused vacation at their then current rates of pay. The costs of accumulated vacation are accrued as a liability in the accrual basis financial statements as the benefits are earned by the employees if attributable to services already rendered and compensation through time off or some other means is probable. Sick leave expense is recorded by the City when the employee is paid. Upon termination, City employees are not paid for accumulated sick leave. For members of the Newport News Employees' Retirement Fund, the unused sick leave is added to the employee's years of credited service for the purpose of computing pension benefits. These liabilities are accounted for in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured as a result of employee resignations and retirements. For members of the Virginia Retirement System (VRS), the unused sick leave is forfeited at termination.

School Board employees are granted vacation and sick pay in varying amounts as services are provided. They may accumulate, subject to certain limitations, unused vacation leave, which upon retirement, termination or death, may be compensated for certain amounts at their then current rate of pay. Upon termination for reasons other than retirement, School Board employees are not paid for accumulated sick leave. Upon retirement, sick leave may be taken in cash at \$30 per day depending upon employment status (maximum payment of \$5,000) or exchanged for additional service credit towards their retiree health insurance subsidy.

(k) Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable government activities, business-type activities, or proprietary fund type Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

(l) Fund Equity/Net Position

The net position in government-wide and proprietary fund financial statements is classified as net investment in capital assets, restricted, and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, laws and regulations of other governments or imposed by law through State statute. In the fiduciary fund financial statements, net position of the Pension & Other Postemployment Benefits Trust Funds are held in trust for the payment of retiree pension, health and life insurance benefits. Additionally, net position of the Line of Duty Act Fund is held in trust for the payment of benefits (health, dental and vision) to employees disabled in the line of duty or surviving beneficiaries of employees killed in the line of duty.

City of Newport News, Virginia
Notes to the Financial Statements
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Under GAAP, fund balances are required to be reported according to the following classifications:

Nonspendable fund balance – Consists of amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. This classification includes inventories, prepaid amounts, assets held for resale, and long-term receivables.

Restricted fund balance – Consists of amounts that are restricted to specific purposes and externally imposed by creditors or imposed by law.

Committed fund balance – Consists of amounts that can only be used for specific purposes as determined by the City's highest level of decision-making authority, City Council, and is imposed by formal action (ordinance). The City's policy is that formal council action is required to establish or rescind a committed fund balance.

Assigned fund balance – Consists of amounts which the City intends to use for specific purposes, but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by City Council's delegation of this authority to the City Manager in the annual operating budget ordinance.

Unassigned fund balance – This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. Under GAAP, positive unassigned fund balances are only reported in the General Fund. However, in governmental funds other than the General Fund, expenditures incurred for a specific purpose might exceed the amount restricted, committed or assigned to that purpose, and a negative residual amount for that purpose may result. If that occurs, any negative residual is offset to the extent of any other assigned amounts in that fund, and any remaining negative residual amount is classified as a negative unassigned fund balance in the applicable governmental fund.

City Council has adopted a minimum fund balance policy which states that the General Fund's unassigned fund balance shall not be less than 7.5% of the actual General Fund revenues. For FY 2021, the General Fund's unassigned fund balance is 14.1% of revenues, exceeding the policy threshold of 7.5%.

The City does not have a policy for the use of its unrestricted fund balance amounts, but in practice committed amounts are reduced first, followed by assigned amounts, then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

City of Newport News, Virginia
Notes to the Financial Statements
June 30, 2021

Details of the fund balance classifications of the Governmental funds at June 30, 2021 are as follows:

Function/Purpose	Nonspendable	Restricted	Committed	Assigned	Unassigned
General Fund:					
Inventories	\$ 1,527,891	-	-	-	-
General government:					
Administration	-	-	-	3,041,004	-
Self insured activities	-	-	-	22,441,918	-
Judicial administration	-	-	-	112	-
Public safety	-	-	-	866,028	-
Public works	-	613,622	-	2,399,188	-
Health and welfare	-	-	-	225,557	-
Parks, recreation, and cultural	-	-	-	602,919	-
Community development	-	-	-	219,330	-
Imprest funds	-	-	-	22,182	-
Unassigned	-	-	-	-	71,376,473
Total General Fund	\$ 1,527,891	613,622	-	29,818,238	71,376,473
Other funds:					
Debt service:					
Future debt service	\$ -	-	6,666,898	-	-
Bond:					
Buildings	-	3,684,797	-	-	-
Community development	-	6,802,352	-	-	-
Environmental	-	54,919	-	-	-
Equipment	-	533,987	-	-	-
Parks, recreation, and cultural	-	197,483	-	-	-
Streets and bridges	-	2,939,225	-	-	-
Sanitary sewer/Solid waste	-	2,691,900	-	-	-
Stormwater	-	2,539,712	-	-	-
Future capital projects	-	44,640,501	-	-	-
Capital projects:					
Federal and state grants	-	1,507,812	-	-	-
Nonmajor governmental:					
Economic development	-	-	1,126,278	-	-
Law library	-	25	115,286	-	-
Environmental	-	-	77,994	-	-
Criminal Justice Academy	-	-	310,555	-	-
Federal and state grants	-	2,836,057	-	-	-
Community development	-	-	1,943,358	-	-
Equipment	-	-	425,811	-	-
Parks, recreation, and cultural	6,593	-	890,266	-	(47,514)
Buildings	-	-	808,789	-	-
Streets and bridges	-	-	219,188	-	-
Wastewater	-	15,450,546	-	-	-
Solid waste	-	9,638,509	-	-	-
Stormwater	-	20,724,179	300,089	-	-
Sheriff Canteen	-	1,418,607	-	-	-
Future capital projects	-	-	53,291,936	-	-
Total other funds	\$ 6,593	115,660,611	66,176,448	-	(47,514)
Total fund balance	\$ 1,534,484	116,274,233	66,176,448	29,818,238	71,328,959

City of Newport News, Virginia
Notes to the Financial Statements
June 30, 2021

Net position is comprised of three categories: (1) net investment in capital assets; (2) restricted; and (3) unrestricted. The first component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Restricted reflects the assets whose use is restricted by outside parties or legal constraints. The unrestricted component of net position consists of the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Restricted net position on the government-wide Statement of Net Position is composed of the following funds:

	Governmental activities
General activities:	
Public works	\$ 613,622
Other activities:	
Sheriff Canteen	1,418,607
Law library	25
Grants	2,836,057
Capital projects	1,507,812
Stormwater, Solid Waste ,Wastewater	45,813,233
Total restricted net position	<u>\$ 52,189,356</u>

(m) Encumbrances

The City employs encumbrance accounting under which obligations in the form of purchase orders, contracts and other commitments for the expenditure of funds are reported as committed or assigned fund balance, since they do not constitute expenditures or liabilities. Appropriations with outstanding commitments or encumbrances are carried into the following year. According to the City Code, unexpended, unencumbered appropriations lapse at the end of the year.

(n) Deferred Outflows and Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The City's deferred outflows of resources consist of the amounts by which the principal and premium of a refunding bond exceed the net carrying amount of the refunded debt. The deferred outflow is being amortized over the remaining life of the refunded debt. Deferred outflows for pensions and OPEB (including LODA) result from employer contributions to the retirement plans made after the measurement date, the net difference between projected and actual earnings on plan investments, changes in proportionate share, difference between expected and actual experience and changes in assumptions. Changes in actuarial assumptions are deferred and amortized over the remaining service life of all participants and investment experience amounts are deferred and amortized over a closed five-year period.

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has several items that qualify under this classification, which arise under a modified accrual basis of accounting. Accordingly, unavailable revenue and property taxes collected in advance are reported in the governmental funds' Balance Sheet. These amounts are deferred to be recognized as an inflow of resources in the period when the amounts become available.

Deferred inflows for pensions and OPEB (including LODA) result from changes in actuarial assumptions, differences between the expected and actual experience, pension investment returns that exceed projected earnings and changes in proportionate share. Changes in actuarial assumptions are deferred and amortized over the remaining service life of all participants and investment experience amounts are deferred and amortized over a closed five-year period.

City of Newport News, Virginia
Notes to the Financial Statements
June 30, 2021

(o) Changes in Accounting Principles

GASB 98: The Annual Comprehensive Financial Report

Effective July 1, 2020, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 98 (GASB 98), *The Annual Comprehensive Financial Report*, which establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. The City early implemented the standard based on the City's commitment to diversity and inclusion.

GASB 84: Fiduciary Activities

Effective July 1, 2020, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 84 (GASB 84), *Fiduciary Activities*, which improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. It requires the City to follow specific criteria for identifying fiduciary activities and how those activities should be reported. The City reviewed its fiduciary activities to determine (1) whether the City is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. As a result, certain funds previously reported as agency funds have been reclassified as either special revenue funds or custodial funds. This fund reclassification resulted in the restatement of the City's financial statements as of July 1, 2020, as follows:

	June 30, 2020		
	Previously Reported Fund Balance	Change in Accounting Standard	Restated Fund Balance
Special Revenue Fund (Nonmajor)			
Sheriff Canteen Fund	\$ -	\$ 907,534	\$ 907,534
Other Federal and State	2,937,833	105,163	3,042,996
Total	2,937,833	1,012,697	3,950,530
	Previously Reported Fiduciary Net Position	Change in Accounting Standard	Restated Fiduciary Net Position
Custodial Funds			
GPWDC	\$ -	\$ 180,057	\$ 180,057
Regional Homeless Commission	-	29,078	29,078
Hampton User Fee	-	7,681,113	7,681,113
Total	-	7,890,248	7,890,248

The restatements to the fund balance of special revenue funds led to a restatement of the total nonmajor governmental funds' fund balance at June 30, 2020 in the amount of \$1,012,697, increasing fund balance from \$69,127,038 to \$70,139,735. In addition, this led to an associated increase in total governmental funds' fund balance, as shown below and on the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds:

	Previously Reported Fund Balance	Change in Accounting Standard	Restated Fund Balance
Fund Statements			
Total Governmental Funds	\$ 184,552,373	\$ 1,012,697	\$ 185,565,070

City of Newport News, Virginia
Notes to the Financial Statements
June 30, 2021

The government-wide net position is also affected by this change, since the funds which were reclassified as nonmajor special revenue funds are now included in the government-wide financial statements. Note that the restatements related to custodial funds do not impact the government-wide net position, as fiduciary funds are not included in the government-wide financial statements. See below for the effects on the net position for governmental activities:

	<u>Previously Reported Net Position</u>		<u>Change in Accounting Standard</u>		<u>Restated Net Position</u>
Government-Wide					
Governmental Activities	\$ 293,938,352	\$	1,012,697	\$	294,951,049

The Schools, presented as a discretely presented component unit of the City in the government-wide financial statements presented herein, also had a change in its accounting standards and restated its net position as of June 30, 2020 due to the adoption of the provisions of GASB 84. See the Schools' separate audited financial statements for further details, and below for the effects on the Schools' net position:

	<u>Previously Reported Net Position</u>		<u>Change in Accounting Standard</u>		<u>Restated Net Position</u>
Public Schools					
Net Position	\$ (277,093,805)	\$	1,706,700	\$	(275,387,105)

City of Newport News, Virginia
Notes to the Financial Statements
June 30, 2021

(2) Deposits and Investments

Deposits

All cash of the City is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act (the Act), Section 2.2-4400 et. Seq. of the *Code of Virginia* or covered by federal depository insurance. Under the Act, banks holding public deposits in excess of the amounts insured by the FDIC must pledge collateral of 50% of the excess deposits to a collateral pool in the name of the State Treasury Board. Savings and loan institutions are required to collateralize 100% of deposits in excess of the FDIC limits and are considered insured. The State Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and for notifying local governments of compliance by banks and savings and loans.

To increase returns and minimize fees, the City follows the practice of pooling cash and investments of all funds held with the City Treasurer except for certain restricted funds requiring separate tracking or held by outside custodians. Cash and investments as of June 30, 2021 are classified in the accompanying financial statements, except for Pension and OPEB Funds' as follows:

	<u>Carrying amount</u>
Cash and deposits:	
Cash on hand	\$ 355,122
Deposits with banks	<u>81,967,898</u>
Total cash and deposits	<u>82,323,020</u>
Investments:	
Local Government Investment Pool (LGIP)	398,124,660
Deposits with banks - money market accounts	6,383,329
Commonwealth cash reserve	3,977,719
Virginia State Non-Arbitrage Pool (VA SNAP)	157,463,057
IDA escrow funds	<u>241,369</u>
Total deposits and investments	<u>\$ 648,513,154</u>

Cash and investments as of June 30, 2021 are classified in the accompanying financial statements, except for Pension and OPEB Funds, as follows:

	<u>June 30, 2021</u>
Statements of Net Position:	
Primary Government:	
Cash and cash equivalents	\$ 361,332,640
Restricted cash	163,403,455
Component units:	
Cash and cash equivalents	85,960,185
Restricted cash	29,801,008
Fiduciary funds:	
Cash and cash equivalents - Line of Duty Act Fund	295,086
Cash and cash equivalents - Custodial Funds	<u>7,720,780</u>
Total cash and investments	<u>\$ 648,513,154</u>

City of Newport News, Virginia
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Investment Policy

In accordance with the *Code of Virginia* and other applicable law, including regulations, the City Investment Policy (Policy) permits investments in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivision thereof, obligations of the International Bank for Reconstructions and Development (World Bank), the Asian Development Bank, the African Development Bank, “prime quality” commercial paper and certain corporate notes, bankers’ acceptances, repurchase agreements, the LGIP, a 2a-7 like pool, the VA SNAP or similar fund, open-end mutual funds (provided the funds are registered under the Security Act of Virginia or the Federal Investment Act of 1940), and negotiable certifications of deposits and negotiable bank deposit notes of domestic banks and domestic offices of foreign banks with a rating of at least A-1/P-1.

The City Policy prohibits any other security not specifically authorized in the policy. No investment shall be purchased if the yield is less than that of the most recently auctioned issue of the United States Treasury of a similar term. At no time shall more than 35% of the portfolio be invested in commercial paper. No more than five percent of the portfolio shall be invested in the commercial paper of a single-entity. At no time shall an investment bear a maturity date greater than thirty-six (36) months from date of purchase. The City’s Policy does not set a limit on the amount that may be invested in any single Federal Agency issuer or in any obligation of the United States. However, the Treasurer shall endeavor to maintain an appropriate diversification in the portfolio. The Treasurer shall avoid an excessive concentration in any type of investment and excessive number of investment transactions with any financial institution or broker/dealer.

Interest Rate Risk: As a means of limiting exposure to fair value losses arising from rising interest rates, investment maturity is managed to proceed or coincide with expectance need of funds. The City’s Policy limits the investment of operating funds to investments with a stated maturity of no more than thirty-six (36) months from the date of purchase. Purchases of securities are laddered with staggered maturity dates. Proceeds from the sale of bonds must be invested in compliance with the specific requirements of the bond covenants and may be invested in securities with longer maturities. As of June 30, 2021, the carrying value and weighted average maturity of the City’s investments are listed in the chart that follows.

Custodial Credit Risk – Deposits: The City’s deposits at June 30, 2021 were fully insured or collateralized by securities held in the name of the City by the City’s custodial banks.

Custodial Credit Risk – Investments: The policy requires that all securities purchased for the City shall be held by the City Treasurer or by the City Treasurer’s designated third party custodian. If held by a custodian, the securities must be in the City’s or in the custodian’s nominee name and identifiable on the custodian’s books as belonging to the City and the custodian must be a third party, not a counter-party (buyer or seller).

Credit Risk of Debt Securities of Primary Government: The City’s rated debt investments as of June 30, 2021, were rated by Standard & Poors and Moody. The ratings are presented below using the Standard & Poors rating scale. The School Board, E/IDA and PAC, component units, are pooled with the City and not separately identified.

Assets held by the Treasurer	Fair value	Credit rating	Weighted average maturity (years)
LGIP	\$ 387,482,266	AAAm	0.16
LGIP extended maturity	10,642,394	AAAf/S1	1.20
Commonwealth cash reserve (AIM) - underlying:			
U.S. agencies	71,340	AA-	1.17
U.S. agencies	71,348	A+	1.17
U.S. agencies	3,324,152	AA+	1.97
U.S. agencies	114,410	AA	1.41
U.S. agencies	50,641	AAA	0.68
Supranational bonds	120,137	AAA	1.22
Money market	52,502	AAAm	
SNAP	157,463,057	AAAm	0.16
Total investments	<u>\$ 559,392,247</u>		

City of Newport News, Virginia
Notes to the Financial Statements
June 30, 2021

Fair Value Hierarchy

The City categorizes its fair value measurements within the fair value hierarchy within GAAP, based on the valuation inputs used to measure fair value of the assets, with Level 1 inputs being quoted prices in an active market for identical assets; Level 2 inputs being significant other observable inputs; and Level 3 inputs being significant unobservable inputs (the City does not value any of its investments using level 3 inputs).

The following is a summary of the fair value hierarchy of the fair value of investments of the City as of June 30, 2021.

		Fair value measurements using	
		Quoted prices in active markets for identical assets	Quoted prices in active markets for identical assets
		(Level 1)	(Level 2)
Investments by fair value level	June 30, 2021		
Time deposits	\$ 142,689	\$ 142,688	\$ -
U.S. government agencies	996,048	-	996,048
U.S. Treasury securities	2,121,159	-	2,121,159
U.S. corporate bonds	225,553	-	225,553
Supranational bonds	120,137	-	120,137
Money market funds	52,502	52,502	-
Collateralized mortgage obligations	146,442	-	146,442
Total at fair value	3,804,530	\$ 195,190	\$ 3,609,339
Investments measured at NAV			
SNAP	157,463,057		
Total investments at NAV	157,463,057		
LGIP	387,482,266		
LGIP extended maturity	10,642,394		
Total at amortized cost	398,124,660		
Total	\$ 559,392,247		

City of Newport News, Virginia
Notes to the Financial Statements
June 30, 2021

Deposits of Pension and Other Postemployment Benefits Funds

At year-end, the Pension and OPEB Funds' cash and investment balances were as follows:

	<u>Carrying amount</u>
Cash and deposits:	
Deposits with banks	\$ 875,269
Deposits with banks - repurchase agreements	11,460,248
Pension Trust fund money markets	<u>6,452,478</u>
Total cash and deposits	<u>18,787,995</u>
Investments:	
Debt securities	72,184,056
Equity investments	396,931,880
Private equities	54,348,213
Bond mutual fund	150,165,992
Commingled equity fund	412,744,207
Real assets	<u>96,067,794</u>
Total investments	<u>1,182,442,142</u>
Total deposits and investments	<u><u>\$ 1,201,230,137</u></u>

The Pension and OPEB funds' cash and investments as of June 30, 2021, are classified in the accompanying financial statements as follows:

Cash and cash equivalents	\$ 12,335,517
Cash and cash equivalents with trustee	6,452,478
Investments:	
Debt securities	72,184,056
Equity investments	396,931,880
Private equities	54,348,213
Bond mutual fund	150,165,992
Commingled equity fund	412,744,207
Real assets	<u>96,067,794</u>
Total deposits and investments	<u><u>\$ 1,201,230,137</u></u>

Fair Value Hierarchy

The Pension Fund categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset and give the highest level to quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to significant unobservable inputs (level 3 measurements).

City of Newport News, Virginia
Notes to the Financial Statements
June 30, 2021

The Pension Plan has the following recurring fair value measurements as of June 30, 2021:

Investments measured at fair value - Pension Fund

Investments by fair value level	Fair value at 6/30/2021	Fair value measurements using	
		Quoted prices in active markets for identical assets Level 1	Significant other observable inputs Level 2
Debt securities:			
Collateralized mortgage obligations	\$ 2,661,984	-	2,661,984
Corporate bonds	41,452,725	-	41,452,725
U.S. Treasury securities	23,643,279	-	23,643,279
Total debt securities	67,757,988	-	67,757,988
Equity securities:			
Consumer goods	63,062,704	63,062,704	-
Energy	3,257,941	3,257,941	-
Financials	31,728,568	31,728,568	-
Health care	33,638,514	33,638,514	-
Industrials	53,933,691	53,933,691	-
Information technology	71,159,785	71,159,785	-
Materials	8,905,604	8,905,604	-
Mutual funds	71,199,438	71,199,438	-
Real estate investment trusts	4,796,943	4,796,943	-
Telecommunication services	21,003,212	21,003,212	-
Utilities	2,198,217	2,198,217	-
Total equity securities	364,884,617	364,884,617	-
Total investments at fair value level	432,642,605	\$ 364,884,617	\$ 67,757,988
Investments measured at the net asset value (NAV)			
Debt investments::			
Bond mutual fund:	142,986,501		
Total debt investments:	142,986,501		
Equity investments:			
Commingled international equity fund	298,513,352		
Commingled domestic equity fund	109,488,739		
Total equity investments	408,002,091		
Private equity - private equity partnerships	54,348,213		
Real assets:			
Real estate	44,457,911		
Timber	51,609,883		
Total real assets	96,067,794		
Total investments measured at the NAV	701,404,599		
Total investments at fair value	1,134,047,204		
Cash equivalents and short-term investments at the amortized cost			
U.S. Treasury Money Market	6,276,304		
Total investments measured at amortized cost	6,276,304		
Total investments	\$ 1,140,323,508		

City of Newport News, Virginia
Notes to the Financial Statements
June 30, 2021

Investments measured at fair value - OPEB

	Fair value at 6/30/2021	Fair value measurements using Quoted prices in active markets for identical assets Level 1
Investments by fair value level		
Equity securities:		
Mutual funds	\$ 43,652,822	\$ 43,652,822
Total equity securities	43,652,822	43,652,822
Total investments at fair value level	43,652,822	\$ 43,652,822
Investments measured at the NAV		
Equity investments:		
Commingled international equity fund	4,742,116	
Total equity investments	4,742,116	
Total investments measured at the NAV	4,742,116	
Total investments measured at fair value	48,394,938	
Cash equivalents and short-term investments at the amortized cost		
U.S. Treasury money market	176,174	
Total investments measured at amortized costs	176,174	
Total investments	\$ 48,571,112	

Investments measured at fair value - Line of Duty Act

	Fair value at 6/30/2021	Fair value measurements using Quoted prices in active markets for identical assets Level 1
Investments by fair value level		
Equity securities:		
Mutual funds	\$ 1,965,531	\$ 1,965,531
Total equity securities	1,965,531	1,965,531
Total investments at fair value level	1,965,531	\$ 1,965,531
Investments measured at the NAV		
Equity investments:		
Commingled international equity fund	1,212,827	
Total investments measured at the NAV	1,212,827	
Total investments measured at fair value	3,178,358	
Cash equivalents and short-term investments at the amortized cost		
U.S. Treasury money market	123,571	
Total investments measured at amortized costs	123,571	
Total investments	\$ 3,301,929	

City of Newport News, Virginia
Notes to the Financial Statements
June 30, 2021

Debt and equity securities classified as Level 1 fair value are valued using prices quoted in active markets for those securities. Debt securities classified as Level 2 fair value are valued using a matrix pricing technique. Collateralized mortgage obligations and mortgage pass-through are typically valued using consensus pricing.

Private equity funds – international are valued as described in the following schedule, Note 2.

The valuation method for investments measured at the NAV per share (or its equivalent) is presented in the following table:

Investments measured at the NAV - Pension

	NAV at 6/30/2021	Unfunded commitments	Redemption frequency (if currently eligible)	Redemption notice period
Debt investments:				
Bond mutual fund ⁽¹⁾	\$ 142,986,501	\$ -	Daily, Monthly	3-30 days
Total debt investments	<u>142,986,501</u>	<u>-</u>		
Equity investments:				
Commingled international equity fund ⁽²⁾	298,513,352	\$ -	Daily, Monthly	3-30 days
Commingled domestic equity fund ⁽³⁾	109,488,739	-	Daily, Monthly	3-30 days
Total equity investments	<u>408,002,091</u>	<u>-</u>		
Private equity - private equity partnerships ⁽⁴⁾	54,348,213	14,742,159	Not eligible	N/A
Real assets:				
Real estate ⁽⁵⁾	44,457,911	-	Quarterly	3 months
Timber ⁽⁵⁾	51,609,883	-	Quarterly	N/A
Total real assets	<u>96,067,794</u>	<u>-</u>		
Total investments measured at the NAV	<u>\$ 701,404,599</u>	<u>\$ 14,742,159</u>		

Investments measured at the NAV - OPEB

	NAV at 6/30/2021	Unfunded commitments	Redemption frequency (if currently eligible)	Redemption notice period
Equity investments:				
Commingled international equity fund ⁽²⁾	\$ 4,742,116	\$ -	Daily, Monthly	3-30 days
Total equity investments:	<u>4,742,116</u>	<u>-</u>		
Total investments measured at the NAV	<u>\$ 4,742,116</u>	<u>\$ -</u>		

Investments measured at the NAV - Line of Duty Act

	NAV at 6/30/2021	Unfunded commitments	Redemption frequency (if currently eligible)	Redemption notice period
Equity investments:				
Commingled international equity fund ⁽²⁾	\$ 1,212,827	\$ -	Daily, Monthly	3-30 days
Total equity investments	<u>1,212,827</u>	<u>-</u>		
Total investments measured at the NAV	<u>\$ 1,212,827</u>	<u>\$ -</u>		

City of Newport News, Virginia
Notes to the Financial Statements
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1. *Bond Mutual Fund.* This type consists of two investment funds with an investment objective to track the performance of the Barclays U.S. Aggregate Bond Index over the long term. The fair value of the investment(s) in this type has been determined using the NAV per share of the investment(s).
2. *Commingled International Equity Fund.* This type consists of five investment funds that invest in international equities diversified across all sectors. The fair value of the investment(s) in this type has been determined using the NAV per share of the investment(s).
3. *Commingled Domestic Equity Fund.* This type consists of two investment funds that invest in domestic equities diversified across all sectors. The fair value of the investment(s) in this type has been determined using the NAV per share of the investment(s).
4. *Private equity funds.* This asset class includes three commingled vehicles that take private ownership of companies. These investments have an eight-to-ten-year time horizon and cannot be redeemed at NNERF's discretion during that period. Distributions from each of these assets will be delivered to NNERF periodically as revenue is generated and/or the underlying investments of the funds are sold. It is probable that the investments of this type will be sold at NAV.
5. *Real estate and timber funds.* Real estate funds include two commingled real estate funds that invest primarily in U.S. commercial real estate. Timber funds include two commingled funds and one separate account managed by NNERF Timberland, LLC, a related party of the Fund, which invests in timber-related resources. The fair value of investments of this type are determined using NAV per share (or its equivalent) of NNERF's ownership interest in partners' capital. The NAV is based on the fair value of the underlying assets, determined by an appraisal process using independent appraisers. These investments have an inherent time-horizon, and cannot be redeemed at NNERF's discretion during that period. Distributions from each of these assets will be delivered to NNERF periodically as revenue is generated and/or the underlying investments of the funds are sold.

Investment Policy of the Pension and OPEB Funds

The Pension and OPEB Funds can be invested in obligations of the U.S. or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, corporate bonds rated "A" or higher by two of three nationally known security rating concerns provided, however, that no more than five percent of the Fund may be invested in corporate bonds rated less than "A" but not less than "BB", federally insured mortgages under Titles 203, 207, 220 and 221 of the National Housing Act, equities, certificates of deposit, guaranteed investment contracts, real estate and timber. Pension Trust Fund investments are subject to restrictions placed by policies of City Council and the Retirement Board.

Credit Risk of Pension and OPEB Funds

The policy for the Fund has a strict control on credit quality. The Fund may only be invested in corporate bonds rated "A" or higher by two of three nationally known security rating concerns; provided, however, that no more than five percent of the Fund may be invested in corporate bonds rated less than "A" but not less than "BB". The credit risk profile for the Pension and OPEB Funds' securities by investment type, as of June 30, 2021, is as follows:

City of Newport News, Virginia
Notes to the Financial Statements
June 30, 2021

Pension - S & P's ratings as of June 30, 2021								
Investment types	Total	AAA	AA	A	BBB	B	C	Not rated
Corporate bonds	\$ 41,452,725	1,126,133	5,017,359	27,504,345	7,804,888	-	-	-
Foreign currency	36,242,452	-	-	-	-	-	-	36,242,452
Ltd partner units	54,348,213	-	-	-	-	-	-	54,348,213
Mortgage-backed	2,661,983	1,542,204	-	-	-	-	-	1,119,779
Mutual funds	585,945,578	-	-	-	-	-	-	585,945,578
Real estate	44,457,911	-	-	-	-	-	-	44,457,911
Short-term	6,273,304	-	-	-	-	-	-	6,273,304
Timber	51,609,883	-	-	-	-	-	-	51,609,883
U.S. Treasury	23,643,279	-	-	-	-	-	-	23,643,279
Non-fixed assets	293,685,180	-	-	-	-	-	-	293,685,180
Total	<u>\$ 1,140,320,508</u>	<u>2,668,337</u>	<u>5,017,359</u>	<u>27,504,345</u>	<u>7,804,888</u>	<u>-</u>	<u>-</u>	<u>1,097,325,579</u>

OPEB - S & P's ratings as of June 30, 2021								
Investment types	Total	AAA	AA	A	BBB	B	C	Not rated
Foreign currency	\$ 4,588,021	-	-	-	-	-	-	4,588,021
Mutual funds	43,806,917	-	-	-	-	-	-	43,806,917
Short-term	176,174	-	-	-	-	-	-	176,174
Total	<u>\$ 48,571,112</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>48,571,112</u>

Concentration of Credit Risk - Pension and OPEB Funds

This is the risk of loss that may be attributed to the magnitude of a government's investment in a single issue. There are five pension investments in excess of 5% of the Pension Fund's investment balance and six OPEB investments in excess of 5% of the OPEB Fund's investment balance.

Custodial Risk - Pension and OPEB Funds

The policy requires that all securities purchased for the Plans shall be held by the City Treasurer or by the designated third-party custodian. If held by a custodian, the securities must be in the City's or in the custodian's nominee name. The custodian holds investment securities in the Fund's name. Accordingly, the Fund is not exposed to custodial credit risk.

Foreign Currency Risk - Pension and OPEB Funds

The Plans do not have a formal policy to limit foreign currency risk. Risk of loss arises from changes in currency exchange rates. The Pension and OPEB Funds' exposure to foreign currency risk is none to minimal.

Interest Risk - Pension and OPEB Funds

The Plan's investment policy does not address investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates or higher inflation. The investment policy defines the investment objectives for both the passive and actively managed segments of the fixed income portfolio. The objective of the passive segment is to replicate the return of the Barclays Aggregate Bond Index. The objective of the actively managed fixed income portfolio is to outperform the Bloomberg Barclays 1-3 year government/corporate index. The fair value of the Plan's fixed income portfolio consisted of the following investment and maturities as of June 30, 2021:

Investment type	Fair value	<1 year	1-3	4-5	5-10
U.S. government	\$ 23,643,279	\$ 1,683,353	\$ 15,783,286	\$ 6,176,640	\$ -
Corporate bonds	41,452,725	11,413,872	22,207,690	7,831,163	-
Mortgage	2,661,984	1,124,424	1,537,560	-	-
Total	<u>\$ 67,757,988</u>	<u>\$ 14,221,649</u>	<u>\$ 39,528,536</u>	<u>\$ 14,007,803</u>	<u>\$ -</u>

City of Newport News, Virginia
Notes to the Financial Statements
June 30, 2021

(3) Accounts Receivable

Net accounts receivable in the Statement of Net Position are as follows:

	Governmental activities	Business-type activities
Taxes receivable:		
Real estate	\$ 10,315,799	\$ -
Personal property	10,303,393	-
Total taxes receivable, net	<u>20,619,192</u>	<u>-</u>
Accounts receivable	<u>15,401,009</u>	<u>12,856,466</u>
Total receivables, net	<u><u>\$ 36,020,201</u></u>	<u><u>\$ 12,856,466</u></u>

Accounts receivable and receivables from other governments as of year-end for the City's individual major funds, nonmajor and custodial funds, in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General	Capital projects other federal and state	Public utility	Custodial funds	Nonmajor governmental funds	Total
Receivables:						
Taxes	\$ 27,591,813	\$ -	\$ -	\$ -	\$ -	\$ 27,591,813
Accounts	7,560,246	-	15,456,906	5,460,089	11,508,456	39,985,697
Intergovernmental:						
Federal	1,471,549	3,157,603	-	-	1,934,984	6,564,136
State	13,916,587	3,904,254	-	-	1,545,216	19,366,057
Local	<u>-</u>	<u>226,010</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>226,010</u>
Gross receivables	50,540,195	7,287,867	15,456,906	5,460,089	14,988,656	93,733,713
Less allowance for doubtful accounts	<u>(8,147,864)</u>	<u>-</u>	<u>(2,600,440)</u>	<u>(930,373)</u>	<u>(2,492,450)</u>	<u>(14,171,127)</u>
Net total receivables	<u><u>\$ 42,392,331</u></u>	<u><u>\$ 7,287,867</u></u>	<u><u>\$ 12,856,466</u></u>	<u><u>\$ 4,529,716</u></u>	<u><u>\$ 12,496,206</u></u>	<u><u>\$ 79,562,586</u></u>

In the governmental funds, unavailable revenues consist of revenues that are measurable, but not available for use during the current period. Property taxes receivable at June 30, but not collected within 45 days after that date are reported as deferred inflows of resources in the financial statements. At the end of the current fiscal year, unavailable revenue of \$0.8 million was reported in the governmental nonmajor funds related to stormwater fees. The General Fund had unavailable revenues of \$16.6 million related to property taxes and \$0.3 million related to emergency medical billings.

City of Newport News, Virginia
Notes to the Financial Statements
June 30, 2021

(4) Capital Assets, Net

Capital asset activity for the year ended June 30, 2021 was as follows:

Primary Government

	Balance July 1, 2020	Increases	Decreases	Balance June 30, 2021
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 91,769,877	104,980	-	91,874,857
Construction in progress	125,992,376	67,552,612	73,121,047	120,423,941
Total capital assets, not being depreciated	<u>217,762,253</u>	<u>67,657,592</u>	<u>73,121,047</u>	<u>212,298,798</u>
Capital assets, being depreciated:				
Buildings	382,116,428	-	21,920,164	360,196,264
Improvements	238,378,407	225,835	-	238,604,242
Machinery and equipment	183,826,015	8,330,316	32,389,062	159,767,269
Infrastructure	621,699,439	71,001,840	-	692,701,279
Total capital assets, being depreciated	<u>1,426,020,289</u>	<u>79,557,991</u>	<u>54,309,226</u>	<u>1,451,269,054</u>
Less accumulated depreciation for:				
Buildings	136,618,550	7,100,438	8,949,886	134,769,102
Improvements	131,128,367	7,289,333	-	138,417,700
Machinery and equipment	138,805,157	9,968,528	31,126,987	117,646,698
Infrastructure	389,524,766	12,575,976	-	402,100,742
Total accumulated depreciation	<u>796,076,840</u>	<u>36,934,275</u>	<u>40,076,873</u>	<u>792,934,242</u>
Total capital assets being depreciated, net	<u>629,943,449</u>	<u>42,623,716</u>	<u>14,232,353</u>	<u>658,334,812</u>
Capital assets, net	<u>\$ 847,705,702</u>	<u>110,281,308</u>	<u>87,353,400</u>	<u>870,633,610</u>

Depreciation expense for governmental activities was charged to functions of the Primary Government as follows:

General government	\$ 2,199,574
Judicial administration	576,304
Public safety	4,521,260
Public works	13,131,465
Health and welfare	185,619
Education	5,605,141
Parks, recreation and culture	3,318,074
Community development	1,225,394
Non-departmental	8,118
Internal Service Fund	6,163,326
	<u>\$ 36,934,275</u>

City of Newport News, Virginia
Notes to the Financial Statements
June 30, 2021

Business-type Activities

	Balance July 1, 2020	Increases	Decreases	Balance June 30, 2021
Public utility:				
Capital assets, not being depreciated:				
Land	\$ 8,336,904	-	-	8,336,904
Construction in progress	10,580,781	14,384,356	1,336,300	23,628,837
Total capital assets, not being depreciated	18,917,685	14,384,356	1,336,300	31,965,741
Capital assets, being depreciated:				
Buildings	149,126,375	-	-	149,126,375
Improvements	494,745,744	4,305,288	439,580	498,611,452
Machinery and equipment	45,159,540	2,905,807	847,124	47,218,223
Total capital assets, being depreciated	689,031,659	7,211,095	1,286,704	694,956,050
Less accumulated depreciation for:				
Buildings	68,820,789	3,491,860	-	72,312,649
Improvements	196,504,620	7,452,811	329,537	203,627,894
Machinery and equipment	34,862,148	2,811,350	819,830	36,853,668
Total accumulated depreciation	300,187,557	13,756,021	1,149,367	312,794,211
Total capital assets being depreciated, net	388,844,102	(6,544,926)	137,337	382,161,839
Capital assets, net	\$ 407,761,787	7,839,430	1,473,637	414,127,580

Major Discretely Presented Component Units

	Balance July 1, 2020	Increases	Decreases	Adjustment assets held tenancy in-common	Balance June 30, 2021
Public schools:					
Capital assets, not being depreciated:					
Land	\$ 2,263,424	-	-	-	2,263,424
Construction in progress	353,392	9,710,478	1,178,750	(8,885,120)	-
Total capital assets, not being depreciated	2,616,816	9,710,478	1,178,750	(8,885,120)	2,263,424
Capital assets, being depreciated:					
Buildings	100,466,457	497,736	-	21,920,164	122,884,357
Improvements	85,939,314	1,614,941	-	-	87,554,255
Machinery and equipment	69,579,090	4,290,672	4,825,798	-	69,043,964
Total capital assets, being depreciated	255,984,861	6,403,349	4,825,798	21,920,164	279,482,576
Less accumulated depreciation for:					
Buildings	57,797,878	1,559,649	-	8,949,886	68,307,413
Improvements	35,278,931	2,985,391	-	-	38,264,322
Machinery and equipment	46,551,264	3,910,737	4,820,202	-	45,641,799
Total accumulated depreciation	139,628,073	8,455,777	4,820,202	8,949,886	152,213,534
Total capital assets being depreciated, net	116,356,788	(2,052,428)	5,596	12,970,278	127,269,042
Capital assets, net	\$ 118,973,604	7,658,050	1,184,346	4,085,158	129,532,466

An adjustment to buildings for Assets Held Tenancy in-Common is recorded for a school building held on the books of the City until the bonded debt is repaid. This is permitted per the laws of the Commonwealth of Virginia. Once the debt is repaid, an accounting entry is made to move the building back to the School Board. All the while, the School Board holds the deed to the property, retains full control, and operates all programs at the property and insures the property.

Depreciation expense of \$8,455,777 was charged to the Public School's governmental functions.

City of Newport News, Virginia
Notes to the Financial Statements
June 30, 2021

(5) Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2021, is as follows:

Receivables/payables between other funds:

Receivable fund	Payable fund	Amount
General Fund	Nonmajor Gov. Fund: Animal Shelter	\$ 25,129
General Fund	Nonmajor Gov. Fund: CDBG	25,561
General Fund	Nonmajor Gov. Fund: Misc. Grants	465,288
Nonmajor Gov. Fund: Gen. Cap. Imp. Fund	Capital Projects Other Federal and State	4,060,590

Interfund balances result from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur and (2) payments between funds are made.

Due to/from external parties:

Due from external party	Due to external party	Amount
General Fund	OPEB fund	506,061
Pension Fund	General Fund	268,450

Receivables/payables between Primary Government and component units:

Receivable entity	Payable entity	Amount
Newport News Public Schools	City	\$ 7,317,173

Individual fund interfund transfers for the Primary Government are as follows:

	Transfers to:				Total
	General Fund	Debt Service	Nonmajor Governmental Capital Projects	Nonmajor Governmental Special Revenue	
Transfers from:					
General Fund	\$ -	46,285,689	33,527,095	4,651,982	84,464,766
Nonmajor Gov. - Special Revenue	-	10,696,802	-	-	10,696,802
Public Utility	9,500,000	-	-	-	9,500,000
	<u>\$ 9,500,000</u>	<u>56,982,491</u>	<u>33,527,095</u>	<u>4,651,982</u>	<u>104,661,568</u>

Transfers are used when another fund is required, legally or through budgetary design, to provide resources for the payment of current debt requirements. One fund is responsible for the initial receipt of funds and another fund is authorized to use the resources to finance its operating expenditures or expenses. Transfer from the Public Utility Fund to the General Fund is used to finance general governmental expenditures.

City of Newport News, Virginia
Notes to the Financial Statements
June 30, 2021

(6) Lease Agreements

(a) Capital Lease Payments - Public Schools (Component Unit)

The School Board has three lease agreements at June 30, 2021 for financing the acquisition of property and equipment.

The net book value of assets acquired through the three capital leases as of June 30, 2021 is as follows:

Machinery and equipment	\$ 1,736,103
Less accumulated depreciation	<u>(1,233,797)</u>
Assets acquired through capital leases, net	<u><u>\$ 502,306</u></u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2021, were as follows:

Years ending June 30:	
2022	\$ 356,981
2023	<u>17,621</u>
Total minimum lease payments	\$ 374,602
Less amounts representing interest	<u>(9,782)</u>
Present value of minimum capital lease payments	<u><u>\$ 364,820</u></u>

(b) Operating Lease Payments - Component Units

The School Board had three ongoing leased buildings in FY2021. Part of the leased space expires on June 30, 2028 and other leased space in that same building expires on June 30, 2030. In FY2020, the School Board also signed a five-year lease with the Peninsula Airport Commission for airport hangar space. In addition, the School Board leases space for high school graduation ceremonies on a year-to-year basis. Total costs for such leases were approximately \$673,471 for the year ended June 30, 2021.

The E/IDA leases land and property in Newport News. Lease terms range from one to twenty years. Rent expense for the year ended June 30, 2021 was \$1,240,269.

PAC leases equipment under a long-term non-cancelable operating lease. The lease term is five years and expires in August 2022. Lease expense was \$14,340 during FY21.

The future minimum lease payments for these leases are as follows:

	Schools	E/IDA	PAC
Years ending June 30:			
2022	\$ 718,257	1,310,341	2,390
2023	723,703	1,276,773	-
2024	729,262	1,283,156	-
2025	734,935	1,289,667	-
2026	728,900	1,296,308	-
2027-2030	<u>2,063,066</u>	<u>1,208,102</u>	<u>-</u>
	<u><u>\$ 5,698,123</u></u>	<u><u>7,664,347</u></u>	<u><u>2,390</u></u>

City of Newport News, Virginia
Notes to the Financial Statements
June 30, 2021

(7) Long-Term Liabilities

(a) A summary of changes in long-term liabilities for governmental activities for the year ended June 30, 2021 is as follows:

	Balance July 1, 2020	Additions	Reductions	Balance June 30, 2021	Due within one year
Bonds payable:					
General obligation bonds	\$ 348,315,000	131,785,000	(82,715,000)	397,385,000	35,480,000
VRA	11,564,302	-	(1,778,515)	9,785,787	1,624,472
VPSA	369,332	-	(369,332)	-	-
Deferred amounts:					
Add bonds premiums	30,135,376	16,154,021	(8,701,659)	37,587,738	5,409,605
Total bonds payable	<u>390,384,010</u>	<u>147,939,021</u>	<u>(93,564,506)</u>	<u>444,758,525</u>	<u>42,514,077</u>
Literary loan bonds	2,939,519	-	(410,567)	2,528,952	398,066
Landfill liability	2,859,000	-	(352,000)	2,507,000	369,000
Accrued vacation	21,902,807	16,280,609	(18,100,782)	20,082,634	16,596,500
Net line of duty obligation	7,298,486	7,014,466	(4,830,307)	9,482,645	-
Net pension liability	284,058,567	65,480,389	(29,365,481)	320,173,475	-
Net OPEB liability	74,482,563	10,046,001	(12,682,607)	71,845,957	-
Net OPEB obligation - GLI	5,545,521	2,844,379	(2,287,789)	6,102,111	-
Workers' comp. and other claims	14,012,029	5,745,431	(4,149,559)	15,607,901	4,055,650
Incurred but not reported medical claims	2,728,000	38,251,325	(38,220,325)	2,759,000	2,759,000
Total long-term liabilities	<u>\$ 806,210,502</u>	<u>293,601,621</u>	<u>(203,963,923)</u>	<u>895,848,200</u>	<u>66,692,293</u>

The Statement of Revenues, Expenditures, and Changes in Fund Balances includes \$4,942,278 in deposits with escrow agent associated with the advance refunding related to interest and cost of issuance.

Long-term liabilities are normally paid from the General Fund.

The Commonwealth of Virginia imposes a legal limit of 10% of the assessed valuation of taxable real property on the amount of general obligation borrowing which may be outstanding by the City. The City has independently set a lower debt limit of 3% of the assessed valuation. As of June 30, 2021, the City's aggregate general obligation indebtedness is approximately \$1,242.5 million less than the Commonwealth's limit and \$66.0 million less than the City's independent limit.

The Virginia Resources Authority (VRA) bonds were issued to finance the costs of capital improvement projects and sewer rehabilitation projects to the wastewater treatment and sanitary sewer system owned and operated by the City of Newport News. The City has a moral obligation to appropriate and pay the amounts due for bonds issued by the VRA from the General Fund. In the event of default, the lender may provide prompt, written notice declaring the entire unpaid balance due and payable.

The Virginia Public School Authority (VPSA) bond was issued to finance the cost of Mary Passage Middle School owned and operated by the City of Newport News School Board. The City has a moral obligation to appropriate and pay the amounts due for bonds issued by the VPSA from the General Fund. In the event of default, the lender may provide prompt, written notice declaring the entire unpaid balance as due and payable.

General obligation bonds of \$80.9 million are authorized but unissued.

At June 30, 2021, approximately \$81.2 million is considered defeased because refunding trusts have been established to pay for them.

On March 10, 2021, the City issued \$77,000,000 principal amount of General Obligation General Improvement Bonds Series 2021A with a true interest cost of 1.7921%. The net proceeds of \$90,348,971 (after an original issue premium of \$13,695,066 and payment of \$346,095 for underwriting fees and other issuance costs) were used to finance the costs of various capital improvement projects.

City of Newport News, Virginia
Notes to the Financial Statements
June 30, 2021

On March 10, 2021, the City issued \$37,595,000 principal amount of General Obligation Refunding Bonds Series 2021B with a true interest cost of 1.70397%. The proceeds of the sale, exclusive of the accrued interest and costs of issuance, were applied to the refunding of \$7,365,000 outstanding principal amount of the City's 2012A Series, \$20,250,000 outstanding principal amount of the City's 2014A Series, and \$5,155,000 outstanding principal amount of the City's 2014A-Ref Series with average interest rates of 5%, 5%, and 5% respectively. The net proceeds of \$37,400,278 (after a payment of \$194,722 for underwriting fees and other issuance costs) were deposited with U.S. Bank National Association, Richmond, Virginia, as Escrow Agent, under an Escrow Deposit Agreement, dated March 10, 2021 (the "Escrow Deposit Agreement"). Such proceeds were invested in Government Securities (as defined in the Escrow Deposit Agreement). The Government Securities will mature and bear interest payable at times and in amounts sufficient to pay interest when due on the Refunded Bonds on such dates. The City is undertaking the refunding of such outstanding obligation bonds described above in order to reduce its annual debt service expenditures. Due to the refunding, overall aggregate debt service payments were reduced by \$2,790,867. In addition, this resulted in an economic gain (the difference between the present values of the debt service payments on the old and new debt) of \$2,777,526.

On June 3, 2021, the City issued \$17,190,000 principal amount of General Obligation Refunding Bonds Series 2021C with a true interest cost of 1.41349%. The proceeds of the sale, exclusive of the accrued interest and costs of issuance, were applied to the refunding of \$19,200,000 outstanding principal amount of the City's 2012C Series with an average interest rates of 3.25%. The net proceeds of \$19,512,001 (after an original premium of \$2,458,955 and payment of \$136,954 for underwriting fees and other issuance costs) were deposited with U.S. Bank National Association, Richmond, Virginia, as Escrow Agent, under an Escrow Deposit Agreement, dated June 3, 2021 (the "Escrow Deposit Agreement"). Such proceeds were invested in Government Securities (as defined in the Escrow Deposit Agreement). The Government Securities will mature at times and in amounts sufficient to pay principal and interest on the Refunded Bonds on their redemption date. The City is undertaking the refunding of such outstanding obligation bonds described above in order to reduce its annual debt service expenditures. Due to the refunding, overall aggregate debt service payments were reduced by \$1,955,823. In addition, this resulted in an economic gain (the difference between the present values of the debt service payments on the old and new debt) of \$1,876,724.

Landfill Liability: The City closed its Denbigh landfill site on June 30, 1996. Virginia and Federal laws and regulations require a final cover and the performance of certain maintenance monitoring functions at the site for 30 years after closure. The \$2.5 million liability at June 30, 2021 represents the total estimated cost of closure and postclosure care through fiscal year 2027 and reflects what it would cost to perform all closure/postclosure care in 2021. Actual costs may be higher due to inflation, technology changes or regulation changes.

City of Newport News, Virginia
Notes to the Financial Statements
June 30, 2021

Outstanding general obligation bonds at June 30, 2021, of the Primary Government governmental activities, are comprised of the following issues:

G.O Bond Series	Bond date	Final maturity date	Effective interest rate (at issue)	Balance June 30, 2021
VRA 01A	04/24/01	05/01/22	4.10%	\$ 139,003
VRA 02A	05/15/02	01/01/23	3.75%	352,111
VRA 03A	06/24/03	06/01/24	3.50%	586,507
VRA 04A	06/30/04	09/01/25	3.10%	832,866
VRA 05A	08/24/05	09/01/26	3.50%	1,126,744
VRA 06A	10/20/06	11/01/27	3.10%	1,073,736
Series 07B	04/05/07	07/01/22	5.00%	5,785,000
VRA 07A	09/11/07	09/01/28	3.00%	1,396,525
VRA 08	12/12/08	09/01/29	3.50%	1,532,049
VRA 09	12/16/09	09/01/30	3.35%	2,746,246
Series 12A	03/21/12	07/15/24	1.93%	9,570,000
Series 12C	09/27/12	09/01/32	2.58%	2,400,000
Series 12D	09/27/12	09/01/21	1.77%	530,000
Series 14A	05/22/14	07/15/34	3.05%	11,250,000
Series 14A-Ref	05/22/14	07/15/27	2.43%	33,810,000
Series 14B	05/22/14	01/15/25	3.08%	3,805,000
Series 15	12/17/15	07/15/35	2.58%	36,665,000
Series 16A	06/21/16	08/01/31	2.01%	31,610,000
Series 17A	06/08/17	08/01/37	2.60%	50,530,000
Series 19A	02/05/19	02/01/40	2.95%	79,645,000
Series 21A	03/10/21	02/01/41	1.79	77,000,000
Series 21B	03/10/21	02/01/35	1.70	37,595,000
Series 21C	06/3/21	02/01/33	1.40	17,190,000
Totals				<u>\$ 407,170,787</u>

City of Newport News, Virginia
Notes to the Financial Statements
June 30, 2021

The following table summarizes future debt service requirements as of June 30, 2021:

Fiscal year ending June 30:	General Obligation Bonds		VRA		VPSA	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 35,480,000	\$ 14,105,525	\$ 1,624,473	229,480	\$ -	-
2023	33,685,000	13,290,556	1,520,136	193,144	-	-
2024	32,515,000	11,908,362	1,375,202	158,379	-	-
2025	31,105,000	10,647,685	1,205,966	125,901	-	-
2026	27,240,000	9,351,920	1,136,663	95,348	-	-
2027-2031	111,335,000	32,747,220	2,923,347	155,914	-	-
2032-2036	83,925,000	13,972,837	-	-	-	-
2037-2041	42,100,000	3,122,433	-	-	-	-
Total future debt service	<u>\$ 397,385,000</u>	<u>\$ 109,146,538</u>	<u>\$ 9,785,787</u>	<u>958,166</u>	<u>\$ -</u>	<u>-</u>

Outstanding literary loans at June 30, 2021, of the Primary Government governmental activities, are comprised of the following issues:

Project	Bond date	Final maturity date	Effective interest rate (at issue)	Balance June 30, 2021
Menchville High-2	10/01/00	10/01/20	2%	\$ -
Denbigh High-2	08/01/01	08/01/21	2%	12,266
Gildersleeve Middle-2	08/15/01	08/15/21	2%	6,250
Dozier Middle	08/15/01	08/15/21	2%	6,250
Reservoir Middle	05/01/02	05/01/22	2%	6,250
Hines Middle	05/01/02	05/01/22	2%	6,250
Huntington Middle-2	09/01/02	09/01/22	2%	13,567
General Stanford	06/30/07	07/15/27	2%	2,478,119
Totals				<u>\$ 2,528,952</u>

The following table summarizes future debt service requirements as of June 30, 2021:

Fiscal year ending June 30:	Literary Loans	
	Principal	Interest
2022	\$ 398,066	50,578
2023	360,803	42,618
2024	354,018	35,402
2025	354,018	28,321
2026	354,018	21,241
2027-2028	708,029	21,241
Total future debt service	<u>\$ 2,528,952</u>	<u>199,401</u>

City of Newport News, Virginia
Notes to the Financial Statements
June 30, 2021

Business-type Activities

A summary of changes in long-term liabilities for capital-related, business-type activities for the year ended June 30, 2021 is as follows:

	Balance July 1, 2020	Additions	Reductions	Balance June 30, 2021	Due within one year
Bonds payable:					
General obligation bonds	\$ 30,235,000	675,000	(6,605,000)	24,305,000	7,130,000
Revenue bonds	51,555,000	61,580,000	(2,460,000)	110,675,000	2,510,000
Deferred amounts:					
Add bond premiums	8,567,443	8,223,829	(2,075,478)	14,715,794	1,999,310
Total bonds payable	90,357,443	70,478,829	(11,140,478)	149,695,794	11,639,310
Net pension liability	35,064,805	8,662,086	(3,671,371)	40,055,520	-
Net OPEB liability	10,337,438	1,394,285	(1,760,218)	9,971,505	-
Net OPEB liability-GLI	353,969	181,556	(146,029)	389,496	-
Deposits	5,267,106	2,355,162	(2,105,790)	5,516,478	-
Total long-term liabilities	<u>\$ 141,380,761</u>	<u>83,071,918</u>	<u>(18,823,886)</u>	<u>205,628,793</u>	<u>11,639,310</u>

Outstanding public utility bonds at June 30, 2021 are comprised of the following issues:

Public Utility Bond Series	Issue date	Final maturity date	Interest rate (at issue)	Balance June 30, 2021
2007B	04/05/07	07/01/22	5.1 %	\$ 6,540,000
2012A	03/21/12	07/15/24	1.9 %	2,270,000
2014A	05/22/14	07/15/27	2.5 %	10,210,000
2016A-IRB	06/02/16	06/30/37	2.7 %	24,375,000
2017A-IRB	05/31/17	06/30/38	2.6 %	24,720,000
2021A	03/23/21	02/01/28	1.2 %	61,580,000
2021B	03/23/21	07/15/41	1.5 %	5,285,000
Totals				<u>\$ 134,980,000</u>

The following table summarizes future debt service requirements of Business-type Activities as of June 30, 2021:

Fiscal year ending June 30:	Business-type Activities	
	Principal	Interest
2022	\$ 9,640,000	4,664,501
2023	10,320,000	4,610,059
2024	8,980,000	4,184,824
2025	8,450,000	3,775,658
2026	8,650,000	3,352,310
2027-2031	33,485,000	11,938,180
2032-2036	31,950,000	5,317,525
2037-2041	20,430,000	1,213,225
2042	3,075,000	30,750
Totals	<u>\$ 134,980,000</u>	<u>39,087,032</u>

City of Newport News, Virginia
Notes to the Financial Statements
June 30, 2021

Public Schools - Component Unit

A summary of changes in long-term liabilities for the discretely presented component unit – Public Schools for the year ended June 30, 2021 is as follows:

	Balance July 1, 2020	Additions	Reductions	Balance June 30, 2021	Due within one year
Compensated absences	\$ 5,468,924	3,170,866	(2,580,923)	6,058,867	2,726,490
Workers' compensation claims	4,831,741	2,226,505	(996,624)	6,061,622	1,212,324
Capital leases payable	979,470	-	(614,650)	364,820	347,257
Capital facility notes payable	14,768,288	-	(968,241)	13,800,047	167,301
OPEB NNPS trust fund	67,367,045	11,664,490	(33,545,827)	45,485,708	-
OPEB VRS health insurance credit	25,719,834	3,481,033	(4,347,870)	24,852,997	-
OPEB VRS group life insurance	14,685,589	4,035,256	(4,118,527)	14,602,318	-
Incurred but not reported health claims	2,876,000	31,729,760	(31,851,760)	2,754,000	2,754,000
VRS teacher pool pension	258,963,134	97,295,402	(78,310,652)	277,947,884	-
City of Newport News pension (NNERF)	85,067,976	24,770,116	(9,208,012)	100,630,080	-
Totals	\$ 480,728,001	178,373,428	(166,543,086)	492,558,343	7,207,372

The capital facility notes payable provided financing for energy performance contract improvements.

The *Code of Virginia*, Section 22, sets forth the powers and responsibilities of the local school boards. School boards in Virginia have no taxing authority, but they are authorized to borrow money from the Commonwealth and to sell local school bonds through the City to the VPSA.

In February 2002, the Virginia General Assembly passed Senate Bill 276, which was subsequently signed by the Governor of Virginia, that provides that localities have a tenancy in-common with the school board whenever a locality incurs a financial obligation for school property, which is payable over more than one fiscal year. As a result, the City records on its Statement of Net Position any school property that is purchased with City long-term obligations until the related debt is paid. However, the Public Schools are still tasked with all care, management, and control over these properties.

E/IDA and PAC - Component Units

Industrial Revenue Bonds and Notes Payable (the “Bonds and Notes”) have been issued in the name of E/IDA to finance construction projects. The Bonds and Notes, both as to principal and interest, are payable generally from lease proceeds. In the event of default by the lessee, the holders of the Bonds and Notes have no recourse against the E/IDA, but must look to the property and lessee for indemnity. In 2021, approximately \$15.0 million of the Bonds and Notes are considered a moral obligation of the City. A moral obligation of the City is a contingent guarantee of a third party’s debt. It is referred to as a “moral” obligation because it is not a legal obligation of the City, but a good faith obligation, which, if called upon, would require appropriations by City Council of amounts sufficient to pay the guaranteed amounts. Since 1995, when the first moral obligation was issued by the E/IDA, there has never been a need to call upon the City to appropriate any funds on morally obligated debt.

At June 30, 2021, the E/IDA has outstanding bonds and notes from direct borrowings in the amount of \$26,587,175. Significant events of default are the presence of falsifying or misleading information in the financing documents, assignment without prior consent, or non-payment. The CITI A and B notes are secured by a perfected deed of trust on the land and improvements at 120 Enterprise Drive. Sherwood A & B notes are payable from revenues pledged and derived from leases related to the properties less the E/IDA expenses plus any payments made to the E/IDA pursuant to a support agreement with the City. The E/IDA has no lines of credit.

City of Newport News, Virginia
Notes to the Financial Statements
June 30, 2021

The E/IDA Bonds and Notes at June 30, 2021 are comprised of the following:

	Issue date	Maturity date	Effective interest rates *	Balance July 1, 2020	Additions	Reductions	Balance June 30, 2021	Amount due within one year
Bonds payable								
Series 2012A	10/12/12	07/01/30	4.00%	\$ 23,610,000	-	(19,480,000)	4,130,000	2,065,000
Series 2012B	10/12/12	07/01/31	0.76%	16,535,000	-	(1,840,000)	14,695,000	1,800,000
Series 2015	07/23/15	09/01/27	3.48%	2,520,000	-	-	2,520,000	-
Series 2021B	02/09/21	07/01/30	3.00%	-	18,685,000	-	18,685,000	365,000
Total bonds payable				42,665,000	18,685,000	(21,320,000)	40,030,000	4,230,000
Premium on bonds payable - 2012				1,999,715	-	(1,658,005)	341,710	250,588
Premium on bonds payable - 2015				193,213	-	(20,802)	172,411	20,802
Total bonds payable, net				44,857,928	18,685,000	(22,998,807)	40,544,121	4,501,390
Direct borrowings:								
Bonds payable								
Downtown Eng	04/05/00	07/01/31	2.58%	10,480,000	-	(1,060,000)	9,420,000	1,060,000
Merchant's Walk	12/21/10	12/01/20	2.70%	894,000	-	(894,000)	-	-
Citi A '07	02/26/07	08/01/22	1.04%	738,241	-	(341,083)	397,158	365,539
Citi B '07	02/26/07	08/01/22	1.72%	149,252	-	(69,450)	79,802	73,489
A-School Garage	07/23/15	09/01/27	3.80%	7,815,380	-	(976,925)	6,838,455	976,924
Foundry Bond	12/18/18	01/15/23	3.40%	3,750,000	-	(1,500,000)	2,250,000	1,500,000
Total direct borrowing bonds payable				23,826,873	-	(4,841,458)	18,985,415	3,975,952
Notes payable:								
809 Omni Blvd	08/31/07	07/01/22	3.49%	1,049,985	-	(150,000)	899,985	150,000
Sherwood note A	11/23/16	01/01/32	3.14%	3,920,000	-	(326,667)	3,593,333	326,667
Sherwood note B	11/23/16	01/01/32	3.14%	2,480,001	-	(206,666)	2,273,335	206,666
Sears Renovation	07/31/20	07/31/28	2.39%	-	875,102	(39,995)	835,107	132,968
Total direct borrowing notes payable				7,449,986	875,102	(723,328)	7,601,760	816,301
Total direct borrowings				31,276,859	875,102	(5,564,786)	26,587,175	4,792,253
Total bonds and notes payable				<u>\$ 76,134,787</u>	<u>19,560,102</u>	<u>(28,563,593)</u>	<u>67,131,296</u>	<u>9,293,643</u>

* v denotes variable rate bonds

Conduit Debt Obligations: From time to time, the E/IDA has issued Industrial Revenue Bonds (the "Bonds") to provide financial assistance to private-sector and nonprofit entities for the acquisition and construction of industrial, commercial and residential facilities deemed to be in the public interest. The Bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the Bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the City, the Commonwealth, nor any political subdivision thereof is obligated in any manner for repayment of the Bonds. Furthermore, in the event of default by the lessee, the holders of the Bonds have no recourse to the E/IDA, but must look to the property and lessee for indemnity. Accordingly, the Bonds are not reported as liabilities in the accompanying basic financial statements. At June 30, 2021 there were thirteen bonds outstanding and at June 30, 2020, there were fourteen bonds outstanding with an aggregate principal balance of \$448,131,394 and \$464,805,035, respectively.

City of Newport News, Virginia
Notes to the Financial Statements
June 30, 2021

Maturities of industrial revenue bonds and notes payable for succeeding fiscal years are as follows:

Fiscal year ending June 30:	Bonds		Direct Borrowings		Total Bonds and Notes	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 4,230,000	845,040	4,792,253	700,819	9,022,253	1,545,859
2023	4,165,000	753,563	4,245,479	551,662	8,410,479	1,305,225
2024	4,105,000	664,710	4,070,885	458,862	8,175,885	1,123,572
2025	4,025,000	604,108	2,554,353	336,414	6,579,353	940,522
2026	3,935,000	533,510	2,557,874	264,918	6,492,874	798,428
2027-2031	17,790,000	1,423,699	7,832,998	471,403	25,622,998	1,895,102
2032	1,780,000	34,722	533,333	12,700	2,313,333	47,422
Totals	<u>\$ 40,030,000</u>	<u>4,859,352</u>	<u>26,587,175</u>	<u>2,796,778</u>	<u>66,617,175</u>	<u>7,656,130</u>

The PAC Airport Improvement Bonds at June 30, 2021, are comprised of the following:

Series	Issue date	Maturity date	Eff. int. rate (%)	Balance July 1, 2020	Reductions	Balance June 30, 2021	Amt due in one year
2002	07/03/02	05/01/27	2.8	\$ 953,963	127,296	826,667	130,537
2005A	12/15/05	01/15/32	4.3	4,142,242	285,074	3,857,168	296,210
2005B	12/15/05	01/15/32	4.0	1,881,009	131,943	1,749,066	139,436
Totals				<u>\$ 6,977,214</u>	<u>544,313</u>	<u>6,432,901</u>	<u>566,183</u>

Maturities of bonds payable for succeeding fiscal years are as follows:

Fiscal year ending June 30:	PAC	
	Principal	Interest
2022	\$ 566,183	244,963
2023	577,352	224,429
2024	611,529	200,169
2025	635,626	186,221
2026	639,043	151,278
2027-2031	3,090,241	383,841
2032	312,927	3,839
Totals	<u>\$ 6,432,901</u>	<u>1,394,740</u>

City of Newport News, Virginia
Notes to the Financial Statements
June 30, 2021

(8) Defined Benefit Retirement Plan

(a) Newport News Employees' Retirement Fund (NNERF or Plan)

Plan Description

The Plan is a single-employer, defined benefit, public employee retirement system established and administered by the City to provide pension benefits for employees of the City and the Newport News School System (Schools). For personnel employed by Schools, the Plan provides a small supplement to the Virginia Retirement System (VRS) retirement plan. The Plan has been closed to new entrants since July 1, 2009 for Schools and March 1, 2010 for the City. For Schools employees receiving a supplemental benefit under the NNERF, their supplemental benefit was frozen as of December 31, 2012.

The Plan is a separate fund, the Pension Fund (Pension), considered a trust fund of the City and is included as a fiduciary trust fund. The nine voting members of the Retirement Board oversee the operation of the Pension and OPEB Funds. The City issues a publicly available ACFR that includes financial statements and required information for the Plan. The report may be obtained by writing to the City of Newport News Finance Department, 2400 Washington Avenue, Newport News, VA 23607 or online at www.nnva.gov/2357/NNERF.

Benefits Provided

All full-time regular employees hired prior to March 1, 2010 for the City and hired prior to July 1, 2009 for Schools are members of the Pension Fund. Employees hired after the above dates are in VRS, a multiple-employer defined benefit pension plan administered by the Commonwealth of Virginia.

The Pension Fund provides pension, life insurance and disability benefits. Members vest after five years of credited service. Employees who retire at or after age 60 (age 50 for public safety officers) with five years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 2.0% of their Average Final Compensation for each year of credited service worked through February 28, 2010, 1.85% for each year of credited service from March 1, 2010 through December 31, 2012, and 1.65% for each year of credited service after January 1, 2013 (for public safety employees, the multiplier remains at 1.85% for time worked after January 1, 2013). Average Final Compensation (AFC) is defined as the average annual compensation earned by a member during the member's 36 highest earned consecutive months of credited service. Employees with 30 years credited service (25 years for public safety) may retire at any age with full benefits. Employees (other than public service employees) with 25 years of service may retire prior to age 60 and receive a reduced benefit. City employees in NNERF began to contribute 5% of their salary to the Plan as of January 1, 2013. Schools employees began contributing 2% of their pay effective July 1, 2013 and contribute the full 5% of their pay effective July 1, 2014.

Benefits and contribution provisions are established by City Ordinance and may be amended only by the City Council. An actuarial service is employed to advise the City Council and the Retirement Board of Trustees of the contributions necessary to fund the Plan benefits.

Employees with at least five years of credited service are eligible to purchase all or part of certain prior service credits, and "non-qualified time", subject to IRS limits. The types of prior service eligible include time employed under other government programs and military service.

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Employees Covered by Benefit Terms

City membership as of the valuation date in the plan consisted of:

	July 1, 2019
	Participant counts
Active members	1,830
Retirees and beneficiaries	6,445
Terminated vested members	4,201
Total	<u>12,476</u>

Contributions Required and Contributions Made

The Plan engages an actuary to determine the Actuarially Determined Contribution (ADC) in accordance with GAAP. The total contributions as a percentage of the ADC were 100% for fiscal year 2019, 2020, and 2021, in accordance with the funding program established by the City in 2010.

Effective January 1, 2013, employee contributions to the Pension were made mandatory. Contributions totaling \$40,674,039 and \$4,786,658 were made by employers and employees, respectively, to the Pension Fund during the year ended June 30, 2021. The percentage of contributions to covered payroll for fiscal year 2021 was 44.2%.

Net Pension Liability

The City's net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of July 1, 2019, using an updated actuarial assumption, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

Actuarial Assumptions

Projections of benefits are based on the substantive plan (the plan as understood by the City and Plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the City and the Plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions were as follows:

Actuarial valuation date	July 1, 2019
Actuarial cost method	Entry Age Normal
Amortization method	Closed
Remaining amortization period	30 years level dollar from July 1, 2011
Asset valuation method	Five-year smoothed market
Actuarial assumptions:	
Investment rate of return	7.35%
Rate of salary increases	4.60%
Cost of living adjustment	1.26%
Inflation	2.60%
Rate of mortality	RP-2014 Total Dataset Headcount-Weighted Employee Mortality Table projected from the 2006 base rates using the RPEC 2016 model

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Long-Term Expected Rate of Return

The long-term expected rate of return on NNERF investments was determined using best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation), developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The annual money-weighted rate of return net of investment fees for fiscal year 2021 was 31.40%. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2021 are summarized in the following table:

Asset class	Long-term expected real rate of return	Target allocation
Large cap equities	4.6%	29.0%
Mid cap equities	4.8%	10.0%
Small cap equities	5.0%	3.0%
International equities	5.0%	12.0%
Emerging markets	6.0%	7.0%
Real estate	4.8%	7.0%
Private equities	7.0%	9.0%
Natural resources/infrastructure	4.3%	3.0%
Fixed income (bonds)	(0.3)%	19.0%
Cash	(1.0)%	1.0%
Total		100.0%

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

The discount rate used to measure the total pension liability was 7.35%.

In developing the projection of cash flows used to determine the discount rate, the actuaries have assumed that the employer contributions will continue to follow the written contribution policy. The City's contribution rate is the sum of the normal cost rate plus amortization of the Plan's unfunded liability (UAL rate) plus a provision for expenses. The normal cost rate is determined under the entry age actuarial cost method while the UAL rate is that necessary to pay down the UAL with a thirty-year closed amortization with level dollar payments as of July 1, 2011. The actuaries also assume that member contributions will continue to be made at the rates specified in the Plan.

Based on these assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments for current members until the last payment for the current covered population is made as of the June 30, 2020 measurement date. Consequently, the single equivalent rate used to determine the total pension liability as of June 30, 2020 is 7.35%, the long-term expected rate-of-return as defined by GAAP as of that date.

The following presents the net pension liability of the City, calculated using the discount rate of 7.35%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is one percent point lower (6.35%) or one percent point higher (8.35%) than the current rate:

	1% Decrease 6.35%	Discount rate 7.35%	1% Increase 8.35%
Total pension liability	\$ 1,529,382,734	1,378,959,009	1,252,123,715
Plan fiduciary net position	918,099,965	918,099,965	918,099,965
Net pension liability	\$ 611,282,769	460,859,044	334,023,750
Plan fiduciary net position as a percentage of the total pension liability	60.0 %	66.6 %	73.3 %

Detailed information about the pension plan is available in the separately issued NNERF financial report.

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Changes in the Net Pension Liability

The City's change in net pension liability of the Pension Fund for 2020 was as follows:

	Total pension liability (a)	Fiduciary net position			Net position liability (a)-(b)
		City's (b)	Proprietary's (b)	School's (b)	
Balances at June 30, 2019	\$ 1,361,669,810	\$ 668,425,095	\$ 74,998,794	\$ 214,054,573	\$ 404,191,348
Changes for the year:					
Service cost	8,411,753	-	-	-	8,411,753
Interest	97,575,492	-	-	-	97,575,492
Differences between expected and actual experience	(2,115,300)	-	-	-	(2,115,300)
Contributions - employer	-	27,914,062	3,492,205	8,773,351	(40,179,618)
Contributions - member	-	3,666,889	458,749	1,152,497	(5,278,135)
Net investment income	-	1,934,731	242,046	608,082	(2,784,859)
Benefit payments	(86,582,746)	(60,151,804)	(7,525,340)	(18,905,602)	-
Administrative expenses	-	(721,384)	(90,249)	(226,730)	1,038,363
Net changes	17,289,199	(27,357,506)	(3,422,589)	(8,598,402)	56,667,696
Balances at June 30, 2020	\$ 1,378,959,009	\$ 641,067,589	\$ 71,576,205	\$ 205,456,171	\$ 460,859,044

The following schedule includes the proportionate shares of employer contributions of net pension liability by Activities:

Activities	Contributions	Net pension liability	Proportionate share
Governmental activities	\$ 27,914,062	320,173,475	69.47 %
Business-type activities	3,492,205	40,055,520	8.69 %
Component unit - Schools	8,773,351	100,630,080	21.84 %
Total	\$ 40,179,618	460,859,075	100.00 %

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

For the year ended June 30, 2021, the City and Schools recognized pension expense of \$37,714,766 and \$10,535,632, respectively. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Governmental activities		Business-type activities		Total activities - Primary Government		Component unit - Schools	
	Deferred outflows of resources	Deferred inflows of resources	Deferred outflows of resources	Deferred inflows of resources	Deferred outflows of resources	Deferred inflows of resources	Deferred outflows of resources	Deferred inflows of resources
Employer contributions subsequent to measurement date	\$ 28,807,796	-	3,380,944	-	32,188,740	-	8,485,299	-
Net difference between projected and actual earnings on pension plan investments	\$ 35,196,620	-	4,403,294	-	39,599,914	-	11,062,249	-

\$32,188,740 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the Fiscal Year ending June 30, 2022.

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

	Primary Government	Schools
Year ended June 30:		
2022	\$ 2,673,802	\$ 746,928
2023	11,296,223	3,155,604
2024	15,301,555	4,274,495
2025	10,328,334	2,885,222
	<u>\$ 39,599,914</u>	<u>\$ 11,062,249</u>

Schedules of Employer Contributions, Changes in the City's Net Pension Liability and Related Ratios, and Schedule of City contributions are included in the Required Supplemental Information Section.

Payable to the Pension Plan

At June 30, 2021, the City did not have a payable to the pension plan.

(b) Virginia Retirement System

Plan Description

The City and PAC contribute to the VRS, an agent multiple-employer defined benefit pension plan administered by the VRS. Those hired between July 1, 2009 and June 30, 2010 are under the provisions of Plan 1, those hired between July 1, 2010 and December 31, 2013 are under the provisions of Plan 2 and those hired on or after January 1, 2014 are under the provisions of the hybrid plan.

The Schools contribute to the VRS, which administers two plans – an agent multiple employer plan and a cost-sharing teachers multiple-employer defined benefit plan. VRS administers an agent multiple-employer defined benefit pension plan for all School Board non-professional employees hired on or after July 1, 2009. Those hired between July 1, 2009 and June 30, 2010 are under the provisions of Plan 1, those hired between July 1, 2010 and December 31, 2013 are under the provisions of Plan 2 and those hired on or after January 1, 2014 are under the provisions of the hybrid plan. The Schools information is not included in this report, but can be obtained from the School's Web site at <http://sbo.nn.k12.va.us/budget/>.

Benefits Provided

All full-time, salaried permanent employees of participating employers must participate in the VRS. As of March 1, 2010, the City closed NNERF to new membership. All full-time employees hired after February 28, 2010 participate in the VRS. Benefits vest after five years of service. Members earn one month of service credit for each month they are employed and for which they and their employer pays contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the *Code of Virginia*, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave and previously refunded VRS service.

VRS issues a publicly available Comprehensive Annual Financial Report that includes financial statements and required supplementary information for the plans administered by VRS. A copy of the report may be obtained from the VRS Web site at <http://www.varetire.org/Pdf/Publications/2020-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

VRS administers three different benefit structures for local government employees – Plan 1, Plan 2, and Hybrid. Each of these benefit structures has different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out in the following table:

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<p>About VRS Plan 1 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.</p>	<p>About VRS Plan 2 Plan 2 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.</p>	<p>About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan.</p> <ul style="list-style-type: none"> • The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.
<p>Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013, and they have not taken a refund.</p> <p>Hybrid Opt-In Election VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt</p>	<p>Eligible Members Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p> <p>Hybrid Opt-In Election Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1</p>	<p>Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> • Political subdivision employees* • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014

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<p>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 Plan 1 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 had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.</p>	<p>through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible 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 Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.</p>	<p>*Non-Eligible Members</p> <p>Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees <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 Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p>
<p>Retirement Contributions</p> <p>Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p>	<p>Retirement Contributions</p> <p>Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction.</p>	<p>Retirement Contributions</p> <p>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</p>

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		percentages.
Creditable Service Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable 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.	Creditable Service Same as Plan 1.	Creditable Service <u>Defined Benefit Component:</u> Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable 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. <u>Defined Contributions Component:</u> Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.
Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan.	Vesting Same as Plan 1.	Vesting <u>Defined Benefit Component:</u> Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or

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

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<p>credit at retirement. It is one of the benefit payout options available to a member at retirement.</p> <p>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>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>Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>
<p>Service Retirement Multiplier VRS: The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.</p> <p>Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.</p> <p>Political subdivision hazardous duty employees: The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is</p>	<p>Service Retirement Multiplier VRS: Same as VRS Plan1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.</p> <p>Sheriffs and regional jail superintendents: Same as Plan 1.</p> <p>Political subdivision hazardous duty employees: Same as Plan 1.</p>	<p>Service Retirement Multiplier Defined Benefit Component VRS: The retirement multiplier is for the defined benefit is 1.00%.</p> <p>For members that opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.</p> <p>Sheriffs and regional jail superintendents: Not applicable.</p> <p>Political subdivision hazardous duty employees: Not applicable.</p> <p>Defined Contribution Component: Not applicable.</p>

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1.70% or 1.85% as elected by the employer.		
Normal Retirement Age VRS: Age 65. Political subdivisions hazardous duty employees: Age 60.	Normal Retirement Age VRS: Normal Social Security retirement age. Political subdivisions hazardous duty employees: Same as Plan 1.	Normal Retirement Age Defined Benefit Component: VRS: Same as Plan 2. Political subdivisions hazardous duty employees: Not applicable. <u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Unreduced Retirement Eligibility VRS: Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service. Political subdivisions hazardous duty employees: Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.	Earliest Unreduced Retirement Eligibility VRS: Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90. Political subdivisions hazardous duty employees: Same as Plan 1.	Earliest Unreduced Retirement Eligibility Defined Benefit Component: VRS: Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90. Political subdivisions hazardous duty employees: Not applicable <u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Reduced Retirement Eligibility VRS: Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.	Earliest Reduced Retirement Eligibility VRS: Age 60 with at least five years (60 months) of creditable service.	Earliest Reduced Retirement Eligibility Defined Benefit Component: VRS: Age 60 with at least five years (60 months) of creditable service. Political subdivisions hazardous duty employees:

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<p>Political subdivisions hazardous duty employees: Age 50 with at least five years of creditable service</p>	<p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Not applicable</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.</p> <p><u>Eligibility:</u> For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.</p> <p>For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p> <p><u>Exceptions to COLA Effective Dates:</u> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> • The member is within five 	<p>Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.</p> <p><u>Eligibility:</u> Same as Plan 1</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement <u>Defined Benefit Component:</u> Same as Plan 2.</p> <p><u>Defined Contribution Component:</u> Not applicable.</p> <p><u>Eligibility:</u> Same as Plan 1 and Plan 2.</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1 and Plan 2.</p>

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<p>years of qualifying for an unreduced retirement benefit as of January 1, 2013.</p> <ul style="list-style-type: none"> • The member retires on disability. • The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins. 		
<p>Disability Coverage</p> <p>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>Disability Coverage</p> <p>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>Disability Coverage</p> <p>Employees of political subdivisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.</p> <p>Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming</p>

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		eligible for non-work related disability benefits.
Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.	Purchase of Prior Service Same as Plan 1.	Purchase of Prior Service <u>Defined Benefit Component:</u> Same as Plan 1, with the following exceptions: <ul style="list-style-type: none"> • Hybrid Retirement Plan members are ineligible for ported service. <u>Defined Contribution Component:</u> Not applicable.

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Number of Employees by Class

City membership as of the valuation date in the plan consisted of:

	June 30, 2019
	Retirees and beneficiaries
Inactive members or their beneficiaries	
currently receiving benefits	28
Inactive members	
Vested	99
Non-vested	538
Active elsewhere in VRS	305
Total inactive members	942
Active members	1,631
Total	2,601

Contributions Made and Contributions Required

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5.00% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% 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.

The City's contractually required contribution rate for the year ended June 30, 2021 was 6.32% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the City were \$4,694,380 and \$3,855,880 for the years ended June 30, 2021 and June 30, 2020, respectively.

Net Pension Asset

The City's net pension asset was measured as of June 30, 2020. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation performed as of June 30, 2019, rolled forward to the measurement date of June 30, 2020.

City of Newport News, Virginia
Notes to the Financial Statements
June 30, 2021

Actuarial Assumptions

The total pension liability for General Employees was based on an actuarial valuation as of June 30, 2019, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

Inflation	2.5 percent
Salary increases, including inflation	3.5 percent - 5.35%
Investment rate of return	6.75 percent, net of pension plan investment expenses, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GAAP purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of pension liabilities.

Mortality rates - Largest 10 – Non-Hazardous Duty : 20% of deaths are assumed to be service related

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at age 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table-RP-2014 projected to 2020
Retirement rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability rates	Lowered rates
Salary scale	No change
Line of duty disability	Increase rate from 14% to 20%
Discount rate	Decrease rate from 7.00% to 6.75%

Mortality Rates - All Others (Non 10 Largest) – Non-Hazardous Duty: 15% of deaths are assumed to be service related

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

City of Newport News, Virginia
Notes to the Financial Statements
June 30, 2021

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability rates	Lowered rates
Salary scale	No change
Line of duty disability	Increase rate from 14% to 15%
Discount rate	Decrease rate from 7.00% to 6.75%

Long-term Expected Rate of Return

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

Asset class (strategy)	Target allocation	Arithmetic long-term expected rate of return	Weighted avg long-term expected rate of return*
Public equity	34.00%	4.65%	1.58%
Fixed income	15.00%	0.46%	0.07%
Credit strategies	14.00%	5.38%	0.75%
Real assets	14.00%	5.01%	0.70%
Private equity	14.00%	8.34%	1.17%
MAPS - Multi-asset public strategies	6.00%	3.04%	0.18%
PIP - Private investment partnership	3.00%	6.49%	0.19%
Total	<u>100.00%</u>		<u>4.64%</u>
Inflation			<u>2.50%</u>
Expected arithmetic nominal return *			<u>7.14%</u>

* The above allocation provides a one-year return of 7.14%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11% including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY2020 actuarial valuations provide a median return of 6.81%.

City of Newport News, Virginia
Notes to the Financial Statements
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Discount Rate and Sensitivity of Net Pension Liability to Changes in the Discount Rate

The discount rate used to measure the total pension liability was 6.75%.

The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2020, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017 actuarial valuations, whichever was greater. From July 1, 2020 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

The following presents the net pension asset of the City using the discount rate of 6.75%, as well as what the City's net pension asset would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	1% Decrease	Discount rate	1% Increase
Plan's net pension (asset) liability	4,642,823	(5,674,640)	(13,756,510)

Detailed information about the PAC and Schools is available in the separately issued financial reports for each entity.

Changes in the Net Pension Asset

The City's change in net pension asset of the VRS Plan for 2020 was as follows:

	Total pension liability (a)	City's fiduciary net position (b)	Proprietary's fiduciary net position (b)	Net pension asset (a)-(b)
Balances at June 30, 2019	\$ 42,759,176	47,018,343	3,311,469	(7,570,636)
Changes for the year:				
Service cost	7,687,590	-	-	7,687,590
Interest	2,869,418	-	-	2,869,418
Differences between expected and actual experience	(135,801)	-	-	(135,801)
Contributions - employer	-	3,603,307	229,998	(3,833,305)
Contributions - member	-	3,453,866	220,459	(3,674,325)
Net investment income	-	983,317	62,765	(1,046,082)
Benefit payments	(498,558)	(468,645)	(29,913)	-
Administrative expenses	-	(25,555)	(1,631)	27,186
Other changes	-	(1,236)	(79)	1,315
Net changes	<u>9,922,649</u>	<u>7,545,054</u>	<u>481,599</u>	<u>1,895,996</u>
Balances at June 30, 2020	<u>\$ 52,681,825</u>	<u>54,563,397</u>	<u>3,793,068</u>	<u>(5,674,640)</u>

City of Newport News, Virginia
Notes to the Financial Statements
June 30, 2021

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

For the year ended June 30, 2021, the City recognized VRS pension expense of \$3,760,924. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Governmental activities		Business-type activities		Total activities	
	Deferred outflows of resources	Deferred inflows of resources	Deferred outflows of resources	Deferred inflows of resources	Deferred outflows of resources	Deferred inflows of resources
Employer contributions subsequent to measurement date	\$ 4,412,717	-	281,663	-	4,694,380	-
Differences between expected and actual experience	\$ 357,022	404,971	22,789	25,849	379,811	430,820
Changes of assumptions	\$ 1,163,108	424,234	74,241	27,079	1,237,349	451,313
Net difference between projected and actual earnings on plan investments	\$ 1,642,914	-	104,867	-	1,747,781	-

\$4,694,380 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the Fiscal Year ending June 30, 2022.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to VRS will be recognized in pension expense in future reporting periods as follows:

Year ended June 30:	
2022	\$ 278,391
2023	610,796
2024	830,722
2025	777,665
2026	(14,766)
Total	\$ 2,482,808

Schedules of Employer Contributions, Changes in the City's Net Pension Liability and Related Ratios, and Schedule of City contributions are included in the Required Supplemental Information Section.

Payable to the Pension Plan

At June 30, 2021, the City did not have a payable to the VRS plan.

(c) Aggregate Pension Expense

The aggregate pension expense for the City for the year ended June 30, 2021, for both Newport News Employees Retirement Fund and VRS, was \$41,475,690.

City of Newport News, Virginia
Notes to the Financial Statements
June 30, 2021

(9) Other Postemployment Benefits

(a) City of Newport News Other Postemployment Fund

Plan Description

The plan is a single employer Other Postemployment plan that provides medical benefits, insurance premium payments and dental insurance to City retirees who enroll in the programs offered. Schools retirees are not eligible for programs offered by the OPEB Fund, but are offered different benefits through a separate fund established by Schools on their behalf. Once a retiree has withdrawn from the OPEB Fund by terminating coverage, they are not allowed to rejoin the plan. Benefits and contribution provisions are established by City Ordinance and may be amended only by the City Council. An actuarial service is employed to advise the City Council and the Retirement Board of the contributions necessary to fund the benefits.

For reporting purposes, the assets, income and expenses of the OPEB fund were included with the Pension Fund from FY 2000 – 2007. However, the calculation of the net pension obligation for pension excluded OPEB contributions.

The OPEB Fund is a separate trust fund and is considered part of the City's financial reporting entity. The pension trust issues a publicly available financial report that includes financial statements and required information for the OPEB Fund. This information can be obtained at <https://www.nnva.gov/580/Retirement>.

Benefits Provided

The City offers health and dental coverage to eligible retirees and their eligible dependents through the OPEB plan. Effective July 1, 2005, the City's contribution to retirees' medical insurance premiums was capped and annually adjusted with a CPI-based formula. Retirees must have at least 10 years of service to receive a premium contribution. Those having 25 years or more receive the maximum contribution. At age 65, the retiree's coverage converts to a Medicare Advantage insurance program. City participants who were eligible to retire before July 1, 2005 are provided a life insurance benefit of 50% of salary upon retirement. For participants not eligible to retire before July 1, 2005, the life insurance benefit is 50% of salary at retirement, and is reduced 20% per year after retirement, but not below \$10,000. The life insurance is provided at no cost to retirees.

Benefit provisions for the City are established and amended through the City Council. Since 1958, the City has allowed employees to continue their health, dental and vision coverage after retirement.

Employees Covered by Benefit Terms

City membership as of the valuation date in the plan consisted of:

	July 1, 2019
Active employees	
Count	1,446
Retirees with medical, dental, and/or life coverage	
With medical coverage	1,778
With dental coverage	2,417
With life insurance coverage	1,948

Employees who leave City employment before meeting the age and service requirements for receiving a pension benefit are not eligible for postemployment benefits.

City of Newport News, Virginia
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Contribution Required and Contributions Made

The City does not have a formal funding policy for the OPEB Fund and operates on a pay-as-you-go basis. The City makes monthly contributions to the OPEB Fund based on anticipated expenditures for the fiscal year, which are not covered by the retiree contributions to the Fund for their portion of their insurance premiums.

Contributions by the City to the OPEB Fund during the year ended June 30, 2021 totaled \$8,240,000. The percentage of contributions to covered payroll for fiscal year 2021 was 10.1%.

Net OPEB Liability

The City's net OPEB liability was measured as of June 30, 2020. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation performed as of June 30, 2019, using an updated actuarial assumption, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

Actuarial Methods and Assumptions

Projections of benefits are based on the substantive plan (the plan as understood by the City and Plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the City and the Plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions were as follows:

Actuarial valuation date	July 1, 2019
Actuarial cost method	Entry Age Normal
Amortization method	Level dollar closed
Remaining amortization period	21 years
Asset valuation method	Market value

Actuarial assumptions:

Investment rate of return	7.35%
Rate of salary increases	4.60%
Initial rate of medical inflation	1.26%
Ultimate rate of medical inflation	1.26%
(capped by employer policy)	
Inflation	2.60%

Rate of mortality:

Non-retired members:

RP-2014 Total Dataset Headcount-Weighted Employee Mortality Table
projected from the 2006 base rates using the RPEC_2016 model

Retired members:

RP-2014 Total Dataset Headcount-Weighted Healthy Annuitant
Mortality Table projected from the 2006 base rates using the
RPEC_2016 model

City of Newport News, Virginia
Notes to the Financial Statements
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Long-Term Expected Rate of Return

The long-term expected rate of return on NNERF OPEB investments was determined using best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation), developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The annual money-weighted rate of return net of investment fees for fiscal year 2020 was 3.20%. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of June 30, 2020 are summarized in the following table:

Asset class	Long-term expected real rate of return	Target allocation
Large cap equities	4.9%	25.0%
Mid cap equities	5.3%	20.0%
International equities	5.6%	10.0%
Emerging markets	6.6%	10.0%
Fixed income (bonds)	(0.1)%	30.0%
Cash	(0.9)%	5.0%

Discount Rate and Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The discount rate used to measure the total OPEB liability was 7.35%.

The projection of cash flows used to determine the discount rate assumed that contributions from the City will be made at rates equal to the actuarially determined contribution rates.

Based on these assumptions, the 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 Plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

The following presents the net OPEB liability of the City, calculated using the discount rate of 7.35%, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is one percent point lower (6.35%) or one percent point higher (8.35%) than the current rate:

	1% Decrease 6.35%	Discount rate 7.35%	1% Increase 8.35%
Total OPEB liability	\$ 130,027,884	117,682,024	107,334,486
Plan fiduciary net position	35,864,564	35,864,564	35,864,564
Net OPEB liability	<u>\$ 94,163,320</u>	<u>81,817,460</u>	<u>71,469,922</u>
Plan fiduciary net position as a percentage of the total OPEB liability	27.6 %	30.5 %	33.4 %

Detailed information about the OPEB Plan is available in the separately issued NNERF financial report.

City of Newport News, Virginia
Notes to the Financial Statements
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Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

Changes in the healthcare trends affect the measurement of the Total OPEB Liability (TOL). Lower healthcare trends produce a lower TOL and higher healthcare trends produce a higher TOL. The table below shows the sensitivity of the collective Net OPEB Liability (NOL) to the healthcare trends. Note that the healthcare trend is limited by the City's cost of living formula, which is related to the inflation assumption.

	1% Decrease	Healthcare trend	1% Increase
Total OPEB liability	\$ 107,686,710	117,682,024	129,515,333
Plan fiduciary net position	35,864,564	35,864,564	35,864,564
Net OPEB liability	71,822,146	81,817,460	93,650,769
Plan fiduciary net position as a percentage of the total OPEB liability	33.3 %	30.5 %	27.7 %

A one percent decrease in the healthcare trends decreases the TOL by approximately 8% and decreases the collective NOL by approximately 12%. A one percent increase in the healthcare trends increases the TOL by approximately 10% and increases the collective NOL by approximately 14%.

Changes in the Net OPEB Liability

The City's change in net OPEB liability to the OPEB Fund for 2020 was as follows:

	Total OPEB liability (a)	City's fiduciary net position (b)	Proprietary's fiduciary net position (b)	Net OPEB liability (a)-(b)
Balances at June 30, 2019	\$ 119,693,200	30,623,027	4,250,172	84,820,001
Changes for the year:				
Service cost	649,243	-	-	649,243
Interest	8,545,222	-	-	8,545,222
Differences between expected and actual experience	(2,896,477)	-	-	(2,896,477)
Contributions - employer	-	7,235,750	1,004,250	(8,240,000)
Contributions - member	-	-	-	-
Net investment income	-	969,264	134,524	(1,103,788)
Benefit payments	(8,309,164)	(7,296,485)	(1,012,679)	-
Administrative expenses	-	(37,987)	(5,272)	43,259
Net changes	(2,011,176)	870,542	120,823	(3,002,541)
Balances at June 30, 2020	\$ 117,682,024	31,493,569	4,370,995	81,817,460

The following schedule includes the proportionate shares of employer contributions of OPEB liability by Activities:

Activities	Contributions	Net pension liability	Proportionate share
Governmental activities	\$ 7,235,750	71,845,956	87.81 %
Business-type activities	1,004,250	9,971,504	12.19 %
Total	\$ 8,240,000	81,817,460	100.00 %

City of Newport News, Virginia
Notes to the Financial Statements
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OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2021 the City recognized OPEB expense of \$4,733,545. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Governmental activities		Business-type activities		Total activities	
	Deferred outflows of resources	Deferred inflows of resources	Deferred outflows of resources	Deferred inflows of resources	Deferred outflows of resources	Deferred inflows of resources
Employer contributions subsequent to measurement date	\$ 7,235,750	-	1,004,250	-	8,240,000	-
Differences between expected and actual experience	\$ 318,617	1,695,646	44,221	235,339	362,838	1,930,985
Changes in assumptions	\$ 744,727	1,624,521	103,361	225,467	848,088	1,849,988
Net difference between projected and actual earnings on OPEB plan investments	\$ 730,658	-	101,408	-	832,066	-

\$8,240,000 reported as deferred outflows of resources related to OPEB resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the Net OPEB Liability in the Fiscal Year ending June 30, 2022.

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

Year ended June 30:	
2022	\$ (1,945,061)
2023	(627,643)
2024	543,657
2025	291,066
	<u>\$ (1,737,981)</u>

Schedules of Employer Contributions, Changes in the City's Net OPEB Liability and Related Ratios, and Schedule of City contributions are included in the Required Supplemental Information Section.

(b) City of Newport News Line of Duty Plan (LOD)

Plan Description

The Line of Duty Plan is a single-employer plan that was established by the 2010 Appropriation Act of the Virginia General Assembly, and provides health, dental, and vision insurance benefits for public safety employees who are injured in the line of duty.

Effective July 1, 2017, the Virginia Department of Human Resource Management (DHRM) became responsible for administration of the premium-free health benefits provided to eligible LODA recipients. All LODA eligible members and their eligible family members are covered under one State Program, even if the entity previously elected to not participate in the State LODA Plan.

City of Newport News, Virginia
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The Plan is a separate fund, LOD, considered a trust fund of the City, and is included as a fiduciary trust fund. The nine voting members of the Retirement Board oversee the operation of the LOD Fund. A formal trust arrangement was in place as of June 30, 2019.

Benefits Provided

The Virginia Line of Duty Act (LODA) provides benefits to eligible family members of eligible employees and volunteers killed in the line of duty. In addition, there are benefits for those eligible employees and volunteers who are disabled in the line of duty and their eligible family members.

For survivors of an individual killed in the line of duty, a one-time death benefit payment is made to surviving beneficiaries and premium-free LODA Health Benefits Plans coverage is provided for eligible family members administered by DHRM. For disabled individuals and families, premium-free LODA Health Benefits Plans coverage is provided for disabled individuals and their eligible family members.

Employees Covered by Benefit Terms

City membership as of the valuation date in the plan consisted of:

	July 1, 2019
Active employees	
Count	1,160
Retirees and spouses - with medical coverage	
Non medicare eligible	12
Medicare eligible	12
Total	24

Contributions Required and Contributions Made

The Plan is funded on a pay-go basis, so there is no actuarially determined contribution. The City pays all claims and expenses related to the LOD Plan when incurred.

The actual cost to the City was \$404,312 for the year ending June 30, 2021.

Net OPEB Liability

The City's net OPEB liability was measured as of June 30, 2020. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation performed as of June 30, 2019, using an updated actuarial assumption, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

City of Newport News, Virginia
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June 30, 2021

Actuarial Methods and Assumptions

Projections of benefits are based on the substantive plan (the plan as understood by the City and Plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the City and the Plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in the short term. Significant methods and assumptions were as follows:

Actuarial valuation date	July 1, 2019
Actuarial cost method	Entry Age Normal
Amortization method	Level dollar open
Remaining amortization period	30 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	3.50 %
Rate of salary increases	4.60 %
Ultimate rate of medical inflation	4.75 %
Inflation	2.60 %

Discount Rate and Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The discount rate used to measure the total OPEB liability was 2.21%.

This Plan uses the Bond Buyer GO 20-Bond Municipal Bond Index to satisfy the requirements within GAAP. As this index is issued weekly, the value closest to but not after the reporting date is used in determining the appropriate rate. Based on this practice, the municipal bond rate at June 27, 2019 was 3.50% and the municipal bond rate at June 25, 2020 was 2.21%.

The following presents the net OPEB liability of the City, calculated using the discount rate of 2.21%, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.21%) or one percentage point higher (3.21%) than the current rate:

	1% Decrease 1.21%	Discount rate 2.21%	1% Increase 3.21%
Total OPEB liability	\$ 14,531,818	12,147,486	10,246,161
Plan fiduciary net position	2,664,841	2,664,840	2,664,841
Net OPEB liability	<u>\$ 11,866,977</u>	<u>9,482,646</u>	<u>7,581,320</u>
Plan fiduciary net position as a percentage of the total OPEB liability	18.3 %	21.9 %	26.0 %

City of Newport News, Virginia
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Sensitivity of the Net OPEB Liability to Changes in Trend Rates

Changes in the healthcare trends affect the measurement of the TOL. Lower healthcare trends produce a lower TOL and higher healthcare trends produce a higher TOL. The table below shows the sensitivity of the collective NOL of the City as of June 30, 2020 to the healthcare trends. Note that the healthcare trend is limited by the City's cost of living formula, which is related to the inflation assumption.

	Trend minus 1%	Baseline trends	Trend plus 1%
Total OPEB liability	\$ 10,294,898	12,147,486	14,303,636
Plan fiduciary net position	2,664,841	2,664,840	2,664,841
Net OPEB liability	<u>\$ 7,630,057</u>	<u>9,482,646</u>	<u>11,638,795</u>
Plan fiduciary net position as a percentage of the total OPEB liability	25.9 %	21.9 %	18.6 %

A one percent decrease in the healthcare trends decreases the TOL by approximately 15% and decreases the NOL by approximately 20%. A one percent increase in the healthcare trend increases the TOL by approximately 18% and increases the NOL by approximately 23%.

Changes in the Net OPEB Liability

The City's change in net OPEB liability of the LOD Fund for 2020 was as follows:

	Total OPEB liability (a)	Plan fiduciary net position (b)	Net OPEB liability (a)-(b)
Balances at June 30, 2019	\$ 9,920,964	2,622,478	7,298,486
Changes for the year:			
Service cost	768,377	-	768,377
Interest	370,093	-	370,093
Differences between expected and actual experience	(679,680)	-	(679,680)
Changes of assumptions	2,000,282	-	2,000,282
Contributions - employer	-	250,000	(250,000)
Net investment income	-	30,817	(30,817)
Benefit payments	(232,550)	(232,550)	-
Administrative expenses	-	(5,905)	5,905
Net changes	<u>2,226,522</u>	<u>42,362</u>	<u>2,184,160</u>
Balances at June 30, 2020	<u>\$ 12,147,486</u>	<u>2,664,840</u>	<u>9,482,646</u>

City of Newport News, Virginia
Notes to the Financial Statements
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OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2021, the City recognized OPEB expense of \$843,683. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
Employer contributions subsequent to measurement date	\$ 250,000	-
Differences between expected and actual experience	\$ 196,275	1,052,550
Changes in assumptions	\$ 2,189,218	2,581,340
Net difference between projected and actual earnings on OPEB plan investments	\$ 182,029	-

\$250,000 reported as deferred outflows of resources related to OPEB resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the Net OPEB Liability in the Fiscal Year ending June 30, 2022. Amounts reported as deferred outflows and deferred inflows of resources will be recognized in OPEB expense as follows:

Year ended June 30:	
2022	\$ (208,703)
2023	(242,533)
2024	(258,395)
2025	(280,904)
2026	(120,457)
Thereafter	44,624
Total	\$ (1,066,368)

Changes in Net OPEB Liability

The change in the LODA Fund's net OPEB liability for 2021 was as follows:

	Total OPEB liability (a)	Plan fiduciary net position (b)	Net OPEB liability (a)-(b)
Balances at June 30, 2020	\$ 12,147,486	2,664,841	9,482,645
Changes for the year:			
Service cost	1,154,837	-	1,154,837
Interest	289,605	-	289,605
Differences between expected and actual experience	(996,420)	-	(996,420)
Changes of assumptions	(1,509,952)	-	(1,509,952)
Contributions - employer	-	250,000	(250,000)
Net investment income	-	744,850	(744,850)
Benefit payments	(398,312)	(398,312)	-
Administrative expenses	-	(6,000)	6,000
Net changes	(1,460,242)	590,538	(2,050,780)
Balances at June 30, 2021	\$ 10,687,244	3,255,379	7,431,865

City of Newport News, Virginia
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Discount Rate and Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The discount rate used to measure the Total OPEB Liability of the LODA Fund was 2.16% for June 30, 2021.

This Plan uses the Bond Buyer GO 20-Bond Municipal Bond Index to satisfy the requirements within GAAP. As this index is issued weekly, the value closest to but not after the reporting date is used in determining the appropriate rate. Based on this practice, the municipal bond rate at June 25, 2020 was 2.21% and the municipal bond rate at June 24, 2021 was 2.16%.

The following presents the net OPEB liability of the LODA Fund, calculated using the discount rate of 2.16%, as well as what the LODA Fund's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.16%) or one percentage point higher (3.16%) than the current rate:

	1% Decrease 1.16%	Discount Rate 2.16%	1% Increase 3.16%
Total OPEB liability	\$ 12,546,707	10,687,244	9,153,685
Plan fiduciary net position	3,255,379	3,255,379	3,255,379
Net OPEB liability	<u>\$ 9,291,328</u>	<u>7,431,865</u>	<u>5,898,306</u>
Plan fiduciary net position as a percentage of the total OPEB liability	25.9 %	30.5 %	35.6 %

Sensitivity of the Net OPEB Liability to Change in Trend Rates

Changes in the healthcare trends affect the measurement of the TOL. Lower healthcare trends produce a lower TOL and higher healthcare trends produce a higher TOL. The table below shows the sensitivity of the collective NOL of the LODA Fund as of June 30, 2021 to the healthcare trends. Note that the healthcare trend is limited by the City's cost of living formula, which is related to the inflation assumption.

	Trend minus 1%	Baseline trends	Trend plus 1%
Total OPEB liability	\$ 8,569,786	10,687,244	13,534,854
Plan fiduciary net position	3,255,379	3,255,379	3,255,379
Net OPEB liability	<u>\$ 5,314,407</u>	<u>7,431,865</u>	<u>10,279,475</u>
Plan fiduciary net position as a percentage of the total OPEB liability	38.0 %	30.5 %	24.1 %

A one percent decrease in healthcare trends decreases the TOL by approximately 20% and decreases the NOL by approximately 28%. A one percent increase in the healthcare trend increases the TOL by approximately 27% and increases the NOL by approximately 38%.

City of Newport News, Virginia
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(c) VRS Group Life Insurance Program

Plan Description

The VRS Group Life Insurance (GLI) Program is a multiple employer, cost-sharing plan. It provides coverage to state employees, teachers, and employees of participating political subdivisions. The GLI Program was established pursuant to §51.1-500 et seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended. The GLI Program is a defined benefit plan that provides a basic group life insurance benefit for employees of participating employers.

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

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

Benefits Provided

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

GLI Program Plan Provisions	
Eligible Employees	
The GLI Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement:	
<ul style="list-style-type: none"> • City of Richmond • City of Portsmouth • City of Roanoke • City of Norfolk • Roanoke City Schools Board 	
Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their accumulated retirement member contributions and accrued interest.	
Benefit Amounts	
The benefits payable under the GLI Program have several components.	
<ul style="list-style-type: none"> • Natural Death Benefit - The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. • Accidental Death Benefit - The accidental death benefit is double the natural death benefit. • Other Benefit Provisions - In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include: <ul style="list-style-type: none"> • Accidental dismemberment benefit • Safety belt benefit • Repatriation benefit • Felonious assault benefit • Accelerated death benefit option 	

City of Newport News, Virginia
Notes to the Financial Statements
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Reduction in Benefit Amounts

The benefit amounts provided to members covered under the GLI Program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.

Minimum Benefit Amount and Cost-of Living Adjustment (COLA)

For covered members with at least 30 years of service credit, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at \$8,000 by statute. This amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and was increased to \$8,616 effective June 30, 2021.

Contributions Required and Contributions Made

The contribution requirements for the GLI Program are governed by §51.1-506 and §51.1-508 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Program was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% X 60%) and the employer component was 0.54% (1.34% X 40%). Employers may elect to pay all or part of the employee contribution, however the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2021 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions by the City to the GLI Program were \$469,323 and \$416,285 for the years ended June 30, 2021 and June 30, 2020, respectively.

Net GLI OPEB Liability

The net OPEB liability (NOL) for the GLI Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2020, NOL amounts for the GLI Program are as follows (amounts expressed in thousands):

	Group life insurance OPEB program
Total GLI OPEB liability	\$ 3,523,937
Plan fiduciary net position	1,855,102
GLI net OPEB liability	<u>\$ 1,668,835</u>

Plan fiduciary net position as a percentage of the total GLI OPEB liability	52.64 %
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The total GLI OPEB liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net GLI OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System's notes to the financial statements and required supplementary information.

City of Newport News, Virginia
Notes to the Financial Statements
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Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2019, using the Entry Age Normal actuarial cost method. The following assumptions, which applied to all periods included in the measurement, were used to roll the valuation forward to the measurement date of June 30, 2020.

Inflation	2.5%
Salary increases, including inflation -	
General state employees	3.5% - 5.35%
Teachers	3.5% - 5.95%
SPORS employees	3.5% - 4.75%
VaLORS employees	3.5% - 4.75%
JRS employees	4.5%
Locality - general employees	3.5% - 5.35%
Locality - hazardous duty employees	3.5% - 4.75%
Investment rate of return	6.75% net of plan investment expenses, including inflation*

*Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GAAP purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of the OPEB liabilities.

Mortality Rates - Non-Largest Ten Locality Employers - General Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on the VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal rates	Adjusted termination rates to better fit experience at each age and service year
Disability rates	Lowered disability rates
Salary scale	No change
Line of Duty Disability	Increased rate from 14% to 15%
Discount rate	Decrease rate from 7.00% to 6.75%

City of Newport News, Virginia
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Mortality Rates - Non-Largest Ten Locality Employers - Hazardous Duty Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement rates	Increased age 50 rates and lowered rates at older ages
Withdrawal rates	Adjusted termination rates to better fit experience at each age and service year
Disability rates	Adjusted rates to better match experience
Salary scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%
Discount rate	Decrease rate from 7.00% to 6.75%

City of Newport News, Virginia
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Long-Term Expected Rate of Return

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

Asset class (strategy)	Target allocation	Arithmetic long-term expected rate of return	Weighted avg long-term expected rate of return*
Public equity	34.00 %	4.65 %	1.58 %
Fixed income	15.00 %	0.46 %	0.07 %
Credit strategies	14.00 %	5.38 %	0.75 %
Real assets	14.00 %	5.01 %	0.70 %
Private equity	14.00 %	8.34 %	1.17 %
MAPS - Multi-asset public strategies	6.00 %	3.04 %	0.18 %
PIP - Private investment partnership	3.00 %	6.49 %	0.19 %
Total	<u>100.00 %</u>		<u>4.64 %</u>
Inflation			<u>2.50 %</u>
Expected arithmetic nominal return*			<u>7.14 %</u>

*The above allocation provides a one-year return of 7.14%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY2020 actuarial valuations provide a median return of 6.81%.

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 6.75%.

The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2020, the rate contributed by employers for the VRS GLI OPEB plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2020 on, employers are assumed to contribute 100% of the actuarially determined contribution rates.

Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

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

The following presents the employer's proportionate share of the net GLI OPEB liability using the discount rate of 6.75%, as well as what the employer's proportionate share of the net GLI OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

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	1% Decrease 5.75%	Current discount rate 6.75%	1% Increase 7.75%
Employer's proportionate share of the GLI program net OPEB liability	\$ 8,533,715	6,491,607	4,833,223

The following schedule includes the proportionate shares of employer contributions of OPEB liability by Activities:

	Contributions	June 30, 2019 Net pension liability	Proportionate share
Governmental activities	\$ 391,308	6,102,111	94.00 %
Business-type activities	24,977	389,496	6.00 %
Total	\$ 416,285	6,491,607	100.00 %

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

At June 30, 2021, the City reported a liability of \$6,491,607 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2020 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Program for the year ended June 30, 2020 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2020, the City's proportion was 0.38899% as compared to 0.36254% at June 30, 2019.

For the year ended June 30, 2021, the City recognized GLI OPEB expense of \$568,621. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2021, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	Governmental activities		Business-type activities		Total activities	
	Deferred outflows of resources	Deferred inflows of resources	Deferred outflows of resources	Deferred inflows of resources	Deferred outflows of resources	Deferred inflows of resources
Employer contributions subsequent to measurement date	\$ 441,164	-	28,159	-	469,323	-
Differences between expected and actual experience	\$ 391,394	54,808	24,983	3,498	416,377	58,306
Net difference between projected and actual earnings on GLI OPEB program investments	\$ 183,302	-	11,700	-	195,002	-
Changes in assumptions	\$ 305,176	127,416	19,479	8,133	324,655	135,549
Changes in proportion	\$ 1,076,942	-	68,741	-	1,145,683	-

City of Newport News, Virginia
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\$469,323 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the Fiscal Year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year ended June 30:	
2022	\$ 418,847
2023	473,916
2024	470,782
2025	370,099
2026	135,685
Thereafter	18,533
Total	<u>\$ 1,887,862</u>

GLI Program Fiduciary Net Position

Detailed information about the GLI Program's Fiduciary Net Position is available in the separately issued VRS 2020 Comprehensive Annual Financial Report. A copy of the 2020 VRS Comprehensive Annual Financial Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2020-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Payables to the VRS GLI OPEB Plan

At June 30, 2021, the City did not have a payable to the VRS GLI OPEB plan.

(d) Aggregate Other Postemployment Benefits Expense

The aggregate other postemployment benefits expense for the City for the year ended June 30, 2021 for the City of Newport News Other Postemployment Fund, the City of Newport News Line of Duty Plan, and the VRS Group Life Insurance Program was \$6,145,849.

(10) Deferred Compensation Plans

(a) 457 Deferred Compensation Plan - Traditional and Roth

Employees of the City, except those of Schools, may participate in a deferred compensation plan adopted under the provisions of Internal Revenue Code Sec. 457 (Deferred Compensation Plans with Respect to Service for State and Local Governments). Under the Traditional Plan, employees may elect to defer a portion of their salaries and postpone paying taxes on the deferred portion until those funds are withdrawn by the employee. The traditional deferred compensation amount is not available for withdrawal by employees until termination, retirement, death or unforeseeable emergency. Under the Roth Plan, employees may elect to defer a portion of their salaries on an after tax basis. Roth deferrals and associated earnings can be withdrawn tax free if certain criteria are met.

The deferred compensation plan is administered by an unrelated financial institution on behalf of the City. Investment options available to employees include common stock, corporate and government bonds, guaranteed interest contracts, or combinations thereof. All deferred compensation and income attributable to the investment of the deferred compensation amounts are held by the financial institution, until paid or made available to the employees or beneficiaries.

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(b) Health Reimbursement Arrangement (HRA)

All full-time employees of the City hired after March 1, 2010 (except Schools employees) are automatically enrolled in the HRA Plan adopted under the provision of the IRS Notice 2002-45 and Revenue Ruling 2002-41. Under the plan, the City contributes 3% of the average City salary into each employee's HRA account. For fiscal 2021, based on an average City salary of \$53,885, the City contributed \$1,617 per participant for a total of \$2,820,878 to the HRA accounts. The accumulated amounts are available to participants at retirement or at age 55, if terminated prior to reaching retirement eligibility. The Plan reimburses the participant, the participant's spouse, and dependents for insurance premiums or other medical payments expended for permissible benefits described under the plan. HRA participants cannot be members of the City's OPEB Fund.

The HRA is administered by an unrelated financial institution. Investment options are available to employees.

(11) Self Insurance

(a) Medical Benefits

The School Board is self-insured for medical benefits through funding from the General Fund for employees up to \$200,000, per employee per year (the amount was \$175,000 per employee up through December 31, 2020). The City self-insures its active employees for medical and prescription drug benefits. The City's claims liability per member per contract year is the amount up to the amount of the City's portion of paid claims or \$250,000, whichever is less. Claims in excess of the limitation are covered by third-party insurance. Expenditures are charged to the fund to which the employees' payroll expenditure is charged at amounts that approximate what third-party insurers would have charged.

Changes in the medical incurred but not reported amount during the fiscal years ended June 30, 2021 and 2020 for the City and the Public Schools were as follows:

	City		Public schools	
	2021	2020	2021	2020
Claims payable at beginning of year	\$ 2,728,000	3,371,000	2,876,000	2,690,000
Claims and changes in estimates	38,251,325	35,815,874	31,729,760	33,641,050
Claim payments	(38,220,325)	(36,458,874)	(31,851,760)	(33,455,050)
Claims payable at end of year	<u>\$ 2,759,000</u>	<u>2,728,000</u>	<u>2,754,000</u>	<u>2,876,000</u>

(b) Workers' Compensation

The City self-insures for workers' compensation through the General Fund up to \$1,750,000 per claim. The School Board discontinued excess insurance coverage, effective July 1, 2006. Expenditures are charged to the various departments at amounts that approximate what third-party insurers would have charged. Amounts due in future years on claims made as of June 30, 2021 are accounted for in the long-term liabilities. The following is a reconciliation of changes in workers' compensation claims payable for years ended June 30, 2021 and 2020 for the City and the Public Schools.

	City		Public schools	
	2021	2020	2021	2020
Claims payable at beginning of year	\$ 12,121,766	10,908,736	4,831,741	5,001,661
Claims and changes in estimates	4,089,580	4,062,574	2,226,505	1,651,138
Claim payments	(2,882,003)	(2,849,544)	(996,624)	(1,821,058)
Claims payable at end of year	<u>\$ 13,329,343</u>	<u>12,121,766</u>	<u>6,061,622</u>	<u>4,831,741</u>

A loss analysis was conducted by Oliver Wyman Actuarial Consulting, Inc. on this fund. The total actuarially computed liability as of June 30, 2021 for the City and School Board was determined to be approximately \$13.3 million and \$6.1 million, respectively.

City of Newport News, Virginia
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(c) Other

The City self-insures for automotive and general liability through the General Fund up to \$1 million per occurrence, up to \$100,000 for each property or fire claim and up to \$250,000 for each windstorm claim. The School Board insures for property losses with self-insured retention per occurrence of \$25,000 for basic and earthquakes and \$5,000 for floods and in-land marine. The School Board is self-insured for losses resulting from vehicular accidents of up to \$1,000,000. Claims in excess of the self-insured retention limitations are covered by third party insurance.

Included in the fund balances of the General Fund of the City and the School Board are reserved and designated fund balances related to self-insurance activities.

	City	
	2021	2020
Auto & General Liability		
Claims payable at beginning of year	\$ 1,890,263	1,642,694
Claims and changes in estimates	1,655,851	1,359,766
Claim payments	(1,267,556)	(1,112,197)
Claims payable at end of year	<u>\$ 2,278,558</u>	<u>1,890,263</u>

The auto and general liability claims increased from \$1.89 million to \$2.28 million.

(12) Contingent Liabilities

(a) Grants

The City received grant funds, principally from the U.S. Government, for construction and various other programs. Expenditures from these grants are subject to audit by the grantor and the City is contingently liable to refund amounts received in excess of allowable expenditures. In the opinion of the management of the City, no material refunds will be required as a result of expenditures disallowed by the grantors.

(b) Litigation

The City is involved in several lawsuits arising in the ordinary course of operations. The City is self-insured with respect to automotive liability, general liability, and property damage and workers' compensation. It is the opinion of City management, based on the advice of the City Attorney, that any losses incurred as a result of claims not included in accrued liabilities as of June 30, 2021, will not be material to the financial statements.

City of Newport News, Virginia
Notes to the Financial Statements
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(c) Encumbrances

Encumbrance accounting, the recording of purchase orders, contracts, and other monetary commitments in order to reserve an applicable portion of an appropriation, is used as an extension of formal budgetary control by the City. At June 30, 2021, the City had outstanding encumbrances as follows:

General fund	
General government	\$ 745,037
Judicial administration	112
Public safety	866,028
Public works	2,399,188
Health and welfare	225,557
Parks, recreation and cultural	330,254
Community development	219,330
Total general fund	<u>4,785,506</u>
Bond fund	
General government	47,527
Public safety	572,520
Public works	15,878,929
Health and welfare	55,112
Parks, recreation and cultural	197,483
Community development	2,692,804
Total bond fund	<u>19,444,375</u>
Capital projects other federal and state fund	
Public works	<u>34,421,472</u>
Total capital projects other federal and state fund	<u>34,421,472</u>
Nonmajor governmental funds	
General government	2,506,240
Public safety	307,686
Public works	1,234,631
Health and welfare	55,353
Parks, recreation and cultural	216,901
Community development	50,450
Total nonmajor governmental funds	<u>4,371,261</u>
Total	<u><u>\$ 63,022,614</u></u>

(d) Uncertainty

In March 2020, the World Health Organization declared COVID-19 a global pandemic. Due to the pandemic, the City undertook steps to limit non-essential spending, while continuing to provide safe and essential services to residents. As there is still a significant level of uncertainty associated with the pandemic, the City continues to actively monitor developments and will take steps to respond accordingly to the situation.

City of Newport News, Virginia
Notes to the Financial Statements
June 30, 2021

(13) Jointly Governed Organizations and Joint Ventures

(a) Hampton-Newport News Community Services Board (CSB)

The CSB operates as an agent for the cities of Hampton and Newport News in the establishment and operation of community mental health, mental retardation and substance abuse programs as provided for in Chapter 10 of Title 37.1 of the *Code of Virginia*. The CSB designates its own management and adopts its own budget. The operations are financed principally by state and federal funds. Separate financial statements are available from the CSB, 300 Medical Drive, Hampton, VA 23666.

(b) Hampton Roads Regional Jail Authority (HRRJA)

The HRRJA is a public corporate instrumentality of the Commonwealth of Virginia, created December 14, 1993, by the cities of Hampton, Newport News, Norfolk and Portsmouth. Beginning July 1, 2014, the City of Chesapeake entered into an agreement with the Authority to become a full member upon adoption of the agreement by all five City Councils. This was accomplished by approval of a revised and restated Service Agreement by all five governing bodies, effective August 26, 2014. The HRRJA is governed by a fifteen-member board, consisting of three members from each city. The purpose of the intergovernmental authority is to develop, construct, equip, maintain and operate a regional jail. No one locality contributes more than 50% of the HRRJA funding or has responsibility over its operations. Separate financial statements are available from the HRRJA, 2690 Elmhurst Lane, Portsmouth, Virginia 23701-2745.

(c) Hampton Roads Economic Development Alliance (HREDA)

The HREDA is a non-profit, public-private partnership that aggressively markets Virginia's Hampton Roads region as the primary region of choice for economic investment and business expansion. All HREDA business attraction initiatives and activities are designed to promote the jurisdictions of Chesapeake, Franklin, Gloucester County, Hampton, Isle of Wight County, James City County, Newport News, Norfolk, Poquoson, Portsmouth, Southampton County, Suffolk, Virginia Beach, Williamsburg and York County, Virginia. The business affairs are managed by a Board of not less than 50 or more than 300 Directors. The City's Mayor and the Director of E/IDA are board members. HREDA receives funding from both private and public entities. Newport News contributed \$207,206 in FY21. Separate financial statements are available from the HREDA, 500 Main Street, Suite 1300, Norfolk, Virginia 23510.

(14) Deficit Fund Balance

The City has an accumulated deficit in the Nonmajor Combining Statement of Revenues, Expenditures, and Changes in Fund Balance as of June 30, 2021 of \$29,355 for the Animal Shelter fund. The Animal Shelter fund deficit is the result of operating expenditures exceeding budgeted amounts in fiscal years 2016 and 2018. As a result, budgeted amounts were inadequate to cover unforeseen operating overages. Fund balance increased by \$170,648 in fiscal year 2021, thus reducing the accumulated deficit from \$200,003 to \$29,355. This deficit does not indicate the Animal Shelter is facing financial difficulty.

(15) Tax Abatements

The EDA administers a Local Tourism Zone grant program which provides to companies, if meeting the eligibility criteria, a 100% reimbursement of business license tax and between 40% and 50% reimbursement of food and beverage tax revenues and transient taxes paid by the company. The EDA negotiates business license tax and food and beverage tax abatements on an individual basis. The abatements for the fiscal years ended June 30 were as follows:

Fiscal year ended	Amount of taxes abated
June 30, 2021	\$ 186,298
June 30, 2020	157,923
June 30, 2019	225,185
June 30, 2018	103,592
June 30, 2017	51,956
June 30, 2016	48,929
June 30, 2015	48,759
June 30, 2014	20,337

City of Newport News, Virginia
Notes to the Financial Statements
June 30, 2021

The EDA administers an Expansion/Relocation Cost Reduction (ERCR) Incentive program within the City of Newport News. The program is a customized incentive available to companies in targeted industries investing \$2.5 million or more in capital investment, machinery and tools and/or business personal property. The company must also create at least twenty-five (25) new full-time jobs meeting a minimum salary requirement. The City has tax abatement agreements with five entities as of June 30, 2021.

Industry	2015	2016	2017	2018	2019	2020	2021
Automotive manufacturer	\$ 55,136	\$ 186,438	\$ 472,906	\$ 632,945	\$ 781,022	\$ -	\$ 1,548,047
Industrial digital imaging	1,515,016	1,092,673	893,688	697,173	653,200	468,268	332,498
Food processor and distributor	34,365	46,983	65,053	97,790	124,065	-	-
Manufacturer of flavors and related specialties	-	-	-	-	3,535	8,023	9,615
Plumbing, HVAC, and building supply distributor	-	-	-	-	-	-	18,359
Distillery	-	-	-	-	-	-	4,160
	<u>\$ 1,604,517</u>	<u>\$ 1,326,094</u>	<u>\$ 1,431,647</u>	<u>\$ 1,427,908</u>	<u>\$ 1,561,822</u>	<u>\$ 476,291</u>	<u>\$ 1,912,679</u>

(16) Subsequent Events

Subsequent events have been analyzed through November 23, 2021 noting the following:

Effective July 1, 2021, the City is no longer the custodian of the Greater Peninsula Workforce Development Council (GPWDC), as GPWDC dissolved and became a part of the Hampton Roads Workforce Council as of that date. Therefore, in FY22, GPWDC will no longer be included in the City's financial statements or any supplemental statements or information therein.

The City has received or has been granted various funding in FY2021 and FY2022 as a result of the passage of the American Rescue Plan Act of 2021 (ARPA). The most significant funding received in relation to ARPA is \$33,397,123 received in June 2021 from the Coronavirus State and Local Fiscal Recovery Funds (CSLFRF). The City anticipates receiving its second tranche of CSLFRF funds in the amount of an additional \$33,397,123 in June 2022. This funding can be used to support public health expenditures, address negative economic impacts caused by the public health emergency, replace lost public sector revenue, provide premium pay for essential workers, and/or invest in water, sewer, or broadband infrastructure. This funding must be obligated by December 31, 2024 and expended by December 31, 2026.

On October 29, 2021, the City was informed by the State that it has been awarded \$4,170,453 from the State's COVID-19 ARPA SLFRF Municipal Utility Assistance Program. This funding will be available to residential Waterworks customers with arrearages greater than 60 days for the time period between March 12, 2020 and August 31, 2021 who meet certain conditions and/or can be pre-qualified for assistance through certain substantiation tests provided by the State. Any funds not obligated on or before February 28, 2022 must be returned to the Commonwealth of Virginia no later than March 31, 2022.

Pension

As a result of the Fund moving towards its new asset allocation, all assets held by NNERF Timberland Investments, LLC have been liquidated.

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City of Newport News, Virginia
Required Supplementary Information
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Budget Basis)
Year ended June 30, 2021

	Original budget	Amended budget	Actual	Variance
Revenues:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 200,468,000	200,468,000	200,295,627	(172,373)
Real and personal public service corporation property taxes	6,945,362	6,945,362	7,073,375	128,013
Personal property taxes	58,719,000	58,719,000	61,062,573	2,343,573
Machinery and tools taxes	24,850,000	24,850,000	27,063,618	2,213,618
Penalties and interest	1,605,000	1,605,000	1,911,572	306,572
Total general property taxes	<u>292,587,362</u>	<u>292,587,362</u>	<u>297,406,765</u>	<u>4,819,403</u>
Other local taxes:				
E-911 service revenue	810,000	810,000	931,808	121,808
Telecom sales taxes	9,550,000	9,550,000	8,738,029	(811,971)
Local sales and use taxes	26,345,000	26,345,000	30,890,502	4,545,502
Consumers' utility taxes	6,300,000	6,300,000	6,293,046	(6,954)
Consumption tax	700,000	700,000	690,110	(9,890)
Business license taxes	17,945,000	17,945,000	19,472,960	1,527,960
Rental car taxes	1,120,000	1,120,000	936,211	(183,789)
Motor vehicle license	4,300,000	4,300,000	4,395,285	95,285
Bank stock taxes	1,100,000	1,100,000	1,137,056	37,056
Taxes on recordation and wills	1,700,000	1,700,000	2,447,772	747,772
Tobacco taxes	4,500,000	4,500,000	4,213,953	(286,047)
Hotel and motel room taxes	4,741,600	4,741,600	3,807,496	(934,104)
Restaurant food taxes	27,600,000	27,600,000	27,936,394	336,394
Tourism zone taxes	40,000	40,000	21,325	(18,675)
Amusement taxes	970,000	970,000	371,020	(598,980)
Total other local taxes	<u>107,721,600</u>	<u>107,721,600</u>	<u>112,282,967</u>	<u>4,561,367</u>
Permits, privilege fees and regulatory licenses:				
Animal licenses	50,000	50,000	44,073	(5,927)
Permits and other licenses	3,689,621	3,689,621	2,776,394	(913,227)
Total permits, privilege fees and regulatory licenses	<u>3,739,621</u>	<u>3,739,621</u>	<u>2,820,467</u>	<u>(919,154)</u>
Fines and forfeitures	<u>1,984,800</u>	<u>1,984,800</u>	<u>1,242,956</u>	<u>(741,844)</u>
Revenue from use of money and property:				
Revenue from use of money	2,792,336	2,792,337	546,797	(2,245,540)
Revenue from use of property	2,187,246	2,187,246	2,046,066	(141,180)
Total revenue from use of money and property	<u>4,979,582</u>	<u>4,979,583</u>	<u>2,592,863</u>	<u>(2,386,720)</u>
Charges for services:				
Court costs	958,097	958,097	1,127,376	169,279
Law enforcement and traffic control	99,000	99,000	77,523	(21,477)
Fire and rescue services	4,300,000	4,300,000	4,886,602	586,602
Information Technology	1,878,696	1,878,696	1,867,852	(10,844)
Parks and recreation	8,141,041	8,141,041	4,819,559	(3,321,482)
Cultural enrichment	312,661	312,661	46,730	(265,931)
Self-insurance premiums	2,721,227	2,721,226	2,546,246	(174,980)
Library	70,000	70,000	6,445	(63,555)
Planning and community development	600	600	76	(524)
Indirect costs	6,338,896	6,338,896	6,338,896	-
Animal services	46,599	46,599	47,136	537
Total charges for services	<u>\$ 24,866,817</u>	<u>24,866,816</u>	<u>21,764,441</u>	<u>(3,102,375)</u>

(continued)

City of Newport News, Virginia
Required Supplementary Information
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Budget Basis)
Year ended June 30, 2021

	Original budget	Amended budget	Actual	Variance
Recovered costs:				
Health department	\$ 26,043	26,043	13,181	(12,862)
Juvenile detention home	5,251,640	5,251,640	4,046,173	(1,205,467)
City jail	1,134,501	1,134,501	965,845	(168,656)
Sewer assessments - debt service	14,300	14,300	18,218	3,918
Total recovered costs	6,426,484	6,426,484	5,043,417	(1,383,067)
Miscellaneous revenues:				
Payments in lieu of taxes	2,872,379	2,872,379	2,822,181	(50,198)
Miscellaneous	2,130,003	2,130,003	2,280,716	150,713
Total miscellaneous revenues	5,002,382	5,002,382	5,102,897	100,515
Total revenue from local sources	447,308,648	447,308,648	448,256,773	948,125
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicle carriers' taxes	67,000	67,000	64,537	(2,463)
Mobile home titling taxes	60,000	60,000	54,066	(5,934)
Tax on deeds	495,000	495,000	575,896	80,896
State rebate – recording tax	460,000	460,000	451,296	(8,704)
DCJP grants for law enforcement	9,722,396	9,722,396	9,722,395	(1)
Total noncategorical aid	10,804,396	10,804,396	10,868,190	63,794
Shared expenses:				
Technology trust fund	54,786	54,786	54,785	(1)
Commonwealth's Attorney	1,755,000	1,755,000	1,802,318	47,318
Sheriff	7,225,000	7,225,000	8,060,373	835,373
Commissioner of the Revenue	384,000	384,000	407,313	23,313
Treasurer	365,000	365,000	375,511	10,511
Registrar/Electoral board	63,391	63,391	62,698	(693)
Total shared expenses	9,847,177	9,847,177	10,762,998	915,821
Categorical state aid:				
Welfare	27,112,339	27,112,339	25,981,679	(1,130,660)
Emergency medical service funds	155,000	155,000	-	(155,000)
Library	183,888	183,888	200,956	17,068
Other	8,500	8,500	6,845	(1,655)
Total categorical state aid	27,459,727	27,459,727	26,189,480	(1,270,247)
Total revenue from the Commonwealth	48,111,300	48,111,300	47,820,668	(290,632)
Other financing sources:				
Transfers from other funds	9,500,000	9,500,000	9,500,000	-
Total other financing sources	9,500,000	9,500,000	9,500,000	-
Total revenues and other financing sources	\$ 504,919,948	504,919,948	505,577,441	657,493

(continued)

City of Newport News, Virginia
Required Supplementary Information
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Budget Basis)
Year ended June 30, 2021

	Original budget	Amended budget	Actual	Variance
Expenditures:				
General government administration:				
Legislative:				
City Council	\$ 271,537	272,084	237,145	34,939
City Clerk	357,113	369,864	371,056	(1,192)
Total legislative	628,650	641,948	608,201	33,747
General and financial administration:				
City Manager	1,978,130	1,979,749	1,712,988	266,761
Human resources	1,521,604	1,521,708	1,480,431	41,277
Employee benefits	503,053	505,694	341,704	163,990
Medical services	65,357	65,357	68,355	(2,998)
City Attorney	2,109,849	2,114,923	2,055,940	58,983
Internal Auditor	549,272	560,400	566,794	(6,394)
Commissioner of the Revenue	2,572,221	2,572,975	2,504,733	68,242
Real Estate Assessor	1,648,139	1,648,139	1,452,735	195,404
City Treasurer	2,525,008	2,527,064	2,484,850	42,214
Finance	3,339,970	3,342,087	3,326,432	15,655
Budget and evaluation	835,448	835,503	581,556	253,947
Auto self-insurance	1,446,400	1,446,400	1,720,255	(273,855)
General liability self-insurance	1,693,900	1,693,900	1,805,685	(111,785)
Workers' compensation	3,152,900	3,152,900	3,242,338	(89,438)
Information technology	11,222,938	11,225,012	11,315,627	(90,615)
Total general and financial administration	35,164,189	35,191,811	34,660,423	531,388
Board of elections:				
Registrar	502,584	557,449	557,449	-
Nondepartmental:				
Appointed boards	99,030	99,083	79,310	19,773
Community support	2,634,323	2,634,323	2,507,257	127,066
Contract community agencies	9,310,818	9,310,818	8,412,628	898,190
City development	39,859,441	39,608,750	36,420,769	3,187,981
Contractual services	2,225,828	2,225,828	1,732,986	492,842
Internal services	176,000	82,695	4,115	78,580
Machinery and equipment	570,000	570,000	479,578	90,422
Security Services	1,946,214	1,947,662	1,790,983	156,679
Strategic priorities	2,844,664	2,844,664	714,116	2,130,548
Street lighting	416,597	416,597	291,559	125,038
Other	6,981,732	6,913,494	6,452,316	461,178
Total nondepartmental	67,064,647	66,653,914	58,885,617	7,768,297
Total general government administration	103,360,070	103,045,122	94,711,690	8,333,432
Judicial administration:				
Courts:				
Circuit Courts	530,131	540,880	540,518	362
District Courts	120,756	120,756	52,849	67,907
Office of the Magistrate	6,347	6,347	5,687	660
Juvenile/Domestic Relations Court	53,264	53,264	46,269	6,995
Clerk of the Circuit Court	1,608,860	1,610,600	1,616,812	(6,212)
Court services	480,723	480,723	460,781	19,942
Total courts	2,800,081	2,812,570	2,722,916	89,654
Commonwealth's Attorney	4,450,752	4,487,314	4,484,551	2,763
Total judicial administration	\$ 7,250,833	7,299,884	7,207,467	92,417

(continued)

City of Newport News, Virginia
Required Supplementary Information
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Budget Basis)
Year ended June 30, 2021

	Original budget	Amended budget	Actual	Variance
Public safety:				
Law enforcement and traffic control:				
Police department	\$ 51,902,401	51,922,275	49,656,543	2,265,732
Emergency communications	326,571	326,571	219,726	106,845
Total law enforcement and traffic control	52,228,972	52,248,846	49,876,269	2,372,577
Fire and rescue services:				
Fire department	33,816,292	33,834,387	32,322,192	1,512,195
Ambulance and rescue service	2,444,224	2,444,224	2,689,814	(245,590)
Total fire and rescue services	36,260,516	36,278,611	35,012,006	1,266,605
Correction and detention:				
Sheriff	24,304,286	24,317,111	23,219,446	1,097,665
Juvenile detention	8,327,339	8,351,836	7,962,742	389,094
Total correction and detention	32,631,625	32,668,947	31,182,188	1,486,759
Inspection – codes compliance	3,267,637	3,271,077	3,228,750	42,327
Total public safety	124,388,750	124,467,481	119,299,213	5,168,268
Public works:				
Engineering:				
Administration	158,907	159,135	184,094	(24,959)
Civil services	101,698	101,698	38,424	63,274
Construction and bridge	214,510	218,818	159,403	59,415
Architectural services	503,736	503,736	396,526	107,210
Technical support	141,581	141,581	107,708	33,873
Transportation services	410,152	429,431	82,722	346,709
Environmental services	179,898	179,898	182,208	(2,310)
Total engineering	1,710,482	1,734,297	1,151,085	583,212
Public works administration	172,424	178,705	441,469	(262,764)
Maintenance of highways, streets, bridges, and sidewalks	4,044,047	4,046,511	2,966,532	1,079,979
Maintenance of general buildings and grounds	9,067,552	9,073,925	8,871,907	202,018
Total public works	14,994,505	15,033,438	13,430,993	1,602,445
Health and welfare:				
Health:				
Medical services	3,645,913	3,714,151	3,669,187	44,964
Welfare:				
Social services administration	8,265,979	8,267,040	7,795,419	471,621
Financial services	9,644,203	9,661,566	8,132,435	1,529,131
Social work services	13,967,418	13,974,373	13,381,891	592,482
Healthy families	1,239,989	1,247,106	1,088,684	158,422
Employment service program	2,369,570	2,369,570	1,605,584	763,986
CSA administration	227,424	227,424	231,068	(3,644)
Youth services	613,553	613,553	551,594	61,959
Family and community education	229,034	229,034	14,972	214,062
Homeless family services	446,946	448,647	444,085	4,562
Cooperative extension	191,772	191,772	159,571	32,201
Four Oaks Day center	131,015	131,015	107,568	23,447
CHIP program	73,729	73,729	3,816	69,913
Total welfare	37,400,632	37,434,829	33,516,687	3,918,142
Total health and welfare	\$ 41,046,545	41,148,980	37,185,874	3,963,106

(continued)

City of Newport News, Virginia
Required Supplementary Information
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Budget Basis)
Year ended June 30, 2021

	Original budget	Amended budget	Actual	Variance
Parks, recreation and cultural:				
Parks and recreation:				
Administration	\$ 5,118,547	5,131,589	4,819,949	311,640
Recreation division	2,682,713	2,696,237	2,133,511	562,726
Parks division	4,027,707	4,028,320	4,118,100	(89,780)
Recreation classes	5,436,200	5,436,200	3,372,070	2,064,130
Golf course	1,774,700	1,774,700	1,784,441	(9,741)
Leeward Marina	275,000	275,000	272,863	2,137
Festival support	416,446	416,446	292,388	124,058
Tourism, promotion and development	1,452,000	1,452,000	1,407,413	44,587
Animal services	659,516	660,137	665,216	(5,079)
Total parks and recreation	<u>21,842,829</u>	<u>21,870,629</u>	<u>18,865,951</u>	<u>3,004,678</u>
Cultural enrichment – museum	1,191,400	1,191,400	1,233,396	(41,996)
Library	5,026,837	5,042,293	4,460,700	581,593
Total parks, recreation and cultural	<u>28,061,066</u>	<u>28,104,322</u>	<u>24,560,047</u>	<u>3,544,275</u>
Community development:				
Planning and community development:				
Development	1,305,368	1,306,574	1,233,639	72,935
Planning	1,538,205	1,538,378	1,291,117	247,261
Communications	1,977,702	1,978,865	1,894,590	84,275
Economic development	5,424,028	5,424,028	5,358,151	65,877
Total community development	<u>10,245,303</u>	<u>10,247,845</u>	<u>9,777,497</u>	<u>470,348</u>
Education:				
General Fund transfer to Public Schools	<u>113,389,307</u>	<u>113,389,307</u>	<u>113,389,307</u>	<u>-</u>
Transfers to other funds:				
Debt Service	38,228,563	38,228,563	38,228,563	-
Debt Service - Public Schools	8,057,126	8,057,126	8,057,126	-
Capital Projects	10,527,095	10,527,095	33,527,095	(23,000,000)
Other	4,981,982	4,981,982	4,651,982	330,000
Total transfers to other funds	<u>61,794,766</u>	<u>61,794,766</u>	<u>84,464,766</u>	<u>(22,670,000)</u>
Total expenditures and transfers to other funds	<u>504,531,145</u>	<u>504,531,145</u>	<u>504,026,854</u>	<u>504,291</u>
Excess (deficiency) of revenues over (under) expenditures	<u>388,803</u>	<u>388,803</u>	1,550,587	<u>1,161,784</u>
Less encumbrances outstanding at June 30, 2020 expended or canceled at June 30, 2021			(2,230,870)	
Add encumbrances outstanding at June 30, 2021			<u>4,795,593</u>	
FY 2021 surplus (deficit)			4,115,310	
Fund balance at beginning of year			<u>99,220,914</u>	
Fund balance at end of year			<u>\$ 103,336,224</u>	

See accompanying notes to required supplementary information.

City of Newport News, Virginia
Required Supplementary Information
Schedule of Changes in the City's Net Pension Liability and Related Ratios for NNERF
Fiscal years ended June 30

	2020	2019	2018	2017	2016	2015	2014
Total pension liability							
Service costs	\$ 8,411,753	8,907,722	8,497,193	9,045,434	9,467,439	9,926,558	10,534,763
Interest	97,575,492	96,464,296	95,861,994	93,983,070	91,489,549	88,917,067	86,803,765
Differences between expected and actual experience	(2,115,300)	(5,048,122)	17,695,138	(185,230)	6,473,172	6,665,024	-
Changes of assumptions	-	-	(7,267,035)	-	-	-	-
Benefit payments, including refunds of member contributions	(86,582,746)	(82,901,749)	(78,976,935)	(75,570,088)	(72,016,569)	(69,527,978)	(67,393,918)
Net change in total pension liability	17,289,199	17,422,147	35,810,355	27,273,186	35,413,591	35,980,671	29,944,610
Total pension liability - beginning	1,361,669,810	1,344,247,663	1,308,437,308	1,281,164,122	1,245,750,531	1,209,769,860	1,179,825,250
Total pension liability - ending	<u>\$ 1,378,959,009</u>	<u>1,361,669,810</u>	<u>1,344,247,663</u>	<u>1,308,437,308</u>	<u>1,281,164,122</u>	<u>1,245,750,531</u>	<u>1,209,769,860</u>
Plan fiduciary net position							
Contributions - employer	\$ 40,179,618	40,853,742	40,700,786	39,135,864	39,005,899	33,258,275	29,364,826
Contributions - member	5,278,135	5,530,796	5,779,158	5,987,851	6,416,136	6,738,148	6,558,611
Net investment income	2,784,859	37,228,451	91,844,066	115,173,724	(7,465,822)	26,194,662	113,205,029
Benefit payments, including refunds of member contributions	(86,582,746)	(82,901,749)	(78,976,935)	(75,570,088)	(72,016,569)	(69,527,978)	(67,393,918)
Administrative expense	(1,038,363)	(982,680)	(1,030,662)	(952,560)	(921,181)	(1,003,673)	(866,517)
Net change in plan fiduciary net position	\$ (39,378,497)	(271,440)	58,316,413	83,774,791	(34,981,537)	(4,340,566)	80,868,031
Plan fiduciary net position - beginning	957,478,462	957,749,902	899,433,489	815,658,698	850,640,235	854,980,801	774,112,770
Plan fiduciary net position - ending	<u>\$ 918,099,965</u>	<u>957,478,462</u>	<u>957,749,902</u>	<u>899,433,489</u>	<u>815,658,698</u>	<u>850,640,235</u>	<u>854,980,801</u>
Net pension liability ending	<u>\$ 460,859,044</u>	<u>404,191,348</u>	<u>386,497,761</u>	<u>409,003,819</u>	<u>465,505,424</u>	<u>395,110,296</u>	<u>354,789,059</u>
Plan fiduciary net position as a percentage of the total pension liability	66.58 %	70.32 %	71.25 %	68.74 %	63.67 %	68.28 %	70.67 %
Covered payroll	\$ 98,821,339	103,823,307	108,187,035	113,302,877	118,639,692	123,619,906	129,912,288
Net position liability as a percentage of covered payroll	466.36 %	389.31 %	357.25 %	360.98 %	392.37 %	319.62 %	273.10 %

Note: This schedule is intended to show information for 10 years. However, additional years will be included as they become available. Per GAAP, net pension liabilities are reported using the measurement date, which is one year prior to the reporting date.

City of Newport News, Virginia
Required Supplementary Information
Schedule of Changes in the City's Net Pension Asset and Related Ratios for VRS
Fiscal years ended June 30

	2020	2019	2018	2017	2016	2015	2014
Total pension liability							
Service costs	\$ 7,687,590	6,513,447	5,810,589	5,556,353	4,831,751	4,219,577	3,376,352
Interest	2,869,418	2,274,606	1,732,518	1,382,295	1,000,116	702,834	441,527
Differences between expected and actual experience	(135,801)	(124,261)	746,189	(271,408)	(127,774)	(522,034)	-
Changes of assumptions	-	1,868,651	-	(1,239,629)	-	-	-
Benefit payments, including refunds of member contributions	(498,558)	(535,285)	(555,062)	(293,811)	(194,963)	(112,015)	(57,843)
Net change in total pension liability	9,922,649	9,997,158	7,734,234	5,133,800	5,509,130	4,288,362	3,760,036
Total pension liability - beginning	42,759,176	32,762,018	25,027,784	19,893,984	14,384,854	10,096,492	6,336,456
Total pension liability - ending	\$ 52,681,825	42,759,176	32,762,018	25,027,784	19,893,984	14,384,854	10,096,492
Plan fiduciary net position							
Contributions - employer	\$ 3,833,305	3,473,179	3,074,885	2,766,138	2,754,620	2,346,626	3,039,422
Contributions - member	3,674,325	3,285,577	3,052,031	2,685,841	2,326,164	2,054,662	1,685,840
Net investment income	1,046,082	3,096,851	2,575,005	3,322,147	485,326	760,402	1,589,581
Benefit payments, including refunds of member contributions	(498,558)	(535,285)	(555,062)	(293,811)	(194,963)	(112,015)	(57,843)
Administrative expense	(27,186)	(22,225)	(17,042)	(13,687)	(8,716)	(5,937)	(4,461)
Other	(1,315)	(2,007)	(2,546)	(3,225)	(153)	(177)	(83)
Net change in plan fiduciary net position	\$ 8,026,653	9,296,090	8,127,271	8,463,403	5,362,278	5,043,561	6,252,456
Plan fiduciary net position - beginning	50,329,812	41,033,722	32,906,451	24,443,048	19,080,770	14,037,209	7,784,753
Plan fiduciary net position - ending	\$ 58,356,465	50,329,812	41,033,722	32,906,451	24,443,048	19,080,770	14,037,209
Net pension asset ending	\$ (5,674,640)	(7,570,636)	(8,271,704)	(7,878,667)	(4,549,064)	(4,695,916)	(3,940,717)
Plan fiduciary net position as a percentage of the total net pension asset	110.77 %	117.71 %	125.25 %	131.48 %	122.87 %	132.64 %	139.03 %
Covered payroll	\$ 79,640,771	70,555,593	64,320,834	55,753,786	47,926,329	36,397,255	33,287,071
Net position asset as a percentage of covered payroll	7.13 %	10.73 %	12.86 %	14.13 %	9.49 %	12.90 %	11.84 %

Note: This schedule is intended to show information for 10 years. However, additional years will be included as they become available. Per GAAP, net pension liabilities are reported using the measurement date, which is one year prior to the reporting date.

City of Newport News, Virginia
Required Supplementary Information
Schedule of Changes in the City's Net OPEB Liability and Related Ratios
Fiscal years ended June 30

	2020	2019	2018	2017
Total OPEB liability				
Service costs	\$ 649,243	950,809	519,381	811,867
Interest	8,545,222	8,259,776	8,847,501	8,837,567
Differences between expected and actual experience	(2,896,477)	298,749	1,053,023	-
Changes of assumptions	-	2,544,266	(7,399,952)	-
Benefit payments, including refunds of member contributions	(8,309,164)	(8,393,848)	(9,229,514)	(9,512,163)
Net change in total OPEB liability	(2,011,176)	3,659,752	(6,209,561)	137,271
Total OPEB liability - beginning	119,693,200	116,033,448	122,243,009	122,105,738
Total OPEB liability - ending	<u>\$ 117,682,024</u>	<u>119,693,200</u>	<u>116,033,448</u>	<u>122,243,009</u>
Plan fiduciary net position				
Contributions - employer	\$ 8,240,000	8,240,000	8,240,000	8,240,000
Net investment income	1,103,788	1,218,136	3,355,846	5,402,335
Benefit payments, including refunds of member contributions	(8,309,164)	(8,393,848)	(9,229,514)	(9,512,163)
Administrative expense	(43,259)	(44,934)	(44,013)	(60,497)
Net change in plan fiduciary net position	\$ 991,365	1,019,354	2,322,319	4,069,675
Plan fiduciary net position - beginning	34,873,199	33,853,845	31,531,526	27,461,851
Plan fiduciary net position - ending	<u>\$ 35,864,564</u>	<u>34,873,199</u>	<u>33,853,845</u>	<u>31,531,526</u>
Net OPEB liability ending	<u>\$ 81,817,460</u>	<u>84,820,001</u>	<u>82,179,603</u>	<u>90,711,483</u>
Plan fiduciary net position as a percentage of the total OPEB liability	30.48 %	29.14 %	27.69 %	25.82 %
Covered payroll	\$ 87,622,682	92,290,402	95,734,439	100,618,959
Net OPEB liability as a percentage of covered payroll	93.37 %	91.91 %	85.84 %	90.15 %

Note: This schedule is intended to show information for 10 years. However, additional years will be included as they become available. Per GAAP, net pension liabilities are reported using the measurement date, which is one year prior to the reporting date.

City of Newport News, Virginia
Required Supplementary Information
Schedule of Changes in the City's Net OPEB Liability and Related Ratios for Line of Duty
Fiscal years ended June 30

	2020	2019	2018	2017
Total OPEB liability				
Service costs	\$ 768,377	669,808	1,148,034	1,130,417
Interest	370,093	342,729	383,248	311,181
Changes of benefit terms	-	-	905,453	-
Differences between expected and actual experience	(679,680)	261,699	(686,746)	-
Changes of assumptions	2,000,282	585,295	(2,835,907)	(1,381,476)
Benefit payments, including refunds of member contributions	(232,550)	(247,202)	(322,421)	(260,856)
Net change in total OPEB liability	2,226,522	1,612,329	(1,408,339)	(200,734)
Total OPEB liability - beginning	9,920,964	8,308,635	9,716,974	9,917,708
Total OPEB liability - ending	<u>\$ 12,147,486</u>	<u>9,920,964</u>	<u>8,308,635</u>	<u>9,716,974</u>
Plan fiduciary net position				
Contributions - employer	\$ 250,000	300,000	300,000	256,300
Net investment income	30,817	(11,588)	104,072	19,499
Benefit payments, including refunds of member contributions	(232,550)	(247,202)	(322,421)	(260,856)
Administrative expense	(5,904)	(3,786)	(5,095)	(46,909)
Net change in plan fiduciary net position	\$ 42,363	37,424	76,556	(31,966)
Plan fiduciary net position - beginning	2,622,478	2,585,054	2,508,498	2,540,464
Plan fiduciary net position - ending	<u>\$ 2,664,841</u>	<u>2,622,478</u>	<u>2,585,054</u>	<u>2,508,498</u>
Net OPEB liability ending	<u>\$ 9,482,645</u>	<u>7,298,486</u>	<u>5,723,581</u>	<u>7,208,476</u>
Plan fiduciary net position as a percentage of the total OPEB liability	21.94 %	26.43 %	31.11 %	25.29 %
Covered payroll	\$ 62,113,806	60,568,373	59,928,556	59,195,883
Net OPEB liability as a percentage of covered payroll	15.27 %	12.05 %	9.55 %	12.18 %

Note: This schedule is intended to show information for 10 years. However, additional years will be included as they become available. Per GAAP, net pension liabilities are reported using the measurement date, which is one year prior to the reporting date.

City of Newport News, Virginia
Required Supplementary Information
Schedule of City & NNPS Contributions NNERF
(Dollar amounts in thousands)

	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 40,674	40,180	40,854	40,701	39,262	39,154	40,394	40,628
Contributions in relation to the actuarially determined contribution	40,674	40,180	40,854	40,701	39,136	39,006	33,258	29,365
Contribution deficiency	\$ -	-	-	-	126	148	7,136	11,263
Covered payroll	\$ 92,036	98,821	103,823	108,187	113,303	118,640	123,620	129,912
Contributions as a percentage of covered payroll	44.19 %	40.66 %	39.35 %	37.62 %	34.54 %	32.88 %	26.90 %	22.60 %

Schedule of City Contributions VRS
(Dollar amounts in thousands)

	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 4,694	3,856	3,470	3,075	2,766	2,755	2,347	3,039
Contributions in relation to the contractually required contribution	4,694	3,856	3,470	3,075	2,766	2,755	2,347	3,039
Contribution excess	\$ -	-	-	-	-	-	-	-
Covered payroll	\$ 83,613	79,641	70,556	64,321	55,754	47,926	36,397	33,287
Contributions as a percentage of covered payroll	5.61 %	4.84 %	4.92 %	4.78 %	4.96 %	5.75 %	6.45 %	9.13 %

Schedule of City Contributions OPEB
(Dollar amounts in thousands)

	2021	2020	2019	2018	2017
Actuarially determined contribution	\$ 8,240	8,240	8,240	8,240	8,240
Contributions in relation to the actuarially determined contribution	8,240	8,240	8,240	8,240	8,240
Contribution deficiency	\$ -	-	-	-	-
Covered payroll	\$ 81,576	87,623	92,290	95,734	100,619
Contributions as a percentage of covered payroll	10.10 %	9.40 %	8.93 %	8.61 %	8.19 %

Note: This schedule is intended to show information for 10 years. However, additional years will be included as they become available.

City of Newport News, Virginia
Required Supplementary Information
Schedule of City Contributions Line of Duty
(Dollar amounts in thousands)

	2021	2020	2019	2018
Actuarially determined contribution	\$ 250	250	300	300
Contributions in relation to the actuarially determined contribution	250	250	300	300
Contribution deficiency	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
Covered payroll	\$ 64,492	62,114	60,568	59,929
Contributions as a percentage of covered payroll	0.39 %	0.40 %	0.50 %	0.50 %

Schedule of City Contributions OPEB GLI
(Dollar amounts in thousands)

	2021	2020	2019	2018
Contractually required contribution	\$ 469	416	371	336
Contributions in relation to the contractually required contribution	469	416	371	336
Contribution excess	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
Covered payroll	\$ 83,613	79,641	70,556	64,321
Contributions as a percentage of covered payroll	0.56 %	0.52 %	0.53 %	0.52 %

Note: This schedule is intended to show information for 10 years. However, additional years will be included as they become available.

City of Newport News, Virginia
Required Supplementary Information
Schedule of Investment Returns NNERF
Years ended June 30

	2021	2020	2019	2018	2017	2016	2015	2014
Annual money-weighted rate of return, net of investment fees	31.40%	(2.00)%	3.30%	9.92%	14.83%	(1.05)%	2.92%	15.08%

Schedule of Investment Returns OPEB
Years ended June 30

	2021	2020	2019	2018	2017
Annual money-weighted rate of return, net of investment fees	3.60%	3.20%	3.60%	11.29%	21.23%

Note: These schedules are intended to show information for 10 years. However, additional years will be included as they become available.

City of Newport News, Virginia
Required Supplementary Information
Schedule of Employer's Share of Net OPEB Liability GLI Program
Fiscal years ended June 30

	2020	2019	2018	2017
Employer's proportion of the net GLI OPEB liability	0.38899%	0.36254%	0.33971%	0.30329%
Employer's proportionate share of the net GLI OPEB liability	\$ 6,491,607	5,899,490	5,159,000	4,564,000
Employer's covered payroll	\$ 79,640,771	70,555,593	64,320,834	55,753,786
Employer's proportionate share of the net GLI OPEB liability as a percentage of its covered payroll	8.15%	8.36%	8.02%	8.19%
Plan fiduciary net position as a percentage of the total GLI OPEB liability	52.64%	52.00%	51.22%	48.86%

Note: This schedule is intended to show information for 10 years. However, additional years will be included as they become available. Per GAAP, net pension liabilities are reported using the measurement date, which is one year prior to the reporting date.

City of Newport News, Virginia
Notes to Required Supplementary Information
Year ended June 30, 2021

(1) Budgetary Data

The budgetary data reflected in the required supplementary information was established by the City using the following procedures:

On or before April 1, management submits to the City Council of the City proposed operating budgets that include proposed expenditures and other financing uses and the means of financing them.

A public hearing on the budget is held after a synopsis of the budget is published in a local newspaper of general circulation. An appropriation ordinance must be adopted by the City Council by June 15.

The City may amend the budget or make transfers between functions and budgetary line items without City Council approval. However, the City may not make transfers or expend any sum of money in excess of City Council appropriations, at the fund level, without the consent of the City Council. The legal level of budgetary control for the General Fund is the fund level; however, management control is exercised over the budget at the budgetary line item level. Appropriations, except for encumbrances and committed or assigned fund balances, lapse at year-end. There were supplemental appropriations made during 2021 for the following reasons: (1) grant matching, (2) funding to meet the increase in operating expenses and revenues.

(2) Legally Adopted Budgets

Formal budgetary integration is employed as a management control device during the year for the General Fund, the Debt Service Fund, the Enterprise Funds and the Internal Service Fund. Annual operating budgets are adopted by ordinances passed by City Council for the General Fund; Debt Service Fund; Internal Service Fund; the following Enterprise Funds and Component Units: Public Utility, Parking Authority, E/IDA; the following Special Revenue Funds: Street Maintenance, Economic Development, Animal Shelter, Law Library, Stormwater, Solid Waste, and Wastewater. City Council makes an annual appropriation to the School Board but is prohibited from exercising any control over specific expenditures of School Board operating funds.

Annual operating budgets are not adopted for Special Revenue Funds, except those funds identified above. Program budgets for these funds are approved by executive departments on a basis consistent with the related grant applications. Project and program budgets are utilized in the Capital Projects Funds where appropriations remain open and carry over to succeeding years.

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America, except that encumbrances are included as budgetary expenditures. Expenditures may not exceed appropriations at the function level, the legal level of control, as defined in the budget ordinance. Management can transfer unencumbered appropriation balances, or portions thereof, within a function. Transfers within the School Operating Fund are controlled by the School Board.

Unencumbered appropriations lapse at the end of the fiscal year for the General, School Operating, Street Maintenance, Economic Development, Law Library, Animal Shelter and Debt Service Funds.

(3) Encumbrances

Encumbrances outstanding at year-end represent the estimated amount of the expenditures required to complete contracts, purchase orders and commitments-in-process at year-end.

City of Newport News, Virginia
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2021

		Special Revenue						
		Community Development	Street Maintenance	Economic Development	Law Library	Stormwater	Solid Waste	Wastewater
Assets								
Cash and cash equivalents	\$	6,291	-	1,120,562	114,115	20,881,308	8,129,707	14,452,015
Accounts receivable, net		-	-	-	7,744	1,057,633	2,225,231	1,482,756
Receivables from other funds		-	-	-	-	-	-	-
Receivables from other governments:								
Virginia		30,140	-	-	-	-	-	-
Federal		-	-	-	-	-	-	-
Inventory, at cost		-	-	-	-	-	-	-
Total assets	\$	36,431	-	1,120,562	121,859	21,938,941	10,354,938	15,934,771
Liabilities								
Accounts payable	\$	9,181	-	14,734	3,047	142,207	471,970	168,736
Accrued liabilities		1,689	-	-	3,501	267,408	206,750	315,490
Unearned revenues		-	-	30,000	-	-	37,709	-
Payable to major governmental funds		25,561	-	-	-	-	-	-
Total liabilities		36,431	-	44,734	6,548	409,615	716,429	484,226
Deferred inflows of resources								
Unavailable revenue-stormwater fees		-	-	-	-	805,147	-	-
Fund balances								
Nonspendable		-	-	-	-	-	-	-
Restricted		-	-	-	25	20,724,179	9,638,509	15,450,545
Committed		-	-	1,075,828	115,286	-	-	-
Unassigned		-	-	-	-	-	-	-
Total fund balances		-	-	1,075,828	115,311	20,724,179	9,638,509	15,450,545
Total liabilities, deferred inflows of resources and fund balances		\$	36,431	-	1,120,562	21,938,941	10,354,938	15,934,771

(continued)

City of Newport News, Virginia
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2021

	Special Revenue						Capital Projects	
	Comprehensive Services Act	Criminal Justice Academy	Animal Shelter	Special Events	Sheriff Canteen	Other Federal and State	General Capital Improvements	Total Nonmajor Governmental Funds
Assets								
Cash and cash equivalents	\$ 1,764,672	310,555	300	754,568	1,441,146	36,039,236	48,227,686	133,242,161
Accounts receivable, net	-	-	94,505	-	-	-	4,148,137	9,016,006
Receivables from other funds	-	-	-	-	-	-	4,060,590	4,060,590
Receivables from other governments:								
Virginia	1,307,987	-	-	-	-	207,089	-	1,545,216
Federal	-	-	-	-	-	1,934,984	-	1,934,984
Inventory, at cost	-	-	6,593	-	-	-	-	6,593
Total assets	<u>\$ 3,072,659</u>	<u>310,555</u>	<u>101,398</u>	<u>754,568</u>	<u>1,441,146</u>	<u>38,181,309</u>	<u>56,436,413</u>	<u>149,805,550</u>
Liabilities								
Accounts payable	\$ 1,129,301	-	45,442	92,601	18,703	296,681	815,742	3,208,345
Accrued liabilities	-	-	60,182	-	3,836	180,238	229,681	1,268,775
Unearned revenues	-	-	-	-	-	34,403,045	-	34,470,754
Payable to major governmental funds	-	-	25,129	-	-	465,288	-	515,978
Total liabilities	<u>1,129,301</u>	<u>-</u>	<u>130,753</u>	<u>92,601</u>	<u>22,539</u>	<u>35,345,252</u>	<u>1,045,423</u>	<u>39,463,852</u>
Deferred inflows of resources								
Unavailable revenue-stormwater fees	-	-	-	-	-	-	-	805,147
Fund balances								
Nonspendable	-	-	6,593	-	-	-	-	6,593
Restricted	-	-	-	-	1,418,607	2,836,057	-	50,067,922
Committed	1,943,358	310,555	11,566	661,967	-	-	55,390,990	59,509,550
Unassigned	-	-	(47,514)	-	-	-	-	(47,514)
Total fund balances	<u>1,943,358</u>	<u>310,555</u>	<u>(29,355)</u>	<u>661,967</u>	<u>1,418,607</u>	<u>2,836,057</u>	<u>55,390,990</u>	<u>109,536,551</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 3,072,659</u>	<u>310,555</u>	<u>101,398</u>	<u>754,568</u>	<u>1,441,146</u>	<u>38,181,309</u>	<u>56,436,413</u>	<u>149,805,550</u>

City of Newport News, Virginia
Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Governmental Funds
Year ended June 30, 2021

	Special Revenue						
	Community Development	Street Maintenance	Economic Development	Law Library	Stormwater	Solid Waste	Wastewater
Revenues:							
Intergovernmental:							
Local	\$ -	-	-	-	-	-	-
Virginia	-	17,949,807	-	-	-	25,060	-
Federal	1,316,975	-	-	-	-	-	-
Charges for services	-	-	-	70,565	22,020,746	15,003,664	22,835,789
Interest and rent	-	-	268,816	-	118,312	25,531	43,935
Sale of property	-	-	6,000	-	-	-	-
Local fees and contributions	-	-	-	-	-	-	-
Miscellaneous	-	-	27,605	-	1,456	2,882	-
Total revenues	<u>1,316,975</u>	<u>17,949,807</u>	<u>302,421</u>	<u>70,565</u>	<u>22,140,514</u>	<u>15,057,137</u>	<u>22,879,724</u>
Expenditures:							
Current operating:							
General government	-	-	-	126,988	-	-	-
Judicial administration	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-
Public works	-	17,949,807	-	-	12,690,310	13,685,719	13,381,896
Health and welfare	-	-	-	-	-	-	-
Parks, recreation, and culture	-	-	-	-	-	-	-
Community Development	1,316,975	-	255,806	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Total expenditures	<u>1,316,975</u>	<u>17,949,807</u>	<u>255,806</u>	<u>126,988</u>	<u>12,690,310</u>	<u>13,685,719</u>	<u>13,381,896</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>46,615</u>	<u>(56,423)</u>	<u>9,450,204</u>	<u>1,371,418</u>	<u>9,497,828</u>
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	(4,245,228)	(154,484)	(5,669,546)
Total other financing sources (uses), net	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,245,228)</u>	<u>(154,484)</u>	<u>(5,669,546)</u>
Net changes in fund balances	-	-	46,615	(56,423)	5,204,976	1,216,934	3,828,282
Fund balances at June 30, 2020, as restated	<u>-</u>	<u>-</u>	<u>1,029,213</u>	<u>171,734</u>	<u>15,519,203</u>	<u>8,421,575</u>	<u>11,622,263</u>
Fund balances at June 30, 2021	<u>\$ -</u>	<u>-</u>	<u>1,075,828</u>	<u>115,311</u>	<u>20,724,179</u>	<u>9,638,509</u>	<u>15,450,545</u>

City of Newport News, Virginia
Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Governmental Funds
Year ended June 30, 2021

	Special Revenue						Capital Projects	
	Comprehensive Services Act	Criminal Justice Academy	Animal Shelter	Special Events	Sheriff Canteen	Other Federal and State	General Capital Improvements	Total nonmajor governmental funds
Revenues:								
Intergovernmental:								
Local	\$ -	-	1,179,308	-	-	969,339	-	2,148,647
Virginia	6,029,606	-	-	-	-	1,941,043	-	25,945,516
Federal	280,071	-	-	-	-	35,721,646	-	37,318,692
Charges for services	-	63,889	172,862	-	890,756	-	-	61,058,271
Interest and rent	-	-	-	-	3,862	47,404	7,908	515,768
Sale of property	-	-	-	-	-	-	-	6,000
Local fees and contributions	-	-	-	-	-	-	4,008,570	4,008,570
Miscellaneous	-	-	14,970	-	-	-	-	46,913
Total revenues	<u>6,309,677</u>	<u>63,889</u>	<u>1,367,140</u>	<u>-</u>	<u>894,618</u>	<u>38,679,432</u>	<u>4,016,478</u>	<u>131,048,377</u>
Expenditures:								
Current operating:								
General government	-	-	-	-	-	3,118,957	-	3,245,945
Judicial administration	-	-	-	-	-	558,141	-	558,141
Public safety	-	(1,473)	-	-	383,545	20,420,512	-	20,802,584
Public works	-	-	-	-	-	59,061	-	57,766,793
Health and welfare	8,554,207	-	-	-	-	10,100,932	-	18,655,139
Parks, recreation, and culture	-	-	1,930,683	525,002	-	1,469,763	-	3,925,448
Community Development	-	-	-	-	-	3,159,005	-	4,731,786
Capital outlay	-	-	-	-	-	-	9,448,000	9,448,000
Total expenditures	<u>8,554,207</u>	<u>(1,473)</u>	<u>1,930,683</u>	<u>525,002</u>	<u>383,545</u>	<u>38,886,371</u>	<u>9,448,000</u>	<u>119,133,836</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,244,530)</u>	<u>65,362</u>	<u>(563,543)</u>	<u>(525,002)</u>	<u>511,073</u>	<u>(206,939)</u>	<u>(5,431,522)</u>	<u>11,914,541</u>
Other financing sources (uses):								
Transfers in	2,290,247	-	1,361,735	1,000,000	-	-	33,527,095	38,179,077
Transfers out	-	-	(627,544)	-	-	-	-	(10,696,802)
Total other financing sources (uses), net	<u>2,290,247</u>	<u>-</u>	<u>734,191</u>	<u>1,000,000</u>	<u>-</u>	<u>-</u>	<u>33,527,095</u>	<u>27,482,275</u>
Net changes in fund balances	45,717	65,362	170,648	474,998	511,073	(206,939)	28,095,573	39,396,816
Fund balances at June 30, 2020, as restated	<u>1,897,641</u>	<u>245,193</u>	<u>(200,003)</u>	<u>186,969</u>	<u>907,534</u>	<u>3,042,996</u>	<u>27,295,417</u>	<u>70,139,735</u>
Fund balances at June 30, 2021	<u>\$ 1,943,358</u>	<u>310,555</u>	<u>(29,355)</u>	<u>661,967</u>	<u>1,418,607</u>	<u>2,836,057</u>	<u>55,390,990</u>	<u>109,536,551</u>

City of Newport News, Virginia
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Street Maintenance
Year ended June 30, 2021

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Intergovernmental:				
Virginia	\$ 17,535,962	17,949,807	17,949,807	-
Total revenues	<u>17,535,962</u>	<u>17,949,807</u>	<u>17,949,807</u>	<u>-</u>
Expenditures:				
Current:				
Public works	<u>17,535,962</u>	<u>17,949,807</u>	<u>17,949,807</u>	<u>-</u>
Total expenditures	<u>17,535,962</u>	<u>17,949,807</u>	<u>17,949,807</u>	<u>-</u>
Excess of revenues over expenditures	\$ -	-	-	-
Fund balance at June 30, 2020			-	
Fund balance at June 30, 2021			<u>\$ -</u>	

City of Newport News, Virginia
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Economic Development
Year ended June 30, 2021

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Interest and rent	\$ 253,406	253,406	268,816	15,410
Sale of property	4,500	4,500	6,000	1,500
Miscellaneous	94	94	27,605	27,511
Total revenues	<u>258,000</u>	<u>258,000</u>	<u>302,421</u>	<u>44,421</u>
Expenditures:				
Current:				
Community Development	<u>258,000</u>	<u>258,000</u>	<u>255,806</u>	<u>2,194</u>
Total expenditures	<u>258,000</u>	<u>258,000</u>	<u>255,806</u>	<u>2,194</u>
Excess of revenues over expenditures	<u>\$ -</u>	<u>-</u>	46,615	<u>46,615</u>
Fund balance at June 30, 2020			<u>1,029,213</u>	
Fund balance at June 30, 2021			<u><u>\$ 1,075,828</u></u>	

City of Newport News, Virginia
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Law Library
Year ended June 30, 2021

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Charges for services	\$ 130,600	130,600	70,565	(60,035)
Total revenues	<u>130,600</u>	<u>130,600</u>	<u>70,565</u>	<u>(60,035)</u>
General government	<u>130,600</u>	<u>130,600</u>	<u>126,988</u>	<u>3,612</u>
Total general government	<u>130,600</u>	<u>130,600</u>	<u>126,988</u>	<u>3,612</u>
Excess of revenues over expenditures	<u>\$ -</u>	<u>-</u>	<u>(56,423)</u>	<u>(56,423)</u>
Fund balance at June 30, 2020			<u>171,734</u>	
Fund balance at June 30, 2021			<u><u>\$ 115,311</u></u>	

City of Newport News, Virginia
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Stormwater
Year ended June 30, 2021

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Charges for services	\$ 21,171,792	21,171,792	22,020,746	848,954
Interest and rent	61,739	61,739	118,312	56,573
Miscellaneous	352,009	352,009	1,456	(350,553)
Total revenues	<u>21,585,540</u>	<u>21,585,540</u>	<u>22,140,514</u>	<u>554,974</u>
Expenditures:				
Current:				
Public works	<u>18,927,658</u>	<u>21,474,776</u>	<u>12,690,310</u>	<u>8,784,466</u>
Total expenditures	<u>18,927,658</u>	<u>21,474,776</u>	<u>12,690,310</u>	<u>8,784,466</u>
Excess of revenues over expenditures	<u>2,657,882</u>	<u>110,764</u>	<u>9,450,204</u>	<u>9,339,440</u>
Other financing sources:				
Transfers out	<u>(4,245,228)</u>	<u>(4,245,228)</u>	<u>(4,245,228)</u>	<u>-</u>
Net change in fund balance	<u>\$ (1,587,346)</u>	<u>(4,134,464)</u>	<u>5,204,976</u>	<u>9,339,440</u>
Fund balance at June 30, 2020			<u>15,519,203</u>	
Fund balance at June 30, 2021			<u>\$ 20,724,179</u>	

City of Newport News, Virginia
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Solid Waste
Year ended June 30, 2021

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Intergovernmental:				
Virginia	\$ 25,000	25,000	25,060	60
Charges for services	14,921,600	14,921,600	15,003,664	82,064
Interest and rent	102,000	102,000	25,531	(76,469)
Miscellaneous	2,700	2,700	2,882	182
Total revenues	<u>15,051,300</u>	<u>15,051,300</u>	<u>15,057,137</u>	<u>5,837</u>
Expenditures:				
Current:				
Public works	<u>14,896,816</u>	<u>14,907,358</u>	<u>13,685,719</u>	<u>1,221,639</u>
Total expenditures	<u>14,896,816</u>	<u>14,907,358</u>	<u>13,685,719</u>	<u>1,221,639</u>
Excess of revenues over expenditures	<u>154,484</u>	<u>143,942</u>	<u>1,371,418</u>	<u>1,227,476</u>
Other financing sources:				
Transfers out	<u>(154,484)</u>	<u>(154,484)</u>	<u>(154,484)</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>(10,542)</u>	<u>1,216,934</u>	<u>1,227,476</u>
Fund balance at June 30, 2020			<u>8,421,575</u>	
Fund balance at June 30, 2021			<u>\$ 9,638,509</u>	

City of Newport News, Virginia
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Wastewater
Year ended June 30, 2021

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Charges for services	\$ 22,443,700	22,443,700	22,835,789	392,089
Interest and rent	136,000	136,000	43,935	(92,065)
Total revenues	<u>22,579,700</u>	<u>22,579,700</u>	<u>22,879,724</u>	<u>300,024</u>
Expenditures:				
Current:				
Public works	<u>15,252,408</u>	<u>17,153,001</u>	<u>13,381,896</u>	<u>3,771,105</u>
Total expenditures	<u>15,252,408</u>	<u>17,153,001</u>	<u>13,381,896</u>	<u>3,771,105</u>
Excess of revenues over expenditures	<u>7,327,292</u>	<u>5,426,699</u>	<u>9,497,828</u>	<u>4,071,129</u>
Other financing sources:				
Transfers out	<u>(5,673,034)</u>	<u>(5,673,034)</u>	<u>(5,669,546)</u>	<u>3,488</u>
Net change in fund balance	<u>\$ 1,654,258</u>	<u>(246,335)</u>	<u>3,828,282</u>	<u>4,074,617</u>
Fund balance at June 30, 2020			<u>11,622,263</u>	
Fund balance at June 30, 2021			<u>\$ 15,450,545</u>	

City of Newport News, Virginia
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Animal Shelter
Year ended June 30, 2021

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Intergovernmental:				
Local	\$ 1,179,309	1,179,309	1,179,308	(1)
Charges for services	159,271	159,271	172,862	13,591
Miscellaneous	12,585	12,585	14,970	2,385
Total revenues	<u>1,351,165</u>	<u>1,351,165</u>	<u>1,367,140</u>	<u>15,975</u>
Expenditures:				
Current:				
Parks, recreation, and culture	<u>2,085,356</u>	<u>2,085,356</u>	<u>1,930,683</u>	<u>154,673</u>
Total expenditures	<u>2,085,356</u>	<u>2,085,356</u>	<u>1,930,683</u>	<u>154,673</u>
Deficiency of revenues under expenditures	<u>(734,191)</u>	<u>(734,191)</u>	<u>(563,543)</u>	<u>170,648</u>
Other financing sources (uses):				
Transfers in	1,361,735	1,361,735	1,361,735	-
Transfers out	<u>(627,544)</u>	<u>(627,544)</u>	<u>(627,544)</u>	<u>-</u>
Total other financing sources (uses), net	<u>734,191</u>	<u>734,191</u>	<u>734,191</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>-</u>	<u>170,648</u>	<u>170,648</u>
Fund balance at June 30, 2020			<u>(200,003)</u>	
Fund balance at June 30, 2021			<u>\$ (29,355)</u>	

City of Newport News, Virginia
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
Debt Service Fund
Year ended June 30, 2021

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Intergovernmental:				
Local	\$ 1,059,652	1,059,652	1,059,652	-
Miscellaneous	<u>-</u>	<u>-</u>	<u>275,753</u>	<u>275,753</u>
Total revenues	<u>1,059,652</u>	<u>1,059,652</u>	<u>1,335,405</u>	<u>275,753</u>
Expenditures:				
Debt service payments	<u>58,045,631</u>	<u>58,045,631</u>	<u>54,959,549</u>	<u>3,086,082</u>
Total expenditures	<u>58,045,631</u>	<u>58,045,631</u>	<u>54,959,549</u>	<u>3,086,082</u>
Deficiency of revenues under expenditures	<u>(56,985,979)</u>	<u>(56,985,979)</u>	<u>(53,624,144)</u>	<u>3,361,835</u>
Other financing sources:				
Transfers in	<u>56,985,979</u>	<u>56,985,979</u>	<u>56,982,491</u>	<u>(3,488)</u>
Net change in fund balance	<u>\$ -</u>	<u>-</u>	<u>3,358,347</u>	<u>3,358,347</u>
Fund balance at June 30, 2020			<u>3,308,551</u>	
Fund balance at June 30, 2021			<u>\$ 6,666,898</u>	

City of Newport News, Virginia
Combining Statement of Net Position
Nonmajor Component Units
June 30, 2021

	Peninsula Airport Commission	Economic and Industrial Development Authorities	Total Nonmajor Component Units
Assets			
Current assets:			
Cash and cash equivalents	\$ 2,931,084	4,498,485	7,429,569
Restricted cash	-	15,191,141	15,191,141
Receivables:			
Accounts	82,737	666,950	749,687
Loans	1,380,652	66,032	1,446,684
Other	-	458,764	458,764
Other current assets	240,494	-	240,494
Total current assets	<u>4,634,967</u>	<u>20,881,372</u>	<u>25,516,339</u>
Restricted cash and cash equivalents	11,661,468	2,626,377	14,287,845
Deposits with Management Company	-	322,022	322,022
Receivables:			
Loans	-	970,901	970,901
Accounts, notes & grants	-	6,641,654	6,641,654
Land held for lease or resale	-	35,363,639	35,363,639
Property, plant and equipment:			
Land	6,808,770	-	6,808,770
Construction in progress	1,761,977	10,159,625	11,921,602
Infrastructure	-	2,543,500	2,543,500
Buildings	-	201,667,374	201,667,374
Improvements	-	19,700,793	19,700,793
Airfield	93,452,411	-	93,452,411
Terminal	89,624,700	-	89,624,700
Trailer park and rental units	1,548,885	-	1,548,885
Machinery and equipment	7,070,965	84,674	7,155,639
Less accumulated depreciation	<u>(122,187,327)</u>	<u>(85,010,754)</u>	<u>(207,198,081)</u>
Total assets	<u>94,376,816</u>	<u>215,951,177</u>	<u>310,327,993</u>
Deferred outflows of resources			
Pension deferrals	483,850	-	483,850
OPEB deferrals	375,656	-	375,656
Deferred amount on refunding	-	2,995,968	2,995,968
Total deferred outflows of resources	<u>859,506</u>	<u>2,995,968</u>	<u>3,855,474</u>
Liabilities			
Current liabilities:			
Accounts payable	1,808,406	2,252,468	4,060,874
Accrued liabilities	394,641	48,672	443,313
Deposits	28,537	-	28,537
Bonds and notes payable	566,183	9,293,643	9,859,826
Total current liabilities	<u>2,797,767</u>	<u>11,594,783</u>	<u>14,392,550</u>
Notes payable	-	6,785,459	6,785,459
Bonds payable	5,866,718	51,052,194	56,918,912
Net pension liability	462,777	-	462,777
Net OPEB liability	4,118,187	-	4,118,187
Total liabilities	<u>13,245,449</u>	<u>69,432,436</u>	<u>82,677,885</u>
Deferred inflows of resources			
OPEB deferrals	3,310,993	-	3,310,993
Net position			
Net investment in capital assets	71,647,480	85,009,885	156,657,365
Restricted for:			
Capital projects	12,538,838	16,124,180	28,663,018
Capital loans	-	1,644,666	1,644,666
Unrestricted	<u>(5,506,438)</u>	<u>46,735,978</u>	<u>41,229,540</u>
Total net position	<u>\$ 78,679,880</u>	<u>149,514,709</u>	<u>228,194,589</u>

City of Newport News, Virginia
Statement of Revenues, Expenses and Changes in Net Position
Nonmajor Component Units
Year ended June 30, 2021

	Peninsula Airport Commission	Economic and Industrial Development Authorities	Total Nonmajor Component Units
Operating revenues:			
Charges for services	\$ 4,527,524	-	4,527,524
Property rentals	-	5,995,216	5,995,216
Parking contributions	-	183,762	183,762
Parking Authority revenues	-	864,323	864,323
Intergovernmental - Primary Government	-	13,999,220	13,999,220
Total operating revenues	<u>4,527,524</u>	<u>21,042,521</u>	<u>25,570,045</u>
Operating expenses:			
Personal services	3,659,898	794,150	4,454,048
Contractual services	1,788,158	7,036,403	8,824,561
Materials and supplies	809,062	414,931	1,223,993
Depreciation and amortization	7,888,361	5,877,699	13,766,060
Rental expenses	-	1,240,269	1,240,269
Miscellaneous	2,153	812,700	814,853
Total operating expenses	<u>14,147,632</u>	<u>16,176,152</u>	<u>30,323,784</u>
Operating income (loss)	<u>(9,620,108)</u>	<u>4,866,369</u>	<u>(4,753,739)</u>
Nonoperating revenues (expenses):			
Federal grants	2,478,952	-	2,478,952
Interest revenue	1,516	279,977	281,493
Bond and admin fee income	-	134,972	134,972
Interest expense	(271,442)	(2,045,543)	(2,316,985)
Letter of credit and trustee fees	-	(51,650)	(51,650)
Other revenues	1,827	244,752	246,579
Governor's opportunity grants	-	480,000	480,000
Total non-operating revenues (expenses), net	<u>2,210,853</u>	<u>(957,492)</u>	<u>1,253,361</u>
Gain (loss) before capital contributions and extraordinary item	<u>(7,409,255)</u>	<u>3,908,877</u>	<u>(3,500,378)</u>
Capital contributions, net	<u>5,177,358</u>	<u>-</u>	<u>5,177,358</u>
Change in net position	<u>(2,231,897)</u>	<u>3,908,877</u>	<u>1,676,980</u>
Net position at June 30, 2020	<u>80,911,777</u>	<u>145,605,832</u>	<u>226,517,609</u>
Net position at June 30, 2021	<u>\$ 78,679,880</u>	<u>149,514,709</u>	<u>228,194,589</u>

City of Newport News, Virginia
Statement of Cash Flows
Nonmajor Component Units
Year ended June 30, 2021

	Peninsula Airport Commission	Economic and Industrial Development Authorities	Total Nonmajor Component Units
Cash flows from operating activities:			
Receipts from customers	\$ 4,941,667	21,789,869	26,731,536
Payments to suppliers	(1,369,221)	(9,128,931)	(10,498,152)
Payments to employees	(3,658,482)	(794,150)	(4,452,632)
Receipts from loans and mortgages	-	60,895	60,895
Net cash provided by operating activities	(86,036)	11,927,683	11,841,647
Cash flows used in noncapital financing activities:			
Noncapital contributions from federal grants	2,478,952	-	2,478,952
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(4,254,768)	(979,910)	(5,234,678)
Contributed capital	4,619,186	-	4,619,186
Repayment and retirement of long-term debt, net	(544,313)	(28,563,594)	(29,107,907)
Proceeds from issuance of industrial bonds and notes payable	-	19,560,102	19,560,102
Interest paid	(271,442)	(2,045,543)	(2,316,985)
Other revenue and expenses	1,305	328,074	329,379
Proceeds from debt refunding	-	277,202	277,202
Proceeds from primary government	-	480,000	480,000
Net cash provided by (used in) capital and related financing activities	(450,032)	(10,943,669)	(11,393,701)
Cash flows from investing activities:			
Interest received	3,343	279,977	283,320
Loans issued	-	(792,449)	(792,449)
Decrease in restricted investments, net	(817,934)	-	(817,934)
Net cash provided (used) by investing activities	(814,591)	(512,472)	(1,327,063)
Increase (decrease) in cash and cash equivalents	1,128,293	471,542	1,599,835
Cash, cash equivalents and restricted cash at beginning of year	1,802,791	21,844,461	23,647,252
Cash, cash equivalents and restricted cash at end of year	2,931,084	22,316,003	25,247,087
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating Income (Loss)	(9,620,108)	4,866,369	(4,753,739)
Adjustment to reconcile operating income (loss) to cash provided by operating activities:			
Depreciation and amortization	7,888,361	5,877,699	13,766,060
Changes in assets and liabilities:			
Accounts receivable	149,585	-	149,585
Accounts payable, accrued liabilities and leases payable	1,654,591	1,001,225	2,655,816
Deferred/Unearned revenues	-	(43,742)	(43,742)
Net pension liability and related deferred inflows/outflows of resources	43,958	-	43,958
Net GLI OPEB liability and related deferred inflows/outflows of resources	(202,242)	-	(202,242)
Other receivables	-	270,217	270,217
Prepaid assets	(181)	-	(181)
Changes in land inventory	-	(104,980)	(104,980)
Mortgages receivable	-	60,895	60,895
Net cash provided by operating activities	\$ (86,036)	11,927,683	11,841,647
Supplemental disclosure:			
Noncash investing and financing activities:			
Contributed capital funded by accounts receivable	\$ 1,380,652	-	1,380,652

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City of Newport News, Virginia
Combining Statement of Fiduciary Net Position
Trust Funds
June 30, 2021

	Line of Duty Act			
	Benefit Fund	Pension Fund	OPEB Fund	Total
Assets				
Cash and cash equivalents	\$ 171,515	11,080,351	1,255,166	12,507,032
Cash and cash equivalents with trustee	123,571	6,276,304	176,174	6,576,049
Investments, at fair value:				
Debt securities	682,292	67,757,988	4,426,068	72,866,348
Equity investments	1,283,239	364,884,617	32,047,263	398,215,119
Private equities	-	54,348,213	-	54,348,213
Bond mutual fund	-	142,986,501	7,179,491	150,165,992
Commingled equity fund	1,212,827	408,002,091	4,742,116	413,957,034
Real assets	-	96,067,794	-	96,067,794
Due from other components	-	348,487	-	348,487
Sales receivable	2	686,498	1	686,501
Total assets	<u>3,473,446</u>	<u>1,152,438,844</u>	<u>49,826,279</u>	<u>1,205,738,569</u>
Liabilities				
Accounts payable	218,068	145,513	1,156,855	1,520,436
Due to City	-	-	506,061	506,061
Purchases payable	-	152,139	-	152,139
Total liabilities	<u>218,068</u>	<u>297,652</u>	<u>1,662,916</u>	<u>2,178,636</u>
Net Position				
Assets held in trust				
Restricted for pension and OPEB benefits	-	1,152,141,192	48,163,363	1,200,304,555
Restricted for LODA benefits	<u>3,255,378</u>	<u>-</u>	<u>-</u>	<u>3,255,378</u>
Total net position	<u>\$ 3,255,378</u>	<u>1,152,141,192</u>	<u>48,163,363</u>	<u>1,203,559,933</u>

City of Newport News, Virginia
Combining Statement of Changes in Fiduciary Net Position
Trust Funds
Year ended June 30, 2021

	Line of Duty Act			
	Benefit Fund	Pension Fund	OPEB Fund	Total
Additions:				
Employer contributions:				
City General Fund	\$ 250,000	28,807,796	7,235,750	36,293,546
Waterworks Fund	-	3,380,944	1,004,250	4,385,194
School Operating Fund	-	8,485,299	-	8,485,299
Employee contributions:				
City General Fund	-	3,676,356	-	3,676,356
Waterworks Fund	-	483,644	-	483,644
School Operating Fund	-	488,952	-	488,952
Other contributions:				
Income from leave exchange	-	136,338	-	136,338
Employee buy-back	-	1,368	-	1,368
Total contributions	<u>250,000</u>	<u>45,460,697</u>	<u>8,240,000</u>	<u>53,950,697</u>
Investment income:				
Net depreciation - bonds	(7,195)	(1,466,805)	(106,278)	(1,580,278)
Net appreciation - stocks	699,695	265,545,794	11,689,822	277,935,311
Interest	632	1,934,692	2,416	1,937,740
Dividends	51,718	4,961,580	699,221	5,712,519
Real estate operating income	-	11,504,617	-	11,504,617
Commission recapture	-	5,549	-	5,549
Other investment income	-	21,263	-	21,263
Total investment income	<u>744,850</u>	<u>282,506,690</u>	<u>12,285,181</u>	<u>295,536,721</u>
Less investment expenses	<u>-</u>	<u>(2,264,636)</u>	<u>(18,931)</u>	<u>(2,283,567)</u>
Net investment gain	<u>744,850</u>	<u>280,242,054</u>	<u>12,266,250</u>	<u>293,253,154</u>
Total additions	<u>994,850</u>	<u>325,702,751</u>	<u>20,506,250</u>	<u>347,203,851</u>
Deductions:				
Benefits paid to participants	398,312	90,458,552	8,156,651	99,013,515
Refunds of member contributions	-	44,888	-	44,888
Administrative expenses	6,000	1,158,084	50,800	1,214,884
Total deductions	<u>404,312</u>	<u>91,661,524</u>	<u>8,207,451</u>	<u>100,273,287</u>
Change in net position	590,538	234,041,227	12,298,799	246,930,564
Net position held in trust for retirement benefits at June 30, 2020	<u>2,664,840</u>	<u>918,099,965</u>	<u>35,864,564</u>	<u>956,629,369</u>
Net position held in trust for retirement benefits at June 30, 2021	<u>\$ 3,255,378</u>	<u>1,152,141,192</u>	<u>48,163,363</u>	<u>1,203,559,933</u>

City of Newport News, Virginia
Combining Statement of Fiduciary Net Position
Custodial Funds
June 30, 2021

	GPWDC	Regional Homeless Commission	Hampton User Fee	Special Welfare Foster Care	Total
Assets					
Cash and cash equivalents	\$ -	18,075	7,692,076	10,629	7,720,780
Accounts receivable	800,008	11,232	3,718,476	-	4,529,716
Total assets	800,008	29,307	11,410,552	10,629	12,250,496
Liabilities					
Accounts payable	595,860	27,319	1,857,933	7,427	2,488,539
Accrued Liabilities	49,073	-	-	-	49,073
Deposits	-	-	-	3,202	3,202
Total liabilities	644,933	27,319	1,857,933	10,629	2,540,814
Net Position					
Restricted for custodial funds	155,075	1,988	9,552,619	-	9,709,682
Total net position	\$ 155,075	1,988	9,552,619	-	9,709,682

City of Newport News, Virginia
Combining Statement of Changes in Fiduciary Net Position
Custodial Funds
Year ended June 30, 2021

	GPWDC	Regional Homeless Commission	Hampton User Fee	Special Welfare Foster Care	Total
Additions:					
Contributions					
Federal	\$ 3,376,680	-	-	-	3,376,680
Local	-	109,504	-	-	109,504
Other Additions:					
Payments collected for other localities	-	-	23,182,839	-	23,182,839
Total additions	<u>3,376,680</u>	<u>109,504</u>	<u>23,182,839</u>	<u>-</u>	<u>26,669,023</u>
Deductions					
Personal services	1,277,284	-	-	-	1,277,284
Contractual services	1,281,583	136,594	-	-	1,418,177
Equipment & Materials	36,147	-	-	-	36,147
Youth Workforce	681,933	-	-	-	681,933
Travel	6,854	-	-	-	6,854
Property rental	93,109	-	-	-	93,109
Payments collected for other localities	-	-	21,311,333	-	21,311,333
Miscellaneous	24,752	-	-	-	24,752
Total deductions	<u>3,401,662</u>	<u>136,594</u>	<u>21,311,333</u>	<u>-</u>	<u>24,849,589</u>
Change in net position	(24,982)	(27,090)	1,871,506	-	1,819,434
Fiduciary net position at June 30, 2020, as restated	180,057	29,078	7,681,113	-	7,890,248
Fiduciary net position at June 30, 2021	<u>\$ 155,075</u>	<u>1,988</u>	<u>9,552,619</u>	<u>-</u>	<u>9,709,682</u>

Statistical Section

This part of the City's annual comprehensive 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 government's overall financial health.

<u>Contents</u>	<u>Page</u>
Financial Trends	132
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	
Revenue Capacity	138
These schedules contain information to help the reader assess the factors affecting the City's ability to generate its property and sales taxes.	
Debt Capacity	143
These schedules present information to help the reader assess the affordability of the City's current level of outstanding debt and the City's ability to issue additional debt in the future.	
Demographic and Economic Information	148
These schedules 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	150
These schedules 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 annual comprehensive financial reports for the relevant year.

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City of Newport News, Virginia
Net Position by Component
Last Ten Fiscal Years
(Accrual basis of accounting)

	Fiscal Year									
	2021	2020	2019	2018	2017	2016	2015*	2014	2013	2012
Governmental activities:										
Net investment in capital assets	\$ 492,496,633	\$ 488,226,033	\$ 473,716,004	\$ 434,506,011	\$ 403,502,237	\$ 384,685,456	\$ 362,541,053	\$ 344,253,405	\$ 331,677,129	\$ 311,394,219
Restricted	52,189,356	47,211,010	34,772,461	28,002,362	19,682,760	19,333,167	15,441,843	11,105,034	9,396,408	10,732,493
Unrestricted (deficit)	(174,161,943)	(241,498,691)	(250,348,726)	(263,060,889)	(226,610,632)	(202,853,172)	(201,104,209)	(169,541,405)	(165,087,764)	(141,023,569)
Total governmental activities net position	<u>\$ 370,524,046</u>	<u>\$ 293,938,352</u>	<u>\$ 258,139,739</u>	<u>\$ 199,447,484</u>	<u>\$ 196,574,365</u>	<u>\$ 201,165,451</u>	<u>\$ 176,878,687</u>	<u>\$ 185,817,034</u>	<u>\$ 175,985,773</u>	<u>\$ 181,103,143</u>
Business-type activities:										
Net investment in capital assets	\$ 354,046,458	\$ 342,269,437	\$ 332,048,472	\$ 321,533,379	\$ 312,211,263	\$ 299,063,108	\$ 284,602,082	\$ 243,541,418	\$ 232,313,434	\$ 257,644,908
Restricted	-	-	-	-	-	-	-	28,007,541	30,427,669	-
Unrestricted	44,316,246	34,608,100	19,864,260	11,132,237	9,195,280	3,558,442	1,951,106	27,165,354	21,103,436	19,485,138
Total business-type activities net position	<u>\$ 398,362,704</u>	<u>\$ 376,877,537</u>	<u>\$ 351,912,732</u>	<u>\$ 332,665,616</u>	<u>\$ 321,406,543</u>	<u>\$ 302,621,550</u>	<u>\$ 286,553,188</u>	<u>\$ 298,714,313</u>	<u>\$ 283,844,539</u>	<u>\$ 277,130,046</u>
Primary Government:										
Net investment in capital assets	\$ 846,543,091	\$ 830,495,470	\$ 805,764,476	\$ 756,039,390	\$ 715,713,500	\$ 683,748,564	\$ 647,143,135	\$ 587,794,823	\$ 563,990,563	\$ 569,039,127
Restricted	52,189,356	47,211,010	34,772,461	28,002,362	19,682,760	19,333,167	15,441,843	39,112,575	39,824,077	10,732,493
Unrestricted (deficit)	(129,845,697)	(206,890,591)	(230,484,466)	(251,928,652)	(217,415,352)	(199,294,730)	(199,153,103)	(142,376,051)	(143,984,328)	(121,538,431)
Total Primary Government net position	<u>\$ 768,886,750</u>	<u>\$ 670,815,889</u>	<u>\$ 610,052,471</u>	<u>\$ 532,113,100</u>	<u>\$ 517,980,908</u>	<u>\$ 503,787,001</u>	<u>\$ 463,431,875</u>	<u>\$ 484,531,347</u>	<u>\$ 459,830,312</u>	<u>\$ 458,233,189</u>

Note: * Implementation of GASB 68

City of Newport News, Virginia
Changes in Net Position
Last Ten Fiscal Years
(Accrual basis of accounting)

	Fiscal Year									
	2021****	2020	2019	2018***	2017	2016	2015**	2014*	2013	2012
Program revenues										
Governmental activities:										
Charges for services:										
Public works	\$ 59,878,417	\$ 57,827,597	\$ 60,027,815	\$ 57,160,432	\$ 55,846,420	\$ 54,559,279	\$ 52,316,287	\$ 45,729,958	\$ 40,889,684	\$ 37,095,768
All others	29,236,669	30,154,634	31,176,856	30,035,422	29,954,030	28,819,222	29,469,594	27,341,075	27,279,880	26,264,076
Operating grants and contributions	66,472,506	37,789,099	30,452,406	39,075,745	40,933,661	41,835,794	41,537,105	41,230,144	39,249,011	41,429,302
Capital grants and contributions	25,828,575	20,198,403	38,072,400	30,410,059	16,980,158	9,891,763	9,852,965	8,261,793	6,482,329	4,966,923
Total governmental activities program revenues	181,416,167	145,969,733	159,729,477	156,681,658	143,714,269	135,106,058	133,175,951	122,562,970	113,900,904	109,756,069
Business-type activities:										
Charges for services	98,809,975	96,293,903	95,343,639	99,350,705	91,990,145	89,992,744	88,819,826	85,580,834	76,099,474	73,337,822
Operating/Capital grants and contributions	2,411,869	3,296,665	2,396,486	3,986,319	2,263,856	3,352,599	2,434,032	2,327,993	2,811,556	3,475,356
Total business-type activities program revenues	101,221,844	99,590,568	97,740,125	103,337,024	94,254,001	93,345,343	91,253,858	87,908,827	78,911,030	76,813,178
Total Primary Government program revenues	282,638,011	245,560,301	257,469,602	260,018,682	237,968,270	228,451,401	224,429,809	210,471,797	192,811,934	186,569,247
Expenses										
Governmental activities:										
General government	105,028,091	97,951,315	104,489,210	99,745,558	110,180,530	105,287,988	95,389,412	98,295,537	85,544,610	53,687,583
Judicial administration	8,327,279	7,986,323	8,087,466	7,996,313	8,150,550	7,000,968	6,705,580	6,801,427	6,779,007	7,796,103
Public safety	143,534,390	131,166,279	126,206,588	123,683,767	128,952,047	117,228,275	112,771,624	116,029,097	113,305,100	131,544,707
Public works	77,355,328	76,409,250	78,239,758	76,410,545	85,577,272	77,766,098	70,465,462	72,201,809	70,293,521	76,076,207
Health and welfare	55,695,474	46,638,368	46,245,011	45,434,568	44,848,871	41,363,323	39,218,507	40,894,433	42,283,290	49,131,969
Education	135,102,119	148,705,527	122,254,884	132,474,462	138,929,299	121,829,209	147,634,659	119,743,781	116,592,925	117,566,704
Parks, recreation and culture	32,861,435	33,639,682	33,704,442	33,766,228	35,237,952	32,294,586	31,522,216	32,804,044	34,050,686	34,690,901
Community development	15,491,592	13,479,394	11,669,637	11,298,553	11,180,081	11,490,635	7,371,121	9,764,564	11,194,312	8,743,779
Interest and other fiscal charges	21,713,471	22,116,492	20,959,483	20,083,955	19,860,527	20,545,591	20,497,054	20,607,931	22,927,201	25,545,336
Total governmental activities expenses	595,109,179	578,092,630	551,856,479	550,893,949	582,917,129	534,806,673	531,575,635	517,142,623	502,970,652	504,783,289
Business-type activities:										
Public utilities	71,951,302	67,808,624	72,132,481	74,291,178	67,605,709	69,011,682	64,775,097	63,629,010	62,502,189	65,287,629
Total business-type activities expenses	71,951,302	67,808,624	72,132,481	74,291,178	67,605,709	69,011,682	64,775,097	63,629,010	62,502,189	65,287,629
Total Primary Government expenses	667,060,481	645,901,254	623,988,960	625,185,127	650,522,838	603,818,355	596,350,732	580,771,633	565,472,841	570,070,918
Net revenue/(expenses)										
Governmental activities	(413,693,012)	(432,122,897)	(392,127,002)	(394,212,291)	(439,202,860)	(399,700,615)	(398,399,684)	(394,579,653)	(389,069,748)	(395,027,220)
Business-type activities	29,270,542	31,781,944	25,607,644	29,045,846	26,648,292	24,333,661	26,478,761	24,279,817	16,408,841	11,525,549
Total Primary Government	\$(384,422,470)	\$(400,340,953)	\$(366,519,358)	\$(365,166,445)	\$(412,554,568)	\$(375,366,954)	\$(371,920,923)	\$(370,299,836)	\$(372,660,907)	\$(383,501,671)

City of Newport News, Virginia
Changes in Net Position
Last Ten Fiscal Years
(Accrual basis of accounting)

	Fiscal Year									
	2021****	2020	2019	2018***	2017	2016	2015**	2014*	2013	2012
General revenues and other changes in net assets										
Governmental activities:										
General property taxes	\$ 300,491,142	\$ 285,824,042	\$ 277,522,739	\$ 265,622,961	\$ 261,245,586	\$ 256,787,386	\$ 250,847,834	\$ 246,119,180	\$ 229,811,554	\$ 229,194,920
Other taxes	112,282,967	105,856,537	107,764,452	105,492,219	103,889,921	102,082,792	100,362,448	96,418,092	96,537,561	91,744,426
Grants and contributions not restricted to specific programs	47,820,669	48,196,050	47,239,111	46,117,575	44,482,705	43,217,511	43,235,474	42,216,776	41,481,654	47,106,347
Investment earnings	3,144,359	5,717,414	6,240,402	4,345,961	3,102,177	2,688,086	2,438,265	2,293,272	2,328,310	2,270,634
Special item: Loss on extinguishment	-	-	(10,155,757)	-	-	-	-	-	-	-
Miscellaneous	16,026,872	12,827,467	12,708,310	14,270,016	12,391,385	9,711,606	10,542,858	9,358,360	3,902,299	8,441,859
Transfers	9,500,000	9,500,000	9,500,000	9,500,000	9,500,000	9,500,000	9,500,000	9,391,000	9,891,000	9,891,000
Total governmental activities	489,266,009	467,921,510	450,819,257	445,348,732	434,611,774	423,987,381	416,926,879	405,796,680	383,952,378	388,649,186
Business-type activities:										
Investment earnings	283,132	1,352,718	1,684,370	1,033,077	454,799	276,491	167,947	153,241	196,652	213,743
Miscellaneous	1,431,493	1,330,144	1,455,102	1,474,323	1,181,902	958,210	962,131	717,187	-	-
Transfers	(9,500,000)	(9,500,000)	(9,500,000)	(9,500,000)	(9,500,000)	(9,500,000)	(9,500,000)	(9,391,000)	(9,891,000)	(9,891,000)
Total business-type activities	(7,785,375)	(6,817,138)	(6,360,528)	(6,992,600)	(7,863,299)	(8,265,299)	(8,369,922)	(8,520,572)	(9,694,348)	(9,677,257)
Total Primary Government	481,480,634	461,104,372	444,458,729	438,356,132	426,748,475	415,722,082	408,556,957	397,276,108	374,258,030	378,971,929
Change in net position										
Governmental activities	75,572,997	35,798,613	58,692,255	51,136,441	(4,591,086)	24,286,766	18,527,195	11,217,027	(5,117,370)	(6,378,034)
Business-type activities	21,485,167	24,964,806	19,247,116	22,053,246	18,784,993	16,068,362	18,108,839	15,759,245	6,714,493	1,848,292
Total Primary Government	\$ 97,058,164	\$ 60,763,419	\$ 77,939,371	\$ 73,189,687	\$ 14,193,907	\$ 40,355,128	\$ 36,636,034	\$ 26,976,272	\$ 1,597,123	\$ (4,529,742)

Note: * Implementation of GASB 65

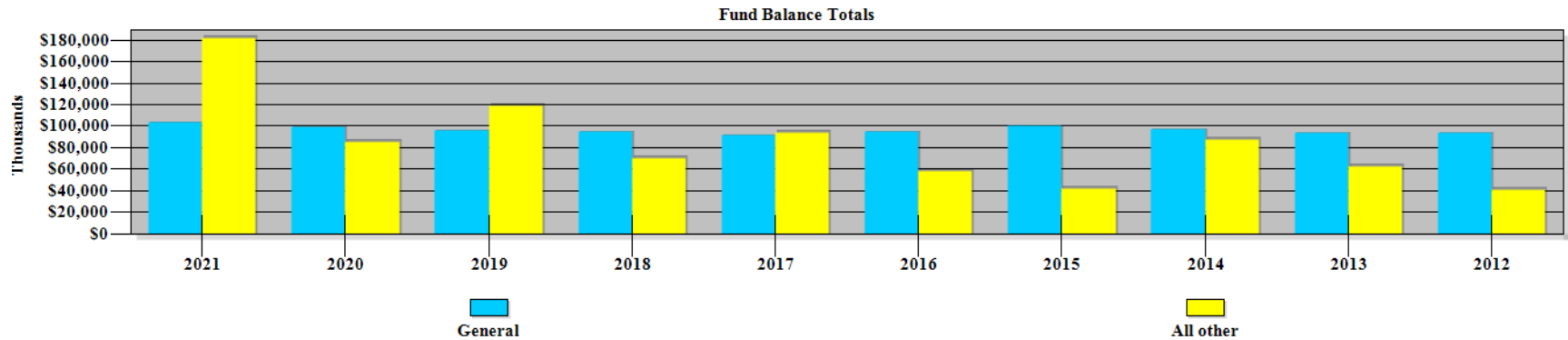
** Implementation of GASB 68

*** Implementation of GASB 75

**** Implementation of GASB 84

City of Newport News, Virginia
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified accrual basis of accounting)

	Fiscal Year									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
General fund										
Nonspendable	\$ 1,527,891	1,302,189	1,177,088	11,427,627	11,519,118	11,436,689	11,541,956	11,370,286	12,862,783	15,412,699
Restricted	613,622	596,452	596,452	437,862	322,798	224,814	133,554	90,649	563,863	2,013,986
Assigned	29,818,238	26,709,811	27,739,746	25,939,296	28,279,733	31,855,250	39,089,271	38,415,687	34,939,767	34,656,608
Unassigned	71,376,473	70,612,462	66,498,760	56,876,979	51,711,616	51,054,853	49,692,460	47,366,583	45,353,317	41,364,679
Total general fund	\$ 103,336,224	99,220,914	96,012,046	94,681,764	91,833,265	94,571,606	100,457,241	97,243,205	93,719,730	93,447,972
All other governmental funds										
Unreserved, reported in:										
Nonspendable	6,593	6,108	6,869	4,708	-	-	-	-	-	-
Restricted	115,660,611	65,830,651	94,628,279	48,257,170	74,987,521	37,764,123	30,414,816	56,269,407	32,442,547	24,773,693
Committed	66,176,448	34,144,958	24,654,169	22,255,786	19,575,222	20,806,270	32,354,805	30,841,880	30,148,309	32,951,026
Assigned	-	-	53,698	-	15,223	-	-	-	92,000	-
Unassigned	(47,514)	(14,650,258)	(220,636)	(497,643)	(368,067)	(429,701)	(20,674,947)	-	-	(17,129,925)
Total all other governmental funds	\$ 181,796,138	\$ 85,331,459	\$ 119,122,379	\$ 70,020,021	\$ 94,209,899	\$ 58,140,692	\$ 42,094,674	\$ 87,111,287	\$ 62,682,856	\$ 40,594,794



City of Newport News, Virginia
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years
(Modified accrual basis of accounting)
(in thousands of dollars)

	Fiscal Year									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Revenues										
General property taxes	\$ 297,407	\$ 284,634	\$ 276,236	\$ 266,110	\$ 261,130	\$ 256,442	\$ 248,297	\$ 245,531	\$ 228,025	\$ 229,353
Other local taxes	112,283	105,857	107,764	105,492	103,890	102,083	100,362	96,418	96,538	91,744
Licenses and permits	2,820	3,225	4,019	4,006	3,724	3,413	3,866	3,433	2,803	3,645
Fines and forfeitures	1,243	1,400	1,834	1,741	1,727	1,517	2,247	2,599	2,984	2,697
Intergovernmental	138,915	105,190	111,959	113,955	99,943	92,433	92,649	90,606	86,344	93,076
Charges for services	82,823	80,240	82,630	79,547	78,390	76,208	73,593	64,421	59,179	54,895
Interest and rent	3,114	5,591	6,108	4,280	3,065	2,669	2,425	2,285	2,322	2,264
Recovered costs	5,049	6,342	6,741	5,908	5,683	5,654	5,946	6,051	6,007	5,768
Miscellaneous	9,434	6,100	5,703	7,296	6,000	4,211	4,348	3,596	3,810	3,034
Total revenues	653,088	598,579	602,994	588,335	563,552	544,630	533,733	514,940	488,012	486,476
Expenditures										
General government	102,226	96,280	93,951	92,769	91,034	94,516	83,730	77,930	76,785	50,109
Judicial administration	7,770	7,551	7,588	7,436	7,225	6,442	6,383	6,129	5,861	6,733
Public safety	139,354	128,755	122,534	119,923	118,558	113,199	111,415	107,104	100,419	116,183
Public works	64,381	65,822	67,468	65,966	71,256	67,487	61,926	59,511	55,527	60,806
Health and welfare	55,646	47,379	46,597	45,825	42,722	41,461	40,244	39,113	38,807	44,654
Education	118,752	130,104	116,183	128,632	130,697	120,300	140,727	117,890	119,362	123,007
Parks, recreation, and culture	29,616	30,878	30,394	30,170	30,047	28,396	27,984	26,637	26,829	27,421
Community Development	14,301	12,572	10,650	10,315	9,895	10,974	6,990	8,811	9,778	7,429
Debt service:										
Principal	33,303	33,267	34,662	33,690	40,085	38,000	38,687	38,295	35,123	36,792
Interest and other charges	22,166	22,685	20,046	19,683	19,995	20,670	19,499	21,690	22,426	25,424
Capital outlay	66,533	63,367	95,284	64,767	45,078	56,311	47,865	45,878	38,271	37,883
Total expenditures	654,048	638,660	645,357	619,176	606,592	597,756	585,450	548,988	529,188	536,441
Deficiency of revenues under expenditures	(960)	(40,081)	(42,363)	(30,841)	(43,040)	(53,126)	(51,717)	(34,048)	(41,176)	(49,965)

City of Newport News, Virginia
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years
(Modified accrual basis of accounting)
(in thousands of dollars)

	Fiscal Year									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Other financing sources (uses)										
Transfers in	\$ 104,662	\$ 90,511	\$ 80,999	\$ 70,054	\$ 71,696	\$ 70,403	\$ 73,313	\$ 69,806	\$ 64,854	\$ 63,980
Transfers out	(95,162)	(81,011)	(71,499)	(60,554)	(62,196)	(60,903)	(63,398)	(60,415)	(54,963)	(54,089)
Payment to refund bonds	(56,912)	-	-	-	-	(39,614)	-	(64,867)	-	(76,685)
Premium on refunded bonds	2,459	-	-	-	-	6,728	-	8,897	-	7,756
Refund bonds proceeds	54,785	-	-	-	-	33,190	-	56,115	-	69,335
Bond and note proceeds	77,000	-	85,795	-	59,455	48,890	-	45,000	51,905	42,121
Premium on bonds issuance	13,695	-	7,657	-	7,416	4,592	-	7,464	5,698	4,259
Contribution to PAC	-	-	-	-	-	-	-	-	(3,958)	-
Total other financing sources (uses), net	100,527	9,500	102,952	9,500	76,371	63,286	9,915	62,000	63,536	56,677
Special item										
Loss on extinguishment	-	-	(10,156)	-	-	-	-	-	-	-
Net change in fund balance	\$ 99,567	\$ (30,581)	\$ 50,433	\$ (21,341)	\$ 33,331	\$ 10,160	\$ (41,802)	\$ 27,952	\$ 22,360	\$ 6,712
Debt service as a percentage of noncapital expenditures *	9.3 %	9.7 %	9.7 %	9.5 %	10.4 %	10.6 %	10.6 %	11.5 %	11.3 %	12.5 %

* Corrected capitalized expenditure amounts that are used to determine debt service as a percentage of noncapital expenditures for fiscal years 2012 thru 2020.

City of Newport News, Virginia
Governmental Activities Tax Revenues by Source
Last Ten Fiscal Years
(Modified accrual basis of accounting)

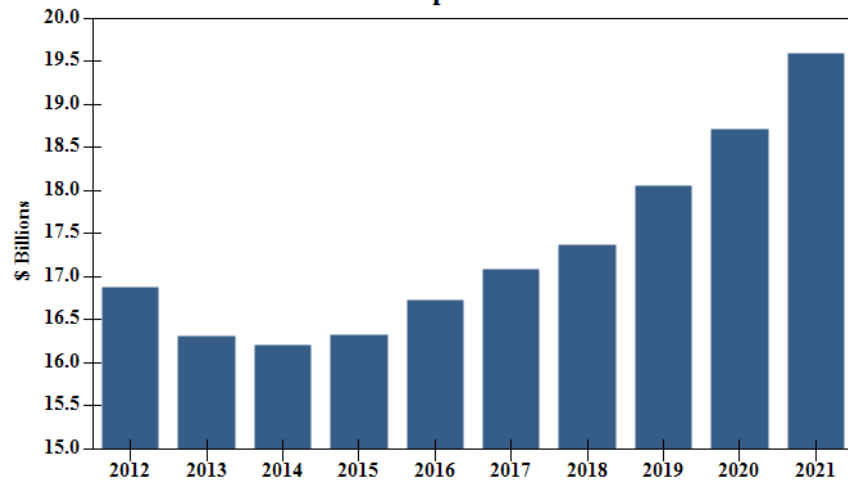
	Fiscal Year										% Change 2012-2021
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	
Revenues											
General property taxes	\$ 300,491,142	\$ 285,824,042	\$ 277,522,739	\$ 265,622,961	\$ 261,245,586	\$ 256,787,386	\$ 250,847,834	\$ 246,119,180	\$ 229,811,554	\$ 229,194,920	31.1 %
E-911 service	931,808	826,797	789,725	746,818	722,114	701,894	722,381	637,060	596,242	699,378	33.2 %
Telecom sales	8,738,029	9,613,963	9,982,359	10,685,005	11,012,699	11,289,782	11,679,829	11,697,528	11,992,112	11,681,054	(25.2)%
Sales tax	30,890,502	27,473,290	26,197,558	25,693,286	24,553,589	23,601,270	23,390,029	22,426,753	22,920,353	22,022,527	40.3 %
Utility tax	6,293,046	6,327,322	6,341,872	6,428,968	6,043,252	6,262,091	6,312,731	6,279,595	6,262,714	5,891,989	6.8 %
Consumption tax	690,110	663,636	696,656	554,807	904,868	669,850	714,814	709,174	700,021	653,430	5.6 %
Business license tax	19,472,960	18,397,725	18,015,385	17,239,148	16,762,176	16,383,239	16,360,314	15,750,751	16,200,207	16,109,141	20.9 %
Rental car tax	936,211	1,104,357	1,157,389	1,110,324	1,144,248	1,115,643	1,119,583	1,041,657	1,151,221	1,229,911	(23.9)%
Motor vehicle license tax	4,395,285	4,144,869	4,286,075	4,273,220	4,131,204	4,096,782	4,009,795	4,103,933	3,876,035	3,917,451	12.2 %
Bank stock tax	1,137,056	1,099,434	1,140,972	1,018,617	1,012,668	804,718	642,977	675,657	666,072	847,745	34.1 %
Recordation and wills tax	2,447,772	1,858,373	1,389,607	1,477,452	1,598,418	1,490,565	1,340,624	1,265,779	1,370,840	1,407,159	74.0 %
Tobacco tax	4,213,953	4,417,232	4,761,217	4,576,884	4,925,919	4,808,217	4,949,954	5,102,091	5,228,287	4,799,234	(12.2)%
Hotel and motel room tax	3,807,496	3,939,267	4,634,839	4,345,781	4,278,009	4,297,160	4,013,332	3,178,730	3,008,260	3,191,992	19.3 %
Restaurant food tax	27,936,394	25,233,838	27,364,800	26,263,697	25,757,894	25,551,404	24,136,927	22,873,051	22,082,728	18,835,979	48.3 %
Amusement tax	371,020	716,266	961,140	984,277	980,953	929,005	872,557	665,301	482,469	457,436	(18.9)%
Tourism zone tax	21,325	40,168	44,858	93,935	61,910	81,172	96,601	11,032	-	-	- %
Total taxes	\$ 412,774,109	\$ 391,680,579	\$ 385,287,191	\$ 371,115,180	\$ 365,135,507	\$ 358,870,178	\$ 351,210,282	\$ 342,537,272	\$ 326,349,115	\$ 320,939,346	28.6 %

City of Newport News, Virginia
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years
(in thousands of dollars)

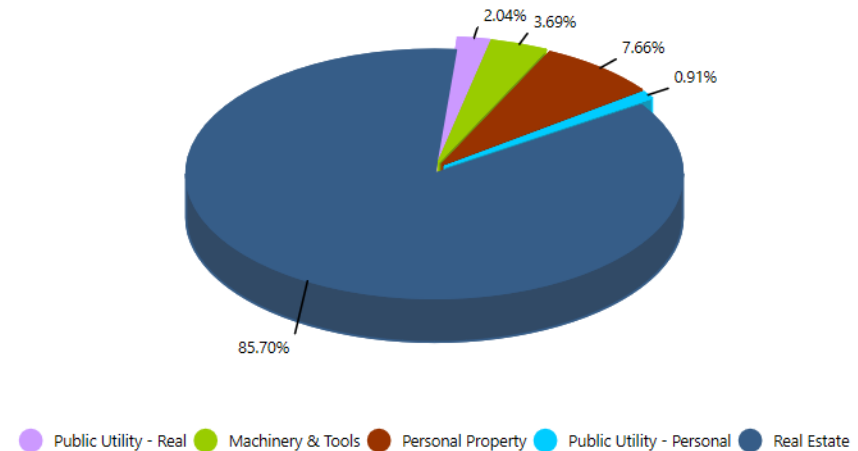
Fiscal Year	Real Property		Personal Property		Machinery and Tools		Public Utility		Less: Tax-Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value
							Real Estate	Personal Property				
2012	\$	18,342,224	\$	1,186,515	\$	468,330	\$ 339,790	\$ 163,940	\$ (3,622,298)	\$ 16,878,501	\$ 1.41	\$ 20,500,799
2013		17,744,690		1,221,798		486,090	333,266	163,292	(3,641,733)	16,307,403	1.45	19,949,136
2014		17,768,798		1,248,199		507,497	353,179	156,714	(3,826,649)	16,207,738	1.41	20,034,387
2015		17,979,237		1,263,012		531,235	352,226	155,737	(3,962,290)	16,319,157	1.40	20,281,447
2016		18,396,884		1,322,984		543,091	349,931	157,772	(4,053,925)	16,716,737	1.42	20,770,662
2017		18,782,332		1,365,979		554,965	355,023	167,828	(4,143,466)	17,082,661	1.53	21,226,127
2018		21,798,305		1,371,461		587,738	379,115	158,661	(6,922,307)	17,372,973	1.53	24,295,280
2019		22,673,480		1,413,676		632,389	384,420	161,155	(7,208,716)	18,056,404	1.53	25,265,120
2020		23,354,976		1,469,804		676,110	382,243	174,906	(7,345,279)	18,712,760	1.53	26,058,039
2021		24,142,302		1,569,497		722,720	398,819	163,128	(7,402,271)	19,594,195	1.54	26,996,466

Source: City of Newport News Real Estate Assessors Office & Commissioner of the Revenue's Office

Values of Taxable Properties Last Ten Years



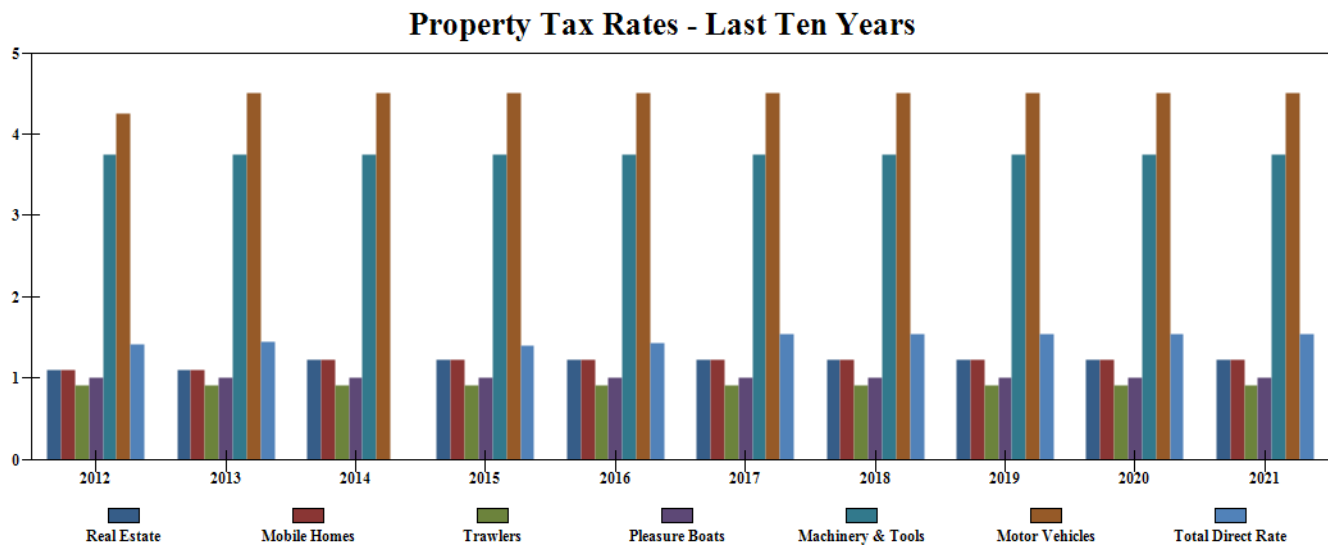
Types of Taxable Property 2021



City of Newport News, Virginia
Direct and Overlapping Property Taxes
Last Ten Fiscal Years
(Rate per \$100 of assessed value)

City Direct Rates							
Fiscal Year	Real Estate	Mobile Homes	Trawlers	Pleasure Boats	Machinery & Tools	Motor Vehicles	Total Direct Rate
2012	\$ 1.10	\$ 1.10	\$ 0.90	\$ 1.00	\$ 3.75	\$ 4.25	\$ 1.41
2013	1.10	1.10	0.90	1.00	3.75	4.50	1.45
2014	1.22	1.22	0.90	1.00	3.75	4.50	1.41
2015	1.22	1.22	0.90	1.00	3.75	4.50	1.40
2016	1.22	1.22	0.90	1.00	3.75	4.50	1.42
2017	1.22	1.22	0.90	1.00	3.75	4.50	1.53
2018	1.22	1.22	0.90	1.00	3.75	4.50	1.53
2019	1.22	1.22	0.90	1.00	3.75	4.50	1.53
2020	1.22	1.22	0.90	1.00	3.75	4.50	1.53
2021	1.22	1.22	0.90	1.00	3.75	4.50	1.54

Source: City of Newport News FY21 Adopted Operating Budget



City of Newport News, Virginia
Principal Property Tax Payers
Current Year and Nine Years Prior
(in thousands of dollars)

	2021		2012	
	Taxes Due based on Assessed Value	Percentage of Taxes Due	Taxes Due based on Assessed Value	Percentage of Taxes Due
Huntington Ingalls Incorporated	\$28,280	9.46%	\$16,471	7.05%
Canon Virginia Inc	5,615	1.88%	3,514	1.51%
The Mariners Museum	3,853	1.29%	1,625	0.70%
Virginia Electric & Power Company	3,451	1.15%	2,121	0.91%
Vitesco Technologies USA LLC	2,352	0.79%	-	-
Ferguson Enterprises Corp	2,033	0.68%	539	0.23%
PR Patrick Henry LLC	1,732	0.58%	1,505	0.64%
Virginia Natural Gas Inc	1,372	0.46%	641	0.27%
Verizon Virginia LLC	1,018	0.34%	1,430	0.61%
Pointe Hope LLC	1,004	0.34%	-	-
IREIT Newport News Tech Center LLC	906	0.30%	-	-
Liebherr America Inc	704	0.24%	-	-
Dominion Terminal Associates	688	0.23%	1,135	0.49%
RPAI US Management LLC	681	0.23%	-	-
Oyster Point Residential LLC	675	0.23%	448	0.19%
BRG Meridian Parkside LLC	616	0.21%	379	0.16%
Venture Newport News LLC	615	0.21%	-	-
Patrick Henry Hospital	610	0.20%	496	0.21%
Compass at City Center LLC	610	0.20%	-	-
Continental Automotive Systems US Inc	-	-	1,958	0.84%
Kinder Morgan Operating LP "C"	-	-	953	0.41%
Inland Western Newport News	-	-	724	0.31%
Bottle Group LLC	-	-	569	0.24%
Cox Communications Hampton Roads Inc	-	-	497	0.21%
DCO Realty Inc	-	-	459	0.20%
CSX Transportation	-	-	353	0.15%
Harbours LLC	-	-	334	0.15%
Total	<u>\$56,815</u>	<u>19.02%</u>	<u>\$36,151</u>	<u>15.48%</u>

Note: Figures include both personal property and real estate tax assessments for these taxpayers

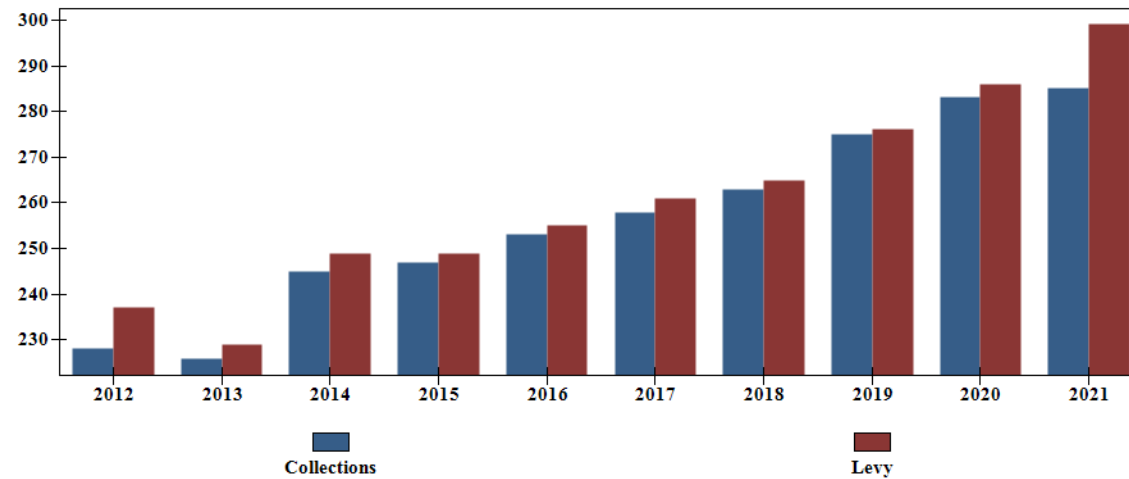
Source: City of Newport News Real Estate Assessors Office and Office of the Commissioner of Revenue

City of Newport News, Virginia
Property Tax Levies and Collections
Last Ten Fiscal Years
(in thousands of dollars)

Fiscal Year	Tax Levy	Current Year		Prior Year Amount	Collections in Subsequent Years	Total Collections for Year	
		Amount	% of Levy			Amount	% of Levy
2012	\$ 236,875	\$ 220,914	93.3%	-	\$ 7,550	\$ 228,464	96.4
2013	229,071	218,911	95.6%	-	7,267	226,178	98.7
2014	248,820	236,734	95.1%	-	8,340	245,074	98.5
2015	248,645	238,149	95.8%	-	9,199	247,348	99.5
2016	255,057	245,186	96.1%	-	7,917	253,103	99.2
2017	260,913	250,535	96.0%	-	7,873	258,408	99.0
2018	265,381	255,657	96.3%	-	7,626	263,283	99.2
2019	276,004	265,894	96.3%	-	9,432	275,326	99.8
2020	285,568	272,988	95.6%	-	10,061	283,049	99.1
2021	298,897	284,746	95.3%	-	Not Available	284,746	95.3

Property Tax Levy and Collections

in Millions



City of Newport News, Virginia
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
(Dollars in thousands, except per capita)

	Fiscal Year									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Population	N/A	186,247	178,626	179,388	181,825	182,385	182,965	182,020	180,726	180,719
Personal income	N/A	N/A	\$ 7,969,244	\$ 7,770,354	\$ 7,470,774	\$ 7,448,898	\$ 7,377,992	\$ 7,045,829	\$ 6,891,612	\$ 6,672,878
Governmental activities:										
General obligation bonds*	\$ 444,759	\$ 390,384	\$ 414,072	\$ 357,301	\$ 393,024	\$ 367,747	\$ 349,364	\$ 388,106	\$ 357,229	\$ 332,436
VRA*	-	-	13,393	15,270	17,282	19,530	22,129	24,728	27,228	29,583
VPSA*	-	-	728	1,075	1,413	1,741	2,430	3,099	3,749	4,382
Guaranty of Peninsula Airport bonds	-	-	-	-	-	-	-	-	-	4,180
Literary fund	2,529	2,940	3,359	3,779	4,199	4,619	5,038	5,458	5,878	6,298
Capital leases	-	-	-	99	211	320	434	571	-	-
Land lease payable	-	-	-	-	262	509	742	961	1,167	1,362
Land purchase payable	-	-	-	-	-	-	-	142	600	633
Business-type activities:										
Public Utility bonds	149,696	90,357	103,138	116,600	129,367	113,508	127,043	141,464	153,005	166,107
Total Primary Government	\$ 596,984	\$ 483,681	\$ 534,690	\$ 494,124	\$ 545,758	\$ 507,974	\$ 507,180	\$ 564,529	\$ 548,856	\$ 544,981
Percentage of personal income	N/A	N/A	6.7 %	6.4 %	7.3 %	6.8 %	6.9 %	8.0 %	8.0 %	8.2 %
Net bonded debt per capita	N/A	\$ 2,597	\$ 2,993	\$ 2,754	\$ 3,002	\$ 2,785	\$ 2,772	\$ 3,101	\$ 3,037	\$ 3,016

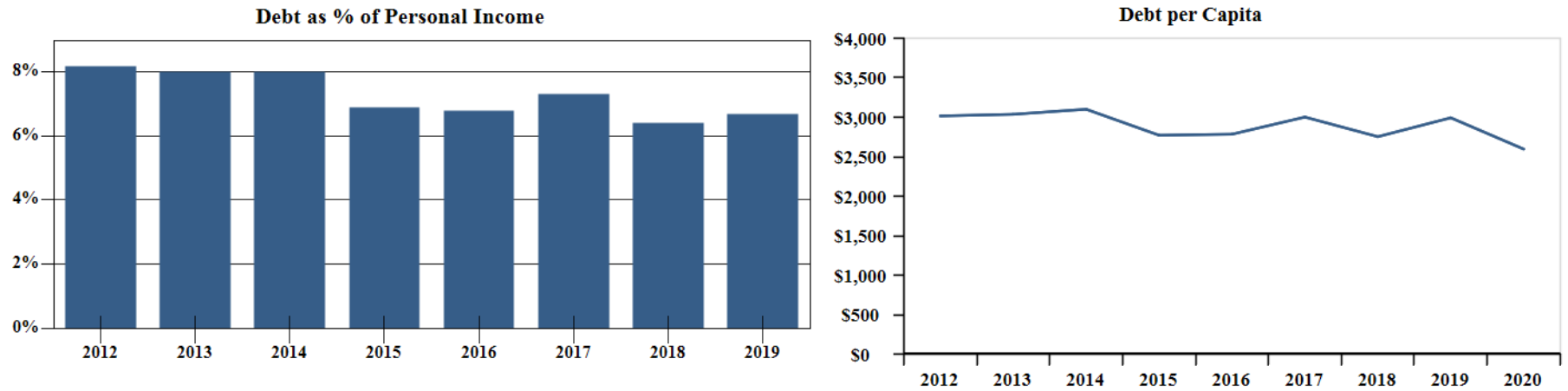
Balances include all outstanding debt of the Primary Government, including direct debt.

* Balances were reclassified to reflect implementation of GASB 88 in FY2019.

Source: Population figures are derived as follows: 2012 - 2019 Census Bureau estimates, 2020 (adjusted from that presented in prior year) from actual Decennial Census data.

N/A: Data currently not available.

City of Newport News, Virginia
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
(Dollars in thousands, except per capita)



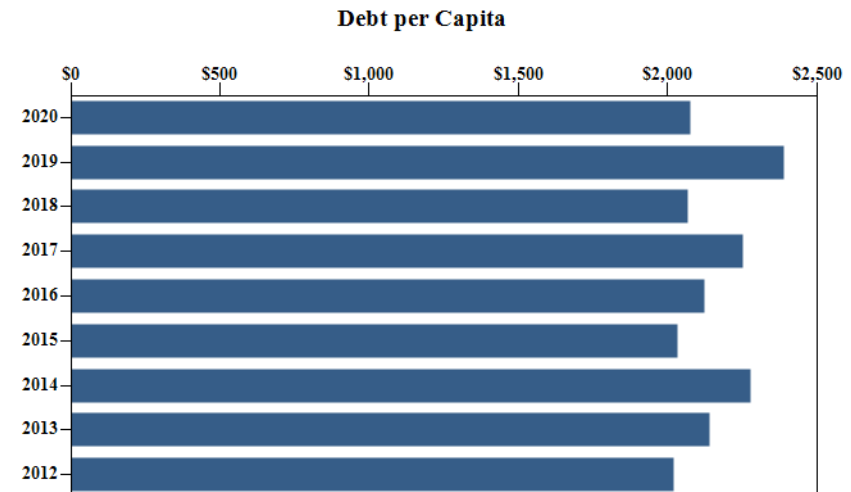
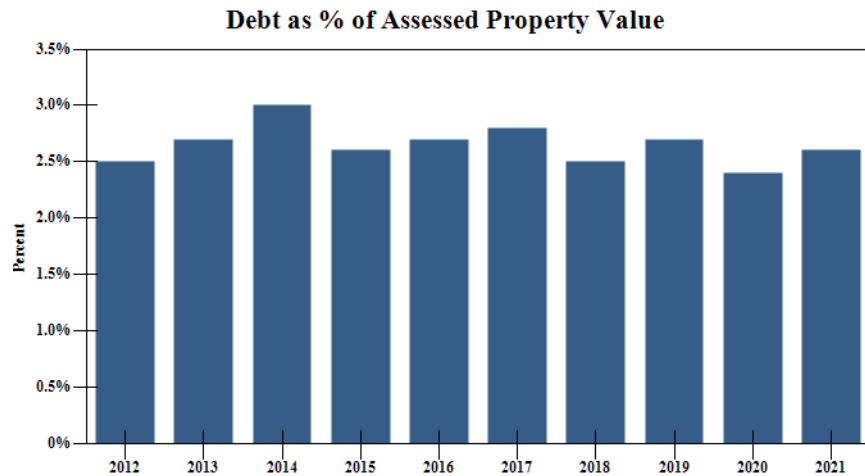
City of Newport News, Virginia
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years
(in thousands of dollars)

Fiscal Year	Population	Assessed Value of Real Property	General Obligation Bonds	Less Debt Service	Net Bonded Debt	Net Bonded Debt as % of Assessed Valuation	Net Bonded Debt per Capita
2012	180,719	\$ 14,768,666	\$ 366,401	\$ 1,184	\$ 365,217	2.5%	\$ 2,021
2013	180,726	14,150,367	388,206	1,375	386,831	2.7%	2,140
2014	182,020	13,996,117	415,933	1,560	414,373	3.0%	2,277
2015	182,965	14,072,307	373,923	1,739	372,184	2.6%	2,034
2016	182,385	14,393,093	389,018	1,924	387,094	2.7%	2,122
2017	181,825	14,702,701	411,719	2,096	409,623	2.8%	2,253
2018	179,388	14,939,690	373,646	2,277	371,369	2.5%	2,070
2019	178,626	15,521,734	428,193	1,461	426,732	2.7%	2,389
2020	186,247	16,068,910	390,384	3,309	387,075	2.4%	2,078
2021	N/A	16,805,965	444,759	6,667	438,092	2.6%	N/A

Source: Population figures are Census Bureau estimates for 2012-2019, 2020 (adjusted from that presented in prior year) is actual Decennial Census data.

Note: GOB includes VRA and VPSA - see Note 7. There is no overlapping debt because cities in Virginia have jurisdiction over the entire area within their boundaries and operate independently of any municipal government.

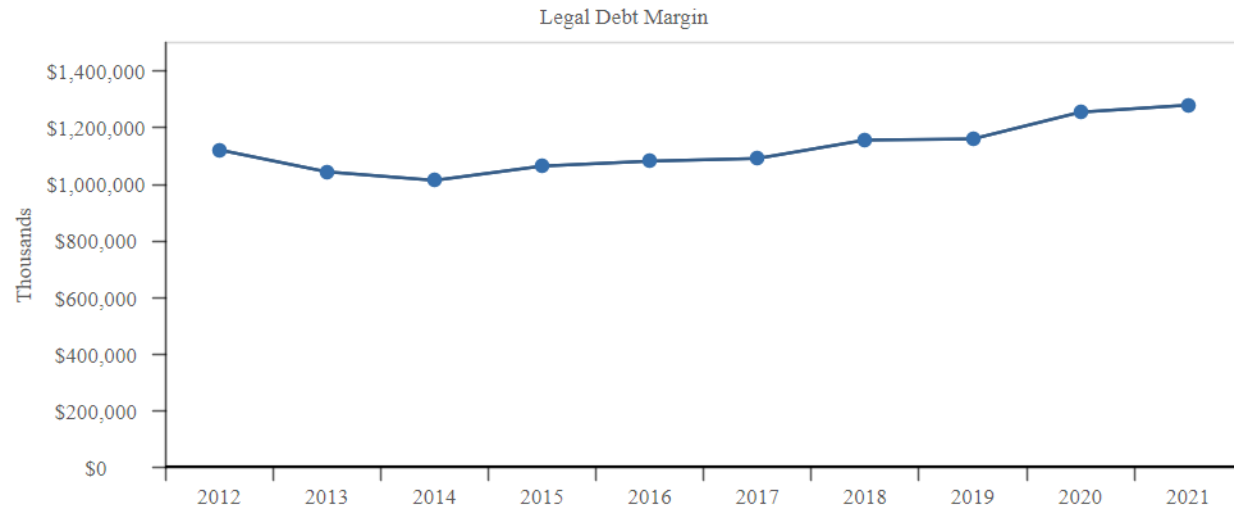
N/A: Data currently not available.



City of Newport News, Virginia
Legal Debt Margin Information
Last Ten Fiscal Years

	Fiscal Year									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Assessed Value of Real Estate:										
General	\$ 16,805,964,700	\$ 16,068,909,800	\$ 15,521,734,200	\$ 14,939,690,000	\$ 14,702,700,500	\$ 14,393,093,200	\$ 14,072,307,152	\$ 13,996,117,386	\$ 14,150,366,660	\$ 14,768,666,300
Public Service Corporations	398,818,857	382,242,766	384,420,678	379,115,133	355,023,068	349,931,124	352,225,787	352,225,787	333,265,887	339,789,784
Total assessed value	17,204,783,557	16,451,152,566	15,906,154,878	15,318,805,133	15,057,723,568	14,743,024,324	14,424,532,939	14,348,343,173	14,483,632,547	15,108,456,084
Total debt limit (10% of total assessed value)	1,720,478,356	1,645,115,257	1,590,615,488	1,531,880,513	1,505,772,357	1,474,302,432	1,442,453,294	1,434,834,317	1,448,363,255	1,510,845,608
Bond Outstanding:										
General Obligation, net of unamortized premiums*	434,972,738	378,450,376	414,072,631	354,858,254	390,581,276	365,304,713	346,758,457	384,926,642	364,737,386	341,281,715
General Obligation: Virginia Public School Authority (VPSA)	-	369,332	727,610	1,075,384	1,413,176	1,741,482	2,430,106	3,099,111	3,749,472	4,382,117
General Obligation: Virginia Resources Authority (VRA) loan fund	9,785,786	11,564,302	13,392,767	15,270,245	17,282,464	19,529,503	22,128,990	24,727,534	27,228,156	29,583,326
General Obligation: Virginia Municipal Pool Loans (VMPL)	-	-	-	-	-	-	162,564	737,565	1,312,565	1,887,565
Guaranty of Peninsula Airport Bonds	-	-	-	-	-	-	-	-	-	4,180,000
Literary Fund	2,528,952	2,939,519	3,359,286	3,779,053	4,198,821	4,618,588	5,038,355	5,458,122	5,877,889	6,297,656
Qualified Zone Academy Bonds (QZAB)	-	-	-	2,442,494	2,442,494	2,442,494	2,442,494	2,442,494	2,442,494	2,442,494
Capital leases	-	-	-	98,801	210,801	320,418	433,747	570,701	-	-
Amount available in debt service fund	(6,666,898)	(3,308,551)	(1,461,022)	(2,277,296)	(2,096,466)	(1,923,785)	(1,738,973)	(1,559,619)	(1,467,172)	(1,183,546)
Total debt outstanding	440,620,578	390,014,978	430,091,272	375,246,935	414,032,566	392,033,413	377,655,740	420,402,550	403,880,790	388,871,327
Legal debt margin	\$ 1,279,857,778	\$ 1,255,100,279	\$ 1,160,524,216	\$ 1,156,633,578	\$ 1,091,739,791	\$ 1,082,269,019	\$ 1,064,797,554	\$ 1,014,431,767	\$ 1,044,482,465	\$ 1,121,974,281
Total net debt applicable to the limit as a % of debt limit	74.39 %	76.29 %	72.96 %	75.50 %	72.50 %	73.41 %	73.82 %	70.70 %	72.11 %	74.26 %

* Corrected general obligation amounts for 2012-2016 to include unamortized premiums that were previously omitted from schedule.



City of Newport News, Virginia
Pledged-Revenue Coverage
Current and Prior Fiscal Years

	Fiscal Year									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Revenues	\$ 98,809,975	\$ 96,293,903	\$ 95,343,639	\$ 99,350,705	\$ 91,990,145	\$ 89,992,744	\$ 88,819,826	\$ 85,580,834	\$ 76,099,474	\$ 73,337,821
Less the Sum of:										
Operating Expenses	54,345,807	49,436,821	52,954,934	54,389,582	47,780,964	48,435,441	43,199,329	43,866,179	44,089,732	43,538,269
120% of Max Debt Service on Revenue Bonds	11,635,890	5,620,080	5,707,170	4,145,564	2,788,351	2,213,227	3,129,200	3,129,200	3,129,200	3,129,200
100% of Max Debt Service on General Obligation Water Bonds	7,943,797	7,938,869	10,687,909	12,754,595	15,703,580	15,886,779	15,935,112	16,006,224	16,356,343	16,710,108
	73,925,494	62,995,770	69,350,013	71,289,741	66,272,895	66,535,447	62,263,641	63,001,603	63,575,275	63,377,577
Equals (1)	<u>\$ 24,884,481</u>	<u>\$ 33,298,133</u>	<u>\$ 25,993,626</u>	<u>\$ 28,060,964</u>	<u>\$ 25,717,250</u>	<u>\$ 23,457,297</u>	<u>\$ 26,556,185</u>	<u>\$ 22,579,231</u>	<u>\$ 12,524,199</u>	<u>\$ 9,960,244</u>

(1) Must be positive to meet subsection (i) of the additional bonds test.

Note: Operating expenses exclude depreciation.

City of Newport News, Virginia
Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	Population	Personal Income (in thousands)		Per Capita Income	Median Age	School Enrollment	Unemployment Rate
2012	180,719	\$	6,672,878	\$ 36,923	32	27,701	7.4%
2013	180,726		6,891,612	37,862	32	29,222	6.9%
2014	182,020		7,045,829	38,509	32	29,268	6.4%
2015	182,965		7,377,992	40,453	33	29,118	6.0%
2016	182,385		7,448,898	40,967	33	28,865	5.0%
2017	181,825		7,470,774	41,646	33	28,240	4.9%
2018	179,388		7,770,354	43,501	33	28,401	4.2%
2019	178,626		7,969,244	44,465	33	28,381	3.5%
2020	186,247		N/A	N/A	33	28,282	5.8%
2021	N/A		N/A	N/A	33	27,113	8.0%

Sources:

Population figures are derived as follows: 2012-2015 Bureau of Economic Analysis, 2016-2019 - U.S. Census Bureau estimates, 2020 - U.S. Decennial Census (actual adjusted from that presented in prior year).

Personal income: 2012-2019 Bureau of Economic Analysis.

Per capita income: 2012-2019 Bureau of Economic Analysis.

Unemployment rate: 2012-2014 Virginia Workforce Connection; 2015-2021 Virginia Labor Market Information.

Median Age: U.S. Census Bureau.

N/A: Data currently not available.

City of Newport News, Virginia
Principal Employers
Current Year and Nine Years Prior

	2021		2012	
	Employees	% of Total City Employment	Employees	% of Total City Employment
Huntington Ingalls Industries, Inc.	10,000 - 25,000	19.51%	10,000 - 25,000	18.74%
Riverside Regional Medical Center	5,000 - 10,000	8.36%	1,000 - 5,000	3.21%
Newport News Public Schools	1,000 - 5,000	3.34%	1,000 - 5,000	3.21%
U.S. Department of Defense	1,000 - 5,000	3.34%	1,000 - 5,000	3.21%
City of Newport News	1,000 - 5,000	3.34%	1,000 - 5,000	3.21%
Ferguson Enterprises Inc.	1,000 - 5,000	3.34%	1,000 - 5,000	3.21%
Christopher Newport University	1,000 - 5,000	3.34%	1,000 - 5,000	3.21%
U.S. Department of Army and Air Force	1,000 - 5,000	3.34%	1,000 - 5,000	3.21%
Canon	1,000 - 5,000	3.34%	1,000 - 5,000	3.21%
Walmart	500 - 1000	0.84%	-	-
Hampton Newport News Comm Services Board	-	-	500 - 1000	0.80%
Total	22,500 - 71,000	52.11%	18,500 - 65,500	45.25%

Source: Virginia Employment Commission

City of Newport News, Virginia
Full-Time City Government Employees by Function/Program
Last Ten Fiscal Years

Full-Time City Government Employees as of June 30										
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Fund, Function, Activity and Elements										
General Fund:										
General Government Administration:										
Legislative:										
City Council	7	7	7	7	7	7	7	7	7	7
City Clerk	4	4	4	4	4	4	4	4	5	5
General and Financial Administration:										
City Manager	16	12	10	10	10	10	18	18	18	18
Human Resources	23	21	20	20	20	16	15	15	18	19
City Attorney	18	18	18	18	18	18	18	18	18	18
Internal Auditor	6	6	6	6	6	6	6	6	6	6
Commissioner of the Revenue	42	42	42	42	42	42	40	40	40	40
Real Estate Assessor	19	19	19	20	20	21	21	22	22	22
City Treasurer	34	34	34	34	34	34	33	33	33	33
Finance	41	41	41	41	22	18	18	18	18	18
Budget and Evaluation	8	8	7	7	7	7	7	7	7	7
Office of Self-Insurance (General Liability Insurance Fund)	6	6	6	6	6	6	6	6	6	6
Purchasing***	-	-	-	-	18	19	21	20	23	23
Information Technology	68	68	62	64	58	57	57	56	57	57
Customer Service - 311 Call Center*	-	-	-	-	-	-	10	10	6	-
Communications*	28	26	25	25	25	24	-	-	-	-
Non-departmental - Security Services****	41	26	22	-	-	-	-	-	-	-
Board of Elections:										
Registrar	5	5	5	5	5	5	5	5	5	5
Total general government administration	366	343	328	309	302	294	286	285	289	284
Judicial Administration:										
Courts:										
Circuit Courts	7	7	7	7	7	7	6	6	6	6
Office of the Magistrate	-	-	-	-	6	6	6	6	6	6
Clerk of the Circuit Court	24	24	24	24	24	24	24	23	23	24
Court Services	2	2	2	2	2	2	2	2	2	2
Commonwealth's Attorney	56	56	54	54	52	49	49	49	49	49
Total judicial administration	89	89	87	87	91	88	87	86	86	87
Public Safety:										
Law Enforcement and Traffic Control:										
Police Department	619	607	602	601	594	588	586	586	586	586
Fire and Rescue Services:										
Fire Department	386	386	383	382	381	380	379	380	380	382
Correction and Detention:										
Sheriff	221	221	219	219	219	219	215	215	217	217
Adult Corrections**	-	-	-	-	-	-	60	60	60	61
Juvenile Detention	134	145	145	141	138	130	126	126	125	130
Inspections:										
Codes Compliance	40	40	39	39	39	38	38	38	38	39
Total public safety	1,400	1,399	1,388	1,382	1,371	1,355	1,404	1,405	1,406	1,415

City of Newport News, Virginia
Full-Time City Government Employees by Function/Program
Last Ten Fiscal Years

Full-Time City Government Employees as of June 30										
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Public Works:										
Engineering	63	63	62	68	70	68	69	78	78	84
Public works administration	136	139	164	186	185	185	156	152	157	158
Total public works	199	202	226	254	255	253	225	230	235	242
Welfare:										
Human Services	396	396	395	387	382	377	377	387	391	391
Total welfare	396	396	395	387	382	377	377	387	391	391
Parks and Library:										
Parks and Recreation	112	109	108	108	108	108	106	108	107	105
Parks and Recreation Revolving Fund	82	82	82	80	80	80	83	93	94	95
Library	55	54	53	52	51	52	52	53	56	56
Total parks, recreation and library	249	245	243	240	239	240	241	254	257	256
Community Development:										
Planning and Community Development:										
Development	20	20	20	20	20	19	17	17	17	17
Planning	19	19	19	14	13	13	12	12	13	13
Total community development	39	39	39	34	33	32	29	29	30	30
Total general fund	2,738	2,713	2,706	2,693	2,673	2,639	2,649	2,676	2,694	2,705
Other Operating Funds:										
Public Utilities Fund	352	352	352	352	352	352	353	353	365	365
Vehicle & Equipment Services Fund	40	40	40	40	40	41	39	39	39	40
Solid Waste Revolving Fund	77	77	77	71	71	66	64	64	61	61
Wastewater Fund	110	110	110	109	108	104	100	99	97	95
Stormwater Management Fund	104	104	104	105	105	98	90	88	84	81
Pension Fund	-	-	-	-	-	6	6	6	6	6
Economic and Industrial Authority	5	5	5	5	5	5	5	5	5	5
Parking Authority Fund	2	2	2	2	2	2	2	2	2	2
Law Library	1	1	1	1	1	1	1	1	1	1
Schools	3,861	3,884	3,884	3,901	3,934	3,904	3,921	3,937	4,026	4,076
Peninsula Regional Animal Shelter	14	13	13	11	11	11	11	11	-	-
Total other operating funds	4,566	4,588	4,588	4,597	4,629	4,590	4,592	4,605	4,686	4,732
Total city employees	7,304	7,301	7,294	7,290	7,302	7,229	7,241	7,281	7,380	7,437

Source: City Adopted Budget.

*The Communications Department was created in FY 2015 and will include the existing 311 Call Center, Video Productions Services from the City Manager's Office and Graphics division from Purchasing.

**The Newport News City Farm (Adult Corrections) ceased operations in FY 2016. Four positions from Adult corrections were transferred to Sheriff, 24 positions were transferred to Public Works, and two positions were transferred to Vehicle and Equipment Services.

***In FY 2018, the Purchasing Department was transferred into the Finance Department.

****In FY 2019, the Security Services Division was transferred from Public Works to Non-departmental.

City of Newport News, Virginia
Operating Indicators by Function/Program
Last Ten Fiscal Years

Function/Program	Fiscal Year									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
General Government:										
Retail Sales (Millions)	3,352	3,112	2,665	2,146	2,329	2,278	2,212	2,242	2,202	2,109
Police:										
Calls for Service	165,480	176,998	177,649	181,522	148,561	75,150	154,111	170,317	169,877	255,267
Number of Offenses	16,486	18,075	20,015	19,737	20,236	9,855	19,291	20,601	20,888	22,516
Adult Arrests	14,174	15,210	9,712	12,024	12,716	4,997	13,156	15,182	9,804	14,759
Traffic Summonses	19,668	18,183	23,652	23,171	17,828	17,011	22,700	29,974	28,383	32,961
Traffic Accidents	2,720	2,749	3,142	2,909	3,020	1,490	2,924	2,756	2,641	2,517
Fire:										
Emergency Medical Service/Rescue	23,474	21,680	20,142	21,508	19,520	22,938	22,728	27,574	22,017	24,674
Public Assistance	3,064	2,982	1,633	2,579	1,120	1,045	1,939	1,660	1,651	1,461
Good Intent Calls	3,322	2,855	2,535	2,720	2,225	1,817	1,817	150	1,685	1,305
False/Alarm/Alarm Malfunction	1,612	1,542	1,555	1,577	1,488	1,381	1,436	778	1,375	1,348
Hazardous Conditions	692	546	692	577	2,093	109	564	572	637	930
All Fires	544	559	490	577	622	543	578	610	639	704
Explosions	12	8	10	15	5	7	7	7	14	18
Weather Event/Other	14	15	23	4	23	9	10	4	57	51
Sheriff:										
City Jail Capacity	300	300	300	300	300	300	300	300	300	300
Codes Compliance:										
Building Permits Issued	1,624	1,337	1,464	1,475	1,363	1,372	1,545	1,589	1,985	2,155
Residential Construction	130	142	137	135	195	222	219	230	222	340
Commercial Construction	14	27	21	18	72	55	76	69	49	102
Waterworks:										
Gallons Delivered per Day (Millions)	33	33	33	33	33	34	35	35	35	36
Meters Connected	132,100	133,031	130,381	137,754	136,914	134,191	133,722	133,380	132,743	132,439
Public Works:										
Potholes Repaired	13,718	16,626	19,951	20,037	18,494	23,208	19,148	18,148	15,305	15,125
Streets Resurfaced (Miles)	11	14	14	3	11	10	12	8	7	8
Recyclables Collected (Tons)	8,738	7,299	6,447	6,101	6,151	6,300	6,901	7,325	6,957	6,698
Parks and Recreation:										
Park Visitors (Millions) (All Parks)	4	4	4	4	4	4	4	4	4	4
Celebration of Lights Visitors	151,819	100,467	105,149	119,638	111,097	110,679	104,617	103,491	109,700	112,854
Tourism Visitor Inquiries	212,285	140,335	87,747	78,605	241,311	152,252	78,795	77,224	79,088	87,732
Tourism Website Visits*	636,948	545,487	331,643	235,698	380,233	241,722	200,132	198,520	215,849	147,875
Visitor Guides Distributed	162,000	81,000	175,000	175,000	200,000	200,000	200,000	200,000	165,000	150,000
Library:										
Circulation Transactions	468,097	602,383	702,676	692,774	777,457	788,356	887,044	951,241	1,009,939	1,062,759
Reference	38,482	57,557	88,967	77,570	85,349	106,329	152,153	321,102	174,356	178,117
Computer Use	152,006	138,437	188,337	249,743	241,301	236,361	302,465	256,929	244,971	240,257
Program Attendance	2,724	37,582	22,264	31,800	20,848	22,442	14,985	16,272	26,206	14,526
Visitor Count	152,962	421,737	567,747	678,439	737,748	890,717	890,717	829,290	889,407	759,840
Meeting Room Use**	-	515	1,134	1,397	1,228	1,294	1,872	916	830	1,126
Schools:										
Average Daily Students	27,113	28,282	28,381	28,401	28,240	28,865	29,118	29,268	29,222	27,701

Source: Various city departments.

*Starting FY2013 includes mobile website visits / starting FY 2017 includes tablet website visits.

** Due to the COVID-19 Pandemic, Library meeting rooms were closed for public use for all of FY21.

City of Newport News, Virginia
Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

Function/Program	Fiscal Year									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Police:										
Patrol Units	244	259	243	251	247	242	238	238	245	237
Boats	3	3	3	3	3	3	3	2	3	3
Fire:										
Stations	11	11	11	11	11	11	11	11	11	11
Fire Trucks	24	24	18	18	25	25	25	25	26	26
Ambulances	19	19	12	12	18	18	17	17	17	17
Boats	2	3	2	1	2	2	2	2	2	2
Engineering:										
Streetlights	21,026	20,811	20,790	20,756	20,424	20,586	21,387	20,308	20,125	20,033
Traffic Lights	273	270	268	263	263	261	261	257	253	253
Parks and Recreation:										
Parks	36	36	36	37	37	37	37	36	36	35
Acreage	8,696	8,696	8,696	8,697	8,697	8,697	8,697	8,697	9,120	9,119
Athletic Fields	154	154	154	154	154	154	154	154	97	97
Mini-parks	3	3	3	3	3	3	3	3	3	3
Beach/Waterfront Areas	8	8	8	8	8	8	8	8	8	8
Boat Ramps	8	9	7	7	7	7	7	7	7	7
Golf Courses	2	2	2	2	2	2	2	2	2	2
Swimming Pools	3	3	3	3	3	3	3	3	3	3
Tennis Courts (Free)	57	57	57	57	57	57	57	57	57	57
Tennis Courts (Pay)	24	24	24	24	24	24	24	24	24	24
Squares	3	3	3	3	3	3	3	3	3	3
Library:										
Libraries	3	4	5	5	5	5	5	5	6	6
Law Libraries	1	1	1	1	1	1	1	1	1	1
Waterworks:										
Miles of Pipe	1,772	1,769	1,762	1,762	1,758	1,754	1,754	1,746	1,748	1,746
Fire Hydrants	11,472	11,357	11,363	11,286	11,122	11,069	11,113	10,987	10,939	10,874
Public Works:										
Refuse Carts	84,647	82,548	81,808	80,674	82,251	76,654	76,654	77,619	78,354	79,056
Streets (Miles)	506	507	506	506	505	510	505	505	505	666
Lanes (Miles)*	1,189	1,187	1,186	1,185	1,184	1,203	1,193	1,193	1,191	1,191
Sanitary Sewers (Miles)*	587	587	587	585	583	584	584	699	709	709
Storm Sewers (Miles)	680	680	681	677	651	599	607	717	542	542
Pump Stations	188	187	187	185	183	183	183	182	180	185
Schools:										
Early Childhood Centers	4	4	4	4	4	4	4	4	4	4
Elementary Schools	24	24	24	24	24	24	24	24	24	24
Middle Schools	7	7	7	7	7	7	7	7	7	7
High Schools	5	5	5	5	5	5	5	5	5	5
Middle-High Combo Schools	1	1	1	1	1	1	1	1	1	1

Source: Various city departments.

*For previous years beginning in 2012, Non-VDOT eligible roads were included in Lane Miles. The correct totals have been provided for FY16, FY17 and include corrected totals for FY12, FY13, FY14 and FY15.

**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***

To the Honorable Members of City Council
City of Newport News, 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 the *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 Newport News, Virginia (the "City"), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 23, 2021. That report recognizes that the City restated certain net position and fund balances amounts due to the implementation of a new accounting standard, effective July 1, 2020.

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") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or under the *Specifications for Audits of Cities, Counties, and Towns*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of 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 black ink that reads "Cherry Bekaert LLP". The signature is written in a cursive, flowing style.

Richmond, Virginia
November 23, 2021

**Report of Independent Auditor on Compliance for Each Major Program
and on Internal Control over Compliance Required by the Uniform Guidance**

To the Honorable Members of City Council
City of Newport News, Virginia

Report on Compliance for Each Major Federal Program

We have audited the City of Newport News, Virginia's (the "City") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2021. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance 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 qualified and unmodified opinions on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Basis for Qualified Opinion on Medical Assistance Program

As described in the accompanying schedule of findings and questioned costs, the City did not comply with requirements regarding the Medical Assistance Program's (CFDA Number 93.778) eligibility as described in finding number 2021-001. Compliance with such requirements is necessary, in our opinion, for the City to comply with the requirements applicable to that program.

Qualified Opinion on Medical Assistance Program

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion on Medical Assistance Program paragraph, 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 the Medical Assistance Program (CFDA Number 93.778) for the year ended June 30, 2021.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2021.

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

Report on 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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2021-001, that we consider to be a material weakness.

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

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



Richmond, Virginia
November 23, 2021

City of Newport News, Virginia
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

<u>Federal Granting Agency/Recipient State Agency</u>	<u>Assistance Listing</u>	<u>Federal Expenditures</u>	<u>Passed Through to Sub-Recipients</u>
DEPARTMENT OF AGRICULTURE			
Pass-through Payments:			
Department of Social Services:			
State Administrative Matching Grants for Food Stamp Program (765-460-03; 765-452-13)	10.561	\$ 5,112,591	
Department of Agriculture:			
School Lunch Program-Commodities	10.555	\$ 6,845	
Department of Education:			
School Breakfast Program (777-360-01; 777-360-03)	10.553	68,122	
Total Child Nutrition Cluster		74,967	
DEPARTMENT OF HOUSING & URBAN DEVELOPMENT			
Direct Payments:			
Community Development Block Grant Program			
Community Development Block Grants (B11-MC-51-0015, B12-MC-51-0015)	14.218	1,228,303	1,228,303
Pass-through Payments:			
Department of Housing & Community Development:			
Home Investment in Affordable Housing (M-07-MC-51-0202-M13-MC-51-0202)	14.239	88,671	88,671
Choice Neighborhood Initiative-Implementation	14.889	758,650	
VA COVID Homelessness Emergency Response Program Grant			
CHERP partnership with the City of Hampton	14.231	79,023	
DEPARTMENT OF JUSTICE			
Direct Payments -			
Office of Justice Programs:			
Edward Byrne Memorial Justice Assistance Grants (2015DJBX0977, 2016DJBX0045, 16A3191AD)	16.738	92,486	
Law Enforcement based Victim Specialist Program (2019-V3-GX-0138)	16.582	98,419	
Pass-through Payments:			
Department of Criminal Justice Service:			
Victims of Crime Act (VOCA) (140-390-01)	16.575	355,700	
Equitable Sharing Program	16.579	83,746	
Juvenile Accountability Block Grants - One Time Special Fund	16.540	11,387	
Residential Substance Abuse Treatment	16.593	122,919	
National Opinion Research Center			
Oriented Policing in Crime Hotspots	16.560	39,501	
DEPARTMENT OF TRANSPORTATION			
Pass-through Payments:			
Va Department of Transportation:			
Highway Planning & Construction	20.205	8,228,939	
Highway Planning & Construction--Safe Routes	20.205	57,583	
Va Department of Motor Vehicles:			
DMV Select Enforcement	20.607	54,004	
Totals, page 1		\$ 16,486,889	1,316,974

City of Newport News, Virginia
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

<u>Federal Granting Agency/Recipient State Agency</u>	<u>Assistance Listing</u>	<u>Federal Expenditures</u>	<u>Passed Through to Sub-Recipients</u>
DEPARTMENT OF THE TREASURY			
Pass-through Payments:			
Virginia Department of Accounts:			
Coronavirus Relief Fund (SLT0022)	21.019	\$ 28,127,744	2,877,835
Virginia Department of Elections	21.019	111,648	
Virginia Department of Social Services	21.019	1,069,109	
Virginia Department of Housing and Community Development	21.019	2,331,747	
Coronavirus Relief Fund (SLT0022)			
Revolving Loan Fund Supplemental Disaster Recovery and Resilience	21.019	25,828	
DEPARTMENT OF HEALTH & HUMAN SERVICES			
Department of Social Services:			
Foster Care - Title IV-E Guardianship	93.090	2,626	
Maternal, Infant and Early Childhood Home (MIECH) Visiting Program	93.870	473,135	
Promoting Safe and Stable Families (765-469-01)	93.556	73,783	
Temporary Assistance for Needy Families(765-452-01; 765-460-03)	93.558	\$ 2,124,079	
Healthy Families	93.558	275,425	
Virginia First Cities TANF Grant	93.558	577,664	
Total TANF Cluster		2,977,168	
Refugee and Entrant Assistance (765-460-03; 765-491-02)	93.566	24,214	
Low-Income Home Energy Assistance (765-460-03)	93.568	317,616	
Child Care and Development Block Grant Act of 1990 (765-452-15)	93.575	\$ (2,107)	
Child Care and Development Mandatory Matching Funds (765-460-03)	93.596	451,900	
Total Child Care Cluster		449,793	
Chafee Education and Training Vouchers Program (765-469-01)	93.599	2,958	
Child Welfare Services State Grants (765-460-06)	93.645	1,491	
Foster Care - Title IV-E (765-460-03; 765-460-06; 765-469-01)	93.658	2,186,746	
Adoption Assistance (765-460-03; 765-469-03)	93.659	2,117,171	
Social Services Block Grant (765-460-03; 765-468-02; 765-469-01)	93.667	1,664,710	
	93.667	280,071	
Independent Living (765-460-03; 765-469-01)	93.674	58,124	
State Children's Insurance Program (765-460-03)	93.767	44,557	
Medical Assistance Program - Title XIX (765-460-03;)	93.778	3,849,163	
Direct Payments:			
Social Security Incentive Program	96.006	27,800	
DEPARTMENT OF HOMELAND SECURITY (FEMA)			
Direct Payments:			
Port Security Grant Program (EMW-2014-PU-00302, EMW-2015-PU-00273)	97.056	448,247	
Department of Emergency Management:			
FEMA Public Assistance Program - COVID19	21.019	626,902	
Emergency Management Performance Grants (127-775-01)	97.042	131,051	
Homeland Security Grant Program	97.067	71,562	
Totals, page 2		47,494,964	2,877,835
Grand Totals		\$ 63,981,853	4,194,809

City of Newport News, Virginia
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

(1) Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Newport News, Virginia (the City), except the Peninsula Airport Commission and the Newport News Public Schools, which have separate reports in accordance with the Uniform Guidance. The information in this Schedule is presented on the modified accrual basis of accounting in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. The City did not elect to use the 10% indirect cost rate.

The City operates on a contractual basis with its grant partners except for its relationship with NNRHA. NNRHA is a sub-recipient of the City for the Community Development Block Grant Program (CFDA number 14.218) and the Home Investment in Affordable Housing Program (CFDA number 14.239). The amounts passed through to NNRHA for the Community Development Block Grant Program and the Home Investment in Affordable Housing Program were \$1,228,303 and \$88,671 respectively.

(2) Relationship to Basic Financial Statements

Federal expenditures are reported in the City's basic financial statements as follows:

	Federal expenditures
General Fund	\$ 18,339,690
Special Revenue Funds Capital Projects	12,054,725
Special Revenue Funds	<u>33,587,438</u>
Total expenditures	<u><u>\$ 63,981,853</u></u>

(3) The City did not elect to use the 10% de minimus cost rate.

CITY OF NEWPORT NEWS, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2021

A. Summary of Auditor's Results

1. The type of report issued on the basic financial statements: **Unmodified opinion**
2. Significant deficiencies in internal control disclosed by the audit of the financial statements: **None reported**
3. Material weaknesses in internal control disclosed by the audit of financial statements: **No**
4. Noncompliance, which is material to the financial statements: **No**
5. Significant deficiencies in internal control over major programs: **None reported**
6. Material weaknesses in internal control over major programs: **Yes, Finding 2021-001**
7. The type of report issued on compliance for major programs: **Qualified** for Medical Assistance Program (CFDA Number 93.778); **Unmodified** for all other major programs
8. Any audit findings which are required to be reported in accordance with 200.516(a) of the Uniform Guidance: **Yes**
9. The programs tested as major programs were:

<u>Assistance Listing</u>	<u>Name of Federal Program or Cluster</u>
93.778	Medical Assistance Program - Medicaid Cluster
93.558	Temporary Assistance for Needy Families – TANF Cluster
93.667	Social Services Block Grant
21.019	Covid-19 Coronavirus Relief fund

10. Dollar threshold used to distinguish between type A and type B programs: **\$1,919,456**
11. City of Newport News qualified as a low-risk auditee under in accordance with 200.516(a) of the Uniform Guidance: **No**

B. Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards*

None reported

CITY OF NEWPORT NEWS, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2021

C. Findings and Questioned Costs Relating to Federal Awards

2021-001: Compliance Qualification and Material Weakness – Eligibility for Medical Assistance Program - Medicaid Cluster (CFDA Number 93.778) – U.S. Department of Health and Human Services – Virginia Department of Social Services (Repeat finding 2020-001)

Criteria: Per the Virginia Medical Assistance Eligibility Manual, an “annual review of all of the enrollee's eligibility requirements is called a “renewal.” A renewal of the enrollee's eligibility must be completed at least once every 12 months. The renewal can be initiated in the 10th month to ensure timely completion of the renewal (Subchapter M1520.001)”. A signed application for medical assistance is required for all initial request for medical assistance (Subchapter M0120.300) and the renewal must be signed by the enrollee or authorized representative (Subchapter M1520.200). An application for medical assistance must be signed to be valid (Subchapter M0120.150). The case records must contain facts essential to the determination of initial and continuing eligibility (Subchapter M0110.400). It also states that the agency must include in the case record documentation to support the agency's decision on his application (Subchapter M0110.000).

Condition: Of the sixty (60) participants selected for testing, two (2) participants did not have either a renewal or an original application located in the physical participant case file or in the electronic Medicaid system. Consequently, the initial or required re-determination of the participant's eligibility could not be verified through our testwork.

Cause: Prior to a clarification received in August of 2019, the Newport News Department of Human Services had been operating under an interpretation of policy that supported retaining three years of Medicaid record documents. While case record materials for Medicaid began being scanned into the VaCMS/DMIS system at application in 2015, paper records were maintained for previously approved, ongoing cases. In an effort to keep paper records manageable, they were frequently purged of materials that were sent to closed files. These files were noted with a destroy date of three years from date of purge. Due to the undeterminable number of missing records, the City implemented a plan to obtain new applications as the need arose.

Effect: The City's non-compliance could result in cost disallowed by the grantor or a reduction in future funding for this program.

Questioned Cost: Undeterminable

Recommendation: The City should continue executing its corrective action plan to enhance internal controls related to participant eligibility to ensure that participant files contain adequate supporting documentation in accordance with Medicaid requirements.

Views of Responsible Officials and Planned Corrective Actions: The Department of Human Services is in agreement with the findings related to missing application/renewal forms for the 2 noted cases.

Since receipt of the clarification from the state regarding Medicaid record retention, staff have been informed to retain all documents used in determining eligibility for the life of an active case. To prevent inadvertent removal of these documents, procedures have been put in place to ensure required materials are maintained during the transition of older paper case records to a paperless format within the Virginia Case Management System (VaCMS). A case purging checklist procedure was implemented in September 2020. The checklist was created to assist staff in ensuring that required documents are maintained and submitted for scanning to the electronic record.

CITY OF NEWPORT NEWS, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2021

Case record materials for Medicaid began being scanned into the VaCMS/DMIS system at application in 2015 so there is less of a chance that cases established after that time will be missing an application or other required documents. In an effort to prevent further findings related to this issue, staff has been instructed to ensure all required documents are present in the system, including an application, as part of the manual renewal process. In addition, for cases that are automatically renewed through the exparte process, with no intervention from staff, available state exparte reports will be utilized to identify cases that may not contain an application. For these cases staff will request new/renewal applications to bring the case into compliance.

D. Findings and Questioned Costs Related to Compliance with Commonwealth of Virginia Laws, Regulations, Contracts and Grants

None reported

E. Status of Prior Year Findings

2020-001 – Medicaid Program Assistance – Finding repeated as 2021-001

2021 ANNUAL COMPREHENSIVE FINANCIAL REPORT

City of Newport News, VA



Department of Finance
2400 Washington Avenue
Newport News, Virginia 23607