

# CITY OF NEWPORT NEWS, VIRGINIA

## Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2020

Prepared by the  
Department of Finance

2400 Washington Avenue  
Newport News, VA 23607

*This page intentionally left blank*

# City of Newport News, Virginia

## Table of Contents

## PAGE

### Introductory Section (unaudited):

Letter of Transmittal.....	i-viii
City Government Officials.....	xii
Organizational Chart.....	xiii
GFOA Certificate of Achievement for Excellence in Financial Reporting.....	xiv

### Financial Section:

<b>Report of Independent Auditor.....</b>	<b>1-2</b>
<b>Management's Discussion and Analysis (unaudited).....</b>	<b>3-12</b>

### Basic Financial Statements:

#### Government-wide Financial Statements:

Statement of Net Position.....	13
Statement of Activities.....	14

#### Governmental Funds' Financial Statements:

Balance Sheet.....	15
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position.....	16
Statement of Revenues, Expenditures and Changes in Fund Balance.....	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities.....	18

#### Proprietary Funds' Financial Statements:

Statement of Net Position.....	19
Statement of Revenues, Expenses and Changes in Net Position.....	20
Statement of Cash Flows.....	21

#### Fiduciary Funds' Financial Statements:

Statement of Fiduciary Net Position.....	22
Statement of Changes in Fiduciary Net Position.....	23

<b>Notes to the Financial Statements.....</b>	<b>24-94</b>
---	--------------

### Required Supplementary Information other than Management's

#### Discussion and Analysis (unaudited):

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Budget Basis - General Fund.....	95-99
Newport News Employees' Retirement Fund - Schedule of Changes in the City's Net Pension Liability and Related Ratios.....	100
VRS - Schedule of Changes in the City's Net Position Asset and Related Ratios.....	101
Other Postemployment Benefits - Schedule of Changes in the City's Net OPEB Liability and Related Ratios.....	102
Other Postemployment Benefits - Schedule of Changes in the City's Net Line of Duty Liability and Related Ratios.....	103
Newport News Employees' Retirement Fund, VRS, and OPEB - Schedules of City's Contributions.....	104
Line of Duty and Other Postemployment Benefits GLI - Schedule of City's Contributions.....	105
Newport News Employees' Retirement Fund and OPEB - Schedule of Investment Returns.....	106
Other Postemployment Benefits - Schedule of City's Share of Net OPEB Liability GLI Program.....	107
Notes to Required Supplementary Information.....	108

# City of Newport News, Virginia

## Table of Contents

### Supplementary Information:

#### Nonmajor Governmental Funds:

Combining Balance Sheet.....	109-110
Statement of Revenues, Expenditures and Changes in Fund Balance.....	111-112
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Special Revenue Funds.....	113-119
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Debt Service Fund.....	120

#### Other Discretely Presented Component Units:

Combining Statement of Net Position.....	121
Statement of Revenues, Expenses and Changes in Net Position.....	122
Statement of Cash Flows.....	123

#### Pension:

Combining Statement of Fiduciary Net Position.....	124
Combining Statement of Changes in Fiduciary Net Position.....	125
Combining Statement of Changes in Fiduciary Assets and Liabilities - Agency Funds.....	126

### Statistical Section (unaudited):

Net Position by Component.....	127
Changes in Net Position.....	128-129
Fund Balances of Governmental Funds.....	130
Changes in Fund Balances, Governmental Funds.....	131-132
Governmental Activities Tax Revenues by Source.....	133
Assessed Value and Estimated Actual Value of Taxable Property.....	134
Direct and Overlapping Property Taxes.....	135
Principal Property Tax Payers.....	136
Property Tax Levies and Collections.....	137
Ratios of Outstanding Debt by Type.....	138
Ratios of General Bonded Debt Outstanding.....	140
Legal Debt Margin Information.....	141
Pledged-Revenue Coverage.....	142
Demographic and Economic Statistics.....	143
Principal Employers.....	144
Full-Time City Government Employees by Function/Program.....	145-146
Operating Indicators by Function/Program.....	147
Capital Asset Statistics by Function/Program.....	148



Office Of The City Manager

# City of Newport News

Virginia 23607

2400 Washington Avenue

(757) 926-8411

Fax (757) 926-3503

November 24, 2020

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

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) of the City of Newport News, Virginia (the City), as of and for the fiscal year ended June 30, 2020 (FY 2020).

Cherry Bekaert LLP, Certified Public Accountants, conducted the audit of the City's financial statements for the year ended June 30, 2020, 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 179,225, based on the 2020 census estimates.

Newport News is the fourth largest City by acreage and the fifth largest City by population in the Commonwealth of Virginia.

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

## CITY OF NEWPORT NEWS, VIRGINIA

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, the 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.

### **COVID-19**

In early 2020, an outbreak of the novel strain of coronavirus (COVID-19) emerged globally and in March 2020, the City began its response to the pandemic. Existing emergency response plans, bolstered by new and innovative service delivery methods, have ensured critical governmental operations continue. In addition, the City received \$31.2 million in 2020 of federal Coronavirus Act Relief and Economic Stimulus (CARES) funds to assist the City in its response efforts. These funds are earmarked to address expenditures incurred to respond directly to the emergency, such as by addressing medical or public health needs, as well as expenditures incurred to respond to second-order effects of the emergency, such as by providing economic support to those

## CITY OF NEWPORT NEWS, VIRGINIA

suffering from employment or business interruptions due to COVID-19-related business closures. The ultimate impact of COVID-19 on the City is not known at this time; however, these federal dollars along with strong fiscal management measures taken at the onset of the pandemic have ensured the City's financial condition remains strong despite the ongoing uncertainty surrounding COVID-19. Additional information regarding CARES funds received can be found in Note 16, Subsequent Events, of the Notes to the Financial Statements.

### LOCAL ECONOMY AND OUTLOOK

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 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.



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.

Unemployment rates in Newport News remained stable in the 3-4% range throughout 2019 and in the first quarter of 2020. As a result of mandated business closures related to the COVID-19 pandemic, unemployment made a steep but expected increase to 14% beginning in April 2020, on par with the national average, and has improved slightly as businesses have reopened.

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. Shipbuilding and repair have remained exceptionally strong in 2020. 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.

## CITY OF NEWPORT NEWS, VIRGINIA

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, 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 2019	FY 2020
Outstanding General Obligation to Taxable Real and Personal Property Value	No greater than 3.0%	2.5%	2.2%
General Fund Debt Service to General Fund Revenue	No greater than 9.5%	8.1%	8.2%
Proportion of Capital Improvement Plan spending with Cash Capital	No less than 20%	22.3%	20.0%
Outstanding General Obligation Debt Scheduled to be repaid within 5 years	No less than 30%	41.0%	43.2%
Outstanding General Obligation Debt Scheduled to be repaid within 10 years	No less than 60%	72.0%	73.0%

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 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 2020 to FY 2024 Capital Improvements Plan was approved by City Council on August 13, 2019. The CIP reflects the vision and priorities of the 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)



## CITY OF NEWPORT NEWS, VIRGINIA

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 2021 Budget provides that the General Fund will pay 79.7%, or \$46.3 million, of the total debt service budget of \$58.0 million.

### **SIGNIFICANT STRATEGIC PRIORITY ACCOMPLISHMENTS FOR FY 2020**

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

- Opportunity & Economic Prosperity
- Health, Safety & Well-being
- Education & Learning
- Fun, Entertainment & Culture
- Welcoming Communities with Connected Neighborhoods
- Quality Government & Innovation
- Environmental Stewardship & Sustainability

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

#### **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 2020, 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.

#### **BUSINESS EXPANSION**

In June 2020, Governor Northam announced that S23's corporate and industrial campus will be built in Newport News. S23 is a repair and manufacturing company that has been providing ship repair, fabrication, welding, blasting, and painting services to the maritime and industrial sectors from facilities in Virginia, Florida, and California since 1999. This \$64 million investment will create 332 new jobs and include a Community Training Center.

In addition, Liebherr Mining Equipment Company, the world's largest manufacturer of mining trucks completed a \$45 million expansion in August 2020 which included the construction of three new buildings in the City's Copeland Industrial Park. The project totaled over 251,000 square feet and is occupied by Liebherr USA, Co., the umbrella for eight divisions positioned across the United States. The expansion included space for Liebherr USA, Co.'s new headquarters and administrative building.

In the central part of the City, construction continued on the eight-story, 260,000 square-foot campus of Ferguson Enterprises, the largest wholesale plumbing distributor in the U.S. Ferguson is investing nearly \$83 million and creating 350 new jobs as part of the expansion. The new facility, expected to open in December 2020, will house 1,600 Ferguson employees working in Marketing and Communications, National Sales Center, eBusiness, Human Resources, Information Technology, Security, and other corporate functions.

## CITY OF NEWPORT NEWS, VIRGINIA

### SMALL BUSINESS AND RESIDENT SUPPORT

While there was significant economic development activity in the City during FY2020, mandated closures and reduced economic activity related to COVID-19 have been challenging 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 one-time financial assistance to small businesses in Newport News. Nearly 600 applications were submitted, and nearly \$1.5 million in grants were awarded.

In addition to helping small businesses reopen their doors, the City recognized that unemployment is a critical concern for our residents as a result of COVID-19. 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 offers residents workforce development training in industries such as healthcare, information technology, shipbuilding and repair, construction and truck driving. The City's goal is to help over 215 residents obtain industry credentials and employment by December 2020.

### **Health, Safety & Well-being**

The City is committed to providing public safety services to enable all residents and visitors to be confident in their personal safety and the safety of their property.

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 2019 the police department achieved a 5% overall crime reduction, on top of the 9% reduction in 2018. Year-to-date in 2020 the department is experiencing a 12% 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 department hosted three citizen police academies and continues to partner with the Boys and Girls Clubs for the third season of youth intramural basketball.

The Police Department also launched a new text to 911 service. There are emergencies that make it difficult to safely speak on the phone, such as abduction, domestic violence or active shooter incidents. Text to 911 is another way citizens can receive critical assistance in an emergency.

The Fire Department, in collaboration with the Police Department and Community Services Board, also launched a Mobile Crisis Intervention program. Through this innovative program members of our community who lack supportive services and typically seek assistance in local emergency rooms will be provided additional solutions to their needs. This program will reduce 911 calls for services and reduce emergency room visits, positively impacting our community.

In FY 2020, the Newport News Fire Department was once again conferred accreditation by the "Center for Public Safety Excellence". This is a significant accomplishment as there are less than 200 fire departments across the country that have earned this accreditation.

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,

## CITY OF NEWPORT NEWS, VIRGINIA

including Supplemental Nutrition Assistance for Needy Families, Medicaid, the Comprehensive Services Act, Energy assistance and Child Care assistance. Approximately 63,730 residents were served by these programs in FY 2020.

In addition, in an effort to address the greater number of residents in need in FY 2020 due to the coronavirus pandemic, the City allocated \$1.4 million of its Coronavirus Aid, Relief and Economic Security Act (CARES) funds to establish the Supplemental Assistance Funding for Emergencies (SAFE) Program for residents, and allocated \$2.5 million 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.

### **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 28,600 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. NNPS has ensured students have the resources necessary to be successful in this new environment including technology, internet access, nutrition and more. More information regarding how NNPS creatively responded to the COVID-19 pandemic along with important achievements of the Schools is available in the separately published Schools CAFR.

The Newport News Public Libraries (NNPL) also supports community education. In FY 2020, NNPL launched Career Online High School, enabling residents to earn a high school diploma at the library. NNPL also launched the Student Connect Library Card, which instantly puts all of the learning and enrichment opportunities available at the public library in the palm of students’ hands. The Student Connect Library Card was distributed to all preschoolers at the four NNPS Early Childhood Centers, including excited preschoolers from the Marshall Early Learning Center who quickly used their cards and checked out books for the first time.

NNPL pivoted to serve the needs of the community during the pandemic, launching curbside pickup to ensure that residents had safe access to resources, and introducing virtual programming, streaming video and augmenting the NNPL digital collection. NNPL saw a 69% increase in virtual program attendees over the previous year, a 38% increase in digital downloads and an 86% increase in electronic database use in FY 2020. NNPL also held its first ever 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. The City surpassed that goal – 769 participants read 525,828 minutes over the summer. As part of ongoing effort aimed at student success, NNPL also committed 150 Wi-Fi Hotspots to NNPS students to support their online learning during the pandemic.

Newport News is also home to Christopher Newport University (CNU). Selected by The Princeton Review to be included in The 385 Best Colleges: 2020 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

## CITY OF NEWPORT NEWS, VIRGINIA

political science to the performing arts. The University has recently completed over \$1 billion in capital construction on its 260-acre campus, generated over 7,200 applications for a freshmen class of 1,238 and has been ranked by U.S. News & World Report's America's Best Colleges guide as third among public regional universities in the South and sixth among all regional universities in the South. In addition, CNU is ranked third among all public schools for having "the highest proportion of classes with fewer than 20 students." Christopher Newport University is committed to ensuring that all people are welcomed, honored and fully engaged in the life of the academic community.

### **Fun, Entertainment & Culture**

Prior to the onset of COVID-19, Newport News hosted a variety of special events for citizens and guest of all ages. In December 2019, the city hosted a holiday event from one end of the city to the other with the NlightN Holiday Event Series. This event included a state-of-the-art light show and 43' tall digital tree at City Center, the city's annual Celebration in Lights, Virginia's first drive-through holiday light event that illuminates Newport News Park with over a million individual lights and a light installation and related activities at Brooks Crossing. In 2020, Newport News also celebrated the 6th Anniversary of the One City Marathon. Over 2,500 runners participated across all five races.

While most events have been cancelled since the onset of the pandemic in March, our innovative team has developed creative ways to continue to serve our community in a safe and fun manner! Digital, drive through and other socially distanced and safe events have been delivered.

In addition, planned installations continued. A new outdoor basketball court donated by NFL player and Denbigh High School graduate Antoine Bethea and the Bethea Family Foundation was substantially completed during FY 2020. 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. In the coming months the city will be installing water fountains and free Wi-Fi for the outdoor space.

CNU will also be opening the \$57 million CNU Fine Arts Center in early 2021. The Fine Arts Center will house over 7,500 sq. ft of gallery exhibition space, state-of-the art teaching and museum learning spaces and studios and classrooms supporting the Department of Fine Art and Art History and Museum Studies programs. The genesis of this center is the partnership between Christopher Newport University and the Peninsula Fine Arts Center who announced in 2018 their collaboration and the design of a new fine arts center to be located on the campus of CNU. The Peninsula Fine Arts Center is an American Alliance of Museums (AAM) accredited non-profit arts organization founded in 1962. An asset to the community and region, the center hosts exhibitions, a studio art school, and public programs in the arts. Notable among these programs are their award-winning Healing Arts art therapy initiative and dedicated arts outreach programs for school-aged children.

### **Welcoming Communities with Connected Neighborhoods**

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

Building off the momentum of the \$30 million Choice Neighborhood Initiative (CNI) Implementation Grant received in 2019, transformation of the Marshall-Ridley neighborhood is underway. One hundred and twenty families have been relocated from the project site, Ridley Place, to make way for redevelopment.

## CITY OF NEWPORT NEWS, VIRGINIA

The Newport News Redevelopment and Housing Authority (NNRHA) continues with housing development activities. There are five housing development phases. Phase 1 includes two multi-family buildings, located on Jefferson Avenue between 27th and 29th streets. The buildings are on schedule to start construction in early 2021 with a completion date of May 2022. The buildings are directly across from the Brooks Crossings Innovation and Opportunity Center, which is providing educational and training opportunities to neighborhood residents. Phase 2 housing development will occur at the Ridley Place site north of 16th Street, with construction scheduled to begin in February 2022.

To enhance the transformation, growth and sustainability of our Southeast Community and support the goals of the CNI, the Economic Development Authority (EDA) also began rehabilitation of the Southeast Co-working Space. This two-story, 5,419-square-foot co-working space will include business management workshops, technical assistance and coaching.

In the North district, neighborhood planning and re-investment in the Denbigh-Warwick area continues. The City completed the Denbigh-Warwick Area plan in 2019. This plan focuses on a seven-mile span along a major city thoroughfare, with long-term goals of stimulating economic revitalization and improving the community's overall health, safety and accessibility.



The Virginia Chapter of the American Planning Association presented the City of Newport News with the Commonwealth Plan of the Year Award for the Denbigh-Warwick Area Plan. The Awards Committee noted that the plan "is not only a stellar small-area plan, but also a well-documented example of the thoughtful outreach, analysis and presentation needed for successful planning in the future."

Community involvement was key to the development of the Denbigh-Warwick Area Plan. City planners and consultants engaged and empowered residents, business owners and city agencies to create a distinct area identity. The project team connected with community stakeholders using interviews, English and Spanish surveys, community-based workshops, focus groups and drop-in engagement with immigrant small business owners. A Citizen Advisory Group ensured all aspects of the community were represented.

Newport News also strives to improve connectivity within the City and region, and create safe, effective and efficient transit choices. To that end, in July 2020, the city joined with the Virginia Department of Rail and Public Transportation and VDOT to break ground on a \$47 million transportation center located at Bland

Boulevard, between Warwick Boulevard and Interstate 64. This new facility will replace the outdated and undersized Amtrak train station that is currently located on Warwick Blvd. Located adjacent to the City's international airport, the transportation center 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.

### **Quality Government & Innovation**

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

## CITY OF NEWPORT NEWS, VIRGINIA

During FY 2020, Waterworks began the demonstration 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 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. This project is expected to be completed by the end of 2023.

The Association of Metropolitan Water Agencies also honored Waterworks with its top utility management award in October 2019. The Sustainable Water Utility Management Award recognized Waterworks' robust source water protection program, adoption of a comprehensive asset management framework, and embracing innovative technology such as smart metering.

In addition, two online maps designed by the city's Information Technology department won an award at the Commonwealth of Virginia Innovative Technology Symposium in September 2019. The Governor's Technology Awards program honors outstanding achievements and recognizes innovative information technology projects in the public sector that improve government service delivery and efficiency. The City of Newport News' interactive Bike Trails map and an interactive map designed for the city's Toast the Coast: Beer, Wine & Shine Trail won an award for "Best Citizen Portal."

### **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 2020, the Department of Public Works coordinated a \$15,000 DEQ Litter Prevention and Recycling grant on behalf of 51 localities throughout Virginia. The grant funds were used to purchase supplies, equipment and materials for litter cleanups and environmental education initiatives.

The City also constructed an employee parking lot, located at the Public Works Annex, which will also serve as a MS4 stormwater management facility. The lot utilizes permeable pavement to reduce total suspended solids and pollutants to meet the total maximum daily load (TMDL) requirements established by the state for meeting water quality standards. The facility also includes an underground storage system that addresses water quantity requirements by reducing stormwater runoff with two pretreatment stormwater separators that are cleaned and pumped out twice a year.

### **AWARDS**

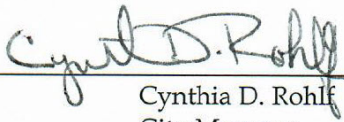
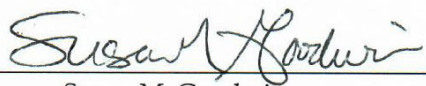
The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Newport News for its comprehensive annual financial report (CAFR) for the year ended June 30, 2019. This was the 41st consecutive 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 CAFR. 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 CAFR 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.

## CITY OF NEWPORT NEWS, VIRGINIA

### 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, 2020)**

**City Council**

McKinley L. Price, DDS.....Mayor  
Tina L. Vick ..... Vice Mayor  
Saundra Nelson Cherry, D. Min.....Member  
Marcellus L. Harris III .....Member  
David H. Jenkins.....Member  
Sharon P. Scott, MPA .....Member  
Dr. Patricia P. Woodbury.....Member

**Office of the City Manager**

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

**Department of Finance**

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

**Other Officials**

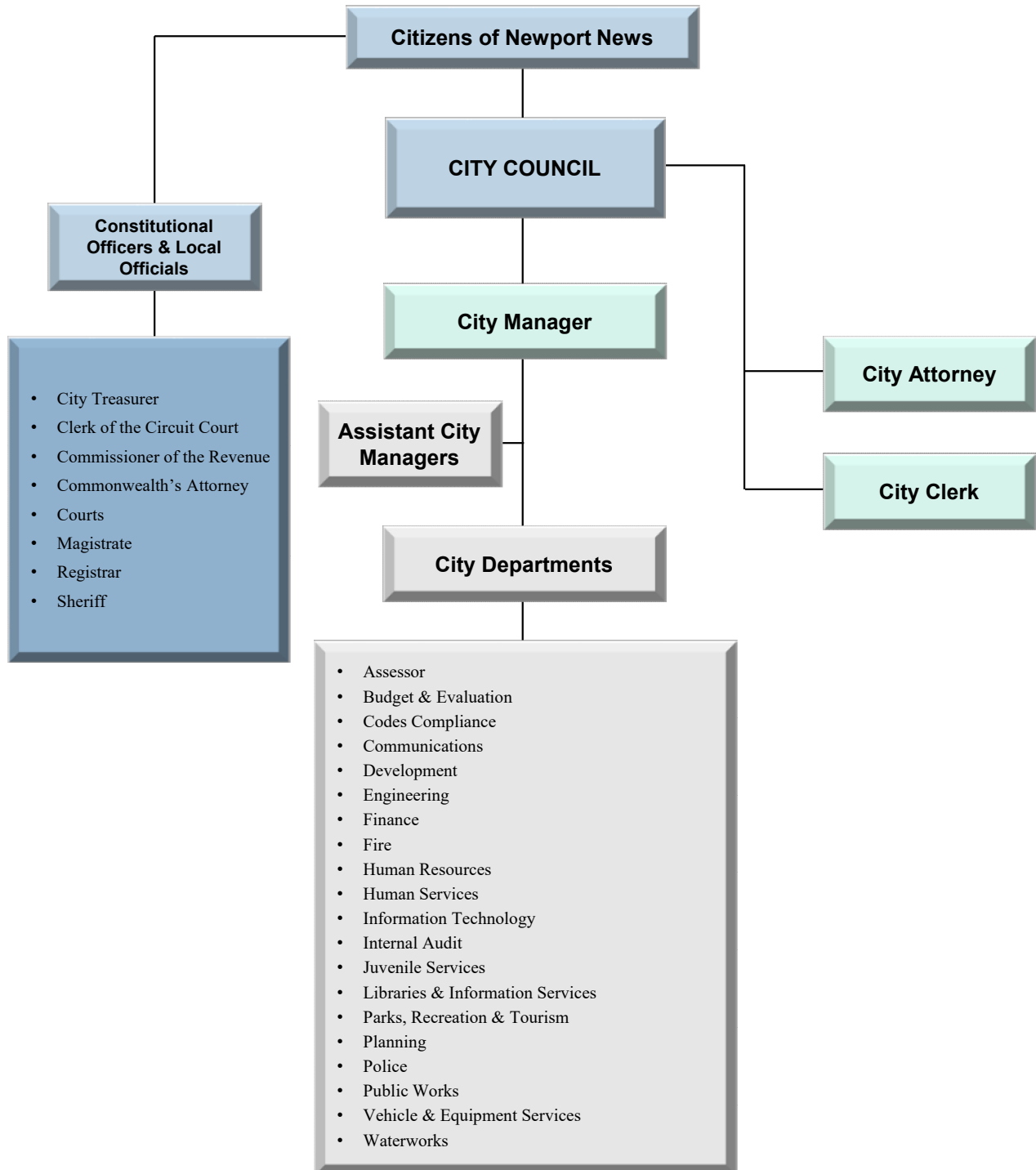
Marty Eubank..... City Treasurer  
Tiffany Boyle..... Commissioner of the Revenue  
Earl L. Wynings, Jr. .... Acting Real Estate Assessor  
Lisa Cipriano..... Director of Budget and Evaluation  
Florence G. Kingston..... Director of Development  
Cathy S. Matthews ..... Director of Internal Audit  
Ralph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

Councilwoman Vick's term as Vice Mayor ended on June 30, 2020. Subsequently, at the Organization Meeting of Newport News City Council held on July 14, 2020, Councilwoman Cherry was elected as Vice Mayor.



**CITY OF NEWPORT NEWS, VIRGINIA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
For the Year Ended June 30, 2020**

**ORGANIZATIONAL 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, 2019

*Christopher P. Morill*

Executive Director/CEO

## **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, 2020, 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, 2020, 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 12(d) to the financial statements, in March 2020, the World Health Organization declared COVID-19 a global pandemic. Given the uncertainty of the situation and the duration of any business disruption, the related financial impact cannot be reasonably estimated at this time. Our opinion is 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 Supplementary Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 24, 2020, 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 24, 2020

## **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, 2020 (FY 2020). 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 2020**

- In March 2020, the City began its response to the COVID-19 pandemic. While the ultimate impact of COVID-19 on the City is not known at this time, the receipt of Federal Coronavirus Aid, Relief, and Economic Security (CARES) funds along with careful financial management has ensured the City's financial condition remains strong.
- At the end of the fiscal year 2020, the total net position of the City on a government-wide basis, excluding component units, was \$671 million. This amount represents an increase of \$60.8, or 10.0%, over the prior year. The net position for governmental activities was \$293.9, an increase of \$35.8 million over the prior year. The business-type activities net position was \$376.9, an increase of \$25.0 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 3.0% and Personal Property assessed values increased by 4.0% from prior year.
- At the close of FY 2020, unassigned fund balance for the General Fund was \$70.6 million or 14.4% of FY 2020 total General Fund revenues and transfers in and an increase of \$4.1 million from the prior year.
- General Fund revenues and transfers increased \$4.8 million or 1.0% above FY 2019, primarily due to an increase in general property tax revenue. Expenditures and transfers out increased \$13.1 million, or 2.8% higher than the prior fiscal year, primarily due to an increase in transfers out to capital projects. FY 2020 expenditures and transfers out were 0.2% less than budget.
- The City maintains a bond rating of AA+ with the financial rating agency Standard & Poor's and a Aa1 rating with Moody's.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

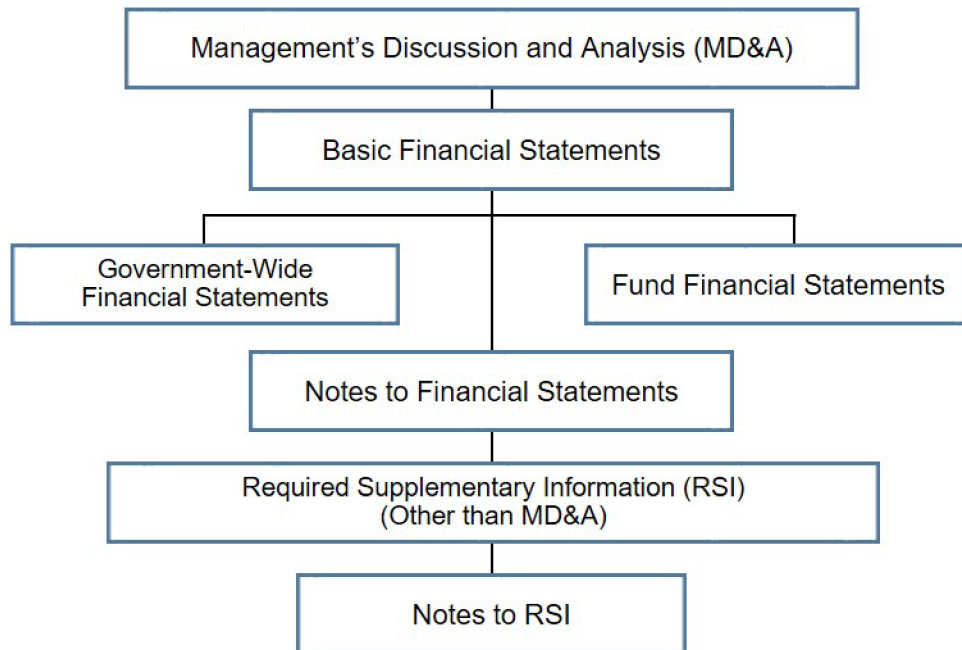
The City's basic financial statements comprise three components: *government-wide financial statements*, *fund financial statements*, and *notes to the financial statements*. This report also contains required other supplementary information sections in addition to the basic financial statements themselves.

- 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 fund* 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 fund* statements offer short- and long-term financial information about the activities the government operates like businesses, such as the public utilities (Waterworks) system.
- *Fiduciary fund* statements provide information about the financial relationships in which the City acts solely as a trustee or agent 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, Agency 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	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 286.1	293.6	140.8	128.8	426.9	422.4
Capital assets, net	847.7	829.4	407.8	409.6	1,255.5	1,239.0
Total assets	1,133.8	1,123.0	548.6	538.4	1,682.4	1,661.4
Deferred outflows of resources	53.2	49.8	7.4	7.3	60.6	57.1
Current and other liabilities	136.3	116.4	47.3	50.2	183.6	166.6
Long-term liabilities	746.4	770.4	131.1	140.8	877.5	911.2
Total liabilities	882.7	886.8	178.4	191.0	1,061.1	1,077.8
Deferred inflows of resources	10.4	27.9	0.7	2.8	11.1	30.7
Net position:						
Net investment in capital assets	488.2	473.7	342.3	332.0	830.5	805.7
Restricted	47.2	34.7	-	-	47.2	34.7
Unrestricted (deficit)	(241.5)	(250.3)	34.6	19.9	(206.9)	(230.4)
Total net position	\$ 293.9	258.1	376.9	351.9	670.8	610.0

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 \$670.8 million. This amount represents an increase of \$60.8 million, or 10.0%, over the prior year's net position. The net position for governmental activities increased by \$35.8 million and the business-type activities net position increased by \$25 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 7.0% of the City's net position is subject to external restrictions, mostly for the use of bond proceeds.



# 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	
	2020	2019	2020	2019	2020	2019
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 88.0	91.2	96.3	95.3	184.3	186.5
Operating grants and contributions	37.8	30.5	-	-	37.8	30.5
Capital grants and contributions	20.2	38.1	3.3	2.4	23.5	40.5
General revenues:						
General property taxes	285.8	277.5	-	-	285.8	277.5
Other taxes	105.9	107.8	-	-	105.9	107.8
Grants and contributions not restricted to specific programs	48.2	47.2	-	-	48.2	47.2
Investment earnings	5.7	6.2	1.4	1.7	7.1	7.9
Miscellaneous	12.8	12.7	1.3	1.4	14.1	14.1
Total revenues	604.4	611.2	102.3	100.8	706.7	712.0
<b>Expenses</b>						
General government	98.0	104.5	-	-	98.0	104.5
Judicial administration	8.0	8.1	-	-	8.0	8.1
Public safety	131.2	126.2	-	-	131.2	126.2
Public works	76.4	78.2	-	-	76.4	78.2
Health and welfare	46.6	46.2	-	-	46.6	46.2
Education	148.7	122.3	-	-	148.7	122.3
Parks, recreation and culture	33.6	33.7	-	-	33.6	33.7
Community development	13.5	11.7	-	-	13.5	11.7
Interest and other fiscal charges	22.1	20.9	-	-	22.1	20.9
Public utility	-	-	67.8	72.1	67.8	72.1
Total expenses	578.1	551.8	67.8	72.1	645.9	623.9
Excess before special item and transfers	26.3	59.4	34.5	28.7	60.8	88.1
Special item: Loss on extinguishment	-	(10.2)	-	-	-	(10.2)
Transfers	9.5	9.5	(9.5)	(9.5)	-	-
Change in net position	35.8	58.7	25.0	19.2	60.8	77.9
Beginning net position	258.1	199.4	351.9	332.7	610.0	532.1
Ending net position	\$ 293.9	258.1	376.9	351.9	670.8	610.0

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

## Revenues

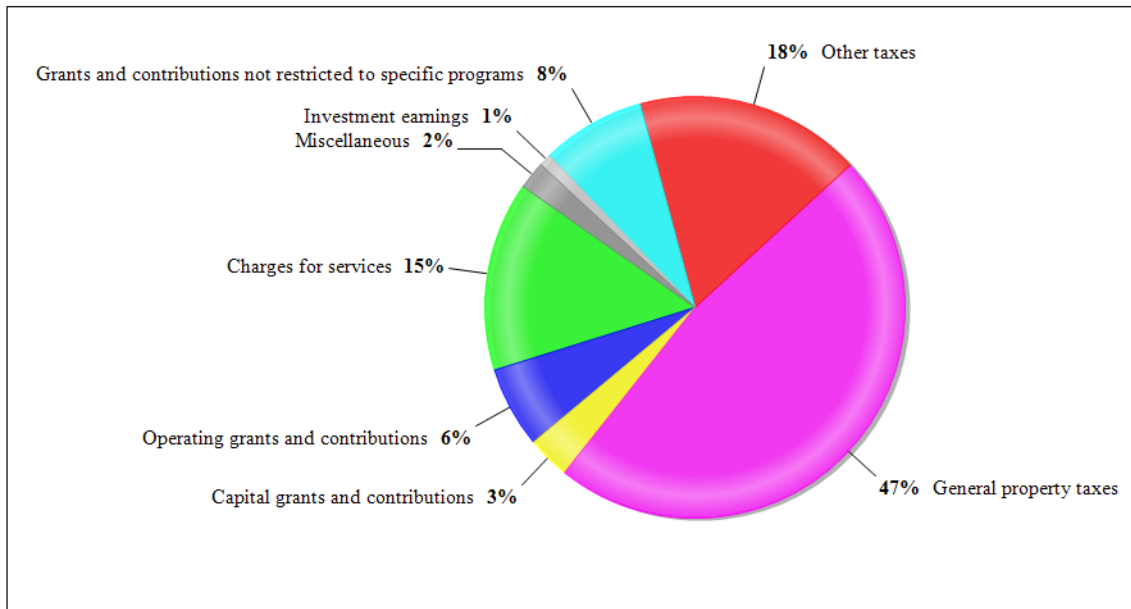
The City's total revenues for the Primary Government was \$706.7 million, a \$5.3 million decrease over revenues from the prior year.

Revenues for *Governmental Activities* totaled \$604.4 million, a decrease of \$6.8 million 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. Program revenues totaled \$146.0 million, compared to \$159.8 million from the prior year. This decrease is primarily due to a reduction in capital grants and contributions related to several federal and state funded highway construction projects which were substantially completed last fiscal year.

General revenues totaled \$458.4 million. This represents an increase of \$7.0 million over the prior year due to higher property tax revenue. The largest revenue sources for the City are general property taxes at 47% of total revenue. As mentioned earlier, there was no change to real or personal property tax rates for FY 2020. While this revenue increased as compared to prior year, it should be noted that combined revenues of meal, hotel, lodging and amusement tax decreased by \$3 million due to the economic impacts of COVID-19.

Approximately 64.8% of the City's revenue from governmental activities comes from some type of tax and approximately 14.6% comes from fees charged for services.

## Revenues by Source – Governmental Activities June 30, 2020



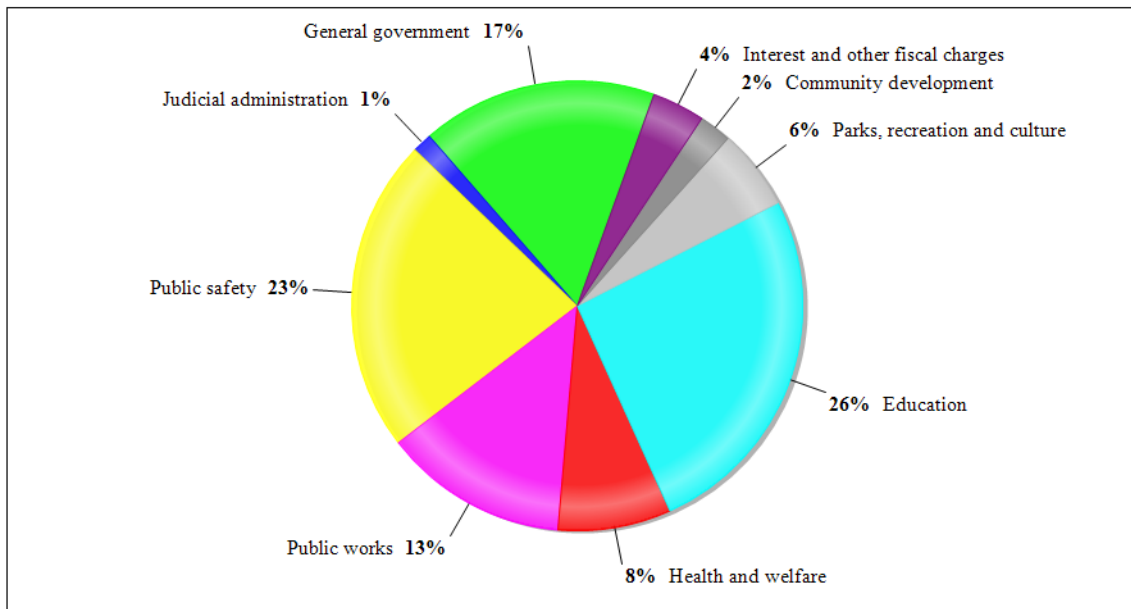
## CITY OF NEWPORT NEWS, VIRGINIA MANAGEMENT'S DISCUSSION AND ANALYSIS

### Expenses

The City's total cost to provide all programs and services for the Primary Government was \$645.9 million, a \$22.0 million increase over expenses from the prior year.

Expenses for *Governmental Activities* totaled \$578.1 million, an increase of \$26.3 million from the prior year primarily due to a scheduled transfer of tenancy in common assets to schools in FY20. Education and Public Safety continue to be among the City's highest priorities and commitments representing \$279.9 million or 48% 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, 2020



# 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.

### General Fund

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the General Fund fund balance was \$99.2 million of which \$70.6 million represents an unassigned fund balance. As a measure of the General Fund's liquidity, it is useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 14.5% of the total fund expenditures, while total fund balance represents 20.3%.

### Debt Service Fund

The Debt Service Fund has a fund balance of \$3.3 million. Balances in this fund represent reserves for future debt payments.

### Bond Fund

The Bond Fund accounts for the proceeds of general obligation bond issues, except those of the Proprietary Funds. The Bond Fund fund balance totaled \$11.0 million at June 30, 2020, a decrease of \$49.5 million under the prior year due to ongoing construction projects and no additional bond proceeds in FY20. The City expects to issue bonds in FY21.

### Capital Projects Other Federal and State Fund

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 fund balance remained relatively the same as prior year at \$1.9 million.

### Proprietary Funds

The City's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail. The internal service fund (Vehicle Services) is reported with government activities.

## GENERAL FUND BUDGETARY HIGHLIGHTS

General Fund (Budget Basis)  
Fiscal Year 2020

	Original Budget	Final Budget	Actual (Budget Basis)
<b>Revenues:</b>			
Taxes	\$ 386,277,559	386,277,559	390,490,119
Intergovernmental	45,841,050	45,841,050	48,196,050
Other	55,045,222	55,045,222	52,348,216
Total	<u>487,163,831</u>	<u>487,163,831</u>	<u>491,034,385</u>
<b>Expenditures and transfers:</b>			
Expenditures	428,547,990	428,547,990	418,805,761
Transfers out	58,615,841	58,615,841	67,285,768
Total	<u>487,163,831</u>	<u>487,163,831</u>	<u>486,091,529</u>
Change in fund balance	<u>\$ -</u>	<u>-</u>	<u>4,942,856</u>

Actual General Fund revenues and transfers from other funds exceeded budgeted revenues by \$3.9 million primarily due to property taxes trending more favorably than anticipated. Expenditures were under budget by \$9.7 million due to several expenditure controls put in place to mitigate the impact of the COVID-19 pandemic. Transfers out were over budget by \$8.7 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, 2020, totaled \$1,255.5 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.

Construction in progress totaled \$126.0 million for governmental activities at the end of FY 2020 including the following projects: Atkinson Blvd, City Center parking garage, Lower Jefferson Avenue Streetscape, Main Street drainage improvements and other various stormwater, wastewater and sanitary sewer projects.

Construction in progress totaled \$10.6 million for business-type activities at the end of the fiscal year including the following projects: Infrastructure improvements, Smart metering, Field mobility, and Asset Management Software projects.

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

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 91,769,877	91,904,435	8,336,904	8,336,904	100,106,781	100,241,339
Construction in progress	125,992,376	139,218,899	10,580,781	5,945,350	136,573,157	145,164,249
Buildings	245,497,878	226,622,732	80,305,584	83,828,306	325,803,462	310,451,038
Water systems	-	-	291,459,616	292,934,280	291,459,616	292,934,280
Improvements	107,250,040	106,437,940	6,781,510	7,261,963	114,031,550	113,699,903
Machinery and equipment	45,020,858	48,720,547	10,297,392	11,319,019	55,318,250	60,039,566
Infrastructure	232,174,673	216,500,366	-	-	232,174,673	216,500,366
	<u>\$ 847,705,702</u>	<u>829,404,919</u>	<u>407,761,787</u>	<u>409,625,822</u>	<u>1,255,467,489</u>	<u>1,239,030,741</u>

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 (including literary loans) of \$444.9 million, a decrease of 9.2% 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	
	2020	2019	2020	2019	2020	2019
General obligation bonds	\$ 360.2	393.1	30.2	39.3	390.4	432.4
Literary loans	2.9	3.4	-	-	2.9	3.4
Revenue bonds	-	-	51.6	54.0	51.6	54.0
	<u>\$ 363.1</u>	<u>396.5</u>	<u>81.8</u>	<u>93.3</u>	<u>444.9</u>	<u>489.8</u>

The amount of the debt outstanding related to School Board activities is \$55.5 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**

The unemployment rate in June 2020 for the City was 5.8%, which was a significant, but expected increase from the prior year average of 3.5% due to business closures as a result of COVID-19. The City's annual population increased from approximately 178,626 for fiscal year 2019 to 179,225 for fiscal year 2020 according to US Census estimates.

The FY 2021 approved revenue budget for the General Fund increased by 3.4% compared to the FY 2020 adopted budget. The FY 2021 adopted budget includes allocations for 7,305 positions (including schools), a net increase of 2 positions from the FY 2020 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, 2020**

	Primary Government			Discretely presented component units	
	Governmental activities	Business-type activities	Total	Public schools	Others
<b>Assets</b>					
Cash and cash equivalents	\$ 181,121,641	\$ 83,236,386	\$ 264,358,027	\$ 60,491,418	\$ 8,121,876
Restricted cash and investments	29,721,309	22,897,708	52,619,017	-	26,458,910
Accounts receivable, net	29,177,062	10,589,010	39,766,072	242,846	9,629,788
Receivable from Primary Government	-	-	-	12,839,482	-
Receivables from other governments	30,065,762	-	30,065,762	8,594,449	-
Due from Pension Fund	27,283	-	27,283	-	-
Due from OPEB Fund	381,199	-	381,199	-	-
Inventory, at cost	2,272,006	4,072,505	6,344,511	1,985,447	36,695
Land held for lease or resale	-	7,102,444	7,102,444	-	35,258,659
Wetlands credits	-	5,530,135	5,530,135	-	-
Net pension asset	7,068,967	501,669	7,570,636	1,409,044	12,435
Capital assets:					
Nondepreciable capital assets:					
Land	91,769,877	8,336,904	100,106,781	2,263,424	6,604,658
Construction in progress	125,992,376	10,580,781	136,573,157	353,392	9,931,495
Depreciable capital assets:					
Buildings	382,116,428	149,126,375	531,242,803	100,466,457	201,667,374
Improvements	238,378,407	-	238,378,407	85,939,314	19,700,793
Water system	-	494,745,744	494,745,744	-	-
Airport assets	-	-	-	-	182,015,669
Machinery and equipment	183,826,015	45,159,540	228,985,555	69,579,090	6,725,507
Infrastructure	621,699,439	-	621,699,439	-	2,543,500
Total capital assets	1,643,782,542	707,949,344	2,351,731,886	258,601,677	429,188,996
Less accumulated depreciation	(796,076,840)	(300,187,557)	(1,096,264,397)	(139,628,073)	(193,818,277)
Capital assets, net	847,705,702	407,761,787	1,255,467,489	118,973,604	235,370,719
Restricted assets:					
Other assets	6,219,500	6,827,626	13,047,126	5,050,000	203,618
Total assets	1,133,760,431	548,519,270	1,682,279,701	209,586,290	315,092,700
<b>Deferred outflows of resources</b>					
Employer contributions subsequent to the measurement date	39,465,222	4,752,758	44,217,980	38,791,420	217,045
Net difference between projected and actual earnings on plan investments	1,656,717	179,167	1,835,884	464,674	-
Changes in proportion and difference between employer contributions and proportionate share of contributions	994,481	63,477	1,057,958	231,020	7,338
Changes in assumptions	3,811,519	322,249	4,133,768	36,134,982	418,650
Difference between expected and actual experience	1,706,853	142,099	1,848,952	2,359,619	25,553
Debt refundings resulting in loss transactions	5,575,995	1,967,385	7,543,380	-	3,659,425
Total deferred outflows of resources	53,210,787	7,427,135	60,637,922	77,981,715	4,328,011
<b>Liabilities</b>					
Accounts payable	28,610,827	4,347,651	32,958,478	7,440,664	1,526,348
Accrued liabilities	18,378,500	4,927,306	23,305,806	27,441,897	322,023
Deposits	3,834,095	-	3,834,095	-	27,232
Unearned revenues	12,777,486	27,729,788	40,507,274	25,875	-
Payable to Newport News Public Schools	12,839,482	-	12,839,482	-	-
Long term liabilities:					
Due within one year	59,848,520	10,275,477	70,123,997	5,189,873	10,299,703
Due in more than one year	746,361,982	131,105,286	877,467,268	475,538,128	78,853,528
Total liabilities	882,650,892	178,385,508	1,061,036,400	515,636,437	91,028,834
<b>Deferred inflows of resources</b>					
Property taxes collected in advance	882,223	-	882,223	-	-
Net difference between projected and actual earnings on plan investments	1,355,604	149,968	1,505,572	15,677,131	77,839
Difference between expected and actual experience	1,049,270	32,881	1,082,151	17,194,192	712,366
Changes in assumptions	7,094,877	500,511	7,595,388	4,193,461	1,026,869
Changes in proportionate share	-	-	-	8,485,848	13,452
Deferred contribution to City - AHTIC	-	-	-	1,676,516	-
Deferred revenue	-	-	-	-	43,742
Deferred grant proceeds	-	-	-	1,798,225	-
Total deferred inflows of resources	10,381,974	683,360	11,065,334	49,025,373	1,874,268
<b>Net position</b>					
Net investment in capital assets	488,226,033	342,269,437	830,495,470	103,225,846	155,918,144
Restricted for:					
Capital projects	1,894,158	-	1,894,158	1,136,550	24,697,511
Debt service	6,219,500	-	6,219,500	-	1,595,931
Grants	2,937,833	-	2,937,833	-	-
Other governmental purposes	36,159,519	-	36,159,519	16,428,104	-
Unrestricted (deficit)	(241,498,691)	34,608,100	(206,890,591)	(397,884,305)	44,306,023
Total net position	\$ 293,938,352	\$ 376,877,537	\$ 670,815,889	\$ (277,093,805)	\$ 226,517,609

See accompanying notes to basic financial statements.

**City of Newport News, Virginia**  
**Statement of Activities**  
**Year Ended June 30, 2020**

	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		
<b>Primary Government:</b>									
Governmental activities:									
General government	\$ 97,951,315	\$ 15,552,961	\$ 398,932	\$ 20,198,403	\$ (61,801,019)	\$ -	\$ (61,801,019)		
Judicial administration	7,986,323	2,034,254	566,982	-	(5,385,087)	-	(5,385,087)		
Public safety	131,166,279	6,164,212	5,200,205	-	(119,801,862)	-	(119,801,862)		
Public works	76,409,250	57,827,597	17,650,549	-	(931,104)	-	(931,104)		
Health and welfare	46,638,368	349,759	8,535,492	-	(37,753,117)	-	(37,753,117)		
Education	148,705,527	-	344,297	-	(148,361,230)	-	(148,361,230)		
Parks, recreation and culture	33,639,682	6,018,206	1,351,653	-	(26,269,823)	-	(26,269,823)		
Community development	13,479,394	35,242	3,740,989	-	(9,703,163)	-	(9,703,163)		
Interest and other fiscal charges	22,116,492	-	-	-	(22,116,492)	-	(22,116,492)		
Total governmental activities	578,092,630	87,982,231	37,789,099	20,198,403	(432,122,897)	-	(432,122,897)		
Business-type activities:									
Public utility	67,808,624	96,293,903	-	3,296,665	-	31,781,944	31,781,944		
Total Primary Government	\$ 645,901,254	\$ 184,276,134	\$ 37,789,099	\$ 23,495,068	(432,122,897)	31,781,944	(400,340,953)		
<b>Component units:</b>									
Public Schools	\$ 363,065,570	4,306,246	82,297,679	1,662,668				(274,798,977)	-
Peninsula Airport Commission	15,150,488	7,014,850	-	3,361,001				-	(4,774,637)
Economic and Industrial Development Authorities	16,146,413	20,182,055	-	-				-	4,035,642
Total component units	\$ 394,362,471	\$ 31,503,151	\$ 82,297,679	\$ 5,023,669				(274,798,977)	(738,995)
<b>General revenues:</b>									
City taxes:									
General property taxes					\$ 285,824,042	-	285,824,042	-	-
E-911 service					826,797	-	826,797	-	-
Local sales and use					27,473,290	-	27,473,290	-	-
Consumers' utility					6,327,322	-	6,327,322	-	-
Consumption					663,636	-	663,636	-	-
Telecom sales and use					9,613,963	-	9,613,963	-	-
Business license					18,397,725	-	18,397,725	-	-
Rental car					1,104,357	-	1,104,357	-	-
Motor vehicle license					4,144,869	-	4,144,869	-	-
Bank stock taxes					1,099,434	-	1,099,434	-	-
Recordation and wills					1,858,373	-	1,858,373	-	-
Tobacco					4,417,232	-	4,417,232	-	-
Hotel and motel room tax					3,939,267	-	3,939,267	-	-
Restaurant food tax					25,233,838	-	25,233,838	-	-
Tourism zone tax					40,168	-	40,168	-	-
Amusement					716,266	-	716,266	-	-
Total City taxes					391,680,579	-	391,680,579	-	-
Grants and contributions not restricted to specific programs					48,196,050	-	48,196,050	160,598,521	-
Payment from the City					-	-	-	136,449,303	-
Investment earnings					5,717,414	1,352,718	7,070,132	168,344	838,907
Miscellaneous					12,827,467	1,330,143	14,157,610	-	1,989,406
Transfers					9,500,000	(9,500,000)	-	-	-
Total general revenues and transfers					467,921,510	(6,817,139)	461,104,371	297,216,168	2,828,313
Change in net position					35,798,613	24,964,805	60,763,418	22,417,191	2,089,318
Net position beginning of year					258,139,739	351,912,732	610,052,471	(299,510,996)	224,428,291
Net position end of year					\$ 293,938,352	\$ 376,877,537	\$ 670,815,889	\$ (277,093,805)	\$ 226,517,609

See accompanying notes to basic financial statements.



**City of Newport News, Virginia**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2020**

	General Fund	Debt Service Fund	Bond Fund	Capital Projects Other Federal and State Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Cash and cash equivalents	\$ 106,704,732	219	-	-	65,957,338	172,662,289
Restricted cash	-	-	28,267,865	1,453,444	-	29,721,309
Accounts receivable, net	23,846,791	-	-	-	5,330,271	29,177,062
Other Prepaid Asset	-	6,219,500	-	-	-	6,219,500
Receivables from other funds	239,089	-	-	-	13,544,660	13,783,749
Receivables from other governments	14,684,926	-	-	12,975,564	2,405,272	30,065,762
Due from Pension Fund	27,283	-	-	-	-	27,283
Due from OPEB Fund	381,199	-	-	-	-	381,199
Inventory, at cost	1,302,189	-	-	-	6,108	1,308,297
Total assets	<u>\$ 147,186,209</u>	<u>6,219,719</u>	<u>28,267,865</u>	<u>14,429,008</u>	<u>87,243,649</u>	<u>283,346,450</u>
<b>Liabilities</b>						
Accounts payable	\$ 19,756,120	-	3,304,652	1,811,099	3,351,835	28,223,706
Accrued liabilities	9,564,653	70,500	1,122,019	19,759	1,052,376	11,829,307
Deposits	3,834,095	-	-	-	-	3,834,095
Unearned revenues	126,299	-	-	-	12,651,187	12,777,486
Payable to Newport News Public Schools	-	-	12,839,482	-	-	12,839,482
Payable to major governmental funds	-	-	-	-	239,089	239,089
Payable to other funds	-	2,840,668	-	10,703,992	-	13,544,660
Total liabilities	<u>33,281,167</u>	<u>2,911,168</u>	<u>17,266,153</u>	<u>12,534,850</u>	<u>17,294,487</u>	<u>83,287,825</u>
<b>Deferred inflows of resources</b>						
Unavailable revenue-property taxes	13,801,905	-	-	-	-	13,801,905
Property taxes collected in advance	882,223	-	-	-	-	882,223
Unavailable revenue-stormwater fees	-	-	-	-	822,124	822,124
Total deferred inflows of resources	<u>14,684,128</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>822,124</u>	<u>15,506,252</u>
<b>Fund balances</b>						
Nonspendable	1,302,189	-	-	-	6,108	1,308,297
Restricted	596,452	-	25,435,594	1,894,158	38,500,899	66,427,103
Committed	-	3,308,551	-	-	30,836,407	34,144,958
Assigned	26,709,811	-	-	-	-	26,709,811
Unassigned	70,612,462	-	(14,433,882)	-	(216,376)	55,962,204
Total fund balances	<u>99,220,914</u>	<u>3,308,551</u>	<u>11,001,712</u>	<u>1,894,158</u>	<u>69,127,038</u>	<u>184,552,373</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 147,186,209</u>	<u>6,219,719</u>	<u>28,267,865</u>	<u>14,429,008</u>	<u>87,243,649</u>	<u>283,346,450</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, 2020**

Fund balances - total governmental funds		\$ 184,552,373
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.		7,068,967
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Governmental capital assets	1,563,701,816	
Less accumulated depreciation	<u>(746,344,527)</u>	
		817,357,289
Other long-term assets are not available to pay for current period expenditures and, therefore, are unavailable in the funds.		14,624,029
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.	38,928,456	
Adjustment to add back accrued vacation included below	<u>316,658</u>	
		39,245,114
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.		5,575,995
Unmatured interest payable reported in governmental activities will not be paid with current financial resources and, therefore, are not reported in the funds.		(6,409,954)
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	(390,384,010)	
Literary fund bonds	(2,939,519)	
Landfill liability	(2,859,000)	
Accrued vacation	(21,902,807)	
Workers' compensation and other claims	(14,012,029)	
Net pension liability	(284,058,567)	
Net OPEB liability	(80,028,084)	
Net line of duty obligations	(7,298,486)	
Incurred but not reported claims	<u>(2,728,000)</u>	
		(806,210,502)
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	(1,049,270)	
Deferred inflows - difference between projected and actual earnings on plan investments	(1,355,604)	
Deferred inflows - changes in assumptions related to pension and OPEB	(7,094,877)	
Deferred outflows - employer contributions made subsequent to the measurement date	39,465,222	
Deferred outflows - difference between expected and actual experience	1,706,853	
Deferred outflows - difference between projected and actual earnings on plan investments	1,656,717	
Deferred outflows - changes in proportion and difference between employer contributions and proportionate share of contributions	994,481	
Deferred outflows - changes in assumptions	<u>3,811,519</u>	
		38,135,041
Net position of governmental activities		<u>\$ 293,938,352</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, 2020**

	General Fund	Debt Service Fund	Bond Fund	Capital Projects Other Federal and State Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues:</b>						
General property taxes	\$ 284,633,583	-	-	-	-	284,633,583
Other local taxes	105,856,538	-	-	-	-	105,856,538
Licenses and permits	3,224,665	-	-	-	-	3,224,665
Fines and forfeitures	1,399,907	-	-	-	-	1,399,907
Intergovernmental	48,196,050	344,297	-	19,204,642	37,444,804	105,189,793
Charges for services	22,083,398	-	-	-	58,156,642	80,240,040
Interest and rent	4,946,609	-	-	22,035	622,187	5,590,831
Recovered costs	6,307,284	-	-	-	35,000	6,342,284
Miscellaneous	4,886,351	-	-	217,819	995,948	6,100,118
Total revenues	481,534,385	344,297	-	19,444,496	97,254,581	598,577,759
<b>Expenditures:</b>						
Current operating:						
General government	95,759,399	-	-	-	520,250	96,279,649
Judicial administration	7,010,512	-	-	-	540,848	7,551,360
Public safety	123,626,942	-	-	-	5,127,984	128,754,926
Public works	6,784,414	-	-	-	59,037,553	65,821,967
Health and welfare	38,198,730	-	-	-	9,180,031	47,378,761
Education	110,889,307	-	14,814,996	-	4,400,000	130,104,303
Parks, recreation, and culture	27,685,436	-	-	-	3,192,619	30,878,055
Community Development	8,585,009	-	-	-	3,986,827	12,571,836
Debt service:						
Principal	-	33,266,510	-	-	-	33,266,510
Interest and other charges	-	22,685,035	-	-	-	22,685,035
Capital outlay	-	-	34,635,562	19,351,637	9,380,210	63,367,409
Total expenditures	418,539,749	55,951,545	49,450,558	19,351,637	95,366,322	638,659,811
Excess (deficiency) of revenues over (under) expenditures	62,994,636	(55,607,248)	(49,450,558)	92,859	1,888,259	(40,082,052)
<b>Other financing sources (uses):</b>						
Transfers in	9,500,000	57,454,777	-	-	23,556,388	90,511,165
Transfers out	(69,285,768)	-	-	-	(11,725,397)	(81,011,165)
Total other financing sources (uses), net	(59,785,768)	57,454,777	-	-	11,830,991	9,500,000
Net changes in fund balances	3,208,868	1,847,529	(49,450,558)	92,859	13,719,250	(30,582,052)
Fund balances at June 30, 2019	96,012,046	1,461,022	60,452,270	1,801,299	55,407,788	215,134,425
Fund balances at June 30, 2020	\$ 99,220,914	3,308,551	11,001,712	1,894,158	69,127,038	184,552,373

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, 2020**

Net change in fund balances - total governmental funds		\$ (30,582,052)
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	63,367,409	
Plus: Capital outlay expenditures not included in capital outlays, net of disposals	9,144,973	
Less: Non-capitalized asset	(10,405,292)	
Depreciation expense	<u>(29,817,743)</u>	
		32,289,347
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.		(13,129,609)
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.		1,190,459
Change in pension asset valuation. These assets are not reported in the governmental funds.		(659,004)
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.		17,265,642
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.		5,598,386
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.		(392,476)
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	33,266,510	
Premium on issuance of long-term debt amortization	4,962,255	
Amortization of refunding losses	<u>(1,801,835)</u>	
		36,426,930
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	568,543	
Landfill liability	335,000	
Accrued vacation	(2,696,469)	
Net pension obligation	(4,938,750)	
Net OPEB obligation	(3,014,660)	
Net line of duty obligation	(1,574,905)	
Workers' compensation and other claims	(1,460,599)	
Incurred but not reported liabilities	<u>643,000</u>	
		(12,138,840)
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>(70,170)</u>
Change in net position of governmental activities		<u>\$ 35,798,613</u>

See accompanying notes to basic financial statements.

**City of Newport News, Virginia**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2020**

	Major Fund - Public Utility	Internal Service Fund
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 83,236,386	8,459,350
Restricted cash	22,897,708	-
Accounts receivable, net	10,589,010	-
Inventory	4,072,505	963,709
Prepaid bond principal	6,827,626	-
Total current assets	<u>127,623,235</u>	<u>9,423,059</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	10,580,781	1,548,996
Depreciable capital assets:		
Buildings	149,126,375	3,469,775
Improvements	-	1,128,639
Water system	494,745,744	-
Machinery and equipment	45,159,540	73,913,059
Total capital assets	707,949,344	80,080,726
Less accumulated depreciation	(300,187,557)	(49,732,313)
Capital assets, net	407,761,787	30,348,413
Net pension asset	501,669	-
Total noncurrent assets	<u>420,896,035</u>	<u>30,348,413</u>
Total assets	<u>548,519,270</u>	<u>39,771,472</u>
<b>Deferred outflows of resources</b>		
Employer contributions subsequent to the measurement date	4,752,758	-
Difference between expected and actual experience	142,099	-
Difference in proportion and difference between employer contributions and proportionate share of contributions	63,477	-
Change in assumptions	322,249	-
Net difference between projected and actual earnings on plan investments	179,167	-
Debt refundings resulting in loss transactions	1,967,385	-
Total deferred outflows	<u>7,427,135</u>	<u>-</u>
<b>Liabilities</b>		
Current liabilities:		
Accounts payable	4,347,652	387,119
Accrued liabilities	4,927,306	455,897
Unearned revenues	27,729,788	-
General obligation bonds payable, net	7,090,264	-
Revenue bonds payable, net	3,185,213	-
Total current liabilities	<u>47,280,223</u>	<u>843,016</u>
Noncurrent liabilities:		
Deposits	5,267,107	-
General obligation bonds payable, net	24,924,820	-
Revenue bonds payable, net	55,157,146	-
Net pension liability	35,064,805	-
Net OPEB liability	10,691,407	-
Total noncurrent liabilities	<u>131,105,285</u>	<u>-</u>
Total liabilities	<u>178,385,508</u>	<u>843,016</u>
<b>Deferred inflows of resources</b>		
Net difference between projected and actual earnings on plan investments	149,968	-
Difference between expected and actual experience	32,881	-
Changes in assumptions	500,511	-
Total deferred inflows	<u>683,360</u>	<u>-</u>
<b>Net position</b>		
Net investment in capital assets	342,269,437	30,348,413
Unrestricted	34,608,100	8,580,043
Total net position	<u>\$ 376,877,537</u>	<u>38,928,456</u>

**City of Newport News, Virginia**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**Proprietary Funds**  
**Year ended June 30, 2020**

	Major Fund - Public Utility	Internal Service Fund
<b>Operating Revenues:</b>		
Water sales	\$ 58,304,682	-
Charges for services	28,529,215	12,755,010
Miscellaneous	9,460,006	173,485
Total operating revenues	<u>96,293,903</u>	<u>12,928,495</u>
<b>Operating expenses:</b>		
Personal services	24,288,982	3,641,775
Contractual services	9,823,415	144,364
Internal services	1,289,976	150,197
Materials and supplies	11,426,220	4,611,398
Depreciation	13,858,316	5,954,032
Other	2,608,047	-
Total operating expenses	<u>63,294,956</u>	<u>14,501,766</u>
Operating income (loss)	<u>32,998,947</u>	<u>(1,573,271)</u>
<b>Nonoperating revenues (expenses):</b>		
Interest revenue	1,352,718	126,583
Gain (loss) on disposal of capital assets	(88,891)	342,265
Amortization on bond premium	1,330,144	-
Gain (loss) on long-term debt	(332,781)	-
Interest expense	(4,091,997)	-
Total nonoperating revenues (expenses), net	<u>(1,830,807)</u>	<u>468,848</u>
Income before capital contributions and transfers out	<u>31,168,140</u>	<u>(1,104,423)</u>
Capital contributions for capital assets	3,296,665	993,761
Transfers out	(9,500,000)	-
Change in net position	24,964,805	(110,662)
Net position at June 30, 2019	<u>351,912,732</u>	<u>39,039,118</u>
Net position at June 30, 2020	<u><u>\$ 376,877,537</u></u>	<u><u>38,928,456</u></u>

See accompanying notes to basic financial statements.

**City of Newport News, Virginia**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**Year ended June 30, 2020**

	Major Fund - Public Utility	Internal Service Funds
<b>Cash flows from operating activities:</b>		
Receipts from customers	\$ 96,530,232	\$ 12,928,495
Payments to suppliers	(22,846,376)	(5,213,302)
Payments to employees	(26,075,539)	(3,641,775)
Other payments	(2,608,045)	-
Net cash provided by operating activities	45,000,272	4,073,418
<b>Cash flows used in noncapital financing activities:</b>		
Transfers to other funds	(9,500,000)	-
Net cash used in noncapital financing activities	(9,500,000)	-
<b>Cash flows from capital and related financing activities:</b>		
Acquisition of capital assets	(12,199,241)	(5,243,408)
Contributed capital	3,296,665	993,761
Proceeds from sale of capital assets	116,067	490,596
Repayment and retirement of long-term debt, net	(15,886,224)	-
Bond issuance cost	(1,500)	-
Interest paid	(4,090,497)	-
Net cash used in capital and related financing activities	(28,764,730)	(3,759,051)
<b>Cash flows provided by investing activities</b>		
Interest received	1,352,717	126,582
Net cash provided (used) by investing activities	1,352,717	126,582
Increase in cash and restricted cash	8,088,259	440,949
Cash, cash equivalents, and restricted cash at beginning of year	98,045,835	8,018,401
Cash, cash equivalents, and restricted cash at end of year	106,134,094	8,459,350
<b>Reported as:</b>		
Cash and cash equivalents	83,236,386	8,459,350
Restricted cash	22,897,708	-
Total cash, cash equivalents, and restricted cash	106,134,094	8,459,350
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>		
Operating Income (Loss)	32,998,947	(1,573,271)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	13,858,316	5,954,032
Change in:		
Accounts receivable	1,175,963	-
Inventories	(636,736)	(31,305)
Accounts payable, accrued liabilities and leases payable	494,851	(276,038)
Unearned revenues	(939,634)	-
Deposits	272,491	-
Net pension asset	42,064	-
Net pension liability	(33,765)	-
Net OPEB liability	366,228	-
Deferred outflows of resources	(475,270)	-
Deferred inflows of resources	(2,123,183)	-
Total adjustments	12,001,325	5,646,689
Net cash provided by operating activities	\$ 45,000,272	\$ 4,073,418

See accompanying notes to basic financial statements.

**City of Newport News, Virginia**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**June 30, 2020**

	Pension, Other Postemployment Benefits, & Line of Duty Act Fund	Agency Funds
<b>Assets</b>		
Cash and cash equivalents	\$ 7,432,823	7,811,462
Cash and cash equivalents with trustee	8,311,597	-
Investments, at fair value::		
Debt securities	77,325,440	-
Equity investments	305,606,685	-
Private equities	47,205,544	-
Bond mutual fund	70,583,380	-
Commingled equity fund	330,152,542	-
Real estate and timber	112,283,255	-
Accounts receivable	-	4,186,436
Due from other components	65,943	-
Sales receivable	432,934	-
Other assets	15,686	-
Total assets	<u>\$ 959,415,829</u>	<u>11,997,898</u>
<b>Liabilities</b>		
Accounts payable	\$ 2,138,993	2,133,297
Due to other governments	-	7,681,113
Due to other agencies	-	2,183,488
Due to City	408,482	-
Purchases payable	238,985	-
Total liabilities	<u>2,786,460</u>	<u>11,997,898</u>
<b>Net Position</b>		
Assets held in trust:		
Restricted for pension and OPEB benefits	953,964,529	
Restricted	<u>2,664,840</u>	
Total net position	<u>\$ 956,629,369</u>	

See accompanying notes to basic financial statements.



**City of Newport News, Virginia**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds - Employees' Retirement Trusts for Pension & Other Postemployment Benefits**  
**Year ended June 30, 2020**

	Pension, Other Postemployment Benefits, & Line of Duty Act Fund
<b>Additions:</b>	
Employer contributions:	
City General Fund	\$ 35,399,812
Waterworks Fund	4,496,455
School Operating Fund	8,773,351
Employee contributions:	
City General Fund	3,985,085
Waterworks Fund	512,894
School Operating Fund	596,815
Other contributions:	
Income from leave exchange	164,644
Employee buy-back	18,697
Total contributions	<u>53,947,753</u>
Investment income:	
Net appreciation (depreciation) - bonds	299,129
Net appreciation (depreciation) - stocks	(6,501,547)
Interest	3,801,763
Dividends	5,575,520
Real estate operating income	3,478,756
Commission recapture	11,276
Other investment income	7,521
Total investment income	<u>6,672,418</u>
Less investment expenses	<u>(2,752,953)</u>
Net investment gain	<u>3,919,465</u>
Total additions	<u>57,867,218</u>
<b>Deductions:</b>	
Benefits paid to participants	94,985,097
Refunds of member contributions	139,364
Administrative expenses	1,087,527
Total deductions	<u>96,211,988</u>
Change in net position	(38,344,770)
Net position held in trust for retirement benefits at June 30, 2019	<u>994,974,139</u>
Net position held in trust for retirement benefits at June 30, 2020	<u><u>\$ 956,629,369</u></u>

See accompanying notes to basic financial statements.

*This page intentionally left blank*

**City of Newport News, Virginia**  
**Notes to the Financial Statements**  
**June 30, 2020**

**(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 from the Newport News Public Schools at 12465 Warwick Boulevard, Newport News, Virginia 23606.

**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 from E/IDA, at Department of Development, 2400 Washington Avenue, Newport News, Virginia 23607.

**City of Newport News, Virginia**  
**Notes to the Financial Statements**  
**June 30, 2020**

- 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 from PAC at 900 Bland Boulevard, Newport News, Virginia 23602.

***(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, 2020**

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 *Agency Funds* account for assets held by the City in a trustee capacity or as an agent or custodian for the individuals, private organizations, and other funds. Agency funds are custodial in nature so do not involve any measurement of results of operations.

**City of Newport News, Virginia**  
**Notes to the Financial Statements**  
**June 30, 2020**

**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 Utilities' 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, 2020**

**(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 2020 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 2020 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, 2020**

**(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, 2020, is composed of the following:

**General Fund - allowance for uncollectibles**

Taxes receivable:	
Real estate	\$ 2,134,224
Personal property	<u>4,444,580</u>
Total taxes	<u><u>\$ 6,578,804</u></u>

**Nonmajor Governmental -**

<b>Special Revenue Funds - accounts receivable</b>	\$ 2,396,523
--	--------------

<b>Public Utility Fund - accounts receivable</b>	\$ 2,289,217
--	--------------

**(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. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. There was no capitalized interest during fiscal year 2020.

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, 2020, the City holds capital assets related to school property with a net book value of approximately \$166,878,000.

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

**(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.



**City of Newport News, Virginia**  
**Notes to the Financial Statements**  
**June 30, 2020**

**(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, 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, and upon retirement, termination or death, may be compensated for certain amounts at their then current rate of pay. Upon termination, 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 may be used 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.

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.

**City of Newport News, Virginia**  
**Notes to the Financial Statements**  
**June 30, 2020**

*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 2020, the General Fund's unassigned fund balance is 14.4% 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, 2020**

Details of the fund balance classifications of the Governmental funds at June 30, 2020 are as follows:

Function/Purpose	Nonspendable	Restricted	Committed	Assigned	Unassigned
<b>General Fund:</b>					
Inventories	\$ 1,302,189	-	-	-	-
General government:					
Administration	-	-	-	2,901,603	-
Self insured activities	-	-	-	20,808,805	-
Projects	-	-	-	1,000,000	-
Judicial administration	-	-	-	4,460	-
Public safety	-	-	-	120,979	-
Public works	-	596,452	-	1,359,013	-
Health and welfare	-	-	-	30,396	-
Parks, recreation, and cultural	-	-	-	452,177	-
Community development	-	-	-	11,198	-
Imprest funds	-	-	-	21,180	-
Unassigned	-	-	-	-	70,612,462
Total General Fund	<u>\$ 1,302,189</u>	<u>596,452</u>	<u>-</u>	<u>26,709,811</u>	<u>70,612,462</u>
<b>Other funds:</b>					
Debt service:					
Future debt service	\$ -	-	3,308,551	-	-
Bond:					
Buildings	-	1,815,654	-	-	-
Community development	-	10,166,091	-	-	-
Environmental	-	74,983	-	-	-
Equipment	-	1,594,662	-	-	-
Parks, recreation, and cultural	-	460,901	-	-	-
Streets and bridges	-	5,780,864	-	-	-
Sanitary sewer/Solid waste	-	2,501,336	-	-	-
Stormwater	-	3,041,103	-	-	-
Unassigned	-	-	-	-	(14,433,882)
Capital projects:					
Federal and state grants	-	1,894,158	-	-	-
Nonmajor governmental:					
Economic development	-	-	1,222,405	-	-
Law library	-	25	171,709	-	-
Environmental	-	-	118,921	-	-
Criminal Justice Academy	-	-	245,193	-	-
Federal and state grants	-	2,937,833	-	-	-
Community development	-	-	1,897,641	-	-
Health and welfare	-	-	6,671	-	-
Equipment	-	-	593,768	-	-
Parks, recreation, and cultural	6,108	-	356,453	-	(216,376)
Buildings	-	-	274,019	-	-
Streets and bridges	-	-	871,806	-	-
Wastewater	-	11,622,263	-	-	-
Solid waste	-	8,421,575	-	-	-
Stormwater	-	15,519,203	3,132,809	-	-
Future capital projects	-	-	21,945,012	-	-
Total other funds	<u>\$ 6,108</u>	<u>65,830,651</u>	<u>34,144,958</u>	<u>-</u>	<u>(14,650,258)</u>
Total fund balance	<u>\$ 1,308,297</u>	<u>66,427,103</u>	<u>34,144,958</u>	<u>26,709,811</u>	<u>55,962,204</u>

**City of Newport News, Virginia**  
**Notes to the Financial Statements**  
**June 30, 2020**

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
<b>General activities:</b>	
Public works	\$ 596,452
<b>Other activities:</b>	
Debt service	6,219,500
Law library	25
Grants	2,937,833
Capital projects	1,894,158
Stormwater, Solid Waste ,Wastewater	35,563,042
Total restricted net position	<u>\$ 47,211,010</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 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, 2020**

**(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, 2020 are classified in the accompanying financial statements, except for Pension and OPEB Funds' as follows:

	<u>Carrying amount</u>
<b>Cash and deposits:</b>	
Cash on hand	\$ 122,100
Deposits with banks	<u>81,008,521</u>
Total cash and deposits	<u>81,130,621</u>
<b>Investments:</b>	
Local Government Investment Pool (LGIP)	274,863,458
Deposits with banks - money market accounts	6,350,856
Commonwealth cash reserve	3,790,784
Virginia State Non-Arbitrage Pool (VA SNAP)	53,973,100
IDA escrow funds	<u>186,369</u>
Total deposits and investments	<u>\$ 420,295,188</u>

Cash and investments as of June 30, 2020 are classified in the accompanying financial statements, except for Pension and OPEB Funds, as follows:

	<u>June 30, 2020</u>
<b>Statements of net position:</b>	
<b>Primary Government:</b>	
Cash and cash equivalents	\$ 264,358,027
Restricted cash	52,619,017
<b>Component units:</b>	
Cash and cash equivalents	68,613,294
Restricted cash	26,458,910
<b>Fiduciary funds:</b>	
Cash and cash equivalents - Line of Duty Act Fund	434,477
Cash and cash equivalents - Agency Funds	<u>7,811,463</u>
Total cash and investments	<u>\$ 420,295,188</u>

**City of Newport News, Virginia**  
**Notes to the Financial Statements**  
**June 30, 2020**

***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, 2020, 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, 2020 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, 2020, 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	\$ 264,234,573	AAAm	0.14
LGIP extended maturity	10,628,884	AAAf/S1	1.23
Commonwealth cash reserve (AIM) - underlying:			
U.S. agencies	150,989	A-1	0.33
U.S. agencies	97,444	A+	1.76
U.S. agencies	102,297	AA-	1.68
U.S. agencies	3,025,096	AA+	2.03
U.S. agencies	163,415	AA	0.98
U.S. agencies	81,853	AAA	1.48
Supranational bonds	110,504	AAA	1.22
Money market	59,186	AAAm	
SNAP	53,973,100	AAAm	0.15
Total investments	<u>\$ 332,627,341</u>		

**City of Newport News, Virginia**  
**Notes to the Financial Statements**  
**June 30, 2020**

**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, 2020.

Investments by fair value level	6/30/2020	Fair value measurements using	
		Quoted prices in active markets for identical assets (Level 1)	Quoted prices in active markets for identical assets (Level 2)
Time deposits	\$ 295,256	\$ 295,256	\$ -
U.S. government agencies	908,979	-	908,979
U.S. Treasury securities	1,888,870	-	1,888,870
U.S. corporate bonds	361,325	-	361,325
Supranational bonds	110,504	-	110,504
Money market funds	59,186	59,186	-
Collateralized mortgage obligations	166,664	-	166,664
Total at fair value	3,790,784	\$ 354,442	\$ 3,436,342
Investments measured at NAV			
SNAP	53,973,100		
Total investments at NAV	53,973,100		
Investments at amortized cost			
LGIP	264,234,573		
LGIP extended maturity	10,628,884		
Total at amortized cost	274,863,457		
Total	\$ 332,627,341		

**City of Newport News, Virginia**  
**Notes to the Financial Statements**  
**June 30, 2020**

**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>
<b>Cash and deposits:</b>	
Deposits with banks	\$ 1,078,897
Deposits with banks - repurchase agreements	6,142,949
Pension Trust fund money markets	<u>8,088,097</u>
Total cash and deposits	<u>15,309,943</u>
<b>Investments:</b>	
Debt securities	76,744,678
Equity investments	303,753,241
Private equities	47,205,544
Bond mutual fund	70,583,380
Commingled equity fund	330,152,542
Real assets	<u>112,283,255</u>
Total investments	<u>940,722,640</u>
Total deposits and investments	<u><u>\$ 956,032,583</u></u>

The Pension and OPEB funds' cash and investments as of June 30, 2020, are classified in the accompanying financial statements as follows:

	<u>June 30, 2020</u>
Cash and cash equivalents	\$ 7,221,846
Cash and cash equivalents with trustee	8,088,097
<b>Investments:</b>	
Debt securities	76,744,678
Equity investments	303,753,241
Private equities	47,205,544
Bond mutual fund	70,583,380
Commingled equity fund	330,152,542
Real assets	<u>112,283,255</u>
Total deposits and investments	<u><u>\$ 956,032,583</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, 2020**

The Pension Plan has the following recurring fair value measurements as of June 30, 2020:

Investments measured at fair value - Pension Fund

Investments by fair value level	Fair value at 6/30/2020	Fair value measurements using	
		Quoted prices in active markets for identical assets Level 1	Significant other observable inputs Level 2
<b>Debt securities:</b>			
Asset backed securities	\$ 588,949	\$ -	\$ 588,949
Collateralized mortgage obligations	1,140,272	-	1,140,272
Corporate bonds	46,429,596	-	46,429,596
Mortgage pass-through	352,573	-	352,573
U.S. Treasury securities	19,732,801	-	19,732,801
Total debt securities	68,244,191	-	68,244,191
<b>Equity securities:</b>			
Consumer goods	45,993,340	45,993,340	-
Energy	6,173,119	6,173,119	-
Financials	28,757,299	28,757,299	-
Health care	30,339,224	30,339,224	-
Industrials	37,779,860	37,779,860	-
Information technology	46,430,397	46,430,397	-
Materials	7,989,790	7,989,790	-
Mutual funds	55,897,274	55,897,274	-
Real estate investment trusts	5,622,178	5,622,178	-
Telecommunication services	12,380,131	12,380,131	-
Utilities	3,898,747	3,898,747	-
Total equity securities	281,261,359	281,261,359	-
Total investments at fair value level	349,505,550	\$ 281,261,359	\$ 68,244,191
<b>Investments measured at the net asset value (NAV)</b>			
<b>Debt investments::</b>			
Bond mutual fund:	70,583,380		
Total debt investments:	70,583,380		
<b>Equity investments:</b>			
Commingled international equity fund	219,726,869		
Commingled domestic equity fund	107,136,900		
Total equity investments	326,863,769		
Private equity - private equity partnerships	47,205,544		
<b>Real assets:</b>			
Real estate	42,531,052		
Timber	69,752,203		
Total real assets	112,283,255		
Total investments measured at the NAV	556,935,948		
Total investments at fair value	906,441,498		
<b>Cash equivalents and short-term investments at the amortized cost</b>			
U.S. Treasury Money Market	7,911,958		
Total investments measured at amortized cost	7,911,958		
Total investments	\$ 914,353,456		

**City of Newport News, Virginia**  
**Notes to the Financial Statements**  
**June 30, 2020**

Investments measured at fair value - OPEB

	Fair value at 6/30/2020	Fair value measurements using Quoted prices in active markets for identical assets Level 1
Investments by fair value level		
<b>Equity securities:</b>		
Mutual funds	\$ 30,992,369	\$ 30,992,369
Total equity securities	<u>30,992,369</u>	<u>30,992,369</u>
Total investments at fair value level	<u>30,992,369</u>	<u>\$ 30,992,369</u>
<b>Investments measured at the NAV</b>		
<b>Equity investments:</b>		
Commingled international equity fund	<u>3,288,773</u>	
Total equity investments measured at the NAV	<u>3,288,773</u>	
Total investments measured at fair value	<u>34,281,142</u>	
<b>Cash equivalents and short-term investments at the amortized cost</b>		
U.S. Treasury Money Market	<u>176,139</u>	
Total investments measured at amortized costs	<u>176,139</u>	
Total investments	<u>\$ 34,457,281</u>	

Investments measured at fair value - Line of Duty Act

	Fair value at 6/30/2020	Fair value measurements using Quoted prices in active markets for identical assets Level 1
Investments by fair value level		
<b>Equity securities:</b>		
Mutual funds	\$ 1,507,598	\$ 1,507,598
Total equity securities	<u>1,507,598</u>	<u>1,507,598</u>
Total investments at fair value level	<u>1,507,598</u>	<u>\$ 1,507,598</u>
<b>Investments measured at the NAV</b>		
<b>Equity investments:</b>		
Commingled international equity fund	<u>926,608</u>	
Total equity investments measured at the NAV	<u>926,608</u>	
Total investments measured at fair value	<u>2,434,206</u>	
<b>Cash equivalents and short-term investments at the amortized cost</b>		
U.S. Treasury Money Market	<u>223,500</u>	
Total investments measured at amortized costs	<u>223,500</u>	
Total investments	<u>\$ 2,657,706</u>	

**City of Newport News, Virginia**  
**Notes to the Financial Statements**  
**June 30, 2020**

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 6/30/2020	Unfunded commitments	Redemption frequency (if currently eligible)	Redemption notice period
<b>Debt investments:</b>				
Bond mutual fund <sup>(1)</sup>	\$ 70,583,380	\$ -	Daily, Monthly	3-30 days
Total debt investments	<u>70,583,380</u>	<u>-</u>		
<b>Equity investments:</b>				
Commingled international equity fund <sup>(2)</sup>	219,726,869	\$ -	Daily, Monthly	3-30 days
Commingled domestic equity fund <sup>(3)</sup>	<u>107,136,900</u>	<u>-</u>	Daily, Monthly	3-30 days
Total equity investments	<u>326,863,769</u>	<u>-</u>		
Private equity - private equity partnerships <sup>(4)</sup>	47,205,544	17,214,486	Not eligible	N/A
<b>Real assets:</b>				
Real estate <sup>(5)</sup>	42,531,052	-	Quarterly	3 months
Timber <sup>(5)</sup>	<u>69,752,203</u>	<u>-</u>	Quarterly	N/A
Total real assets	<u>112,283,255</u>	<u>-</u>		
Total investments measured at the NAV	<u>\$ 556,935,948</u>	<u>\$ 17,214,486</u>		

Investments measured at the NAV - OPEB

	NAV at 6/30/2020	Unfunded commitments	Redemption frequency (if currently eligible)	Redemption notice period
<b>Equity investments:</b>				
Commingled international equity fund <sup>(2)</sup>	\$ 3,288,773	\$ -	Daily, Monthly	3-30 days
Total equity investments	<u>3,288,773</u>	<u>-</u>		
Total investments measured at the NAV	<u>\$ 3,288,773</u>	<u>\$ -</u>		

Investments measured at the NAV - Line of Duty Act

	NAV at 6/30/2020	Unfunded commitments	Redemption frequency (if currently eligible)	Redemption notice period
<b>Equity investments:</b>				
Commingled international equity fund <sup>(2)</sup>	\$ 926,608	\$ -	Daily, Monthly	3-30 days
Total equity investments	<u>926,608</u>	<u>-</u>		
Total investments measured at the NAV	<u>\$ 926,608</u>	<u>\$ -</u>		

**City of Newport News, Virginia**  
**Notes to the Financial Statements**  
**June 30, 2020**

1. *Bond Mutual Fund.* This type consists of one investment fund 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 in this type has been determined using the NAV per share of the investments.
2. *Commingled International Equity Fund.* This type consists of one investment fund that invests in international equities diversified across all sectors. The fair value of the investment in this type has been determined using the NAV per share of the investments.
3. *Commingled Domestic Equity Fund.* This type consists of five investment funds that invest in domestic equities diversified across all sectors. The fair values of the investments in this type have been determined using the NAV per share of the investments.
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 the City Council and the Retirement Board.

***Credit Risk of Pension 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 Funds' securities by investment type as of June 30, 2020, is as follows:

**City of Newport News, Virginia**  
**Notes to the Financial Statements**  
**June 30, 2020**

Investment types	S & P's ratings as of June 30, 2020							
	Total	AAA	AA	A	BBB	B	C	Not rated
Asset-backed	\$ 588,949	-	-	-	-	-	-	588,949
Corporate bonds	46,429,595	1,167,960	4,459,061	33,527,624	7,274,950	-	-	-
Foreign currency	26,077,995	-	-	-	-	-	-	26,077,995
Ltd partner units	47,205,544	-	-	-	-	-	-	47,205,544
Mortgage-backed	1,492,845	-	352,573	-	-	-	-	1,140,272
Mutual funds	427,266,427	-	-	-	-	-	-	427,266,427
Real estate	42,531,052	-	-	-	-	-	-	42,531,052
Short-term	7,911,958	-	-	-	-	-	-	7,911,958
Timber	69,752,203	-	-	-	-	-	-	69,752,203
U.S. treasury	19,732,801	-	-	-	-	-	-	19,732,801
Non-fixed assets	225,364,087	-	-	-	-	-	-	225,364,087
Total	<u>\$ 914,353,456</u>	<u>1,167,960</u>	<u>4,811,634</u>	<u>33,527,624</u>	<u>7,274,950</u>	<u>-</u>	<u>-</u>	<u>867,571,288</u>

***Concentration of Credit Risk - Pension Fund***

There were no investments in any one issuer that represented 5% or more of the total Pension Fund investments.

***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 Fund's exposure to foreign currency risk is none to minimal. The OPEB Fund currently has no exposure to foreign currency risk.

***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. 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 1-3 year Government Credit Bond Index. The objective of the actively managed fixed income portfolio is to outperform the Barclays 1-3 year Government Credit Bond index over a moving 3-5 year range, with the exception of long-duration fixed income, which has an objective of outperforming the Barclays Capital Long Government/Credit Index over a moving 3-5 year range. The fair value of the Plan's fixed income portfolio consisted of the following investment and maturities as of June 30, 2020:

Investment type	Fair value	<5 years	5-10	10-15	15-20
U.S. government	\$ 20,321,750	\$ 20,321,750	\$ -	\$ -	\$ -
Corporate bonds	46,429,595	46,429,595	-	-	-
Mortgage	1,492,845	1,492,845	-	-	-
Total	<u>\$ 68,244,190</u>	<u>\$ 68,244,190</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**City of Newport News, Virginia**  
**Notes to the Financial Statements**  
**June 30, 2020**

**(3) Accounts Receivable**

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

	Governmental activities	Business-type activities
<b>Taxes receivable:</b>		
Real estate	\$ 11,055,960	\$ -
Personal property	8,215,813	-
Total taxes receivable, net	<u>19,271,773</u>	<u>-</u>
Accounts receivable	<u>9,905,289</u>	<u>10,589,010</u>
Total receivables, net	<u><u>\$ 29,177,062</u></u>	<u><u>\$ 10,589,010</u></u>

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

	General	Capital projects other federal and state	Public utility	Agency funds	Nonmajor governmental funds	Total
<b>Receivables:</b>						
Taxes	\$ 25,850,576	\$ -	\$ -	\$ -	\$ -	\$ 25,850,576
Accounts	4,575,018	-	12,878,227	4,186,436	7,726,794	29,366,475
Intergovernmental:						
Federal	1,501,651	6,072,611	-	-	818,237	8,392,499
State	13,183,274	6,778,988	-	-	1,587,035	21,549,297
Local	<u>-</u>	<u>123,965</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>123,965</u>
Gross receivables	45,110,519	12,975,564	12,878,227	4,186,436	10,132,066	85,282,812
Less allowance for doubtful accounts	<u>(6,578,802)</u>	<u>-</u>	<u>(2,289,217)</u>	<u>-</u>	<u>(2,396,523)</u>	<u>(11,264,542)</u>
Net total receivables	<u><u>\$ 38,531,717</u></u>	<u><u>\$ 12,975,564</u></u>	<u><u>\$ 10,589,010</u></u>	<u><u>\$ 4,186,436</u></u>	<u><u>\$ 7,735,543</u></u>	<u><u>\$ 74,018,270</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 \$13.8 million related to property taxes.

**City of Newport News, Virginia**  
**Notes to the Financial Statements**  
**June 30, 2020**

**(4) Capital Assets, Net**

Capital asset activity for the year ended June 30, 2020 was as follows:

**Primary Government**

	Balance July 1, 2019	Increases	Decreases	Balance June 30, 2020
<b>Governmental activities:</b>				
<b>Capital assets, not being depreciated:</b>				
Land	\$ 91,904,435	2,277,238	2,411,796	91,769,877
Construction in progress	139,218,899	62,008,460	75,234,983	125,992,376
Total capital assets, not being depreciated	<u>231,123,334</u>	<u>64,285,698</u>	<u>77,646,779</u>	<u>217,762,253</u>
<b>Capital assets, being depreciated:</b>				
Buildings	364,683,060	39,353,533	21,920,165	382,116,428
Improvements	230,350,561	8,027,846	-	238,378,407
Machinery and equipment	181,852,738	6,683,261	4,709,984	183,826,015
Infrastructure	594,833,142	26,866,297	-	621,699,439
Total capital assets, being depreciated	<u>1,371,719,501</u>	<u>80,930,937</u>	<u>26,630,149</u>	<u>1,426,020,289</u>
<b>Less accumulated depreciation for:</b>				
Buildings	138,060,328	7,142,772	8,584,550	136,618,550
Improvements	123,912,621	7,215,746	-	131,128,367
Machinery and equipment	133,132,191	10,221,267	4,548,301	138,805,157
Infrastructure	378,332,776	11,191,990	-	389,524,766
Total accumulated depreciation	<u>773,437,916</u>	<u>35,771,775</u>	<u>13,132,851</u>	<u>796,076,840</u>
Total capital assets being depreciated, net	<u>598,281,585</u>	<u>45,159,162</u>	<u>13,497,298</u>	<u>629,943,449</u>
Capital assets, net	<u>\$ 829,404,919</u>	<u>109,444,860</u>	<u>91,144,077</u>	<u>847,705,702</u>

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

General government	\$ 2,306,941
Judicial administration	581,085
Public safety	4,902,819
Public works	11,860,968
Health and welfare	179,752
Education	5,471,615
Parks, recreation and culture	3,355,784
Community development	1,150,827
Non-departmental	7,952
Internal Service Fund	5,954,032
	<u>\$ 35,771,775</u>

**City of Newport News, Virginia**  
**Notes to the Financial Statements**  
**June 30, 2020**

**Business-type Activities**

	Balance July 1, 2019	Increases	Decreases	Balance June 30, 2020
<b>Public utility:</b>				
<b>Capital assets, not being depreciated:</b>				
Land	\$ 8,336,904	-	-	8,336,904
Construction in progress	5,945,350	5,949,691	1,314,260	10,580,781
Total capital assets, not being depreciated	14,282,254	5,949,691	1,314,260	18,917,685
<b>Capital assets, being depreciated:</b>				
Buildings	149,109,499	16,876	-	149,126,375
Improvements	489,491,534	5,636,274	382,064	494,745,744
Machinery and equipment	44,339,330	1,834,839	1,014,629	45,159,540
Total capital assets, being depreciated	682,940,363	7,487,989	1,396,693	689,031,659
<b>Less accumulated depreciation for:</b>				
Buildings	65,281,193	3,539,596	-	68,820,789
Improvements	189,295,291	7,527,940	318,611	196,504,620
Machinery and equipment	33,020,311	2,790,781	948,944	34,862,148
Total accumulated depreciation	287,596,795	13,858,317	1,267,555	300,187,557
Total capital assets being depreciated, net	395,343,568	(6,370,328)	129,138	388,844,102
Capital assets, net	\$ 409,625,822	(420,637)	1,443,398	407,761,787

**Major Discretely Presented Component Units**

	Balance July 1, 2019	Increases	Decreases	Adjustment assets held tenancy in-common	Balance June 30, 2020
<b>Public schools:</b>					
<b>Capital assets, not being depreciated:</b>					
Land	\$ 2,263,424	-	-	-	2,263,424
Construction in progress	1,097,191	1,344,242	2,088,041	-	353,392
Total capital assets, not being depreciated	3,360,615	1,344,242	2,088,041	-	2,616,816
<b>Capital assets, being depreciated:</b>					
Buildings	77,934,806	611,486	-	21,920,165	100,466,457
Improvements	81,626,662	4,312,652	-	-	85,939,314
Machinery and equipment	69,805,797	6,874,289	7,100,996	-	69,579,090
Total capital assets, being depreciated	229,367,265	11,798,427	7,100,996	21,920,165	255,984,861
<b>Less accumulated depreciation for:</b>					
Buildings	48,032,576	1,180,752	-	8,584,550	57,797,878
Improvements	32,393,506	2,885,425	-	-	35,278,931
Machinery and equipment	49,827,647	3,743,345	7,019,728	-	46,551,264
Total accumulated depreciation	130,253,729	7,809,522	7,019,728	8,584,550	139,628,073
Total capital assets being depreciated, net	99,113,536	3,988,905	81,268	13,335,615	116,356,788
Capital assets, net	\$ 102,474,151	5,333,147	2,169,309	13,335,615	118,973,604

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 \$7,809,522 was charged to the Public School's governmental functions.



**City of Newport News, Virginia**  
**Notes to the Financial Statements**  
**June 30, 2020**

**(5) Interfund Receivables, Payables, and Transfers**

The composition of interfund balances as of June 30, 2020, is as follows:

Receivables/payables between other funds:

Receivable fund	Payable fund	Amount
General Fund	Nonmajor Gov. Fund: Animal Shelter	\$ 118,053
General Fund	Nonmajor Gov. Fund: Police Grants	112,528
General Fund	Nonmajor Gov. Fund: Comm. Atty. Grants	8,508
Nonmajor Gov. Fund: Gen. Cap. Imp. Fund	Capital Projects Other Federal and State	10,703,992
Nonmajor Gov. Fund: Gen. Cap. Imp. Fund	Debt Service	2,840,668

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	Pension fund	\$ 27,283
General Fund	OPEB fund	381,199

Receivables/payables between Primary Government and component units:

Receivable entity	Payable entity	Amount
Newport News Public Schools	City	\$ 12,839,482

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	
<b>Transfers from:</b>					
General Fund	\$ -	45,729,380	19,393,245	4,163,143	69,285,768
Nonmajor Gov. - Special Revenue	-	11,725,397	-	-	11,725,397
Public Utility	9,500,000	-	-	-	9,500,000
	<u>\$ 9,500,000</u>	<u>57,454,777</u>	<u>19,393,245</u>	<u>4,163,143</u>	<u>90,511,165</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, 2020**

**(6) Lease Agreements**

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

The School Board has four lease agreements at June 30, 2020 for financing the acquisition of property and equipment.

The net book value of assets acquired through the four capital leases as of June 30, 2020 is as follows:

Machinery and equipment	\$ 1,736,103
Less accumulated depreciation	<u>(886,577)</u>
Assets acquired through capital leases, net	<u><u>\$ 849,526</u></u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2020, were as follows:

Years ending June 30:	
2021	\$ 401,901
2022	441,619
2023	102,259
2024	84,638
2025	<u>7,053</u>
Total minimum lease payments	\$ 1,037,470
Less amounts representing interest	<u>(58,000)</u>
Present value of minimum capital lease payments	<u><u>\$ 979,470</u></u>

**(b) Operating Lease Payments - Component Units**

The School Board had three ongoing leased buildings in FY2020. 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 \$688,104 for the year ended June 30, 2020.

The E/IDA leases land and property in Newport News. Lease terms range from one to twenty years.

PAC leases equipment under a long-term non-cancelable operating lease. The lease term is five years and expires in August 2024.

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

	Schools	E/IDA	PAC
<b>Years ending June 30:</b>			
2021	\$ 673,805	1,383,152	14,340
2022	718,257	1,310,341	14,340
2023	723,703	1,276,773	14,340
2024	729,262	1,283,156	2,390
2025	734,935	1,289,667	-
2026-2030	<u>2,791,966</u>	<u>2,504,410</u>	<u>-</u>
	<u><u>\$ 6,371,928</u></u>	<u><u>9,047,499</u></u>	<u><u>45,410</u></u>

**City of Newport News, Virginia**  
**Notes to the Financial Statements**  
**June 30, 2020**

**(7) Long-Term Liabilities**

*(a) A summary of changes in long-term liabilities for governmental activities for the year ended June 30, 2020 is as follows:*

	Balance July 1, 2019	Additions	Reductions	Balance June 30, 2020	Due within one year
Bonds payable:					
General obligation bonds	\$ 378,975,000	-	(30,660,000)	348,315,000	30,745,000
VRA	13,392,767	-	(1,828,465)	11,564,302	1,778,516
VPSA	727,610	-	(358,278)	369,332	369,332
Deferred amounts:					
Add bonds premiums	35,097,631	-	(4,962,255)	30,135,376	4,516,986
Total bonds payable	428,193,008	-	(37,808,998)	390,384,010	37,409,834
Literary loan bonds	3,359,286	-	(419,767)	2,939,519	410,567
Landfill liability	3,194,000	-	(335,000)	2,859,000	352,000
Accrued vacation	19,206,338	16,362,510	(13,666,041)	21,902,807	15,585,582
Net line of duty obligation	5,723,581	1,574,905	-	7,298,486	-
Net pension liability	279,119,817	19,106,258	(14,167,508)	284,058,567	-
Net OPEB liability	72,163,964	14,343,218	(12,024,619)	74,482,563	-
Net OPEB obligation - GLI	4,849,460	2,523,076	(1,827,015)	5,545,521	-
Workers' comp. and other claims	12,551,430	5,422,339	(3,961,740)	14,012,029	3,362,537
Incurred but not reported medical claims	3,371,000	35,815,874	(36,458,874)	2,728,000	2,728,000
Total long-term liabilities	\$ 831,731,884	95,148,180	(120,669,562)	806,210,502	59,848,520

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, 2020, the City's aggregate general obligation indebtedness is approximately \$1,219.8 million less than the Commonwealth's limit and \$95.0 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 \$90.3 million are authorized but unissued.

At June 30, 2020, approximately \$30.3 million is considered defeased because refunding trusts have been established to pay for them.

*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 \$2.9 million liability at June 30, 2020 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 2020. 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, 2020**

**Outstanding general obligation bonds at June 30, 2020, 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, 2020
VRA 00A	03/01/00	03/01/21	3.50%	\$ 190,083
VPSA 00B	11/16/00	07/15/21	5.15%	369,332
VRA 01A	04/24/01	05/01/22	4.10%	275,809
VRA 02A	05/15/02	01/01/23	3.75%	523,875
VRA 03A	06/24/03	06/01/24	3.50%	775,107
VRA 04A	06/30/04	09/01/25	3.10%	1,002,805
VRA 05A	08/24/05	09/01/26	3.50%	1,318,683
VRA 06A	10/20/06	11/01/27	3.10%	1,226,654
Series 07B	04/05/07	07/01/22	5.00%	9,600,000
VRA 07A	09/11/07	09/01/28	3.00%	1,563,687
VRA 08	12/12/08	09/01/29	3.50%	1,690,239
VRA 09	12/16/09	09/01/30	3.35%	2,997,361
Series 11A	07/28/11	07/01/20	3.31%	2,100,000
Series 12A	03/21/12	07/15/24	1.93%	23,480,000
Series 12C	09/27/12	09/01/32	2.58%	24,000,000
Series 12D	09/27/12	09/01/21	1.77%	1,060,000
Series 14A	05/22/14	07/15/34	3.05%	33,750,000
Series 14A-Ref	05/22/14	07/15/27	2.43%	40,540,000
Series 14B	05/22/14	01/15/25	3.08%	4,695,000
Series 15	12/17/15	07/15/35	2.58%	39,110,000
Series 16A	06/21/16	08/01/31	2.01%	33,190,000
Series 17A	06/08/17	08/01/37	2.60%	53,505,000
Series 19A	02/05/19	02/01/40	2.95%	83,285,000
Totals				<u>\$ 360,248,635</u>

**City of Newport News, Virginia**  
**Notes to the Financial Statements**  
**June 30, 2020**

The following table summarizes future debt service requirements as of June 30, 2020:

Fiscal year ending June 30:	General Obligation Bonds		VRA		VPSA	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 30,745,000	\$ 14,196,061	\$ 1,778,516	270,524	\$ 369,332	9,418
2022	30,655,000	12,838,362	1,624,472	229,480	-	-
2023	29,145,000	11,501,673	1,520,136	193,144	-	-
2024	27,860,000	10,185,498	1,375,202	158,379	-	-
2025	26,605,000	8,921,687	1,205,966	125,901	-	-
2026-2030	98,500,000	29,537,863	3,897,714	249,112	-	-
2031-2035	71,875,000	11,777,338	162,296	2,150	-	-
2036-2040	32,930,000	2,568,899	-	-	-	-
Total future debt service	<u>\$ 348,315,000</u>	<u>\$ 101,527,381</u>	<u>\$ 11,564,302</u>	<u>1,228,690</u>	<u>\$ 369,332</u>	<u>9,418</u>

Outstanding literary loans at June 30, 2020, 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, 2020
Menchville High-2	10/01/00	10/01/20	2%	\$ 12,500
Denbigh High-2	08/01/01	08/01/21	2%	24,532
Gildersleeve Middle-2	08/15/01	08/15/21	2%	12,500
Dozier Middle	08/15/01	08/15/21	2%	12,500
Reservoir Middle	05/01/02	05/01/22	2%	12,500
Hines Middle	05/01/02	05/01/22	2%	12,500
Huntington Middle-2	09/01/02	09/01/22	2%	20,350
General Stanford	06/30/07	07/15/27	2%	2,832,137
Totals				<u>\$ 2,939,519</u>

The following table summarizes future debt service requirements as of June 30, 2020:

Fiscal year ending June 30:	Literary Loans	
	Principal	Interest
2021	\$ 410,567	58,791
2022	398,066	50,578
2023	360,803	42,618
2024	354,018	35,402
2025	354,018	28,321
2026-2030	1,062,047	42,482
Total future debt service	<u>\$ 2,939,519</u>	<u>258,192</u>

**City of Newport News, Virginia**  
**Notes to the Financial Statements**  
**June 30, 2020**

**Business-type Activities**

A summary of changes in long-term liabilities for capital-related, business-type activities for the year ended June 30, 2020 is as follows:

	Balance July 1, 2019	Additions	Reductions	Balance June 30, 2020	Due within one year
Bonds payable:					
General obligation bonds	\$ 39,260,000	-	(9,025,000)	30,235,000	6,605,000
Revenue bonds	53,980,000	-	(2,425,000)	51,555,000	2,460,000
Deferred amounts:					
Add bond premiums	9,897,587	-	(1,330,144)	8,567,443	1,210,477
Total bonds payable	103,137,587	-	(12,780,144)	90,357,443	10,275,477
Net pension liability	35,098,570	3,510,419	(3,544,184)	35,064,805	-
Net OPEB liability	10,015,639	1,990,696	(1,668,897)	10,337,438	-
Net OPEB liability-GLI	309,540	161,047	(116,618)	353,969	-
Deposits	4,994,616	2,362,054	(2,089,564)	5,267,106	-
Total long-term liabilities	<u>\$ 153,555,952</u>	<u>8,024,216</u>	<u>(20,199,407)</u>	<u>141,380,761</u>	<u>10,275,477</u>

Outstanding public utility bonds at June 30, 2020 are comprised of the following issues:

Public Utility Bond Series	Issue date	Final maturity date	Interest rate (at issue)	Balance June 30, 2020
2007B	04/05/07	07/01/22	5.1 %	\$ 10,975,000
2012A	03/21/12	07/15/24	1.9 %	4,260,000
2014A	05/22/14	07/15/27	2.5 %	15,000,000
2016A-IRB	06/02/16	06/30/37	2.7 %	25,380,000
2017A-IRB	05/31/17	06/30/38	2.6 %	26,175,000
Totals				<u>\$ 81,790,000</u>

The following table summarizes future debt service requirements of Business-type Activities as of June 30, 2020:

Fiscal year ending June 30:	Business-type Activities	
	Principal	Interest
2021	\$ 9,065,000	3,557,269
2022	9,485,000	3,091,875
2023	7,095,000	2,700,525
2024	5,780,000	2,402,600
2025	5,270,000	2,126,350
2026-2030	20,455,000	7,161,575
2031-2035	16,100,000	3,400,775
2036-2038	8,540,000	407,750
Totals	<u>\$ 81,790,000</u>	<u>24,848,719</u>

**City of Newport News, Virginia**  
**Notes to the Financial Statements**  
**June 30, 2020**

**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, 2020 is as follows:

	Balance July 1, 2019	Additions	Reductions	Balance June 30, 2020	Due within one year
Compensated absences	\$ 5,067,505	2,547,285	(2,145,866)	5,468,924	820,339
Workers' compensation claims	5,001,661	1,651,138	(1,821,058)	4,831,741	966,348
Capital leases payable	983,623	382,981	(387,134)	979,470	369,516
Capital facility notes payable	15,673,050	-	(904,762)	14,768,288	157,670
OPEB NNPS trust fund	63,169,701	16,051,426	(11,854,082)	67,367,045	-
OPEB VRS health care credit	25,286,000	3,475,487	(3,041,653)	25,719,834	-
OPEB VRS life insurance	13,723,000	4,002,475	(3,039,886)	14,685,589	-
Incurred but not reported medical claims	2,690,000	33,641,050	(33,455,050)	2,876,000	2,876,000
VRS teacher pool net pension liability	234,314,000	82,382,652	(57,733,518)	258,963,134	-
NNERF net pension liability	72,279,374	21,386,869	(8,598,267)	85,067,976	-
<b>Totals</b>	<b>\$ 438,187,914</b>	<b>165,521,363</b>	<b>(122,981,276)</b>	<b>480,728,001</b>	<b>5,189,873</b>

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 2020, approximately \$18.0 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, 2020, the E/IDA has outstanding bonds and notes from direct borrowings in the amount of \$31,276,859. 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, 2020**

The E/IDA Bonds and Notes at June 30, 2020 are comprised of the following:

	Issue date	Maturity date	Effective interest rates *	Balance July 1, 2019	Additions	Reductions	Balance June 30, 2020	Amount due within one year
<b>Bonds payable</b>								
Series 2012A	10/12/12	07/01/30	4.00%	\$ 25,390,000	-	(1,780,000)	23,610,000	2,070,000
Series 2012B	10/12/12	07/01/31	0.76%	18,485,000	-	(1,950,000)	16,535,000	1,840,000
Series 2015	07/23/15	09/01/27	3.48%	2,520,000	-	-	2,520,000	-
Total bonds payable				46,395,000	-	(3,730,000)	42,665,000	3,910,000
Premium on bonds payable - 2012				2,319,066	-	(319,351)	1,999,715	301,892
Premium on bonds payable - 2015				214,015	-	(20,802)	193,213	20,802
Total bonds payable, net				48,928,081	-	(4,070,153)	44,857,928	4,232,694
<b>Direct borrowings:</b>								
<b>Bonds payable</b>								
Downtown Eng	04/05/00	07/01/31	2.58%	11,540,000	-	(1,060,000)	10,480,000	1,060,000
Merchant's Walk	12/21/10	12/01/20	2.70%	1,788,000	-	(894,000)	894,000	894,000
Citi A '07	02/26/07	08/01/22	2.86% v	1,056,343	-	(318,102)	738,241	341,082
Citi B '07	02/26/07	08/01/22	2.74% v	214,857	-	(65,605)	149,252	69,449
A-School Garage	07/23/15	09/01/27	3.80%	8,792,304	-	(976,924)	7,815,380	976,924
Foundry Bond	12/18/18	1/15/23	3.40%	5,250,000	-	(1,500,000)	3,750,000	1,500,000
Total direct borrowing bonds payable				28,641,504	-	(4,814,631)	23,826,873	4,841,455
<b>Notes payable:</b>								
809 Omni Blvd	08/31/07	07/01/22	3.49%	1,199,985	-	(150,000)	1,049,985	150,000
Sherwood note A	11/23/16	01/01/32	3.14%	4,246,667	-	(326,667)	3,920,000	326,667
Sherwood note B	11/23/16	01/01/32	3.14%	2,686,667	-	(206,666)	2,480,001	206,666
Total direct borrowing notes payable				8,133,319	-	(683,333)	7,449,986	683,333
Total direct borrowings				36,774,823	-	(5,497,964)	31,276,859	5,524,788
Total bonds and notes payable				\$ 85,702,904	-	(9,568,117)	76,134,787	9,757,482

\* 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, 2020 there were fifteen bonds outstanding and at June 30, 2019, there were thirteen bonds outstanding with an aggregate principal balance of \$474,987,852 and \$467,257,663, respectively.



**City of Newport News, Virginia**  
**Notes to the Financial Statements**  
**June 30, 2020**

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
2021	\$ 3,910,000	1,531,699	5,524,788	801,302	9,434,788	2,503,712
2022	3,865,000	1,438,407	4,659,285	745,297	8,524,285	2,236,902
2023	3,825,000	1,321,421	4,108,177	582,656	7,933,177	1,950,525
2024	3,795,000	1,202,245	3,930,257	486,535	7,725,257	1,688,780
2025	3,775,000	1,080,627	2,410,257	360,700	6,185,257	1,441,327
2026-2030	18,120,000	3,174,770	9,577,427	764,775	27,697,427	3,939,545
2031-2032	5,375,000	189,051	1,066,668	42,378	6,441,668	231,429
Totals	<u>\$ 42,665,000</u>	<u>9,938,220</u>	<u>31,276,859</u>	<u>3,783,643</u>	<u>73,941,859</u>	<u>13,721,863</u>

The PAC Airport Improvement Bonds at June 30, 2020, are comprised of the following:

Series	Issue date	Maturity date	Eff. int. rate (%)	Balance July 1, 2019	Reductions	Balance June 30, 2020	Amt due in one year
2002	07/03/02	07/01/27	2.8	\$ 1,077,522	123,559	953,963	127,000
2005A	12/15/05	01/15/32	4.3	4,414,878	272,636	4,142,242	283,765
2005B	12/15/05	01/15/32	5.8	2,007,658	126,649	1,881,009	131,456
Totals				<u>\$ 7,500,058</u>	<u>522,844</u>	<u>6,977,214</u>	<u>542,221</u>

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

Fiscal year ending June 30:	PAC	
	Principal	Interest
2021	\$ 542,221	268,022
2022	566,183	244,963
2023	577,352	224,429
2024	611,529	200,169
2025	635,626	186,221
2026-2030	3,062,496	508,646
2031-2032	981,807	30,312
Totals	<u>\$ 6,977,214</u>	<u>1,662,762</u>

**City of Newport News, Virginia**  
**Notes to the Financial Statements**  
**June 30, 2020**

**(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 CAFR 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](http://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.

**City of Newport News, Virginia**  
**Notes to the Financial Statements**  
**June 30, 2020**

**Employees Covered by Benefit Terms**

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

July 1, 2018	
	Participant counts
Active members	2,002
Retirees and beneficiaries	6,326
Terminated vested members	4,451
Total	<u>12,779</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 2018, 2019, and 2020, 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 \$40,179,618 and \$5,278,135 were made by employers and employees, respectively, to the Pension Fund during the year ended June 30, 2020. The percentage of contributions to covered payroll for fiscal year 2020 was 40.7%.

**Net Pension Liability**

The City's net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of July 1, 2018, using an updated actuarial assumption, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019.

**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, 2018
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
<b>Actuarial assumptions:</b>	
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

**City of Newport News, Virginia**  
**Notes to the Financial Statements**  
**June 30, 2020**

**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 2018 was 9.92%. 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, 2018 are summarized in the following table:

Asset class	Long-term expected real rate of return	Target allocation
Large cap equities	4.6%	24.0%
Mid cap equities	8.4%	14.0%
Small cap equities	6.3%	12.0%
International equities	3.5%	12.0%
Emerging markets	7.9%	4.0%
Real estate	6.5%	4.0%
Private equities	10.1%	6.0%
Timberland	3.6%	8.0%
Fixed income (bonds)	1.8%	15.0%
Cash	(2.8)%	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, 2019 measurement date. Consequently, the single equivalent rate used to determine the total pension liability as of June 30, 2019 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	\$ 1,512,599,021	1,361,669,810	1,234,626,617
Plan fiduciary net position	957,478,462	957,478,462	957,478,462
Net pension liability	<u>\$ 555,120,559</u>	<u>404,191,348</u>	<u>277,148,155</u>
Plan fiduciary net position as a percentage of the total pension liability	63.3 %	70.3 %	77.6 %

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

**City of Newport News, Virginia**  
**Notes to the Financial Statements**  
**June 30, 2020**

**Changes in the Net Pension Liability**

The City's change in net pension liability of the Pension Fund for 2019 was as follows:

	Total pension liability (a)	Fiduciary net position			Net position liability (a)-(b)
		City's (b)	Proprietary's (b)	School's (b)	
<b>Balances at June 30, 2018</b>	\$ 1,344,247,663	\$ 668,615,859	\$ 75,022,341	\$ 214,111,702	\$ 386,497,761
<b>Changes for the year:</b>					
Service cost	8,907,722	-	-	-	8,907,722
Interest	96,464,296	-	-	-	96,464,296
Differences between expected and actual experience	(5,048,122)	-	-	-	(5,048,122)
Contributions - employer	-	28,711,274	3,544,185	8,598,283	(40,853,742)
Contributions - member	-	3,886,944	479,813	1,164,039	(5,530,796)
Net investment income	-	26,163,485	3,229,680	7,835,286	(37,228,451)
Benefit payments	(82,901,749)	(58,261,857)	(7,191,975)	(17,447,917)	-
Administrative expenses	-	(690,610)	(85,250)	(206,820)	982,680
<b>Net changes</b>	<b>17,422,147</b>	<b>(190,764)</b>	<b>(23,547)</b>	<b>(57,129)</b>	<b>17,693,587</b>
<b>Balances at June 30, 2019</b>	<b>\$ 1,361,669,810</b>	<b>\$ 668,425,095</b>	<b>\$ 74,998,794</b>	<b>\$ 214,054,573</b>	<b>\$ 404,191,348</b>

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	\$ 28,711,291	284,058,567	70.28 %
Business-type activities	3,544,184	35,064,805	8.67 %
Component unit - Schools	8,598,267	85,067,976	21.05 %
<b>Total</b>	<b>\$ 40,853,742</b>	<b>404,191,348</b>	<b>100.00 %</b>

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

For the year ended June 30, 2020, the City and Schools recognized pension expense of \$30,281,098 and \$8,071,962, respectively. At June 30, 2020, 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	\$ 27,914,060	-	3,492,205	-	31,406,265	-	8,773,351	-
Net difference between projected and actual earnings on pension plan investments	\$ 1,451,419	-	179,167	-	1,630,586	-	434,661	-

\$31,406,265 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, 2021.

**City of Newport News, Virginia**  
**Notes to the Financial Statements**  
**June 30, 2020**

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:		
2021	\$ 3,361,293	\$ 896,012
2022	(7,731,782)	(2,061,043)
2023	977,660	260,612
2024	5,023,415	1,339,080
	<u>\$ 1,630,586</u>	<u>\$ 434,661</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, 2020, 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 provision 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/documents/CAFR.pdf>.

**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 CAFR 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/2019-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:

**City of Newport News, Virginia**  
**Notes to the Financial Statements**  
**June 30, 2020**

<p><b>About Plan 1</b>  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><b>About Plan 2</b>  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><b>About the Hybrid Retirement Plan</b>  The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan.</p> <ul style="list-style-type: none"> <li>• The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.</li> <li>• The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.</li> <li>• In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.</li> </ul>
<p><b>Eligible Members</b>  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><b>Hybrid Opt-In Election</b>  VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p>	<p><b>Eligible Members</b>  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><b>Hybrid Opt-In Election</b>  Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p>	<p><b>Eligible Members</b>  Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> <li>• Political subdivision employees*</li> <li>• 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</li> </ul> <p><b>*Non-Eligible Members</b></p>

**City of Newport News, Virginia**  
**Notes to the Financial Statements**  
**June 30, 2020**

<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>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>Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> <li>• Political subdivision employees who are covered by enhanced benefits for hazardous duty employees</li> </ul> <p>Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under 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><b>Retirement Contributions</b></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><b>Retirement Contributions</b></p> <p>Same as Plan 1.</p>	<p><b>Retirement Contributions</b></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 percentages.</p>
<p><b>Creditable Service</b></p> <p>Creditable service includes active service. Members earn creditable</p>	<p><b>Creditable Service</b></p> <p>Same as Plan 1.</p>	<p><b>Creditable Service</b></p> <p><b><u>Defined Benefit Component:</u></b></p>



**City of Newport News, Virginia**  
**Notes to the Financial Statements**  
**June 30, 2020**

<p>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.</p>		<p>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.</p> <p><b><u>Defined Contributions Component:</u></b>  Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p>
<p><b>Vesting</b>  Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.</p>	<p><b>Vesting</b>  Same as Plan 1.</p>	<p><b>Vesting</b>  <b><u>Defined Benefit Component:</u></b>  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 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>

**City of Newport News, Virginia**  
**Notes to the Financial Statements**  
**June 30, 2020**

<p>Members are always 100% vested in the contributions that they make.</p>		<p><b><u>Defined Contributions Component:</u></b>  Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.</p> <p>Members are always 100% vested in the contributions that they make.</p> <p>Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p> <ul style="list-style-type: none"> <li>• After two years, a member is 50% vested and may withdraw 50% of employer contributions.</li> <li>• After three years, a member is 75% vested and may withdraw 75% of employer contributions.</li> <li>• After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.</li> </ul> <p>Distribution is not required by law until age 70½.</p>
<p><b>Calculating the Benefit</b>  The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.</p>	<p><b>Calculating the Benefit</b>  See definition under Plan 1.</p>	<p><b>Calculating the Benefit</b>  <b><u>Defined Benefit Component:</u></b>  See definition under Plan 1</p> <p><b><u>Defined Contribution Component:</u></b>  The benefit is based on contributions made by the member and any matching</p>

**City of Newport News, Virginia**  
**Notes to the Financial Statements**  
**June 30, 2020**

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.		contributions made by the employer, plus net investment earnings on those contributions.
<b>Average Final Compensation</b> A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	<b>Average Final Compensation</b> A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.	<b>Average Final Compensation</b> Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.
<b>Service Retirement Multiplier</b> <b>VRS:</b> The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.	<b>Service Retirement Multiplier</b> <b>VRS:</b> Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.	<b>Service Retirement Multiplier</b> <b>Defined Benefit Component:</b> <b>VRS:</b> The retirement multiplier for the defined benefit component is 1.00%.  For members who 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.
<b>Sheriffs and regional jail superintendents:</b> The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.	<b>Sheriffs and regional jail superintendents:</b> Same as Plan 1.	<b>Sheriffs and regional jail superintendents:</b> Not applicable.
<b>Political subdivision hazardous duty employees:</b> The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.	<b>Political subdivision hazardous duty employees:</b> Same as Plan 1.	<b>Political subdivision hazardous duty employees:</b> Not applicable.

**City of Newport News, Virginia**  
**Notes to the Financial Statements**  
**June 30, 2020**

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

**City of Newport News, Virginia**  
**Notes to the Financial Statements**  
**June 30, 2020**

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

**City of Newport News, Virginia**  
**Notes to the Financial Statements**  
**June 30, 2020**

<p>The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> <li>• The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.</li> <li>• The member retires on disability.</li> <li>• The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).</li> <li>• The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.</li> <li>• The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.</li> </ul>		
<p><b>Disability Coverage</b>  Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.</p>	<p><b>Disability Coverage</b>  Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.</p>	<p><b>Disability Coverage</b>  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 and employer-paid comparable program for its members.</p>

**City of Newport News, Virginia**  
**Notes to the Financial Statements**  
**June 30, 2020**

		Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.
<p><b>Purchase of Prior Service</b>  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.</p>	<p><b>Purchase of Prior Service</b>  Same as Plan 1.</p>	<p><b>Purchase of Prior Service</b>  <b><u>Defined Benefit Component:</u></b>  Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> <li>• Hybrid Retirement Plan members are ineligible for ported service.</li> </ul> <p><b><u>Defined Contribution Component:</u></b>  Not applicable.</p>

**City of Newport News, Virginia**  
**Notes to the Financial Statements**  
**June 30, 2020**

**Number of Employees by Class**

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

	June 30, 2018
	Retirees and beneficiaries
Inactive members or their beneficiaries	
currently receiving benefits	24
Inactive members	
Vested	60
Non-vested	435
Active elsewhere in VRS	242
Total inactive members	737
Active members	1,492
Total	2,253

**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, 2020 was 5.67% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. 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 \$3,855,880 and \$3,470,159 for the years ended June 30, 2020 and June 30, 2019, respectively.

**Net Pension Asset**

The City's net pension asset was measured as of June 30, 2019. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation performed as of June 30, 2018, rolled forward to the measurement date of June 30, 2019.



**City of Newport News, Virginia**  
**Notes to the Financial Statements**  
**June 30, 2020**

**Actuarial Assumptions**

The total pension liability for General Employees was based on an actuarial valuation as of June 30, 2018, 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, 2019.

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 expense, including inflation*

\* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for 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, 2018 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, 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, 2020**

**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, 2018 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%	5.61%	1.91%
Fixed income	15.00%	0.88%	0.13%
Credit strategies	14.00%	5.13%	0.72%
Real assets	14.00%	5.27%	0.74%
Private equity	14.00%	8.77%	1.23%
MAPS - Multi-asset public strategies	6.00%	3.52%	0.21%
PIP - Private investment partnership	3.00%	6.29%	0.19%
Total	100.00%		5.13%
Inflation			2.50%
* Expected arithmetic nominal return			7.63%

\* The above allocation provides a one-year return of 7.63%. 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.

**City of Newport News, Virginia**  
**Notes to the Financial Statements**  
**June 30, 2020**

**Discount Rate and Sensitivity of Net Pension Liability to Change in the Discount**

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, 2019, 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, 2019 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	1,019,459	(7,570,636)	(14,104,854)

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 2019 was as follows:

	Total pension liability (a)	City's fiduciary net position (b)	Proprietary's fiduciary net position (b)	Net pension asset (a)-(b)
<b>Balances at June 30, 2018</b>	\$ 32,762,018	38,280,020	2,753,702	(8,271,704)
<b>Changes for the year:</b>				
Service cost	6,513,447	-	-	6,513,447
Interest	2,274,606	-	-	2,274,606
Changes of assumptions	1,868,651	-	-	1,868,651
Differences between expected and actual experience	(124,261)	-	-	(124,261)
Contributions - employer	-	3,264,788	208,391	(3,473,179)
Contributions - member	-	3,088,442	197,135	(3,285,577)
Net investment income	-	2,911,040	185,811	(3,096,851)
Benefit payments	(535,285)	(503,168)	(32,117)	-
Administrative expenses	-	(20,892)	(1,333)	22,225
Other changes	-	(1,887)	(120)	2,007
<b>Net changes</b>	<u>9,997,158</u>	<u>8,738,323</u>	<u>557,767</u>	<u>701,068</u>
<b>Balances at June 30, 2019</b>	<u>\$ 42,759,176</u>	<u>47,018,343</u>	<u>3,311,469</u>	<u>(7,570,636)</u>

**City of Newport News, Virginia**  
**Notes to the Financial Statements**  
**June 30, 2020**

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

For the year ended June 30, 2020, the City recognized VRS pension expense of \$2,501,243. At June 30, 2020, 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	\$ 3,624,527	-	231,353	-	3,855,880	-
Differences between expected and actual experience	\$ 471,821	443,205	30,116	28,290	501,937	471,495
Changes of assumptions	\$ 1,459,820	609,488	93,180	38,904	1,553,000	648,392
Net difference between projected and actual earnings on plan investments	\$ -	395,382	-	25,237	-	420,619

\$3,855,880 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, 2021.

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:	
2021	\$ (10,552)
2022	(214,757)
2023	117,648
2024	337,574
2025	284,518
Total	\$ 514,431

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, 2020, 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, 2020, for both Newport News Employees Retirement Fund and VRS, was \$32,782,341.

**City of Newport News, Virginia**  
**Notes to the Financial Statements**  
**June 30, 2020**

**(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, 2018
<b>Active employees</b>	
Count	1,574
<b>Retirees with medical, dental, and/or life coverage</b>	
With medical coverage	1,801
With dental coverage	2,361
with life insurance coverage	1,910

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**  
**Notes to the Financial Statements**  
**June 30, 2020**

**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, 2020 totaled \$8,240,000. The percentage of contributions to covered payroll for fiscal year 2020 was 9.4%.

**Net OPEB Liability**

The City's net OPEB liability was measured as of June 30, 2019. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation performed as of June 30, 2018, using an updated actuarial assumption, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019.

**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, 2018
Actuarial cost method	Entry Age Normal
Amortization method	Level dollar closed
Remaining amortization period	22 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 Annuitant Mortality Table  
projected from the 2006 base rates using the RPEC\_2016 model

**City of Newport News, Virginia**  
**Notes to the Financial Statements**  
**June 30, 2020**

**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 2019 was 3.60%. 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, 2019 are summarized in the following table:

Asset class	Long-term expected real rate of return
Large cap equities	4.8%
Mid cap equities	8.0%
International equities	2.2%
Emerging markets	7.3%
Fixed income (bonds)	2.8%
Cash	(0.5)%

**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	\$ 132,434,464	119,693,200	109,034,812
Plan fiduciary net position	34,873,199	34,873,199	34,873,199
Net OPEB liability	<u>\$ 97,561,265</u>	<u>84,820,001</u>	<u>74,161,613</u>
Plan fiduciary net position as a percentage of the total OPEB liability	26.3 %	29.1 %	32.0 %

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**  
**June 30, 2020**

**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 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 6.35%	Healthcare trend 7.35%	1% Increase 8.35%
Total OPEB liability	\$ 109,370,040	119,693,200	131,938,063
Plan fiduciary net position	34,873,199	34,873,199	34,873,199
Net OPEB liability	<u>74,496,841</u>	<u>84,820,001</u>	<u>97,064,864</u>
Plan fiduciary net position as a percentage of the total OPEB liability	31.9 %	29.1 %	26.4 %

A one percent decrease in the healthcare trends decreases the TOL by approximately 9% 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 2019 was as follows:

	Total OPEB liability (a)	City's fiduciary net position (b)	Proprietary's fiduciary net position (b)	Net OPEB liability (a)-(b)
<b>Balances at June 30, 2018</b>	\$ 116,033,448	29,727,907	4,125,938	82,179,603
<b>Changes for the year:</b>				
Service cost	950,809	-	-	950,809
Interest	8,259,776	-	-	8,259,776
Differences between expected and actual experience	298,749	-	-	298,749
Changes of assumptions	2,544,266	-	-	2,544,266
Contributions - employer	-	7,235,750	1,004,250	(8,240,000)
Contributions - member	-	-	-	-
Net investment income	-	1,069,676	148,460	(1,218,136)
Benefit payments	(8,393,848)	(7,370,848)	(1,023,000)	-
Administrative expenses	-	(39,458)	(5,476)	44,934
<b>Net changes</b>	<u>3,659,752</u>	<u>895,120</u>	<u>124,234</u>	<u>2,640,398</u>
<b>Balances at June 30, 2019</b>	<u>\$ 119,693,200</u>	<u>30,623,027</u>	<u>4,250,172</u>	<u>84,820,001</u>

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	74,482,563	87.81 %
Business-type activities	1,004,250	10,337,438	12.19 %
Total	<u>\$ 8,240,000</u>	<u>84,820,001</u>	<u>100.00 %</u>



**City of Newport News, Virginia**  
**Notes to the Financial Statements**  
**June 30, 2020**

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

For the year ended June 30, 2020 the City recognized OPEB expense of \$5,503,805. At June 30, 2020, 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	\$ 637,235	-	88,442	-	725,677	-
Changes in assumptions	\$ 1,489,455	3,249,041	206,722	450,935	1,696,177	3,699,976
Net difference between projected and actual earnings on OPEB plan investments	\$ -	846,313	-	117,460	-	963,773

\$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, 2021.

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:	
2021	\$ (1,270,632)
2022	(1,270,636)
2023	46,783
2024	252,590
	<u>\$ (2,241,895)</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**  
**Notes to the Financial Statements**  
**June 30, 2020**

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, 2018	
<b>Active employees</b>	
Count	1,179
<b>Retirees and spouses - with medical coverage</b>	
Non medicare eligible	14
Medicare eligible	10
Total	24
With dental coverage	23
With vision coverage	21

**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 \$238,455 for the year ending June 30, 2020.

**Net OPEB Liability**

The City's net OPEB liability was measured as of June 30, 2019. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation performed as of June 30, 2018, using an updated actuarial assumption, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019.

**City of Newport News, Virginia**  
**Notes to the Financial Statements**  
**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 the short term. Significant methods and assumptions were as follows:

Actuarial valuation date	July 1, 2018
Actuarial cost method	Entry Age Normal
Amortization method	Level dollar open
Remaining amortization period	30 years
Asset valuation method	Market value
<b>Actuarial assumptions:</b>	
Investment rate of return	3.87 %
Rate of salary increases	4.60 %
Ultimate rate of medical inflation	5.00 %
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 3.50%.

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 30, 2018 was 3.87% and the municipal bond rate at June 29, 2019 was 3.50%.

The following presents the net OPEB liability of the City, calculated using the discount rate of 3.50%, 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 (2.50%) or one percent point higher (4.50%) than the current rate:

	1% Decrease 2.50%	Discount rate 3.50%	1% Increase 4.50%
Total OPEB liability	\$ 11,761,941	9,920,964	8,442,707
Plan fiduciary net position	2,622,478	2,622,478	2,622,478
Net OPEB liability	<u>\$ 9,139,463</u>	<u>7,298,486</u>	<u>5,820,229</u>
Plan fiduciary net position as a percentage of the total OPEB liability	22.3 %	26.4 %	31.1 %

**City of Newport News, Virginia**  
**Notes to the Financial Statements**  
**June 30, 2020**

**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 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	\$ 8,454,257	9,920,964	11,641,533
Plan fiduciary net position	2,622,478	2,622,478	2,622,478
Net OPEB liability	<u>\$ 5,831,779</u>	<u>7,298,486</u>	<u>9,019,055</u>
Plan fiduciary net position as a percentage of the total OPEB liability	31.0 %	26.4 %	22.5 %

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 17% and increases the NOL by approximately 24%.

**Changes in the Net OPEB Liability**

The City's change in net OPEB liability of the LOD Fund for 2019 was as follows:

	Total OPEB liability (a)	Plan fiduciary net position (b)	Net OPEB liability (a)-(b)
<b>Balances at June 30, 2018</b>	\$ 8,308,635	2,585,054	5,723,581
<b>Changes for the year:</b>			
Service cost	669,808	-	669,808
Interest	342,729	-	342,729
Differences between expected and actual experience	261,699	-	261,699
Change of assumptions	585,295	-	585,295
Contributions - employer	-	300,000	(300,000)
Contributions - member	-	-	-
Net investment income	-	(11,588)	11,588
Benefit payments	(247,202)	(247,202)	-
Administrative expenses	-	(3,786)	3,786
<b>Net changes</b>	<u>1,612,329</u>	<u>37,424</u>	<u>1,574,905</u>
<b>Balances at June 30, 2019</b>	<u>\$ 9,920,964</u>	<u>2,622,478</u>	<u>7,298,486</u>

**City of Newport News, Virginia**  
**Notes to the Financial Statements**  
**June 30, 2020**

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

For the year ended June 30, 2020, the City recognized OPEB expense of \$529,329. At June 30, 2020, 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	\$ 300,000	-
Differences between expected and actual experience	\$ 228,987	534,135
Changes in assumptions	\$ 512,133	3,069,126
Net difference between projected and actual earnings on OPEB plan investments	\$ 205,297	-

\$300,000 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, 2020. Amounts reported as deferred outflows and deferred inflows of resources will be recognized in OPEB expense as follows:

Year ended June 30:	
2020	\$ (386,013)
2021	(386,012)
2022	(419,842)
2023	(435,704)
2024	(458,213)
Thereafter	(571,060)
Total	\$ (2,656,844)

**City of Newport News, Virginia**  
**Notes to the Financial Statements**  
**June 30, 2020**

**(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	
<b>Eligible Employees</b>	
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"> <li>• City of Richmond</li> <li>• City of Portsmouth</li> <li>• City of Roanoke</li> <li>• City of Norfolk</li> <li>• Roanoke City Schools Board</li> </ul>	
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.	
<b>Benefit Amounts</b>	
The benefits payable under the GLI Program have several components.	
<ul style="list-style-type: none"> <li>• <b>Natural Death Benefit</b> - The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled.</li> <li>• <b>Accidental Death Benefit</b> - The accidental death benefit is double the natural death benefit.</li> <li>• <b>Other Benefit Provisions</b> - 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"> <li>• Accidental dismemberment benefit</li> <li>• Safety belt benefit</li> <li>• Repatriation benefit</li> <li>• Felonious assault benefit</li> <li>• Accelerated death benefit option</li> </ul> </li> </ul>	

**City of Newport News, Virginia**  
**Notes to the Financial Statements**  
**June 30, 2020**

**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 creditable service, 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 \$8,463 effective June 30, 2020.

**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 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% X 60%) and the employer component was 0.52% (1.31% 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, 2020 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. 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 \$415,835 and \$369,559 for the years ended June 30, 2020 and June 30, 2019, 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 GAAP, less the associated fiduciary net position. As of June 30, 2019, NOL amounts for the GLI Program are as follows (amounts expressed in thousands):

	Group life insurance OPEB program
Total GLI OPEB liability	\$ 3,390,238
Plan fiduciary net position	1,762,972
Employers' net GLI OPEB liability	<u>\$ 1,627,266</u>
Plan fiduciary net position as a percentage of the total GLI OPEB liability	52.00 %

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 GAAP in the System's notes to the financial statements and required supplementary information.

**City of Newport News, Virginia**  
**Notes to the Financial Statements**  
**June 30, 2020**

**Actuarial Assumptions**

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2018, 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, 2019.

Inflation	2.5%
<b>Salary increases, including inflation -</b>	
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 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, 2018 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**  
**Notes to the Financial Statements**  
**June 30, 2020**

**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, 2018 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**  
**Notes to the Financial Statements**  
**June 30, 2020**

**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 %	5.61 %	1.91 %
Fixed income	15.00 %	0.88 %	0.13 %
Credit strategies	14.00 %	5.13 %	0.72 %
Real assets	14.00 %	5.27 %	0.74 %
Private equity	14.00 %	8.77 %	1.23 %
MAPS - Multi-asset public strategies	6.00 %	3.52 %	0.21 %
PIP - Private investment partnership	3.00 %	6.29 %	0.19 %
Total	<u>100.00 %</u>		<u>5.13 %</u>
Inflation			<u>2.50 %</u>
*Expected arithmetic nominal return			<u>7.63 %</u>

\*The above allocation provides a one-year return of 7.63%. 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.

**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 and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2019, 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 rate. From July 1, 2019 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 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 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:

**City of Newport News, Virginia**  
**Notes to the Financial Statements**  
**June 30, 2020**

	1% Decrease 5.75%	Current discount rate 6.75%	1% Increase 7.75%
Employer's proportionate share of the GLI program net OPEB liability	\$ 7,750,297	5,899,490	4,398,537

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	\$ 347,385	5,545,521	94.00 %
Business-type activities	22,174	353,969	6.00 %
Total	\$ 369,559	5,899,490	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, 2020, the City reported a liability of \$5,899,490 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2019 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, 2019 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2019, the City's proportion was 0.36254% as compared to 0.33971% at June 30, 2018.

For the year ended June 30, 2020, the City recognized GLI OPEB expense of \$386,355. 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, 2020, 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	\$ 390,885	-	24,950	-	415,835	-
Differences between expected and actual experience	\$ 368,810	71,930	23,541	4,591	392,351	76,521
Net difference between projected and actual earnings on GLI OPEB program investments	\$ -	113,909	-	7,271	-	121,180
Changes in assumptions	\$ 350,112	167,222	22,347	10,674	372,459	177,896
Changes in proportion	\$ 994,481	-	63,477	-	1,057,958	-

**City of Newport News, Virginia**  
**Notes to the Financial Statements**  
**June 30, 2020**

\$415,835 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, 2020. 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:	
2021	\$ 270,897
2022	270,901
2023	322,226
2024	315,672
2025	214,836
Thereafter	52,639
Total	<u>\$ 1,447,171</u>

**GLI Program Fiduciary Net Position**

Detailed information about the GLI Program's Fiduciary Net Position is available in the separately issued VRS 2019 CAFR. A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2019-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, 2020, the City did not have a payable to the VRS GLI OPEB plan.

**(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.

***(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 2020, based on an average City salary of \$52,715, the City contributed \$1,581 per participant for a total of \$2,711,370 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. Investments options are available to employees.

**City of Newport News, Virginia**  
**Notes to the Financial Statements**  
**June 30, 2020**

**(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 \$175,000, per employee per year. 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 \$200,000, 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, 2020 and 2019 for the City and the Public Schools were as follows:

	City		Public schools	
	2020	2019	2020	2019
Claims payable at beginning of year	\$ 3,371,000	3,218,000	2,690,000	2,594,000
Claims and changes in estimates	35,815,874	40,305,275	33,641,050	28,904,270
Claim payments	(36,458,874)	(40,152,275)	(33,455,050)	(28,808,270)
Claims payable at end of year	<u>\$ 2,728,000</u>	<u>3,371,000</u>	<u>2,876,000</u>	<u>2,690,000</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, 2020 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, 2020 and 2019 for the City and the Public Schools.

	City		Public schools	
	2020	2019	2020	2019
Claims payable at beginning of year	\$ 10,908,736	10,413,617	5,001,661	5,332,395
Claims and changes in estimates	4,062,574	2,712,289	1,651,138	1,128,380
Claim payments	(2,849,544)	(2,217,170)	(1,821,058)	(1,459,114)
Claims payable at end of year	<u>\$ 12,121,766</u>	<u>10,908,736</u>	<u>4,831,741</u>	<u>5,001,661</u>

A loss analysis was conducted by Oliver Wyman Actuarial Consulting, Inc. on this fund. The total actuarially computed liability as of June 30, 2020 for the City and School Board was determined to be approximately \$12.1 million and \$4.8 million, respectively.

**(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.

**City of Newport News, Virginia**  
**Notes to the Financial Statements**  
**June 30, 2020**

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.

	<u>City</u>	
	<u>2020</u>	<u>2019</u>
Auto & General Liability		
Claims payable at beginning of year	\$ 1,642,694	1,630,833
Claims and changes in estimates	1,359,766	558,024
Claim payments	<u>(1,112,197)</u>	<u>(546,163)</u>
Claims payable at end of year	<u>\$ 1,890,263</u>	<u>1,642,694</u>

The auto and general liability claims increased from \$1.64 million to \$1.89 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, 2020, will not be material to the financial statements.

**City of Newport News, Virginia**  
**Notes to the Financial Statements**  
**June 30, 2020**

**(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, 2020, the City had outstanding encumbrances as follows:

<b>General fund</b>	
General government	\$ 486,377
Judicial administration	4,460
Public safety	117,946
Public works	1,359,013
Health and welfare	30,396
Parks, recreation and cultural	201,222
Community development	11,198
Total general fund	<u>2,210,612</u>
<b>Bond fund</b>	
General government	390,433
Public safety	1,874,506
Public works	12,874,611
Health and welfare	103,858
Parks, recreation and cultural	460,901
Community development	9,731,285
Total bond fund	<u>25,435,594</u>
<b>Capital projects other federal and state fund</b>	
Public works	49,274,938
Community development	104,481
Total capital projects other federal and state fund	<u>49,379,419</u>
<b>Nonmajor governmental funds</b>	
General government	4,930,537
Public safety	385,095
Public works	1,831,794
Health and welfare	89,144
Parks, recreation and cultural	199,758
Community development	193,192
Total nonmajor governmental funds	<u>7,629,520</u>
Total	<u><u>\$ 84,655,145</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, 2020**

**(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 fifty 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 \$179,388 in FY 20. 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, 2020 of \$200,003 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 \$3,499 in fiscal year 2020, thus reducing the accumulated deficit from \$203,502 to \$200,003. 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 companies, if meeting the eligibility criteria, to a 100% reimbursement of business license tax and between 40% to 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 City has tax abatement agreements to a restaurant for opening and investing in a location within the tourism zone. The abatements for the fiscal years ended June 30 were as follows:

Fiscal year ended	Amount of taxes abated
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, 2020**

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 three entities as of June 30, 2020.

Industry	2014	2015	2016	2017	2018	2019	2020
Automotive manufacturer	\$ 115,395	\$ 55,136	\$ 186,438	\$ 472,906	\$ 632,945	\$ 781,022	\$ -
Industrial digital imaging	1,379,246	1,515,016	1,092,673	893,688	697,173	653,200	468,268
Food processor and distributor	12,568	34,365	46,983	65,053	97,790	124,065	-
Manufacturer of flavors and related specialties	-	-	-	-	-	3,535	8,023
	<u>\$ 1,507,209</u>	<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>

**(16) Subsequent Events**

Subsequent events have been analyzed through November 24, 2020 noting the following:

The City has received or has been granted various funding in FY2020 and FY2021 as a result of the passage of the Coronavirus Aid, Relief and Economic Security (CARES) Act of 2020. The City received \$15,636,690 in June 2020 from the Coronavirus Relief Fund (CRF) which is part of the CARES Act. In August 2020, the City received its second allocation of CRF funds in the amount of \$15,636,690. This funding can be used for necessary expenditures incurred due to the public health emergency with respect to the Coronavirus Disease 2019 and must be expended by December 30, 2020.

**E/IDA**

On July 30, 2020, the EDA financed the Sears building renovation located at 2700 Huntington Avenue in an amount not to exceed \$1,050,000. The Towne Bank loan was fixed at an interest rate of 2.39%. The loan will have interest-only payments of six months, while renovation work is performed. The principal will be paid by the tenant, Huntington Ingalls, Inc., by amortizing the debt costs over 7.5 years of the remaining lease term.

In July 2020, a new lease between EDA and the City was executed for space in the Sherwood Shopping Center located at 13771 Warwick Boulevard for 2,422 square feet. The space will be used for the Newport News Office of Voter Registrar for storing equipment and training volunteer staff for various elections held throughout the year in Newport News. The lease is for a five-year term with two one year options to renew with a total rent of \$7.07 per square foot or \$17,123.54 annually.

*This page intentionally left blank*

**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, 2020**

	Original budget	Amended budget	Actual	Variance
<b>Revenues:</b>				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 192,218,000	192,218,000	192,270,766	52,766
Real and personal public service corporation property taxes	6,775,959	6,775,959	7,021,048	245,089
Personal property taxes	56,972,000	56,972,000	59,812,688	2,840,688
Machinery and tools taxes	22,450,000	22,450,000	24,107,462	1,657,462
Penalties and interest	1,520,000	1,520,000	1,421,618	(98,382)
Total general property taxes	279,935,959	279,935,959	284,633,582	4,697,623
Other local taxes:				
E-911 service revenue	790,000	790,000	826,797	36,797
Telecom sales taxes	10,400,000	10,400,000	9,613,963	(786,037)
Local sales and use taxes	25,985,000	25,985,000	27,473,290	1,488,290
Consumers' utility taxes	6,400,000	6,400,000	6,327,322	(72,678)
Consumption tax	785,000	785,000	663,636	(121,364)
Business license taxes	16,910,000	16,910,000	18,397,725	1,487,725
Rental car taxes	1,120,000	1,120,000	1,104,357	(15,643)
Motor vehicle license	4,300,000	4,300,000	4,144,869	(155,131)
Bank stock taxes	1,000,000	1,000,000	1,099,434	99,434
Taxes on recordation and wills	1,600,000	1,600,000	1,858,373	258,373
Tobacco taxes	4,700,000	4,700,000	4,417,232	(282,768)
Hotel and motel room taxes	4,586,600	4,586,600	3,939,267	(647,333)
Restaurant food taxes	26,725,000	26,725,000	25,233,838	(1,491,162)
Tourism zone taxes	72,000	72,000	40,168	(31,832)
Amusement taxes	968,000	968,000	716,266	(251,734)
Total other local taxes	106,341,600	106,341,600	105,856,537	(485,063)
Permits, privilege fees and regulatory licenses:				
Animal licenses	48,000	48,000	45,455	(2,545)
Permits and other licenses	3,985,302	3,985,302	3,179,210	(806,092)
Total permits, privilege fees and regulatory licenses	4,033,302	4,033,302	3,224,665	(808,637)
Fines and forfeitures	1,757,800	1,757,800	1,399,907	(357,893)
Revenue from use of money and property:				
Revenue from use of money	1,607,670	1,607,670	2,963,633	1,355,963
Revenue from use of property	2,111,294	2,111,294	1,982,976	(128,318)
Total revenue from use of money and property	3,718,964	3,718,964	4,946,609	1,227,645
Charges for services:				
Court costs	936,097	936,097	918,530	(17,567)
Law enforcement and traffic control	147,500	147,500	87,170	(60,330)
Fire and rescue services	4,430,000	4,430,000	4,578,609	148,609
Information Technology	1,827,430	1,827,430	1,827,430	-
Parks and recreation	7,765,118	7,765,118	5,685,782	(2,079,336)
Cultural enrichment	256,761	256,761	106,149	(150,612)
Self-insurance premiums	2,773,618	2,773,618	2,576,197	(197,421)
Library	41,000	41,000	24,050	(16,950)
Planning and community development	600	600	242	(358)
Indirect costs	6,232,225	6,232,225	6,232,225	-
Animal services	43,878	43,878	47,014	3,136
Total charges for services	\$ 24,454,227	24,454,227	22,083,398	(2,370,829)

(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, 2020**

	Original budget	Amended budget	Actual	Variance
Recovered costs:				
Health department	\$ 25,337	25,337	349,759	324,422
Juvenile detention home	4,963,397	4,963,397	4,819,309	(144,088)
City jail	1,113,701	1,113,701	1,135,126	21,425
Sewer assessments - debt service	17,000	17,000	3,090	(13,910)
Total recovered costs	6,119,435	6,119,435	6,307,284	187,849
Miscellaneous revenues:				
Payments in lieu of taxes	2,789,638	2,789,638	2,776,272	(13,366)
Miscellaneous	2,171,856	2,171,856	2,110,081	(61,775)
Total miscellaneous revenues	4,961,494	4,961,494	4,886,353	(75,141)
Total revenue from local sources	431,322,781	431,322,781	455,421,733	24,098,952
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicle carriers' taxes	65,000	65,000	67,593	2,593
Mobile home titling taxes	60,000	60,000	70,359	10,359
Tax on deeds	408,000	408,000	519,532	111,532
State rebate – recording tax	476,455	476,455	487,941	11,486
DCJP grants for law enforcement	9,357,454	9,357,454	9,722,396	364,942
Total noncategorical aid	10,366,909	10,366,909	10,867,821	500,912
Shared expenses:				
Technology trust fund	37,803	37,803	37,803	-
Commonwealth's Attorney	1,750,000	1,750,000	1,834,198	84,198
Sheriff	6,800,000	6,800,000	7,974,232	1,174,232
Commissioner of the Revenue	384,000	384,000	405,021	21,021
Treasurer	372,000	372,000	373,344	1,344
Registrar/Electoral board	60,146	60,146	64,955	4,809
Total shared expenses	9,403,949	9,403,949	10,689,553	1,285,604
Categorical state aid:				
Welfare	25,728,362	25,728,362	26,445,171	716,809
Emergency medical service funds	155,000	155,000	-	(155,000)
Library	178,330	178,330	183,888	5,558
Other	8,500	8,500	9,617	1,117
Total categorical state aid	26,070,192	26,070,192	26,638,676	568,484
Total revenue from the Commonwealth	45,841,050	45,841,050	48,196,050	2,355,000
Other financing sources:				
Transfers from other funds	9,500,000	9,500,000	9,500,000	-
Transfers from fund balance	500,000	500,000	-	(500,000)
Total other financing sources	10,000,000	10,000,000	9,500,000	(500,000)
Total revenues and other financing sources	\$ 487,163,831	487,163,831	491,034,385	3,870,554

(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, 2020**

	Original budget	Amended budget	Actual	Variance
<b>Expenditures:</b>				
General government administration:				
Legislative:				
City Council	\$ 270,288	270,662	264,633	6,029
City Clerk	321,715	352,862	348,666	4,196
Total legislative	592,003	623,524	613,299	10,225
General and financial administration:				
City Manager	1,647,395	1,711,519	1,705,166	6,353
Human resources	1,323,516	1,324,036	1,273,383	50,653
Employee benefits	412,604	413,069	399,927	13,142
Medical services	55,696	55,696	65,163	(9,467)
City Attorney	2,105,047	2,105,256	2,098,851	6,405
Internal Auditor	544,175	554,281	553,827	454
Commissioner of the Revenue	2,449,243	2,489,713	2,535,476	(45,763)
Real Estate Assessor	1,659,660	1,659,660	1,703,474	(43,814)
City Treasurer	2,464,570	2,476,985	2,460,059	16,926
Finance	3,140,331	3,141,323	3,105,273	36,050
Budget and evaluation	769,814	769,825	513,109	256,716
Auto self-insurance	1,400,000	1,400,000	1,656,965	(256,965)
General liability self-insurance	1,671,900	1,671,900	1,597,242	74,658
Workers' compensation	3,146,600	3,146,600	3,255,438	(108,838)
Information technology	10,710,996	10,713,174	10,697,243	15,931
Total general and financial administration	33,501,547	33,633,037	33,620,596	12,441
Board of elections:				
Registrar	481,850	563,839	564,034	(195)
Nondepartmental:				
Appointed boards	109,007	109,014	57,277	51,737
Community support	2,584,323	2,584,323	2,574,338	9,985
Contract community agencies	9,009,445	9,009,445	8,766,632	242,813
City development	37,827,150	35,930,984	34,380,676	1,550,308
Contractual services	2,228,813	2,228,813	1,912,220	316,593
Internal services	181,000	78,933	5,138	73,795
Machinery and equipment	570,000	570,000	376,205	193,795
Security Services	1,747,821	1,756,102	1,578,267	177,835
Strategic priorities	2,407,749	2,407,749	578,356	1,829,393
Street lighting	262,039	262,039	662,527	(400,488)
Other	6,522,771	6,454,533	4,567,581	1,886,952
Total nondepartmental	63,450,118	61,391,935	55,459,217	5,932,718
Total general government administration	98,025,518	96,212,335	90,257,146	5,955,189
Judicial administration:				
Courts:				
Circuit Courts	524,279	532,470	530,493	1,977
District Courts	121,176	121,176	66,633	54,543
Office of the Magistrate	6,947	6,947	4,778	2,169
Juvenile/Domestic Relations Court	58,514	58,514	54,577	3,937
Clerk of the Circuit Court	1,647,553	1,683,876	1,652,755	31,121
Court services	476,267	476,979	433,470	43,509
Total courts	2,834,736	2,879,962	2,742,706	137,256
Commonwealth's Attorney	4,378,460	4,385,858	4,272,266	113,592
Total judicial administration	\$ 7,213,196	7,265,820	7,014,972	250,848

(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, 2020**

	Original budget	Amended budget	Actual	Variance
Public safety:				
Law enforcement and traffic control:				
Police department	\$ 49,746,140	50,444,414	52,379,771	(1,935,357)
Emergency communications	343,673	344,486	235,665	108,821
Total law enforcement and traffic control	50,089,813	50,788,900	52,615,436	(1,826,536)
Fire and rescue services:				
Fire department	32,711,147	33,179,443	33,722,747	(543,304)
Ambulance and rescue service	2,479,805	2,479,805	2,565,668	(85,863)
Total fire and rescue services	35,190,952	35,659,248	36,288,415	(629,167)
Correction and detention:				
Sheriff	22,852,773	23,068,178	23,170,886	(102,708)
Juvenile detention	8,339,163	8,364,471	7,993,992	370,479
Total correction and detention	31,191,936	31,432,649	31,164,878	267,771
Inspection – codes compliance	3,199,511	3,202,361	3,181,292	21,069
Total public safety	119,672,212	121,083,158	123,250,021	(2,166,863)
Public works:				
Engineering:				
Administration	101,254	101,254	125,276	(24,022)
Civil services	115,683	115,683	162,783	(47,100)
Construction and bridge	129,082	129,082	210,081	(80,999)
Architectural services	529,976	529,976	416,385	113,591
Technical support	126,741	126,741	163,364	(36,623)
Transportation services	525,622	539,657	74,402	465,255
Environmental services	179,833	179,833	179,946	(113)
Total engineering	1,708,191	1,722,226	1,332,237	389,989
Public works administration	198,000	202,755	441,484	(238,729)
Maintenance of highways, streets, bridges, and sidewalks	3,955,108	3,955,778	138,618	3,817,160
Maintenance of general buildings and grounds	9,014,950	9,015,156	9,370,431	(355,275)
Total public works	14,876,249	14,895,915	11,282,770	3,613,145
Health and welfare:				
Health:				
Medical services	3,642,405	3,710,643	3,706,169	4,474
Welfare:				
Social services administration	7,803,244	7,803,571	7,045,180	758,391
Financial services	9,373,905	9,378,992	8,505,868	873,124
Social work services	13,449,525	13,450,065	14,173,137	(723,072)
Healthy families	1,180,084	1,203,230	1,218,890	(15,660)
Employment service program	2,291,875	2,291,875	1,925,371	366,504
CSA administration	221,491	221,491	231,759	(10,268)
Youth services	530,714	530,714	575,434	(44,720)
Family and community education	222,036	222,036	177,143	44,893
Homeless family services	477,964	477,964	418,566	59,398
Cooperative extension	190,116	190,116	195,099	(4,983)
Four Oaks Day center	-	-	36,402	(36,402)
CHIP program	71,699	71,699	19,963	51,736
Total welfare	35,812,653	35,841,753	34,522,812	1,318,941
Total health and welfare	\$ 39,455,058	39,552,396	38,228,981	1,323,415

(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, 2020**

	Original budget	Amended budget	Actual	Variance
Parks, recreation and cultural:				
Parks and recreation:				
Administration	\$ 5,690,421	5,814,093	5,423,777	390,316
Recreation division	2,641,653	2,655,264	2,445,287	209,977
Parks division	3,782,443	3,782,666	4,157,469	(374,803)
Recreation classes	5,154,900	5,154,900	4,903,428	251,472
Golf course	1,734,000	1,734,000	1,759,990	(25,990)
Leeward Marina	267,100	267,100	262,748	4,352
Festival support	411,817	411,819	306,109	105,710
Tourism, promotion and development	1,452,000	1,452,000	1,369,175	82,825
Animal services	621,770	622,424	638,347	(15,923)
Total parks and recreation	21,756,104	21,894,266	21,266,330	627,936
Cultural enrichment – museum	1,135,500	1,135,500	1,230,309	(94,809)
Library	4,711,319	4,767,573	4,790,796	(23,223)
Total parks, recreation and cultural	27,602,923	27,797,339	27,287,435	509,904
Community development:				
Planning and community development:				
Development	1,280,338	1,316,474	1,270,751	45,723
Planning	1,514,838	1,516,451	1,340,841	175,610
Communications	1,853,467	1,853,911	1,763,338	90,573
Economic development	4,164,884	4,164,884	4,220,199	(55,315)
Total community development	8,813,527	8,851,720	8,595,129	256,591
Education:				
General Fund transfer to Public Schools	110,889,307	110,889,307	110,889,307	-
Capital Projects' transfer to Public Schools	2,000,000	2,000,000	2,000,000	-
Total education	112,889,307	112,889,307	112,889,307	-
Transfers to other funds:				
Debt Service	36,881,356	36,881,356	36,881,356	-
Debt Service - Public Schools	8,848,024	8,848,024	8,848,024	-
Capital Projects	8,393,245	8,393,245	17,393,245	(9,000,000)
Other	4,493,216	4,493,216	4,163,143	330,073
Total transfers to other funds	58,615,841	58,615,841	67,285,768	(8,669,927)
Total expenditures and transfers to other funds	487,163,831	487,163,831	486,091,529	1,072,302
Excess (deficiency) of revenues over (under) expenditures	-	-	4,942,856	4,942,856
Less encumbrances outstanding at June 30, 2019 expended or canceled at June 30, 2020			(3,964,858)	
Add encumbrances outstanding at June 30, 2020			2,230,870	
FY 2020 surplus (deficit)			3,208,868	
Fund balance at beginning of year			96,012,046	
Fund balance at end of year			\$ 99,220,914	

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**

	2019	2018	2017	2016	2015	2014
<b>Total pension liability</b>						
Service costs	\$ 8,907,722	8,497,193	9,045,434	9,467,439	9,926,558	10,534,763
Interest	96,464,296	95,861,994	93,983,070	91,489,549	88,917,067	86,803,765
Differences between expected and actual experience	(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	(82,901,749)	(78,976,935)	(75,570,088)	(72,016,569)	(69,527,978)	(67,393,918)
<b>Net change in total pension liability</b>	17,422,147	35,810,355	27,273,186	35,413,591	35,980,671	29,944,610
<b>Total pension liability - beginning</b>	1,344,247,663	1,308,437,308	1,281,164,122	1,245,750,531	1,209,769,860	1,179,825,250
<b>Total pension liability - ending</b>	<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>
<b>Plan fiduciary net position</b>						
Contributions - employer	\$ 40,853,742	40,700,786	39,135,864	39,005,899	33,258,275	29,364,826
Contributions - member	5,530,796	5,779,158	5,987,851	6,416,136	6,738,148	6,558,611
Net investment income	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	(82,901,749)	(78,976,935)	(75,570,088)	(72,016,569)	(69,527,978)	(67,393,918)
Administrative expense	(982,680)	(1,030,662)	(952,560)	(921,181)	(1,003,673)	(866,517)
<b>Net change in plan fiduciary net position</b>	\$ (271,440)	58,316,413	83,774,791	(34,981,537)	(4,340,566)	80,868,031
<b>Plan fiduciary net position - beginning</b>	957,749,902	899,433,489	815,658,698	850,640,235	854,980,801	774,112,770
<b>Plan fiduciary net position - ending</b>	<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>
<b>Net pension liability ending</b>	<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>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	70.32 %	71.25 %	68.74 %	63.67 %	68.28 %	70.67 %
Covered payroll	\$ 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	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**

	2019	2018	2017	2016	2015	2014
<b>Total pension liability</b>						
Service costs	\$ 6,513,447	5,810,589	5,556,353	4,831,751	4,219,577	3,376,352
Interest	2,274,606	1,732,518	1,382,295	1,000,116	702,834	441,527
Differences between expected and actual experience	(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	(535,285)	(555,062)	(293,811)	(194,963)	(112,015)	(57,843)
<b>Net change in total pension liability</b>	<b>9,997,158</b>	<b>7,734,234</b>	<b>5,133,800</b>	<b>5,509,130</b>	<b>4,288,362</b>	<b>3,760,036</b>
<b>Total pension liability - beginning</b>	<b>32,762,018</b>	<b>25,027,784</b>	<b>19,893,984</b>	<b>14,384,854</b>	<b>10,096,492</b>	<b>6,336,456</b>
<b>Total pension liability - ending</b>	<b>\$ 42,759,176</b>	<b>32,762,018</b>	<b>25,027,784</b>	<b>19,893,984</b>	<b>14,384,854</b>	<b>10,096,492</b>
<b>Plan fiduciary net position</b>						
Contributions - employer	\$ 3,473,179	3,074,885	2,766,138	2,754,620	2,346,626	3,039,422
Contributions - member	3,285,577	3,052,031	2,685,841	2,326,164	2,054,662	1,685,840
Net investment income	3,096,851	2,575,005	3,322,147	485,326	760,402	1,589,581
Benefit payments, including refunds of member contributions	(535,285)	(555,062)	(293,811)	(194,963)	(112,015)	(57,843)
Administrative expense	(22,225)	(17,042)	(13,687)	(8,716)	(5,937)	(4,461)
Other	(2,007)	(2,546)	(3,225)	(153)	(177)	(83)
<b>Net change in plan fiduciary net position</b>	<b>\$ 9,296,090</b>	<b>8,127,271</b>	<b>8,463,403</b>	<b>5,362,278</b>	<b>5,043,561</b>	<b>6,252,456</b>
<b>Plan fiduciary net position - beginning</b>	<b>41,033,722</b>	<b>32,906,451</b>	<b>24,443,048</b>	<b>19,080,770</b>	<b>14,037,209</b>	<b>7,784,753</b>
<b>Plan fiduciary net position - ending</b>	<b>\$ 50,329,812</b>	<b>41,033,722</b>	<b>32,906,451</b>	<b>24,443,048</b>	<b>19,080,770</b>	<b>14,037,209</b>
<b>Net pension asset ending</b>	<b>\$ (7,570,636)</b>	<b>(8,271,704)</b>	<b>(7,878,667)</b>	<b>(4,549,064)</b>	<b>(4,695,916)</b>	<b>(3,940,717)</b>
<b>Plan fiduciary net position as a percentage of the total net pension asset</b>	<b>117.71 %</b>	<b>125.25 %</b>	<b>131.48 %</b>	<b>122.87 %</b>	<b>132.64 %</b>	<b>139.03 %</b>
Covered payroll	\$ 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	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**

	2019	2018	2017
<b>Total OPEB liability</b>			
Service costs	\$ 950,809	519,381	811,867
Interest	8,259,776	8,847,501	8,837,567
Differences between expected and actual experience	298,749	1,053,023	-
Changes of assumptions	2,544,266	(7,399,952)	-
Benefit payments, including refunds of member contributions	(8,393,848)	(9,229,514)	(9,512,163)
<b>Net change in total OPEB liability</b>	3,659,752	(6,209,561)	137,271
<b>Total OPEB liability - beginning</b>	116,033,448	122,243,009	122,105,738
<b>Total OPEB liability - ending</b>	<u>\$ 119,693,200</u>	<u>116,033,448</u>	<u>122,243,009</u>
<b>Plan fiduciary net position</b>			
Contributions - employer	\$ 8,240,000	8,240,000	8,240,000
Net investment income	1,218,136	3,355,846	5,402,335
Benefit payments, including refunds of member contributions	(8,393,848)	(9,229,514)	(9,512,163)
Administrative expense	(44,934)	(44,013)	(60,497)
<b>Net change in plan fiduciary net position</b>	\$ 1,019,354	2,322,319	4,069,675
<b>Plan fiduciary net position - beginning</b>	33,853,845	31,531,526	27,461,851
<b>Plan fiduciary net position - ending</b>	<u>\$ 34,873,199</u>	<u>33,853,845</u>	<u>31,531,526</u>
<b>Net OPEB liability ending</b>	<u>\$ 84,820,001</u>	<u>82,179,603</u>	<u>90,711,483</u>
<b>Plan fiduciary net position as a percentage of the total OPEB liability</b>	29.14 %	29.18 %	25.82 %
Covered payroll	\$ 92,290,402	95,734,439	100,618,959
Net OPEB liability as a percentage of covered payroll	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**

	2019	2018	2017
<b>Total OPEB liability</b>			
Service costs	\$ 669,808	1,148,034	1,130,417
Interest	342,729	383,248	311,181
Changes of benefit terms	-	905,453	-
Differences between expected and actual experience	261,699	(686,746)	-
Changes of assumptions	585,295	(2,835,907)	(1,381,476)
Benefit payments, including refunds of member contributions	(247,202)	(322,421)	(260,856)
<b>Net change in total OPEB liability</b>	1,612,329	(1,408,339)	(200,734)
<b>Total OPEB liability - beginning</b>	8,308,635	9,716,974	9,917,708
<b>Total OPEB liability - ending</b>	<u>\$ 9,920,964</u>	<u>8,308,635</u>	<u>9,716,974</u>
<b>Plan fiduciary net position</b>			
Contributions - employer	\$ 300,000	300,000	256,300
Net investment income	(11,588)	104,072	19,499
Benefit payments, including refunds of member contributions	(247,202)	(322,421)	(260,856)
Administrative expense	(3,786)	(5,095)	(46,909)
<b>Net change in plan fiduciary net position</b>	\$ 37,424	76,556	(31,966)
<b>Plan fiduciary net position - beginning</b>	2,585,054	2,508,498	2,540,464
<b>Plan fiduciary net position - ending</b>	<u>\$ 2,622,478</u>	<u>2,585,054</u>	<u>2,508,498</u>
<b>Net OPEB liability ending</b>	<u>\$ 7,298,486</u>	<u>5,723,581</u>	<u>7,208,476</u>
<b>Plan fiduciary net position as a percentage of the total OPEB liability</b>	26.43 %	31.11 %	25.82 %
Covered payroll	\$ 60,568,373	59,928,556	59,195,883
Net OPEB liability as a percentage of covered payroll	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)**

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

**Schedule of City Contributions VRS**  
**(Dollar amounts in thousands)**

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

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

	2020	2019	2018	2017
Actuarially determined contribution	\$ 8,240	8,240	8,240	8,240
Contributions in relation to the actuarially determined contribution	8,240	8,240	8,240	8,240
Contribution deficiency	\$ -	-	-	-
Covered payroll	\$ 87,623	92,290	95,734	100,619
Contributions as a percentage of covered payroll	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)**

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

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

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, net of investment fees	0.10%	3.30%	9.92%	14.83%	(1.05)%	2.92%	15.08%

**Schedule of Investment Returns OPEB**  
**Years ended June 30**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Annual money-weighted rate of return, net of investment fees	3.00%	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**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Employer's proportion of the net GLI OPEB liability	0.36254%	0.33971%	0.30329%
Employer's proportionate share of the net GLI OPEB liability	\$ 5,899,490	5,159,000	4,564,000
Employer's covered payroll	\$ 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	8.36%	8.02%	8.19%
Plan fiduciary net position as a percentage of the total GLI OPEB liability	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, 2020**

**(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 2020 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, 2020**

	Special Revenue						
	Community Development	Street Maintenance	Economic Development	Law Library	Stormwater	Solid Waste	Wastewater
<b>Assets</b>							
Cash and cash equivalents	\$ 928	-	1,094,462	170,880	16,105,235	7,582,413	11,041,755
Accounts receivable, net	-	-	-	6,432	1,235,859	1,468,546	996,540
Receivables from other funds	-	-	-	-	-	-	-
Receivables from other governments:							
Virginia	5,723	-	-	-	-	-	-
Federal	6,291	-	-	-	-	-	-
Inventory, at cost	-	-	-	-	-	-	-
Total assets	<u>\$ 12,942</u>	<u>-</u>	<u>1,094,462</u>	<u>177,312</u>	<u>17,341,094</u>	<u>9,050,959</u>	<u>12,038,295</u>
<b>Liabilities</b>							
Accounts payable	\$ 11,385	-	3,249	2,407	627,220	410,909	119,870
Accrued liabilities	1,557	-	-	3,171	372,547	180,766	296,162
Unearned revenues	-	-	62,000	-	-	37,709	-
Payable to major governmental funds	-	-	-	-	-	-	-
Total liabilities	<u>12,942</u>	<u>-</u>	<u>65,249</u>	<u>5,578</u>	<u>999,767</u>	<u>629,384</u>	<u>416,032</u>
<b>Deferred inflows of resources</b>							
Unavailable revenue-stormwater fees	-	-	-	-	822,124	-	-
<b>Fund balances</b>							
Nonspendable	-	-	-	-	-	-	-
Restricted	-	-	-	25	15,519,203	8,421,575	11,622,263
Committed	-	-	1,029,213	171,709	-	-	-
Unassigned	-	-	-	-	-	-	-
Total fund balances	<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>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 12,942</u>	<u>-</u>	<u>1,094,462</u>	<u>177,312</u>	<u>17,341,094</u>	<u>9,050,959</u>	<u>12,038,295</u>

(continued)

**City of Newport News, Virginia**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2020**

	Special Revenue					Capital Projects	Total Nonmajor Governmental Funds
	Comprehensive Services Act	Criminal Justice Academy	Animal Shelter	Special Events	Other Federal and State	General Capital Improvements	
<b>Assets</b>							
Cash and cash equivalents	\$ 1,710,285	245,557	300	205,176	14,863,245	12,937,102	65,957,338
Accounts receivable, net	-	-	166	-	-	1,622,728	5,330,271
Receivables from other funds	-	-	-	-	-	13,544,660	13,544,660
Receivables from other governments:							
Virginia	1,321,720	-	-	-	259,592	-	1,587,035
Federal	-	-	-	-	811,946	-	818,237
Inventory, at cost	-	-	6,108	-	-	-	6,108
Total assets	<u>\$ 3,032,005</u>	<u>245,557</u>	<u>6,574</u>	<u>205,176</u>	<u>15,934,783</u>	<u>28,104,490</u>	<u>87,243,649</u>
<b>Liabilities</b>							
Accounts payable	\$ 1,135,571	364	37,724	18,207	255,367	729,562	3,351,835
Accrued liabilities	(1,207)	-	50,800	-	69,069	79,511	1,052,376
Unearned revenues	-	-	-	-	12,551,478	-	12,651,187
Payable to major governmental funds	-	-	118,053	-	121,036	-	239,089
Total liabilities	<u>1,134,364</u>	<u>364</u>	<u>206,577</u>	<u>18,207</u>	<u>12,996,950</u>	<u>809,073</u>	<u>17,294,487</u>
<b>Deferred inflows of resources</b>							
Unavailable revenue-stormwater fees	-	-	-	-	-	-	822,124
<b>Fund balances</b>							
Nonspendable	-	-	6,108	-	-	-	6,108
Restricted	-	-	-	-	2,937,833	-	38,500,899
Committed	1,897,641	245,193	10,265	186,969	-	27,295,417	30,836,407
Unassigned	-	-	(216,376)	-	-	-	(216,376)
Total fund balances	<u>1,897,641</u>	<u>245,193</u>	<u>(200,003)</u>	<u>186,969</u>	<u>2,937,833</u>	<u>27,295,417</u>	<u>69,127,038</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 3,032,005</u>	<u>245,557</u>	<u>6,574</u>	<u>205,176</u>	<u>15,934,783</u>	<u>28,104,490</u>	<u>87,243,649</u>

**City of Newport News, Virginia**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Nonmajor Governmental Funds**  
**Year ended June 30, 2020**

	Special Revenue						
	Community Development	Street Maintenance	Economic Development	Law Library	Stormwater	Solid Waste	Wastewater
<b>Revenues:</b>							
Intergovernmental:							
Local	\$ -	-	-	-	-	-	-
Virginia	-	17,535,963	-	-	-	34,641	-
Federal	1,956,155	-	-	-	-	-	-
Charges for services	-	-	-	104,245	21,422,065	14,438,906	21,963,535
Interest and rent	-	-	223,430	-	104,359	102,233	137,438
Sale of property	-	-	35,000	-	-	-	-
Local fees and contributions	-	-	-	-	-	-	-
Miscellaneous	-	-	35	-	16,343	3,969	-
	<u>1,956,155</u>	<u>17,535,963</u>	<u>258,465</u>	<u>104,245</u>	<u>21,542,767</u>	<u>14,579,749</u>	<u>22,100,973</u>
<b>Expenditures:</b>							
Current operating:							
General government	-	-	-	120,774	-	-	-
Judicial administration	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-
Public works	-	17,535,963	-	-	15,241,998	13,190,319	12,989,328
Health and welfare	-	-	-	-	-	-	-
Education	-	-	-	-	-	-	-
Parks, recreation, and culture	-	-	-	-	-	-	-
Community Development	1,956,155	-	397,095	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
	<u>1,956,155</u>	<u>17,535,963</u>	<u>397,095</u>	<u>120,774</u>	<u>15,241,998</u>	<u>13,190,319</u>	<u>12,989,328</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	(138,630)	(16,529)	6,300,769	1,389,430	9,111,645
<b>Other financing sources (uses):</b>							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	(4,904,906)	(350,599)	(5,821,531)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,904,906)</u>	<u>(350,599)</u>	<u>(5,821,531)</u>
Total other financing sources (uses), net	-	-	-	-	(4,904,906)	(350,599)	(5,821,531)
Net changes in fund balances	-	-	(138,630)	(16,529)	1,395,863	1,038,831	3,290,114
Fund balances at June 30, 2019	-	-	1,167,843	188,263	14,123,340	7,382,744	8,332,149
Fund balances at June 30, 2020	\$ -	-	1,029,213	171,734	15,519,203	8,421,575	11,622,263

**City of Newport News, Virginia**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Nonmajor Governmental Funds**  
**Year ended June 30, 2020**

	Special Revenue					Capital Projects	
	Comprehensive Services Act	Criminal Justice Academy	Animal Shelter	Special Events	Other Federal and State	General Capital Improvements	Total nonmajor governmental funds
<b>Revenues:</b>							
Intergovernmental:							
Local	\$ 1,713,228	-	1,127,103	-	672,414	-	3,512,745
Virginia	6,093,653	-	-	-	1,712,422	-	25,376,679
Federal	332,591	-	-	-	6,266,634	-	8,555,380
Charges for services	-	72,680	155,211	-	-	-	58,156,642
Interest and rent	-	-	-	-	22,616	32,111	622,187
Sale of property	-	-	-	-	-	-	35,000
Local fees and contributions	-	-	-	60,200	-	904,298	964,498
Miscellaneous	-	-	11,103	-	-	-	31,450
Total revenues	<u>8,139,472</u>	<u>72,680</u>	<u>1,293,417</u>	<u>60,200</u>	<u>8,674,086</u>	<u>936,409</u>	<u>97,254,581</u>
<b>Expenditures:</b>							
Current operating:							
General government	-	-	-	-	399,476	-	520,250
Judicial administration	-	-	-	-	540,848	-	540,848
Public safety	-	57,987	-	-	5,069,997	-	5,127,984
Public works	-	-	-	-	79,945	-	59,037,553
Health and welfare	8,784,011	-	-	-	396,020	-	9,180,031
Education	-	-	-	-	-	4,400,000	4,400,000
Parks, recreation, and culture	-	-	1,949,369	1,090,408	152,842	-	3,192,619
Community Development	-	-	-	-	1,633,577	-	3,986,827
Capital outlay	-	-	-	-	-	9,380,210	9,380,210
Total expenditures	<u>8,784,011</u>	<u>57,987</u>	<u>1,949,369</u>	<u>1,090,408</u>	<u>8,272,705</u>	<u>13,780,210</u>	<u>95,366,322</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(644,539)</u>	<u>14,693</u>	<u>(655,952)</u>	<u>(1,030,208)</u>	<u>401,381</u>	<u>(12,843,801)</u>	<u>1,888,259</u>
<b>Other financing sources (uses):</b>							
Transfers in	2,290,247	-	1,307,812	565,084	-	19,393,245	23,556,388
Transfers out	-	-	(648,361)	-	-	-	(11,725,397)
Total other financing sources (uses), net	<u>2,290,247</u>	<u>-</u>	<u>659,451</u>	<u>565,084</u>	<u>-</u>	<u>19,393,245</u>	<u>11,830,991</u>
Net changes in fund balances	1,645,708	14,693	3,499	(465,124)	401,381	6,549,444	13,719,250
Fund balances at June 30, 2019	251,933	230,500	(203,502)	652,093	2,536,452	20,745,973	55,407,788
Fund balances at June 30, 2020	<u>\$ 1,897,641</u>	<u>245,193</u>	<u>(200,003)</u>	<u>186,969</u>	<u>2,937,833</u>	<u>27,295,417</u>	<u>69,127,038</u>

**City of Newport News, Virginia**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**Street Maintenance**  
**Year ended June 30, 2020**

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Revenues:</b>				
Intergovernmental:				
Virginia	\$ 17,510,921	17,535,962	17,535,963	1
Total revenues	<u>17,510,921</u>	<u>17,535,962</u>	<u>17,535,963</u>	<u>1</u>
<b>Expenditures:</b>				
Current:				
Public works	<u>17,510,921</u>	<u>17,535,962</u>	<u>17,535,963</u>	<u>(1)</u>
Total expenditures	<u>17,510,921</u>	<u>17,535,962</u>	<u>17,535,963</u>	<u>(1)</u>
Excess (deficiency) of revenues over (under) expenditures	\$ -	-	-	-
Fund balance at June 30, 2019			-	
Fund balance at June 30, 2020			<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, 2020**

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Revenues:</b>				
Interest and rent	\$ 236,418	236,418	223,430	(12,988)
Sale of property	5,000	5,000	35,000	30,000
Miscellaneous	82	82	35	(47)
Total revenues	<u>241,500</u>	<u>241,500</u>	<u>258,465</u>	<u>16,965</u>
<b>Expenditures:</b>				
Current:				
Community Development	<u>241,500</u>	<u>242,308</u>	<u>397,096</u>	<u>(154,788)</u>
Total expenditures	<u>241,500</u>	<u>242,308</u>	<u>397,096</u>	<u>(154,788)</u>
Excess (deficiency) of revenues over (under) expenditures	\$ -	(808)	(138,631)	(137,823)
Fund balance at June 30, 2019			<u>1,167,844</u>	
Fund balance at June 30, 2020			<u>\$ 1,029,213</u>	

**City of Newport News, Virginia**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**Law Library**  
**Year ended June 30, 2020**

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Revenues:</b>				
Charges for services	\$ 120,600	120,600	104,245	(16,355)
Miscellaneous	5,600	5,600	-	(5,600)
Total revenues	<u>126,200</u>	<u>126,200</u>	<u>104,245</u>	<u>(21,955)</u>
<b>Expenditures:</b>				
Current:				
General government	<u>126,200</u>	<u>126,200</u>	<u>120,774</u>	<u>5,426</u>
Total expenditures	<u>126,200</u>	<u>126,200</u>	<u>120,774</u>	<u>5,426</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>-</u>	<u>(16,529)</u>	<u>(16,529)</u>
Fund balance at June 30, 2019			<u>188,263</u>	
Fund balance at June 30, 2020			<u><u>\$ 171,734</u></u>	

**City of Newport News, Virginia**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**Stormwater**  
**Year ended June 30, 2020**

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Revenues:</b>				
Charges for services	\$ 21,093,761	21,093,761	21,422,065	328,304
Interest and rent	61,789	61,789	104,359	42,570
Miscellaneous	1,502,990	1,502,990	16,343	(1,486,647)
Total revenues	<u>22,658,540</u>	<u>22,658,540</u>	<u>21,542,767</u>	<u>(1,115,773)</u>
<b>Expenditures:</b>				
Current:				
Public works	<u>17,753,634</u>	<u>18,990,935</u>	<u>15,241,998</u>	<u>3,748,937</u>
Total expenditures	<u>17,753,634</u>	<u>18,990,935</u>	<u>15,241,998</u>	<u>3,748,937</u>
Excess (deficiency) of revenues over (under) expenditures	<u>4,904,906</u>	<u>3,667,605</u>	<u>6,300,769</u>	<u>2,633,164</u>
<b>Other financing sources (uses):</b>				
Transfers out	<u>(4,904,906)</u>	<u>(4,904,906)</u>	<u>(4,904,906)</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>(1,237,301)</u>	<u>1,395,863</u>	<u>2,633,164</u>
Fund balance at June 30, 2019			<u>14,123,340</u>	
Fund balance at June 30, 2020			<u>\$ 15,519,203</u>	



**City of Newport News, Virginia**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**Solid Waste**  
**Year ended June 30, 2020**

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Revenues:</b>				
Intergovernmental:				
Virginia	\$ 25,000	25,000	34,641	9,641
Charges for services	14,752,600	14,752,600	14,438,906	(313,694)
Interest and rent	35,000	35,000	102,233	67,233
Miscellaneous	4,400	4,400	3,969	(431)
Total revenues	<u>14,817,000</u>	<u>14,817,000</u>	<u>14,579,749</u>	<u>(237,251)</u>
<b>Expenditures:</b>				
Current:				
Public works	<u>14,466,401</u>	<u>14,594,930</u>	<u>13,190,319</u>	<u>1,404,611</u>
Total expenditures	<u>14,466,401</u>	<u>14,594,930</u>	<u>13,190,319</u>	<u>1,404,611</u>
Excess (deficiency) of revenues over (under) expenditures	<u>350,599</u>	<u>222,070</u>	<u>1,389,430</u>	<u>1,167,360</u>
<b>Other financing sources (uses):</b>				
Transfers out	<u>(350,599)</u>	<u>(350,599)</u>	<u>(350,599)</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>(128,529)</u>	<u>1,038,831</u>	<u>1,167,360</u>
Fund balance at June 30, 2019			<u>7,382,744</u>	
Fund balance at June 30, 2020			<u>\$ 8,421,575</u>	

**City of Newport News, Virginia**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**Wastewater**  
**Year ended June 30, 2020**

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Revenues:</b>				
Charges for services	\$ 21,746,488	21,746,488	21,963,535	217,047
Interest and rent	31,512	31,512	137,438	105,926
Total revenues	<u>21,778,000</u>	<u>21,778,000</u>	<u>22,100,973</u>	<u>322,973</u>
<b>Expenditures:</b>				
Current:				
Public works	<u>15,952,980</u>	<u>16,134,339</u>	<u>12,989,328</u>	<u>3,145,011</u>
Total expenditures	<u>15,952,980</u>	<u>16,134,339</u>	<u>12,989,328</u>	<u>3,145,011</u>
Excess (deficiency) of revenues over (under) expenditures	<u>5,825,020</u>	<u>5,643,661</u>	<u>9,111,645</u>	<u>3,467,984</u>
<b>Other financing sources (uses):</b>				
Transfers out	<u>(5,825,020)</u>	<u>(5,825,020)</u>	<u>(5,821,531)</u>	<u>3,489</u>
Net change in fund balance	<u>\$ -</u>	<u>(181,359)</u>	<u>3,290,114</u>	<u>3,471,473</u>
Fund balance at June 30, 2019			<u>8,332,149</u>	
Fund balance at June 30, 2020			<u>\$ 11,622,263</u>	

**City of Newport News, Virginia**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**Animal Shelter**  
**Year ended June 30, 2020**

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Revenues:</b>				
Intergovernmental:				
Local	\$ 1,127,103	1,127,103	1,127,103	-
Charges for services	118,500	118,500	155,211	36,711
Miscellaneous	9,585	9,585	11,103	1,518
Total revenues	<u>1,255,188</u>	<u>1,255,188</u>	<u>1,293,417</u>	<u>38,229</u>
<b>Expenditures:</b>				
Current:				
Parks, recreation, and culture	<u>1,914,639</u>	<u>1,914,639</u>	<u>1,949,368</u>	<u>(34,729)</u>
Total expenditures	<u>1,914,639</u>	<u>1,914,639</u>	<u>1,949,368</u>	<u>(34,729)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(659,451)</u>	<u>(659,451)</u>	<u>(655,951)</u>	<u>3,500</u>
<b>Other financing sources (uses):</b>				
Transfers in	1,307,812	1,307,812	1,307,812	-
Transfers out	<u>(648,361)</u>	<u>(648,361)</u>	<u>(648,361)</u>	<u>-</u>
Total other financing sources (uses), net	<u>659,451</u>	<u>659,451</u>	<u>659,451</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>-</u>	<u>3,500</u>	<u>3,500</u>
Fund balance at June 30, 2019			<u>(203,503)</u>	
Fund balance at June 30, 2020			<u>\$ (200,003)</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, 2020**

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Revenues:</b>				
Intergovernmental:				
Local	\$ 344,297	344,297	344,297	-
Total revenues	<u>344,297</u>	<u>344,297</u>	<u>344,297</u>	<u>-</u>
<b>Expenditures:</b>				
Debt service payments	<u>57,460,053</u>	<u>57,506,262</u>	<u>55,951,545</u>	<u>1,554,717</u>
Total expenditures	<u>57,460,053</u>	<u>57,506,262</u>	<u>55,951,545</u>	<u>1,554,717</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(57,115,756)</u>	<u>(57,161,965)</u>	<u>(55,607,248)</u>	<u>1,554,717</u>
<b>Other financing sources (uses):</b>				
Transfers in	<u>57,115,756</u>	<u>57,115,756</u>	<u>57,454,777</u>	<u>339,021</u>
Net change in fund balance	<u>\$ -</u>	<u>(46,209)</u>	<u>1,847,529</u>	<u>1,893,738</u>
Fund balance at June 30, 2019			<u>1,461,022</u>	
Fund balance at June 30, 2020			<u>\$ 3,308,551</u>	

**City of Newport News, Virginia**  
**Combining Statement of Net Position**  
**Nonmajor Component Units**  
**June 30, 2020**

	Peninsula Airport Commission	Economic and Industrial Development Authorities	Total Nonmajor Component Units
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 1,802,791	6,319,085	8,121,876
Restricted cash	-	12,957,652	12,957,652
Receivables:			
Accounts	232,322	579,830	812,152
Loans	822,480	79,941	902,421
Other	-	169,913	169,913
Inventories	36,695	-	36,695
Other current assets	203,618	-	203,618
Total current assets	<u>3,097,906</u>	<u>20,106,421</u>	<u>23,204,327</u>
Restricted cash and cash equivalents	10,843,534	2,567,724	13,411,258
Deposits with Management Company	-	90,000	90,000
Net pension asset	12,435	-	12,435
Receivables:			
Loans	-	1,017,887	1,017,887
Accounts, notes & grants	-	6,727,415	6,727,415
Land held for lease or resale	-	35,258,659	35,258,659
Property, plant and equipment:			
Land	6,604,658	-	6,604,658
Construction in progress	751,780	9,179,715	9,931,495
Infrastructure	-	2,543,500	2,543,500
Buildings	-	201,667,374	201,667,374
Improvements	-	19,700,793	19,700,793
Airfield	91,052,152	-	91,052,152
Terminal	89,414,632	-	89,414,632
Trailer park and rental units	1,548,885	-	1,548,885
Machinery and equipment	6,640,833	84,674	6,725,507
Less accumulated depreciation	<u>(114,298,966)</u>	<u>(79,519,311)</u>	<u>(193,818,277)</u>
Total assets	<u>95,667,849</u>	<u>219,424,851</u>	<u>315,092,700</u>
<b>Deferred outflows of resources</b>			
Pension deferrals	270,719	-	270,719
OPEB deferrals	397,867	-	397,867
Deferred amount on refunding	-	3,659,425	3,659,425
Total deferred outflows of resources	<u>668,586</u>	<u>3,659,425</u>	<u>4,328,011</u>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	276,463	1,249,885	1,526,348
Accrued liabilities	271,993	50,030	322,023
Deposits	27,232	-	27,232
Bonds and notes payable	542,221	9,757,482	10,299,703
Total current liabilities	<u>1,117,909</u>	<u>11,057,397</u>	<u>12,175,306</u>
Notes payable	-	6,766,653	6,766,653
Bonds payable	6,434,993	59,610,652	66,045,645
Net OPEB liability	6,041,230	-	6,041,230
Total liabilities	<u>13,594,132</u>	<u>77,434,702</u>	<u>91,028,834</u>
<b>Deferred inflows of resources</b>			
Pension deferrals	218,123	-	218,123
OPEB deferrals	1,612,403	-	1,612,403
Deferred revenues	-	43,742	43,742
Total deferred inflows of resources	<u>1,830,526</u>	<u>43,742</u>	<u>1,874,268</u>
<b>Net position</b>			
Net investment in capital assets	74,736,760	81,181,384	155,918,144
Restricted for:			
Capital projects	10,728,097	13,969,414	24,697,511
Capital loans	-	1,595,931	1,595,931
Unrestricted	<u>(4,553,080)</u>	<u>48,859,103</u>	<u>44,306,023</u>
Total net position	<u>\$ 80,911,777</u>	<u>145,605,832</u>	<u>226,517,609</u>

**City of Newport News, Virginia**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**Nonmajor Component Units**  
**Year ended June 30, 2020**

	Peninsula Airport Commission	Economic and Industrial Development Authorities	Total Nonmajor Component Units
<b>Operating revenues:</b>			
Charges for services	\$ 7,014,850	-	7,014,850
Property rentals	-	6,659,742	6,659,742
Parking contributions	-	175,266	175,266
Parking Authority revenues	-	900,641	900,641
Intergovernmental - Primary Government	-	12,446,406	12,446,406
Total operating revenues	<u>7,014,850</u>	<u>20,182,055</u>	<u>27,196,905</u>
<b>Operating expenses:</b>			
Personal services	4,219,935	790,889	5,010,824
Contractual services	1,975,762	4,273,621	6,249,383
Materials and supplies	810,658	422,562	1,233,220
Depreciation and amortization	7,847,448	5,491,444	13,338,892
Rental expenses	-	1,347,949	1,347,949
Miscellaneous	3,774	837,614	841,388
Total operating expenses	<u>14,857,577</u>	<u>13,164,079</u>	<u>28,021,656</u>
Operating income (loss)	<u>(7,842,727)</u>	<u>7,017,976</u>	<u>(824,751)</u>
<b>Nonoperating revenues (expenses):</b>			
Federal grants	1,656,926	-	1,656,926
Interest revenue	1,587	559,481	561,068
Bond and admin fee income	-	277,839	277,839
Interest expense	(292,911)	(2,930,684)	(3,223,595)
Letter of credit and trustee fees	-	(51,650)	(51,650)
Gain (loss) on disposal	8,116	-	8,116
Other revenues	11,356	313,008	324,364
Total non-operating revenues (expenses), net	<u>1,385,074</u>	<u>(1,832,006)</u>	<u>(446,932)</u>
Gain (loss) before capital contributions and extraordinary item	<u>(6,457,653)</u>	<u>5,185,970</u>	<u>(1,271,683)</u>
Capital contributions, net	<u>3,361,001</u>	<u>-</u>	<u>3,361,001</u>
Change in net position	<u>(3,096,652)</u>	<u>5,185,970</u>	<u>2,089,318</u>
Net position at June 30, 2019	<u>84,008,429</u>	<u>140,419,862</u>	<u>224,428,291</u>
Net position at June 30, 2020	<u>\$ 80,911,777</u>	<u>145,605,832</u>	<u>226,517,609</u>

**City of Newport News, Virginia**  
**Statement of Cash Flows**  
**Nonmajor Component Units**  
**Year ended June 30, 2020**

	Peninsula Airport Commission	Economic and Industrial Development Authorities	Total
<b>Cash flows from operating activities:</b>			
Receipts from customers	\$ 7,777,164	20,463,770	28,240,934
Payments to suppliers	(3,070,647)	(8,032,144)	(11,102,791)
Payments to employees	(4,501,510)	(790,889)	(5,292,399)
Receipts from loans and mortgages	-	165,961	165,961
Net cash provided by operating activities	205,007	11,806,698	12,011,705
<b>Cash flows used in noncapital financing activities:</b>			
Noncapital contributions from federal grants	944,000	-	944,000
<b>Cash flows from capital and related financing activities:</b>			
Acquisition of capital assets	(1,021,724)	(564,050)	(1,585,774)
Contributed capital	3,361,001	-	3,361,001
Proceeds from sale of capital assets	8,116	-	8,116
Repayment and retirement of long-term debt, net	(522,844)	(9,568,117)	(10,090,961)
Interest paid	(292,911)	(2,930,684)	(3,223,595)
Other revenue and expenses	(2,020)	539,196	537,176
Proceeds from debt refunding	-	612,117	612,117
Net cash provided by (used in) capital and related financing activities	1,529,618	(11,911,538)	(10,381,920)
<b>Cash flows from investing activities:</b>			
Interest received	12,943	559,481	572,424
Loans issued	-	(467,090)	(467,090)
Investment in future projects	(5,150)	-	(5,150)
Decrease in restricted investments, net	(2,512,750)	-	(2,512,750)
Net cash provided (used) by investing activities	(2,504,957)	92,391	(2,412,566)
Increase (decrease) in cash and cash equivalents	173,668	(12,449)	161,219
Cash, cash equivalents and restricted cash at beginning of year*	1,629,123	21,856,910	23,486,033
Cash, cash equivalents and restricted cash at end of year	1,802,791	21,844,461	23,647,252
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>			
Operating Income (Loss)	(7,842,727)	7,017,976	(824,751)
Adjustment to reconcile operating income (loss) to cash provided by operating activities:			
Depreciation	7,847,448	5,491,444	13,338,892
Changes in assets and liabilities:			
Accounts receivable	256,722	-	256,722
Inventories	8,845	-	8,845
Accounts payable, accrued liabilities and leases payable	(79,195)	(603,937)	(683,132)
Unearned revenues	-	42,742	42,742
Net pension liability and related deferred inflows/outflows of resources	(71,780)	-	(71,780)
Net GLI OPEB liability and related deferred inflows/outflows of resources	70,642	-	70,642
Other receivables	-	256,638	256,638
Prepaid assets	15,052	-	15,052
Changes in land inventory	-	(564,126)	(564,126)
Mortgages receivable	-	165,961	165,961
Net cash provided by operating activities	\$ 205,007	11,806,698	12,011,705
<b>Supplemental disclosure:</b>			
Noncash investing and financing activities:			
Contributed capital funded by accounts receivable	\$ 822,480	-	822,480

\*Note: Certain prior year amounts have been reclassified by the Economic and Industrial Development Authorities for consistency with the current year presentation. Accordingly, \$90,000 has been reclassified from restricted cash and cash equivalents to deposits with management company on the Statement of Net Position as of June 30, 2019 (and on the cash, cash equivalents and restricted cash at beginning of year on the Statement of Cash Flows above). This reclassification has no effect on the reported total net position or the Statement of Revenues, Expenses, and Changes in Net Position as of and for the period ended June 30, 2019 or 2020.

*This page intentionally left blank*



**City of Newport News, Virginia**  
**Combining Statement of Fiduciary Net Position**  
**Trust Funds**  
**June 30, 2020**

	Line of Duty Act Benefit Fund	Pension Fund	OPEB Fund	Total
<b>Assets</b>				
Cash and cash equivalents	\$ 210,977	3,679,207	3,542,639	7,432,823
Cash and cash equivalents with trustee	223,500	7,911,958	176,139	8,311,597
Investments, at fair value:				
Debt securities	580,762	68,244,191	8,500,487	77,325,440
Equity investments	1,853,444	281,261,359	22,491,882	305,606,685
Private equities	-	47,205,544	-	47,205,544
Bond mutual fund	-	70,583,380	-	70,583,380
Commingled equity fund		326,863,769	3,288,773	330,152,542
Real assets	-	112,283,255	-	112,283,255
Due from other components	-	65,943	-	65,943
Sales receivable	7	432,924	3	432,934
Other assets	15,686	-	-	15,686
Total assets	<u>2,884,376</u>	<u>918,531,530</u>	<u>37,999,923</u>	<u>959,415,829</u>
<b>Liabilities</b>				
Accounts payable	219,536	165,297	1,754,160	2,138,993
Due to City	-	27,283	381,199	408,482
Purchases payable	-	238,985	-	238,985
Total liabilities	<u>219,536</u>	<u>431,565</u>	<u>2,135,359</u>	<u>2,786,460</u>
<b>Net Position</b>				
Assets held in trust				
Restricted for pension and OPEB benefits	-	918,099,965	35,864,564	953,964,529
Restricted	2,664,840	-	-	2,664,840
Total net position	<u>\$ 2,664,840</u>	<u>918,099,965</u>	<u>35,864,564</u>	<u>956,629,369</u>

**City of Newport News, Virginia**  
**Combining Statement of Changes in Fiduciary Net Position**  
**Trust Funds**  
**Year ended June 30, 2020**

	Line of Duty Act Benefit Fund	Pension Fund	OPEB Fund	Total
<b>Additions:</b>				
Employer contributions:				
City General Fund	\$ 250,000	27,914,062	7,235,750	35,399,812
Waterworks Fund	-	3,492,205	1,004,250	4,496,455
School Operating Fund	-	8,773,351	-	8,773,351
Employee contributions:				
City General Fund	-	3,985,085	-	3,985,085
Waterworks Fund	-	512,894	-	512,894
School Operating Fund	-	596,815	-	596,815
Other contributions:				
Income from leave exchange	-	164,644	-	164,644
Employee buy-back	-	18,697	-	18,697
Total contributions	<u>250,000</u>	<u>45,457,753</u>	<u>8,240,000</u>	<u>53,947,753</u>
Investment income:				
Net appreciation (depreciation) - bonds	533	(1,936)	300,532	299,129
Net appreciation (depreciation) - stocks	(20,657)	(7,202,888)	721,998	(6,501,547)
Interest	46,605	3,729,400	25,758	3,801,763
Dividends	4,336	5,498,613	72,571	5,575,520
Real estate operating income	-	3,478,756	-	3,478,756
Commission recapture	-	11,276	-	11,276
Other investment income	-	7,521	-	7,521
Total investment income	<u>30,817</u>	<u>5,520,742</u>	<u>1,120,859</u>	<u>6,672,418</u>
Less investment expenses	<u>-</u>	<u>(2,735,882)</u>	<u>(17,071)</u>	<u>(2,752,953)</u>
Net investment gain	<u>30,817</u>	<u>2,784,860</u>	<u>1,103,788</u>	<u>3,919,465</u>
Total additions	<u>280,817</u>	<u>48,242,613</u>	<u>9,343,788</u>	<u>57,867,218</u>
<b>Deductions:</b>				
Benefits paid to participants	232,551	86,443,382	8,309,164	94,985,097
Refunds of member contributions	-	139,364	-	139,364
Administrative expenses	5,904	1,038,364	43,259	1,087,527
Total deductions	<u>238,455</u>	<u>87,621,110</u>	<u>8,352,423</u>	<u>96,211,988</u>
Change in net position	42,362	(39,378,497)	991,365	(38,344,770)
Net position held in trust for retirement benefits at June 30, 2019	<u>2,622,478</u>	<u>957,478,462</u>	<u>34,873,199</u>	<u>994,974,139</u>
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>

**City of Newport News, Virginia**  
**Combining Statement of Changes in Fiduciary Assets and Liabilities**  
**Agency Funds**  
**June 30, 2020**

	Balance June 30, 2019	Additions	Deductions	Balance June 30, 2020
<b>GPWDC</b>				
Assets:				
Cash and cash equivalents	\$ 176,938	2,961,130	3,036,431	101,637
Accounts receivable	907,703	395,345	9,859	1,293,189
Total assets	<u>\$ 1,084,641</u>	<u>3,356,475</u>	<u>3,046,290</u>	<u>1,394,826</u>
Liabilities:				
Accounts payable	\$ 196,670	1,917,366	1,860,925	253,111
Due to other agencies	887,971	270,188	16,444	1,141,715
Total liabilities	<u>\$ 1,084,641</u>	<u>2,187,554</u>	<u>1,877,369</u>	<u>1,394,826</u>
 <b>Other agency funds</b>				
Assets:				
Cash and cash equivalents	\$ 7,979,231	25,815,070	26,084,476	7,709,825
Accounts receivable	1,855,617	27,117,478	26,079,848	2,893,247
Total assets	<u>\$ 9,834,848</u>	<u>52,932,548</u>	<u>52,164,324</u>	<u>10,603,072</u>
Liabilities:				
Accounts payable	\$ 1,761,848	22,478,383	22,360,045	1,880,186
Due to other governments	5,488,682	2,192,431	-	7,681,113
Due to other agencies	2,584,318	226,554	1,769,099	1,041,773
Total liabilities	<u>\$ 9,834,848</u>	<u>24,897,368</u>	<u>24,129,144</u>	<u>10,603,072</u>
 <b>Total agency funds</b>				
Assets:				
Cash and cash equivalents	\$ 8,156,169	28,776,200	29,120,907	7,811,462
Accounts receivable	2,763,320	27,512,823	26,089,707	4,186,436
Total assets	<u>\$ 10,919,489</u>	<u>56,289,023</u>	<u>55,210,614</u>	<u>11,997,898</u>
Liabilities:				
Accounts payable	\$ 1,958,518	24,395,749	24,220,970	2,133,297
Due to other governments	5,488,682	2,192,431	-	7,681,113
Due to other agencies	3,472,289	496,742	1,785,543	2,183,488
Total liabilities	<u>\$ 10,919,489</u>	<u>27,084,922</u>	<u>26,006,513</u>	<u>11,997,898</u>

*This page intentionally left blank*

## Statistical Section

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

<u>Contents</u>	<u>Page</u>
Financial Trends	127
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	133
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	138
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	143
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	145
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 comprehensive annual financial reports for the relevant year.

*This page intentionally left blank*

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

	Fiscal Year									
	2020	2019	2018	2017	2016	2015*	2014	2013	2012	2011
<b>Governmental activities:</b>										
Net investment in capital assets	\$ 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	\$ 290,455,293
Restricted	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	1,182,184
Unrestricted (deficit)	(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)	(104,156,300)
Total governmental activities net position	<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>	<u>\$ 187,481,177</u>
<b>Business-type activities:</b>										
Net investment in capital assets	\$ 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	\$ 251,759,910
Restricted	-	-	-	-	-	-	28,007,541	30,427,669	-	-
Unrestricted	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	23,521,844
Total business-type activities net position	<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>	<u>\$ 275,281,754</u>
<b>Primary Government:</b>										
Net investment in capital assets	\$ 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	\$ 542,215,203
Restricted	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	1,182,184
Unrestricted (deficit)	(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)	(80,634,456)
Total Primary Government net position	<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>	<u>\$ 462,762,931</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									
	2020	2019	2018	2017	2016	2015**	2014*	2013	2012	2011
<b>Program revenues</b>										
<b>Governmental activities:</b>										
Charges for services:										
Public works	\$ 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	\$ 36,800,694
All others	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	25,854,740
Operating grants and contributions	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	44,986,270
Capital grants and contributions	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	3,156,118
Total governmental activities program revenues	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	110,797,822
<b>Business-type activities:</b>										
Charges for services	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	74,497,015
Operating/Capital grants and contributions	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	4,810,036
Total business-type activities program revenues	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	79,307,051
Total Primary Government program revenues	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	190,104,873
<b>Expenses</b>										
<b>Governmental activities:</b>										
General government	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	41,072,050
Judicial administration	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	7,675,395
Public safety	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	129,661,963
Public works	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	77,288,468
Health and welfare	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	54,114,507
Education	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	118,376,318
Parks, recreation and culture	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	34,385,246
Community development	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	12,678,704
Interest and other fiscal charges	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	30,258,101
Total governmental activities expenses	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	505,510,752
<b>Business-type activities:</b>										
Public utilities	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	64,529,867
Total business-type activities expenses	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	64,529,867
Total Primary Government expenses	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	570,040,619
<b>Net revenue/(expenses)</b>										
Governmental activities	(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)	(394,712,930)
Business-type activities	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	14,777,184
Total Primary Government	<u>\$ (400,340,953)</u>	<u>\$ (366,519,358)</u>	<u>\$ (365,166,445)</u>	<u>\$ (412,554,568)</u>	<u>\$ (375,366,954)</u>	<u>\$ (371,920,923)</u>	<u>\$ (370,299,836)</u>	<u>\$ (372,660,907)</u>	<u>\$ (383,501,671)</u>	<u>\$ (379,935,746)</u>



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

	Fiscal Year									
	2020	2019	2018	2017	2016	2015**	2014*	2013	2012	2011
<b>General revenues and other changes in net assets</b>										
<b>Governmental activities:</b>										
General property taxes	\$ 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	\$ 230,980,102
Other taxes	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	89,063,340
Grants and contributions not restricted to specific programs	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	48,209,536
Investment earnings	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	2,395,569
Special item: Loss on extinguishment	-	(10,155,757)	-	-	-	-	-	-	-	-
Miscellaneous	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	7,834,297
Transfers	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	10,000,000
Total governmental activities	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	388,482,844
<b>Business-type activities:</b>										
Investment earnings	1,352,718	1,684,370	1,033,077	454,799	276,491	167,947	153,241	196,652	213,743	235,100
Miscellaneous	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)	(9,391,000)	(9,891,000)	(9,891,000)	(10,000,000)
Total business-type activities	(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)	(9,764,900)
Total Primary Government	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	378,717,944
<b>Change in net position</b>										
Governmental activities	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)	(6,230,086)
Business-type activities	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	5,012,284
Total Primary Government	\$ 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)	\$ (1,217,802)

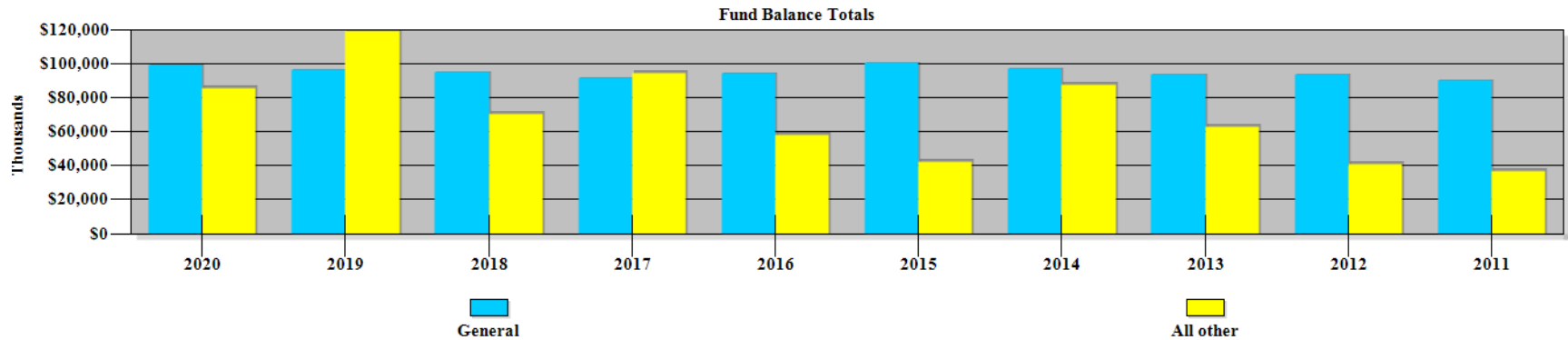
Note: \* Implementation of GASB 65

\*\* Implementation of GASB 68

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

	Fiscal Year									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
<b>General fund</b>										
Nonspendable	\$ 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	15,711,917
Restricted	596,452	596,452	437,862	322,798	224,814	133,554	90,649	563,863	2,013,986	2,011,665
Assigned	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	31,290,680
Unassigned	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	41,390,600
Total general fund	\$ 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	90,404,862
<b>All other governmental funds</b>										
Unreserved, reported in:										
Nonspendable	6,108	6,869	4,708	-	-	-	-	-	-	-
Restricted	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	28,210,329
Committed	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	40,772,110
Assigned	-	53,698	-	15,223	-	-	-	92,000	-	30,000
Unassigned	(14,650,258)	(220,636)	(497,643)	(368,067)	(429,701)	(20,674,947)	-	-	(17,129,925)	(32,086,837)
Total all other governmental funds	\$ 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	\$ 36,925,602

With the implementation of GASB Statement No. 54 in Fiscal Year 2011, the fund balance terminology was changed.



**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									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
<b>Revenues</b>										
General property taxes	\$ 284,634	\$ 276,236	\$ 266,110	\$ 261,130	\$ 256,442	\$ 248,297	\$ 245,531	\$ 228,025	\$ 229,353	\$ 230,860
Other local taxes	105,857	107,764	105,492	103,890	102,083	100,362	96,418	96,538	91,744	89,063
Licenses and permits	3,225	4,019	4,006	3,724	3,413	3,866	3,433	2,803	3,645	3,372
Fines and forfeitures	1,400	1,834	1,741	1,727	1,517	2,247	2,599	2,984	2,697	2,332
Intergovernmental	105,190	111,959	113,955	99,943	92,433	92,649	90,606	86,344	93,076	94,980
Charges for services	80,240	82,630	79,547	78,390	76,208	73,593	64,421	59,179	54,895	54,057
Interest and rent	5,591	6,108	4,280	3,065	2,669	2,425	2,285	2,322	2,264	2,391
Recovered costs	6,342	6,741	5,908	5,683	5,654	5,946	6,051	6,007	5,768	6,267
Miscellaneous	6,100	5,703	7,296	6,000	4,211	4,348	3,596	3,810	3,034	3,476
Total revenues	598,579	602,994	588,335	563,552	544,630	533,733	514,940	488,012	486,476	486,798
<b>Expenditures</b>										
General government	96,280	93,951	92,769	91,034	94,516	83,730	77,930	76,785	50,109	49,331
Judicial administration	7,551	7,588	7,436	7,225	6,442	6,383	6,129	5,861	6,733	6,592
Public safety	128,755	122,534	119,923	118,558	113,199	111,415	107,104	100,419	116,183	114,075
Public works	65,822	67,468	65,966	71,256	67,487	61,926	59,511	55,527	60,806	62,152
Health and welfare	47,379	46,597	45,825	42,722	41,461	40,244	39,113	38,807	44,654	48,918
Education	130,104	116,183	128,632	130,697	120,300	140,727	117,890	119,362	123,007	118,262
Parks, recreation, and culture	30,878	30,394	30,170	30,047	28,396	27,984	26,637	26,829	27,421	26,923
Community Development	12,572	10,650	10,315	9,895	10,974	6,990	8,811	9,778	7,429	10,852
Debt service:										
Principal	33,267	34,662	33,690	40,085	38,000	38,687	38,295	35,123	36,792	33,675
Interest and other charges	22,685	20,046	19,683	19,995	20,670	19,499	21,690	22,426	25,424	28,100
Capital outlay	63,367	95,284	64,767	45,078	56,311	47,865	45,878	38,271	37,883	27,791
Total expenditures	638,660	645,357	619,176	606,592	597,756	585,450	548,988	529,188	536,441	526,671
Deficiency of revenues under expenditures	(40,081)	(42,363)	(30,841)	(43,040)	(53,126)	(51,717)	(34,048)	(41,176)	(49,965)	(39,873)

**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									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
<b>Other financing sources (uses)</b>										
Transfers in	90,511	80,999	70,054	71,696	70,403	73,313	69,806	64,854	63,980	87,189
Transfers out	(81,011)	(71,499)	(60,554)	(62,196)	(60,903)	(63,398)	(60,415)	(54,963)	(54,089)	(77,189)
Payment to refund bonds	-	-	-	-	(39,614)	-	(64,867)	-	(76,685)	-
Premium on refunded bonds	-	-	-	-	6,728	-	7,464	-	7,756	-
Refund bonds proceeds	-	-	-	-	33,190	-	56,115	-	69,335	-
Bond and note proceeds	-	85,795	-	59,455	48,890	-	45,000	51,905	42,121	3,041
Premium on bonds issuance	-	7,657	-	7,416	4,592	-	8,897	5,698	4,259	-
Contribution to PAC	-	-	-	-	-	-	-	(3,958)	-	-
Total other financing sources (uses), net	9,500	102,952	9,500	76,371	63,286	9,915	62,000	63,536	56,677	13,041
<b>Special item</b>										
Loss on extinguishment	-	(10,156)	-	-	-	-	-	-	-	-
Net change in fund balance	<u>\$ (30,581)</u>	<u>\$ 50,433</u>	<u>\$ (21,341)</u>	<u>\$ 33,331</u>	<u>\$ 10,160</u>	<u>\$ (41,802)</u>	<u>\$ 27,952</u>	<u>\$ 22,360</u>	<u>\$ 6,712</u>	<u>\$ (26,832)</u>
Debt service as a percentage of noncapital expenditures *	9.9 %	10.0 %	9.8 %	10.8 %	11.0 %	10.8 %	11.9 %	11.9 %	12.7 %	13.0 %

\* Corrected capitalized expenditure amounts that are used to determine debt service as a percentage of noncapital expenditures for fiscal years 2011 thru 2019.

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

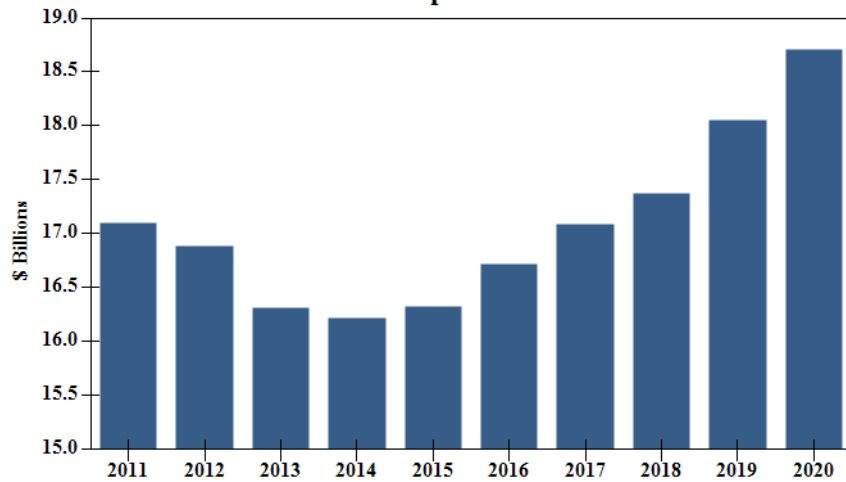
	Fiscal Year										% Change 2011-2020
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	
<b>Revenues</b>											
General property taxes	\$ 285,824,042	\$ 277,522,739	\$ 265,622,961	\$ 261,245,586	\$ 256,787,386	\$ 250,847,834	\$ 246,119,180	\$ 229,811,554	\$ 229,194,920	\$ 230,980,102	23.7 %
E-911 service	826,797	789,725	746,818	722,114	701,894	722,381	637,060	596,242	699,378	729,711	13.3 %
Telecom sales	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	12,321,643	(22.0)%
Sales tax	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	21,206,724	29.5 %
Utility tax	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	6,511,120	(2.8)%
Consumption tax	663,636	696,656	554,807	904,868	669,850	714,814	709,174	700,021	653,430	674,265	(1.6)%
Business license tax	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	15,115,176	21.7 %
Rental car tax	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	1,044,775	5.7 %
Motor vehicle license tax	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	3,880,996	6.8 %
Bank stock tax	1,099,434	1,140,972	1,018,617	1,012,668	804,718	642,977	675,657	666,072	847,745	957,902	14.8 %
Recordation and wills tax	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	1,065,889	74.3 %
Tobacco tax	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	4,269,564	3.5 %
Hotel and motel room tax	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	3,064,515	28.5 %
Restaurant food tax	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	17,767,348	42.0 %
Amusement tax	716,266	961,140	984,277	980,953	929,005	872,557	665,301	482,469	457,436	453,712	57.9 %
Tourism zone tax	40,168	44,858	93,935	61,910	81,172	96,601	11,032	-	-	-	- %
<b>Total taxes</b>	<b>\$ 391,680,579</b>	<b>\$ 385,287,191</b>	<b>\$ 371,115,180</b>	<b>\$ 365,135,507</b>	<b>\$ 358,870,178</b>	<b>\$ 351,210,282</b>	<b>\$ 342,537,272</b>	<b>\$ 326,349,115</b>	<b>\$ 320,939,346</b>	<b>\$ 320,043,442</b>	<b>22.4 %</b>

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

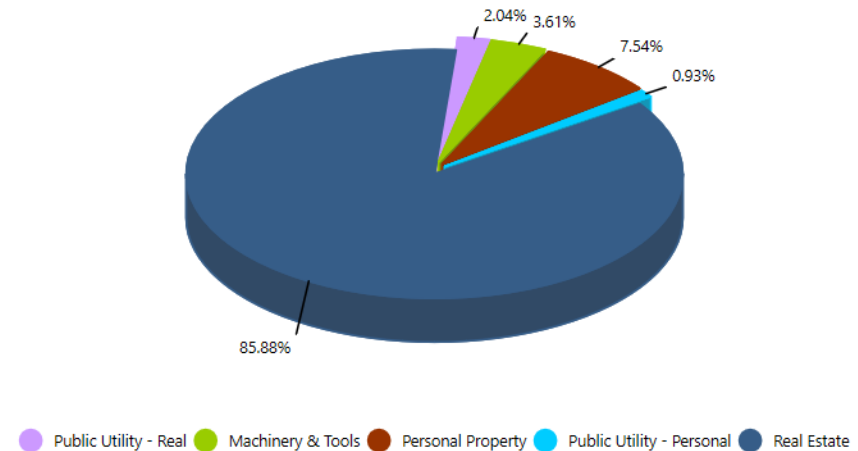
Fiscal Year	Real Property		Personal Property		Machinery and Tools		Public Utility		Less: Tax- Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value				
					Real Estate	Personal Property										
2011	\$	18,600,158	\$	1,165,494	\$	438,747	\$	326,889	\$	(3,614,365)	\$	17,090,031	\$	1.40	\$	20,704,396
2012		18,342,224		1,186,515		468,330		339,790		(3,622,298)		16,878,501		1.41		20,500,799
2013		17,744,690		1,221,798		486,090		333,266		(3,641,733)		16,307,403		1.45		19,949,136
2014		17,768,798		1,248,199		507,497		353,179		(3,826,649)		16,207,738		1.41		20,034,387
2015		17,979,237		1,263,012		531,235		352,226		(3,962,290)		16,319,157		1.40		20,281,447
2016		18,396,884		1,322,984		543,091		349,931		(4,053,925)		16,716,737		1.42		20,770,662
2017		18,782,332		1,365,979		554,965		355,023		(4,143,466)		17,082,661		1.53		21,226,127
2018		21,798,305		1,371,461		587,738		379,115		(6,922,307)		17,372,973		1.53		24,295,280
2019		22,673,480		1,413,676		632,389		384,420		(7,208,716)		18,056,404		1.53		25,265,120
2020		23,354,976		1,469,804		676,110		382,243		(7,345,279)		18,712,760		1.53		26,058,039

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

**Values of Taxable Properties Last Ten Years**



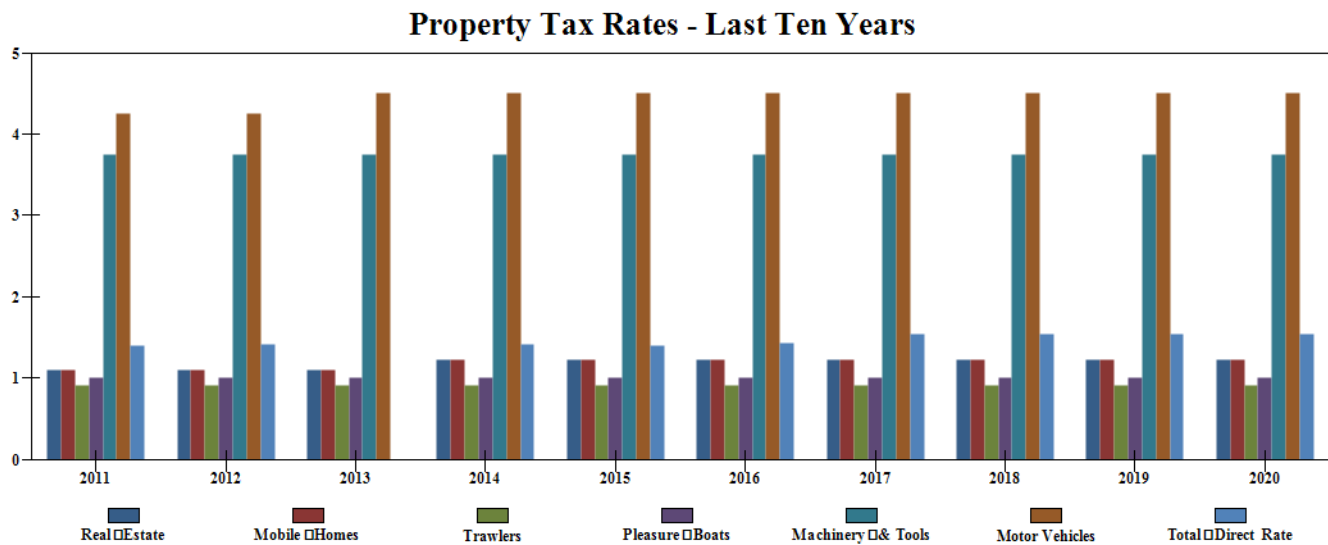
**Types of Taxable Property 2020**



**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	
2011	\$ 1.10	\$ 1.10	\$ 0.90	\$ 1.00	\$ 3.75	\$ 4.25	\$ 1.40	
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	

Source: City of Newport News FY20 Adopted Operating Budget



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

	2020		2011	
	Taxes Due based on Assessed Value	Percentage of Taxes Due	Taxes Due based on Assessed Value	Percentage of Taxes Due
Huntington Ingalls Incorporated	\$26,874	9.41%	\$15,060	8.30%
Canon Virginia Inc	5,596	1.96%	2,784	1.53%
The Mariners Museum	3,695	1.29%	1,582	0.87%
Virginia Electric & Power Company	3,323	1.16%	2,004	1.10%
Vitesco Technologies USA LLC	2,461	0.86%	-	-%
PR Patrick Henry LLC	1,858	0.65%	1,453	0.80%
Virginia Natural Gas Inc	1,330	0.47%	638	0.35%
Dominion Terminal Associates	1,274	0.45%	1,001	0.55%
Verizon Virginia LLC	1,081	0.38%	1,511	0.83%
Kinder Morgan Operating LP	1,046	0.37%	1,065	0.59%
Ferguson Enterprises Corp	971	0.34%	470	0.26%
Pointe Hope LLC	965	0.34%	-	-
IREIT Newport News Tech Center LLC	906	0.32%	-	-
RPAI US Management LLC	672	0.24%	-	-
Oyster Point Residential LLC	637	0.22%	457	0.25%
Patrick Henry Hospital	610	0.21%	496	0.27%
Wal-Mart Real Estate Business Trust	581	0.20%	-	-%
Venture Newport News LLC	579	0.20%	-	-
BRG Meridian Parkside LLC	558	0.20%	-	-
Bottling Group LLC	534	0.19%	551	0.30%
Continental Automotive Systems US Inc	-	-	1,927	1.06%
Inland Western Newport News	-	-	754	0.42%
Cox Communications Hampton Roads Inc	-	-	478	0.26%
Meridian Parkside Apartments LLC	-	-	415	0.23%
CSX Transportation	-	-	354	0.20%
Harbours LLC	-	-	345	0.19%
The Daily Press Inc	-	-	318	0.18%
Total	<u>\$55,551</u>	<u>19.46%</u>	<u>\$33,663</u>	<u>18.54%</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

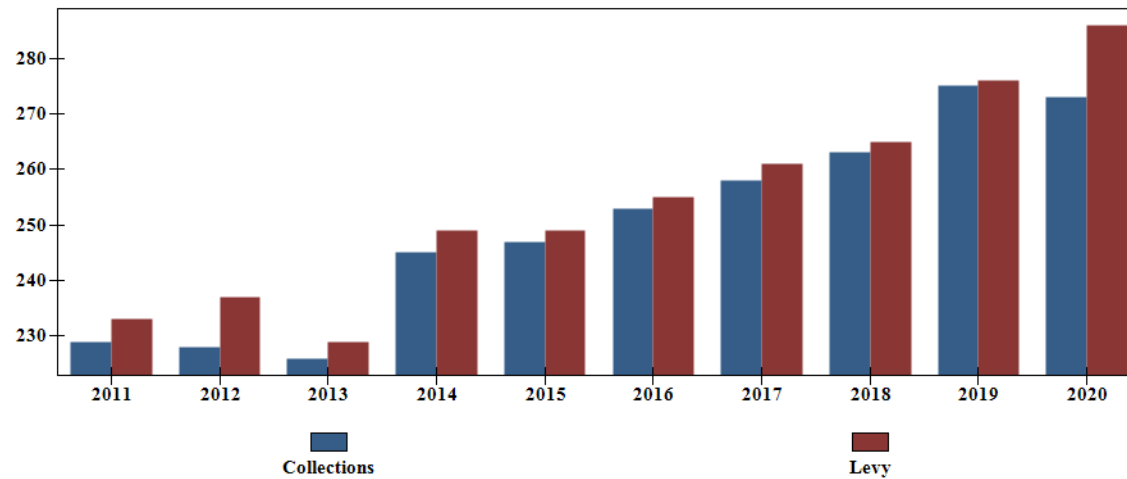


**City of Newport News, Virginia**  
**Property Tax Levies and Collections**  
**Last Ten Fiscal Years**  
**(in thousands of dollars)**

Fiscal Year	Tax Levy	Current Year		Prior Year Amount	Collections in Subsequent Years	Total Collections for Year	
		Amount	% of Levy			Amount	% of Levy
2011	\$ 233,380	\$ 222,804	95.5%	-	\$ 6,115	\$ 228,919	98.1
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%	-	Not Available	272,988	95.6

**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									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Population	179,225	178,626	179,388	181,825	182,385	182,965	182,020	180,726	180,719	180,719
Personal income	\$ -	\$ -	\$ 7,770,354	\$ 7,470,774	\$ 7,448,898	\$ 7,377,992	\$ 7,045,829	\$ 6,891,612	\$ 6,672,878	\$ 6,241,927
<b>Governmental activities:</b>										
General obligation bonds*	390,384	414,072	357,301	393,024	367,747	349,364	388,106	357,229	332,436	316,605
VRA*	-	13,393	15,270	17,282	19,530	22,129	24,728	27,228	29,583	31,777
VPSA*	-	728	1,075	1,413	1,741	2,430	3,099	3,749	4,382	5,257
Guaranty of Peninsula Airport bonds	-	-	-	-	-	-	-	-	4,180	4,490
Literary fund	2,940	3,359	3,779	4,199	4,619	5,038	5,458	5,878	6,298	6,717
Capital leases	-	-	99	211	320	434	571	-	-	-
Land lease payable	-	-	-	262	509	742	961	1,167	1,362	-
Land purchase payable	-	-	-	-	-	-	142	600	633	-
<b>Business-type activities:</b>										
Public Utility bonds	90,357	103,138	116,600	129,367	113,508	127,043	141,464	153,005	166,107	172,695
Total Primary Government	\$ 483,681	\$ 534,690	\$ 494,124	\$ 545,758	\$ 507,974	\$ 507,180	\$ 564,529	\$ 548,856	\$ 544,981	\$ 537,541
Percentage of personal income	- %	- %	6.4 %	7.3 %	6.8 %	6.9 %	8.0 %	8.0 %	8.2 %	8.6 %
Net bonded debt per capita	\$ 2,699	\$ 2,993	\$ 2,754	\$ 3,002	\$ 2,785	\$ 2,772	\$ 3,101	\$ 3,037	\$ 3,016	\$ 2,974

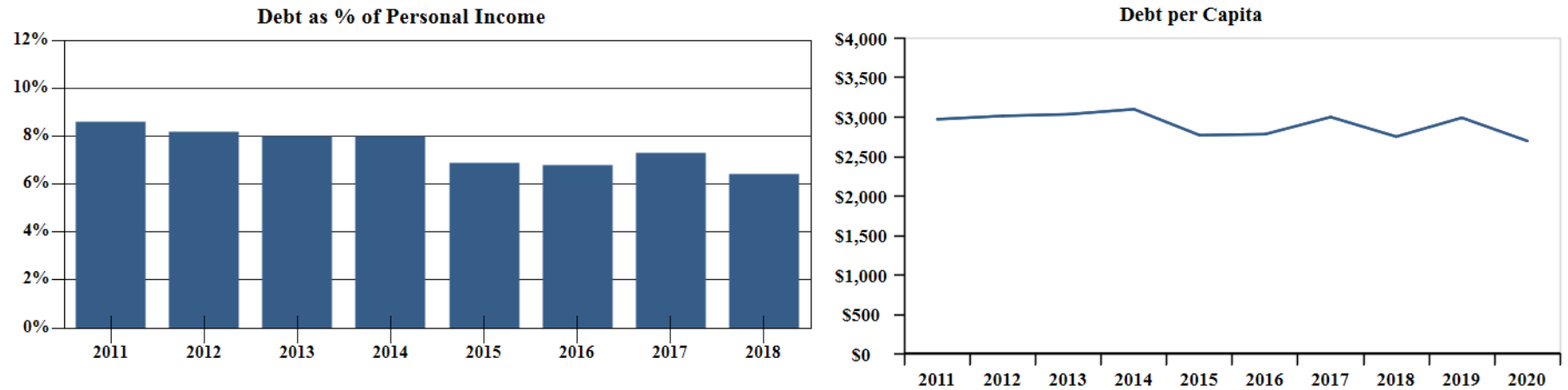
Balances include all outstanding debt of the Primary Government, including direct debt.

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

Source: Population figures are derived as follows: 2011 - 2020 Census Bureau estimates.

Note: Personal income figures were not available for FY2019 & FY2020

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

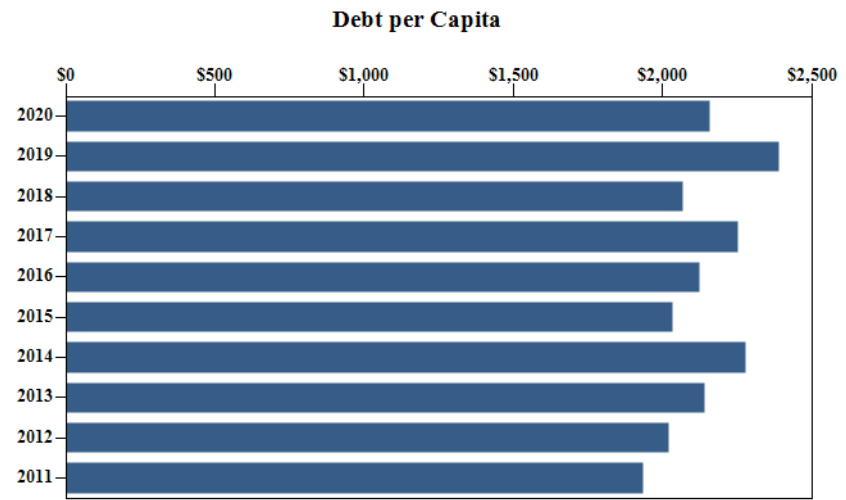
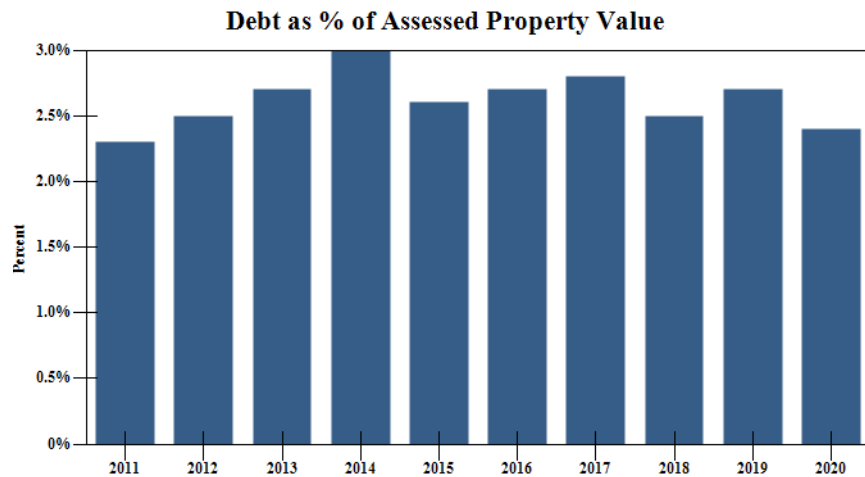


**City of Newport News, Virginia**  
**Ratios of General Bonded Debt Outstanding**  
**Last Ten Fiscal Years**  
**(in thousands of dollars)**

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
2011	180,719	\$ 15,037,654	\$ 353,639	\$ 4,341	\$ 349,298	2.3%	\$ 1,933
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	179,225	16,068,910	390,384	3,309	387,075	2.4%	2,160

Source: Population figures are Census Bureau estimates.

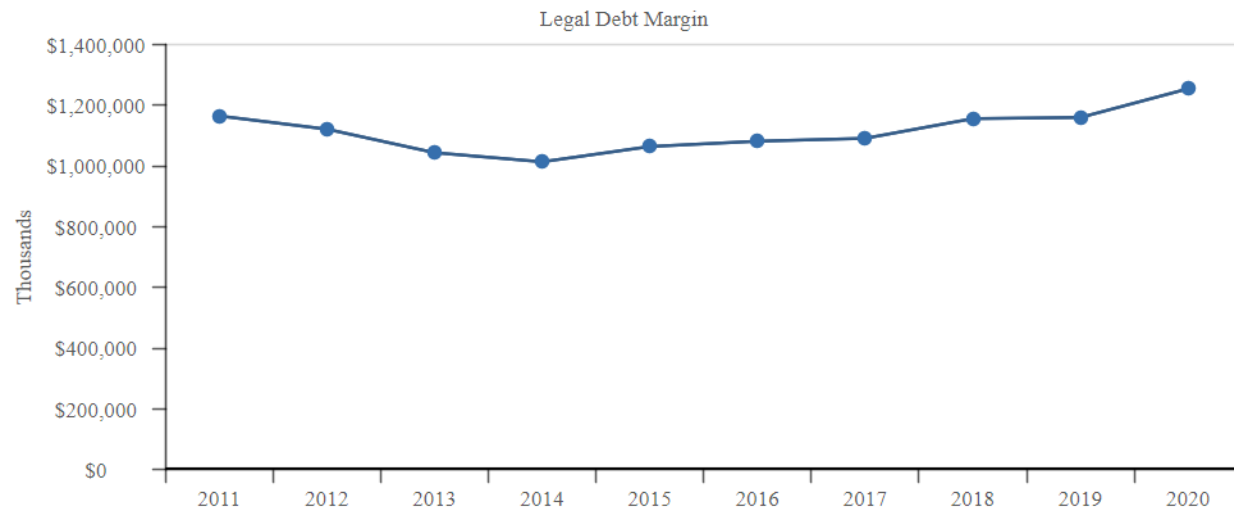
Note: GOB includes VRA and VPSA - see Note 7. There is no overlapping debt because cities in Virginia have jurisdiction over the entire area within their boundaries and operate independently of any municipal government.



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

	Fiscal Year									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
<b>Assessed Value of Real Estate:</b>										
General	\$ 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	\$ 15,037,654,401
Public Service Corporations	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	326,888,523
Total assessed value	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	15,364,542,924
 Total debt limit (10% of total assessed value)	 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	 1,536,454,292
<b>Bond Outstanding:</b>										
General Obligation, net of unamortized premiums*	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	322,235,283
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	5,256,983
General Obligation: Virginia Resources Authority (VRA) loan fund	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	31,776,867
General Obligation: Virginia Municipal Pool Loans (VMPL)	-	-	-	-	-	162,564	737,565	1,312,565	1,887,565	2,462,565
Guaranty of Peninsula Airport Bonds	-	-	-	-	-	-	-	-	4,180,000	4,490,000
Literary Fund	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	6,717,425
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	2,442,494
Capital leases	-	-	98,801	210,801	320,418	433,747	570,701	-	-	-
Amount available in debt service fund	(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)	(4,370,897)
Total debt outstanding	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	371,010,720
Legal debt margin	\$ 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	\$ 1,165,443,572
Total net debt applicable to the limit as a % of debt limit	76.29 %	72.96 %	75.50 %	72.50 %	73.41 %	73.82 %	70.70 %	72.11 %	74.26 %	75.85 %

\* Corrected general obligation amounts for 2011-2016 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									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Revenues	\$ 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	\$ 74,497,013
Less the Sum of:										
Operating Expenses	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	42,366,225
120% of Max Debt Service on Revenue Bonds	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	3,129,200
100% of Max Debt Service on General Obligation Water Bonds	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	19,355,120
	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	64,850,545
Equals (1)	<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>	<u>\$ 9,646,468</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
2011	180,719	\$ 6,241,927	\$ 34,752	32	28,183	7.6
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	-	-	33	28,381	3.5
2020	179,225	-	-	33	28,282	5.8

Sources:

Note: Population figures are derived as follows: 2011-2015 Bureau of Economic Analysis, 2016-2020 - U.S. Census Bureau estimates.

Personal income: 2011-2016 Bureau of Economic Analysis; 2019-2020 were not available at year end.

Per capita income: 2011-2016 Bureau of Economic Analysis; 2019-2020 were not available at year-end.

Unemployment rate: 2010-2014 Virginia Workforce Connection; 2015-2020 Virginia Labor Market Information.

Median Age: U.S. Census Bureau.

**City of Newport News, Virginia**  
**Principal Employers**  
**Current Year and Nine Years Prior**

	2020		2011	
	Employees	% of Total City Employment	Employees	% of Total City Employment
Huntington Ingalls Industries, Inc.	10,000 - 25,000	19.57%	10,000 - 20,000	18.08%
Riverside Regional Medical Center	5,000 - 10,000	8.39%	1,000 - 5,000	3.10%
Newport News Public Schools	1,000 - 5,000	3.36%	1,000 - 5,000	3.10%
City of Newport News	1,000 - 5,000	3.36%	1,000 - 5,000	3.10%
U.S. Department of Defense	1,000 - 5,000	3.36%	1,000 - 5,000	3.10%
Ferguson Enterprises Inc.	1,000 - 5,000	3.36%	1,000 - 5,000	3.10%
Christopher Newport University	1,000 - 5,000	3.36%	1,000 - 5,000	3.10%
Canon	1,000 - 5,000	3.36%	1,000 - 5,000	3.10%
U.S. Department of Army and Air Force	1,000 - 5,000	3.36%	1,000 - 5,000	3.10%
Walmart	500 - 1,000	0.84%	-	-
Hampton Newport News Comm Services Board	-	-	500 - 1,000	0.77%
Total	22,500 - 71,000	52.29%	18,500 - 61,000	43.65%

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									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
<b>Fund, Function, Activity and Elements</b>										
<b>General Fund:</b>										
<b>General Government Administration:</b>										
<b>Legislative:</b>										
City Council	7	7	7	7	7	7	7	7	7	7
City Clerk	4	4	4	4	4	4	4	5	5	5
<b>General and Financial Administration:</b>										
City Manager	12	10	10	10	10	18	18	18	18	18
Human Resources	21	20	20	20	16	15	15	18	19	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	40	40	40	40	40
Real Estate Assessor	19	19	20	20	21	21	22	22	22	22
City Treasurer	34	34	34	34	34	33	33	33	33	33
Finance	41	41	41	22	18	18	18	18	18	18
Budget and Evaluation	8	7	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	23
Information Technology	68	62	64	58	57	57	56	57	57	58
Customer Service - 311 Call Center*	-	-	-	-	-	10	10	6	-	-
Communications*	26	25	25	25	24	-	-	-	-	-
Non-departmental - Security Services****	26	22	-	-	-	-	-	-	-	-
<b>Board of Elections:</b>										
Registrar	5	5	5	5	5	5	5	5	5	5
Total general government administration	343	328	309	302	294	286	285	289	284	285
<b>Judicial Administration:</b>										
<b>Courts:</b>										
Circuit Courts	7	7	7	7	7	6	6	6	6	7
Office of the Magistrate	-	-	-	6	6	6	6	6	6	6
Clerk of the Circuit Court	24	24	24	24	24	24	23	23	24	24
Court Services	2	2	2	2	2	2	2	2	2	2
Commonwealth's Attorney	56	54	54	52	49	49	49	49	49	49
Total judicial administration	89	87	87	91	88	87	86	86	87	88
<b>Public Safety:</b>										
<b>Law Enforcement and Traffic Control:</b>										
Police Department	607	602	601	594	588	586	586	586	586	587
<b>Fire and Rescue Services:</b>										
Fire Department	386	383	382	381	380	379	380	380	382	382
<b>Correction and Detention:</b>										
Sheriff	221	219	219	219	219	215	215	217	217	217
Adult Corrections**	-	-	-	-	-	60	60	60	61	62
Juvenile Detention	145	145	141	138	130	126	126	125	130	128
<b>Inspections:</b>										
Codes Compliance	40	39	39	39	38	38	38	38	39	39
Total public safety	1,399	1,388	1,382	1,371	1,355	1,404	1,405	1,406	1,415	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										
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
<b>Public Works:</b>										
Engineering	63	62	68	70	68	69	78	78	84	85
Public works administration	139	164	186	185	185	156	152	157	158	158
Total public works	202	226	254	255	253	225	230	235	242	243
<b>Welfare:</b>										
Human Services	396	395	387	382	377	377	387	391	391	391
Office of Youth Development	-	-	-	-	-	-	-	-	-	-
Total welfare	396	395	387	382	377	377	387	391	391	391
<b>Parks and Library:</b>										
Parks and Recreation	109	108	108	108	108	106	108	107	105	106
Parks and Recreation Revolving Fund	82	82	80	80	80	83	93	94	95	95
Library	54	53	52	51	52	52	53	56	56	57
Total parks, recreation and library	245	243	240	239	240	241	254	257	256	258
<b>Community Development:</b>										
<b>Planning and Community Development:</b>										
Development	20	20	20	20	19	17	17	17	17	18
Planning	19	19	14	13	13	12	12	13	13	13
Total community development	39	39	34	33	32	29	29	30	30	31
Total general fund	2,713	2,706	2,693	2,673	2,639	2,649	2,676	2,694	2,705	2,711
<b>Other Operating Funds:</b>										
Public Utilities Fund	352	352	352	352	352	353	353	365	365	365
Vehicle & Equipment Services Fund	40	40	40	40	41	39	39	39	40	40
Solid Waste Revolving Fund	77	77	71	71	66	64	64	61	61	66
Wastewater Fund	110	110	109	108	104	100	99	97	95	87
Stormwater Management Fund	104	104	105	105	98	90	88	84	81	79
Pension Fund	-	-	-	-	6	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	3,884	3,884	3,901	3,934	3,904	3,921	3,937	4,026	4,076	4,138
Peninsula Regional Animal Shelter	13	13	11	11	11	11	11	-	-	-
Total other operating funds	4,588	4,588	4,597	4,629	4,590	4,592	4,605	4,686	4,732	4,789
Total city employees	7,301	7,294	7,290	7,302	7,229	7,241	7,281	7,380	7,437	7,500

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									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
<b>General Government:</b>										
Retail Sales (Millions)	3,112	2,665	2,146	2,329	2,278	2,212	2,242	2,202	2,109	1,893
<b>Police:</b>										
Calls for Service	176,998	177,649	181,522	148,561	75,150	154,111	170,317	169,877	255,267	250,126
Number of Offenses	18,075	20,015	19,737	20,236	9,855	19,291	20,601	20,888	22,516	21,386
Adult Arrests	15,210	9,712	12,024	12,716	4,997	13,156	15,182	9,804	14,759	15,065
Traffic Summonses	18,183	23,652	23,171	17,828	17,011	22,700	29,974	28,383	32,961	15,682
Traffic Accidents	2,749	3,142	2,909	3,020	1,490	2,924	2,756	2,641	2,517	2,480
<b>Fire:</b>										
Emergency Medical Service/Rescue	21,680	20,142	21,508	19,520	22,938	22,728	27,574	22,017	24,674	22,190
Public Assistance	2,982	1,633	2,579	1,120	1,045	1,939	1,660	1,651	1,461	1,569
Good Intent Calls	2,855	2,535	2,720	2,225	1,817	1,817	150	1,685	1,305	1,309
False/Alarm/Alarm Malfunction	1,542	1,555	1,577	1,488	1,381	1,436	778	1,375	1,348	1,418
Hazardous Conditions	546	692	577	2,093	109	564	572	637	930	720
All Fires	559	490	577	622	543	578	610	639	704	870
Explosions	8	10	15	5	7	7	7	14	18	2
Weather Event/Other	15	23	4	23	9	10	4	57	51	27
<b>Sheriff:</b>										
City Jail Capacity	300	300	300	300	300	300	300	300	300	300
<b>Codes Compliance:</b>										
Building Permits Issued	1,337	1,464	1,475	1,363	1,372	1,545	1,589	1,985	2,155	1,759
Residential Construction	142	137	135	195	222	219	230	222	340	262
Commercial Construction	27	21	18	72	55	76	69	49	102	81
<b>Waterworks:</b>										
Gallons Delivered per Day (Millions)	33	33	33	33	34	35	35	35	36	40
Meters Connected	133,031	130,381	137,754	136,914	134,191	133,722	133,380	132,743	132,439	134,403
<b>Public Works:</b>										
Potholes Repaired	16,626	19,951	20,037	18,494	23,208	19,148	18,148	15,305	15,125	19,216
Streets Resurfaced (Miles)	14	14	3	11	10	12	8	7	8	9
Recyclables Collected (Tons)	7,299	6,447	6,101	6,151	6,300	6,901	7,325	6,957	6,698	7,641
<b>Parks and Recreation:</b>										
Park Visitors (Millions) (All Parks)	4	4	4	4	4	4	4	4	4	4
Celebration of Lights Visitors	100,467	105,149	119,638	111,097	110,679	104,617	103,491	109,700	112,854	93,428
Tourism Visitor Inquiries	140,335	87,747	78,605	241,311	152,252	78,795	77,224	79,088	87,732	80,206
Tourism Website Visits*	545,487	331,643	235,698	380,233	241,722	200,132	198,520	215,849	147,875	126,754
Visitor Guides Distributed	81,000	175,000	175,000	200,000	200,000	200,000	200,000	165,000	150,000	150,000
<b>Library:</b>										
Circulation Transactions	602,383	702,676	692,774	777,457	788,356	887,044	951,241	1,009,939	1,062,759	941,934
Reference	57,557	88,967	77,570	85,349	106,329	152,153	321,102	174,356	178,117	140,623
Computer Use	138,437	188,337	249,743	241,301	236,361	302,465	256,929	244,971	240,257	235,080
Program Attendance	37,582	22,264	31,800	20,848	22,442	14,985	16,272	26,206	14,526	24,552
Visitor Count	421,737	567,747	678,439	737,748	890,717	890,717	829,290	889,407	759,840	814,129
Meeting Room Use	515	1,134	1,397	1,228	1,294	1,872	916	830	1,126	1,193
<b>Schools:</b>										
Average Daily Students	28,282	28,381	28,401	28,240	28,865	29,118	29,268	29,222	27,701	28,183

Source: Various city departments.

\*Starting FY2013 includes mobile website visits / starting FY 2017 includes tablet website visits.

**City of Newport News, Virginia**  
**Capital Asset Statistics by Function/Program**  
**Last Ten Fiscal Years**

Function/Program	Fiscal Year									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
<b>Police:</b>										
Patrol Units	259	243	251	247	242	238	238	245	237	253
Boats	3	3	3	3	3	3	2	3	3	2
<b>Fire:</b>										
Stations	11	11	11	11	11	11	11	11	11	11
Fire Trucks	24	18	18	25	25	25	25	26	26	23
Ambulances	19	12	12	18	18	17	17	17	17	17
Boats	3	2	1	2	2	2	2	2	2	2
<b>Engineering:</b>										
Streetlights	20,811	20,790	20,756	20,424	20,586	21,387	20,308	20,125	20,033	19,780
Traffic Lights	270	268	263	263	261	261	257	253	253	255
<b>Parks and Recreation:</b>										
Parks	36	36	37	37	37	37	36	36	35	35
Acreage	8,696	8,696	8,697	8,697	8,697	8,697	8,697	9,120	9,119	9,119
Athletic Fields	154	154	154	154	154	154	154	97	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	9	7	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
<b>Library:</b>										
Libraries	4	5	5	5	5	5	5	6	6	5
Law Libraries	1	1	1	1	1	1	1	1	1	1
<b>Waterworks:</b>										
Miles of Pipe	1,769	1,762	1,762	1,758	1,754	1,754	1,746	1,748	1,746	1,798
Fire Hydrants	11,357	11,363	11,286	11,122	11,069	11,113	10,987	10,939	10,874	10,821
<b>Public Works:</b>										
Refuse Carts	82,548	81,808	80,674	82,251	76,654	76,654	77,619	78,354	79,056	82,023
Streets (Miles)	507	506	506	505	510	505	505	505	666	505
Lanes (Miles)*	1,187	1,186	1,185	1,184	1,203	1,193	1,193	1,191	1,191	1,191
Sanitary Sewers (Miles)*	587	587	585	583	584	584	699	709	709	554
Storm Sewers (Miles)	680	681	677	651	599	607	717	542	542	542
Pump Stations	187	187	185	183	183	183	182	180	185	177
<b>Schools:</b>										
Early Childhood Centers	4	4	4	4	4	4	4	4	4	4
Elementary Schools	24	24	24	24	24	24	24	24	24	25
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.