



2022 ANNUAL COMPREHENSIVE FINANCIAL REPORT

City of Newport News, VA

Fiscal Year Ended June 30, 2022



CITY OF NEWPORT NEWS, VIRGINIA

Annual Comprehensive Financial Report

Fiscal Year Ended June 30, 2022

Prepared by the
Department of Finance

2400 Washington Avenue
Newport News, VA 23607

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City of Newport News, Virginia

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City of Newport News
Office of the City Manager
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Newport News, VA 23607

December 6, 2022

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

We are pleased to submit the Annual Comprehensive Financial Report of the City of Newport News, Virginia (the City), as of and for the fiscal year ended June 30, 2022 (FY 2022).

Cherry Bekaert LLP, Certified Public Accountants, conducted the audit of the City's financial statements for the year ended June 30, 2022, 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 184,587, based on the 2021 Population Estimates from the U.S. Census Bureau. Newport News is the fourth largest City by acreage and the fifth largest City by population in the Commonwealth of Virginia.

Newport News is a vibrant City at the mid-point of the Atlantic Coast and at the center of the Virginia Beach-Norfolk-Newport News Metropolitan Statistical Area, the 37th largest market in the United States and the largest metro between Washington and Atlanta, with a population estimate of 1.8 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.



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

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

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

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).

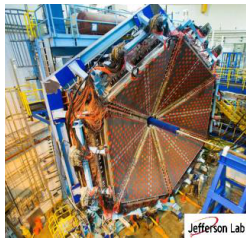
The Budget Department reviews all departmental transfer requests to ensure sufficient appropriations are available. The City Manager has the authority to transfer budgeted amounts among departments within any fund; however, any revisions altering the total appropriations of any fund must be approved 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.



LOCAL ECONOMY AND OUTLOOK

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

Newport News is home to the State’s largest private employer, Huntington Ingalls, with nearly 26,000 workers employed in the City at its Newport News Shipbuilding division (Shipyard) and its affiliated companies. Ship building and repair have remained exceptionally strong in 2022. In August 2022, Huntington Ingalls – Newport News Shipbuilding celebrated the ceremonial keel-laying of the next-generation Ford-class aircraft carrier Enterprise. Huntington Ingalls also is continuing to 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 is investing more than \$750 million in its Newport News facility and will create 1,000 new jobs by the year 2025.



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

While Newport News is known for these unique defense and research sector assets, the local economy is well diversified across employment sectors. Ferguson Enterprise, the largest wholesale plumbing distributor in the U.S., Liebherr USA, Co., the world’s largest manufacturer of mining trucks and Canon Virginia, domestic manufacturer of Canon copiers, printers and cartridges, all chose Newport News for their business headquarters. Riverside Regional Medical Center and Christopher Newport University also offer a diverse array of career opportunities to local residents. In addition, the City continues to promote economic development and redevelopment, with a particular focus on small businesses, which has spurred many businesses to start, expand or relocate to Newport News recently. With over 81,000 jobs total, Newport News is a significant job center for the Peninsula and the entire Hampton Roads region.

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 2021	FY 2022
Outstanding General Obligation to Taxable Real and Personal Property Value	No greater than 3.0%	2.3%	2.0%
General Fund Debt Service to General Fund Revenue	No greater than 9.5%	7.7%	7.5%
Proportion of Capital Improvement Plan spending with Cash Capital	No less than 20%	20.0%	20.0%
Outstanding General Obligation Debt Scheduled to be repaid within 5 years	No less than 30%	42.0%	44.0%
Outstanding General Obligation Debt Scheduled to be repaid within 10 years	No less than 60%	72.0%	74.0%

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

As required by City Code, the City Manager submits a multi-year Capital Improvements Plan (CIP) to City Council no later than November 1 of each year. The FY 2023 to FY 2027 Capital Improvements Plan was approved by City Council on August 9, 2022. The CIP reflects the vision and priorities of City Council for the construction and maintenance of the buildings and infrastructure owned by the City. Although intended to be a commitment to a multi-year capital needs program, the CIP is fundamentally a planning document, subject to annual modification and amendment as changing priorities, availability of funding and other factors create the need for revision. Most projects in the CIP are funded by 20-year General Obligation Bonds issued by the City with level annual principal payments. The annual principal and interest payments (debt service) are included in the City's annual operating budget. The General, Wastewater, Stormwater, and Solid Waste funds each pay for a proportionate share of principal and interest payments. The Waterworks Fund pays all of the debt service related to its capital projects. The FY 2023 Budget provides that the General Fund will pay 80.6%, or \$45.1 million, of the total debt service budget of \$56.0 million.

COVID-19 AND AMERICAN RESCUE PLAN

The City continued to respond to the public health and economic needs created by the coronavirus pandemic, which began in March 2020, throughout the fiscal year. In response to surges in COVID-19 cases due to the Delta and Omicron variants, the Virginia Department of Health, in partnership with the City, opened a Community Vaccination Center in Newport News in October 2021, providing easy access for residents to receive vaccines and boosters. In operation for four months, the center administered 16,500 free shots and served residents of Newport News and surrounding jurisdictions.

The City also began implementation of several initiatives made possible by the American Rescue Plan Act (ARPA). Under ARPA, the City received a \$66.8 million allocation of Coronavirus State and Local Fiscal Recovery Funds to support the COVID-19 response, replace lost revenue, support immediate economic stabilization, and address systemic public health and economic challenges. In February 2022, City Council approved a plan to allocate funds made available by ARPA to support several key strategic priorities, including neighborhood revitalization, early childhood education, mental health and budget stabilization.



SIGNIFICANT STRATEGIC PRIORITY ACCOMPLISHMENTS FOR FY 2022

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



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

Newport News Debuts Vibrant New City Brand and Strategic Message

In 2021, the City of Newport News launched a strategic initiative to uncover the community's brand identity. The goal was to discover what is distinct and authentic about Newport News and develop messaging that conveys the city's unique story. After a thorough process involving hundreds of residents, business and community leaders, and other stakeholders, the city launched a new brand and strategic message – *Newport News: Built on Breakthroughs*.



The brand identity was publicly debuted by Mayor McKinley Price during the State of the City address on November 16, 2022. During his remarks, he shared key brand messages and a brand video. "Newport News is a city of dreamers and doers, innovators and inventors, scholars and singers, and everyone in between," said Mayor Price. "We are a city on the move, constantly changing and always creating. Our breakthroughs are built to change today and impact tomorrow. We smash atoms and build nuclear aircraft carriers – anything is possible in Newport News!"

The new brand will come to life in a variety of ways over the next several months. This initiative is much more than a logo and tagline; it is a community pride-building campaign that will be activated artistically and three dimensionally by the city, businesses, and residents. Initial plans include signage, murals, outreach campaigns, and increased messaging.

Newport News partnered with North Star Place Branding and Marketing on this project. A leader in capturing and crafting the story of places, North Star has helped develop brands for more than 250 communities.

Health, Safety & Well-Being

The City is committed to fostering a healthy environment with equitable outcomes and providing public safety services to enable all residents and visitors to be confident in their safety and well-being. The City's Police, Fire and Human Services Departments provide a broad range of services and programs to protect life and property,

help residents maintain safe, healthy, and productive lives, and receive assistance through difficulties and emergency situations. In FY 2022, the City also continued to strengthen partnerships and further engage the community to address needs related to the COVID-19 pandemic and ensure the health and safety of all residents.

The pandemic caused significant impacts on behavioral health needs and access in the U.S. To help address the demand for services in our community, the City's ARPA plan includes a \$3.8 million allocation to support community mental health partners' expansion of programs and facilities. Designated funds will be used to expand mental health hospitalization and outpatient programs at Riverside Behavioral Health Center and to add a comprehensive Crisis Receiving Center at the Hampton-Newport News Community Services Board, both helping address unmet needs for behavioral health services in our area.

The City also entered into the second year of its progressive new program designed to provide crisis intervention services to individuals within Newport News. The result of a partnership between the Fire Department, the Police Department and the Hampton-Newport News Community Services Board, the Community Assistance Response (CARE) program provides initial crisis intervention services for those who are experiencing mental or behavioral health issues within Newport News. A CARE team comprised of a paramedic and mental health professional are dispatched when emergency calls for service are non-violent and show a need for mental health care. The program aims to connect mentally ill individuals with appropriate support and reduce the need for police response on mental health calls. Due to the success this team had addressing identified goals during FY 22, funding for a third team was added in the FY 23 Operating Budget.



To support the health needs of the City's homeless population, the Lackey Clinic began providing telehealth services at the Four Oaks Day Service Center. A generous grant received from Sentara Healthcare and Optima Health enabled the Clinic to better connect patients with community partners to address their health needs. The program also included partnering with the Newport News Community Para-medicine program to provide in-home visits to Lackey Clinic patients. Lackey's Virtual Care program is designed to provide easier access, which leads to better health outcomes for more people and reduces a barrier to healthcare many regularly face.

Nationwide, the country has also seen an increase in gun violence following the COVID-19 pandemic. The City received \$800 thousand in federal and state grants to address this issue in our community and began this process by partnering with the Center for Crime, Equity and Justice Research and Policy at Christopher Newport University to conduct a Community Assessment Survey. The goal of the survey was to understand the most pressing concerns around safety, the root causes of violence and the effects of crime in the city. Following the survey, the City launched a competitive grant program to fund evidence-based solutions. Over \$1.8 million in grant funds were awarded to community-based organizations to expand youth mentorship programs, support mental health and counseling services, and offer leadership and job training, along with other programs, initiatives and strategies to address risk factors for violence and create change in our community.

The Police Department also continued to leverage technology and focus on youth as a foundation for Community Policing. In FY 2022, the department created and staffed a Real Time Crime Center that integrated departmental cameras along with city and private entities to assist the department in addressing crime. The department's focus on technology also includes the first installment of license plate readers, upgrades to body worn cameras, and a second location covered by Shot Spotter, a gunshot detection platform. In addition, twenty-eight students from Newport News Public Schools were enrolled in the Young Adult Police Commissioners Program (YAPC). This group of youth assisted the department with bridging the gap in not only the community but with the younger generation. The students participated in community walks, press conferences, debates, City Council visits and community service hours in Newport News.



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 26,500 students, with a mission of ensuring that all students graduate “college, career and citizen-ready.” As an urban school system, NNPS provides students with diverse classes and programs that challenge and motivate young people of all abilities including special needs, English as second language, STEM, arts, gifted education and advanced programs. Earlier this year, Virginia Living Magazine included NNPS in their ranking of Top Schools in the Commonwealth for their exemplary programs. More information about the Schools is available in the separately published Schools Annual Comprehensive Financial Report.

To ensure children enter school ready to learn and be successful, City Council’s strategic plan includes a specific goal to increase availability and strengthen early education pre-kindergarten programs, particularly for low-income children. Through an allocation of funding made available by ARPA, the City is one step closer to making this goal a reality. In October 2022, the City of Newport News, Peake Childhood Center, and Virginia Peninsula Community College broke ground on an \$11 million Newport News Early Childhood Center, expected to open in summer 2024. The new facility will serve approximately 200 children ages six weeks to five years of age and have a sliding-scale tuition rate based on family income and need. While the facility is located in the Southeast Community of Newport News, it will support children and families from throughout the region.



In addition to its award-winning school system, Newport News is also home to Christopher Newport University (CNU). Selected by The Princeton Review to be included in *The 388 Best Colleges: 2023 Edition*, CNU is a public school offering a private school experience in the heart of Newport News – great teaching, small classes, and a safe, vibrant campus. A “student-first, teaching-first” community, CNU is dedicated to the ideals of scholarship, leadership and service. Academic programs at CNU encompass more than 90 areas of study, from biology to business administration and political science to the performing arts. Christopher Newport University is committed to ensuring that all people are welcomed, honored and fully engaged in the life of the academic community.

CNU celebrated the hard work and accomplishments of the inaugural class of the Community Captains program in FY 2022. Launched in partnership with Newport News Public Schools over three years ago, Community



Captains is an early admission, college preparatory program offering two years of free, on-campus learning opportunities at CNU focused on helping NNPS students succeed after high school. The program’s goal is to address systemic issues in the community while promoting equity of access to higher education for first-generation college students and students from low socioeconomic backgrounds. During FY 2022, the first class of 18 participants in the program enrolled at Christopher Newport as freshmen.

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. Our unique and supportive business environment makes us the ideal location to start, expand or relocate a business.



New Businesses

In January 2022, Governor Ralph Northam announced that Mercana Furniture and Décor, a Canadian manufacturer and wholesaler of home goods across North America, will invest \$8.5 million to establish its first U.S. warehouse and distribution operation in Newport News. The 124,000 square foot facility will serve the company's East Coast and Central U.S. customers, housing thousands of items across its full lineup of art, furniture, lighting, and accessories. Founded in Vancouver, British Columbia, Mercana Furniture and Décor creates custom-designed furniture and décor for retail partners and interior designers around the globe at wholesale prices.

Governor Glenn Youngkin announced in March 2022 that Certified Origins, an Italian-based company focused on providing fresh and authentic extra virgin olive oil, will invest \$25 million to establish its first U.S. production facility in the City of Newport News to meet increased demand for its branded and private-label products. At their new operation in the Oakland Industrial Park, the company will select and import high-quality extra virgin olive oils through the Port of Virginia to offer craft blends and tailored packaging solutions for local and global markets. Founded in 2006, Certified Origins is an established international food producer and distributor, with branches and distribution in Europe, Asia, Mexico, and the United States and is the proud owner of the Bellucci Italian Extra Virgin Olive Oil brand.



Aldora Glass, a South Florida-based fabricator and distributor of glass and aluminum systems, announced its Spring 2022 purchase of its seventh facility serving the mid-Atlantic and Southeastern United States. Located in Oakland Industrial Park, the 72,000 square-foot structure represents a \$10 million investment and will support a 150-mile radius including Hampton Roads, Richmond, Baltimore, the District of Columbia, Raleigh-Durham,



Roanoke and others. An estimated 40-75 new positions will be created for Outside Sales, Branch and Plant Manager, and glass manufacturing associates. Operations featured at the Newport News plant will include the production and distribution of fabricated, tempered and insulated glass, mirrors and shower door products to a variety of glass retailers, glazing contractors and OEM clients.

Business Expansion

In May 2022, Governor Youngkin announced that Mühlbauer Inc. is investing \$9 million to expand its operation in Oakland Industrial Park. The company will make upgrades to its facility and increase capacity by adding new production equipment and creating 32 new jobs. Mühlbauer, an automation solutions manufacturer and the U.S. subsidiary of Germany-based Mühlbauer Group, has been in Newport News for over 25 years, serving as a base for all of the company's activities in North America.

In June 2022, Governor Youngkin announced that High Liner Foods, a leading North American value-added frozen seafood company, will continue to invest in modernizing its facility in Newport News with new equipment and product lines. Founded over 120 years ago in Lunenburg, Nova Scotia, High Liner Foods' retail branded products are sold throughout the United States and Canada in most grocery and club stores. High Liner also sells branded products to restaurants and institutions. The Newport News facility was opened by Icelandic Seafood in 1996. In 2011, High Liner Foods acquired Icelandic's U.S. and Asian operations, including the Newport News location. The Virginia Economic Development Partnership worked with the City of Newport News, the Hampton Roads Alliance, and The Port of Virginia to secure the \$30 million investment in Virginia.



In July 2022, Avelo Airlines announced it would begin serving the Hampton Roads market in October 2022 with exclusive nonstop service from Newport News/Williamsburg International Airport to Orlando and Fort Lauderdale, Florida. Operating a fleet of Boeing Next-Generation 737 aircraft, Avelo serves 27 popular destinations across the U.S., including its three bases at Los Angeles' Hollywood Burbank Airport, Southern Connecticut's Tweed-New Haven Airport, and Orlando International Airport.



Small Business and Resident Support

FY 2022 also saw the groundbreaking of the new C. C. Carter Funeral Home in the City's Southeast Community. The new structure currently under construction, a \$2.7 million investment, will provide 10,000 square feet of space, with seating for 300 and corresponding parking. In addition to the funeral home, plans for a repast facility are anticipated for future development.

An apothecary-style pharmacy that also distributes medical equipment opened in the summer of 2021 in the City's Southeast Community bringing a range of medical and pharmaceutical services to a neighborhood that previously lacked access. The pharmacist provides a variety of services at no charge, such as taking a patient's blood pressure, sitting down with a patient to review immunizations and administer them, custom fitting compression stockings and demonstrating how to use any durable medical equipment they purchase.

Fun, Entertainment & Culture

Newport News provides a wide variety of enrichment opportunities for residents and visitors to experience art, culture and recreation. Housed in Newport News are the award winning Virginia Living Museum, The Mariners' Museum and the Mary M. Torggler Fine Arts Center. The City also boasts a host of parks and recreation amenities and activities.

Our state's natural heritage comes alive at the nationally acclaimed Virginia Living Museum. Visitors to the Living Museum encounter more habitats, wildlife and plant species than would be encountered in a lifetime of outdoor adventures in Virginia. The exhibits showcase all of the state's regions from the upland coves of the Appalachian Mountains to the salty offshore waters of the Atlantic Ocean and feature more than 245 different animal species. A native wildlife park, science museum, aquarium, botanical preserve and planetarium add to the experience.

International in scope, The Mariners' Museum preserves and interprets 3,000 years of maritime history. Designated by Congress as America's National Maritime Museum, The Mariners' Museum is one of the largest and most comprehensive maritime museums in the world. Through the stories told in the Museum's world-class collection, guests are encouraged to explore their own history and discover their story to see how we are all connected to the water.



Opened in 2021, the state of the art Mary M. Torggler Fine Arts Center at Christopher Newport University cultivates extraordinary encounters with visual arts. Whether viewing an exhibition, taking a class, or attending a lecture or gallery talk, the Torggler beckons you to explore compelling ideas through the transformative lens of visual art. The Center houses over 7,500 square feet of gallery exhibition space, a 150 seat auditorium, a community gallery, and studios and classrooms. Located in the heart of Newport News, the Center's mission is to enrich the cultural landscape of the



commonwealth of Virginia by presenting exceptional visual arts programming that empowers creative expression, critical thinking, lifelong learning and cultural dialogue.

One of the largest municipal parks east of the Mississippi River at nearly 8,000 acres, Newport News Park offers a wide variety of activities, including hiking, biking, picnicking, paddle boating, canoeing, archery and freshwater fishing. Year-round camping is available at 188 campsites. The park also crosses into the Colonial National Historical Park, where visitors can view a placard on the site of George Washington's headquarters during the American Revolution. The Park also includes an 18-hole championship disc golf course and a 30-acre aeromodel flying field.

Each year, the City also hosts a variety of special events, from the beloved Celebration in Lights, Virginia's first drive-through holiday event, now in its 30th year, to summer concerts, neighborhood parades, Independence Day fireworks and block parties in "The Yard," the City's newest entertainment district. In FY 2022, Newport News also added an Outdoor Enthusiast festival, Twilight Criterium Bicycle Race and celebrated the 8th Anniversary of the popular One City Marathon. The City's point-to-point marathon course, in the top 20 for Boston Qualifying events, takes runners through a 26.2 mile tour of the entire city, featuring scenic views of Newport News' parks, waterways, and historic neighborhoods. As in prior years, the race attracted participants from more than 30 states across the country and four countries across the globe!

Welcoming Communities with Connected Neighborhoods

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

In FY 2022, the City of Newport News and the Newport News Redevelopment and Housing Authority (NNRHA) began the second phase of the city's Choice Neighborhood (CNI) transformation project. The Department of Housing and Urban Development (HUD) awarded the city and NNRHA a \$30 million grant in 2019 to transform the Marshall-Ridley neighborhood in the Southeast Community. This project is creating



additional housing options and amenities while revitalizing a historic neighborhood and improving the lives of residents. Phase One, a mixed-use development featuring apartments, townhomes and retail space, is estimated to be completed in early 2023. Construction of Phase Two, which includes apartments and townhouses as well as a health and wellness trail and park, is expected to be complete in fall of 2024.

Building off the momentum of the CNI transformation, the master plan for the Southeast Community Resource Area, a 7 block site, was completed and initial building design for the project began during the fiscal year. The full build-out will include an all-new Huntington Middle School on the southern end of the site, and a new Pearl Bailey Library, Doris Miller Community Center and community program space located in the Huntington Center on the site of the historic Huntington High School. The first phase of the project, the new Huntington Middle School, is scheduled to open in 2024. Once complete, the 21st century Southeast Community Resource Area will be a community gathering place, a single destination with shared resources supporting deep and sustainable change.



Just blocks away, the Downtown Reimagined Initiative casts a bold redevelopment vision for the City's Downtown area. This plan leverages the downtown waterfront areas to create a vibrant, walkable community for all to dine, visit, move and invest. Due in large part to private investment, development of the Downtown 23rd Street Corridor, also referred to as the Yard District, is beginning to take shape consistent with the Downtown Reimagined vision. This area now includes Coastal Fermentory, a locally-owned microbrewery, Ironclad Distillery, a locally-owned micro-distillery, a Gastro Pub and Benny's Pizza parlor. In addition, multi-story warehouse buildings have been converted into a mixed-use, 32-unit apartment complex. Public art has also added to the excitement in the Yard District. *Fluidity*, a new kinetic wind art sculpture created by artist Will Carr was installed in FY 2022. Residents are encouraged to gather and watch the movements of the piece as the wind puts it into motion.



During FY 2022, in the North end of the City, master planning for the Sherwood Site was completed and the design of the new Grissom Library began. Envisioned as a “civic hub,” the Sherwood Site is an approximately 32-acre parcel that fronts Warwick Boulevard and will be home to a new Grissom Library, outdoor pavilions, sculpture gardens, a dog park, splash pad, outdoor classroom and other public and private investments. Plans for the state of the art library include cutting edge technology, collaborate areas, courtyards, spaces for children and teens, community meeting rooms and more.



Newport News strives to improve connectivity within the City and region, and create safe, effective and efficient transit choices. To that end, construction continued on the \$51 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 Boulevard. Located adjacent to the City's international airport, the transportation center will serve as a hub for Hampton Roads Transit, taxis and shuttles and will modernize and streamline transportation on the Peninsula, in Hampton Roads, and throughout the Commonwealth. Construction is estimated to be complete in the fall of 2023.

Quality Government & Innovation

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

In FY 2022, Newport News Waterworks continued progress on the 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, ending the need for someone to show up each month to read the meter and reducing our carbon footprint. Furthermore, it allows 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. Over a two and a half year period, crews will upgrade more than 130,000 existing meters in Newport News, Hampton, Poquoson, York County, and part of James City County. This project is expected to be completed by the end of calendar year 2023.



The Newport News Public Library continually strives to ensure that the community has access to state of the art technology. In 2021, the library implemented ScanEZ stations that allow patrons to scan, copy, and fax from a single location. Mobile printing capabilities were also installed that allow patrons the ability to print from their home computer or mobile device and pick up the print job at any library branch. Finally, new public computers were installed at library branches to provide faster and more reliable computer processing.

In addition, the Main Street Library Passport Center, an official passport acceptance facility, opened in September of 2021. This acceptance facility is authorized by the U.S. Department of State to accept and verify the documents needed to process passport applications. The center is the first Passport Center in Newport News that is not located within a U.S. Post Office and the only site offering evening and weekend hours.

The Finance Department also worked to modernize processes and increase public transparency in FY 2022. The Purchasing Office implemented the OpenGov e-procurement software, which allows the entire bid process on City contracts to occur electronically. The new software has increased efficiency in opening, tabulating, and evaluating bids, streamlining the procurement process for goods and services. In December 2022, the department also published the first Popular Annual Financial Report (PAFR) for the fiscal year ending June 30, 2021. The PAFR is designed to summarize the complex financial information reported in the City's ACFR, providing Newport News citizens with a user-friendly overview of the City's financial activities. The PAFR offers a brief analysis of where the City's revenues come from and where those dollars are spent, making the City's financial information more accessible to the general public. We are pleased to have been awarded the Government Finance Officers Association (GFOA) Award for Outstanding Achievement in Popular Annual Financial Reporting for the FY 2021 PAFR.



Environmental Stewardship & Sustainability

The City continues its commitment to improve air quality by investing in hybrid, propane, and electric vehicle technologies. During Fiscal Year 2022, the City's fleet avoided use of 28,794 gallons of gasoline and the associated 336 metric tons of greenhouse gas emissions. Over the next five years the City is projected to avoid over 250,000 gallons of gasoline use and 2,917 metric tons of greenhouse gas emissions.

In December 2021, the City received a \$4.9 million grant from the Virginia Community Flood Preparedness Fund. The grant will be used to develop three separate, yet interconnected, Citywide master plans for Stormwater Management, Floodplain Management, and Climate Change & Resilience. The three-year effort will include an assessment of the existing components of the City's stormwater program through public engagement; general inventory (documentation and evaluation of infrastructure); analysis of ordinances and design manuals; and conceptual plan development with capital planning, cost estimating, and financial planning. The three plans will enable the City to better address stormwater, flooding, and climate change concerns into the future.

AWARDS

The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Newport News for its Comprehensive Annual Financial Report for the year ended June 30, 2021. This was the 43rd consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Annual Financial Report. This report must satisfy both

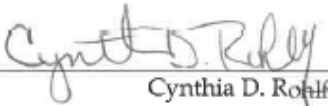


generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for one year. We believe that our current Annual Financial Report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

ACKNOWLEDGMENTS

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

Respectfully submitted,


Cynthia D. Rohlf
City Manager


Susan M. Goodwin
Director of Finance

CITY OF NEWPORT NEWS, VIRGINIA

CITY GOVERNMENT OFFICIALS

at June 30, 2022

City Council

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

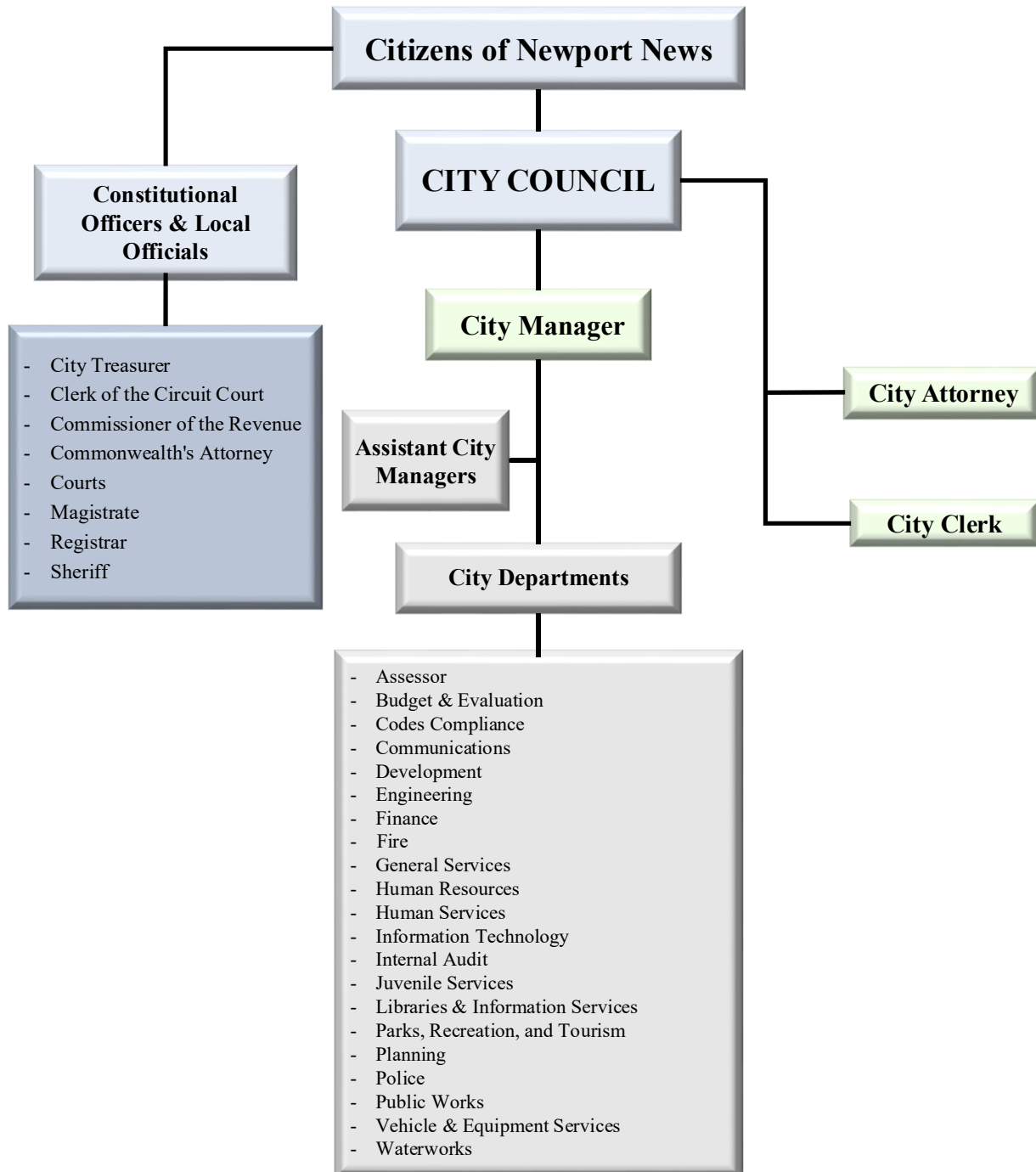
Susan M. Goodwin..... Director of Finance
Virginia A. Lovell..... Assistant Director of Finance
Kelsey S. Tice Accounting Manager

Other Officials

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

CITY OF NEWPORT NEWS, VIRGINIA
ANNUAL COMPREHENSIVE FINANCIAL REPORT
For the Year Ended June 30, 2022

ORGANIZATION CHART





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Newport News
Virginia**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2021

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 Audit of the Financial Statements

Opinions

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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2022, 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.

Basis for Opinions

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 (the "Specifications"). Our responsibilities under those standards and Specifications are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 1 (p) to the financial statements, the City's fiduciary responsibilities changed, effective July 1, 2021. As a result, beginning fiduciary net position has been restated. Our opinions are not modified with respect to this matter.

As discussed in Note 1 (p) to the financial statements, the City implemented GASB Statement No. 87, *Leases*, effective July 1, 2021. As a result, a certain component unit's beginning net position has been restated. Our opinions are not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Governmental Auditing Standards*, and the Specifications will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, *Governmental Auditing Standards*, and the Specifications, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 is the responsibility of management and, 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 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 Supplementary Information, as listed in the table of contents, and Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such 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. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Introductory and Statistical Sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2022, 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.

Cherry Bekaert LLP

Richmond, Virginia
December 12, 2022

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, 2022 (FY 2022). 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 2022

- At the end of the fiscal year 2022, the total net position of the City on a government-wide basis, excluding component units, was \$911.6 million. This amount represents an increase of \$142.7 million, or 18.6%, over the prior year. The net position for governmental activities was \$488.7 million, an increase of \$118.2 million over the prior year. The business-type activities net position was \$422.9 million, an increase of \$24.5 million over the prior year.
- Property tax rates remain the same as in the prior year, real estate tax at \$1.22 per \$100 of assessed valuation and personal property tax at \$4.50 per \$100 of assessed valuation. Real estate assessed values increased by 4.1% and personal property assessed values increased by 11.6% from prior year. While there was no change in the personal property tax rate, an assessment ratio of seventy-five percent (75%) was applied to vehicles for calendar year 2022 to mitigate the significant increase in vehicle values.
- At the close of FY 2022, unassigned fund balance for the General Fund was \$77.8 million or 14.2% of FY 2022 total General Fund revenues and transfers in and an increase of \$6.40 million from the prior year.
- General Fund revenues and transfers increased by \$42.1 million or 8.3% above FY 2021, primarily due to an increase in general property and other local tax revenue. Expenditures and transfers out increased \$22.3 million, or 4.5% higher than the prior fiscal year, primarily due to an increase in transfers out to capital projects.
- During the fiscal year, the total bonded debt for the City and Public Utilities decreased by approximately \$37.1 million and \$9.6 million, respectively. The net decreases are due to principal payments made during the year without the issuance of any new debt. The City maintains a bond rating of AA+ with the financial rating agency Standard & Poor's and an Aa1 rating with Moody's.
- The City implemented the provisions of Governmental Accounting Standards Board GASB Statement No. 87 (GASB 87), *Leases* in FY22.

OVERVIEW OF THE FINANCIAL STATEMENTS

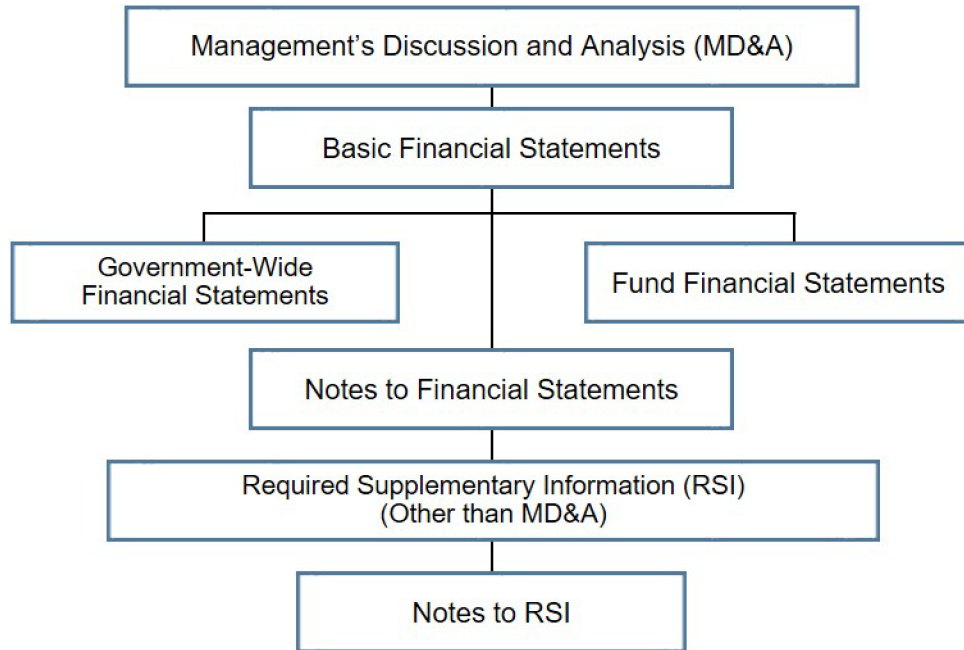
The City's basic financial statements comprise three components: *government-wide financial statements*, *fund financial statements*, and *notes to the financial statements*. This report also contains required other supplementary information sections in addition to the basic financial statements themselves.

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

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

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

Figure A
Required Components of Newport News' Financial Statements



Government-Wide Statements

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

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

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

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

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

Fund Financial Statements

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

The City has three types of funds:

- *Governmental funds* – Most of the City's basic services are included in governmental funds, which focus on (1) how cash and other financial assets can readily be converted to cash flow to support the operations of the City and (2) the balances remaining at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided on a subsequent page that explains the relationship (or differences) between the government-wide and fund statements.
- *Proprietary funds* – The City maintains two different types of proprietary funds, enterprise funds and internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Enterprise funds include the Public Utility Fund. Internal service funds are used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for the operation of vehicles and equipment and includes this activity in its government-wide financial statements.
- *Fiduciary funds* – The City is the trustee, or fiduciary, for certain donated funds. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. The City is responsible for ensuring that the assets reported in this fund are used for their intended purpose. The fiduciary funds include the Pension and Other Postemployment Benefits Trust Funds, Custodial Funds and the Line of Duty Act Fund. These activities are reported in a separate statement of fiduciary net position. The City excludes this activity from its government-wide financial statements because the City cannot use these assets to finance its operations.

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

Notes to the Basic Financial Statements

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

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

Statement of Net Position

The following table reflects the condensed net position:

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2022	2021	2022	2021	2022	2021
Current and Other Assets	\$ 501.8	411.0	220.2	216.9	722.0	627.9
Capital Assets, Net	881.5	870.6	428.1	414.1	1,309.6	1,284.7
Total Assets	1,383.3	1,281.6	648.3	631.0	2,031.6	1,912.6
Deferred Outflows of Resources	55.2	91.1	6.6	11.3	61.8	102.4
Current and Other Liabilities	180.2	164.0	50.7	49.5	230.9	213.5
Long-Term Liabilities	650.2	829.2	165.4	194.0	815.6	1,023.2
Total Liabilities	830.4	993.2	216.1	243.5	1,046.5	1,236.7
Deferred Inflows of Resources	119.4	9.0	15.9	0.5	135.3	9.5
Net Position:						
Net Investment in Capital Assets	516.3	492.5	361.3	354.0	877.6	846.5
Restricted	60.5	52.2	-	-	60.5	52.2
Unrestricted (Deficit)	(88.1)	(174.2)	61.6	44.3	(26.5)	(129.9)
Total Net Position	\$ 488.7	\$ 370.5	\$ 422.9	\$ 398.3	\$ 911.6	\$ 768.8

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 \$911.6 million. This amount represents an increase of \$142.7 million, or 18.6%, over the prior year's net position. The net position for governmental activities increased by \$118.2 million and the business-type activities net position increased by \$24.5 million.

By far, the largest portion of the City's net position is its investment in capital assets (e.g., land, buildings, equipment, and infrastructure) less accumulated depreciation and less any related outstanding debt used to acquire those assets. The City uses these assets to provide services to its citizens and consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Approximately 6.6% of the City's net position is subject to external restrictions or legal constraints. See note 1(L) for more information concerning the City's net position components.

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

Statement of Activities

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

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2022	2021	2022	2021	2022	2021
Revenues						
Program Revenues:						
Charges for Services	\$ 92.7	89.1	96.8	98.8	189.5	187.9
Operating Grants and Contributions	74.9	66.5	-	-	74.9	66.5
Capital Grants and Contributions	31.7	25.8	5.6	2.4	37.3	28.2
General Revenues:						
General Property Taxes	316.5	300.5	-	-	316.5	300.5
Other Taxes	122.5	112.3	-	-	122.5	112.3
Grants and Contributions not Restricted to Specific Programs	49.5	47.8	-	-	49.5	47.8
Investment Earnings	3.5	3.1	0.5	0.3	4.0	3.4
Miscellaneous	24.9	16.0	1.5	1.4	26.4	17.4
Total Revenues	716.2	661.1	104.4	102.9	820.6	764.0
Expenses						
General Government	93.3	105.0	-	-	93.3	105.0
Judicial Administration	9.6	8.3	-	-	9.6	8.3
Public Safety	140.3	143.5	-	-	140.3	143.5
Public Works	74.0	77.4	-	-	74.0	77.4
Health and Welfare	49.1	55.7	-	-	49.1	55.7
Education	170.0	135.1	-	-	170.0	135.1
Parks, Recreation and Culture	34.4	32.9	-	-	34.4	32.9
Community Development	16.7	15.5	-	-	16.7	15.5
Interest and Other Fiscal Charges	20.1	21.7	-	-	20.1	21.7
Public Utility	-	-	70.4	72.0	70.4	72.0
Total Expenses	607.5	595.1	70.4	72.0	677.9	667.1
Excess before Transfers	108.7	66.0	34.0	30.9	142.7	96.9
Transfers	9.5	9.5	(9.5)	(9.5)	-	-
Change in Net Position	118.2	75.5	24.5	21.4	142.7	96.9
Beginning Net Position	370.5	295.0	398.4	376.9	768.9	671.9
Ending Net Position	\$ 488.7	370.5	422.9	398.3	911.6	768.8

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

Revenues

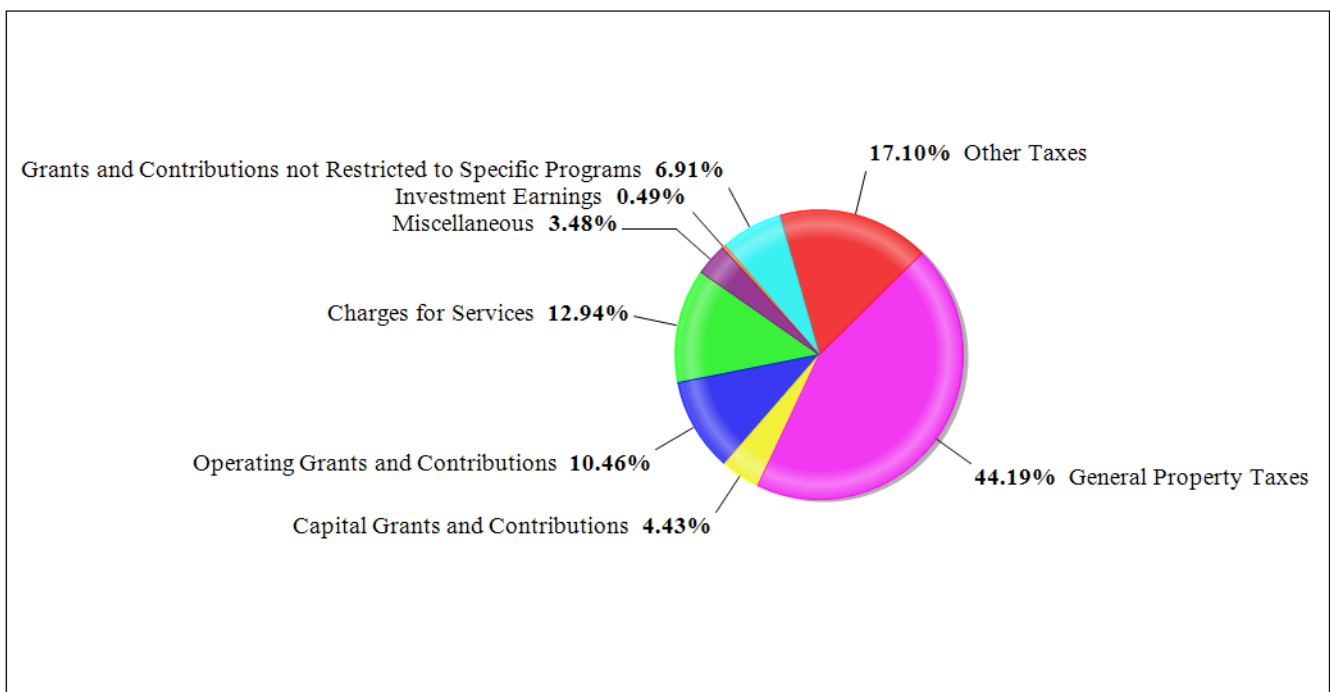
The City's total revenues for the Primary Government, which include governmental and business-type activities, were \$820.6 million, a \$56.6 million increase over revenues from the prior year. These revenues consist of program and general revenues. Program revenues are derived from the program itself and reduce the reliance on the City's general revenues; these include charges for services, operating and capital grants, and contributions. General revenues are all other revenues and include property and other taxes, and interest earnings.

For *Governmental Activities*, program revenues totaled \$199.3 million, compared to \$181.4 million from the prior year, an increase of \$17.9 million. This increase is primarily due an increase in operating and capital grants.

General revenues totaled \$516.9 million. This represents an increase of \$37.2 million over the prior year due an increase in property tax revenues generated from higher property assessments, and an increase in sales and meals tax revenues primarily driven by higher inflation during the fiscal year.

Approximately 61% of the City's revenue from governmental activities comes from some type of tax and nearly 13% comes from fees charged for services. The largest revenue sources for the City are general property taxes at 44% of total revenue.

Revenues by Source – Governmental Activities June 30, 2022



Business-type Activities generated program and general revenues of \$104.4 million compared to \$102.9 million from the prior year, 92.7% and 96.0% of general revenues represents charges for services for FY 2022 and FY 2021, respectively.

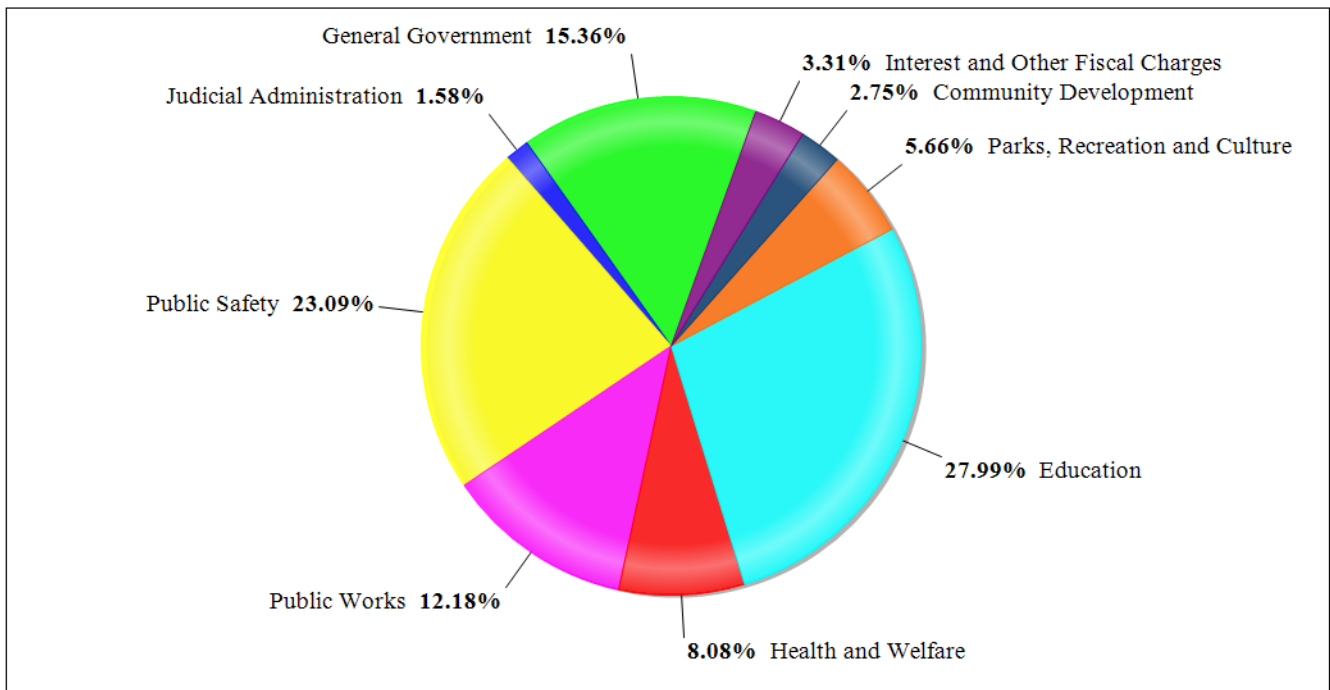
CITY OF NEWPORT NEWS, VIRGINIA MANAGEMENT'S DISCUSSION AND ANALYSIS

Expenses

The City's total cost to provide all programs and services for the Primary Government was \$677.9 million, a \$10.8 million increase over expenses from the prior year.

Expenses for *Governmental Activities* totaled \$607.5 million, an increase of \$12.4 million from the prior year primarily due to scheduled transfer of tenancy in common assets to schools in FY22. Education and Public Safety continue to be among the City's highest priorities and commitments representing \$310.3 million or nearly 51% 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, 2022



Expenses for the *Business-type Activities* include those related to water utility services. For the current fiscal year these totaled \$70.4 million, a \$1.6 million decrease from prior year.

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

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

Governmental Funds

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

At the end of the fiscal year, the total fund balance for the City's governmental funds was \$328.7 million, compared to \$285.1 million in the prior fiscal year, an increase of \$43.6 million. This increase was primarily due to an increase in cash in the General Fund due to a revenue surplus.

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

- \$1.8 million is nonspendable which consists of inventories in the General Fund and Non-Major Governmental Funds.
- \$89.5 million is restricted, which can be spent only for the specific purposes stipulated by external providers, such as grantors or restricted through legislation. In the Bond Fund, this amount is restricted for capital projects funded by general obligation bonds (\$29.0 million). In the Non-Major Governmental Funds, this amount is restricted for specific purposes, mainly in the Stormwater, Wastewater, and Solid Waste funds (\$55.4 million).
- \$112.3 million is committed, which can only be used for specific purposes imposed by the formal action of City Council. These balances primarily represent fund balances in the debt service and general capital improvement funds.
- \$47.2 million is assigned, which applies to amounts that are intended for specific purposes but do not meet the criteria to be classified as restricted or committed. For example, this amount includes reserve for encumbrances at year end, as well as, self insurance reserves for worker's compensation, general, auto, and health insurance.
- \$77.8 million is unassigned, which is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications.

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, 2022, totaled \$1,309.6 million (net of depreciation). This investment includes land, buildings and improvements, drainage and water/sewer systems, machinery and equipment, roads, bridges, and construction in progress.

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

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Land	\$ 92,501,078	91,874,857	8,727,984	8,336,904	101,229,062	100,211,761
Construction in Progress	99,251,311	120,423,941	38,760,325	23,628,837	138,011,636	144,052,778
Buildings	218,745,952	225,427,162	73,361,477	76,813,726	292,107,429	302,240,888
Water System	-	-	297,785,916	294,983,558	297,785,916	294,983,558
Improvements	94,646,481	100,186,542	-	-	94,646,481	100,186,542
Machinery and Equipment	47,108,635	42,120,571	9,466,229	10,364,555	56,574,864	52,485,126
Infrastructure	329,275,869	290,600,537	-	-	329,275,869	290,600,537
	<u>\$ 881,529,326</u>	<u>870,633,610</u>	<u>428,101,931</u>	<u>414,127,580</u>	<u>1,309,631,257</u>	<u>1,284,761,190</u>

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

- City Center Parking Garage
- Richneck Area BMP
- Lower Jefferson Ave Streetscape
- Main Street Drainage Improvements

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

Long-Term Debt

At the end of the current fiscal year, the City had total outstanding debt of \$497.6 million, a decrease of 8.6% 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	
	2022	2021	2022	2021	2022	2021
General Obligation Bonds	\$ 370.1	407.2	17.2	24.3	387.3	431.5
Literary Loans	2.1	2.5	-	-	2.1	2.5
Revenue Bonds	-	-	108.2	110.7	108.2	110.7
	<u>\$ 372.2</u>	<u>409.7</u>	<u>125.4</u>	<u>135.0</u>	<u>497.6</u>	<u>544.7</u>

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

Despite some lingering impacts of the COVID-19 pandemic, the Newport News economy continues to rebound. There has been a steady decline in the unemployment rate, at 4.0% in June of 2022 down from 6.2% in June 2021 and far from the pandemic related peak of 14.3% in April 2020. Economic rebound is evidenced by the growth in assessed values of taxable real property which increased by 14% for FY 2023. Taxable sales and meals in Newport News also grew in FY 2022 by 6% and 16%, respectively. Both of these revenue categories are expected to remain strong in FY 2023.

The City's strong financial management and conservative budgeting practices allow the City to continue its commitment to the citizens of Newport News. The FY 2023 General Fund Operating Budget continues to move the City's Strategic Priorities of People, Places and Government forward. The total General Fund Operating budget is \$568.5 million, a 6% increase over the FY 2022 budget. Two significant items to note include:

- The real estate tax rate was decreased to \$1.20 per \$100 of assessed value. This two cent decrease in the rate is intended to ease the burden of increasing home values in the City. Even with this reduction, real estate tax remains the single largest revenue source for the City, representing 42.2% of the General Fund revenue in FY 2023.
- The personal property tax rate of \$4.50 per \$100 of assed value remained the same for FY 2023, however, a seventy-five percent (75%) assessment ratio was applied to calendar year 2022 assessments which includes the billing cycle of December 5, 2022 in FY 2023.

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.

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City of Newport News, Virginia
Statement of Net Position
June 30, 2022

	Primary Government			Discretely Presented Component Units	
	Governmental Activities	Business-Type Activities	Total	Public schools	Others
Assets					
Cash and Cash Equivalents	\$ 346,818,315	\$ 107,485,452	\$ 454,303,767	\$ 78,422,136	\$ 16,811,812
Restricted Cash and Investments	45,092,440	70,397,707	115,490,147	-	32,780,240
Accounts Receivable, Net	39,636,856	12,613,905	52,250,761	967,880	8,509,583
Receivable from Primary Government	-	-	-	11,399,296	-
Receivables from Other Governments	34,079,935	-	34,079,935	22,465,834	-
Lease Receivable	3,501,793	3,691,553	7,193,346	-	20,168,008
Due from OPEB Fund	826,947	-	826,947	-	-
Inventory, at Cost	3,106,058	4,169,106	7,275,164	3,287,528	-
Land Held for Lease or Resale	-	6,285,998	6,285,998	-	35,631,273
Wetlands Credits	-	5,530,135	5,530,135	-	-
Net Pension Asset	17,294,947	1,154,391	18,449,338	2,795,000	1,205,378
Leases (as Lessee)					
Right to Use Asset	15,699,110	4,492,863	20,191,973	5,701,794	8,144,259
Less Accumulated Amortization	(4,266,066)	(1,198,560)	(5,464,626)	(900,521)	(2,400,340)
Capital Assets:					
Nondepreciable Capital Assets:					
Land	92,501,078	8,727,984	101,229,062	2,263,424	6,832,612
Construction in Progress	99,251,311	38,760,325	138,011,636	3,183,043	9,780,024
Depreciable Capital Assets:					
Buildings	339,353,690	149,113,985	488,467,675	169,232,886	198,284,083
Improvements	240,099,298	-	240,099,298	95,451,584	21,855,346
Water System	-	507,854,258	507,854,258	-	-
Airport Assets	-	-	-	-	185,951,855
Machinery and Equipment	158,580,584	48,777,148	207,357,732	72,026,715	7,325,959
Infrastructure	745,358,609	-	745,358,609	-	2,543,500
Total Capital Assets	1,675,144,570	753,233,700	2,428,378,270	342,157,652	432,573,379
Less Accumulated Depreciation	(793,615,244)	(325,131,769)	(1,118,747,013)	(180,167,845)	(217,810,977)
Capital Assets, Net	881,529,326	428,101,931	1,309,631,257	161,989,807	214,762,402
Restricted Assets:					
Other assets	10,250	5,553,256	5,563,506	5,063,290	221,420
Total Assets	1,383,329,911	648,277,737	2,031,607,648	291,192,044	335,834,035
Deferred Outflows of Resources					
Employer Contributions Subsequent to the Measurement Date	42,112,758	4,787,559	46,900,317	41,363,789	-
Net Difference between Projected and Actual Earnings on Plan Investments	-	-	-	1,552,417	160,574
Changes in Proportion and Difference between Employer Contributions and Proportionate Share of Contributions	1,150,260	73,421	1,223,681	157,607	4,584
Changes in Assumptions	5,912,999	352,499	6,265,498	28,299,340	340,073
Difference between Expected and Actual Experience	931,100	48,992	980,092	1,261,362	33,859
Debt Refundings Resulting in Loss Transactions	5,056,976	1,329,059	6,386,035	-	2,528,771
Total Deferred Outflows of Resources	55,164,093	6,591,530	61,755,623	72,634,515	3,067,861
Liabilities					
Accounts Payable	41,936,431	6,344,955	48,281,386	12,895,747	5,321,856
Accrued Liabilities	20,230,366	5,605,877	25,836,243	32,369,772	511,643
Deposits	4,190,332	-	4,190,332	-	23,736
Unearned Revenues	33,559,830	25,850,520	59,410,350	26,151	-
Payable to Newport News Public Schools	11,399,296	-	11,399,296	-	-
Payable to Pension Fund	377,302	-	377,302	-	-
Long Term Liabilities:					
Due within One Year	68,572,064	12,797,204	81,369,268	7,048,711	10,242,016
Due in More than One Year	650,170,498	165,437,836	815,608,334	309,517,642	63,636,094
Total Liabilities	830,436,119	216,036,392	1,046,472,511	361,858,023	79,735,345
Deferred Inflows of Resources					
Property Taxes Collected in Advance	711,790	-	711,790	-	-
Net Difference between Projected and Actual Earnings on Plan Investments	102,422,987	11,657,835	114,080,822	120,757,504	1,083,237
Difference between Expected and Actual Experience	5,405,497	407,315	5,812,812	2,581,942	1,282,327
Changes in Assumptions	4,283,919	55,478	4,339,397	17,114,890	1,607,313
Changes in Proportionate Share	-	-	-	9,393,811	23,335
Investment Experience	1,099,318	70,169	1,169,487	2,435,843	-
Deferred Revenue	-	-	-	-	650
Lease Related	5,479,826	3,736,476	9,216,302	495,696	19,799,499
Deferred contribution to City - AHTIC	-	-	-	2,393,623	-
Deferred grant proceeds	-	-	-	981,984	-
Total Deferred Inflows of Resources	119,403,337	15,927,273	135,330,610	156,155,293	23,796,361
Net Position					
Net Investment in Capital Assets	516,292,786	361,347,024	877,639,810	149,190,754	153,411,769
Restricted for:					
Capital Projects	1,154,321	-	1,154,321	208,980	34,348,777
Debt Service	-	-	-	-	1,658,017
Grants	3,333,688	-	3,333,688	-	-
Other Governmental Purposes	56,013,900	-	56,013,900	25,138,420	-
Unrestricted (deficit)	(88,140,147)	61,558,578	(26,581,569)	(328,724,911)	45,951,627
Total Net Position	\$ 488,654,548	\$ 422,905,602	\$ 911,560,150	\$ (154,186,757)	\$ 235,370,190

See accompanying notes to basic financial statements.

City of Newport News, Virginia
Statement of Activities
Year Ended June 30, 2022

	Program revenues				Net (expense) revenue and changes in net position				
	Expenses	Charges for services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Public schools	Other component units
					Governmental Activities	Business-Type Activities	Total		
Primary Government:									
Governmental Activities:									
General Government	\$ 93,316,639	\$ 15,393,548	\$ 476,887	\$ 31,689,365	\$ (45,756,839)	\$ -	\$ (45,756,839)		
Judicial Administration	9,581,237	1,824,970	508,120	-	(7,248,147)	-	(7,248,147)		
Public Safety	140,316,842	7,806,295	31,158,417	-	(101,352,130)	-	(101,352,130)		
Public Works	73,999,363	61,335,547	18,401,607	-	5,737,791	-	5,737,791		
Health and Welfare	49,080,652	392,004	9,667,922	-	(39,020,726)	-	(39,020,726)		
Education	169,978,313	-	1,060,978	-	(168,917,335)	-	(168,917,335)		
Parks, Recreation and Culture	34,364,625	5,940,935	7,656,373	-	(20,767,317)	-	(20,767,317)		
Community Development	16,701,864	49,383	5,941,663	-	(10,710,818)	-	(10,710,818)		
Interest and Other Fiscal Charges	20,124,814	-	-	-	(20,124,814)	-	(20,124,814)		
Total Governmental Activities	607,464,349	92,742,682	74,871,967	31,689,365	(408,160,335)	-	(408,160,335)		
Business-Type Activities:									
Public Utility	70,427,441	96,838,384	-	5,557,862	-	31,968,805	31,968,805		
Total Primary Government	\$ 677,891,790	\$ 189,581,066	\$ 74,871,967	\$ 37,247,227	(408,160,335)	31,968,805	(376,191,530)		
Component Units:									
Public Schools	\$ 358,945,008	4,653,786	138,547,565	915,210				(214,828,447)	-
Peninsula Airport Commission	14,864,296	5,498,543	-	6,591,638				-	(2,774,115)
Economic and Industrial Development Authorities	19,353,198	19,439,081	-	-				-	85,883
Total component units	\$ 393,162,502	\$ 29,591,410	\$ 138,547,565	\$ 7,506,848				(214,828,447)	(2,688,232)
General revenues:									
City taxes:									
General Property Taxes					\$ 316,462,329	-	316,462,329	-	-
E-911 service					1,041,652	-	1,041,652	-	-
Local sales and use					32,707,526	-	32,707,526	-	-
Consumers' utility					6,280,524	-	6,280,524	-	-
Consumption					688,172	-	688,172	-	-
Telecom sales and use					8,310,146	-	8,310,146	-	-
Business license					20,900,524	-	20,900,524	-	-
Rental car					1,277,286	-	1,277,286	-	-
Motor vehicle license					4,219,377	-	4,219,377	-	-
Bank stock taxes					1,282,753	-	1,282,753	-	-
Recordation and wills					3,013,965	-	3,013,965	-	-
Tobacco					4,111,000	-	4,111,000	-	-
Hotel and motel room tax					5,411,355	-	5,411,355	-	-
Restaurant food tax					32,341,996	-	32,341,996	-	-
Tourism zone tax					38,364	-	38,364	-	-
Amusement					767,921	-	767,921	-	-
Total City taxes					438,854,890	-	438,854,890	-	-
Grants and Contributions not Restricted to Specific Programs					49,544,132	-	49,544,132	165,157,616	389,621
Payment from the City					-	-	-	142,613,894	-
Investment Earnings					3,471,193	499,991	3,971,184	34,814	906,762
Miscellaneous					24,920,622	1,574,102	26,494,724	-	8,249,123
Transfers					9,500,000	(9,500,000)	-	-	-
Total general revenues and transfers					526,290,837	(7,425,907)	518,864,930	307,806,324	9,545,506
Change in net position					118,130,502	24,542,898	142,673,400	92,977,877	6,857,274
Net position, as restated, beginning of year (note 1p)					370,524,046	398,362,704	768,886,750	(247,164,634)	228,512,916
Net position end of year					\$ 488,654,548	\$ 422,905,602	\$ 911,560,150	\$ (154,186,757)	\$ 235,370,190

See accompanying notes to basic financial statements.

City of Newport News, Virginia
Balance Sheet
Governmental Funds
June 30, 2022

	General Fund	Debt Service Fund	Bond Fund	Capital Projects Other Federal and State Fund	General Capital Improvements	Other Federal and State	Nonmajor Governmental Funds	Total Governmental Funds
Assets								
Cash and Cash Equivalents	\$ 142,084,584	7,236,984	-	-	91,407,512	34,870,450	58,372,798	333,972,328
Restricted Cash	-	-	44,195,769	896,671	-	-	-	45,092,440
Accounts Receivable, Net	29,891,440	-	-	-	4,080,416	642	5,578,990	39,551,488
Other Prepaid Asset	10,250	-	-	-	-	-	-	10,250
Lease Receivable	2,392,313	-	-	-	-	-	1,109,480	3,501,793
Receivables from Other Funds	368,391	-	-	-	8,557,406	-	-	8,925,797
Receivables from Other Governments	15,668,678	-	-	14,273,991	-	3,012,574	1,124,693	34,079,936
Due from OPEB Fund	826,947	-	-	-	-	-	-	826,947
Inventory, At Cost	1,822,011	-	-	-	-	-	6,939	1,828,950
Total Assets	<u>\$ 193,064,614</u>	<u>7,236,984</u>	<u>44,195,769</u>	<u>15,170,662</u>	<u>104,045,334</u>	<u>37,883,666</u>	<u>66,192,900</u>	<u>467,789,929</u>
Liabilities								
Accounts Payable	\$ 25,419,796	26,675	3,566,503	5,054,134	3,054,197	698,093	3,112,162	40,931,560
Accrued Liabilities	11,769,314	70,500	193,194	404,801	313,082	82,523	1,114,279	13,947,693
Deposits	4,190,332	-	-	-	-	-	-	4,190,332
Unearned Revenues	117,454	-	-	-	-	33,400,972	41,404	33,559,830
Payable to Newport News Public Schools	-	-	11,399,296	-	-	-	-	11,399,296
Payable to Major Governmental Funds	-	-	-	-	-	368,390	-	368,390
Payable to Other Funds	-	-	-	8,557,406	-	-	-	8,557,406
Payable to Pension Fund	377,302	-	-	-	-	-	-	377,302
Total Liabilities	<u>41,874,198</u>	<u>97,175</u>	<u>15,158,993</u>	<u>14,016,341</u>	<u>3,367,279</u>	<u>34,549,978</u>	<u>4,267,845</u>	<u>113,331,809</u>
Deferred Inflows of Resources								
Unavailable Revenue - Property Taxes	18,399,745	-	-	-	-	-	-	18,399,745
Property Taxes Collected in Advance	711,790	-	-	-	-	-	-	711,790
Unavailable Revenue - EMS Bills	332,985	-	-	-	-	-	-	332,985
Lease Related	4,329,935	-	-	-	-	-	1,149,891	5,479,826
Unavailable Revenue - Stormwater Fees	-	-	-	-	-	-	858,134	858,134
Total Deferred Inflows of Resources	<u>23,774,455</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,008,025</u>	<u>25,782,480</u>
Fund Balances								
Nonspendable	1,822,011	-	-	-	-	-	6,939	1,828,950
Restricted	613,622	-	29,036,776	1,154,321	-	3,333,688	55,400,278	89,538,685
Committed	-	7,139,809	-	-	100,678,055	-	4,509,813	112,327,677
Assigned	47,167,360	-	-	-	-	-	-	47,167,360
Unassigned	77,812,968	-	-	-	-	-	-	77,812,968
Total Fund Balances	<u>127,415,961</u>	<u>7,139,809</u>	<u>29,036,776</u>	<u>1,154,321</u>	<u>100,678,055</u>	<u>3,333,688</u>	<u>59,917,030</u>	<u>328,675,640</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 193,064,614</u>	<u>7,236,984</u>	<u>44,195,769</u>	<u>15,170,662</u>	<u>104,045,334</u>	<u>37,883,666</u>	<u>66,192,900</u>	<u>467,789,929</u>

City of Newport News, Virginia
Reconciliation of the Balance Sheet of Governmental Funds to the
Statement of Net Position
June 30, 2022

Fund Balances - Total Governmental Funds		\$ 328,675,640
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.		17,294,947
Capital Assets used in Governmental Activities are not Financial Resources and, therefore, are not Reported in the Funds:		
Governmental Capital Assets	1,591,721,182	
Less Accumulated Depreciation	<u>(741,848,551)</u>	
		849,872,631
Lease Assets used in Governmental Activities are not Financial Resources and, therefore, are not Reported in the Funds:		
Governmental Lease Right to Use Asset	15,699,110	
Accumulated Amortization	<u>(4,266,066)</u>	
		11,433,046
Other long-term assets are not available to pay for current period expenditures and, therefore, are unavailable in the funds.		19,590,865
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.	43,954,702	
Adjustment to add back accrued vacation included below	<u>551,184</u>	
		44,505,886
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.		5,056,976
Unmatured interest payable reported in governmental activities will not be paid with current financial resources and, therefore, are not reported in the funds.		(5,928,280)
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	(402,244,447)	
Literary fund bonds	(2,130,885)	
Notes Payable	(3,811,680)	
Landfill Liability	(2,138,000)	
Accrued Vacation	(19,781,213)	
Workers' Compensation and Other Claims	(15,298,592)	
Net Pension Liability	(185,517,352)	
Net OPEB Liability	(66,055,669)	
Net Line of Duty Obligations	(7,431,865)	
Incurred but not Reported Claims	(2,868,000)	
Lease Liability	<u>(11,464,856)</u>	
		(718,742,559)
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	(5,405,497)	
Deferred Inflows - Difference between Projected and Actual Earnings on Plan Investments	(102,422,987)	
Deferred Inflows - Changes in Assumptions related to Pension and OPEB	(4,283,919)	
Deferred Inflows - Investment Experience	(1,099,318)	
Deferred Outflows - Employer Contributions made Subsequent to the Measurement Date	42,112,758	
Deferred Outflows - Difference between Expected and Actual Experience	931,100	
Deferred Outflows - Changes in Proportion and Difference between Employer Contributions and Proportionate Share of Contributions	1,150,260	
Deferred outflows - changes in assumptions	<u>5,912,999</u>	
		(63,104,604)
Net position of governmental activities		<u><u>\$ 488,654,548</u></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, 2022

	General Fund	Debt Service Fund	Bond Fund	Capital Projects Other Federal and State Fund	General Capital Improvements	Other Federal and State	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:								
General Property Taxes	\$ 314,579,871	-	-	-	-	-	-	314,579,871
Other Local Taxes	122,392,561	-	-	-	-	-	-	122,392,561
Licenses and Permits	3,607,945	-	-	-	-	-	-	3,607,945
Fines and Forfeitures	1,033,735	-	-	-	-	-	-	1,033,735
Intergovernmental	49,544,132	1,060,978	-	27,055,574	-	46,712,336	27,098,655	151,471,675
Charges for Services	15,195,195	-	-	-	-	-	62,413,241	77,608,436
Interest and Rent	2,823,418	-	-	2,930	6,761	83,139	524,748	3,440,996
Recovered Costs	14,051,253	-	-	-	-	-	49,259	14,100,512
Miscellaneous	14,923,784	-	-	-	190,474	-	66,926	15,181,184
Total Revenues	538,151,894	1,060,978	-	27,058,504	197,235	46,795,475	90,152,829	703,416,915
Expenditures:								
Current Operating:								
General Government	101,169,930	-	-	-	-	476,887	138,650	101,785,467
Judicial Administration	8,625,265	-	-	-	-	509,766	-	9,135,031
Public Safety	109,953,130	-	-	-	-	31,549,303	880,937	142,383,370
Public Works	694,469	-	-	-	-	44,777	61,971,798	62,711,044
Health and Welfare	37,057,867	-	-	-	-	4,323,622	7,260,707	48,642,196
Education	113,389,307	-	10,687,170	-	2,000,000	-	-	126,076,477
Parks, Recreation, and Culture	23,850,339	-	-	-	-	5,560,784	3,085,588	32,496,711
Community Development	9,695,780	-	-	-	-	3,830,971	5,206,441	18,733,192
Debt Service:								
Principal	4,120,273	37,502,540	-	-	989,084	1,720	123,317	42,736,934
Interest and Other Charges	98,101	20,030,527	-	-	7,221	14	18,176	20,154,039
Capital Outlay	-	-	24,360,931	27,411,995	20,576,926	-	-	72,349,852
Total Expenditures	408,654,461	57,533,067	35,048,101	27,411,995	23,573,231	46,297,844	78,685,614	677,204,313
Excess (Deficiency) of Revenues Over (Under) Expenditures	129,497,433	(56,472,089)	(35,048,101)	(353,491)	(23,375,996)	497,631	11,467,215	26,212,602
Other Financing Sources (Uses):								
Transfers In	9,500,000	56,945,000	-	-	63,862,297	-	4,724,047	135,031,344
Transfers Out	(115,154,277)	-	-	-	-	-	(10,377,068)	(125,531,345)
Note Issuance of Debt	-	-	-	-	4,800,764	-	-	4,800,764
Leases (as Lessee)	236,581	-	-	-	-	-	2,793,332	3,029,913
Total Other Financing Sources (Uses), Net	(105,417,696)	56,945,000	-	-	68,663,061	-	(2,859,689)	17,330,676
Net Changes in Fund Balances	24,079,737	472,911	(35,048,101)	(353,491)	45,287,065	497,631	8,607,526	43,543,278
Fund Balance at June 30, 2021	103,336,224	6,666,898	64,084,877	1,507,812	55,390,990	2,836,057	51,309,504	285,132,362
Fund Balances at June 30, 2022	\$ 127,415,961	7,139,809	29,036,776	1,154,321	100,678,055	3,333,688	59,917,030	328,675,640

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, 2022

Net change in fund balances - total governmental funds		\$ 43,543,278
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	72,349,851	
Plus: Capital outlay expenditures not included in capital outlays, net of disposals	24,828,304	
Less: Non-capitalized asset	(18,610,217)	
Depreciation expense	<u>(31,610,897)</u>	
		46,957,041
Lease Expenditure	3,029,913	
Amortization Expense	<u>(4,274,876)</u>	
		(1,244,963)
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.		(38,644,255)
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.		1,882,459
Change in pension asset valuation. These assets are not reported in the governmental funds.		12,008,217
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.		(105,246,234)
Experience loss and change in proportion are recognized resulting from deferred inflows or outflows in the Statement of Activities, but are not reported as gains or losses in the funds.		(36,683,644)
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.		965,339
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	38,491,622	
Debt issued	(4,800,764)	
Net premium of long-term debt amortization	5,409,605	
Amortization of refunding losses	<u>(169,097)</u>	
		38,931,367
Lease Principal Repayments	4,245,312	
Lease Liability Issued	(3,029,912)	
Lease Termination Gain/Loss Adjustments	<u>(2,252)</u>	
		1,213,148
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	29,225	
Landfill liability	369,000	
Accrued vacation	301,422	
Net pension obligation	134,656,122	
Net OPEB obligation	11,892,398	
Net line of duty obligation	2,050,780	
Workers' compensation and other claims	309,309	
Incurred but not reported liabilities	<u>(109,000)</u>	
		149,499,256
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>4,949,493</u>
Change in net position of governmental activities		<u>\$ 118,130,502</u>

See accompanying notes to basic financial statements.

City of Newport News, Virginia
Statement of Net Position
Proprietary Funds
June 30, 2022

	Major Fund - Public Utility	Internal Service Fund
Assets		
Current Assets:		
Cash and Cash Equivalents	\$ 107,485,452	12,845,987
Restricted Cash	70,397,707	-
Accounts Receivable, Net	12,613,905	85,367
Inventory	4,169,106	1,277,108
Prepaid Bond Principal	5,553,256	-
Total Current Assets	<u>200,219,426</u>	<u>14,208,462</u>
Noncurrent Assets:		
Lease Receivable	3,691,553	-
Land Held for Resale	6,285,998	-
Wetlands Credit	5,530,135	-
Leases (as Lessee):		
Right to Use Asset	4,492,863	-
Less Accumulated Amortization	(1,198,560)	-
Capital Assets:		
Nondepreciable Capital Assets:		
Land	8,727,984	20,257
Construction in Progress	38,760,325	4,523,371
Depreciable Capital Assets:		
Buildings	149,113,985	3,469,775
Improvements	-	1,128,639
Water System	507,854,258	-
Machinery and Equipment	48,777,148	74,281,346
Total Capital Assets	753,233,700	83,423,388
Less Accumulated Depreciation	<u>(325,131,769)</u>	<u>(51,766,693)</u>
Capital Assets, Net	428,101,931	31,656,695
Net Pension Asset	1,154,391	-
Total Noncurrent Assets	<u>448,058,311</u>	<u>31,656,695</u>
Total Assets	<u>648,277,737</u>	<u>45,865,157</u>
Deferred Outflows of Resources		
Employer Contributions Subsequent to the Measurement Date	4,787,559	-
Difference between Expected and Actual Experience	48,992	-
Difference in Proportion and Difference between Employer Contributions and Proportionate Share of Contributions	73,421	-
Change in Assumptions	352,499	-
Debt Refundings Resulting in Loss Transactions	1,329,059	-
Total Deferred Outflows	<u>6,591,530</u>	<u>-</u>
Liabilities		
Current Liabilities:		
Accounts Payable	6,344,955	1,004,878
Accrued Liabilities	5,605,877	905,577
Unearned Revenues	25,850,520	-
General Obligation Bonds Payable, Net	4,836,298	-
Leases (as Lessee)	764,854	-
Revenue Bonds Payable, Net	7,196,052	-
Total Current Liabilities	<u>50,598,556</u>	<u>1,910,455</u>
Noncurrent Liabilities:		
Deposits	5,908,154	-
General Obligation Bonds Payable, Net	12,653,133	-
Revenue bonds payable, net	113,796,189	-
Leases (as Lessee)	2,485,005	-
Net Pension Liability	21,772,741	-
Net OPEB Liability	8,822,614	-
Total Noncurrent Liabilities	<u>165,437,836</u>	<u>-</u>
Total Liabilities	<u>216,036,392</u>	<u>1,910,455</u>

City of Newport News, Virginia
Statement of Net Position
Proprietary Funds
June 30, 2022

	Major Fund - Public Utility	Internal Service Fund
Deferred Inflows of Resources		
Lease Related	3,736,476	-
Net Difference between Projected and Actual Earnings on Plan Investments	11,657,835	-
Difference between Expected and Actual Experience	407,315	-
Changes in Assumptions	55,478	-
Investment Experience	70,169	-
Total Deferred Inflows	<u>15,927,273</u>	<u>-</u>
Net Position		
Net Investment in Capital Assets	361,347,024	31,656,695
Unrestricted	<u>61,558,578</u>	<u>12,298,007</u>
Total Net Position	<u>\$ 422,905,602</u>	<u>43,954,702</u>

See accompanying notes to basic financial statements.

City of Newport News, Virginia
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
Year ended June 30, 2022

	Major Fund - Public Utility	Internal Service Fund
Operating Revenues:		
Water sales	\$ 61,590,420	-
Charges for services	27,591,403	25,121,329
Miscellaneous	7,656,561	243,770
Total operating revenues	<u>96,838,384</u>	<u>25,365,099</u>
Operating expenses:		
Personal services	21,777,432	7,605,412
Contractual services	12,790,844	2,820,781
Internal services	1,173,543	351,005
Materials and supplies	11,076,042	9,353,490
Depreciation and Amortization	15,303,543	6,106,283
Other	2,688,455	-
Total operating expenses	<u>64,809,859</u>	<u>26,236,971</u>
Operating income (loss)	<u>32,028,525</u>	<u>(871,872)</u>
Nonoperating revenues (expenses):		
Interest revenue	499,991	30,233
Gain (loss) on disposal of capital assets	(372,828)	893,196
Amortization on bond premium	1,574,124	-
Loss on long-term debt	(321,182)	-
Interest expense	(4,923,594)	-
Total nonoperating revenues (expenses), net	<u>(3,543,489)</u>	<u>923,429</u>
Income before capital contributions and transfers out	<u>28,485,036</u>	<u>51,557</u>
Capital contributions for capital assets	5,557,862	4,633,791
Transfers out	<u>(9,500,000)</u>	<u>-</u>
Change in net position	24,542,898	4,685,348
Net position at June 30, 2021	<u>398,362,704</u>	<u>39,269,354</u>
Net position at June 30, 2022	<u><u>\$ 422,905,602</u></u>	<u><u>43,954,702</u></u>

See accompanying notes to basic financial statements.

City of Newport News, Virginia
Statement of Cash Flows
Proprietary Funds
Year ended June 30, 2022

	Major Fund - Public Utility	Internal Service Funds
Cash flows from operating activities:		
Receipts from customers	\$ 96,014,745	\$ 25,365,099
Payments to suppliers	(23,619,511)	(11,829,754)
Payments to employees	(26,326,348)	(7,605,412)
Other payments	(2,688,452)	-
Net cash provided by operating activities	43,380,434	5,929,933
Cash flows used in noncapital financing activities:		
Transfers to other funds	(9,500,000)	-
Net cash used in noncapital financing activities	(9,500,000)	-
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(28,064,228)	(8,972,778)
Contributed capital	5,557,862	4,633,791
Proceeds from sale of capital assets	428,511	1,176,761
Repayment and retirement of long-term debt, net	(12,755,000)	-
Bond issuance cost	(5,465)	-
Interest paid	(4,915,143)	-
Lease liability principal payments made	(1,243,004)	-
Net cash used in capital and related financing activities	(40,996,467)	(3,162,226)
Cash flows provided by investing activities		
Interest received	411,023	30,233
Lease receivable payments received	260,458	-
Net cash provided by investing activities	671,481	30,233
Decrease in cash and restricted cash	(6,444,552)	2,797,940
Cash, cash equivalents, and restricted cash at beginning of year	184,327,711	10,048,047
Cash, cash equivalents, and restricted cash at end of year	177,883,159	12,845,987
Reported as:		
Cash and cash equivalents	107,485,452	12,845,987
Restricted cash	70,397,707	-
Total cash, cash equivalents, and restricted cash	177,883,159	12,845,987
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating Income (Loss)	32,028,525	(871,872)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	15,303,543	6,106,283
Deferred lease revenue recognized	(215,655)	-
Gain/loss recognized on lease termination	120	-
Change in:		
Accounts receivable	331,532	(18,267)
Inventories	115,850	(248,678)
Accounts payable, accrued liabilities, leases payable, and payroll accruals	875,061	962,467
Unearned revenues	(939,634)	-
Deposits	391,676	-
Net pension asset	(766,481)	-
Net pension liability	(18,282,779)	-
Net OPEB liability	(1,538,386)	-
Deferred outflows of resources	4,411,610	-
Deferred inflows of resources	11,665,452	-
Total adjustments	11,351,909	6,801,805
Net cash provided by operating activities	\$ 43,380,434	\$ 5,929,933

See accompanying notes to basic financial statements.

City of Newport News, Virginia
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2022

	Pension, Other Postemployment Benefits, & Line of Duty Act Fund	Custodial Funds
Assets		
Cash and cash equivalents	\$ 7,756,360	9,249,252
Cash and cash equivalents with trustee	8,156,799	-
Investments, at fair value:		
Debt securities	80,176,153	-
Equity investments	272,337,773	-
Private equities	55,469,163	-
Bond mutual fund	146,079,391	-
Commingled equity fund	395,328,756	-
Real estate and timber	72,958,576	-
Accounts receivable	-	4,103,843
Due from other components	476,069	-
Sales receivable	717,053	-
Total assets	<u>\$ 1,039,456,093</u>	<u>13,353,095</u>
Liabilities		
Accounts payable	\$ 1,949,563	2,217,874
Due to City	826,947	-
Purchases payable	39,375	-
Deposits	-	5,539
Total liabilities	<u>2,815,885</u>	<u>2,223,413</u>
Net Position		
Assets held in trust:		
Restricted for pension benefits	993,211,071	-
Restricted for OPEB benefits	40,634,661	-
Restricted for LODA benefits	2,794,476	
Restricted for custodial funds	-	11,129,682
Total net position	<u>\$ 1,036,640,208</u>	<u>11,129,682</u>

See accompanying notes to basic financial statements.

City of Newport News, Virginia
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year ended June 30, 2022

	Pension, Other Postemployment Benefits, & Line of Duty Act Fund	Custodial Funds
Additions:		
Employer contributions:		
City General Fund	\$ 36,762,160	-
Waterworks Fund	4,446,031	-
School Operating Fund	8,554,862	-
Employee contributions:		
City General Fund	3,504,719	-
Waterworks Fund	465,003	-
School Operating Fund	516,556	-
Other contributions:		
Income from leave exchange	137,245	-
Employee buy-back	14,224	-
Local	-	109,504
Other Additions		
Payments collected for other localities	-	25,812,700
Total contributions	<u>54,400,800</u>	<u>25,922,204</u>
Investment income:		
Net Depreciation - Bonds	(5,146,024)	-
Net Depreciation - Stocks	(127,205,298)	-
Interest	2,030,910	-
Dividends	5,675,329	-
Real estate operating income	15,259,714	-
Commission recapture	3,193	-
Other investment income	19,488	-
Total Investment Loss	(109,362,688)	-
Less investment expenses	(8,404,175)	-
Net Investment Loss	<u>(117,766,863)</u>	<u>-</u>
Total additions	<u>(63,366,063)</u>	<u>25,922,204</u>
Deductions:		
Benefits paid to participants	102,140,258	-
Refunds of member contributions	115,421	-
Administrative expenses	1,297,983	-
Contractual services	-	109,275
Payments collected for other localities	-	24,237,854
Total deductions	<u>103,553,662</u>	<u>24,347,129</u>
Change in net position	(166,919,725)	1,575,075
Net position at June 30, 2021, as restated (note 1p)	1,203,559,933	9,554,607
Net position at June 30, 2022	<u>\$ 1,036,640,208</u>	<u>11,129,682</u>

See accompanying notes to basic financial statements.

City of Newport News, Virginia
Notes to the Financial Statements
June 30, 2022

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

Nonmajor discretely presented component units

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

City of Newport News, Virginia
Notes to the Financial Statements
June 30, 2022

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

(b) Government-wide and Fund Financial Statements

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

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

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

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

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

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

In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended on the specific purpose or project before any amounts will be paid to the City; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the accrual criteria are met.

City of Newport News, Virginia
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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 *General Capital Improvements Fund*, excluding the Bond Fund and Capital Projects Other Federal and State Fund, accounts for capital expenditures.

The *Other Federal and State Fund* accounts for revenues and expenditures of federal and state entitlements related to programs that are restricted in nature for specific purposes.

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, building services, and custodial 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.

City of Newport News, Virginia
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The Custodial Funds account for assets held by the City as a custodian for individuals, private organizations, and other funds. These funds facilitate the collection of certain fees and/or donations on behalf of other individuals or entities for the convenience of the relevant parties.

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.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's proprietary funds are charges to customers for sales and services. The Public Utility's Enterprise Fund also recognizes certain rental fees as operating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

Since the governmental funds' financial statements are presented on a different measurement focus and basis of accounting than the government-wide financial statements, a summary reconciliation of the difference between total fund balances as reflected on the Governmental Funds' Balance Sheet and total net position for governmental activities as shown on the government-wide Statement of Net Position is presented in a schedule accompanying the Governmental Funds' Balance Sheet. In addition, a summary reconciliation of the differences between net change in total fund balances as reflected on the Governmental Funds' Statement of Revenues, Expenditures, and Changes Fund Balances and the change in net position for governmental activities as shown on the government-wide Statement of Activities, is presented in a schedule accompanying Governmental Funds' Statement of Revenues, Expenditures, and Changes in Fund Balances.

(d) Cash and Cash Equivalents and Investments

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

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

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

City of Newport News, Virginia
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(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 2022 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. In March 2022, City Council approved an assessment ratio of seventy-five percent (75%) to be applied to vehicles for the calendar year 2022 to mitigate the significant increase in used vehicle values. The 2022 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
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(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, 2022, is composed of the following:

General Fund - allowance for uncollectibles

Taxes receivable:	
Real estate	\$ 2,227,097
Personal property	<u>5,062,404</u>
Total taxes	\$ 7,289,501
Emergency medical services receivable	<u>1,086,093</u>
Total General Fund	<u><u>8,375,594</u></u>

Nonmajor Governmental

Special Revenue Funds - accounts receivable \$ 2,413,362

Public Utility Fund - accounts receivable \$ 2,826,441

Custodial Fund - accounts receivable \$ 1,003,871

(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 or business-type activity's column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of \$5,000 or more and an initial useful life of more than 1 year. Assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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

Under Virginia law, certain property maintained by the School Board is subject to a "tenancy-in-common" with the City if the City incurred a financial obligation for the property payable over more than one fiscal year. The School Board and the City have agreed that such property will be carried on the City's financial statements until the outstanding debt is repaid. After repayment, the asset is transferred to the School Board. At June 30, 2022, the City holds capital assets related to school property with a net book value of approximately \$136,690,093.

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

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

City of Newport News, Virginia
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(i) Land Held for Resale

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

(j) Compensated Absences

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

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

(k) Long-term Obligations

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

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

(l) Fund Equity/Net Position

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

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

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

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

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

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

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

City Council has adopted a minimum fund balance policy which states that the General Fund's unassigned fund balance shall not be less than 7.5% of the actual General Fund revenues. For FY 2022, the General Fund's unassigned fund balance is 14.2% 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
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Details of the fund balance classifications of the Governmental funds at June 30, 2022 are as follows:

Function/Purpose	Nonspendable	Restricted	Committed	Assigned	Unassigned
General Fund:					
Inventories	\$ 1,822,011	-	-	-	-
General government:					
Administration	-	-	-	3,824,330	-
Self insured activities	-	-	-	22,252,180	-
Specific Projects	-	-	-	13,500,000	-
Public safety	-	-	-	231,460	-
Public works	-	613,622	-	5,828,788	-
Health and welfare	-	-	-	152,816	-
Parks, recreation, and cultural	-	-	-	1,311,758	-
Community development	-	-	-	43,846	-
Imprest funds	-	-	-	22,182	-
Unassigned	-	-	-	-	77,812,968
Total General Fund	<u>\$ 1,822,011</u>	<u>613,622</u>	<u>-</u>	<u>47,167,360</u>	<u>77,812,968</u>
Other funds:					
Debt service:					
Future debt service	\$ -	-	7,139,809	-	-
Bond:					
Buildings	-	12,097,023	-	-	-
Community development	-	7,910,116	-	-	-
Environmental	-	54,780	-	-	-
Parks, recreation, and cultural	-	543,110	-	-	-
Streets and bridges	-	921,994	-	-	-
Sanitary sewer/Solid waste	-	3,469,086	-	-	-
Stormwater	-	652,256	-	-	-
Future capital projects	-	3,388,412	-	-	-
Capital projects:					
Federal and state grants	-	1,154,321	-	-	-
General Capital Improvements:					
Economic Development	-	-	1,964,174	-	-
Environmental	-	-	77,761	-	-
Equipment	-	-	1,477,038	-	-
Parks, recreation, and cultural	-	-	49,317	-	-
Buildings	-	-	1,166,053	-	-
Streets and bridges	-	-	1,015,263	-	-
Stormwater	-	-	277,724	-	-
Future capital projects	-	-	94,650,725	-	-
Other Federal and State:					
Federal and state grants	-	3,333,689	-	-	-
Nonmajor governmental:					
Economic development	-	-	1,110,049	-	-
Law library	-	25	47,941	-	-
Criminal Justice Academy	-	-	281,916	-	-
Community development	-	-	2,317,198	-	-
Parks, recreation, and cultural	6,939	-	752,709	-	-
Wastewater	-	17,899,245	-	-	-
Solid waste	-	10,584,731	-	-	-
Stormwater	-	25,496,525	-	-	-
Sheriff Canteen	-	1,419,750	-	-	-
Total other funds	<u>\$ 6,939</u>	<u>88,925,063</u>	<u>112,327,677</u>	<u>-</u>	<u>-</u>
Total fund balance	<u>\$ 1,828,950</u>	<u>89,538,685</u>	<u>112,327,677</u>	<u>47,167,360</u>	<u>77,812,968</u>

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

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

	Governmental Activities
General Activities:	
Public Works	\$ 613,622
Other Activities:	
Sheriff Canteen	1,419,750
Law Library	25
Grants	3,333,689
Capital Projects	1,154,321
Stormwater, Solid Waste ,Wastewater	53,980,502
Total Restricted Net Position	<u>\$ 60,501,909</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 assets that applies to future periods 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) may 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, the difference between expected and actual experience and changes in assumptions. Changes in actuarial assumptions are deferred and amortized over the remaining service life of all participants and investment experience amounts are deferred and amortized over a closed five-year period.

Deferred inflows of resources represent an acquisition of net assets that applies to future periods 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) may 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
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(o) Leases

Lessee

The City engages in various lease agreements throughout the year in which it is the lessee. The City recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements and other full-accrual basis financial statements presented herein to account for these leases.

At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to lessee leases include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) the lease term, and (3) the lease payments.

- The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and the exercise price of any purchase options that the City is reasonably certain to exercise.

The City monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported above other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

Lessor

The City engages in various lease agreements throughout the year in which it is the lessor. The City recognizes a lease receivable and a deferred inflow of resources in the government-wide financial statements, as well as in other full- and modified-accrual basis financial statements presented herein to account for these leases.

At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments related to lessor leases include how the City determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) the lease term, and (3) the lease receipts.

- The City uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable are composed of fixed payments from the lessee.

The City monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

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(p) Changes in Accounting Principles

GASB 87: Leases

Effective July 1, 2021, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 87 (GASB 87), *Leases*, which provides a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. No restatement of fund balances or net position was necessary for the primary government, as there were no leases prior to the implementation date of July 1, 2021, which were recorded as capital leases, and thus no prior balance sheet amounts to adjust. In accordance with the transition guidance provided in GASB 87, all lease assets, receivables, liabilities, and deferred inflows were measured and recorded using the facts and circumstances as of the date of implementation, which led to equal and offsetting balance sheet items as of July 1, 2021, the date of implementation.

The Schools and the PAC, both of which are presented as discretely presented component units of the City in the government-wide financial statements presented herein (the Schools as a major discretely presented component unit and the PAC as a nonmajor discretely presented component unit), also had a change in their respective accounting standards and did not have a restatement in their respective net positions as of June 30, 2021 due to the adoption of the provisions of GASB 87. See the Schools' and the PAC's separate audited financial statements for further details.

The E/IDA, presented as a discretely presented component unit of the City in the government-wide financial statements presented herein, also had a change in its accounting standards and did have a restatement in its net position as of June 30, 2021 due to the adoption of the provisions of GASB 87. See the E/IDA's separate audited financial statements for further details, and below for the effects on the E/IDA's net position:

	Previously Reported Net Position	Change in Accounting Standard	Restated Net Position
E/IDA			
Net Position	\$ 149,514,709	\$ 318,327	\$ 149,833,036

Change in Custodial Funds

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

	Previously Reported Fiduciary Net Position	Change	Restated Fiduciary Net Position
Custodial Funds			
GPWDC	\$ 155,075	\$ (155,075)	\$ -
Regional Homeless Commission	1,988	-	1,988
Hampton User Fee	9,552,619	-	9,552,619
Special Welfare Foster Care	-	-	-
Total	<u>\$ 9,709,682</u>	<u>\$ (155,075)</u>	<u>\$ 9,554,607</u>

City of Newport News, Virginia
Notes to the Financial Statements
June 30, 2022

(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, 2022 are classified in the accompanying financial statements, except for Pension and OPEB Funds' as follows:

	<u>Carrying amount</u>
Cash and deposits:	
Cash on hand	\$ 344,675
Deposits with banks	<u>91,431,338</u>
Total cash and deposits	<u>91,776,013</u>
Investments:	
Local Government Investment Pool (LGIP)	495,719,279
Deposits with banks - money market accounts	6,411,771
Commonwealth cash reserve	3,860,048
Virginia State Non-Arbitrage Pool (VA SNAP)	109,582,558
IDA escrow funds	<u>296,369</u>
Total deposits and investments	<u><u>\$ 707,646,038</u></u>

Cash and investments as of June 30, 2022 are classified in the accompanying financial statements, except for Pension and OPEB Funds, as follows:

	<u>June 30, 2022</u>
Statements of Net Position:	
Primary Government:	
Cash and cash equivalents	\$ 454,303,767
Restricted cash	115,490,147
Component units:	
Cash and cash equivalents	95,233,948
Restricted cash	32,780,240
Fiduciary funds:	
Cash and cash equivalents - Line of Duty Act Fund	588,684
Cash and cash equivalents - Custodial Funds	<u>9,249,252</u>
Total cash and investments	<u><u>\$ 707,646,038</u></u>

City of Newport News, Virginia
Notes to the Financial Statements
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Investment Policy

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

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

Interest Rate Risk: As a means of limiting exposure to fair value losses arising from rising interest rates, investment maturity is managed to precede or coincide with the expected 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, 2022, 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, 2022 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, 2022, 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	\$ 485,212,771	AAAm	0.10
LGIP extended maturity	10,506,508	AAAf/S1	0.85
Commonwealth cash reserve (AIM) - underlying:			
U.S. agencies	70,450	A-1+	0.16
U.S. agencies	14,801	AA-	2.72
U.S. agencies	3,320,167	AA+	1.86
U.S. agencies	50,170	AA	1.00
U.S. agencies	40,333	AAA	1.63
Supranational bonds	122,516	AAA	1.37
Money market	68,147	AAAm	0.00
Money market	173,464	AAAm	0.06
SNAP	109,582,558	AAAm	0.08
Total investments	<u>\$ 609,161,885</u>		

City of Newport News, Virginia
Notes to the Financial Statements
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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, 2022.

		Fair value measurements using	
		Quoted prices in active markets for identical assets	Quoted prices in active markets for identical assets
	June 30, 2022	(Level 1)	(Level 2)
Investments by fair value level			
Time deposits	\$ 70,450	\$ 70,450	\$ -
U.S. government agencies	650,892	-	650,892
U.S. Treasury securities	2,548,255	-	2,548,255
U.S. corporate bonds	159,778	-	159,778
Supranational bonds	122,516	-	122,516
Money market funds	241,611	241,611	-
Collateralized mortgage obligations	66,546	-	66,546
Total at fair value	3,860,048	\$ 312,061	\$ 3,547,987
Investments measured at NAV			
SNAP	109,582,558		
Total investments at NAV	109,582,558		
LGIP	485,212,771		
LGIP extended maturity	10,506,508		
Total at amortized cost	495,719,279		
Total	\$ 609,161,885		

City of Newport News, Virginia
Notes to the Financial Statements
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Deposits of Pension and Other Postemployment Benefits Funds

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

	<u>Carrying amount</u>
Cash and deposits:	
Deposits with banks	\$ 1,098,359
Deposits with banks - repurchase agreements	6,563,296
Pension Trust fund money markets	<u>7,662,820</u>
Total cash and deposits	<u>15,324,475</u>
Investments:	
Debt securities	79,529,779
Equity investments	271,428,161
Private equities	55,469,162
Bond mutual fund	146,079,391
Commingled equity fund	394,460,764
Real assets	<u>72,958,576</u>
Total investments	<u>1,019,925,833</u>
Total deposits and investments	<u><u>\$ 1,035,250,308</u></u>

The Pension and OPEB funds' cash and investments as of June 30, 2022, are classified in the accompanying financial statements as follows:

Cash and cash equivalents	\$ 7,661,655
Cash and cash equivalents with trustee	7,662,820
Investments:	
Debt securities	79,529,779
Equity investments	271,428,161
Private equities	55,469,162
Bond mutual fund	146,079,391
Commingled equity fund	394,460,764
Real assets	<u>72,958,576</u>
Total deposits and investments	<u><u>\$ 1,035,250,308</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, 2022

The Pension Plan has the following recurring fair value measurements as of June 30, 2022:

Investments measured at fair value - Pension Fund

Investments by fair value level	Fair value at 6/30/2022	Fair value measurements using	
		Quoted prices in active markets for identical assets Level 1	Significant other observable inputs Level 2
Debt securities:			
Collateralized mortgage obligations	\$ 8,350,270	-	8,350,270
Corporate bonds	43,296,209	-	43,296,209
U.S. Treasury securities	22,554,277	-	22,554,277
Total debt securities	74,200,756	-	74,200,756
Equity securities:			
Consumer goods	53,643,715	53,643,715	-
Energy	6,449,432	6,449,432	-
Financials	28,898,935	28,898,935	-
Health care	27,579,035	27,579,035	-
Industrials	45,845,285	45,845,285	-
Information technology	53,980,348	53,980,348	-
Materials	7,810,887	7,810,887	-
Real estate investment trusts	5,121,267	5,121,267	-
Telecommunication services	16,426,748	16,426,748	-
Utilities	1,379,165	1,379,165	-
Total equity securities	247,134,817	247,134,817	-
Total investments at fair value level	321,335,573	\$ 247,134,817	\$ 74,200,756
Investments measured at the net asset value (NAV)			
Debt investments:			
Bond mutual fund	138,140,388		
Total debt investments	138,140,388		
Equity investments:			
Commingled international equity fund	328,494,528		
Commingled domestic equity fund	62,567,726		
Total equity investments	391,062,254		
Private equity - private equity partnerships	55,469,162		
Real assets:			
Real estate	55,169,279		
Timber	17,789,297		
Total real assets	72,958,576		
Total investments measured at the NAV	657,630,380		
Total investments at fair value	978,965,953		
Cash equivalents and short-term investments at the amortized cost			
U.S. Treasury Money Market	7,486,544		
Total investments measured at amortized cost	7,486,544		
Total investments	\$ 986,452,497		

City of Newport News, Virginia
Notes to the Financial Statements
June 30, 2022

Investments measured at fair value - OPEB

	Fair value at 6/30/2022	Fair value measurements using Quoted prices in active markets for identical assets Level 1
Investments by fair value level		
Equity securities:		
Mutual funds	\$ 37,561,370	\$ 37,561,370
Total equity securities	37,561,370	37,561,370
Total investments at fair value level	37,561,370	\$ 37,561,370
Investments measured at the NAV		
Equity investments:		
Commingled international equity fund	3,398,510	
Total equity investments	3,398,510	
Total investments measured at the NAV	3,398,510	
Total investments measured at fair value	40,959,880	
Cash equivalents and short-term investments at the amortized cost		
U.S. Treasury money market	176,276	
Total investments measured at amortized costs	176,276	
Total investments	\$ 41,136,156	

Investments measured at fair value - Line of Duty Act

	Fair value at 6/30/2022	Fair value measurements using Quoted prices in active markets for identical assets Level 1
Investments by fair value level		
Equity securities:		
Mutual funds	\$ 1,555,985	\$ 1,555,985
Total equity securities	1,555,985	1,555,985
Total investments at fair value level	1,555,985	\$ 1,555,985
Investments measured at the NAV		
Equity investments:		
Commingled international equity fund	867,994	
Total investments measured at the NAV	867,994	
Total investments measured at fair value	2,423,979	
Cash equivalents and short-term investments at the amortized cost		
U.S. Treasury money market	493,979	
Total investments measured at amortized costs	493,979	
Total investments	\$ 2,917,958	

City of Newport News, Virginia
Notes to the Financial Statements
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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 6/30/2022	Unfunded commitments	Redemption frequency (if currently eligible)	Redemption notice period
Debt investments:				
Bond mutual fund ⁽¹⁾	\$ 138,140,388	\$ -	Daily, Monthly	3-30 days
Total debt investments	<u>138,140,388</u>	<u>-</u>		
Equity investments:				
Commingled international equity fund ⁽²⁾	328,494,528	\$ -	Daily, Monthly	3-30 days
Commingled domestic equity fund ⁽³⁾	62,567,726	-	Daily, Monthly	3-30 days
Total equity investments	<u>391,062,254</u>	<u>-</u>		
Private equity - private equity partnerships ⁽⁴⁾	55,469,162	13,915,920	Not eligible	N/A
Real assets:				
Real estate ⁽⁵⁾	55,169,279	-	Quarterly	3 months
Timber ⁽⁵⁾	17,789,297	-	Quarterly	N/A
Total real assets	<u>72,958,576</u>	<u>-</u>		
Total investments measured at the NAV	<u>\$ 657,630,380</u>	<u>\$ 13,915,920</u>		

Investments measured at the NAV - OPEB

	NAV at 6/30/2022	Unfunded commitments	Redemption frequency (if currently eligible)	Redemption notice period
Equity investments:				
Commingled international equity fund ⁽²⁾	\$ 3,398,510	\$ -	Daily, Monthly	3-30 days
Total equity investments:	<u>3,398,510</u>	<u>-</u>		
Total investments measured at the NAV	<u>\$ 3,398,510</u>	<u>\$ -</u>		

Investments measured at the NAV - Line of Duty Act

	NAV at 6/30/2022	Unfunded commitments	Redemption frequency (if currently eligible)	Redemption notice period
Equity investments:				
Commingled international equity fund ⁽²⁾	\$ 867,944	\$ -	Daily, Monthly	3-30 days
Total equity investments	<u>867,944</u>	<u>-</u>		
Total investments measured at the NAV	<u>\$ 867,944</u>	<u>\$ -</u>		

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

Investment Policy of the Pension and OPEB Funds

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

Credit Risk of Pension and OPEB Funds

Generally credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. The policy for the Fund has strict control on credit quality. Corporate bonds must be rated "A" or higher by two out of three nationally known security rating agencies. Split rated securities are treated as the highest of the ratings unless the lowest grade is below "Baa3/BBB-" or equivalent. Securities with a credit rating below "Baa3/BBB-" or equivalent by at least two of the three major credit rating agencies (Fitch, Standard & Poor's, and Moody's) are not permitted. The credit risk profile for the Pension and OPEB Funds' securities by investment type, as of June 30, 2022, is as follows:

City of Newport News, Virginia
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Pension - S & P's ratings as of June 30, 2022								
Investment types	Total	AAA	AA	A	BBB	B	C	Not rated
Corporate bonds	\$ 43,296,209	368,258	5,644,041	29,006,450	8,277,460	-	-	-
Ltd partner units	55,469,162	-	-	-	-	-	-	55,469,162
Mortgage-backed	8,350,270	3,364,772	-	-	-	-	-	4,985,498
Mutual funds	529,202,642	-	-	-	-	-	-	529,202,642
Real estate	55,169,279	-	-	-	-	-	-	55,169,279
Short-term	7,486,544	-	-	-	-	-	-	7,486,544
Timber	17,789,297	-	-	-	-	-	-	17,789,297
U.S. Treasury	22,554,277	-	-	-	-	-	-	22,554,277
Non-fixed assets	247,134,817	-	-	-	-	-	-	247,134,817
Total	\$ 986,452,497	3,733,030	5,644,041	29,006,450	8,277,460	-	-	939,791,516

OPEB - S & P's ratings as of June 30, 2022								
Investment types	Total	AAA	AA	A	BBB	B	C	Not rated
Foreign currency	\$ 3,755,287	-	-	-	-	-	-	3,755,287
Mutual funds	37,204,593	-	-	-	-	-	-	37,204,593
Short-term	176,276	-	-	-	-	-	-	176,276
Total	\$ 41,136,156	-	-	-	-	-	-	41,136,156

Concentration of Credit Risk - Pension and OPEB Funds

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

Custodial Risk - Pension and OPEB Funds

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

Foreign Currency Risk - Pension and OPEB Funds

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

Interest Risk - Pension and OPEB Funds

The Plan's investment policy does not address investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates or higher inflation. The investment policy defines the investment objectives for both the passive and actively managed segments of the fixed income portfolio. The objective of the passive segment is to replicate the return of the Barclays Aggregate Bond Index. The objective of the actively managed fixed income portfolio is to outperform the Bloomberg Barclays 1-3 year government/corporate index. The fair value of the Plan's fixed income portfolio consisted of the following investments and maturities as of June 30, 2022:

Investment type	Fair value	<1 year	1-3	4-5	5-10
U.S. government	\$ 22,554,277	\$ 6,965,483	\$ 9,143,368	\$ 6,445,426	\$ -
Corporate bonds	43,296,209	12,029,449	19,718,130	8,924,214	2,624,416
Mortgage	8,350,270	2,766,123	5,584,147	-	-
Total	\$ 74,200,756	\$ 21,761,055	\$ 34,445,645	\$ 15,369,640	\$ 2,624,416

City of Newport News, Virginia
Notes to the Financial Statements
June 30, 2022

(3) Accounts Receivable

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

	Governmental activities	Business-type activities
Taxes receivable:		
Real estate	\$ 10,010,820	\$ -
Personal property	13,025,060	-
Total taxes receivable, net	<u>23,035,880</u>	<u>-</u>
Accounts receivable	<u>16,600,976</u>	<u>12,613,905</u>
Total receivables, net	<u><u>\$ 39,636,856</u></u>	<u><u>\$ 12,613,905</u></u>

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

	General	Capital projects other federal and state	General capital improvements	Other federal and state	Public utility	Custodial funds	Internal service fund	Nonmajor governmental funds	Total
Receivables:									
Taxes	\$ 30,325,380	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 30,325,380
Accounts	7,941,654	-	4,080,416	642	15,440,346	5,107,714	85,367	7,992,352	40,648,491
Intergovernmental:									
Federal	1,447,642	3,443,596	-	2,722,927	-	-	-	-	7,614,165
State	14,221,036	10,830,395	-	289,647	-	-	-	1,124,693	26,465,771
Gross receivables	53,935,712	14,273,991	4,080,416	3,013,216	15,440,346	5,107,714	85,367	9,117,045	105,053,807
Less allowance for doubtful accounts	<u>(8,375,594)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,826,441)</u>	<u>(1,003,871)</u>	<u>-</u>	<u>(2,413,362)</u>	<u>(14,619,268)</u>
Net total receivables	<u><u>\$ 45,560,118</u></u>	<u><u>\$ 14,273,991</u></u>	<u><u>\$ 4,080,416</u></u>	<u><u>\$ 3,013,216</u></u>	<u><u>\$ 12,613,905</u></u>	<u><u>\$ 4,103,843</u></u>	<u><u>\$ 85,367</u></u>	<u><u>\$ 6,703,683</u></u>	<u><u>\$ 90,434,539</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 \$0.9 million was reported in the governmental nonmajor funds related to stormwater fees. The General Fund had unavailable revenues of \$18.4 million related to property taxes and \$0.3 million related to emergency medical billings.

City of Newport News, Virginia
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June 30, 2022

(4) Capital Assets, Net

Capital asset activity for the year ended June 30, 2022 was as follows:

Primary Government

	Balance July 1, 2021	Increases	Decreases	Balance June 30, 2022
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 91,874,857	681,200	54,979	92,501,078
Construction in progress	120,423,941	57,995,246	79,167,876	99,251,311
Total capital assets, not being depreciated	<u>212,298,798</u>	<u>58,676,446</u>	<u>79,222,855</u>	<u>191,752,389</u>
Capital assets, being depreciated:				
Buildings	360,196,264	24,497,233	45,339,807	339,353,690
Improvements	238,604,242	1,495,056	-	240,099,298
Machinery and equipment	159,767,269	15,565,817	16,752,502	158,580,584
Infrastructure	692,701,279	52,657,330	-	745,358,609
Total capital assets, being depreciated	<u>1,451,269,054</u>	<u>94,215,436</u>	<u>62,092,309</u>	<u>1,483,392,181</u>
Less accumulated depreciation for:				
Buildings	134,769,102	6,975,002	21,136,366	120,607,738
Improvements	138,417,700	7,035,117	-	145,452,817
Machinery and equipment	117,646,698	9,725,063	15,899,812	111,471,949
Infrastructure	402,100,742	13,981,998	-	416,082,740
Total accumulated depreciation	<u>792,934,242</u>	<u>37,717,180</u>	<u>37,036,178</u>	<u>793,615,244</u>
Total capital assets being depreciated, net	<u>658,334,812</u>	<u>56,498,256</u>	<u>25,056,131</u>	<u>689,776,937</u>
Capital assets, net	<u>\$ 870,633,610</u>	<u>115,174,702</u>	<u>104,278,986</u>	<u>881,529,326</u>

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

General government	\$ 2,084,009
Judicial administration	571,957
Public safety	4,498,463
Public works	14,238,910
Health and welfare	183,573
Education	5,257,580
Parks, recreation and culture	3,231,696
Community development	1,536,223
Non-departmental	8,486
Internal Service Fund	6,106,283
	<u>\$ 37,717,180</u>

City of Newport News, Virginia
Notes to the Financial Statements
June 30, 2022

Business-type Activities

	Balance July 1, 2021	Increases	Decreases	Balance June 30, 2022
Public utility:				
Capital assets, not being depreciated:				
Land	\$ 8,336,904	399,000	7,920	8,727,984
Construction in progress	23,628,837	19,403,435	4,271,947	38,760,325
Total capital assets, not being depreciated	31,965,741	19,802,435	4,279,867	47,488,309
Capital assets, being depreciated:				
Buildings	149,126,375	-	12,390	149,113,985
Water system	498,611,452	10,277,129	1,034,323	507,854,258
Machinery and equipment	47,218,223	2,341,110	782,184	48,777,149
Total capital assets, being depreciated	694,956,050	12,618,239	1,828,897	705,745,392
Less accumulated depreciation for:				
Buildings	72,312,649	3,443,989	4,130	75,752,508
Water system	203,627,893	7,426,629	986,180	210,068,342
Machinery and equipment	36,853,669	3,234,366	777,115	39,310,920
Total accumulated depreciation	312,794,211	14,104,984	1,767,425	325,131,770
Total capital assets being depreciated, net	382,161,839	(1,486,745)	61,472	380,613,622
Capital assets, net	\$ 414,127,580	18,315,690	4,341,339	428,101,931

Major Discretely Presented Component Units

	Balance July 1, 2021	Increases	Decreases	Adjustment assets held tenancy in-common	Balance June 30, 2022
Public schools:					
Capital assets, not being depreciated:					
Land	\$ 2,263,424	-	-	-	2,263,424
Construction in progress	-	3,183,043	-	-	3,183,043
Total capital assets, not being depreciated	2,263,424	3,183,043	-	-	5,446,467
Capital assets, being depreciated:					
Buildings	122,884,357	1,008,722	-	45,339,807	169,232,886
Improvements	87,554,255	7,897,329	-	-	95,451,584
Machinery and equipment	69,043,964	5,360,574	2,377,823	-	72,026,715
Total capital assets, being depreciated	279,482,576	14,266,625	2,377,823	45,339,807	336,711,185
Less accumulated depreciation for:					
Buildings	68,307,413	1,988,221	-	21,136,366	91,432,000
Improvements	38,264,322	3,243,584	-	-	41,507,906
Machinery and equipment	45,641,799	3,961,326	2,375,186	-	47,227,939
Total accumulated depreciation	152,213,534	9,193,131	2,375,186	21,136,366	180,167,845
Total capital assets being depreciated, net	127,269,042	5,073,494	2,637	24,203,441	156,543,340
Capital assets, net	\$ 129,532,466	8,256,537	2,637	24,203,441	161,989,807

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 \$9,193,131 was charged to the Public School's governmental functions.

City of Newport News, Virginia
Notes to the Financial Statements
June 30, 2022

(5) Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2022, is as follows:

Receivables/payables between other funds:

Receivable fund	Payable fund	Amount
General Fund	Other Federal and State	368,391
General Capital Improvements Fund	Capital Projects Other Federal and State	8,557,406

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

Due to/from external parties:

Due from external party	Due to external party	Amount
General Fund	OPEB fund	826,947
Pension Fund	General Fund	377,302

Receivables/payables between Primary Government and component units:

Receivable entity	Payable entity	Amount
Newport News Public Schools	City	\$ 11,399,296

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

	Transfers to:				
	General Fund	Debt Service	General Capital Improvements	Nonmajor Governmental Special Revenue	Total
Transfers from:					
General Fund	\$ -	46,567,932	63,862,297	4,724,047	115,154,276
Nonmajor Gov. - Special Revenue	-	10,377,068	-	-	10,377,068
Public Utility	9,500,000	-	-	-	9,500,000
	<u>\$ 9,500,000</u>	<u>56,945,000</u>	<u>63,862,297</u>	<u>4,724,047</u>	<u>135,031,344</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, 2022

(6) Lease Agreements

For the year ended June 30, 2022, the financial statements include the adoption of GASB Statement No. 87, Leases. The primary objective of this statement is to enhance the relevance and consistency of information about governments' leasing activities. This statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. For additional information, refer to the disclosures below. Note that no restatement of fund balances or net position was necessary for the primary government, as there were no leases prior to the implementation date of 7/1/2021 which were recorded as capital leases, and thus no prior balance sheet amounts to adjust. In accordance with the transition guidance provided in GASB 87, all lease assets, receivables, liabilities, and deferred inflows were measured and recorded using the facts and circumstances as of the date of implementation, which led to equal and offsetting balance sheet items as of July 1, 2021, the date of implementation. See note 1(p) Changes in Accounting Principles for a discussion regarding the restatement of net position due to the implementation of GASB 87 for certain discretely presented component units of the City.

(a) Governmental Activities

City of Newport News as Lessee

During the Fiscal Year, the City of Newport News was engaged in 87 (eighty-seven) GASB 87 leases as the lessee within its governmental activities. These leases ranged from leases of copiers and other small equipment to the leasing of various office space, buildings, and land, and ranged in lease terms from just over 12 months to just over 31 years as of the beginning of the Fiscal Year. In addition, certain leases have extension and/or termination options, for which the City has made determinations as to if those options are reasonably certain to be exercised, and those determinations are reflected in the calculations presented, in accordance with GASB 87. Note that information regarding any sublease transactions is included in the following section discussing lessor leases.

Certain of the copier leases that the City engages in as the lessee require variable payments based on the number of black and white and/or color pages printed on said copier. These variable payments are not included in the measurement of the lease liability. During the Fiscal Year, the City had outflows of resources in the amount of \$88,014 for these variable payments not previously included in the measurement of the lease liability on GASB 87 leases. The City is not aware of further variable payments made or required to be made in relation to its lessee leases which are not included in the measurement of the lease liability.

The City does not believe there are any residual value guarantees, either needing to be included in the measurement of the lease liability or otherwise, in its lessee leases.

The City did not have any other outflows of resources in the Fiscal Year for other payments related to its lessee leases, such as residual value guarantees or termination penalties, not previously included in the measurement of the lease liability.

City of Newport News, Virginia
Notes to the Financial Statements
June 30, 2022

The total amount of right-to-use assets from the City's lessee leases and the associated accumulated amortization, as well as the right-to-use assets and accumulated amortization split out by major underlying asset class, are presented on the following table as of the end of the fiscal year:

Asset Class	Lease Asset Value	Accumulated Amortization
Buildings	\$ 14,191,951	\$ 4,005,840
Equipment	559,536	220,217
Land	901,676	28,777
Vehicles	45,947	11,232
Total Leases	<u>\$ 15,699,110</u>	<u>\$ 4,266,066</u>

The principal and interest requirements to maturity for the City's GASB 87 lessee leases are presented in the following table:

Fiscal Year	Principal Payments	Interest Payments	Total Payments
2023	\$ 2,621,666	\$ 145,962	\$ 2,767,628
2024	3,753,361	104,514	3,857,875
2025	1,081,793	81,508	1,163,301
2026	1,089,568	66,875	1,156,443
2027	1,045,714	52,077	1,097,791
2028 - 2032	487,372	196,896	684,268
2033 - 2037	611,176	134,616	745,792
2038 - 2042	381,697	68,292	449,989
2043 - 2047	180,475	41,607	222,082
2048 - 2052	212,034	16,710	228,744
Total	<u>\$ 11,464,856</u>	<u>\$ 909,057</u>	<u>\$ 12,373,913</u>

The City has no material commitments under lessee leases before the commencement of the lease term as of the end of the Fiscal Year.

There were no impairment losses on lessee leases for the City during the Fiscal Year.

The City is the lessee in five GASB 87 leases with related parties. All five of these leases are with either the City's E/IDA or the PAC, both of which are discretely presented component units in this Annual Comprehensive Financial Report. Relevant information on these leases is provided in the following table:

Description of Leased Property	Major Asset Class of Leased Asset	Counterparty to Lease	Lease Expiration*	Right-to-Use Asset, Net of Amortization, at End of FY	Lease Liability at End of FY
Coats and Clark Building - 5849 Jefferson Ave	Buildings	E/IDA	7/31/2039	\$ 1,327,395	\$ 1,358,226
Fire Station 11 - 1000 Bland Blvd	Buildings	PAC	6/30/2023	20,647	20,594
Rouse Tower - 6060 Jefferson Ave	Buildings	E/IDA	11/30/2022	1,044,935	1,052,703
Animal Shelter Site - 5843 Jefferson Ave	Land	E/IDA	10/31/2052	872,899	871,126
Sherwood Shopping Center - 13711 Warwick Blvd	Buildings	E/IDA	6/30/2026	25,017	25,126
Total				<u>\$ 3,290,893</u>	<u>\$ 3,327,775</u>

*Including reasonably certain options.

City of Newport News, Virginia
Notes to the Financial Statements
June 30, 2022

City of Newport News as Lessor

During the Fiscal Year, the City of Newport News was engaged in 45 (forty-five) GASB 87 leases as the lessor within its governmental activities. These leases were for various underlying assets, and ranged from leases of land in the City's Seafood Industrial Park area, to various cell towers and buildings throughout the City, to easements on wells. The lease terms of these leases ranged from 18 months to just under 41 years as of the beginning of the Fiscal Year. In addition, certain leases have extension and/or termination options, for which the City has made determinations as to if those options are reasonably certain to be exercised, and those determinations are reflected in the calculations presented, in accordance with GASB 87. Throughout the Fiscal Year, the City was engaged in five sublease transactions of GASB 87 leases, where the City subleased building space which it was leasing as the lessee from a separate party. In accordance with GASB 87, the original lease and the sublease have been reported as two separate transactions, with the lessee side being reported with the lessee disclosures above, and the lessor side being reported with the lessor disclosures below. In no case do the sublease terms extend beyond the term of the original lessee lease.

Certain of the land leases in the City's Seafood Industrial Park area that the City engages in as the lessor include variable payments based on future changes in the Consumer Price Index (CPI). These leases adjust the rent payments due based on changes in the CPI level once every three years, with the next date of adjustment coming on July 1, 2024. In accordance with GASB 87, the lease receivable and deferred inflow of resources have been calculated based on the current CPI level as of the date of lease commencement (or, if later, the date of GASB 87 implementation). As no adjustments to rent payments based on CPI have been made on any of these leases since the date of lease commencement/date of GASB 87 implementation as of the end of the Fiscal Year, there were no additional inflows of resources to the City for variable payments not previously included in the measurement of the lease receivable on GASB 87 leases. The City is not aware of further variable payments made or required to be made in relation to its lessor leases which are not included in the measurement of the lease receivable.

The total amount of inflows of resources from the City's lessor leases during the Fiscal Year are as follows:

Lease Revenue	Interest Revenue	Other
\$ 919,494	\$ 55,914	\$ -

There were no inflows of resources recognized in the reporting period for variable or other payments not previously included in the measurement of the lease receivable, to include any inflows of resources related to residual value guarantees or termination penalties.

The principal and interest expected to be collected on the City's lease receivables for lessor leases for the succeeding Fiscal Years are as follows:

Fiscal Year	Principal Payments	Interest Payments	Total Payments
2023	\$ 888,158	\$ 50,869	\$ 939,027
2024	505,239	43,654	548,893
2025	331,543	38,207	369,750
2026	242,333	34,003	276,336
2027	155,657	30,599	186,256
2028 - 2032	616,208	114,133	730,341
2033 - 2037	608,089	52,694	660,783
2038 - 2042	154,566	8,747	163,313
Total	<u>\$ 3,501,793</u>	<u>\$ 372,906</u>	<u>\$ 3,874,699</u>

The City has not issued any debt for which the principal and interest payments are secured by lease payments.

The City was not engaged in any GASB 87 leases as the lessor with related parties within its governmental activities during the Fiscal Year.

City of Newport News, Virginia
Notes to the Financial Statements
June 30, 2022

(b) Business-Type Activities

City of Newport News as Lessee

During the Fiscal Year, the City of Newport News was engaged in seventeen (17) GASB 87 leases as the lessee within its business-type activities. These leases ranged from leases of copiers and tower equipment for its smart meters to the leasing of various office space, buildings, and land, and ranged in lease terms from just over 12 months to just over 6 years as of the beginning of the Fiscal Year. In addition, certain leases have extension and/or termination options, for which the City has made determinations as to if those options are reasonably certain to be exercised, and those determinations are reflected in the calculations presented, in accordance with GASB 87. Note that information regarding any sublease transactions is included in the following section discussing lessor leases.

The City is not aware of any variable payments made or required to be made in relation to its lessee leases within its business-type activities which were not previously included in the measurement of the lease liability.

The City does not believe there are any residual value guarantees, either needing to be included in the measurement of the lease liability or otherwise, in its lessee leases.

The City did not have any other outflows of resources in the Fiscal Year for other payments related to its lessee leases, such as residual value guarantees or termination penalties, not previously included in the measurement of the lease liability.

The total amount of right-to-use assets from the City's lessee leases and the associated accumulated amortization, as well as the right-to-use assets and accumulated amortization split out by major underlying asset class, are presented on the following table as of the end of the Fiscal Year:

Asset Class	Lease Asset Value	Accumulated Amortization
Buildings	\$ 3,448,031	\$ 599,658
Infrastructure	325,212	71,422
Equipment	719,620	527,480
Total Leases	<u>\$ 4,492,863</u>	<u>\$ 1,198,560</u>

The principal and interest requirements to maturity for the City's GASB 87 lessee leases are presented in the following table:

Fiscal Year	Principal Payments	Interest Payments	Total Payments
2023	\$ 764,853	\$ 34,292	\$ 799,145
2024	666,280	26,165	692,445
2025	682,702	18,150	700,852
2026	660,802	10,041	670,843
2027	475,222	2,415	477,637
Total	<u>\$ 3,249,859</u>	<u>\$ 91,063</u>	<u>\$ 3,340,922</u>

The City has no material commitments under lessee leases before the commencement of the lease term as of the end of the Fiscal Year.

There were no impairment losses on lessee leases for the City during the Fiscal Year.

The City was not engaged as the lessee in any GASB 87 leases with related parties within its business-type activities during the Fiscal Year.

City of Newport News, Virginia
Notes to the Financial Statements
June 30, 2022

City of Newport News as Lessor

During the Fiscal Year, the City of Newport News was engaged in six (6) GASB 87 leases as the lessor within its business-type activities. These leases were for various underlying assets, and ranged from leases of land in York County and the Richneck Road area to leases of commercial office space in the City Center area. The lease terms of these leases ranged from 18 months to 24 years as of the beginning of the Fiscal Year. In addition, certain leases have extension and/or termination options, for which the City has made determinations as to if those options are reasonably certain to be exercised, and those determinations are reflected in the calculations presented, in accordance with GASB 87. Throughout the Fiscal Year, the City was engaged in four sublease transactions of GASB 87 leases, where the City subleased building space which it was leasing as the lessee from a separate party. In accordance with GASB 87, the original lease and the sublease have been reported as two separate transactions, with the lessee side being reported with the lessee disclosures above, and the lessor side being reported with the lessor disclosures below. In no case do the sublease terms extend beyond the term of the original lessee lease.

The City is not aware of any variable payments made or required to be made by its tenants in relation to its lessor leases within its business-type activities which were not previously included in the measurement of the lease receivable.

The total amount of inflows of resources from the City's lessor leases during the Fiscal Year are as follows:

Lease Revenue	Interest Revenue	Other
\$ 215,655	\$ 89,565	\$ -

There were no inflows of resources recognized in the reporting period for variable or other payments not previously included in the measurement of the lease receivable, to include any inflows of resources related to residual value guarantees or termination penalties.

The principal and interest expected to be collected on the City's lease receivables for lessor leases for the succeeding Fiscal Years are as follows:

Fiscal Year	Principal Payments	Interest Payments	Total Payments
2023	\$ 149,555	\$ 89,396	\$ 238,951
2024	148,351	86,260	234,611
2025	136,700	83,104	219,804
2026	138,939	79,943	218,882
2027	130,706	76,703	207,409
2028 - 2032	703,369	333,673	1,037,042
2033 - 2037	794,246	242,796	1,037,042
2038 - 2042	896,865	140,178	1,037,043
2043 - 2046	592,822	29,403	622,225
Total	<u>\$ 3,691,553</u>	<u>\$ 1,161,456</u>	<u>\$ 4,853,009</u>

The City of Newport News has not issued any debt for which the principal and interest payments are secured by lease payments.

The City of Newport News was not engaged as the lessee in any GASB 87 leases with related parties within its business-type activities during the Fiscal Year.

(c) Component Units

See each component unit's separately issued financial statements and the related notes to the financial statements for more information and disclosures regarding their leases.

City of Newport News, Virginia
Notes to the Financial Statements
June 30, 2022

(7) Long-Term Liabilities

(a) A summary of changes in long-term liabilities for governmental activities for the year ended June 30, 2022 is as follows:

	Balance June 30, 2021	Additions	Reductions	Balance June 30, 2022	Due within one year
Bonds payable:					
General obligation bonds	\$ 397,385,000	-	(35,480,000)	361,905,000	33,685,000
VRA	9,785,787	-	(1,624,472)	8,161,315	1,520,136
Deferred amounts:					
Add bonds premiums	37,587,738	-	(5,409,605)	32,178,133	4,876,526
Total bonds payable	<u>444,758,525</u>	<u>-</u>	<u>(42,514,077)</u>	<u>402,244,448</u>	<u>40,081,662</u>
Literary loan bonds	2,528,952	-	(398,066)	2,130,886	360,803
Lease liability	-	15,699,109	(4,234,253)	11,464,856	2,621,666
Landfill liability	2,507,000	-	(369,000)	2,138,000	387,000
Notes Payable	-	4,800,764	(989,084)	3,811,680	927,504
Accrued vacation	20,082,634	17,190,732	(17,492,154)	19,781,212	17,325,926
Net line of duty obligation	9,482,645	6,297,964	(8,348,744)	7,431,865	-
Net pension liability	320,173,475	17,386,542	(152,042,664)	185,517,353	-
Net OPEB liability	71,845,957	6,700,583	(17,096,716)	61,449,824	-
Net OPEB obligation - GLI	6,102,111	2,667,408	(4,163,673)	4,605,846	-
Workers' comp. and other claims	15,607,901	3,540,138	(3,849,447)	15,298,592	3,999,503
Incurred but not reported medical claims	2,759,000	37,843,622	(37,734,622)	2,868,000	2,868,000
Total long-term liabilities	<u>\$ 895,848,200</u>	<u>112,126,862</u>	<u>(289,232,500)</u>	<u>718,742,562</u>	<u>68,572,064</u>

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, 2022, the City's aggregate general obligation indebtedness is approximately \$1,375.5 million less than the Commonwealth's limit and \$136.1 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 \$112.6 million are authorized but unissued.

At June 30, 2022, approximately \$54.8 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 \$2.1 million liability at June 30, 2022 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 2022. 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, 2022

Outstanding general obligation bonds at June 30, 2022, 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, 2022
VRA 01A	04/24/01	05/01/22	4.10%	\$ -
VRA 02A	05/15/02	01/01/23	3.75%	177,503
VRA 03A	06/24/03	06/01/24	3.50%	394,497
VRA 04A	06/30/04	09/01/25	3.10%	657,618
VRA 05A	08/24/05	09/01/26	3.50%	930,947
VRA 06A	10/20/06	11/01/27	3.10%	917,668
Series 07B	04/05/07	07/01/22	5.00%	1,965,000
VRA 07A	09/11/07	09/01/28	3.00%	1,225,123
VRA 08	12/12/08	09/01/29	3.50%	1,369,526
VRA 09	12/16/09	09/01/30	3.35%	2,488,432
Series 12A	03/21/12	07/15/24	1.93%	5,115,000
Series 14A	05/22/14	07/15/34	3.05%	9,000,000
Series 14A-Ref	05/22/14	07/15/27	2.43%	30,175,000
Series 14B	05/22/14	01/15/25	3.08%	2,900,000
Series 15	12/17/15	07/15/35	2.58%	34,220,000
Series 16A	06/21/16	08/01/31	2.01%	28,070,000
Series 17A	06/08/17	08/01/37	2.60%	47,555,000
Series 19A	02/05/19	02/01/40	2.95%	75,945,000
Series 21A	03/10/21	02/01/41	1.79%	73,150,000
Series 21B	03/10/21	02/01/35	1.70%	36,620,000
Series 21C	06/03/21	02/01/33	1.40%	17,190,000
Totals				<u>\$ 370,066,314</u>

City of Newport News, Virginia
Notes to the Financial Statements
June 30, 2022

The following table summarizes future debt service requirements as of June 30, 2022:

Fiscal year ending June 30:	General Obligation Bonds		VRA	
	Principal	Interest	Principal	Interest
2023	\$ 33,685,000	13,290,556	1,520,136	193,144
2024	32,515,000	11,908,362	1,375,202	158,379
2025	31,105,000	10,647,685	1,205,966	125,901
2026	27,240,000	9,351,920	1,136,663	95,348
2027	25,185,000	8,373,259	954,803	68,668
2028-2032	106,205,000	28,396,297	1,968,544	87,246
2033-2037	75,430,000	11,225,844	-	-
2038-2042	30,540,000	1,847,087	-	-
Total future debt service	<u>\$ 361,905,000</u>	<u>95,041,010</u>	<u>8,161,314</u>	<u>728,686</u>

Outstanding literary loans at June 30, 2022, 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, 2022
Denbigh High-2	08/01/01	08/01/21	2%	\$ -
Gildersleeve Middle-2	08/15/01	08/15/21	2%	-
Dozier Middle	08/15/01	08/15/21	2%	-
Reservoir Middle	05/01/02	05/01/22	2%	-
Hines Middle	05/01/02	05/01/22	2%	-
Huntington Middle-2	09/01/02	09/01/22	2%	6,784
General Stanford	06/30/07	07/15/27	2%	2,124,102
Totals				<u>\$ 2,130,886</u>

The following table summarizes future debt service requirements as of June 30, 2022:

Fiscal year ending June 30:	Literary Loans	
	Principal	Interest
2023	\$ 360,803	42,618
2024	354,018	35,402
2025	354,018	28,321
2026	354,018	21,241
2027	354,018	14,161
2028	354,011	7,080
Total future debt service	<u>\$ 2,130,886</u>	<u>148,823</u>

City of Newport News, Virginia
Notes to the Financial Statements
June 30, 2022

Business-type Activities

A summary of changes in long-term liabilities for capital-related, business-type activities for the year ended June 30, 2022 is as follows:

	Balance July 1, 2021	Additions	Reductions	Balance June 30, 2022	Due within one year
Bonds payable:					
General obligation bonds	\$ 24,305,000	-	(7,130,000)	17,175,000	4,695,000
Revenue bonds	110,675,000	-	(2,510,000)	108,165,000	5,625,000
Deferred amounts:					
Add bond premiums	14,715,794	-	(1,574,124)	13,141,670	1,712,350
Total bonds payable	149,695,794	-	(11,214,124)	138,481,670	12,032,350
Lease liability	-	4,492,863	(1,243,004)	3,249,859	764,854
Net pension liability	40,055,520	-	(18,282,779)	21,772,741	-
Net OPEB liability	9,971,505	929,974	(2,372,854)	8,528,625	-
Net OPEB liability-GLI	389,496	170,260	(265,766)	293,990	-
Deposits	5,516,478	2,421,529	(2,029,852)	5,908,155	-
Total long-term liabilities	<u>\$ 205,628,793</u>	<u>8,014,626</u>	<u>(35,408,379)</u>	<u>178,235,040</u>	<u>12,797,204</u>

Outstanding public utility bonds at June 30, 2022 are comprised of the following issues:

Public Utility Bond Series	Issue date	Final maturity date	Interest rate (at issue)	Balance June 30, 2022
2007B	04/05/07	07/01/22	5.1 %	\$ 1,840,000
2012A	03/21/12	07/15/24	1.9 %	1,325,000
2014A	05/22/14	07/15/27	2.5 %	8,880,000
2016A-IRB	06/02/16	06/30/37	2.7 %	23,320,000
2017A-IRB	05/31/17	06/30/38	2.6 %	23,265,000
2021A	03/23/21	02/01/28	1.2 %	61,580,000
2021B	03/23/21	07/15/41	1.5 %	5,130,000
Totals				<u>\$ 125,340,000</u>

The following table summarizes future debt service requirements of Business-type Activities as of June 30, 2022:

Fiscal year ending June 30:	Business-type Activities	
	Principal	Interest
2023	\$ 10,320,000	4,610,059
2024	8,980,000	4,184,824
2025	8,450,000	3,775,658
2026	8,650,000	3,352,310
2027	7,625,000	2,997,967
2028-2032	32,070,000	10,449,313
2033-2037	32,415,000	4,261,850
2038-2042	16,830,000	790,550
Totals	<u>\$ 125,340,000</u>	<u>34,422,531</u>

City of Newport News, Virginia
Notes to the Financial Statements
June 30, 2022

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, 2022 is as follows:

	Balance July 1, 2021	Additions	Reductions	Balance June 30, 2022	Due within one year
Compensated absences	\$ 6,058,867	3,069,458	(3,326,302)	5,802,023	2,610,910
Workers' compensation claims	6,061,622	889,054	(1,229,388)	5,721,288	1,144,258
Capital leases payable	364,820	-	(364,820)	-	-
Leases payable	-	5,336,974	(502,135)	4,834,839	685,442
Capital facility notes payable	13,800,047	-	(1,034,560)	12,765,487	177,101
OPEB NNPS trust fund	45,485,708	2,250,303	-	47,736,011	-
OPEB VRS health insurance credit	24,852,997	-	(458,123)	24,394,874	-
OPEB VRS group life insurance	14,602,318	3,267,937	(7,664,719)	10,205,536	-
Incurred but not reported health claims	2,754,000	30,034,707	(30,357,707)	2,431,000	2,431,000
VRS teacher pool pension	277,947,884	52,089,215	(182,005,701)	148,031,398	-
City of Newport News pension (NNERF)	100,630,080	3,486,674	(49,472,857)	54,643,897	-
Totals	\$ 492,558,343	100,424,322	(276,416,312)	316,566,353	7,048,711

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 the 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 2022, approximately \$12.0 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, 2022, the E/IDA has outstanding bonds and notes from direct borrowings in the amount of \$21,931,781. 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, 2022

The E/IDA Bonds and Notes at June 30, 2022 are comprised of the following:

	Issue date	Maturity date	Effective interest rates *	Balance July 1, 2021	Additions	Reductions	Balance June 30, 2022	Amount due within one year
Bonds payable								
Series 2012A	10/12/12	07/01/30	4.00%	\$ 4,130,000	-	(2,065,000)	2,065,000	2,065,000
Series 2012B	10/12/12	07/01/31	0.76%	14,695,000	-	(1,800,000)	12,895,000	1,760,000
Series 2015	07/23/15	09/01/27	3.48%	2,520,000	-	-	2,520,000	-
Series 2021B	02/09/21	07/01/30	3.00%	18,685,000	-	(365,000)	18,320,000	340,000
Total bonds payable				40,030,000	-	(4,230,000)	35,800,000	4,165,000
Premium on bonds payable - 2012				341,710	-	(250,588)	91,122	91,122
Premium on bonds payable - 2015				172,411	-	(20,801)	151,610	20,802
Total bonds payable, net				40,544,121	-	(4,501,389)	36,042,732	4,276,924
Direct borrowings:								
Bonds payable								
Downtown Eng	04/05/00	07/01/31	2.58%	9,420,000	-	(1,060,000)	8,360,000	1,060,000
Citi A '07	02/26/07	08/01/22	1.04%	v 397,158	-	(397,158)	-	-
Citi B '07	02/26/07	08/01/22	1.72%	v 79,802	-	(79,802)	-	-
A-School Garage	07/23/15	09/01/27	3.80%	6,838,455	-	(976,924)	5,861,531	976,924
Foundry Bond	12/18/18	01/15/23	3.40%	2,250,000	-	(1,500,000)	750,000	750,000
Total direct borrowing bonds payable				18,985,415	-	(4,013,884)	14,971,531	2,786,924
Notes payable:								
809 Omni Blvd	08/31/07	07/01/22	3.49%	899,985	-	(150,000)	749,985	749,985
Sherwood note A	11/23/16	01/01/32	3.14%	3,593,333	-	(326,670)	3,266,663	326,669
Sherwood note B	11/23/16	01/01/32	3.14%	2,273,335	-	(206,666)	2,066,669	206,666
Sears Renovation	07/31/20	07/31/28	2.39%	835,107	160,266	(118,440)	876,933	120,134
Total direct borrowing notes payable				7,601,760	160,266	(801,776)	6,960,250	1,403,454
Total direct borrowings				26,587,175	160,266	(4,815,660)	21,931,781	4,190,378
Total bonds and notes payable				\$ 67,131,296	160,266	(9,317,049)	57,974,513	8,467,302

* 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, 2022, there were twelve bonds outstanding and at June 30, 2021, there were thirteen bonds outstanding with an aggregate principal balance of \$370,668,964 and \$448,131,394, respectively.

City of Newport News, Virginia
Notes to the Financial Statements
June 30, 2022

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
2023	\$ 4,165,000	753,563	4,190,377	555,019	8,355,377	1,308,582
2024	4,105,000	664,710	4,053,281	463,709	8,158,281	1,128,419
2025	4,025,000	604,108	2,536,334	341,677	6,561,334	945,785
2026	3,935,000	533,510	2,539,414	270,621	6,474,414	804,131
2027	3,915,000	441,158	2,788,800	199,334	6,703,800	640,492
2028-2032	15,655,000	1,017,263	5,823,578	290,382	21,478,578	1,307,645
Totals	<u>\$ 35,800,000</u>	<u>4,014,312</u>	<u>21,931,784</u>	<u>2,120,742</u>	<u>57,731,784</u>	<u>6,135,054</u>

The PAC Airport Improvement Bonds at June 30, 2022, are comprised of the following:

Series	Issue date	Maturity date	Eff. int. rate (%)	Balance July 1, 2021	Reductions	Balance June 30, 2022	Amt due in one year
2002	07/03/02	05/01/27	2.8	\$ 826,667	130,661	696,006	134,173
2005A	12/15/05	01/15/32	4.3	3,857,168	271,904	3,585,264	309,202
2005B	12/15/05	01/15/32	4.0	1,749,066	125,445	1,623,621	142,176
Totals				<u>\$ 6,432,901</u>	<u>528,010</u>	<u>5,904,891</u>	<u>585,551</u>

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

Fiscal year ending June 30:	PAC	
	Principal	Interest
2023	\$ 585,551	227,299
2024	608,566	204,283
2025	632,512	180,338
2026	657,423	155,426
2027	670,706	129,507
2028-2032	2,372,286	272,522
2033	377,847	5,358
Totals	<u>\$ 5,904,891</u>	<u>1,174,733</u>

City of Newport News, Virginia
Notes to the Financial Statements
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(8) Defined Benefit Retirement Plan

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

Plan Description

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

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

Benefits Provided

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

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

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

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

City of Newport News, Virginia
Notes to the Financial Statements
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Employees Covered by Benefit Terms

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

	July 1, 2020	Participant counts
Active members		1,663
Retirees and beneficiaries		6,580
Terminated vested members		4,022
Total		<u>12,265</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 2020, 2021, and 2022, 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 \$41,273,054 and \$4,637,747 were made by employers and employees, respectively, to the Pension Fund during the year ended June 30, 2022. The percentage of contributions to covered payroll for fiscal year 2022 was 47.8%.

Net Pension Liability

The City's net pension liability was measured as of June 30, 2021. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of July 1, 2020, using an updated actuarial assumption, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2021.

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, 2020
Actuarial cost method	Entry Age Normal
Amortization method	Closed
Remaining amortization period	30 years level dollar from July 1, 2011
Asset valuation method	Five-year smoothed market
Actuarial assumptions:	
Investment rate of return	7.35%
Rate of salary increases	4.60%
Cost of living adjustment	1.26%
Inflation	2.60%
Rate of mortality	RP-2014 Total Dataset Headcount-Weighted Employee Mortality Table projected from the 2006 base rates using the RPEC 2016 model

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

The long-term expected rate of return on NNERF 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 2022 was (9.90)%. 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, 2022 are summarized in the following table:

Asset class	Long-term expected real rate of return	Target allocation
Large cap equities	4.1%	29.0%
Mid cap equities	4.4%	10.0%
Small cap equities	4.7%	3.0%
International equities	4.8%	12.0%
Emerging markets	5.7%	7.0%
Real estate	4.7%	7.0%
Private equities	7.2%	9.0%
Natural resources/infrastructure	4.1%	3.0%
Fixed income (bonds)	(0.2)%	9.0%
TIPS	(0.2)%	3.0%
Short term fixed income	(0.7)%	7.0%
Cash	(0.9)%	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 7.00%.

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 an 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. Effective with the July 1, 2021 actuarial valuation, changes in the UAL due to actuarial gains and losses and actuarial assumption changes will be amortized over separate layered twenty-year periods with level dollar payments. 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, 2021 measurement date. Consequently, the single equivalent rate used to determine the total pension liability as of June 30, 2021 is 7.00%, the long-term expected rate-of-return as defined by GASB as of that date.

City of Newport News, Virginia
Notes to the Financial Statements
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The following presents the net pension liability of the City, calculated using the discount rate of 7.00%, 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 (6.00%) or one percent point higher (8.00%) than the current rate:

	1% Decrease 6.00%	Discount rate 7.00%	1% Increase 8.00%
Total pension liability	\$ 1,565,830,399	1,414,075,150	1,285,538,686
Plan fiduciary net position	1,152,141,192	1,152,141,192	1,152,141,192
Net pension liability	<u>\$ 413,689,207</u>	<u>261,933,958</u>	<u>133,397,494</u>
Plan fiduciary net position as a percentage of the total pension liability	73.6 %	81.5 %	89.6 %

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

Changes in the Net Pension Liability

The City's change in net pension liability of the Pension Fund for 2021 was as follows:

	Total pension liability (a)	Fiduciary net position				Net position liability (a)-(b)-(c)-(d)
		City's (b)	Proprietary's (c)	Primary government (b)+(c)	School's (d)	
Balances at June 30, 2020	\$ 1,378,959,009	641,067,589	71,576,205	712,643,794	205,456,171	460,859,044
Changes for the year:						
Service cost	7,786,525	-	-	-	-	7,786,525
Interest	98,658,763	-	-	-	-	98,658,763
Differences between expected and actual experience	(12,357,135)	-	-	-	-	(12,357,135)
Changes of assumptions	31,531,428	-	-	-	-	31,531,428
Contributions - employer	-	28,807,796	3,380,944	32,188,740	8,485,299	(40,674,039)
Contributions - member	-	3,390,199	397,881	3,788,080	998,578	(4,786,658)
Net investment income	-	198,484,237	23,294,560	221,778,797	58,463,257	(280,242,054)
Benefit payments	(90,503,440)	(64,099,967)	(7,522,917)	(71,622,884)	(18,880,556)	-
Administrative expenses	-	(820,225)	(96,263)	(916,488)	(241,596)	1,158,084
Net changes	<u>35,116,141</u>	<u>165,762,040</u>	<u>19,454,205</u>	<u>185,216,245</u>	<u>48,824,982</u>	<u>(198,925,086)</u>
Balances at June 30, 2021	<u>\$ 1,414,075,150</u>	<u>806,829,629</u>	<u>91,030,410</u>	<u>897,860,039</u>	<u>254,281,153</u>	<u>261,933,958</u>

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	\$ 28,807,796	185,517,353	70.83 %
Business-type activities	3,380,944	21,772,741	8.31 %
Component unit - Schools	8,485,299	54,643,896	20.86 %
Total	<u>\$ 40,674,039</u>	<u>261,933,990</u>	<u>100.00 %</u>

City of Newport News, Virginia
Notes to the Financial Statements
June 30, 2022

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

For the year ended June 30, 2022, the City and Schools recognized pension expense of \$13,226,598 and \$3,486,674, respectively. At June 30, 2022, 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	\$ 29,276,411	-	3,441,781	-	32,718,192	-	8,554,862	-
Net difference between projected and actual earnings on pension plan investments	\$ -	88,038,248	-	10,332,355	-	98,370,603	-	25,931,552

\$32,718,192 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, 2023.

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:		
2023	\$ (22,502,237)	(5,931,833)
2024	(18,447,015)	(4,862,832)
2025	(23,482,184)	(6,190,157)
2026	(33,939,167)	(8,946,730)
	<u>\$ (98,370,603)</u>	<u>(25,931,552)</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, 2022, the City did not have a payable to the pension plan.

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(b) Virginia Retirement System

Plan Description

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

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

Benefits Provided

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

VRS issues a publicly available Annual Comprehensive Financial Report that includes financial statements and required supplementary information for the plans administered by VRS. A copy of the report may be obtained from the VRS Web site at <http://www.varetire.org/Pdf/Publications/2021-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

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

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

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<p>into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.</p>	<p>through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.</p>	<p>*Non-Eligible Members</p> <p>Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees <p>Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p>
<p>Retirement Contributions</p> <p>Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p>	<p>Retirement Contributions</p> <p>Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction.</p>	<p>Retirement Contributions</p> <p>A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified</p>

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

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

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

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

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

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<p>years of qualifying for an unreduced retirement benefit as of January 1, 2013.</p> <ul style="list-style-type: none"> • The member retires on disability. • The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins. 		
<p>Disability Coverage</p> <p>Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.</p>	<p>Disability Coverage</p> <p>Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.</p>	<p>Disability Coverage</p> <p>Employees of political subdivisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.</p> <p>Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming</p>

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

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Number of Employees by Class

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

	June 30, 2020
	Retirees and beneficiaries
Inactive members or their beneficiaries	
currently receiving benefits	38
Inactive members	
Vested	130
Non-vested	625
Active elsewhere in VRS	350
Total inactive members	1,105
Active members	1,768
Total	2,911

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, 2022 was 6.32% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the City were \$5,172,911 and \$4,694,380 for the years ended June 30, 2022 and June 30, 2021, respectively.

Net Pension Asset

The City's net pension asset was measured as of June 30, 2021. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation performed as of June 30, 2020, rolled forward to the measurement date of June 30, 2021.

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Actuarial Assumptions

The total pension liability for General Employees was based on an actuarial valuation as of June 30, 2020, 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, 2021.

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

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

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years

Mortality Improvement:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, 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)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020.
Retirement rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age
Withdrawal rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability rates	No change
Salary scale	No change
Line of duty disability	No change
Discount rate	No change

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

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years

Mortality Improvement:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, 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)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020.
Retirement rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age
Withdrawal rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability rates	No change
Salary scale	No change
Line of duty disability	No change
Discount rate	No change

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:

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Asset class (strategy)	Long-term target asset allocation	Arithmetic long-term expected rate of return	Weighted avg long-term expected rate of return*
Public equity	34.00%	5.00%	1.70%
Fixed income	15.00%	0.57%	0.09%
Credit strategies	14.00%	4.49%	0.63%
Real assets	14.00%	4.76%	0.67%
Private equity	14.00%	9.94%	1.39%
MAPS - Multi-asset public strategies	6.00%	3.29%	0.20%
PIP - Private investment partnership	3.00%	6.84%	0.21%
Total	<u>100.00%</u>		<u>4.89%</u>
Inflation			<u>2.50%</u>
Expected arithmetic nominal return *			<u>7.39%</u>

* The above allocation provides a one-year return of 7.39%. 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 6.94%, including expected inflation of 2.50%.

* On October 10, 2019, the VRS Board elected a long-term rate of return of 6.75% which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

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

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

The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2021, 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, 2021 on, participating employers are assumed to continue 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	\$ (5,527,038)	(18,449,338)	(28,532,028)

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

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Changes in the Net Pension Asset

The City's change in net pension asset of the VRS Plan for 2021 was as follows:

	Total pension liability (a)	City's fiduciary net position (b)	Proprietary's fiduciary net position (c)	Primary government's fiduciary net position (b)+(c)	Net pension asset (a)-(b)-(c)
Balances at June 30, 2020	\$ 52,681,825	54,563,397	3,793,068	58,356,465	(5,674,640)
Changes for the year:					
Service cost	8,637,628	-	-	-	8,637,628
Interest	3,527,510	-	-	-	3,527,510
Changes of assumptions	2,171,721	-	-	-	2,171,721
Differences between expected and actual experience	(1,346,955)	-	-	-	(1,346,955)
Contributions - employer	-	4,407,113	281,305	4,688,418	(4,688,418)
Contributions - member	-	3,719,891	237,440	3,957,331	(3,957,331)
Net investment income	-	16,122,057	1,029,067	17,151,124	(17,151,124)
Benefit payments	(844,836)	(794,146)	(50,690)	(844,836)	-
Administrative expenses	-	(31,942)	(2,039)	(33,981)	33,981
Other changes	-	1,608	103	1,711	(1,711)
Net changes	12,145,068	23,424,581	1,495,186	24,919,767	(12,774,699)
Balances at June 30, 2021	<u>\$ 64,826,893</u>	<u>77,987,978</u>	<u>5,288,254</u>	<u>83,276,232</u>	<u>(18,449,339)</u>

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

For the year ended June 30, 2022, the City recognized VRS pension expense of \$1,877,198. At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Governmental activities		Business-type activities		Total activities	
	Deferred outflows of resources	Deferred inflows of resources	Deferred outflows of resources	Deferred inflows of resources	Deferred outflows of resources	Deferred inflows of resources
Employer contributions subsequent to measurement date	\$ 4,862,536	-	310,375	-	5,172,911	-
Differences between expected and actual experience	\$ 242,224	1,275,014	15,461	81,384	257,685	1,356,398
Changes of assumptions	\$ 2,536,647	238,980	161,914	15,254	2,698,561	254,234
Net difference between projected and actual earnings on plan investments	\$ -	8,296,708	-	529,577	-	8,826,285

\$5,172,911 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, 2023.

City of Newport News, Virginia
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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:	
2023	\$ (1,829,221)
2024	(1,609,295)
2025	(1,662,352)
2026	(2,454,784)
2027	74,981
Total	<u>\$ (7,480,671)</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, 2022, 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, 2022, for both Newport News Employees Retirement Fund and VRS, was \$15,103,796.

City of Newport News, Virginia
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(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, 2020
Active employees	
Count	1,311
Retirees with medical, dental, and/or life coverage	
With medical coverage	1,790
With dental coverage	2,463
With life insurance coverage	1,986

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

City of Newport News, Virginia
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Contribution Required and Contributions Made

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

Contributions by the City to the OPEB Fund during the year ended June 30, 2022 totaled \$8,240,000. The percentage of contributions to covered payroll for fiscal year 2022 was 10.7%.

Net OPEB Liability

The City's net OPEB liability was measured as of June 30, 2021. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation performed as of June 30, 2020, using an updated actuarial assumption, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2021.

Actuarial Methods and Assumptions

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

Actuarial valuation date	July 1, 2020
Actuarial cost method	Entry Age Normal
Amortization method	Level Dollar Closed
Remaining amortization period	20 years
Asset valuation method	Market Value

Actuarial assumptions:

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

Rate of mortality:

Non-retired members:

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

Retired members:

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

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

The long-term expected rate of return on NNERF OPEB investments was determined using best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation), developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The annual money-weighted rate of return net of investment fees for fiscal year 2021 was 33.90%. 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, 2021 are summarized in the following table:

Asset class	Long-term expected real rate of return	Target allocation
Large cap equities	4.7%	36.0%
Mid cap equities	4.9%	16.0%
International equities	5.0%	14.0%
Emerging markets	6.0%	9.0%
Fixed income (bonds)	(0.3)%	20.0%
Cash	(1.0)%	5.0%

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

The discount rate used to measure the total OPEB liability was 7.00%.

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 7.00%, 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 (6.00%) or one percent point higher (8.00%) than the current rate:

	1% Decrease 6.00%	Discount rate 7.00%	1% Increase 8.00%
Total OPEB liability	\$ 129,537,799	118,141,810	108,375,190
Plan fiduciary net position	48,163,363	48,163,363	48,163,363
Net OPEB liability	<u>\$ 81,374,436</u>	<u>69,978,447</u>	<u>60,211,827</u>
Plan fiduciary net position as a percentage of the total OPEB liability	37.2 %	40.8 %	44.4 %

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

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

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

	1% Decrease	Healthcare trend	1% Increase
Total OPEB liability	\$ 108,282,768	118,141,810	129,763,158
Plan fiduciary net position	48,163,363	48,163,363	48,163,363
Net OPEB liability	60,119,405	69,978,447	81,599,795
Plan fiduciary net position as a percentage of the total OPEB liability	44.5 %	40.8 %	37.1 %

A one percent decrease in the healthcare trends decreases the TOL by approximately 8% and decreases the collective NOL by approximately 14%. A one percent increase in the healthcare trends increases the TOL by approximately 10% and increases the collective NOL by approximately 17%.

Changes in the Net OPEB Liability

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

	Total OPEB liability (a)	City's fiduciary net position (b)	Proprietary's fiduciary net position (c)	Primary government's fiduciary net position (b)+(c)	Net OPEB liability (a)-(b)-(c)
Balances at June 30, 2020	\$ 117,682,024	31,493,569	4,370,995	35,864,564	81,817,460
Changes for the year:					
Service cost	606,165	-	-	-	606,165
Interest	8,399,739	-	-	-	8,399,739
Differences between expected and actual experience	(2,535,651)	-	-	-	(2,535,651)
Changes of assumptions	2,146,184	-	-	-	2,146,184
Contributions - employer	-	7,235,750	1,004,250	8,240,000	(8,240,000)
Contributions - member	-	-	-	-	-
Net investment income	-	10,771,301	1,494,949	12,266,250	(12,266,250)
Benefit payments	(8,156,651)	(7,162,559)	(994,092)	(8,156,651)	-
Administrative expenses	-	(44,609)	(6,191)	(50,800)	50,800
Net changes	459,786	10,799,883	1,498,916	12,298,799	(11,839,013)
Balances at June 30, 2021	\$ 118,141,810	42,293,452	5,869,911	48,163,363	69,978,447

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	61,449,824	87.81 %
Business-type activities	1,004,250	8,528,623	12.19 %
Total	\$ 8,240,000	69,978,447	100.00 %

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

For the year ended June 30, 2022 the City recognized OPEB expense of \$2,418,795. At June 30, 2022, 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	\$ -	2,332,236	-	323,691	-	2,655,927
Changes in assumptions	\$ 1,256,412	-	174,377	-	1,430,789	-
Net difference between projected and actual earnings on OPEB plan investments	\$ -	5,734,728	-	795,923	-	6,530,651

\$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, 2023.

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:	
2023	\$ (2,683,271)
2024	(1,511,972)
2025	(1,634,740)
2026	(1,925,806)
	<u>\$ (7,755,789)</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 defined benefit 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.

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

Benefits Provided

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

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

Employees Covered by Benefit Terms

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

July 1, 2020	
Active employees	
Count	1,202
Retirees and spouses - with medical coverage	
Non medicare eligible	12
Medicare eligible	12
Total	24

Contributions Required and Contributions Made

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

The actual cost to the City was \$327,667 for the year ending June 30, 2022.

Net OPEB Liability

The City's net OPEB liability was measured as of June 30, 2021. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation performed as of June 30, 2020, using an updated actuarial assumption, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2021.

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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, 2020
Actuarial cost method	Entry Age Normal
Amortization method	Level Dollar Open
Remaining amortization period	30 Years
Asset valuation method	Market Value

Actuarial assumptions:

Investment rate of return	2.21 %
Rate of salary increases	4.60 %
Ultimate rate of medical inflation	4.75 %
Inflation	2.60 %

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

The discount rate used to measure the total OPEB liability was 2.16%.

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

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

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

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Sensitivity of the Net OPEB Liability to Changes in Trend Rates

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

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

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

Changes in the Net OPEB Liability

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

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

City of Newport News, Virginia
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OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2022, the City recognized OPEB expense of \$634,490. At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
Employer contributions subsequent to measurement date	\$ 250,000	-
Differences between expected and actual experience	\$ 163,563	1,763,153
Changes in assumptions	\$ 1,866,021	3,414,762
Net difference between projected and actual earnings on OPEB plan investments	\$ -	353,307

\$250,000 reported as deferred outflows of resources related to OPEB resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the Net OPEB Liability in the Fiscal Year ending June 30, 2023. Amounts reported as deferred outflows and deferred inflows of resources will be recognized in OPEB expense as follows:

Year ended June 30:	
2023	\$ (668,553)
2024	(684,415)
2025	(706,924)
2026	(546,478)
2027	(433,749)
Thereafter	(461,519)
Total	\$ (3,501,638)

Changes in Net OPEB Liability

The change in the LODA Fund's net OPEB liability for 2022 was as follows:

	Total OPEB liability (a)	Plan fiduciary net position (b)	Net OPEB liability (a)-(b)
Balances at June 30, 2021	\$ 10,687,244	3,255,379	7,431,865
Changes for the year:			
Service cost	1,119,261	-	1,119,261
Interest	251,569	-	251,569
Differences between expected and actual experience	3,029,301	-	3,029,301
Changes of assumptions	(3,342,375)	-	(3,342,375)
Contributions - employer	-	250,000	(250,000)
Net investment income	-	(383,235)	383,235
Benefit payments	(321,367)	(321,367)	-
Administrative expenses	-	(6,301)	6,301
Net changes	736,389	(460,903)	1,197,292
Balances at June 30, 2022	\$ 11,423,633	2,794,476	8,629,157

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

The discount rate used to measure the Total OPEB Liability of the LODA Fund was 3.66% for June 30, 2022.

The June 30, 2022 economic assumptions were based on the City's funding discount rate and the Bond Buyer GO 20-year Bond Municipal Bond Index as of June 30, 2022. Since the City has adopted a partial funding approach, the discount rate used for the June 30, 2022 measurement date reporting under GASB 74/75 was based on a blending of these two rates. The assumed funding rate was 7.00%. The Bond Buyer GO 20-year Bond Municipal Bond Index as of June 30, 2022 was 3.54%.

The assets accumulated in the Trust as of the measurement date are not sufficient to pay all future benefit payments for current plan participants past 2029. In accordance with paragraph 48 of GASB 74, the depletion test of the expected benefit payments resulted in a blended rate of 3.66%.

The following presents the net OPEB liability of the LODA Fund, calculated using the discount rate of 3.66%, as well as what the LODA Fund's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.66%) or one percentage point higher (4.66%) than the current rate:

	1% Decrease 2.66%	Discount Rate 3.66%	1% Increase 4.66%
Total OPEB liability	\$ 13,463,327	11,423,633	9,807,108
Plan fiduciary net position	2,794,476	2,794,476	2,794,476
Net OPEB liability	<u>\$ 10,668,851</u>	<u>8,629,157</u>	<u>7,012,632</u>
Plan fiduciary net position as a percentage of the total OPEB liability	20.8 %	24.5 %	28.5 %

Sensitivity of the Net OPEB Liability to Change in Trend Rates

Changes in 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 NOL of the LODA Fund as of June 30, 2022 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	\$ 9,371,858	11,423,633	14,132,620
Plan fiduciary net position	2,794,476	2,794,476	2,794,476
Net OPEB liability	<u>\$ 6,577,382</u>	<u>8,629,157</u>	<u>11,338,144</u>
Plan fiduciary net position as a percentage of the total OPEB liability	29.8 %	24.5 %	19.8 %

A one percent decrease in healthcare trends decreases the TOL by approximately 18% and decreases the NOL by approximately 24%. A one percent increase in the healthcare trend increases the TOL by approximately 24% and increases the NOL by approximately 31%.

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LODA Fiduciary Net Position and Changes in Net Position for the Year Ended June 30, 2022

Assets	
Cash and cash equivalents	\$ 588,684
Investments, at fair value	2,423,979
Sales receivable	<u>429</u>
Total assets	3,013,092
Liabilities	
Accounts payable	<u>218,616</u>
Total liabilities	<u>218,616</u>
Fiduciary Net Position	
Restricted for LODA benefits	<u><u>\$ 2,794,476</u></u>
Additions:	
Contributions	\$ 250,000
Investment earnings	<u>(383,235)</u>
Total additions	(133,235)
Deductions:	
Benefit payments	321,367
Administrative expenses	<u>6,300</u>
Total deductions	<u>327,667</u>
Change in fiduciary net position	(460,902)
Fiduciary net position - June 30, 2021	<u>3,255,378</u>
Fiduciary net position - June 30, 2022	<u><u>\$ 2,794,476</u></u>

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(c) VRS Group Life Insurance Program

Plan Description

The VRS Group Life Insurance (GLI) Program is a multiple employer, cost-sharing plan. It provides coverage to state employees, teachers, and employees of participating political subdivisions. The GLI Program was established pursuant to §51.1-500 et seq. of the *Code of Virginia*, as amended, 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 OPEB 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	
<p>Eligible Employees</p> <p>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:</p> <ul style="list-style-type: none"> • City of Richmond • City of Portsmouth • City of Roanoke • City of Norfolk • Roanoke City School Board <p>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.</p>	
<p>Benefit Amounts</p> <p>The benefits payable under the GLI Program have several components.</p> <ul style="list-style-type: none"> • Natural Death Benefit - The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. • Accidental Death Benefit - The accidental death benefit is double the natural death benefit. • Other Benefit Provisions - In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include: <ul style="list-style-type: none"> • Accidental dismemberment benefit • Seatbelt benefit • Repatriation benefit • Felonious assault benefit • Accelerated death benefit option 	

City of Newport News, Virginia
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Reduction in Benefit Amounts

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

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

For covered members with at least 30 years of service credit, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at \$8,000 by statute. This amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and was increased to \$8,722 effective June 30, 2022.

Contributions Required and Contributions Made

The contribution requirements for the GLI Program are governed by §51.1-506 and §51.1-508 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Program was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% X 60%) and the employer component was 0.54% (1.34% X 40%). Employers may elect to pay all or part of the employee contribution, however the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2022 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions by the City to the GLI Program were \$519,213 and \$469,205 for the years ended June 30, 2022 and June 30, 2021, respectively.

Net GLI OPEB Liability

The net OPEB liability (NOL) for the GLI Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2021, NOL amounts for the GLI Program are as follows (amounts expressed in thousands):

	Group life insurance OPEB program
Total GLI OPEB liability	\$ 3,577,346
Plan fiduciary net position	2,413,074
GLI net OPEB liability	<u>\$ 1,164,272</u>
Plan fiduciary net position as a percentage of the total GLI OPEB liability	67.45 %

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

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Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2020, 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, 2021.

Inflation	2.50%
Salary increases, including inflation -	
General state employees	3.50% - 5.35%
Teachers	3.50% - 5.95%
SPORS employees	3.50% - 4.75%
VaLORS employees	3.50% - 4.75%
JRS employees	4.50%
Locality - general employees	3.50% - 5.35%
Locality - hazardous duty employees	3.50% - 4.75%
Investment rate of return	6.75% net of plan investment expenses, including inflation

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

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; males set forward 2 years; 105% of rates for females set forward 3 years.

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 95% of rates for males set forward 2 years; 95% of rates for females set forward 1 year.

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 110% of rates for males set forward 3 years; 110% of rates for females set forward 2 years.

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally.

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, 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)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability rates	No change
Salary scale	No change
Line of Duty Disability	No change
Discount rate	No change

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Mortality Rates - Non-Largest Ten Locality Employers - Hazardous Duty Employees

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years.

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years.

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years.

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years.

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, 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)	Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty
Disability rates	No change
Salary scale	No change
Line of Duty Disability	No change
Discount rate	No change

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Long-Term Expected Rate of Return

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

Asset class (strategy)	Target allocation	Arithmetic long-term expected rate of return	Weighted avg long-term expected rate of return*
Public equity	34.00 %	5.00 %	1.70 %
Fixed income	15.00 %	0.57 %	0.09 %
Credit strategies	14.00 %	4.49 %	0.63 %
Real assets	14.00 %	4.76 %	0.67 %
Private equity	14.00 %	9.94 %	1.39 %
MAPS - Multi-asset public strategies	6.00 %	3.29 %	0.20 %
PIP - Private investment partnership	3.00 %	6.84 %	0.21 %
Total	<u>100.00 %</u>		<u>4.89 %</u>
Inflation			<u>2.50 %</u>
Expected arithmetic nominal return*			<u>7.39 %</u>

*The above allocation provides a one-year return of 7.39%. 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. These results provide a range of returns over various time periods that ultimately provide a median return of 6.94%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of return of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

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 employer contributions will be made in accordance with the VRS funding policy at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2021, the rate contributed by employers for the VRS GLI OPEB plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2021 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates.

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

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

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

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	1% Decrease 5.75%	Current discount rate 6.75%	1% Increase 7.75%
Employer's proportionate share of the GLI program net OPEB liability	\$ 7,158,838	4,899,836	3,075,589

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

	Contributions	June 30, 2020 Net pension liability	Proportionate share
Governmental activities	\$ 441,053	4,605,846	94.00 %
Business-type activities	28,152	293,990	6.00 %
Total	<u>\$ 469,205</u>	<u>4,899,836</u>	<u>100.00 %</u>

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

At June 30, 2022, the City reported a liability of \$4,899,836 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2021 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, 2021 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2021, the City's proportion was 0.42085% as compared to 0.38899% at June 30, 2020.

For the year ended June 30, 2022, the City recognized GLI OPEB expense of \$591,161. 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, 2022, 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	<u>\$ 488,061</u>	<u>-</u>	<u>31,153</u>	<u>-</u>	<u>519,214</u>	<u>-</u>
Differences between expected and actual experience	<u>\$ 525,313</u>	<u>35,094</u>	<u>33,531</u>	<u>2,240</u>	<u>558,844</u>	<u>37,334</u>
Changes in assumptions	<u>\$ 253,919</u>	<u>630,178</u>	<u>16,208</u>	<u>40,224</u>	<u>270,127</u>	<u>670,402</u>
Changes in proportion	<u>\$ 1,150,260</u>	<u>-</u>	<u>73,421</u>	<u>-</u>	<u>1,223,681</u>	<u>-</u>
Investment Experience	<u>\$ -</u>	<u>1,099,317</u>	<u>-</u>	<u>70,169</u>	<u>-</u>	<u>1,169,486</u>

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\$519,214 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, 2023. 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:	
2023	\$ 149,039
2024	150,021
2025	49,521
2026	(197,982)
2027	24,831
Total	<u>\$ 175,430</u>

GLI Program Fiduciary Net Position

Detailed information about the GLI Program's Fiduciary Net Position is available in the separately issued VRS 2021 Annual Comprehensive Financial Report. A copy of the 2021 VRS Annual Comprehensive Financial Report may be downloaded from the VRS website at <https://www.varetire.org/Pdf/Publications/2021-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, 2022, the City did not have a payable to the VRS GLI OPEB plan.

(d) Aggregate Other Postemployment Benefits Expense

The aggregate other postemployment benefits expense for the City for the year ended June 30, 2022 for the City of Newport News Other Postemployment Fund, the City of Newport News Line of Duty Plan, and the VRS Group Life Insurance Program was \$3,644,446.

(10) Deferred Compensation Plans

(a) 457 Deferred Compensation Plan - Traditional and Roth

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

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

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(b) Health Reimbursement Arrangement (HRA)

All full-time employees of the City hired after March 1, 2010 (except Schools employees) are automatically enrolled in the HRA Plan adopted under the provision of the IRS Notice 2002-45 and Revenue Ruling 2002-41. Under the plan, the City contributes 3% of the average City salary into each employee's HRA account. For fiscal 2022, based on an average City salary of \$54,847, the City contributed \$1,645 per participant for a total of \$3,144,746 to the HRA accounts. The accumulated amounts are available to participants at retirement or at age 55, if terminated prior to reaching retirement eligibility. The Plan reimburses the participant, the participant's spouse, and dependents for insurance premiums or other medical payments expended for permissible benefits described under the plan. HRA participants cannot be members of the City's OPEB Fund.

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

(11) Self Insurance

(a) Medical Benefits

The School Board is self-insured for medical benefits through funding from the General Fund for employees up to \$200,000, per employee per year. The 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 \$300,000, 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, 2022 and 2021 for the City and the Public Schools were as follows:

	City		Public schools	
	2022	2021	2022	2021
Claims payable at beginning of year	\$ 2,759,000	2,728,000	2,754,000	2,876,000
Claims and changes in estimates	37,843,622	38,251,325	30,034,707	31,729,760
Claim payments	(37,734,622)	(38,220,325)	(30,357,707)	(31,851,760)
Claims payable at end of year	<u>\$ 2,868,000</u>	<u>2,759,000</u>	<u>2,431,000</u>	<u>2,754,000</u>

(b) Workers' Compensation

The City self-insures for workers' compensation through the General Fund up to \$2,000,000 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, 2022 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, 2022 and 2021 for the City and the Schools.

	City		Public schools	
	2022	2021	2022	2021
Claims payable at beginning of year	\$ 13,329,343	12,121,766	6,061,622	4,831,741
Claims and changes in estimates	2,375,250	4,089,580	889,054	2,226,505
Claim payments	(2,774,246)	(2,882,003)	(1,229,388)	(996,624)
Claims payable at end of year	<u>\$ 12,930,347</u>	<u>13,329,343</u>	<u>5,721,288</u>	<u>6,061,622</u>

A loss analysis was conducted by Oliver Wyman Actuarial Consulting, Inc. on this fund. The total actuarially computed liability as of June 30, 2022 for the City and School Board was determined to be approximately \$12.9 million and \$5.7 million, respectively.

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(c) Other

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

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

	City	
	2022	2021
Auto & General Liability		
Claims payable at beginning of year	\$ 2,278,558	1,890,263
Claims and changes in estimates	1,164,888	1,655,851
Claim payments	(1,075,201)	(1,267,556)
Claims payable at end of year	<u>\$ 2,368,245</u>	<u>2,278,558</u>

The auto and general liability claims increased from \$2.28 million to \$2.37 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, 2022, will not be material to the financial statements.

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(c) Encumbrances

Encumbrance accounting, the recording of purchase orders, contracts, and other monetary commitments in order to reserve an applicable portion of an appropriation, is used as an extension of formal budgetary control by the City. At June 30, 2022, the City had outstanding encumbrances as follows:

General Fund	
General Government	\$ 539,201
Public Safety	231,970
Public Works	5,950,941
Health and Welfare	152,862
Parks, Recreation and Cultural	541,667
Community Development	43,846
Total General Fund	<u>7,460,487</u>
Bond Fund	
Public Safety	210,637
Public Works	11,487,751
Health and Welfare	55,112
Parks, Recreation and Cultural	543,110
Community Development	13,351,756
Total Bond Fund	<u>25,648,366</u>
Capital Projects Other Federal and State Fund	
Public Works	<u>21,493,721</u>
Total Capital Projects Other Federal and State Fund	<u>21,493,721</u>
General Capital Improvements	
General Government	2,031,855
Public Safety	235,603
Public Works	1,663,007
Parks, Recreation and Cultural	132,691
Community Development	1,964,174
Total General Capital Improvements	<u>6,027,330</u>
Other Federal and State	
Public Safety	295,761
Health and Welfare	914
Community Development	378,969
Total Other Federal and State	<u>675,644</u>
Nonmajor Governmental Funds	
General Government	210,609
Public Works	3,470,618
Parks, Recreation and Cultural	454
Community Development	27,676
Total Nonmajor Governmental Funds	<u>3,709,357</u>
Total	<u><u>\$ 65,014,905</u></u>

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(13) Jointly Governed Organizations and Joint Ventures

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

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

(b) Hampton Roads Regional Jail Authority (HRRJA)

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

(c) Hampton Roads Economic Development Alliance (HREDA)

The HREDA is a non-profit, public-private partnership that aggressively markets Virginia's Hampton Roads region as the primary region of choice for economic investment and business expansion. All HREDA business attraction initiatives and activities are designed to promote the jurisdictions of Chesapeake, Franklin, Gloucester County, Hampton, Isle of Wight County, James City County, Newport News, Norfolk, Poquoson, Portsmouth, Southampton County, Suffolk, Virginia Beach, Williamsburg and York County, Virginia. The business affairs are managed by a Board of not less than 50 or more than 300 Directors. The City's Mayor and the Director of E/IDA are board members. HREDA receives funding from both private and public entities. Newport News contributed \$207,206 in FY22. Separate financial statements are available from the HREDA, 500 Main Street, Suite 1300, Norfolk, Virginia 23510.

(14) Tax Abatements

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

Fiscal year ended	Amount of taxes abated
June 30, 2022	\$ 230,518
June 30, 2021	186,298
June 30, 2020	157,923
June 30, 2019	225,185
June 30, 2018	103,592
June 30, 2017	51,956
June 30, 2016	48,929
June 30, 2015	48,759
June 30, 2014	20,337

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Additionally, the IDA administers a Defense Production Zone Program within the City of Newport News. The City established a Defense Production Zone within certain boundaries in its downtown area, and the IDA negotiates incentives with defense production firms for certain projects within that area to encourage the defense production tax base and support investment and job creation. The IDA currently has one agreement under this program, which provides a grant to a qualified shipbuilder for the amount of net new real estate and machinery and tools taxes created by new capital investments within the Defense Production Zone. The incentives provided for the fiscal years ended June 30 were as follows:

Fiscal Year Ended	Amount of Incentive Provided
June 30, 2022	\$ 2,506,307

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 eight entities as of June 30, 2022.

Industry	2015	2016	2017	2018	2019	2020	2021	2022
Automotive manufacturer	\$ 55,136	186,438	472,906	632,945	781,022	-	1,548,047	499,879
Industrial digital imaging	1,515,016	1,092,673	893,688	697,173	653,200	468,268	332,498	329,779
Food processor and distributor	34,365	46,983	65,053	97,790	124,065	-	-	-
Manufacturer of flavors and related specialties	-	-	-	-	3,535	8,023	9,615	11,421
Plumbing, HVAC, and building supply distributor	-	-	-	-	-	-	18,359	9,180
Distillery	-	-	-	-	-	-	4,160	-
	<u>\$ 1,604,517</u>	<u>1,326,094</u>	<u>1,431,647</u>	<u>1,427,908</u>	<u>1,561,822</u>	<u>476,291</u>	<u>1,912,679</u>	<u>850,259</u>

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(15) Subsequent Events

Subsequent events have been analyzed through November 23, 2022 noting the following:

On September 23, 2022, the City of Newport News, through its Major Fund - Public Utility Newport News Waterworks, which is presented as a Proprietary Fund within these financial statements, purchased certain land comprising 197.7 acres located in York County, Virginia from the Peninsula Airport Commission, which is an other discretely presented component unit included within these financial statements, for a contract sales price of \$4.4 million.

Pension

In recognition of the current economic conditions and given the extraordinary returns in 2021, the Board recommended and City Council approved a one-time supplemental "13th check" in addition to the annual COLA. This one-time payment was provided in July 2022 to eligible retirees and beneficiaries retired prior to July 1, 2021 and was equal to monthly retirement allowances as of June 30, 2022, capped at \$2,000 per payee. This one time supplemental benefit increased the Pension's unfunded liability by \$5.2 million and will be amortized over 10 years beginning in FY 2023.

E/IDA

In August 2022, the E/IDA approved the issuance of up to \$28.5 million of revenue bonds and the refunding of \$7.5 million of revenue bonds for the benefit of Christopher Newport University Real Estate Foundation.

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, 2022

	Original Budget	Amended Budget	Actual	Variance
Revenues:				
Revenue from Local Sources:				
General Property Taxes:				
Real Property Taxes	\$ 211,625,000	211,625,000	211,869,524	244,524
Real and Personal Public Service Corporation Property Taxes	7,147,590	7,147,590	7,024,628	(122,962)
Personal Property Taxes	59,127,000	59,127,000	65,972,704	6,845,704
Machinery and Tools Taxes	25,625,000	25,625,000	27,314,279	1,689,279
Penalties and Interest	1,605,000	1,605,000	2,398,736	793,736
Total General Property Taxes	305,129,590	305,129,590	314,579,871	9,450,281
Other Local Taxes:				
Local Sales and Use Taxes	28,600,000	28,600,000	32,707,526	4,107,526
Restaurant Food Taxes	26,500,000	26,500,000	32,341,996	5,841,996
Business License Taxes	17,470,000	17,470,000	20,900,524	3,430,524
Telecom Sales Taxes	9,100,000	9,100,000	8,310,146	(789,854)
Consumers' Utility Taxes	6,300,000	6,300,000	6,280,524	(19,476)
Hotel and Motel Room Taxes	4,221,600	4,221,600	5,411,355	1,189,755
Tobacco Taxes	4,250,000	4,250,000	4,111,000	(139,000)
Motor Vehicle License	4,300,000	4,300,000	4,219,377	(80,623)
Taxes on Recordation and Wills	2,100,000	2,100,000	3,013,965	913,965
Bank Stock Taxes	1,100,000	1,100,000	1,282,753	182,753
Rental Car Taxes	990,000	990,000	1,277,286	287,286
E-911 Service Revenue	852,000	852,000	1,041,652	189,652
Amusement Taxes	250,000	250,000	767,921	517,921
Consumption Tax	675,000	675,000	688,172	13,172
Tourism Zone Taxes	23,400	23,400	38,364	14,964
Total Other Local Taxes	106,732,000	106,732,000	122,392,561	15,660,561
Permits, Privilege Fees, and Regulatory Licenses	3,340,051	3,340,051	3,607,945	267,894
Fines and Forfeitures	1,487,200	1,487,200	1,033,735	(453,465)
Revenue from Use of Money and Property	4,022,057	4,022,057	2,823,418	(1,198,639)
Charges for Services	15,204,590	15,204,590	15,195,194	(9,396)
Recovered Costs	14,481,148	14,481,148	14,051,253	(429,895)
Miscellaneous Revenue	14,813,184	14,813,184	14,923,785	110,601
Total Revenue from Local Sources	465,209,820	465,209,820	488,607,762	23,397,942
Revenue from the Commonwealth:				
Noncategorical Aid	638,000	638,000	936,464	298,464
Shared Expenses	10,481,000	10,481,000	11,241,705	760,705
Categorical Aid	38,131,102	38,193,474	37,365,963	(827,511)
Total Revenue from the Commonwealth	49,250,102	49,312,474	49,544,132	231,658
Other Financing Sources:				
Transfers from Other Funds	9,500,000	9,500,000	9,500,000	-
Leases Issued	-	-	236,581	236,581
Total Other Financing Sources	9,500,000	9,500,000	9,736,581	236,581
Total Revenues and Other Financing Sources	\$ 523,959,922	524,022,294	547,888,475	23,866,181

(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, 2022

	Original Budget	Amended Budget	Actual	Variance
Expenditures:				
General Government Administration				
City Council	\$ 355,942	356,432	352,980	3,452
City Clerk	395,423	415,455	410,379	5,076
City Manager	2,152,839	2,155,411	2,031,788	123,623
Human Resources	2,226,698	2,236,334	2,233,503	2,831
City Attorney	2,292,072	2,306,050	2,304,224	1,826
Internal Auditor	578,357	599,133	598,962	171
Commissioner of the Revenue	2,660,805	2,682,924	2,469,996	212,928
Real Estate Assessor	1,657,453	1,677,087	1,636,614	40,473
City Treasurer	2,591,174	2,599,173	2,531,701	67,472
Finance	3,678,334	3,716,020	3,690,759	25,261
Budget and Evaluation	871,643	873,752	699,410	174,342
Auto and General Liability Insurance	3,340,900	3,330,813	3,707,113	(376,300)
Workers' Compensation	3,159,100	3,159,100	3,210,245	(51,145)
Information Technology	11,898,914	11,976,607	11,831,037	145,570
Registrar	611,161	615,889	612,819	3,070
Nondepartmental				
Appointed Boards	99,030	109,386	74,093	35,293
Community Support Agencies	2,674,323	2,770,259	2,747,667	22,592
Regional Organizations Support	9,091,579	8,998,804	8,776,326	222,478
Retirement and Other Postemployment Benefits	38,872,869	38,872,869	39,099,453	(226,584)
Contractual Services	2,105,428	2,263,614	2,479,673	(216,059)
Internal Services	1,114,543	1,010,155	940,344	69,811
Machinery and Equipment	570,000	639,483	259,111	380,372
Security Services	1,930,420	1,943,634	2,265,222	(321,588)
Strategic Priorities	2,077,822	1,505,500	420,073	1,085,427
Street Lighting	365,192	373,211	166,545	206,666
Other	10,893,672	8,872,769	(26,575,157)	35,447,926
Total General Government Administration	<u>108,265,693</u>	<u>106,059,864</u>	<u>68,974,880</u>	<u>37,084,984</u>
Judicial Administration				
Circuit Courts	1,030,822	1,041,322	1,037,157	4,165
District Courts	636,725	637,145	555,823	81,322
Office of the Magistrate	24,216	24,816	22,949	1,867
Juvenile/Domestic Relations Court	251,573	256,823	243,170	13,653
Clerk of the Circuit Court	1,860,178	1,924,184	1,874,817	49,367
Court Services	491,698	492,698	460,753	31,945
Commonwealth's Attorney	4,842,883	4,848,148	4,738,141	110,007
Total Judicial Administration	<u>\$ 9,138,095</u>	<u>9,225,136</u>	<u>8,932,810</u>	<u>292,326</u>

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, 2022

	Original Budget	Amended Budget	Actual	Variance
Public Safety				
Police Department	\$ 52,923,851	54,257,328	58,441,730	(4,184,402)
Fire Department	38,599,062	40,086,708	41,947,559	(1,860,851)
Sheriff	25,622,561	26,026,983	26,078,000	(51,017)
Juvenile Detention	8,976,798	9,052,964	8,417,525	635,439
Codes Compliance	3,384,273	3,429,677	3,136,800	292,877
Total Public Safety	129,506,545	132,853,660	138,021,614	(5,167,954)
Public Works				
Engineering	1,423,747	1,533,581	712,244	821,337
Public Works	5,053,488	6,479,886	-	6,479,886
Total Public Works	6,477,235	8,013,467	712,244	7,301,223
Health and Welfare				
Health Department	4,477,982	4,477,982	4,356,450	121,532
Human Services	38,139,879	38,157,296	35,412,467	2,744,829
Total Health and Welfare	42,617,861	42,635,278	39,768,917	2,866,361
Parks, Recreation, and Cultural				
Parks and Recreation	25,549,011	25,851,154	22,875,330	2,975,824
Library	5,467,085	5,493,732	5,042,459	451,273
Total Parks, Recreation, and Cultural	31,016,096	31,344,886	27,917,789	3,427,097
Community Development				
Development	7,638,017	7,760,176	7,040,797	719,379
Planning	1,640,191	1,653,512	1,443,157	210,355
Communications	2,156,083	2,269,984	2,214,149	55,835
Total Community Development	11,434,291	11,683,672	10,698,103	985,569
Leasing Activities				
Lease Expenditure	-	-	236,581	(236,581)
Lease Termination Principal Paid	-	-	2,216	(2,216)
Total Leasing Activities	-	-	238,797	(238,797)
General Fund Transfer to Public Schools	113,389,307	113,389,307	113,389,307	-
Transfer to Other Funds				
Debt Service	38,927,031	38,927,031	38,931,307	(4,276)
Debt Service - Public Schools	7,636,626	7,636,626	7,636,626	-
Capital Projects	20,497,095	20,497,095	63,862,297	(43,365,202)
Other Transfers	5,054,047	5,054,047	4,724,047	330,000
Total Transfer to Other Funds	72,114,799	72,114,799	115,154,277	(43,039,478)
Total Expenditures and Transfers to Other Funds	\$ 523,959,922	527,320,069	523,808,738	3,511,331

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

	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability								
Service Costs	\$ 7,786,525	8,411,753	8,907,722	8,497,193	9,045,434	9,467,439	9,926,558	10,534,763
Interest	98,658,763	97,575,492	96,464,296	95,861,994	93,983,070	91,489,549	88,917,067	86,803,765
Differences between Expected and Actual Experience	(12,357,135)	(2,115,300)	(5,048,122)	17,695,138	(185,230)	6,473,172	6,665,024	-
Changes of Assumptions	31,531,428	-	-	(7,267,035)	-	-	-	-
Benefit Payments, Including Refunds of Member Contributions	(90,503,440)	(86,582,746)	(82,901,749)	(78,976,935)	(75,570,088)	(72,016,569)	(69,527,978)	(67,393,918)
Net Change in Total Pension Liability	35,116,141	17,289,199	17,422,147	35,810,355	27,273,186	35,413,591	35,980,671	29,944,610
Total Pension Liability - Beginning	1,378,959,009	1,361,669,810	1,344,247,663	1,308,437,308	1,281,164,122	1,245,750,531	1,209,769,860	1,179,825,250
Total Pension Liability - Ending	\$ 1,414,075,150	1,378,959,009	1,361,669,810	1,344,247,663	1,308,437,308	1,281,164,122	1,245,750,531	1,209,769,860
Plan Fiduciary Net Position								
Contributions - Employer	\$ 40,674,039	40,179,618	40,853,742	40,700,786	39,135,864	39,005,899	33,258,275	29,364,826
Contributions - Member	4,786,658	5,278,135	5,530,796	5,779,158	5,987,851	6,416,136	6,738,148	6,558,611
Net Investment Income	280,242,054	2,784,859	37,228,451	91,844,066	115,173,724	(7,465,822)	26,194,662	113,205,029
Benefit Payments, Including Refunds of Member Contributions	(90,503,440)	(86,582,746)	(82,901,749)	(78,976,935)	(75,570,088)	(72,016,569)	(69,527,978)	(67,393,918)
Administrative Expense	(1,158,084)	(1,038,363)	(982,680)	(1,030,662)	(952,560)	(921,181)	(1,003,673)	(866,517)
Net Change in Plan Fiduciary Net Position	\$ 234,041,227	(39,378,497)	(271,440)	58,316,413	83,774,791	(34,981,537)	(4,340,566)	80,868,031
Plan Fiduciary Net Position - Beginning	918,099,965	957,478,462	957,749,902	899,433,489	815,658,698	850,640,235	854,980,801	774,112,770
Plan Fiduciary Net Position -Ending	\$ 1,152,141,192	918,099,965	957,478,462	957,749,902	899,433,489	815,658,698	850,640,235	854,980,801
Net Pension Liability Ending	\$ 261,933,958	460,859,044	404,191,348	386,497,761	409,003,819	465,505,424	395,110,296	354,789,059
Plan fiduciary net position as a percentage of the total pension liability	81.48 %	66.58 %	70.32 %	71.25 %	68.74 %	63.67 %	68.28 %	70.67 %
Covered Payroll	\$ 92,036,126	98,821,339	103,823,307	108,187,035	113,302,887	118,639,692	123,619,906	129,912,288
Net Position Liability as a Percentage of Covered Payroll	284.60 %	466.36 %	389.31 %	357.25 %	360.98 %	392.37 %	319.62 %	273.10 %

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

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

	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability								
Service Costs	\$ 8,637,628	7,687,590	6,513,447	5,810,589	5,556,353	4,831,751	4,219,577	3,376,352
Interest	3,527,510	2,869,418	2,274,606	1,732,518	1,382,295	1,000,116	702,834	441,527
Differences between Expected and Actual Experience	(1,346,955)	(135,801)	(124,261)	746,189	(271,408)	(127,774)	(522,034)	-
Changes of Assumptions	2,171,721	-	1,868,651	-	(1,239,629)	-	-	-
Benefit Payments, Including Refunds of Member Contributions	(844,836)	(498,558)	(535,285)	(555,062)	(293,811)	(194,963)	(112,015)	(57,843)
Net Change in Total Pension Liability	12,145,068	9,922,649	9,997,158	7,734,234	5,133,800	5,509,130	4,288,362	3,760,036
Total Pension Liability - Beginning	52,681,825	42,759,176	32,762,018	25,027,784	19,893,984	14,384,854	10,096,492	6,336,456
Total Pension Liability - Ending	\$ 64,826,893	52,681,825	42,759,176	32,762,018	25,027,784	19,893,984	14,384,854	10,096,492
Plan Fiduciary Net Position								
Contributions - Employer	\$ 4,688,418	3,833,305	3,473,179	3,074,885	2,766,138	2,754,620	2,346,626	3,039,422
Contributions - Member	3,957,331	3,674,325	3,285,577	3,052,031	2,685,841	2,326,164	2,054,662	1,685,840
Net Investment Income	17,151,124	1,046,082	3,096,851	2,575,005	3,322,147	485,326	760,402	1,589,581
Benefit Payments, Including Refunds of Member Contributions	(844,836)	(498,558)	(535,285)	(555,062)	(293,811)	(194,963)	(112,015)	(57,843)
Administrative Expense	(33,981)	(27,186)	(22,225)	(17,042)	(13,687)	(8,716)	(5,937)	(4,461)
Other	1,711	(1,315)	(2,007)	(2,546)	(3,225)	(153)	(177)	(83)
Net Change in Plan Fiduciary Net Position	\$ 24,919,767	8,026,653	9,296,090	8,127,271	8,463,403	5,362,278	5,043,561	6,252,456
Plan Fiduciary Net Position - Beginning	58,356,465	50,329,812	41,033,722	32,906,451	24,443,048	19,080,770	14,037,209	7,784,753
Plan Fiduciary Net Position - Ending	\$ 83,276,232	58,356,465	50,329,812	41,033,722	32,906,451	24,443,048	19,080,770	14,037,209
Net Pension Asset Ending	\$ (18,449,339)	(5,674,640)	(7,570,636)	(8,271,704)	(7,878,667)	(4,549,064)	(4,695,916)	(3,940,717)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	128.46 %	110.77 %	117.71 %	125.25 %	131.48 %	122.87 %	132.64 %	139.03 %
Covered Payroll	\$ 83,612,727	79,640,771	70,555,593	64,320,834	55,753,786	47,926,329	36,397,255	33,287,071
Net Pension Asset as a Percentage of Covered Payroll	22.07 %	7.13 %	10.73 %	12.86 %	14.13 %	9.49 %	12.90 %	11.84 %

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

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

	2021	2020	2019	2018	2017
Total OPEB liability					
Service Costs	\$ 606,165	649,243	950,809	519,381	811,867
Interest	8,399,739	8,545,222	8,259,776	8,847,501	8,837,567
Differences between Expected and Actual Experience	(2,535,651)	(2,896,477)	298,749	1,053,023	-
Changes of Assumptions	2,146,184	-	2,544,266	(7,399,952)	-
Benefit Payments, Including Refunds of Member Contributions	(8,156,651)	(8,309,164)	(8,393,848)	(9,229,514)	(9,512,163)
Net Change in Total OPEB Liability	459,786	(2,011,176)	3,659,752	(6,209,561)	137,271
Total OPEB Liability - Beginning	117,682,024	119,693,200	116,033,448	122,243,009	122,105,738
Total OPEB Liability - Ending	<u>\$ 118,141,810</u>	<u>117,682,024</u>	<u>119,693,200</u>	<u>116,033,448</u>	<u>122,243,009</u>
Plan Fiduciary Net Position					
Contributions - Employer	\$ 8,240,000	8,240,000	8,240,000	8,240,000	8,240,000
Net Investment Income	12,266,250	1,103,788	1,218,136	3,355,846	5,402,335
Benefit Payments, Including Refunds of Member Contributions	(8,156,651)	(8,309,164)	(8,393,848)	(9,229,514)	(9,512,163)
Administrative Expense	(50,800)	(43,259)	(44,934)	(44,013)	(60,497)
Net Change in Plan Fiduciary Net Position	\$ 12,298,799	991,365	1,019,354	2,322,319	4,069,675
Plan Fiduciary Net Position - Beginning	35,864,564	34,873,199	33,853,845	31,531,526	27,461,851
Plan Fiduciary Net Position - Ending	<u>\$ 48,163,363</u>	<u>35,864,564</u>	<u>34,873,199</u>	<u>33,853,845</u>	<u>31,531,526</u>
Net OPEB Liability Ending	<u>\$ 69,978,447</u>	<u>81,817,460</u>	<u>84,820,001</u>	<u>82,179,603</u>	<u>90,711,483</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	40.77 %	30.48 %	29.14 %	29.18 %	25.79 %
Covered Payroll	\$ 81,575,862	87,622,682	92,290,402	95,734,439	100,618,959
Net OPEB Liability as a Percentage of Covered Payroll	85.78 %	93.37 %	91.91 %	85.84 %	90.15 %

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

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

	2021	2020	2019	2018	2017
Total OPEB Liability					
Service Costs	\$ 1,154,837	768,377	669,808	1,148,034	1,130,417
Interest	289,605	370,093	342,729	383,248	311,181
Changes of Benefit Terms	-	-	-	905,453	-
Differences between Expected and Actual Experience	(996,420)	(679,680)	261,699	(686,746)	-
Changes of Assumptions	(1,509,952)	2,000,282	585,295	(2,835,907)	(1,381,476)
Benefit Payments, Including Refunds of Member Contributions	(398,312)	(232,550)	(247,202)	(322,421)	(260,856)
Net Change in Total OPEB Liability	(1,460,242)	2,226,522	1,612,329	(1,408,339)	(200,734)
Total OPEB Liability - Beginning	12,147,486	9,920,964	8,308,635	9,716,974	9,917,708
Total OPEB Liability - Ending	<u>\$ 10,687,244</u>	<u>12,147,486</u>	<u>9,920,964</u>	<u>8,308,635</u>	<u>9,716,974</u>
Plan Fiduciary Net Position					
Contributions - Employer	\$ 250,000	250,000	300,000	300,000	256,300
Net Investment Income	744,850	30,817	(11,588)	104,072	19,499
Benefit Payments, Including Refunds of Member Contributions	(398,312)	(232,550)	(247,202)	(322,421)	(260,856)
Administrative Expense	(6,000)	(5,904)	(3,786)	(5,095)	(46,909)
Net Change in Plan Fiduciary Net Position	\$ 590,538	42,363	37,424	76,556	(31,966)
Plan Fiduciary Net Position - Beginning	2,664,841	2,622,478	2,585,054	2,508,498	2,540,464
Plan Fiduciary Net Position - Ending	<u>\$ 3,255,379</u>	<u>2,664,841</u>	<u>2,622,478</u>	<u>2,585,054</u>	<u>2,508,498</u>
Net OPEB Liability Ending	<u>\$ 7,431,865</u>	<u>9,482,645</u>	<u>7,298,486</u>	<u>5,723,581</u>	<u>7,208,476</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	30.46 %	21.94 %	26.43 %	31.11 %	25.82 %
Covered Payroll	\$ 64,491,596	62,113,806	60,568,373	59,928,556	59,195,883
Net OPEB Liability as a Percentage of Covered Payroll	11.52 %	15.27 %	12.05 %	9.55 %	12.18 %

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

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

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially Determined Contribution	\$ 41,273	40,674	40,180	40,854	40,701	39,262	39,154	40,394	40,628
Contributions in Relation to the Actuarially Determined Contribution	41,273	40,674	40,180	40,854	40,701	39,136	39,006	33,258	29,365
Contribution Deficiency	\$ -	-	-	-	-	126	148	7,136	11,263
Covered Payroll	\$ 86,433	92,036	98,821	103,823	108,187	113,303	118,640	123,620	129,912
Contributions as a Percentage of Covered Payroll	47.75 %	44.19 %	40.66 %	39.35 %	37.62 %	34.54 %	32.88 %	26.90 %	22.60 %

Schedule of City Contributions VRS
(Dollar amounts in thousands)

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually Required Contribution	\$ 5,173	4,694	3,856	3,470	3,075	2,766	2,755	2,347	3,039
Contributions in Relation to the Contractually Required Contribution	5,173	4,694	3,856	3,470	3,075	2,766	2,755	2,347	3,039
Contribution Excess	\$ -	-	-	-	-	-	-	-	-
Covered Payroll	\$ 88,194	83,613	79,641	70,556	64,321	55,754	47,926	36,397	33,287
Contributions as a Percentage of Covered Payroll	5.87 %	5.61 %	4.84 %	4.92 %	4.78 %	4.96 %	5.75 %	6.45 %	9.13 %

Schedule of City Contributions OPEB
(Dollar amounts in thousands)

	2022	2021	2020	2019	2018	2017
Actuarially Determined Contribution	\$ 8,240	8,240	8,240	8,240	8,240	8,240
Contributions in Relation to the Actuarially Determined Contribution	8,240	8,240	8,240	8,240	8,240	8,240
Contribution Deficiency	\$ -	-	-	-	-	-
Covered Payroll	\$ 76,922	81,576	87,623	92,290	95,734	100,619
Contributions as a Percentage of Covered Payroll	10.71 %	10.10 %	9.40 %	8.93 %	8.61 %	8.19 %

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

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

	2022	2021	2020	2019	2018
Actuarially Determined Contribution	\$ 250	250	250	300	300
Contributions in Relation to the Actuarially Determined Contribution	250	250	250	300	300
Contribution Deficiency	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Covered Payroll	\$ 66,499	64,492	62,114	60,568	59,929
Contributions as a Percentage of Covered Payroll	0.38 %	0.39 %	0.40 %	0.50 %	0.50 %

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

	2022	2021	2020	2019	2018
Contractually Required Contribution	\$ 519	469	416	371	336
Contributions in Relation to the Contractually Required Contribution	519	469	416	371	336
Contribution Excess	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Covered Payroll	\$ 88,194	83,613	79,641	70,556	64,321
Contributions as a Percentage of Covered Payroll	0.59 %	0.56 %	0.52 %	0.53 %	0.52 %

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

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

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Annual Money - Weighted Rate of Return, Net of Investment Fees	(9.90)%	31.40%	(2.00)%	3.30%	9.92%	14.83%	(1.05)%	2.92%	15.08%

Schedule of Investment Returns OPEB
Years ended June 30

	2022	2021	2020	2019	2018	2017
Annual Money - Weighted Rate of Return, Net of Investment Fees	(15.30)%	33.90%	3.20%	3.60%	11.29%	21.23%

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

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

	2021	2020	2019	2018	2017
Employer's Proportion of the Net GLI OPEB Liability	0.42085%	0.38899%	0.36254%	0.33971%	0.30329%
Employer's Proportionate Share of the Net GLI OPEB Liability	\$ 4,899,836	6,491,607	5,899,490	5,159,000	4,564,000
Employer's Covered Payroll	\$ 83,612,727	79,640,771	70,555,593	64,320,834	55,753,786
Employer's Proportionate Share of the Net GLI OPEB Liability as a Percentage of its Covered Payroll	5.86%	8.15%	8.36%	8.02%	8.19%
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	67.45%	52.64%	52.00%	51.22%	48.86%

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

City of Newport News, Virginia
Notes to Required Supplementary Information
Year ended June 30, 2022

(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 2022 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, 2022

	Special Revenue						
	Community Development	Street Maintenance	Economic Development	Law Library	Stormwater	Solid Waste	Wastewater
Assets							
Cash and Cash Equivalents	\$ 785	-	1,243,000	43,753	26,269,605	8,937,141	17,023,936
Accounts Receivable, Net	-	-	7,285	8,412	1,478,528	2,414,657	1,670,058
Lease Receivable	-	-	1,109,480	-	-	-	-
Receivables from Other Governments:							
Virginia	35,184	-	-	-	-	-	-
Inventory, At Cost	-	-	-	-	-	-	-
Total Assets	<u>\$ 35,969</u>	<u>-</u>	<u>2,359,765</u>	<u>52,165</u>	<u>27,748,133</u>	<u>11,351,798</u>	<u>18,693,994</u>
Liabilities							
Accounts Payable	\$ 34,150	-	96,130	279	1,043,073	508,963	327,761
Accrued Liabilities	1,819	-	-	3,920	350,401	220,394	466,987
Unearned Revenues	-	-	3,695	-	-	37,709	-
Total Liabilities	<u>35,969</u>	<u>-</u>	<u>99,825</u>	<u>4,199</u>	<u>1,393,474</u>	<u>767,066</u>	<u>794,748</u>
Deferred Inflows of Resources							
Lease Related	-	-	1,149,891	-	-	-	-
Unavailable Revenue - Stormwater Fees	-	-	-	-	858,134	-	-
Fund Balances							
Nonspendable	-	-	-	-	-	-	-
Restricted	-	-	-	25	25,496,525	10,584,732	17,899,246
Committed	-	-	1,110,049	47,941	-	-	-
Total Fund Balances	<u>-</u>	<u>-</u>	<u>1,110,049</u>	<u>47,966</u>	<u>25,496,525</u>	<u>10,584,732</u>	<u>17,899,246</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 35,969</u>	<u>-</u>	<u>2,359,765</u>	<u>52,165</u>	<u>27,748,133</u>	<u>11,351,798</u>	<u>18,693,994</u>

(continued)

City of Newport News, Virginia
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2022

	Special Revenue					Total Nonmajor Governmental Funds
	Comprehensive Services Act	Criminal Justice Academy	Animal Shelter	Special Events	Sheriff Canteen	
Assets						
Cash and Cash Equivalents	\$ 2,110,293	289,334	202,716	779,518	1,472,717	58,372,798
Accounts Receivable, Net	-	-	50	-	-	5,578,990
Lease Receivable	-	-	-	-	-	1,109,480
Receivables from Other Governments:						
Virginia	1,089,509	-	-	-	-	1,124,693
Inventory, At Cost	-	-	6,939	-	-	6,939
Total Assets	<u>\$ 3,199,802</u>	<u>289,334</u>	<u>209,705</u>	<u>779,518</u>	<u>1,472,717</u>	<u>66,192,900</u>
Liabilities						
Accounts Payable	\$ 882,604	7,418	85,850	73,863	52,071	3,112,162
Accrued Liabilities	-	-	69,862	-	896	1,114,279
Unearned Revenues	-	-	-	-	-	41,404
Total Liabilities	<u>882,604</u>	<u>7,418</u>	<u>155,712</u>	<u>73,863</u>	<u>52,967</u>	<u>4,267,845</u>
Deferred Inflows of Resources						
Lease Related	-	-	-	-	-	1,149,891
Unavailable Revenue - Stormwater Fees	-	-	-	-	-	858,134
Fund Balances						
Nonspendable	-	-	6,939	-	-	6,939
Restricted	-	-	-	-	1,419,750	55,400,278
Committed	2,317,198	281,916	47,054	705,655	-	4,509,813
Total Fund Balances	<u>2,317,198</u>	<u>281,916</u>	<u>53,993</u>	<u>705,655</u>	<u>1,419,750</u>	<u>59,917,030</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 3,199,802</u>	<u>289,334</u>	<u>209,705</u>	<u>779,518</u>	<u>1,472,717</u>	<u>66,192,900</u>

City of Newport News, Virginia
Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Governmental Funds
Year ended June 30, 2022

	Special Revenue						
	Community Development	Street Maintenance	Economic Development	Law Library	Stormwater	Solid Waste	Wastewater
Revenues:							
Intergovernmental:							
Local	\$ -	-	-	-	-	-	-
Virginia	-	18,320,349	-	-	-	36,481	-
Federal	2,166,380	-	-	-	-	-	-
Charges for Services	-	-	-	74,609	22,865,904	15,114,756	23,352,848
Interest and Rent	-	-	314,946	-	148,820	21,761	35,107
Sale of property	-	-	49,259	-	-	-	-
Local Fees and Contributions	-	-	-	-	-	-	-
Miscellaneous	-	-	165	-	-	7,666	-
Total Revenues	2,166,380	18,320,349	364,370	74,609	23,014,724	15,180,664	23,387,955
Expenditures:							
Current Operating:							
General Government	-	-	-	138,650	-	-	-
Judicial Administration	-	-	-	-	-	-	-
Public Safety	-	-	-	-	-	-	-
Public Works	-	18,320,349	-	-	14,033,673	14,039,855	15,577,921
Health and Welfare	-	-	-	-	-	-	-
Education	-	-	-	-	-	-	-
Parks, Recreation, and Culture	-	-	-	-	-	-	-
Community Development	2,166,380	-	3,040,061	-	-	-	-
Debt Service:							
Principal	-	-	66,798	3,297	806	-	-
Interest and Other Charges	-	-	10,060	7	39	-	-
Total Expenditures	2,166,380	18,320,349	3,116,919	141,954	14,034,518	14,039,855	15,577,921
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	(2,752,549)	(67,345)	8,980,206	1,140,809	7,810,034
Other Financing Sources (Uses):							
Transfers In	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	(4,214,422)	(194,586)	(5,361,333)
Leases (as Lessee)	-	-	2,786,770	-	6,562	-	-
Total Other Financing Sources (Uses), Net	-	-	2,786,770	-	(4,207,860)	(194,586)	(5,361,333)
Net Changes in Fund Balances	-	-	34,221	(67,345)	4,772,346	946,223	2,448,701
Fund Balances at June 30, 2021	-	-	1,075,828	115,311	20,724,179	9,638,509	15,450,545
Fund Balances at June 30, 2022	\$ -	-	1,110,049	47,966	25,496,525	10,584,732	17,899,246

City of Newport News, Virginia
Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Governmental Funds
Year ended June 30, 2022

	Special Revenue					Total nonmajor governmental funds
	Comprehensive Services Act	Criminal Justice Academy	Animal Shelter	Special Events	Sheriff Canteen	
Revenues:						
Intergovernmental:						
Local	\$ -	-	1,231,145	-	-	1,231,145
Virginia	5,171,184	-	-	-	-	23,528,014
Federal	173,116	-	-	-	-	2,339,496
Charges for Services	-	46,691	155,797	-	802,636	62,413,241
Interest and Rent	-	-	-	-	4,114	524,748
Sale of property	-	-	-	-	-	49,259
Local Fees and Contributions	-	-	-	51,000	-	51,000
Miscellaneous	-	-	8,095	-	-	15,926
Total Revenues	5,344,300	46,691	1,395,037	51,000	806,750	90,152,829
Expenditures:						
Current Operating:						
General Government	-	-	-	-	-	138,650
Judicial Administration	-	-	-	-	-	-
Public Safety	-	75,330	-	-	805,607	880,937
Public Works	-	-	-	-	-	61,971,798
Health and Welfare	7,260,707	-	-	-	-	7,260,707
Education	-	-	-	-	-	-
Parks, Recreation, and Culture	-	-	2,095,176	990,412	-	3,085,588
Community Development	-	-	-	-	-	5,206,441
Debt Service:						
Principal	-	-	35,738	16,678	-	123,317
Interest and Other Charges	-	-	7,848	222	-	18,176
Total Expenditures	7,260,707	75,330	2,138,762	1,007,312	805,607	78,685,614
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,916,407)	(28,639)	(743,725)	(956,312)	1,143	11,467,215
Other Financing Sources (Uses):						
Transfers In	2,290,247	-	1,433,800	1,000,000	-	4,724,047
Transfers Out	-	-	(606,727)	-	-	(10,377,068)
Leases (as Lessee)	-	-	-	-	-	2,793,332
Total Other Financing Sources (Uses), Net	2,290,247	-	827,073	1,000,000	-	(2,859,689)
Net Changes in Fund Balances	373,840	(28,639)	83,348	43,688	1,143	8,607,526
Fund Balances at June 30, 2021	1,943,358	310,555	(29,355)	661,967	1,418,607	51,309,504
Fund Balances at June 30, 2022	\$ 2,317,198	281,916	53,993	705,655	1,419,750	59,917,030

City of Newport News, Virginia
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Street Maintenance
Year ended June 30, 2022

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Intergovernmental:				
Virginia	\$ 17,949,806	18,320,349	18,320,349	-
Total Revenues	<u>17,949,806</u>	<u>18,320,349</u>	<u>18,320,349</u>	<u>-</u>
Expenditures:				
Current:				
Public Works	<u>17,949,806</u>	<u>18,320,349</u>	<u>18,320,349</u>	<u>-</u>
Total Expenditures	<u>17,949,806</u>	<u>18,320,349</u>	<u>18,320,349</u>	<u>-</u>
Excess of Revenues Over Expenditures	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance at June 30, 2021			<u>-</u>	
Fund Balance at June 30, 2022			<u><u>\$ -</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, 2022

	Original Budget	Final Budget	Actual	Variance
Revenues:				
Interest and Rent	\$ 241,493	241,493	314,946	73,453
Sale of property	5,000	5,000	49,259	44,259
Miscellaneous	107	107	165	58
Total Revenues	<u>246,600</u>	<u>246,600</u>	<u>364,370</u>	<u>117,770</u>
Expenditures:				
Community Development	246,600	246,600	330,148	(83,548)
Leasing Activities				
Lease Expenditure	<u>-</u>	<u>-</u>	<u>2,786,771</u>	<u>(2,786,771)</u>
Total Expenditures	<u>246,600</u>	<u>246,600</u>	<u>3,116,919</u>	<u>(2,870,319)</u>
Deficiency of Revenues under Expenditures	<u>\$ -</u>	<u>-</u>	<u>(2,752,549)</u>	<u>(2,752,549)</u>
Other Financing Sources				
Leases Issued	<u>-</u>	<u>-</u>	<u>2,786,770</u>	<u>2,786,770</u>
Net Change in Fund Balance	<u>-</u>	<u>-</u>	<u>34,221</u>	<u>34,221</u>
Fund Balance at June 30, 2021			<u>1,075,828</u>	
Fund Balance at June 30, 2022			<u>\$ 1,110,049</u>	

City of Newport News, Virginia
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Law Library
Year ended June 30, 2022

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Charges for Services	\$ 145,000	145,000	74,609	(70,391)
Total Revenues	<u>145,000</u>	<u>145,000</u>	<u>74,609</u>	<u>(70,391)</u>
Expenditures:				
General Government	<u>145,000</u>	<u>145,000</u>	<u>141,953</u>	<u>3,047</u>
Total Expenditures:	<u>145,000</u>	<u>145,000</u>	<u>141,954</u>	<u>3,047</u>
Deficiency of Revenues under Expenditures	\$ -	-	(67,345)	(67,345)
Net Change in Fund Balance	<u>-</u>	<u>-</u>	<u>(67,345)</u>	<u>(67,345)</u>
Fund Balance at June 30, 2021			<u>115,311</u>	
Fund Balance at June 30, 2022			<u>\$ 47,966</u>	

City of Newport News, Virginia
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Stormwater
Year ended June 30, 2022

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Charges for Services	\$ 22,024,258	22,024,258	22,865,904	841,646
Interest and Rent	109,993	109,993	148,820	38,827
Miscellaneous	15,000	15,000	-	(15,000)
Total revenues	<u>22,149,251</u>	<u>22,149,251</u>	<u>23,014,724</u>	<u>865,473</u>
Expenditures:				
Public Works	25,296,786	21,694,620	14,027,956	7,666,664
Leasing Activities				
Leases Issued	-	-	6,562	(6,562)
Total expenditures	<u>25,296,786</u>	<u>21,694,620</u>	<u>14,034,518</u>	<u>7,660,102</u>
Deficiency of revenues under expenditures	<u>(3,147,535)</u>	<u>454,631</u>	<u>8,980,206</u>	<u>(6,794,629)</u>
Other financing sources (uses):				
Leases Issued	-	-	6,562	6,562
Transfers Out	(4,214,422)	(4,214,422)	(4,214,422)	-
Total other financing sources (uses), net	<u>(4,214,422)</u>	<u>(4,214,422)</u>	<u>(4,207,860)</u>	<u>6,562</u>
Net change in fund balance	<u>\$ (7,361,957)</u>	<u>(3,759,791)</u>	<u>4,772,346</u>	<u>8,532,137</u>
Fund balance at June 30, 2021			<u>20,724,179</u>	
Fund balance at June 30, 2022			<u>\$ 25,496,525</u>	

City of Newport News, Virginia
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Solid Waste
Year ended June 30, 2022

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Intergovernmental:				
Virginia	\$ 23,000	23,000	36,481	13,481
Charges for Services	14,910,000	14,910,000	15,114,756	204,756
Interest and Rent	85,009	85,009	21,761	(63,248)
Miscellaneous	<u>222,091</u>	<u>222,091</u>	<u>7,666</u>	<u>(214,425)</u>
Total revenues	<u>15,240,100</u>	<u>15,240,100</u>	<u>15,180,664</u>	<u>(59,436)</u>
Expenditures:				
Current:				
Public Works	<u>15,045,514</u>	<u>15,111,405</u>	<u>14,039,855</u>	<u>1,071,550</u>
Total expenditures	<u>15,045,514</u>	<u>15,111,405</u>	<u>14,039,855</u>	<u>1,071,550</u>
Excess of revenues over expenditures	<u>194,586</u>	<u>128,695</u>	<u>1,140,809</u>	<u>1,012,114</u>
Other financing uses::				
Transfers Out	<u>(194,586)</u>	<u>(194,586)</u>	<u>(194,586)</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>(65,891)</u>	<u>946,223</u>	<u>1,012,114</u>
Fund balance at June 30, 2021			<u>9,638,509</u>	
Fund balance at June 30, 2022			<u>\$ 10,584,732</u>	

City of Newport News, Virginia
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Wastewater
Year ended June 30, 2022

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Charges for Services	\$ 22,443,700	22,443,700	23,352,848	909,148
Interest and Rent	65,000	65,000	35,107	(29,893)
Total revenues	<u>22,508,700</u>	<u>22,508,700</u>	<u>23,387,955</u>	<u>879,255</u>
Expenditures:				
Current:				
Public Works	<u>17,743,878</u>	<u>17,146,378</u>	<u>15,577,921</u>	<u>1,568,457</u>
Total expenditures	<u>17,743,878</u>	<u>17,146,378</u>	<u>15,577,921</u>	<u>1,568,457</u>
Excess of revenues over expenditures	<u>4,764,822</u>	<u>5,362,322</u>	<u>7,810,034</u>	<u>2,447,712</u>
Other financing uses:				
Transfers Out	<u>(5,364,822)</u>	<u>(5,364,822)</u>	<u>(5,361,333)</u>	<u>3,489</u>
Net change in fund balance	<u>\$ (600,000)</u>	<u>(2,500)</u>	<u>2,448,701</u>	<u>2,451,201</u>
Fund balance at June 30, 2021			<u>15,450,545</u>	
Fund balance at June 30, 2022			<u>\$ 17,899,246</u>	

City of Newport News, Virginia
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Animal Shelter
Year ended June 30, 2022

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Intergovernmental:				
Local	\$ 1,231,144	1,231,144	1,231,145	1
Charges for Services	159,271	159,271	155,797	(3,474)
Miscellaneous	12,585	12,585	8,095	(4,490)
Total revenues	<u>1,403,000</u>	<u>1,403,000</u>	<u>1,395,037</u>	<u>(7,963)</u>
Expenditures:				
Current:				
Parks, Recreation, and Culture	<u>2,230,073</u>	<u>2,230,073</u>	<u>2,138,762</u>	<u>91,311</u>
Total expenditures	<u>2,230,073</u>	<u>2,230,073</u>	<u>2,138,762</u>	<u>91,311</u>
Deficiency of revenues under expenditures	<u>(827,073)</u>	<u>(827,073)</u>	<u>(743,725)</u>	<u>83,348</u>
Other financing sources (uses):				
Transfers In	1,433,800	1,433,800	1,433,800	-
Transfers Out	<u>(606,727)</u>	<u>(606,727)</u>	<u>(606,727)</u>	<u>-</u>
Total other financing sources (uses), net	<u>827,073</u>	<u>827,073</u>	<u>827,073</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>-</u>	<u>83,348</u>	<u>83,348</u>
Fund balance at June 30, 2021			<u>(29,355)</u>	
Fund balance at June 30, 2022			<u>\$ 53,993</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, 2022

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Intergovernmental:				
Local	\$ 1,060,978	1,060,978	1,060,978	-
Total revenues	<u>1,060,978</u>	<u>1,060,978</u>	<u>1,060,978</u>	<u>-</u>
Expenditures:				
Debt service payments	<u>58,005,192</u>	<u>58,005,192</u>	<u>57,533,066</u>	<u>472,126</u>
Total expenditures	<u>58,005,192</u>	<u>58,005,192</u>	<u>57,533,066</u>	<u>472,126</u>
Deficiency of revenues under expenditures	<u>(56,944,214)</u>	<u>(56,944,214)</u>	<u>(56,472,088)</u>	<u>472,126</u>
Other financing sources:				
Transfers In	<u>56,944,214</u>	<u>56,944,214</u>	<u>56,945,000</u>	<u>786</u>
Net change in fund balance	<u>\$ -</u>	<u>-</u>	<u>472,912</u>	<u>472,912</u>
Fund balance at June 30, 2021			<u>6,666,897</u>	
Fund balance at June 30, 2022			<u>\$ 7,139,809</u>	

City of Newport News, Virginia
Combining Statement of Net Position
Nonmajor Component Units
June 30, 2022

	Peninsula Airport Commission	Economic and Industrial Development Authorities	Total Nonmajor Component Units
Assets			
Current Assets:			
Cash and Cash Equivalents	\$ 3,211,730	13,600,082	16,811,812
Restricted Cash	-	16,749,949	16,749,949
Receivables	437,512	1,042,349	1,479,861
Other Current Assets	221,420	-	221,420
Total current assets	3,870,662	31,392,380	35,263,042
Restricted cash and cash equivalents	13,030,904	2,687,564	15,718,468
Deposits with Management Company	-	311,823	311,823
Net Pension Asset	1,205,378	-	1,205,378
Receivables	608,336	26,589,394	27,197,730
Land held for lease or resale (note 4)	-	35,631,273	35,631,273
Leases (as Lessee):			
Right to Use Asset	-	8,144,259	8,144,259
Less Accumulated Amortization	-	(2,400,340)	(2,400,340)
Property, plant and equipment:			
Land	6,832,612	-	6,832,612
Construction in Progress	6,903,618	2,876,406	9,780,024
Infrastructure	-	2,543,500	2,543,500
Buildings	-	198,284,083	198,284,083
Improvements	-	21,855,346	21,855,346
Airfield	93,814,416	-	93,814,416
Terminal	90,585,554	-	90,585,554
Trailer park and rental units	1,551,885	-	1,551,885
Machinery and Equipment	7,241,285	84,674	7,325,959
Less Accumulated Depreciation	(129,884,472)	(87,926,505)	(217,810,977)
Total assets	95,760,178	240,073,857	335,834,035
Deferred Outflows of Resources			
Pension deferrals	255,202	-	255,202
OPEB deferrals	283,888	-	283,888
Deferred amount on refunding	-	2,528,771	2,528,771
Total deferred outflows of resources	539,090	2,528,771	3,067,861
Liabilities			
Current Liabilities:			
Accounts Payable	597,750	4,724,106	5,321,856
Accrued Liabilities	462,074	49,569	511,643
Deposits	23,736	-	23,736
Leases (as Lessee)	-	1,189,163	1,189,163
Bonds and notes payable	585,551	8,467,302	9,052,853
Total current liabilities	1,669,111	14,430,140	16,099,251
Notes Payable	-	5,556,800	5,556,800
Bonds payable	5,319,340	43,950,411	49,269,751
Leases (as Lessee)	-	4,619,676	4,619,676
Net OPEB Liability	4,189,867	-	4,189,867
Total liabilities	11,178,318	68,557,027	79,735,345
Deferred Inflows of Resources			
Pension deferrals	1,246,221	-	1,246,221
OPEB deferrals	2,749,991	-	2,749,991
Deferred revenues	-	650	650
Lease Related	608,336	19,191,163	19,799,499
Total deferred inflows of resources	4,604,548	19,191,813	23,796,361
Net Position			
Net Investment in Capital Assets	71,140,007	82,271,762	153,411,769
Restricted for:			
Capital projects	16,618,850	17,729,927	34,348,777
Capital loans	-	1,658,017	1,658,017
Unrestricted	(7,242,455)	53,194,082	45,951,627
Total net position	\$ 80,516,402	154,853,788	235,370,190

City of Newport News, Virginia
Statement of Revenues, Expenses and Changes in Net Position
Nonmajor Component Units
Year ended June 30, 2022

	Peninsula Airport Commission	Economic and Industrial Development Authorities	Total Nonmajor Component Units
Operating revenues:			
Charges for Services	\$ 5,498,543	-	5,498,543
Property rentals	-	5,712,253	5,712,253
Parking contributions	-	181,870	181,870
Land sales	-	1,780,730	1,780,730
Parking Authority revenues	-	930,327	930,327
Intergovernmental - Primary Government	-	10,833,901	10,833,901
Total operating revenues	<u>5,498,543</u>	<u>19,439,081</u>	<u>24,937,624</u>
Operating expenses:			
Cost of land sold	-	409,966	409,966
Personal services	3,667,553	771,831	4,439,384
Contractual services	2,459,769	8,189,989	10,649,758
Materials and supplies	789,635	481,063	1,270,698
Depreciation and amortization	7,697,145	7,153,983	14,851,128
Rental expenses	-	298,003	298,003
Miscellaneous	4,126	744,792	748,918
Total operating expenses	<u>14,618,228</u>	<u>18,049,627</u>	<u>32,667,855</u>
Operating income (loss)	<u>(9,119,685)</u>	<u>1,389,454</u>	<u>(7,730,231)</u>
Nonoperating revenues (expenses):			
Federal grants	4,300,989	-	4,300,989
Interest revenue	1,919	695,468	697,387
Bond and admin fee income	-	209,375	209,375
Interest expense	(246,068)	(1,236,921)	(1,482,989)
Letter of credit and trustee fees	-	(66,650)	(66,650)
Gain (loss) on disposal	302,520	3,586,294	3,888,814
Other revenues	5,209	54,111	59,320
Governor's opportunity grants	-	500,000	500,000
Governor's opportunity grants	-	(500,000)	(500,000)
Resurgence Grant (Income)	-	86,000	86,000
Resurgence Grant (Expense)	-	(56,000)	(56,000)
Micro Enterprise Grants	-	(7,000)	(7,000)
Chase Grant	-	366,621	366,621
Total non-operating revenues (expenses), net	<u>4,364,569</u>	<u>3,631,298</u>	<u>7,995,867</u>
Gain (loss) before capital contributions	<u>(4,755,116)</u>	<u>5,020,752</u>	<u>265,636</u>
Capital contributions, net	<u>6,591,638</u>	<u>-</u>	<u>6,591,638</u>
Change in net position	<u>1,836,522</u>	<u>5,020,752</u>	<u>6,857,274</u>
Net position at June 30, 2021, as restated	<u>78,679,880</u>	<u>149,833,036</u>	<u>228,512,916</u>
Net position at June 30, 2022	<u>\$ 80,516,402</u>	<u>154,853,788</u>	<u>235,370,190</u>

City of Newport News, Virginia
Statement of Cash Flows
Nonmajor Component Units
Year ended June 30, 2022

	Peninsula Airport Commission	Economic and Industrial Development Authorities	Total Nonmajor Component Units
Cash flows from operating activities:			
Receipts from customers	\$ 5,696,445	17,102,677	22,799,122
Payments to suppliers	(4,105,895)	(7,419,516)	(11,525,411)
Payments to employees	(4,882,127)	(771,831)	(5,653,958)
Receipts from land sales and new loans, net of settlement charges	-	2,040,847	2,040,847
Net cash provided by operating activities	(3,291,577)	10,952,177	7,660,600
Cash flows used in noncapital financing activities:			
Noncapital contributions from federal grants	5,480,914	-	5,480,914
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(6,661,662)	(607,287)	(7,268,949)
Contributed capital	6,591,638	-	6,591,638
Net proceeds from sale of capital assets	302,520	6,496,253	6,798,773
Repayment and retirement of long-term debt, net	(528,010)	(9,317,049)	(9,845,059)
Proceeds from issuance of industrial bonds and notes payable	-	160,266	160,266
Interest paid	(246,068)	(1,237,215)	(1,483,283)
Other revenue and expenses	(4,801)	586,458	581,657
Lease liability principal payments made	-	(1,218,283)	(1,218,283)
Net cash provided by (used in) capital and related financing activities	(546,383)	(5,136,857)	(5,683,240)
Cash flows from investing activities:			
Interest received	7,128	698,733	705,861
Loans issued	-	(611,114)	(611,114)
Decrease in restricted investments, net	(1,369,436)	-	(1,369,436)
Lease receivable payments received	-	4,818,653	4,818,653
Net cash provided (used) by investing activities	(1,362,308)	4,906,272	3,543,964
Increase (decrease) in cash and cash equivalents	280,646	10,721,592	11,002,238
Cash, cash equivalents and restricted cash at beginning of year	2,931,084	22,316,003	25,247,087
Cash, cash equivalents and restricted cash at end of year	3,211,730	33,037,595	36,249,325
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating Income (Loss)	(9,119,685)	1,389,454	(7,730,231)
Adjustment to reconcile operating income (loss) to cash provided by operating activities:			
Depreciation and amortization	7,697,145	7,153,983	14,851,128
Deferred lease revenue recognized	-	(4,879,132)	(4,879,132)
Noncash intergovernmental - City of Newport News	-	3,644,118	3,644,118
Changes in assets and liabilities:			
Accounts receivable	(154,048)	-	(154,048)
Accounts payable, accrued liabilities and leases payable	(534,887)	2,470,676	1,935,789
Deferred/Unearned revenues	-	650	650
Net pension liability and related deferred inflows/outflows of resources	(751,346)	-	(751,346)
Net GLI OPEB liability and related deferred inflows/outflows of resources	160,506	-	160,506
Other receivables	(608,336)	1,052,098	443,762
Prepaid assets	19,074	-	19,074
Changes in land inventory	-	(229,412)	(229,412)
Mortgages receivable	-	349,742	349,742
Net cash provided by operating activities	\$ (3,291,577)	10,952,177	7,660,600
Supplemental disclosure:			
Noncash investing and financing activities:			
Contributed capital funded by accounts receivable	\$ 200,727	-	200,727

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City of Newport News, Virginia
Combining Statement of Fiduciary Net Position
Trust Funds
June 30, 2022

	Line of Duty Act Benefit Fund	Pension Fund	OPEB Fund	Total
Assets				
Cash and cash equivalents	\$ 94,705	5,859,204	1,802,451	7,756,360
Cash and cash equivalents with trustee	493,979	7,486,544	176,276	8,156,799
Investments, at fair value:				
Debt securities	646,374	74,200,756	5,329,023	80,176,153
Equity investments	909,611	247,134,818	24,293,344	272,337,773
Private equities	-	55,469,163	-	55,469,163
Bond mutual fund	-	138,140,388	7,939,003	146,079,391
Commingled equity fund	867,994	391,062,252	3,398,510	395,328,756
Real assets	-	72,958,576	-	72,958,576
Due from other components	-	476,069	-	476,069
Sales receivable	429	716,508	116	717,053
Total assets	<u>3,013,092</u>	<u>993,504,278</u>	<u>42,938,723</u>	<u>1,039,456,093</u>
Liabilities				
Accounts payable	218,616	253,832	1,477,115	1,949,563
Due to City	-	-	826,947	826,947
Purchases payable	-	39,375	-	39,375
Total liabilities	<u>218,616</u>	<u>293,207</u>	<u>2,304,062</u>	<u>2,815,885</u>
Net Position				
Assets held in trust				
Restricted for pension and OPEB benefits	-	993,211,071	40,634,661	1,033,845,732
Restricted for LODA benefits	<u>2,794,476</u>	<u>-</u>	<u>-</u>	<u>2,794,476</u>
Total net position	<u>\$ 2,794,476</u>	<u>993,211,071</u>	<u>40,634,661</u>	<u>1,036,640,208</u>

City of Newport News, Virginia
Combining Statement of Changes in Fiduciary Net Position
Trust Funds
Year ended June 30, 2022

	Line of Duty Act			
	Benefit Fund	Pension Fund	OPEB Fund	Total
Additions:				
Employer contributions:				
City General Fund	\$ 250,000	29,276,410	7,235,750	36,762,160
Waterworks Fund	-	3,441,781	1,004,250	4,446,031
School Operating Fund	-	8,554,862	-	8,554,862
Employee contributions:				
City General Fund	-	3,504,719	-	3,504,719
Waterworks Fund	-	465,003	-	465,003
School Operating Fund	-	516,556	-	516,556
Other contributions:				
Income from leave exchange	-	137,245	-	137,245
Employee buy-back	-	14,224	-	14,224
Total contributions	<u>250,000</u>	<u>45,910,800</u>	<u>8,240,000</u>	<u>54,400,800</u>
Investment income:				
Net Depreciation - Bonds	(43,329)	(4,750,258)	(352,437)	(5,146,024)
Net Depreciation - Stocks	(395,223)	(118,854,960)	(7,955,115)	(127,205,298)
Interest	307	2,029,596	1,007	2,030,910
Dividends	55,010	4,725,003	895,316	5,675,329
Real estate operating income	-	15,259,714	-	15,259,714
Commission recapture	-	3,193	-	3,193
Other investment income	-	19,488	-	19,488
Total Investment Loss	<u>(383,235)</u>	<u>(101,568,224)</u>	<u>(7,411,229)</u>	<u>(109,362,688)</u>
Less investment expenses	<u>-</u>	<u>(8,381,570)</u>	<u>(22,605)</u>	<u>(8,404,175)</u>
Net Investment Loss	<u>(383,235)</u>	<u>(109,949,794)</u>	<u>(7,433,834)</u>	<u>(117,766,863)</u>
Total additions	<u>(133,235)</u>	<u>(64,038,994)</u>	<u>806,166</u>	<u>(63,366,063)</u>
Deductions:				
Benefits paid to participants	321,367	93,526,111	8,292,780	102,140,258
Refunds of member contributions	-	115,421	-	115,421
Administrative expenses	6,300	1,249,595	42,088	1,297,983
Total deductions	<u>327,667</u>	<u>94,891,127</u>	<u>8,334,868</u>	<u>103,553,662</u>
Change in net position	(460,902)	(158,930,121)	(7,528,702)	(166,919,725)
Net position held in trust for retirement benefits at June 30, 2021	<u>3,255,378</u>	<u>1,152,141,192</u>	<u>48,163,363</u>	<u>1,203,559,933</u>
Net position held in trust for retirement benefits at June 30, 2022	<u>\$ 2,794,476</u>	<u>993,211,071</u>	<u>40,634,661</u>	<u>1,036,640,208</u>

City of Newport News, Virginia
Combining Statement of Fiduciary Net Position
Custodial Funds
June 30, 2022

	Regional Homeless Commission	Hampton User Fee	Special Welfare Foster Care	Total
Assets				
Cash and cash equivalents	\$ 2,217	9,241,496	5,539	9,249,252
Accounts receivable	-	4,103,843	-	4,103,843
Total assets	2,217	13,345,339	5,539	13,353,095
Liabilities				
Accounts payable	-	2,217,874	-	2,217,874
Deposits	-	-	5,539	5,539
Total liabilities	-	2,217,874	5,539	2,223,413
Net Position				
Restricted for custodial funds	2,217	11,127,465	-	11,129,682
Total net position	\$ 2,217	11,127,465	-	11,129,682

City of Newport News, Virginia
Combining Statement of Changes in Fiduciary Net Position
Custodial Funds
Year ended June 30, 2022

	Regional Homeless Commission	Hampton User Fee	Special Welfare Foster Care	Total
Additions:				
Contributions				
Local	\$ 109,504	-	-	109,504
Other Additions:				
Payments collected for other localities	-	25,812,700	-	25,812,700
Total additions	109,504	25,812,700	-	25,922,204
Deductions				
Contractual services	109,275	-	-	109,275
Payments collected for other localities	-	24,237,854	-	24,237,854
Total deductions	109,275	24,237,854	-	24,347,129
Change in net position	229	1,574,846	-	1,575,075
Fiduciary net position at June 30, 2021	1,988	9,552,619	-	9,554,607
Fiduciary net position at June 30, 2022	\$ 2,217	11,127,465	-	11,129,682

Statistical Section

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

<u>Contents</u>	<u>Page</u>
Financial Trends	139
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	145
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	150
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	155
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	157
These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.	

Sources: Unless otherwise noted, the information in these schedules is derived from the annual comprehensive financial reports for the relevant year.

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

	Fiscal Year									
	2022**	2021	2020	2019	2018	2017	2016	2015*	2014	2013
Governmental Activities:										
Net Investment in Capital Assets	\$ 516,292,786	\$ 492,496,633	\$ 488,226,033	\$ 473,716,004	\$ 434,506,011	\$ 403,502,237	\$ 384,685,456	\$ 362,541,053	\$ 344,253,405	\$ 331,677,129
Restricted	60,501,909	52,189,356	47,211,010	34,772,461	28,002,362	19,682,760	19,333,167	15,441,843	11,105,034	9,396,408
Unrestricted (Deficit)	(88,140,147)	(174,161,943)	(241,498,691)	(250,348,726)	(263,060,889)	(226,610,632)	(202,853,172)	(201,104,209)	(169,541,405)	(165,087,764)
Total Governmental Activities Net Position	<u>\$ 488,654,548</u>	<u>\$ 370,524,046</u>	<u>\$ 293,938,352</u>	<u>\$ 258,139,739</u>	<u>\$ 199,447,484</u>	<u>\$ 196,574,365</u>	<u>\$ 201,165,451</u>	<u>\$ 176,878,687</u>	<u>\$ 185,817,034</u>	<u>\$ 175,985,773</u>
Business-Type Activities:										
Net Investment in Capital Assets	\$ 361,347,024	\$ 354,046,458	\$ 342,269,437	\$ 332,048,472	\$ 321,533,379	\$ 312,211,263	\$ 299,063,108	\$ 284,602,082	\$ 243,541,418	\$ 232,313,434
Restricted	-	-	-	-	-	-	-	-	28,007,541	30,427,669
Unrestricted	61,558,578	44,316,246	34,608,100	19,864,260	11,132,237	9,195,280	3,558,442	1,951,106	27,165,354	21,103,436
Total Business-Type Activities Net Position	<u>\$ 422,905,602</u>	<u>\$ 398,362,704</u>	<u>\$ 376,877,537</u>	<u>\$ 351,912,732</u>	<u>\$ 332,665,616</u>	<u>\$ 321,406,543</u>	<u>\$ 302,621,550</u>	<u>\$ 286,553,188</u>	<u>\$ 298,714,313</u>	<u>\$ 283,844,539</u>
Primary Government:										
Net Investment in Capital Assets	\$ 877,639,810	\$ 846,543,091	\$ 830,495,470	\$ 805,764,476	\$ 756,039,390	\$ 715,713,500	\$ 683,748,564	\$ 647,143,135	\$ 587,794,823	\$ 563,990,563
Restricted	60,501,909	52,189,356	47,211,010	34,772,461	28,002,362	19,682,760	19,333,167	15,441,843	39,112,575	39,824,077
Unrestricted (Deficit)	(26,581,569)	(129,845,697)	(206,890,591)	(230,484,466)	(251,928,652)	(217,415,352)	(199,294,730)	(199,153,103)	(142,376,051)	(143,984,328)
Total Primary Government Net Position	<u>\$ 911,560,150</u>	<u>\$ 768,886,750</u>	<u>\$ 670,815,889</u>	<u>\$ 610,052,471</u>	<u>\$ 532,113,100</u>	<u>\$ 517,980,908</u>	<u>\$ 503,787,001</u>	<u>\$ 463,431,875</u>	<u>\$ 484,531,347</u>	<u>\$ 459,830,312</u>

Note: * Implementation of GASB 68

** Implementation of GASB 87

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

	Fiscal Year									
	2022 ^(e)	2021 ^(d)	2020	2019	2018 ^(c)	2017	2016	2015 ^(b)	2014 ^(a)	2013
Program Revenues										
Governmental Activities:										
Charges for Services:										
Public works	\$ 61,335,547	\$ 59,878,417	\$ 57,827,597	\$ 60,027,815	\$ 57,160,432	\$ 55,846,420	\$ 54,559,279	\$ 52,316,287	\$ 45,729,958	\$ 40,889,684
All Others	31,407,135	29,236,669	30,154,634	31,176,856	30,035,422	29,954,030	28,819,222	29,469,594	27,341,075	27,279,880
Operating Grants and Contributions	74,871,967	66,472,506	37,789,099	30,452,406	39,075,745	40,933,661	41,835,794	41,537,105	41,230,144	39,249,011
Capital Grants and Contributions	31,689,365	25,828,575	20,198,403	38,072,400	30,410,059	16,980,158	9,891,763	9,852,965	8,261,793	6,482,329
Total Governmental Activities Program Revenues	199,304,014	181,416,167	145,969,733	159,729,477	156,681,658	143,714,269	135,106,058	133,175,951	122,562,970	113,900,904
Business-Type Activities:										
Charges for Services	96,838,384	98,809,975	96,293,903	95,343,639	99,350,705	91,990,145	89,992,744	88,819,826	85,580,834	76,099,474
Operating/Capital Grants and Contributions	5,557,862	2,411,869	3,296,665	2,396,486	3,986,319	2,263,856	3,352,599	2,434,032	2,327,993	2,811,556
Total Business-Type Activities Program Revenues	102,396,246	101,221,844	99,590,568	97,740,125	103,337,024	94,254,001	93,345,343	91,253,858	87,908,827	78,911,030
Total Primary Government Program Revenues	301,700,260	282,638,011	245,560,301	257,469,602	260,018,682	237,968,270	228,451,401	224,429,809	210,471,797	192,811,934
Expenses										
Governmental Activities:										
General Government	93,316,639	105,028,091	97,951,315	104,489,210	99,745,558	110,180,530	105,287,988	95,389,412	98,295,537	85,544,610
Judicial Administration	9,581,237	8,327,279	7,986,323	8,087,466	7,996,313	8,150,550	7,000,968	6,705,580	6,801,427	6,779,007
Public Safety	140,316,842	143,534,390	131,166,279	126,206,588	123,683,767	128,952,047	117,228,275	112,771,624	116,029,097	113,305,100
Public Works	73,999,363	77,355,328	76,409,250	78,239,758	76,410,545	85,577,272	77,766,098	70,465,462	72,201,809	70,293,521
Health and Welfare	49,080,652	55,695,474	46,638,368	46,245,011	45,434,568	44,848,871	41,363,323	39,218,507	40,894,433	42,283,290
Education	169,978,313	135,102,119	148,705,527	122,254,884	132,474,462	138,929,299	121,829,209	147,634,659	119,743,781	116,592,925
Parks, Recreation and Culture	34,364,625	32,861,435	33,639,682	33,704,442	33,766,228	35,237,952	32,294,586	31,522,216	32,804,044	34,050,686
Community Development	16,701,864	15,491,592	13,479,394	11,669,637	11,298,553	11,180,081	11,490,635	7,371,121	9,764,564	11,194,312
Interest and Other Fiscal Charges	20,124,814	21,713,471	22,116,492	20,959,483	20,083,955	19,860,527	20,545,591	20,497,054	20,607,931	22,927,201
Total Governmental Activities Expenses	607,464,349	595,109,179	578,092,630	551,856,479	550,893,949	582,917,129	534,806,673	531,575,635	517,142,623	502,970,652
Business-Type Activities:										
Public Utilities	70,427,441	71,951,302	67,808,624	72,132,481	74,291,178	67,605,709	69,011,682	64,775,097	63,629,010	62,502,189
Total Business-Type Activities Expenses	70,427,441	71,951,302	67,808,624	72,132,481	74,291,178	67,605,709	69,011,682	64,775,097	63,629,010	62,502,189
Total Primary Government Expenses	677,891,790	667,060,481	645,901,254	623,988,960	625,185,127	650,522,838	603,818,355	596,350,732	580,771,633	565,472,841
Net Revenue/(Expenses)										
Governmental Activities	(408,160,335)	(413,693,012)	(432,122,897)	(392,127,002)	(394,212,291)	(439,202,860)	(399,700,615)	(398,399,684)	(394,579,653)	(389,069,748)
Business-Type Activities	31,968,805	29,270,542	31,781,944	25,607,644	29,045,846	26,648,292	24,333,661	26,478,761	24,279,817	16,408,841
Total Primary Government	<u>\$ (376,191,530)</u>	<u>\$ (384,422,470)</u>	<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>

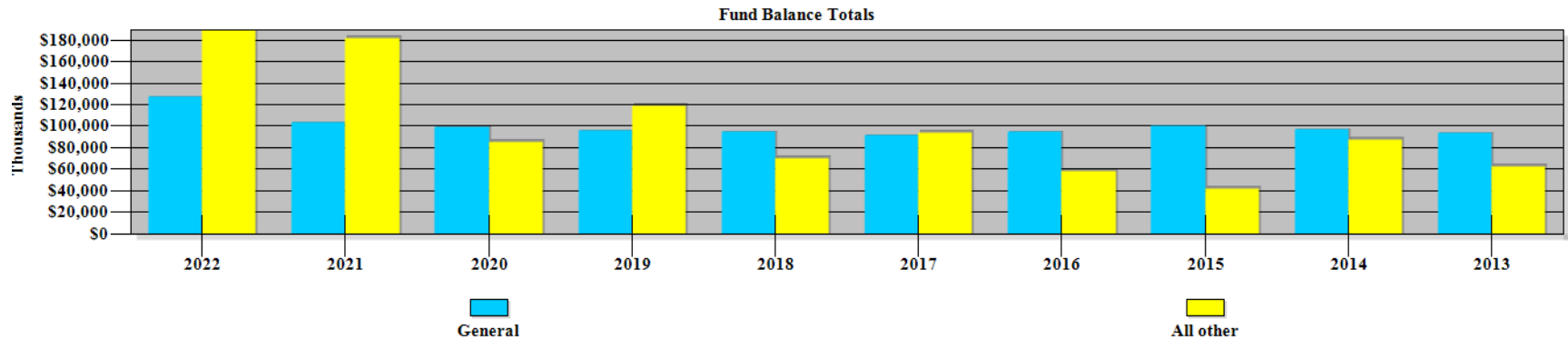
City of Newport News, Virginia
Changes in Net Position
Last Ten Fiscal Years
(Accrual basis of accounting)

	Fiscal Year									
	2022 ^(e)	2021 ^(d)	2020	2019	2018 ^(c)	2017	2016	2015 ^(b)	2014 ^(a)	2013
General Revenues and Other Changes in Net Assets										
Governmental Activities:										
General Property Taxes	\$ 316,462,329	\$ 300,491,142	\$ 285,824,042	\$ 277,522,739	\$ 265,622,961	\$ 261,245,586	\$ 256,787,386	\$ 250,847,834	\$ 246,119,180	\$ 229,811,554
Other Taxes	122,392,561	112,282,967	105,856,537	107,764,452	105,492,219	103,889,921	102,082,792	100,362,448	96,418,092	96,537,561
Grants and Contributions not Restricted to Specific Programs	49,544,132	47,820,669	48,196,050	47,239,111	46,117,575	44,482,705	43,217,511	43,235,474	42,216,776	41,481,654
Investment Earnings	3,471,193	3,144,359	5,717,414	6,240,402	4,345,961	3,102,177	2,688,086	2,438,265	2,293,272	2,328,310
Special Item: Loss on Extinguishment	-	-	-	(10,155,757)	-	-	-	-	-	-
Miscellaneous	24,920,622	16,026,872	12,827,467	12,708,310	14,270,016	12,391,385	9,711,606	10,542,858	9,358,360	3,902,299
Transfers	9,500,000	9,500,000	9,500,000	9,500,000	9,500,000	9,500,000	9,500,000	9,500,000	9,391,000	9,891,000
Total Governmental Activities	526,290,837	489,266,009	467,921,510	450,819,257	445,348,732	434,611,774	423,987,381	416,926,879	405,796,680	383,952,378
Business-Type Activities:										
Investment Earnings	499,991	283,132	1,352,718	1,684,370	1,033,077	454,799	276,491	167,947	153,241	196,652
Miscellaneous	1,574,102	1,431,493	1,330,144	1,455,102	1,474,323	1,181,902	958,210	962,131	717,187	-
Transfers	(9,500,000)	(9,500,000)	(9,500,000)	(9,500,000)	(9,500,000)	(9,500,000)	(9,500,000)	(9,500,000)	(9,391,000)	(9,891,000)
Total Business-Type Activities	(7,425,907)	(7,785,375)	(6,817,138)	(6,360,528)	(6,992,600)	(7,863,299)	(8,265,299)	(8,369,922)	(8,520,572)	(9,694,348)
Total Primary Government	518,864,930	481,480,634	461,104,372	444,458,729	438,356,132	426,748,475	415,722,082	408,556,957	397,276,108	374,258,030
Change in Net Position										
Governmental Activities	118,130,502	75,572,997	35,798,613	58,692,255	51,136,441	(4,591,086)	24,286,766	18,527,195	11,217,027	(5,117,370)
Business-Type Activities	24,542,898	21,485,167	24,964,806	19,247,116	22,053,246	18,784,993	16,068,362	18,108,839	15,759,245	6,714,493
Total Primary Government	\$ 142,673,400	\$ 97,058,164	\$ 60,763,419	\$ 77,939,371	\$ 73,189,687	\$ 14,193,907	\$ 40,355,128	\$ 36,636,034	\$ 26,976,272	\$ 1,597,123

Note: (a) - Implementation of GASB 65
(b) - Implementation of GASB 68
(c) - Implementation of GASB 75
(d) - Implementation of GASB 84
(e) - Implementation of GASB 87

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

	Fiscal Year									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
General Fund										
Nonspendable	\$ 1,822,011	1,527,891	1,302,189	1,177,088	11,427,627	11,519,118	11,436,689	11,541,956	11,370,286	12,862,783
Restricted	613,622	613,622	596,452	596,452	437,862	322,798	224,814	133,554	90,649	563,863
Assigned	47,167,360	29,818,238	26,709,811	27,739,746	25,939,296	28,279,733	31,855,250	39,089,271	38,415,687	34,939,767
Unassigned	77,812,968	71,376,473	70,612,462	66,498,760	56,876,979	51,711,616	51,054,853	49,692,460	47,366,583	45,353,317
Total General Fund	\$ 127,415,961	103,336,224	99,220,914	96,012,046	94,681,764	91,833,265	94,571,606	100,457,241	97,243,205	93,719,730
All Other Governmental Funds										
Unreserved, Reported in:										
Nonspendable	\$ 6,939	6,593	6,108	6,869	4,708	-	-	-	-	-
Restricted	88,925,063	115,660,611	65,830,651	94,628,279	48,257,170	74,987,521	37,764,123	30,414,816	56,269,407	32,442,547
Committed	112,327,677	66,176,448	34,144,958	24,654,169	22,255,786	19,575,222	20,806,270	32,354,805	30,841,880	30,148,309
Assigned	-	-	-	53,698	-	15,223	-	-	-	92,000
Unassigned	-	(47,514)	(14,650,258)	(220,636)	(497,643)	(368,067)	(429,701)	(20,674,947)	-	-
Total All Other Governmental Funds	\$ 201,259,679	\$ 181,796,138	\$ 85,331,459	\$ 119,122,379	\$ 70,020,021	\$ 94,209,899	\$ 58,140,692	\$ 42,094,674	\$ 87,111,287	\$ 62,682,856



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									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Revenues										
General Property Taxes	\$ 314,580	\$ 297,407	\$ 284,634	\$ 276,236	\$ 266,110	\$ 261,130	\$ 256,442	\$ 248,297	\$ 245,531	\$ 228,025
Other Local Taxes	122,393	112,283	105,857	107,764	105,492	103,890	102,083	100,362	96,418	96,538
Licenses and Permits	3,608	2,820	3,225	4,019	4,006	3,724	3,413	3,866	3,433	2,803
Fines and Forfeitures	1,034	1,243	1,400	1,834	1,741	1,727	1,517	2,247	2,599	2,984
Intergovernmental	151,472	138,915	105,190	111,959	113,955	99,943	92,433	92,649	90,606	86,344
Charges for Services	77,608	82,823	80,240	82,630	79,547	78,390	76,208	73,593	64,421	59,179
Interest and Rent	3,441	3,114	5,591	6,108	4,280	3,065	2,669	2,425	2,285	2,322
Recovered Costs	14,100	5,049	6,342	6,741	5,908	5,683	5,654	5,946	6,051	6,007
Miscellaneous	15,181	9,434	6,100	5,703	7,296	6,000	4,211	4,348	3,596	3,810
Total Revenues	703,417	653,088	598,579	602,994	588,335	563,552	544,630	533,733	514,940	488,012
Expenditures										
General Government	101,786	102,226	96,280	93,951	92,769	91,034	94,516	83,730	77,930	76,785
Judicial Administration	9,135	7,770	7,551	7,588	7,436	7,225	6,442	6,383	6,129	5,861
Public Safety	142,383	139,354	128,755	122,534	119,923	118,558	113,199	111,415	107,104	100,419
Public Works	62,711	64,381	65,822	67,468	65,966	71,256	67,487	61,926	59,511	55,527
Health and Welfare	48,642	55,646	47,379	46,597	45,825	42,722	41,461	40,244	39,113	38,807
Education	126,076	118,752	130,104	116,183	128,632	130,697	120,300	140,727	117,890	119,362
Parks, Recreation, and Culture	32,497	29,616	30,878	30,394	30,170	30,047	28,396	27,984	26,637	26,829
Community Development	18,733	14,301	12,572	10,650	10,315	9,895	10,974	6,990	8,811	9,778
Debt service:										
Principal	42,737	33,303	33,267	34,662	33,690	40,085	38,000	38,687	38,295	35,123
Interest and Other Charges	20,154	22,166	22,685	20,046	19,683	19,995	20,670	19,499	21,690	22,426
Capital Outlay	72,350	66,533	63,367	95,284	64,767	45,078	56,311	47,865	45,878	38,271
Total Expenditures	677,204	654,048	638,660	645,357	619,176	606,592	597,756	585,450	548,988	529,188
Excess (Deficiency) of Revenues over (under) Expenditures	26,213	(960)	(40,081)	(42,363)	(30,841)	(43,040)	(53,126)	(51,717)	(34,048)	(41,176)

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									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Other Financing Sources (Uses)										
Transfers In	\$ 135,031	\$ 104,662	\$ 90,511	\$ 80,999	\$ 70,054	\$ 71,696	\$ 70,403	\$ 73,313	\$ 69,806	\$ 64,854
Transfers Out	(125,531)	(95,162)	(81,011)	(71,499)	(60,554)	(62,196)	(60,903)	(63,398)	(60,415)	(54,963)
Payment to Refund Bonds	-	(56,912)	-	-	-	-	(39,614)	-	(64,867)	-
Premium on Refunded Bonds	-	2,459	-	-	-	-	6,728	-	8,897	-
Refund Bonds Proceeds	-	54,785	-	-	-	-	33,190	-	56,115	-
Bond and Note Proceeds	4,801	77,000	-	85,795	-	59,455	48,890	-	45,000	51,905
Premium on Bonds Issuance	-	13,695	-	7,657	-	7,416	4,592	-	7,464	5,698
Leases (as Lessee)	3,030	-	-	-	-	-	-	-	-	-
Contribution to PAC	-	-	-	-	-	-	-	-	-	(3,958)
Total Other Financing Sources, Net	17,331	100,527	9,500	102,952	9,500	76,371	63,286	9,915	62,000	63,536
Special Item										
Loss on Extinguishment	-	-	-	(10,156)	-	-	-	-	-	-
Net Change in Fund Balance	<u>\$ 43,544</u>	<u>\$ 99,567</u>	<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>
Debt Service as a Percentage of Noncapital Expenditures *	10.5 %	9.3 %	9.7 %	9.7 %	9.5 %	10.4 %	10.6 %	10.6 %	11.5 %	11.3 %

* Corrected capitalized expenditure amounts that are used to determine debt service as a percentage of noncapital expenditures for fiscal years 2013 thru 2020 in FY2021 ACFR.

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

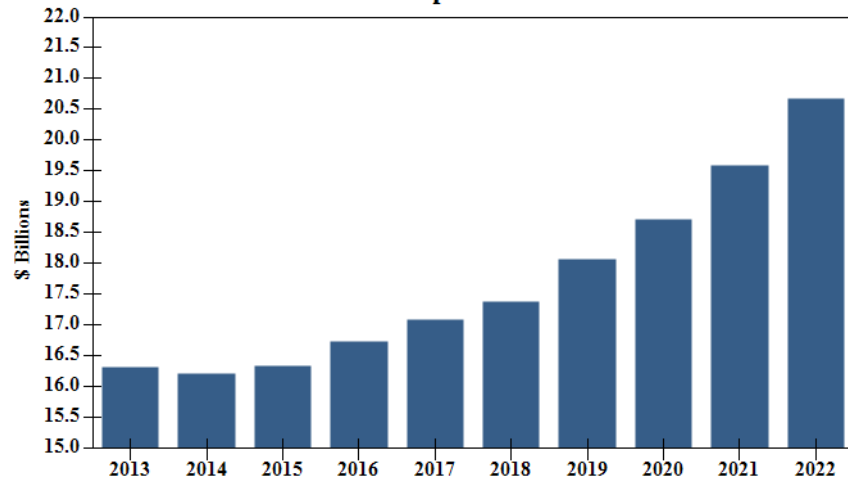
	Fiscal Year										% Change 2013-2022
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013	
Revenues											
General Property Taxes	\$ 316,462,329	\$ 300,491,142	\$ 285,824,042	\$ 277,522,739	\$ 265,622,961	\$ 261,245,586	\$ 256,787,386	\$ 250,847,834	\$ 246,119,180	\$ 229,811,554	37.7 %
E-911 Service	1,041,652	931,808	826,797	789,725	746,818	722,114	701,894	722,381	637,060	596,242	74.7 %
Telecom Sales	8,310,146	8,738,029	9,613,963	9,982,359	10,685,005	11,012,699	11,289,782	11,679,829	11,697,528	11,992,112	(30.7)%
Sales Tax	32,707,526	30,890,502	27,473,290	26,197,558	25,693,286	24,553,589	23,601,270	23,390,029	22,426,753	22,920,353	42.7 %
Utility Tax	6,280,524	6,293,046	6,327,322	6,341,872	6,428,968	6,043,252	6,262,091	6,312,731	6,279,595	6,262,714	0.3 %
Consumption Tax	688,172	690,110	663,636	696,656	554,807	904,868	669,850	714,814	709,174	700,021	(1.7)%
Business License Tax	20,900,524	19,472,960	18,397,725	18,015,385	17,239,148	16,762,176	16,383,239	16,360,314	15,750,751	16,200,207	29.0 %
Rental Car Tax	1,277,286	936,211	1,104,357	1,157,389	1,110,324	1,144,248	1,115,643	1,119,583	1,041,657	1,151,221	11.0 %
Motor Vehicle License Tax	4,219,377	4,395,285	4,144,869	4,286,075	4,273,220	4,131,204	4,096,782	4,009,795	4,103,933	3,876,035	8.9 %
Bank Stock Tax	1,282,753	1,137,056	1,099,434	1,140,972	1,018,617	1,012,668	804,718	642,977	675,657	666,072	92.6 %
Recordation and Wills Tax	3,013,965	2,447,772	1,858,373	1,389,607	1,477,452	1,598,418	1,490,565	1,340,624	1,265,779	1,370,840	119.9 %
Tobacco Tax	4,111,000	4,213,953	4,417,232	4,761,217	4,576,884	4,925,919	4,808,217	4,949,954	5,102,091	5,228,287	(21.4)%
Hotel and Motel Room Tax	5,411,355	3,807,496	3,939,267	4,634,839	4,345,781	4,278,009	4,297,160	4,013,332	3,178,730	3,008,260	79.9 %
Restaurant Food Tax	32,341,996	27,936,394	25,233,838	27,364,800	26,263,697	25,757,894	25,551,404	24,136,927	22,873,051	22,082,728	46.5 %
Amusement Tax	767,921	371,020	716,266	961,140	984,277	980,953	929,005	872,557	665,301	482,469	59.2 %
Tourism Zone Tax	38,364	21,325	40,168	44,858	93,935	61,910	81,172	96,601	11,032	-	- %
Total Taxes	\$ 438,854,890	\$ 412,774,109	\$ 391,680,579	\$ 385,287,191	\$ 371,115,180	\$ 365,135,507	\$ 358,870,178	\$ 351,210,282	\$ 342,537,272	\$ 326,349,115	34.5 %

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

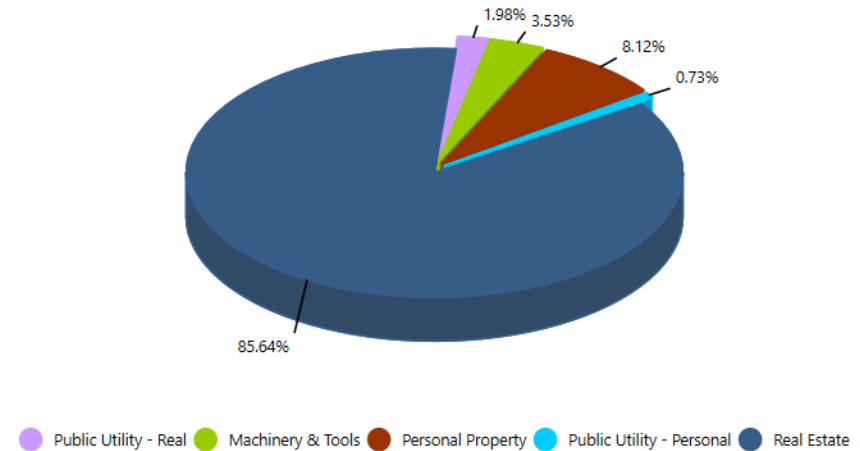
Fiscal Year	Real Property		Personal Property		Machinery and Tools		Public Utility		Less: Tax-Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value
							Real Estate	Personal Property				
2013	\$	17,744,690	\$	1,221,798	\$	486,090	\$ 333,266	\$ 163,292	\$ (3,641,733)	\$ 16,307,403	\$ 1.45	\$ 19,949,136
2014		17,768,798		1,248,199		507,497	353,179	156,714	(3,826,649)	16,207,738	1.41	20,034,387
2015		17,979,237		1,263,012		531,235	352,226	155,737	(3,962,290)	16,319,157	1.40	20,281,447
2016		18,396,884		1,322,984		543,091	349,931	157,772	(4,053,925)	16,716,737	1.42	20,770,662
2017		18,782,332		1,365,979		554,965	355,023	167,828	(4,143,466)	17,082,661	1.53	21,226,127
2018		21,798,305		1,371,461		587,738	379,115	158,661	(6,922,307)	17,372,973	1.53	24,295,280
2019		22,673,480		1,413,676		632,389	384,420	161,155	(7,208,716)	18,056,404	1.53	25,265,120
2020		23,354,976		1,469,804		676,110	382,243	174,906	(7,345,279)	18,712,760	1.53	26,058,039
2021		24,142,302		1,569,497		722,720	398,819	163,128	(7,402,271)	19,594,195	1.54	26,996,466
2022		25,135,195		1,752,332		729,749	408,365	150,158	(7,502,156)	20,673,643	1.56	28,175,799

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 2022



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

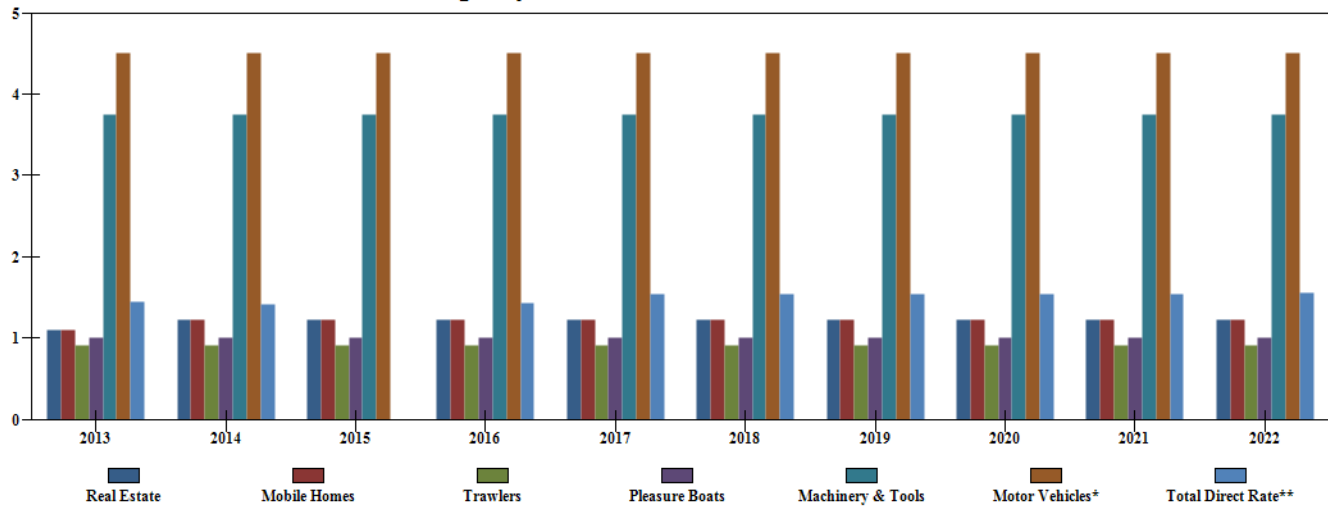
City Direct Rates							
Fiscal Year	Real Estate	Mobile Homes	Trawlers	Pleasure Boats	Machinery & Tools	Motor Vehicles*	Total Direct Rate**
2013	\$ 1.10	\$ 1.10	\$ 0.90	\$ 1.00	\$ 3.75	\$ 4.50	\$ 1.45
2014	1.22	1.22	0.90	1.00	3.75	4.50	1.41
2015	1.22	1.22	0.90	1.00	3.75	4.50	1.40
2016	1.22	1.22	0.90	1.00	3.75	4.50	1.42
2017	1.22	1.22	0.90	1.00	3.75	4.50	1.53
2018	1.22	1.22	0.90	1.00	3.75	4.50	1.53
2019	1.22	1.22	0.90	1.00	3.75	4.50	1.53
2020	1.22	1.22	0.90	1.00	3.75	4.50	1.53
2021	1.22	1.22	0.90	1.00	3.75	4.50	1.54
2022	1.22	1.22	0.90	1.00	3.75	4.50	1.56

Source: City of Newport News FY22 Adopted Operating Budget

*While there was no change in the personal property tax rate, an assessment ratio of seventy-five percent (75%) was applied to vehicles for calendar year 2022 to mitigate the significant increase in used vehicle values.

**Note the 75% assessment ratio for 2022 was not taken into consideration in calculating the Total Direct Tax Rate reported here.

Property Tax Rates - Last Ten Years



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

	2022		2013	
	Taxes Due based on Assessed Value	Percentage of Taxes Due	Taxes Due based on Assessed Value	Percentage of Taxes Due
Huntington Ingalls Incorporated	\$29,710	9.42%	\$17,358	7.56%
Canon Virginia Inc	5,530	1.75%	3,929	1.71%
The Mariners Museum	3,797	1.20%	1,689	0.74%
Virginia Electric & Power Company	3,515	1.11%	2,118	0.92%
Vitesco Technologies USA LLC	2,311	0.73%	-	-
Ferguson Enterprises Corp	2,071	0.66%	-	-
PR Patrick Henry LLC	1,568	0.50%	1,505	0.66%
Virginia Natural Gas Inc	1,421	0.45%	767	0.33%
CCOP LLC	1,023	0.32%	-	-
Verizon Virginia LLC	902	0.29%	1,264	0.55%
IREIT Newport News Tech Center LLC	814	0.26%	-	-
Oyster Point Residential LLC	724	0.23%	471	0.21%
Liebherr America Inc	705	0.22%	-	-
Dominion Terminal Associates	704	0.22%	1,154	0.50%
Venture Newport News LLC	674	0.21%	-	-
Cox Communications Hampton Roads Inc	674	0.21%	503	0.22%
Compass at City Center LLC	673	0.21%	-	-
BRG Meridian Parkside LLC	668	0.21%	352	0.15%
RPAI US Management LLC	647	0.21%	-	-
Printpac Inc	616	0.20%	-	-
Continental Automotive Systems US Inc	-	-	1,861	0.81%
Kinder Morgan Operating LP "C"	-	-	965	0.42%
Patrick Henry Hospital	-	-	818	0.36%
Inland Western Newport News	-	-	706	0.31%
Bottle Group LLC	-	-	582	0.25%
DCO Realty Inc	-	-	479	0.21%
CSX Transportation	-	-	365	0.16%
BR Springhouse LLC	-	-	339	0.15%
Harbours LLC	-	-	300	0.13%
Total	\$58,747	18.61%	\$37,525	16.35%

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

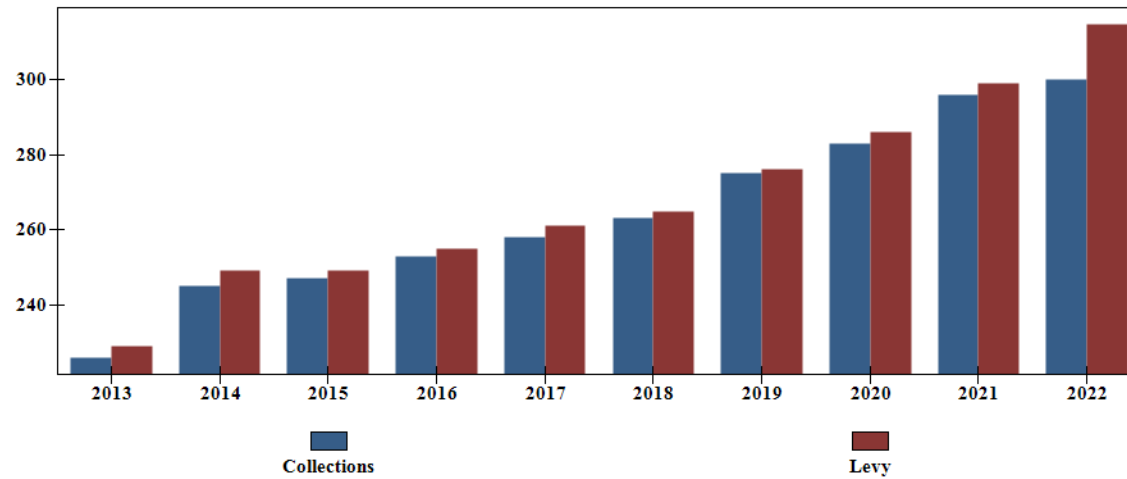
Source: City of Newport News Real Estate Assessors Office and Office of the Commissioner of Revenue

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
2013	\$ 229,071	\$ 218,911	95.6%	-	\$ 7,267	\$ 226,178	98.7
2014	248,820	236,734	95.1%	-	8,340	245,074	98.5
2015	248,645	238,149	95.8%	-	9,199	247,348	99.5
2016	255,057	245,186	96.1%	-	7,917	253,103	99.2
2017	260,913	250,535	96.0%	-	7,873	258,408	99.0
2018	265,381	255,657	96.3%	-	7,626	263,283	99.2
2019	276,004	265,894	96.3%	-	9,432	275,326	99.8
2020	285,568	272,988	95.6%	-	10,061	283,049	99.1
2021	298,897	284,746	95.3%	-	11,090	295,836	99.0
2022	315,260	300,079	95.2%	-	Not Available	300,079	95.2

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									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Population	N/A	184,587	186,247	178,626	179,388	181,825	182,385	182,965	182,020	180,726
Personal Income	N/A	N/A	\$ 8,197,632	\$ 7,969,244	\$ 7,770,354	\$ 7,470,774	\$ 7,448,898	\$ 7,377,992	\$ 7,045,829	\$ 6,891,612
Governmental Activities:										
General Obligation Bonds*	\$ 402,244	\$ 444,759	\$ 390,384	\$ 414,072	\$ 357,301	\$ 393,024	\$ 367,747	\$ 349,364	\$ 388,106	\$ 357,229
VRA*	-	-	-	13,393	15,270	17,282	19,530	22,129	24,728	27,228
VPSA*	-	-	-	728	1,075	1,413	1,741	2,430	3,099	3,749
Literary Fund	2,131	2,529	2,940	3,359	3,779	4,199	4,619	5,038	5,458	5,878
Capital Leases	-	-	-	-	99	211	320	434	571	-
Land Lease Payable	-	-	-	-	-	262	509	742	961	1,167
Land Purchase Payable	-	-	-	-	-	-	-	-	142	600
Lease Liability**	11,465	-	-	-	-	-	-	-	-	-
Note Payable	3,812	-	-	-	-	-	-	-	-	-
Business-Type Activities:										
Public Utility Bonds	138,482	149,696	90,357	103,138	116,600	129,367	113,508	127,043	141,464	153,005
Lease Liability**	3,250	-	-	-	-	-	-	-	-	-
Total business-type activities	141,732	149,696	90,357	103,138	116,600	129,367	113,508	127,043	141,464	153,005
Total Primary Government	\$ 561,384	\$ 596,984	\$ 483,681	\$ 534,690	\$ 494,124	\$ 545,758	\$ 507,974	\$ 507,180	\$ 564,529	\$ 548,856
Percentage of Personal Income	N/A	N/A	5.9 %	6.7 %	6.4 %	7.3 %	6.8 %	6.9 %	8.0 %	8.0 %
Net Bonded Debt per Capita	N/A	\$ 3,234	\$ 2,597	\$ 2,993	\$ 2,754	\$ 3,002	\$ 2,785	\$ 2,772	\$ 3,101	\$ 3,037

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

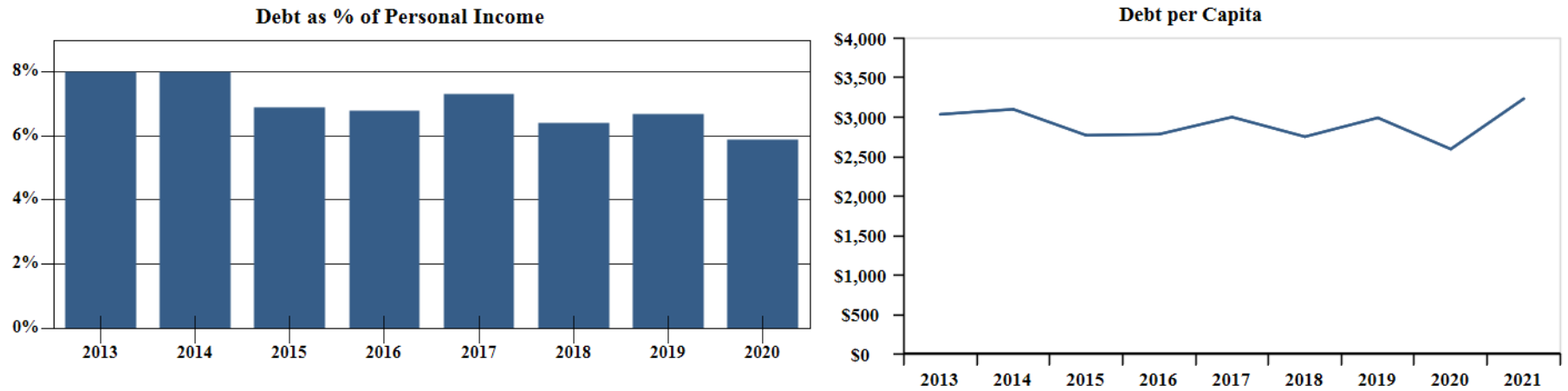
* Balances were reclassified to reflect implementation of GASB 88 in FY2019.

** Balances were added to reflect implementation of GASB 87 in FY2022.

Source: Population figures are derived as follows: 2013 - 2021 Census Bureau estimates.

N/A: Data currently not available.

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



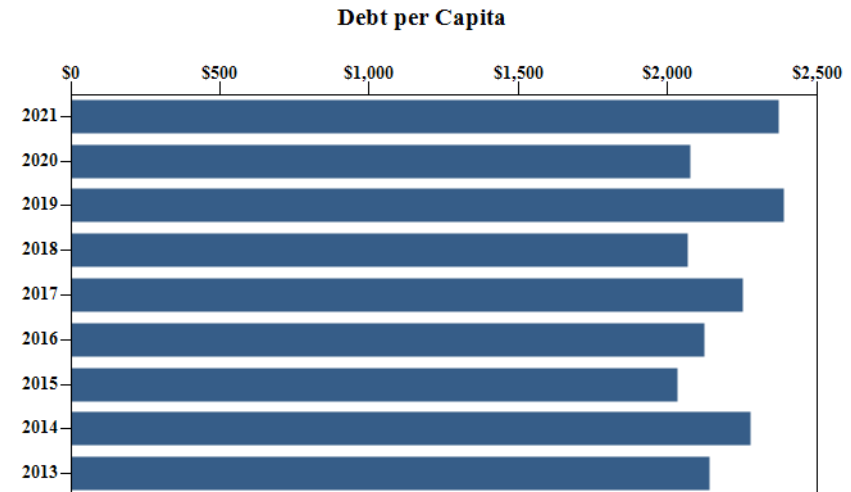
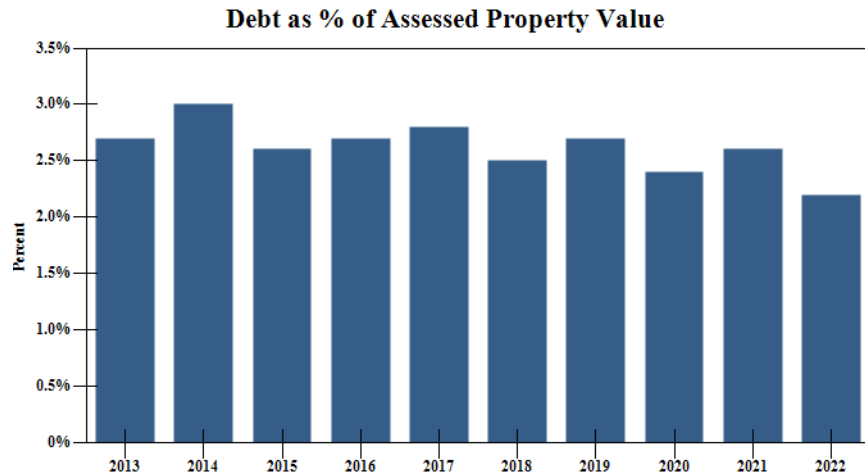
City of Newport News, Virginia
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years
(in thousands of dollars)

Fiscal Year	Population	Assessed Value of Real Property	General Obligation Bonds	Less Debt Service	Net Bonded Debt	Net Bonded Debt as % of Assessed Valuation	Net Bonded Debt per Capita
2013	180,726	\$ 14,150,367	\$ 388,206	\$ 1,375	\$ 386,831	2.7%	\$ 2,140
2014	182,020	13,996,117	415,933	1,560	414,373	3.0%	2,277
2015	182,965	14,072,307	373,923	1,739	372,184	2.6%	2,034
2016	182,385	14,393,093	389,018	1,924	387,094	2.7%	2,122
2017	181,825	14,702,701	411,719	2,096	409,623	2.8%	2,253
2018	179,388	14,939,690	373,646	2,277	371,369	2.5%	2,070
2019	178,626	15,521,734	428,193	1,461	426,732	2.7%	2,389
2020	186,247	16,068,910	390,384	3,309	387,075	2.4%	2,078
2021	184,587	16,805,965	444,759	6,667	438,092	2.6%	2,373
2022	N/A	17,706,249	402,244	7,140	395,104	2.2%	N/A

Source: Population figures are Census Bureau estimates for 2013-2021.

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

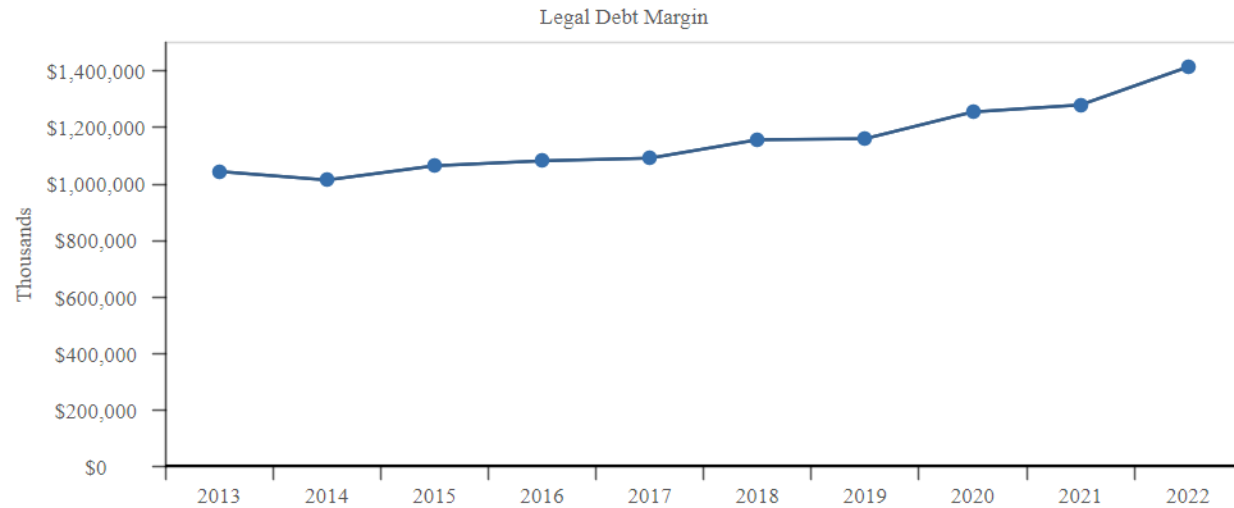
N/A: Data currently not available.



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

	Fiscal Year									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Assessed Value of Real Estate:										
General	\$ 17,706,249,400	\$ 16,805,964,700	\$ 16,068,909,800	\$ 15,521,734,200	\$ 14,939,690,000	\$ 14,702,700,500	\$ 14,393,093,200	\$ 14,072,307,152	\$ 13,996,117,386	\$ 14,150,366,660
Public Service Corporations	408,364,646	398,818,857	382,242,766	384,420,678	379,115,133	355,023,068	349,931,124	352,225,787	352,225,787	333,265,887
Total Assessed Value	18,114,614,046	17,204,783,557	16,451,152,566	15,906,154,878	15,318,805,133	15,057,723,568	14,743,024,324	14,424,532,939	14,348,343,173	14,483,632,547
Total Debt Limit (10% of Total Assessed Value)	1,811,461,405	1,720,478,356	1,645,115,257	1,590,615,488	1,531,880,513	1,505,772,357	1,474,302,432	1,442,453,294	1,434,834,317	1,448,363,255
Bond Outstanding:										
General Obligation, Net of Unamortized Premiums*	394,083,134	434,972,738	378,450,376	414,072,631	354,858,254	390,581,276	365,304,713	346,758,457	384,926,642	364,737,386
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
General Obligation: Virginia Resources Authority (VRA) Loan Fund	8,161,314	9,785,786	11,564,302	13,392,767	15,270,245	17,282,464	19,529,503	22,128,990	24,727,534	27,228,156
General Obligation: Virginia Municipal Pool Loans (VMPL)	-	-	-	-	-	-	-	162,564	737,565	1,312,565
Literary Fund	2,130,886	2,528,952	2,939,519	3,359,286	3,779,053	4,198,821	4,618,588	5,038,355	5,458,122	5,877,889
Qualified Zone Academy Bonds (QZAB)	-	-	-	-	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	(7,139,809)	(6,666,898)	(3,308,551)	(1,461,022)	(2,277,296)	(2,096,466)	(1,923,785)	(1,738,973)	(1,559,619)	(1,467,172)
Total Debt Outstanding	397,235,525	440,620,578	390,014,978	430,091,272	375,246,935	414,032,566	392,033,413	377,655,740	420,402,550	403,880,790
Legal Debt Margin	\$ 1,414,225,880	\$ 1,279,857,778	\$ 1,255,100,279	\$ 1,160,524,216	\$ 1,156,633,578	\$ 1,091,739,791	\$ 1,082,269,019	\$ 1,064,797,554	\$ 1,014,431,767	\$ 1,044,482,465
Total Net Debt Applicable to the Limit as a % of Debt Limit	21.93 %	25.61 %	23.71 %	27.04 %	24.50 %	27.50 %	26.59 %	26.18 %	29.30 %	27.89 %

* Corrected general obligation amounts for 2013-2016 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									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Revenues	\$ 96,838,384	\$ 98,809,975	\$ 96,293,903	\$ 95,343,639	\$ 99,350,705	\$ 91,990,145	\$ 89,992,744	\$ 88,819,826	\$ 85,580,834	\$ 76,099,474
Less the Sum of:										
Operating Expenses	49,506,315	54,345,807	49,436,821	52,954,934	54,389,582	47,780,964	48,435,441	43,199,329	43,866,179	44,089,732
120% of Max Debt Service on Revenue Bonds	11,635,890	11,635,890	5,620,080	5,707,170	4,145,564	2,788,351	2,213,227	3,129,200	3,129,200	3,129,200
100% of Max Debt Service on General Obligation Water Bonds	7,943,797	7,943,797	7,938,869	10,687,909	12,754,595	15,703,580	15,886,779	15,935,112	16,006,224	16,356,343
	69,086,002	73,925,494	62,995,770	69,350,013	71,289,741	66,272,895	66,535,447	62,263,641	63,001,603	63,575,275
Equals (1)	\$ 27,752,382	\$ 24,884,481	\$ 33,298,133	\$ 25,993,626	\$ 28,060,964	\$ 25,717,250	\$ 23,457,297	\$ 26,556,185	\$ 22,579,231	\$ 12,524,199

(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
2013	180,726	\$ 6,891,612	\$ 37,862	32	29,222	6.9%
2014	182,020	7,045,829	38,509	32	29,268	6.4%
2015	182,965	7,377,992	40,453	33	29,118	6.0%
2016	182,385	7,448,898	40,967	33	28,865	5.0%
2017	181,825	7,470,774	41,646	33	28,240	4.9%
2018	179,388	7,770,354	43,501	33	28,401	4.2%
2019	178,626	7,969,244	44,465	33	28,381	3.5%
2020	186,247	8,197,632	45,781	33	28,282	5.8%
2021	184,587	N/A	N/A	33	27,113	8.0%
2022	N/A	N/A	N/A	34	23,933	4.4%

Sources:

Population figures are Census Bureau estimates for 2013-2021.

Personal income: 2013-2020 Bureau of Economic Analysis.

Per capita income: 2013-2020 Bureau of Economic Analysis.

Unemployment rate: 2013-2014 Virginia Workforce Connection; 2015-2022 Virginia Labor Market Information.

Median Age: U.S. Census Bureau.

N/A: Data currently not available.

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

	2022		2013	
	Approximate Number of Employees	Approximate Percentage of Total City Employment	Approximate Number of Employees	Approximate Percentage of Total City Employment
Huntington Ingalls Industries, Inc.	25,000	30.66%	22,000	26.04%
Riverside Regional Medical Center	5,500	6.75%	5,000	5.92%
Newport News Public Schools	5,000	6.13%	5,400	6.39%
City of Newport News	4,000	4.91%	4,000	4.73%
Ferguson Enterprises Inc.	1,500	1.84%	1,450	1.72%
Christopher Newport University	1,250	1.53%	1,250	1.48%
U.S. Department of Army and Air Force	1,000	1.23%	1,000	1.18%
Canon	1,000	1.23%	1,250	1.48%
Walmart	1,000	1.23%	1,000	1.18%
U.S. Department of Defense	500	0.61%	Not Available	Not Available
Total	45,750	56.12%	42,350	50.12%
Approximate Total City Employment	81,527		84,482	

Source: Virginia Employment Commission (VEC). Note 2022 data is most recent data available from the VEC, which may be up to a year in arrears.

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									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Fund, Function, Activity and Elements										
General Fund:										
General Government Administration:										
Legislative:										
City Council	7	7	7	7	7	7	7	7	7	7
City Clerk	4	4	4	4	4	4	4	4	4	5
General and Financial Administration:										
City Manager	17	16	12	10	10	10	10	18	18	18
Human Resources	25	23	21	20	20	20	16	15	15	18
City Attorney	19	18	18	18	18	18	18	18	18	18
Internal Auditor	6	6	6	6	6	6	6	6	6	6
Commissioner of the Revenue	42	42	42	42	42	42	42	40	40	40
Real Estate Assessor	19	19	19	19	20	20	21	21	22	22
City Treasurer	34	34	34	34	34	34	34	33	33	33
Finance	41	41	41	41	41	22	18	18	18	18
Budget and Evaluation	8	8	8	7	7	7	7	7	7	7
Office of Self-Insurance (General Liability Insurance Fund)	5	6	6	6	6	6	6	6	6	6
Purchasing***	-	-	-	-	-	18	19	21	20	23
Information Technology	67	68	68	62	64	58	57	57	56	57
Customer Service - 311 Call Center*	-	-	-	-	-	-	-	10	10	6
Communications*	28	28	26	25	25	25	24	-	-	-
Non-departmental - Security Services****	26	41	26	22	-	-	-	-	-	-
Board of Elections:										
Registrar	5	5	5	5	5	5	5	5	5	5
Total General Government Administration	353	366	343	328	309	302	294	286	285	289
Judicial Administration:										
Courts:										
Circuit Courts	7	7	7	7	7	7	7	6	6	6
Office of the Magistrate	-	-	-	-	-	6	6	6	6	6
Clerk of the Circuit Court	25	24	24	24	24	24	24	24	23	23
Court Services	2	2	2	2	2	2	2	2	2	2
Commonwealth's Attorney	62	56	56	54	54	52	49	49	49	49
Total Judicial Administration	96	89	89	87	87	91	88	87	86	86
Public Safety:										
Law Enforcement and Traffic Control:										
Police Department	628	619	607	602	601	594	588	586	586	586
Fire and Rescue Services:										
Fire Department	393	386	386	383	382	381	380	379	380	380
Correction and Detention:										
Sheriff	221	221	221	219	219	219	219	215	215	217
Adult Corrections**	-	-	-	-	-	-	-	60	60	60
Juvenile Detention	134	134	145	145	141	138	130	126	126	125
Inspections:										
Codes Compliance	40	40	40	39	39	39	38	38	38	38
Total Public Safety	1,416	1,400	1,399	1,388	1,382	1,371	1,355	1,404	1,405	1,406

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										
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Public Works:										
Engineering	63	63	63	62	68	70	68	69	78	78
Public Works Administration*****	85	136	139	164	186	185	185	156	152	157
Total Public Works	148	199	202	226	254	255	253	225	230	235
Welfare:										
Human Services	407	396	396	395	387	382	377	377	387	391
Total Welfare	407	396	396	395	387	382	377	377	387	391
Parks and Library:										
Parks and Recreation	116	112	109	108	108	108	108	106	108	107
Parks and Recreation Revolving Fund	82	82	82	82	80	80	80	83	93	94
Library	55	55	54	53	52	51	52	52	53	56
Total Parks, Recreation and Library	253	249	245	243	240	239	240	241	254	257
Community Development:										
Planning and Community Development:										
Development	20	20	20	20	20	20	19	17	17	17
Planning	19	19	19	19	14	13	13	12	12	13
Total Community Development	39	39	39	39	34	33	32	29	29	30
Total General Fund	2,712	2,738	2,713	2,706	2,693	2,673	2,639	2,649	2,676	2,694
Other Operating Funds:										
General Services Fund*****	94	-	-	-	-	-	-	-	-	-
Public Utilities Fund	352	352	352	352	352	352	352	353	353	365
Vehicle & Equipment Services Fund*****	-	40	40	40	40	40	41	39	39	39
Solid Waste Revolving Fund	74	77	77	77	71	71	66	64	64	61
Wastewater Fund	110	110	110	110	109	108	104	100	99	97
Stormwater Management Fund	104	104	104	104	105	105	98	90	88	84
Pension Fund	-	-	-	-	-	-	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	3,870	3,861	3,884	3,884	3,901	3,934	3,904	3,921	3,937	4,026
Peninsula Regional Animal Shelter	15	14	13	13	11	11	11	11	11	-
Total Other Operating Funds	4,627	4,566	4,588	4,588	4,597	4,629	4,590	4,592	4,605	4,686
Total City Employees	7,339	7,304	7,301	7,294	7,290	7,302	7,229	7,241	7,281	7,380

Source: City Adopted Budget.

*The Communications Department was created in FY 2015 and includes the existing 311 Call Center, Video Productions Services from the City Manager's Office and the Graphics division transferred 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.

*****In FY 2022, Custodial Services and Building Services, which were previously included in Public Works Administration, were combined with the Vehicle & Equipment Services Fund and moved into the new General Services Fund.

City of Newport News, Virginia
Operating Indicators by Function/Program
Last Ten Fiscal Years

Function/Program	Fiscal Year									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
General Government:										
Retail Sales (Millions)	3,843	3,352	3,112	2,665	2,146	2,329	2,278	2,212	2,242	2,202
Police:										
Calls for Service	165,712	165,480	176,998	177,649	181,522	148,561	75,150	154,111	170,317	169,877
Number of Offenses	16,623	16,486	18,075	20,015	19,737	20,236	9,855	19,291	20,601	20,888
Adult Arrests	12,518	14,174	15,210	9,712	12,024	12,716	4,997	13,156	15,182	9,804
Traffic Summonses	16,503	19,668	18,183	23,652	23,171	17,828	17,011	22,700	29,974	28,383
Traffic Accidents	2,803	2,720	2,749	3,142	2,909	3,020	1,490	2,924	2,756	2,641
Fire:										
Emergency Medical Service/Rescue	25,191	23,474	21,680	20,142	21,508	19,520	22,938	22,728	27,574	22,017
Public Assistance	3,475	3,064	2,982	1,633	2,579	1,120	1,045	1,939	1,660	1,651
Good Intent Calls	3,149	3,322	2,855	2,535	2,720	2,225	1,817	1,817	150	1,685
False/Alarm/Alarm Malfunction	1,735	1,612	1,542	1,555	1,577	1,488	1,381	1,436	778	1,375
Hazardous Conditions	579	692	546	692	577	2,093	109	564	572	637
All Fires	533	544	559	490	577	622	543	578	610	639
Explosions	12	12	8	10	15	5	7	7	7	14
Weather Event/Other	23	14	15	23	4	23	9	10	4	57
Sheriff:										
City Jail Capacity	300	300	300	300	300	300	300	300	300	300
Codes Compliance:										
Building Permits Issued	1,607	1,624	1,337	1,464	1,475	1,363	1,372	1,545	1,589	1,985
Residential Construction	128	130	142	137	135	195	222	219	230	222
Commercial Construction	29	14	27	21	18	72	55	76	69	49
Waterworks:										
Gallons Delivered per Day (Millions)	34	33	33	33	33	33	34	35	35	35
Meters Connected	134,914	132,100	133,031	130,381	137,754	136,914	134,191	133,722	133,380	132,743
Public Works:										
Potholes Repaired	12,904	13,718	16,626	19,951	20,037	18,494	23,208	19,148	18,148	15,305
Streets Resurfaced (Miles)	12	11	14	14	3	11	10	12	8	7
Recyclables Collected (Tons)	6,333	8,738	7,299	6,447	6,101	6,151	6,300	6,901	7,325	6,957
Parks and Recreation:										
Park Visitors (Millions) (All Parks)	4	4	4	4	4	4	4	4	4	4
Celebration of Lights Visitors	132,694	151,819	100,467	105,149	119,638	111,097	110,679	104,617	103,491	109,700
Tourism Visitor Inquiries	222,917	212,285	140,335	87,747	78,605	241,311	152,252	78,795	77,224	79,088
Tourism Website Visits*	594,759	636,948	545,487	331,643	235,698	380,233	241,722	200,132	198,520	215,849
Visitor Guides Distributed	130,000	162,000	81,000	175,000	175,000	200,000	200,000	200,000	200,000	165,000
Library:										
Circulation Transactions	558,361	468,097	602,383	702,676	692,774	777,457	788,356	887,044	951,241	1,009,939
Reference	67,329	38,482	57,557	88,967	77,570	85,349	106,329	152,153	321,102	174,356
Computer Use	285,618	152,006	138,437	188,337	249,743	241,301	236,361	302,465	256,929	244,971
Program Attendance	15,336	2,724	37,582	22,264	31,800	20,848	22,442	14,985	16,272	26,206
Visitor Count	236,265	152,962	421,737	567,747	678,439	737,748	890,717	890,717	829,290	889,407
Meeting Room Use**	5,253	-	515	1,134	1,397	1,228	1,294	1,872	916	830
Schools:										
Average Daily Students	23,933	27,113	28,282	28,381	28,401	28,240	28,865	29,118	29,268	29,222

Source: Various city departments.

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

** Due to the COVID-19 Pandemic, Library meeting rooms were closed for public use for all of FY21.

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

Function/Program	Fiscal Year									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Police:										
Patrol Units	239	244	259	243	251	247	242	238	238	245
Boats	4	3	3	3	3	3	3	3	2	3
Fire:										
Stations	11	11	11	11	11	11	11	11	11	11
Fire Trucks	24	24	24	18	18	25	25	25	25	26
Ambulances	19	19	19	12	12	18	18	17	17	17
Boats	2	2	3	2	1	2	2	2	2	2
Engineering:										
Streetlights	21,789	21,026	20,811	20,790	20,756	20,424	20,586	21,387	20,308	20,125
Traffic Lights	272	273	270	268	263	263	261	261	257	253
Parks and Recreation:										
Parks	36	36	36	36	37	37	37	37	36	36
Acreage	8,696	8,696	8,696	8,696	8,697	8,697	8,697	8,697	8,697	9,120
Athletic Fields	154	154	154	154	154	154	154	154	154	97
Mini-parks	3	3	3	3	3	3	3	3	3	3
Beach/Waterfront Areas	8	8	8	8	8	8	8	8	8	8
Boat Ramps	8	8	9	7	7	7	7	7	7	7
Golf Courses	2	2	2	2	2	2	2	2	2	2
Swimming Pools	3	3	3	3	3	3	3	3	3	3
Tennis Courts (Free)	57	57	57	57	57	57	57	57	57	57
Tennis Courts (Pay)	24	24	24	24	24	24	24	24	24	24
Squares	3	3	3	3	3	3	3	3	3	3
Library:										
Libraries	3	3	4	5	5	5	5	5	5	6
Law Libraries	1	1	1	1	1	1	1	1	1	1
Waterworks:										
Miles of Pipe	1,769	1,772	1,769	1,762	1,762	1,758	1,754	1,754	1,746	1,748
Fire Hydrants	11,585	11,472	11,357	11,363	11,286	11,122	11,069	11,113	10,987	10,939
Public Works:										
Refuse Carts	82,457	84,647	82,548	81,808	80,674	82,251	76,654	76,654	77,619	78,354
Streets (Miles)	508	506	507	506	506	505	510	505	505	505
Lanes (Miles)*	1,197	1,189	1,187	1,186	1,185	1,184	1,203	1,193	1,193	1,191
Sanitary Sewers (Miles)*	595	587	587	587	585	583	584	584	699	709
Storm Sewers (Miles)	680	680	680	681	677	651	599	607	717	542
Pump Stations	188	188	187	187	185	183	183	183	182	180
Schools:										
Early Childhood Centers	3	4	4	4	4	4	4	4	4	4
Elementary Schools	24	24	24	24	24	24	24	24	24	24
Middle Schools	7	7	7	7	7	7	7	7	7	7
High Schools	5	5	5	5	5	5	5	5	5	5
Middle-High Combo Schools	1	1	1	1	1	1	1	1	1	1

Source: Various city departments.

*For previous years beginning in 2012, Non-VDOT eligible roads were included in Lane Miles. The correct totals have been provided for FY16 - FY22 and totals were corrected for FY12, FY13, FY14 and FY15.

**Report of Independent Auditor on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards**

To the Honorable Members of City Council
City of Newport News, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the *Specifications for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Newport News, Virginia (the "City"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 12, 2022. That report recognizes that the City restated certain net position balances due to the implementation of a new accounting standard and a change in the City's fiduciary responsibilities, effective July 1, 2021.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or under the *Specifications for Audits of Cities, Counties, and Towns*.

Purpose of this Report

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

Cherry Bekaert LLP

Richmond, Virginia
December 12, 2022

**Report of Independent Auditor on Compliance for Each Major Program
and on Internal Control over Compliance Required by the Uniform Guidance**

To the Honorable Members of City Council
City of Newport News, Virginia

Report on Compliance for Each Major Federal Program

Qualified and Unmodified Opinions

We have audited the City of Newport News, Virginia's (the "City") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2022. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Qualified Opinion on Medical Assistance Program (ALN 93.778)

In our opinion, except for the noncompliance described in the *Basis for Qualified and Unmodified Opinions* section of our report, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Medical Assistance Program for the year ended June 30, 2022.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2022.

Basis for Qualified and Unmodified Opinions

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Matter Giving Rise to Qualified Opinion on Medical Assistance Program

As described in the accompanying schedule of findings and questioned costs, the City did not comply with requirements regarding Medical Assistance Program's (ALN 93.778) as described in finding number 2022-001 for Eligibility.

Compliance with such requirements is necessary, in our opinion, for the City to comply with the requirements applicable to that program.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

Government Auditing Standards requires the auditor to perform limited procedures on the City's responses to the noncompliance finding identified in our audit described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a material weakness.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-001 to be a material weakness.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance required of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the internal control over compliance finding identified in our audit described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Cherry Bekaert LLP

Richmond, Virginia
December 12, 2022

City of Newport News, Virginia
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

<u>Federal Granting Agency/Recipient State Agency</u>	<u>Assistance Listing</u>	<u>Federal Expenditures</u>	<u>Passed Through to Sub-Recipients</u>
DEPARTMENT OF AGRICULTURE			
Pass-through Payments:			
Department of Social Services:			
State Administrative Matching Grants for Food Stamp Program (765-460-03; 765-452-13)	10.561	\$ 5,904,816	
Department of Agriculture:			
School Lunch Program-Commodities	10.555	\$ 9,268	
Department of Education:			
School Breakfast Program (777-360-01; 777-360-03)	10.553	<u>63,681</u>	
Total Child Nutrition Cluster		72,949	
DEPARTMENT OF HOUSING & URBAN DEVELOPMENT			
Direct Payments:			
Community Development Block Grant Program			
Community Development Block Grants (B11-MC-51-0015, B12-MC-51-0015)	14.218	1,329,570	\$ 1,329,570
Pass-through Payments:			
Department of Housing & Community Development:			
Home Investment in Affordable Housing (M-07-MC-51-0202-M13-MC-51-0202)	14.239	836,810	836,810
Choice Neighborhood Initiative-Implementation	14.889	201,126	
VA COVID Homelessness Emergency Response Program Grant			
CHERP partnership with the City of Hampton	14.231	296,993	
DEPARTMENT OF JUSTICE			
Direct Payments -			
Office of Justice Programs:			
Coronavirus Emergency Supplemental Funding	16.034	155,721	
Edward Byrne Memorial Justice Assistance Grants (2015DJBX0977, 2016DJBX0045, 16A3191AD14)	16.738	97,298	
Law Enforcement based Victim Specialist Program (2019-V3-GX-0138)	16.582	142,115	
Pass-through Payments:			
Department of Criminal Justice Service:			
Victims of Crime Act (VOCA) (140-390-01)	16.575	354,900	
Equitable Sharing Program	16.579	124,667	
Residential Substance Abuse Treatment	16.593	122,919	
DEPARTMENT OF THE COMMERCE			
Coronavirus Relief Fund (SLT0022)			
Revolving Loan Fund Supplemental Disaster Recovery and Resilience	11.307	1,570,172	
ENVIRONMENTAL PROTECTION AGENCY	66.466	1,039	
Department of Environmental Quality			
DEPARTMENT OF TRANSPORTATION			
Pass-through Payments:			
Va Department of Transportation:			
Highway Planning & Construction	20.205	6,609,666	
Highway Planning & Construction--Safe Routes	20.205	<u>43,738</u>	
Total Highway Planning & Construction		6,653,404	
Va Department of Motor Vehicles:			
DMV Select Enforcement	20.607	<u>43,365</u>	
Totals, page 1		\$ 17,907,864	\$ 2,166,380

City of Newport News, Virginia
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

<u>Federal Granting Agency/Recipient State Agency</u>	<u>Assistance Listing</u>	<u>Federal Expenditures</u>	<u>Passed Through to Sub-Recipients</u>
DEPARTMENT OF THE TREASURY			
Pass-through Payments:			
Virginia Department of Accounts:			
Coronavirus Relief Fund (SLT0022)	21.019	\$ 102,185	\$ 102,185
Virginia Department of Emergency Management - FEMA PA Program - COVID19	21.019	309,261	
Virginia Department of Housing and Community Development (CARES-MURP)	21.019	899,992	
Total Coronavirus Relief Fund		\$ 1,311,438	
Virginia Department of Housing and Community Development (ARPA-SLFRF-MURP)	21.027	2,243,052	
Virginia Department of Criminal Justice Service-ARPA	21.027	14,323	
Virginia Department of Finance-ARPA	21.027	<u>33,397,123</u>	
Total ARPA		35,654,498	
Virginia Department of Education			
ARPA - Child Care Stabilization	93.575	1,347,967	
Library of Virginia - ARPA	45.310	22,784	
DEPARTMENT OF HEALTH & HUMAN SERVICES			
Pass-through Payments:			
Department of Social Services:			
Foster Care - Title IV-E Guardianship	93.090	3,122	
Maternal, Infant and Early Childhood Home (MIECH) Visiting Program	93.870	385,714	
Youth & Family Services Grant	93.472	37,663	
Promoting Safe and Stable Families (765-469-01)	93.556	136,239	
Temporary Assistance for Needy Families(765-452-01; 765-460-03)	93.558	2,131,416	
Healthy Families	93.558	275,425	
Virginia First Cities TANF Grant	93.558	<u>597,868</u>	
Total TANF Cluster		3,004,709	
Refugee and Entrant Assistance (765-460-03; 765-491-02)	93.566	133,802	
Low-Income Home Energy Assistance (765-460-03)	93.568	342,135	
Child Abuse Prevention (PSSF)	93.590	833	
Child Care and Development Block Grant Act of 1990 (765-452-15)	93.575	(163)	
Child Care and Development Mandatory Matching Funds (765-460-03)	93.596	<u>462,351</u>	
Total Child Care Cluster		462,188	
Chafee Education and Training Vouchers Program (765-469-01)	93.599	12,800	
Child Welfare Services State Grants (765-460-06)	93.645	4,559	
Foster Care - Title IV-E (765-460-03; 765-460-06; 765-469-01)	93.658	2,053,702	
Adoption Assistance (765-460-03; 765-469-03)	93.659	2,387,174	
Social Services Block Grant (765-460-03; 765-468-02; 765-469-01)	93.667	1,772,452	
Social Services Block Grant (765-460-03; 765-468-02; 765-469-01)	93.667	<u>173,116</u>	
Total Social Services Block Grant		1,945,568	
Independent Living (765-460-03; 765-469-01)	93.674	53,817	
APS COVID-19 Relief (CRRSA Funds)	93.747	15,585	
State Children's Insurance Program (765-460-03)	93.767	28,841	
Medical Assistance Program - Title XIX (765-460-03;)	93.778	3,203,750	
Direct Payments:			
Social Security Incentive Program	96.006	20,100	
DEPARTMENT OF HOMELAND SECURITY (FEMA)			
Direct Payments:			
Port Security Grant Program (EMW-2014-PU-00302, EMW-2015-PU-00273)	97.056	22,437	
FEMA Dept of Homeland Security EMW-2009-FO-017/2012-FO-014	97.044	331,012	
Department of Emergency Management:			
Emergency Management Performance Grants (127-775-01)	97.042	93,035	
Homeland Security Grant Program	97.067	45,701	
Totals, page 2		<u>53,061,173</u>	<u>102,185</u>
Grand Totals		<u>\$ 70,969,037</u>	<u>\$ 2,268,565</u>

City of Newport News, Virginia
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

(1) Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Newport News, Virginia (the City), except the Peninsula Airport Commission and the Newport News Public Schools, which have separate reports in accordance with the Uniform Guidance. The information in this Schedule is presented on the modified accrual basis of accounting in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. The City did not elect to use the 10% indirect cost rate.

The City operates on a contractual basis with its grant partners except for its relationship with NNRHA. NNRHA is a sub-recipient of the City for the Community Development Block Grant Program (CFDA number 14.218) and the Home Investment in Affordable Housing Program (CFDA number 14.239). The amounts passed through to NNRHA for the Community Development Block Grant Program and the Home Investment in Affordable Housing Program were \$1,329,570 and \$836,810 respectively.

(2) Relationship to Basic Financial Statements

Federal expenditures are reported in the City's basic financial statements as follows:

	<u>Federal expenditures</u>
General Fund	\$ 18,989,686
Special Revenue Funds Capital Projects	6,609,666
Special Revenue Funds	<u>45,369,685</u>
Total expenditures	<u><u>\$ 70,969,037</u></u>

(3) The City did not elect to use the 10% de minimus cost rate.

CITY OF NEWPORT NEWS, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2022

A. Summary of Auditor's Results

1. The type of report issued on the basic financial statements: **Unmodified opinion**
2. Significant deficiencies in internal control disclosed by the audit of the financial statements: **None reported.**
3. Material weaknesses in internal control disclosed by the audit of financial statements: **No**
4. Noncompliance, which is material to the financial statements: **No**
5. Significant deficiencies in internal control over major programs: **None reported.**
6. Material weaknesses in internal control over major programs: **Yes, Finding 2022-001**
7. The type of report issued on compliance for major programs:
Qualified for Medical Assistance Program (ALN 93.778)
Unmodified for all other major programs
8. Any audit findings which are required to be reported in accordance with 200.516(a) of the Uniform Guidance: **Yes**
9. The programs tested as major programs were:

<u>Assistance Listing</u>	<u>Name of Federal Program or Cluster</u>
93.778	Medical Assistance Program - Medicaid Cluster
93.658	Foster Care – Title IV-E
93.659	Adoption Assistance
21.027	Coronavirus State and Local Fiscal Recovery Funds

10. Dollar threshold used to distinguish between type A and type B programs: **\$2,129,071**
11. City of Newport News qualified as a low-risk auditee under in accordance with 200.516(a) of the Uniform Guidance: **No**

B. Findings Relating to the Financial Statements Reported in Accordance with Government Auditing Standards

None reported.

CITY OF NEWPORT NEWS, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2022

C. Findings and Questioned Costs Relating to Federal Awards

2022-001: Compliance Qualification and Material Weakness – Eligibility for Medical Assistance Program – Medicaid Cluster (AL Number 93.778) – U.S. Department of Health and Human Services – Virginia Department of Social Services (Repeat finding 2021-001)

Criteria: Per the Virginia Medical Assistance Eligibility Manual, an “annual review of all of the enrollee’s eligibility requirements is called a “renewal.” A renewal of the enrollee’s eligibility must be completed at least once every 12 months. The renewal can be initiated in the 10th month to ensure timely completion of the renewal (Subchapter M1520.001)”. A signed application for medical assistance is required for all initial request for medical assistance (Subchapter M0120.300) and the renewal must be signed by the enrollee or authorized representative (Subchapter M1520.200). An application for medical assistance must be signed to be valid (Subchapter M0120.150). The case records must contain facts essential to the determination of initial and continuing eligibility (Subchapter M0110.400). It also states that the agency must include in the case record documentation to support the agency’s decision on his application (Subchapter M0110.000).

Condition: Of the sixty (60) participants selected for testing, three (3) participants did not have either a renewal or an original application located in the physical participant case file or in the electronic Medicaid system. Consequently, the initial or required re-determination of the participant’s eligibility could not be verified through our testwork.

Cause: Prior to a clarification received in August of 2019, the Newport News Department of Human Services had been operating under an interpretation of policy that supported retaining three years of Medicaid record documents. While case record materials for Medicaid began being scanned into the VaCMS/DMIS system at application in 2015, paper records were maintained for previously approved, ongoing cases. In an effort to keep paper records manageable, they were frequently purged of materials that were sent to closed files. These files were noted with a destroy date of three years from date of purge. Due to the undeterminable number of missing records, the City implemented a plan to obtain new applications as the need arose.

Effect: The City’s non-compliance could result in cost disallowed by the grantor or a reduction in future funding for this program.

Questioned Cost: Undeterminable.

Recommendation: The City should continue executing its corrective action plan to enhance internal controls related to participant eligibility to ensure that participant files contain adequate supporting documentation in accordance with Medicaid requirements.

Views of Responsible Officials and Planned Corrective Actions: The Department of Human Services is in agreement with the findings related to missing application/renewal forms for the three noted cases.

Since receipt of the clarification from the state regarding Medicaid record retention, staff have been informed to retain all documents used in determining eligibility for the life of an active case. To prevent inadvertent removal of these documents, procedures have been put in place to ensure required materials are maintained during the transition of older paper case records to a paperless format within the Virginia Case Management System (VaCMS). A case purging checklist procedure was implemented in September 2020. The checklist was created to assist staff in ensuring that required documents are maintained and submitted for scanning to the electronic record.

CITY OF NEWPORT NEWS, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2022

Case record materials for Medicaid began being scanned into the VaCMS/DMIS system at application in 2015 so there is less of a chance that cases established after that time will be missing an application or other required documents. In an effort to prevent further findings related to this issue, staff have been instructed to ensure all required documents are present in the system, including an application, as part of the manual renewal process. In addition, for cases that are automatically renewed through the exparte process, with no intervention from staff, available state exparte reports will be utilized to identify cases that may not contain an application. For these cases, staff will request new/renewal applications to bring the case into compliance.

D. Findings and Questioned Costs Related to Compliance with Commonwealth of Virginia Laws, Regulations, Contracts and Grants

None reported.

E. Status of Prior Year Findings

2021-001 – Medicaid Program Assistance – Finding repeated as 2022-001.

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2022 ANNUAL COMPREHENSIVE FINANCIAL REPORT

City of Newport News, VA



2400 Washington Avenue
Newport News, Virginia 23607
www.nnva.gov/451/Finance