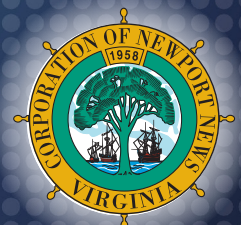




# COMPREHENSIVE ANNUAL FINANCIAL REPORT 2013

CITY OF NEWPORT NEWS, VIRGINIA

FISCAL YEAR ENDED  
JUNE 30, 2013



# CITY OF NEWPORT NEWS, VIRGINIA

## Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2013

Prepared by the  
Department of Finance

2400 Washington Avenue  
Newport News, VA 23607

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# City of Newport News

Virginia 23607

Office Of The City Manager

November 26, 2013

2400 Washington Avenue

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

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) of the City of Newport News, Virginia (the City) for the fiscal year ended June 30, 2013 (FY 2013).

Cherry Bekaert LLP, Certified Public Accountants, conducted the audit of the City's financial statements for the year ended June 30, 2013, 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, with which it should be read in conjunction.

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 enable the reader to gain maximum 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 180,726, based on the 2013 census estimates.



## CITY OF NEWPORT NEWS, VIRGINIA

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

The City has a council-manager form of government. Policy-making and legislative authority is vested in a Council consisting of the mayor and six other members, all elected on a non-partisan basis. The Mayor and 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 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 and fire protection, juvenile detention, adult correction, sanitation and human services, the construction and maintenance of highways, streets and infrastructure, recreational activities and cultural events. In addition to general government activities, the City provides street lighting, water and wastewater services to its citizens. The City's Public Utilities Department (Waterworks) also provides water to the Cities of Hampton, Poquoson and parts of York and James City Counties.

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

The independent agencies that are NOT included in the City financial statements are the Newport News Redevelopment and Housing Authority (NNRHA), the Office of Human Affairs (OHA) 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 to adopt a final budget by the 15th day of the last month of the fiscal year (June 15). Once the budget is approved, the focus is upon 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 transfer requests from departments to ensure that 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.

## CITY OF NEWPORT NEWS, VIRGINIA

### *Local Economy*

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 1.68 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 enhanced by its close proximity to 15 other cities and counties. In total, these entities blend synergistically into Virginia's Hampton Roads region, and Newport News is a vital contributor to the wonderful lifestyle, energy, and economic strength of this vibrant area.

Newport News has an economic foundation which was historically based largely on livelihoods benefitting from the constant presence of water – shipbuilding, fishing, and both 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 Public School System*

One of the most important services provided by a city to its taxpayers is the education of the children of the community. The Newport News School System (Schools) provides a full range of public education services to approximately 29,700 students in 5 early childhood centers, 24 elementary schools, 7 middle schools, 5 high schools, 1 combination middle/high school, and 9 program sites.

Schools receive funding from taxes collected and allocated by the City and the Commonwealth of Virginia, in addition to federal aid. Capital funding for public school facilities is provided primarily by the sale of general obligation bonds of the City.

More information regarding the important achievements of the Newport News Public Schools is available in the separately published Schools CAFR.

### *Economic Condition and Outlook*

A city's economic condition is only as good as the condition of its businesses and its taxpayers, and Newport News is blessed with a diversity of contributors to the local economy – corporate, military, education and individual, many of which were able to weather the recent economic turbulence without significant downsizing.

## CITY OF NEWPORT NEWS, VIRGINIA

Newport News routinely enjoys unemployment rates lower than the national average. During FY 2013, the national unemployment rate was 7.8%, while the City's rate decreased from 7.4% to 6.9% at June 30, 2013.

One of the primary goals of the City is to promote an environment which encourages economic growth and job development. The City's development activities are executed primarily through the Economic and Industrial Development Authorities (E/IDA). The core mission of the E/IDA is to grow and diversify the tax and employment base of the City. This mission is accomplished by promoting Newport News as an ideal location for business start-up, relocation, expansion, and capital investment.

Recent positive economic news involved some of the City's largest employers:

### *Tech Center at Oyster Point*

W.M. Jordan Company has teamed with Virginia Tech, the City of Newport News, and retail developer S. J. Collins Enterprises to build the Tech Center at Oyster Point, a \$250 million mixed-use development, to be located on 43 acres at the corner of Oyster Point Road and Jefferson Avenue. The development will feature research, retail (including the first Whole Foods Market on the Peninsula), residential and commercial components. The first phase of construction is expected to begin in October 2013, and will consist of several retail, office and apartment buildings. Phase Two will feature the construction of the corporate research center.

### *Liebherr Mining Equipment Company*

Liebherr Mining Equipment Company, located in Copeland Industrial Park in the southern part of the City, manufactures very large trucks for transporting ore, each selling at a seven-figure price.

In February 2013, Governor Bob McDonnell announced that Liebherr would invest \$45.4 million to expand its operation in the City of Newport News and the City of Hampton. The project will create 174 new jobs over a 48-month period. The Virginia Economic Development Partnership worked with the City of Newport News, the City of Hampton and the Hampton Roads Economic Development Alliance to secure the project for Virginia. Governor McDonnell approved a \$500,000 grant from the Governor's Opportunity Fund to assist Newport News with the project. Governor McDonnell also approved an \$800,000 performance-based grant from the Virginia Investment Partnership program, an incentive available to existing Virginia companies.

### *High Liner Foods*

High Liner Foods, Inc., a Canadian publicly-owned processor and marketer of frozen seafood, purchased Icelandic USA in late 2011. Icelandic USA has a long history of providing high-quality seafood in popular forms, such as battered and breaded products as well as a full line of premium fillets. High Liner also structured a long-term distribution and licensing agreement with Icelandic Group that will ensure that producers in Iceland will continue to have the same

## CITY OF NEWPORT NEWS, VIRGINIA

access to the U.S. market as they do today and that High Liner will continue to be able to supply its customers with high-quality fillets from Iceland under the Icelandic Seafood™ brand.

In May 2013, Governor Bob McDonnell announced that High Liner will invest \$6.6 million to expand its U.S. foodservice production in the City of Newport News and increase productivity via process improvements and upgrades to its current facility. Virginia successfully competed against North Carolina and South Carolina for the project, which will create 57 new jobs. Governor McDonnell approved a \$250,000 grant from the Governor's Opportunity Fund to assist Newport News with the project.

### *Canon Virginia, Inc.*

Governor Bob McDonnell announced in June 2013 that Canon would invest an additional \$27 million in Newport News to expand its toner manufacturing operation. The company plans to upgrade 30,000 square feet of existing space at its campus. This announcement follows a major expansion in 2008, which included the construction of a 700,000 square-foot plant, an investment of \$623.5 million in real estate and machinery and 1,035 jobs.

### *University of Virginia/Virginia Tech Joint Education Center*

The University of Virginia and Virginia Tech entered into a cooperative arrangement to establish an academic Center to be located in the Oyster Point section of Newport News. The goals of the Center are to provide educational services, including instruction for professional certificates, graduate and undergraduate degree programs in education and science and technology disciplines, and customized contract training courses for business, military, defense contractors, professional development, meeting, planning and conference management. The Center will be a significant economic development asset for the City, creating jobs and benefitting citizens and businesses by providing educational and workforce development opportunities which previously did not exist on the Virginia Peninsula.

### *Huntington Ingalls Industries and the Apprentice School Project*

Huntington Ingalls Industries is the State's largest private employer with nearly 20,000 workers employed in Newport News at its Newport News Shipbuilding division (Shipyard) and its affiliated companies. In addition to the capital investment being made in its submarine construction facilities, the Shipyard continues to make major investments in the upgrade and maintenance of its existing facilities, typically in the tens of millions of dollars annually. The Shipyard also continues to invest in its human capital. In 2009, the Virginia General Assembly passed legislation making \$25 million available, beginning in FY 2013, for the construction of a new Shipyard Apprentice School in Downtown Newport News.

The Apprentice School Project is one of the most exciting redevelopment projects in the history of the City. Funding for the new Apprentice School is expected to leverage an additional \$43 million in private investment in Downtown Newport News. The Shipyard selected Armada Hoffer, an experienced developer headquartered in Virginia Beach, to build and own a mixed-

## CITY OF NEWPORT NEWS, VIRGINIA

use development centered on the Apprentice School. The Apprentice School, located between 31st and 34th streets, near the Shipyard's South Gate, which is expected to revitalize Downtown Newport News by attracting more people and businesses to move into the area. The project consists of the 80,000 square-foot Apprentice School, 197 market-rate workforce rental units that can also house Apprentice School students, a 390-car parking garage and over 30,000 square feet of ground floor retail space. Groundbreaking occurred on May 3, 2012, and a ribbon cutting ceremony is planned for December 2013.

### *Other important local employers*

Riverside Health System (Riverside) has completed \$107 million in new construction in Newport News, including a new operating theater at its Regional Medical Center. This new construction is in addition to \$700 million in other recent investments. These are part of a continuing strategy to modernize Riverside's flagship medical facility, and signals that a strong health care sector, led by Riverside, will continue in Newport News into the foreseeable future. The company also opened a PACE center (Program of All-inclusive Care for the Elderly) in the Denbigh area of Newport News in late 2012. PACE provides elder care and recreation services on-site while allowing patients the comfort of living at home. The Newport News facility is one of five locations, and the second on the Peninsula.

Several colleges and universities have branch campus programs serving Newport News residents and employees. This is indicative of the local demand for second-career training, and the requirements of local employers for higher skilled workers. The EDA proudly welcomed Stratford University into 66,000 square feet within the former Value City building in Newport Square Shopping Center. Stratford's completion in Fall 2012 transformed long-vacant space into a workforce training and education center that will enroll over 1,000 students in certificate and degree programs ranging in culinary arts, healthcare, information technology and business management. Stratford has made a multi-million dollar investment in state-of-the-art facilities and boosts local employment with more than 130 campus educators, faculty and staff.

Development continues on the \$310 million upgrade to the Continuous Electron Beam Accelerator at the Thomas Jefferson National Accelerator Facility (Jefferson Lab). The upgrade is expected to be completed by 2015. The Lab recently completed construction on a 100,000 square-foot laboratory and office, as well as a 96,000 square-foot warehouse renovation, representing an investment of \$73 million. Beyond the short-term economic impacts generated from construction, the Jefferson Lab expansion will add 50 new employees and bring 200 to 400 additional visitors to our City on an annual basis.

Originally announced in 2010, Walmart built a new 156,000 square-foot superstore at the intersection of Jefferson Avenue and Mercury Boulevard in Newport News, and opened in February 2013. Strategically positioned between the James River Bridge and the Hampton city line, the store brings new retail-based revenue to the City by drawing customers from populations to the west and east of Newport News. A second Walmart Marketplace was built in the mid-city section of Jefferson Avenue, bringing a much needed grocery facility to that area of time. Both sites required jointly funded intersection improvements and traffic safety

## CITY OF NEWPORT NEWS, VIRGINIA

enhancements to their respective location. City Council appropriated \$250,000 for the project, while Walmart and the owners of the Plaza at Newmarket funded the remaining portion of the transportation improvements, totaling \$1.3 million.

In the Southeast Community, substantial progress has been made toward fulfilling the vision of a mixed-use, market-based development between Jefferson and Terminal Avenues which was announced in 2008 by the EDA and Aaron Brooks, a former University of Virginia and NFL quarterback. The EDA successfully completed the relocation of the Hornsby Tire Company to a new facility across Jefferson Avenue from the proposed development. As part of the relocation transaction, the EDA added 1.44 acres and 220 linear feet of Jefferson Avenue frontage to the 14-acre tract Southeast Commerce Center (now named Brooks Crossing), site of the new development. In January 2011, Tidewater Properties Partnership Development, Brooks' company, brought additional development expertise to the project by signing a joint venture agreement with Armada Hoffer of Virginia Beach, developer of Virginia Beach Town Center, the Marriott Hotel and Conference Center at City Center at Oyster Point, and other successful projects. The Brooks Crossing Development Agreement was executed as of May 1, 2013 and rezoning for mixed-use development was approved by City Council in September 2013.

On February 14, 2012, City Council established four tourism zones: Upper Warwick Boulevard/Denbigh, Southeast Community, Patrick Henry, and Greater Hilton Tourism Zone. Under the Local Tourism Zone Incentive Program, eligible businesses, existing or new, large or small, can qualify for a reimbursement of a portion of new taxes generated by new development projects. Larger projects may also be eligible for the Commonwealth's Tourism Development Financing Program. Much interest has been shown in the programs, and two projects have been approved to date. Under the local program, the owners of Second Street Bistro have announced plans to make a capital investment of \$1,000,000 and hire at least 20 employees. Under a combination of the local program and the Commonwealth's program, the developers of City Center have announced plans to make a capital investment of \$22,000,000 and hire over 525 employees associated with an entertainment district which will include two new destination restaurants, a restaurant/entertainment venue, and a theater/restaurant entertainment venue.

The City is now more than 92% developed, with most of its built environment oriented around automobile-dependent forms of development. New urbanism and sustainable development, which seek to recreate more pedestrian-friendly neighborhoods, have been successfully implemented in Newport News with such projects as City Center at Oyster Point, Port Warwick, Patrick Henry Place, Huntington Pointe and Hilton Commons (now in its planning phase). Recreating the City in this mode will be increasingly important for enhancing the City's quality of life and making it globally competitive to attract and retain a skilled, educated and creative labor force to support continued economic development.

### *Long-term financial planning and debt administration*

As required by the 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 2014 to FY 2018 Capital Improvements Plan was approved by City Council on January 22, 2013. The CIP

## CITY OF NEWPORT NEWS, VIRGINIA

reflects the vision and priorities of the City Council for the construction and maintenance of the buildings and infrastructure improvements owned by the City. Although intended to be a commitment to a multi-year capital needs program, the CIP is fundamentally a planning document and is 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 budgeted in the City's annual operating budget. The General, Schools, Wastewater, Stormwater, and Solid Waste, Funds each pay a proportionate share of principal and interest payments. The Public Utilities (Waterworks) Fund pays all of the debt service related to its capital projects. The FY 2014 Budget provides that the General Fund will pay 80%, or \$48 million, of the total debt service budget of \$61 million.

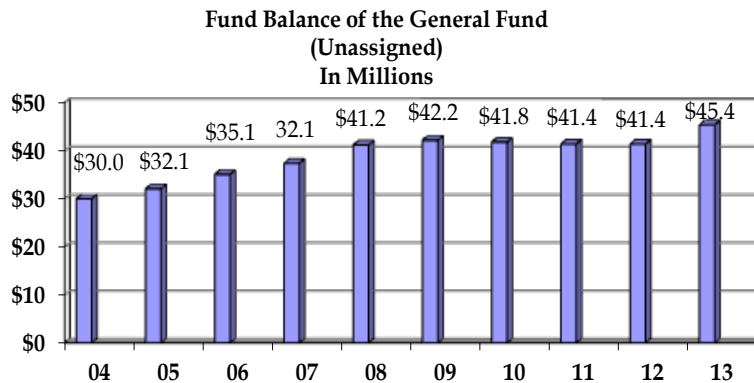
The City has adopted policies which guide its capital improvement planning and its issuance of long-term debt. These policies are intended to help the City maintain or improve its bond rating, and keep changes in debt service obligations at levels that do not reduce the City's ability to provide acceptable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

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

- The goal of the City is to maintain its debt burden at less than 3.0%. Debt burden is defined as the ratio of outstanding general obligation debt and capital lease obligations to value of the total taxable real and personal property. The projected FY 2014 debt burden is 2.7%.
- Because debt service obligations are primarily funded from school and municipal revenues received through the Operating Budget, the City's intent is that the ratio of debt service obligations to General Fund revenue shall not exceed nine and one-half percent (9.5%) in any fiscal year. For FY 2013 the ratio was 8.2% and is projected to be 8.4% for FY 2014.
- The City's intent is to structure principal payments when issuing new General Obligation debt or refinancing existing debt, so that at least thirty percent (30%) of the outstanding debt is repaid within five years, and that at least sixty percent (60%) is repaid within ten years. Currently 44% of the outstanding debt is scheduled to be paid in five years, with 73% paid in ten years.
- So that the City may manage its debt capacity and remain within the parameters of its Capital Financing and Debt Management Policies, the City Manager provides the City Council with a thorough debt impact analysis on any proposed undertaking that requires financing through the issuance of short or long-term debt obligations, capital leases or debt guarantees.

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During FY 2013, General Fund revenues exceeded expenditures, including other financial sources, by \$0.3 million. The unassigned General Fund balance totaled \$45.4 million at June 30, 2013, or approximately 11% of annual General Fund revenues.



Since the recession began in September 2008, the real estate property tax base has experienced a decline of almost \$2 billion in assessments over the past five years, resulting in a cumulative loss of Real Estate Tax revenue of approximately \$20 million over the same time period. Fortunately, this decline is lower than some segments of the nation, but is consistent with nationwide reduction in home prices and the lowered market value of real estate.

Although the City's financial condition is far better than others in the Commonwealth and the nation, there appears to be no reason to assume any significant increase in City revenues in the short term, especially as revenue from state and federal programs continues to decline. On the expense side, health care costs continue to move higher and the City's contribution to its Pension Fund is scheduled to increase over the next three years.

The financial outlook for Fiscal Year 2013-2014 is stable, with slow revenue growth and continued cost-saving efforts. We feel that current management initiatives, along with prudent long-range strategic and comprehensive planning, will enable the City to generate sufficient resources to meet future service demands, maintain a stable financial position, protect the City's high credit rating, and maintain realistic and affordable tax burdens on the citizens of the City.

### *Other Accomplishments for FY 2013*

It is impossible to list all of the significant accomplishments and initiatives undertaken during the year ended June 30, 2013, but some of the more significant are listed below.

### *Transportation and Infrastructure Improvements*

- The City secured State Revenue Sharing Program allocations totaling \$1,750,000 for the Richneck Road Improvements Phase II Project. This project includes sidewalk, curb and



## CITY OF NEWPORT NEWS, VIRGINIA

gutter, storm water collection system, water, and sanitary sewer upgrades from Shields Road north to the City line. Construction began in June 2013 and is anticipated to be complete in December 2014. The total estimated cost of the project is \$3,700,000.

- The City secured State Revenue Sharing Program allocations totaling \$2,425,000 for the Route 105 Bridge over the CSX Railroad tracks. This project involves the replacement of the existing bridge at Fort Eustis. The new three span continuous bridges include a cast in place concrete deck composite with steel beams. The project is directly adjacent to and over active tracks of CSXT. Construction began in March 2013 and is expected to be complete in the fall of 2014. The total estimated cost of the project is \$5,200,000.
- The City secured State Revenue Sharing Program allocations totaling \$2,234,655 for the Warwick Blvd over Lake Maury Bridge replacement and roadway expansion project. The proposed work consists of removing the existing bridge that carries six (6) lanes of traffic from the intersection of Warwick Blvd and J. Clyde Morris Blvd to the Riverside Hospital Emergency entrance and constructing a new bridge and roadway. The project is currently under design with construction anticipated to start in July 2014. The total estimated cost of the project is \$5,358,465.
- The City secured State Revenue Sharing Program allocations totaling \$1,000,000 for the Warwick and Bland Boulevard intersection improvement project. These improvements are currently estimated at \$2.3 million.
- In FY 2013, construction was completed on the Citywide Signal System Upgrade project. This Virginia Department of Transportation administered project replaced 270 traffic signal cabinets and controllers, installed 32 traffic monitoring cameras and installed 48 vehicle count stations using over \$12 million of federal and state funding. In addition the communications network was upgraded with over 55.5 miles of fiber communication cable installed throughout the City.
- Construction of a new 30,000 square foot Peninsula Regional Animal Shelter commenced in the fall of 2012 and continues through 2013. The shelter will serve the municipalities of Newport News, Hampton, Poquoson, and York County and will house 179 dogs and 210 cats. The shelter is expected to be completed in early 2014 at an estimated cost of over \$7 million.
- Renovation of the Peninsula Health Center exterior was completed in June 2013 at a cost of \$1.6 million. The renovations included updating the facility façade, new landscaping, resurfacing of the existing parking areas, and demolition of the existing auditorium building. The renovated structure now includes the City's 311 Operations Center and satellite offices for several City departments in addition to the Virginia Department of Health.

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- In FY 2013 Engineering updated the City's Geographic Information System (GIS) with current aerial and oblique photography. This information provides up to date locational information for streets, buildings, parking lots, sidewalks and other layers allowing multiple City departments to reduce costs through greater efficiency, make more informed decisions, improve communication, and simplify record keeping.

### *Environmental Stewardship and Sustainability*

- In FY 2013, the City's Solid Waste Division completed the Landfill Gas to Energy Operational System that supplies energy to the Denbigh Community Center and Mary Passage Middle School.
- The City was awarded one of the top three nationally recognized "most innovative ideas promoting aluminum beverage can recycling", and received a \$15,000 grant made possible by Norvellis and the United States Conference of Mayors. The funding will allow the City to increase citizen awareness of the benefits of recycling while building a green, sustainable community.
- The City supported its energy efficiency initiative with a \$1.7 million Energy Efficiency and Conservation Block Grant (EECBG) awarded by the Department of Energy. The funding allowed the City to upgrade the lighting at the Justice Center parking garage, Main Street Library, Family Courts, Fire Station #2 and some City streetlights to ultra-efficient LEDs and CFLs. The funding also provided for upgrades of the heating and air conditioning systems at City Hall.
- The Citywide Signal System Retiming project was completed in FY 2013 using \$320,000 provided by American Reinvestment and Recovery Act funding. This project retimed 85 traffic signals throughout the city and resulted in overall decreases in average travel time, vehicular delay and the number of stops, increases in average speed, and reduced emissions from stopped vehicles.
- The City's Planning Department is coordinating the development of an Urban Tree Canopy (UTC) plan for Newport News which was funded through a grant by the Virginia Department of Forestry and Virginia Tech. The urban tree canopy provides many benefits to communities including improving water quality, conserving energy, lowering city temperatures, reducing air pollution, enhancing property values, providing wildlife habitat, facilitating social and educational opportunities, and providing aesthetic benefits.
- The City has implemented Phase I of a \$600,000 federal Congestion Mitigation Air Quality (CMAQ) grant to assist Hampton Roads Transit (HRT) install new bus shelters at key bus stops throughout the City. Most of the new bus shelters have solar lighting, improving visibility and safety for the transit riders.
- The Sheriff's Office was the first City agency selected for a 2011 pilot program which

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converted vehicles to burn propane gas. The program started with two marked units and has grown to over 22 city vehicles. Using propane reduces harmful emissions, is domestically produced, and it saves on fuel costs. Vehicles using propane can go 750 miles without refueling, essential to the Sheriff's Office when transporting prisoners on long highway runs between correctional facilities. The Sheriff's Office is also replacing its fleet of V-8 vehicles with V-6 vehicles with significantly better fuel economy.

### *Public Safety*

- In March 2013, the Newport News Police Department (NNPD) became the **8<sup>th</sup> agency in the world** to hold all three accreditations offered by the Commission on Accreditation for Law Enforcement Agencies (CALEA) when it received accreditation for its Dispatch Center. NNPD is now accredited for the Police Department, the Training Academy and Communications.
- In June 2013, Newport News Sheriff's Office earned accreditation from the Virginia Law Enforcement Professional Standards Commission (VLEPSC) by complying with all 187 standards set forth by VLEPSC. Accreditation is strictly voluntary and ensures best practices are being followed by the Sheriff's Office.
- In August 2013, the Newport News Fire Department (NNFD) was re-accredited by the Center for Public Safety Excellence (CPSE) as a result of a peer review completed by a team of Chief Fire Officers from around the United States, who came to the City to validate the data and competencies that were submitted as part of the process for re-accreditation. NNFD is one of only 183 accredited fire departments in the world.
- The Newport News Police Department (NNPD) implemented the use of body cameras to enhance officer safety and trust in our community. There are 203 uniformed patrol officers sharing the 60 Axon Flex cameras. In addition, NNPD has developed a city-wide surveillance camera system providing situational awareness and public security. Since the inception of the program in 2009, the project has grown from seven cameras to fifty-one cameras. A Video Integration Center allows Police Officers to view live or taped videos to identify suspects in cases.
- The City purchased a new bus for the NNPD TACT team using a combination of federal grant and asset forfeiture funds. The bus was delivered in April 2013, and is used by the 40-member TACT team (including the hostage negotiators) to respond to serious incidents.
- In August 2013, the Newport News Fire Department (NNFD) was re-accredited by the Center for Public Safety Excellence (CPSE) as a result of a peer review completed by a team of Chief Fire Officers from around the United States, who came to the City to validate the data and competencies that were submitted as part of the process for re-accreditation. NNFD is one of only 183 accredited fire departments in the world.

## CITY OF NEWPORT NEWS, VIRGINIA

- In FY 2013, the Fire Department received eight grant awards totaling \$960,020. These State and Federal grants supported local efforts to develop and maintain a comprehensive Emergency Management Program, provide laptop computers for an alternate Emergency Operations Center, support the Citizen Corps Program, provide resources and training for the Marine Incident Response Team (MIRT), enhance firefighter safety by incorporating a Personnel Accountability System into the firefighters' breathing apparatus, and provide resources and training for the regional Hazardous Materials Team which is part of the Fire Department.
- The City Managers of Hampton and Newport News signed the agreements to begin formal implementation of the Fire Shared Services Initiative which consists of an automatic mutual aid response system, a consolidated recruitment/hiring process for firefighter/medics, and a logistics and procurement arrangement. The Fire Department has already realized significant savings in costs pertaining to the recruitment and hiring process.

### *Community and Citizen Services*

- The Newport News Visitor Center won the "2013 Virginia is for Lovers Trailblazer Award" for its Ambassador Pass program, designed to encourage Newport News residents and city employees to be visitors in their own hometown. The award was presented March 21, 2013, at the "2013 Visitor Centers Seminar" in Winchester, VA. The *Trailblazer Award* was created by Virginia Tourism Corporation to recognize visitor centers for their creative marketing efforts and to foster the development of similar innovative and imaginative programs throughout the Commonwealth.
- The Newport News Department of Human Services (NNDHS) deals with the neediest citizens and is best known for benefit programs, child protective services, foster care, and adult protective services. During 2013, NNDHS provided services to over 73,700 individuals through its various programs. The total amount spent on Social Services for citizens in our community in FY 2013 totaled over \$227 million, with \$10 million of that amount provided by the City.
- The Volunteer Services Program expands the services and capabilities of NNDHS by using the skills and efforts of volunteers to provide direct, administrative and clerical services. Volunteers range from age 16 to age 65+ and include interns, retirees, clients gaining work experience, citizens, groups and organizations just wanting to "give something back," and others. During FY 2013, 150 volunteer groups and 80 individual volunteers contributed a total of 32,100 hours at an equivalent cash value of over \$792,000.
- Born to Read, a new program in 2013 is a collaboration among the Healthy Families Initiative, Parents as Teachers, and the City Libraries department and provides new

## CITY OF NEWPORT NEWS, VIRGINIA

books and early literacy resources to expectant and new parents.

- In November 2012, over 3,000 books were given away at the South Morrison Community Family Day. The Library and Informational Services, Human Services, and Parks, Recreation, and Tourism Departments collected and distributed the books to parents and children.
- Over 1,100 adults, children and teens participated in the Newport News Library system's 2012 Summer Reading Program.
- The City's libraries had over 889,000 visitors in FY 2013, checked out over 1 million books and DVD's, and had over 245,000 visitors use library computers.

### *Community and Recreation Improvements*

- The new Denbigh Community Center officially opened in February 2013. This 53,000 square foot state-of-the-art facility features seven multipurpose rooms, a double gymnasium, dance room, teen center, school age center and snack bar. The Center was completed at a cost of \$11,231,000.
- Construction of several new or replacement park and recreation facilities occurred during FY 2013, including a new picnic shelter at Riverview Farm, an outdoor classroom at Newport News Park, new fencing at the Dozier soccer field, new fencing around the Doris Miller Community Center athletic field, a sand retaining wall at Huntington Park, and paved accessible pathways at King-Lincoln and Riverview Farm Parks.
- City funding also provided for the construction of a new neighborhood park on Benns Road. The Robinson-Bruton Park site features a new playground, landscaping, parking area, dog walk and decorative fencing. The Park was completed on a parcel of property that was donated by the local community.
- Significant enhancements were made to the aging Huntington Rose Garden including underground irrigation, new fencing, new trellis and a paved walkway. Renovations were also completed on historic Causey's Mill, including replacement of siding and windows and repainting the entire structure.
- The City hosted the 2013 Virginia Senior Games in May. This Statewide competition, co-sponsored by the Virginia Recreation and Parks Society (VRPS) and Christopher Newport University, involved 700 athletes, age 50 and up, from across the Commonwealth who competed in over 18 different sports in 8 City facilities and 5 private facilities. The City will again host the Virginia Senior Games in 2014.

## CITY OF NEWPORT NEWS, VIRGINIA

- The Jefferson Avenue Streetscape construction commenced in June 2012. The project, from Dr. Martin Luther King, Jr. Plaza at 25th Street to 36th Street, includes the undergrounding of all overhead utilities along the corridor, and will beautify lower Jefferson Avenue, providing new curb, gutter, paving and markings with designated on-street parking, wide and landscaped sidewalks, stamped concrete crosswalks, street trees, decorative signal and light poles and attractive street furniture.
- The Planning Department is working with famed artist Ed Hamilton to develop a BAS relief of Dr. Martin Luther King Jr. for the MLK Memorial Plaza. The Plaza is located at the corner of 25<sup>th</sup> Street and Jefferson Avenue. The Plaza reopened to the public during the fall of 2011. The BAS Relief will be located in the rear of the Plaza and is anticipated to be completed and installed in FY 2014.
- In spring of 2012, the EDA launched the Facade Improvement Grant (FIG) Program with an initial commitment of \$300,000. The FIG Program was designed to restore, sustain and improve commercial properties located within Newport News by providing matching funds toward eligible façade improvements. During Fiscal Year 2013, the FIG Program benefited 25 properties City-wide by providing \$493,000 in funding to Newport News property owners and businesses. This public funding has leveraged over \$3 million in private investment.
- The City has been awarded a Congestion Mitigation Air Quality (CMAQ) grant of approximately \$1.7 million to fund the design and construction of a one-mile multi-purpose trail parallel to Warwick Boulevard along the frontage of the Mariners' Museum property. Construction on the trail is expected to begin in FY 2014.

### *Public Utilities (Waterworks)*

- Design work was completed and route acquisition was underway during the first half of 2013 on the first phase of a new major pipeline to extend water service to part of York County, the cost of which will be shared with York County and the Colonial Williamsburg Foundation. A second phase is under design to extend the pipeline to the growing Lightfoot area of York County. The cost for the second phase will be shared with York County.
- Final design work was almost complete in June 2013 for the replacement of the Lee Hall Reservoir dam, portions of which date to 1900. The entire dam will be rebuilt to meet dam safety requirements that were adopted in 2008. The estimated completion date is early in 2016.
- Work continued on the replacement of the Chickahominy River barrier dam, boat lock and fish ladder during FY 2013. The 1943 vintage tidal exclusion dam failed in 2007 and a temporary repair was constructed. The dam reconstruction is expected to be completed during FY 2014.

## CITY OF NEWPORT NEWS, VIRGINIA

- The present Harwood's Mill water treatment plant was completed in 1989. After 24 years of service, improvements are needed to maintain reliability and to meet changing regulations for water treatment and safety. Design of the modernization improvements began in FY 2013 and construction is expected to occur in FY 2014.

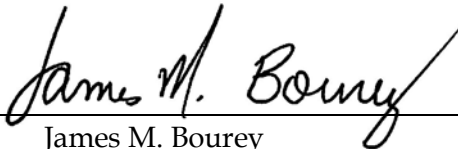
### Awards


The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Newport News for its comprehensive annual financial report (CAFR) for the year ended June 30, 2012. This was the 34th 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 comprehensive 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 CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

### 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, especially the Accounting staff and the CAFR Team, and to the other City departments and agencies contributing 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,

  
\_\_\_\_\_  
James M. Bourey  
City Manager

  
\_\_\_\_\_  
Tom Mitchell  
Director of Finance

## **CITY OF NEWPORT NEWS, VIRGINIA**

### **CITY GOVERNMENT OFFICIALS (at June 30, 2013)**

#### **City Council**

McKinley L. Price, DDS .....	Mayor
Herbert H. Bateman, Jr .....	Vice Mayor
Robert Coleman .....	Member
Sharon P. Scott.....	Member
Tina L. Vick .....	Member
Joseph C. Whitaker .....	Member
Dr. Patricia P. Woodbury .....	Member

#### **Office of the City Manager**

Cynthia D. Rohlf .....	Interim City Manager
Alan K. Archer .....	Assistant City Manager

#### **Department of Finance**

Tom Mitchell .....	Director of Finance
Tonya O'Connell.....	Assistant Director of Finance
Lilisa Perey .....	Accounting Manager

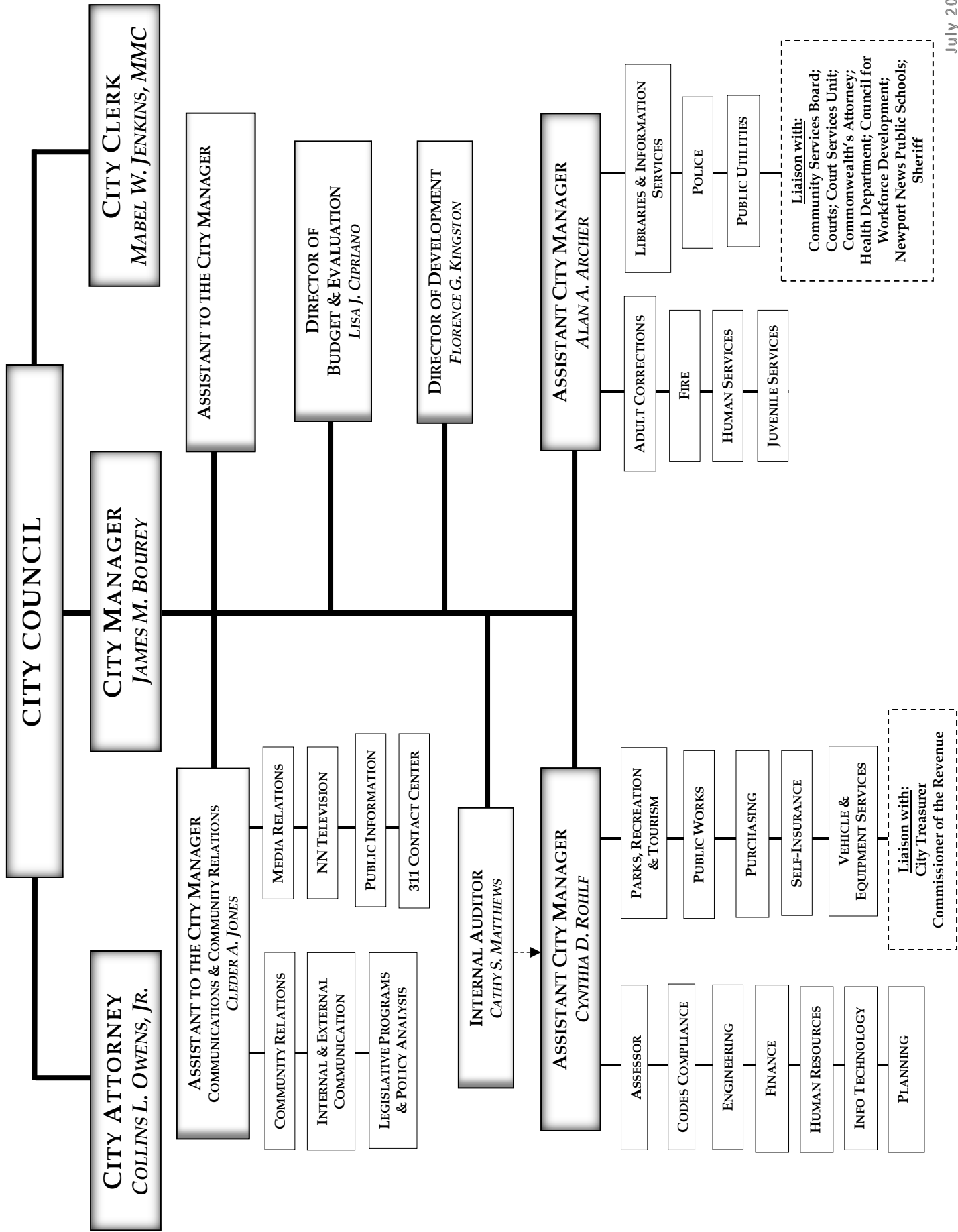
#### **Other Officials**

Marty Eubank.....	City Treasurer
Pricilla S. Bele. ....	Commissioner of the Revenue
Charles T. Vester .....	Real Estate Assessor
Lisa Cipriano .....	Director of Budget and Evaluation
Cathy S. Matthews .....	Director of Internal Audit

City Manager Neil Morgan elected to retire at the end of May 31, 2013. Newport News City Council named Cynthia D. Rohlf the Interim City Manager effective June 1, 2013. Subsequently, James M. Bourey was appointed by Council as the City Manager, effective July 16, 2013.



CITY OF NEWPORT NEWS, VA  
ORGANIZATIONAL CHART





Government Finance Officers Association

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

Presented to

**City of Newport News  
Virginia**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2012**

Executive Director/CEO

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## **Report of Independent Auditor**

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Newport News, Virginia (the City) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Peninsula Airport Commission, which represents 22.7% of the respective assets and 3.6% of the respective operating revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors, whose report thereon has been furnished to us, and our opinions, insofar as it relates to the amounts included for the Peninsula Airport Commission, are based on the report of the other auditor. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards and specifications require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### **Opinions**

In our opinion, based on our audit and the report of other auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Newport News, Virginia, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As discussed in Note 1 to the basic financial statements, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, effective July 1, 2012. Our opinion is not modified with respect to this matter.

## **Other Matters**

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison, pension information and related notes on pages 3-13, 84-88, 89-91 and 92-93, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Newport News, Virginia's basic financial statements. The Introductory Section, Supplementary Information, and Statistical Section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2013, on our consideration of the City of Newport News, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 of Newport News, Virginia's internal control over financial reporting and compliance.



Richmond, Virginia  
November 26, 2013

## **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, 2013 (FY 2013). 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 2013**

##### **General Fund**

- At the close of FY 2013, unassigned fund balance for the General Fund was \$45.4 million or 11% of FY 2013 total General Fund revenues and transfers in.
- General Fund revenues and transfers decreased \$1.3 million or .32% below FY 2012, due to a decline in general property taxes, primarily real property taxes. Expenditures and transfers out increased \$1.4 million, 0.4% higher than the prior fiscal year. FY 2013 expenditures and transfers out were 0.8% more than budget.
- The City's real estate tax rate of \$1.10 per \$100 of assessed valuation remained unchanged for FY 2013. However, City Council approved an increase to the real estate tax to \$1.22 per \$100 to be effective July 1, 2013. The tax rate on personal property of \$4.50 of assessed valuation increased \$0.25 per \$100 for FY 2013 and will remain unchanged for FY 2014.

##### **Governmental Activities**

- The assets of the City, for its governmental activities, exceeded recorded liabilities at June 30, 2013 by \$176.0 million. Of this amount, \$9.4 million is restricted. The City ended the year with negative unrestricted assets (deficit) of \$165.1 million.
- The City's total bonded debt increased by approximately \$17.2 million during the current fiscal year, due to the issuance of \$51.9 million of new or refunded bonds and repayments of \$34.7 million.

#### **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 other supplementary information in addition to the basic financial statements themselves.

- The first two statements are *government-wide financial statements* that provide both long-term and short-term information about the City's overall financial status.

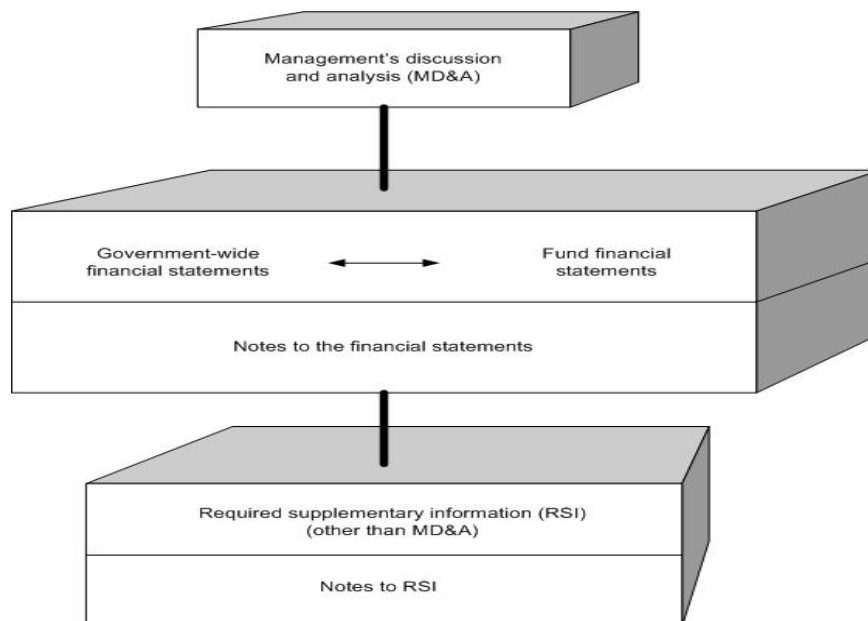
# CITY OF NEWPORT NEWS, VIRGINIA

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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**



## **CITY OF NEWPORT NEWS, VIRGINIA**

### **MANAGEMENT’S DISCUSSION AND ANALYSIS**

#### **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 liabilities—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 division, 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. 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.

#### **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



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

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 and Agency Funds. 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 post employment 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):**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<b><u>2013</u></b>	<b><u>2012</u></b>	<b><u>2013</u></b>	<b><u>2012</u></b>	<b><u>2013</u></b>	<b><u>2012</u></b>
Current and other assets	\$ 193.3	\$ 174.5	94.5	91.2	287.8	265.7
Capital assets, net	697.2	678.4	385.3	398.8	1,082.5	1,077.2
Total assets	<u>\$ 890.5</u>	<u>\$ 852.9</u>	<u>479.8</u>	<u>490.0</u>	<u>1,370.3</u>	<u>1,342.9</u>
Current and other liabilities	\$ 94.3	\$ 94.1	52.1	59.0	146.4	153.1
Long-term liabilities	620.2	577.7	143.9	153.9	764.1	731.6
Total liabilities	<u>\$ 714.5</u>	<u>\$ 671.8</u>	<u>196.0</u>	<u>212.9</u>	<u>910.5</u>	<u>884.7</u>
Net position:						
Net investment in						
capital assets	331.7	311.4	232.3	257.6	564.0	569.0
Restricted	9.4	10.7	30.4	-	39.8	10.7
Unrestricted (Deficit)	(165.1)	(141.0)	21.1	19.5	(144.0)	(121.5)
Total net position	<u>\$ 176.0</u>	<u>\$ 181.1</u>	<u>283.8</u>	<u>277.1</u>	<u>459.8</u>	<u>458.2</u>

Net position (assets over liabilities) may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$459.8 million at the close of fiscal year 2013, which is a small increase from the net position at June 30, 2012 of \$458.2 million. By far, the largest portion of the City's net position is its investment in capital assets (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 8.7% of the City's net position is subject to external restrictions, mostly for the use of bond proceeds for Waterworks projects.

**Governmental Activities**

Net position of the City's governmental activities decreased from \$181.1 million at June 30, 2012 to \$176.0 million at June 30, 2013 as a result of the excess of expenses over revenues for FY 2013 of \$5.1 million as shown on the Statement of Activities (Table 2 following).

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

**Business-type Activities**

The City's public utility (Waterworks) is an enterprise operation. The net position of Waterworks increased from \$277.1 million to \$283.8 million, as a result of its positive operating results again for FY 2013. The City generally can only use the net position to finance the continuing operations of its Waterworks operation.

**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):**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<b><u>2013</u></b>	<b><u>2012</u></b>	<b><u>2013</u></b>	<b><u>2012</u></b>	<b><u>2013</u></b>	<b><u>2012</u></b>
Revenues:						
Program revenues:						
Charges for services	\$ 68.2	63.3	76.1	73.3	144.3	136.6
Operating grants and contributions	39.2	41.4	-	-	39.2	41.4
Capital grants and contributions	6.5	5.0	-	-	6.5	5.0
General revenues:						
Property taxes	229.8	229.2	-	-	229.8	229.2
Other taxes	96.5	91.8	-	-	96.5	91.8
Grants and contributions not restricted to specific programs	41.5	47.1	2.8	3.5	44.3	50.6
Investment earnings	2.3	2.3	0.2	0.2	2.5	2.5
Miscellaneous	3.9	8.4	-	-	3.9	8.4
Total revenues	<u>487.9</u>	<u>488.5</u>	<u>79.1</u>	<u>77.0</u>	<u>567.0</u>	<u>565.5</u>
Expenses:						
General government	85.5	53.7	-	-	85.5	53.7
Judicial administration	6.8	7.8	-	-	6.8	7.8
Public safety	113.3	131.6	-	-	113.3	131.6
Public works	70.3	76.1	-	-	70.3	76.1
Health and welfare	42.3	49.1	-	-	42.3	49.1
Education	116.6	117.6	-	-	116.6	117.6
Parks, recreation and culture	34.0	34.7	-	-	34.0	34.7
Community development	11.2	8.7	-	-	11.2	8.7
Public utility	-	-	62.5	65.3	62.5	65.3
Interest on long-term debt	22.9	25.5	-	-	22.9	25.5
Total expenses	<u>502.9</u>	<u>504.8</u>	<u>62.5</u>	<u>65.3</u>	<u>565.4</u>	<u>570.1</u>
Excess (deficiency) before transfers	(15.0)	(16.3)	16.6	11.7	1.6	(4.6)
Transfers	9.9	9.9	(9.9)	(9.9)	-	-
Change in net position	(5.1)	(6.4)	6.7	1.8	1.6	(4.6)
Beginning net position	181.1	187.5	277.1	275.3	458.2	462.8
Ending net position	<u>\$ 176.0</u>	<u>181.1</u>	<u>283.8</u>	<u>277.1</u>	<u>459.8</u>	<u>458.2</u>

# CITY OF NEWPORT NEWS, VIRGINIA

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Governmental Activities

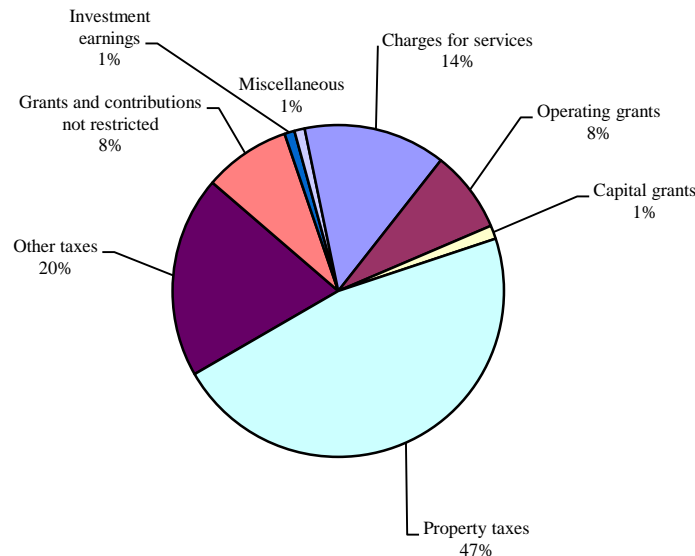
The City's total revenues from governmental activities were \$487.9 million for the fiscal year ended June 30, 2013. The largest source of revenue (\$229.8 million for FY 2013) for the City is real estate and personal property taxes. The City's assessed real property tax base for FY 2013 decreased 3.4%.

Approximately 67% of the City's revenue from governmental activities comes from some type of tax, and 14% comes from fees charged for services.

The City's expenses cover a wide range of services, with 22.4%, or \$113.3 million, for FY 2013 related to public safety and 23.1%, or \$116.6 million, for FY 2013 for education (payments to the Public Schools, a component unit).

The revenues and expenses of the City for FY 2013 were virtually the same as FY 2012, resulting in deficiencies of \$5.1 million and \$6.4 million respectively. Since real property assessments are not expected to recover quickly, City Council approved an increase in the real property tax rate (from \$1.10 to \$1.22) effective July 1, 2013 to generate additional revenues to cover expected costs for 2014 and beyond.

### Revenues by Source – Governmental Activities



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

**Business-type Activities**

The net position for the City's business-type activities increased by \$6.7 million as a result of revenue exceeding the expenses of the operations. There was an increase in water rates in 2012 and a reduction in operating costs from FY 2012, which allowed for an improvement in operating results (after transfers) from \$1.8 million in FY 2012 to \$6.7 million in FY 2013. Charges for services make up 96.2% of total revenues for the City's business-type activities.

**FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

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

**General Fund**

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the general fund balance was \$93.7 million of which \$45.4 million represents the unassigned fund balance. As a measure of the General Fund's liquidity, it is useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 12% of the total fund expenditures, while total fund balance represents 26%.

**Debt Service Fund**

The debt service fund has a fund balance of \$1.5 million. During FY 2013, the fund balance increased by \$0.3 million.

**Bond Fund**

The bond fund accounts for the proceeds of general obligation bond issues except those of the Proprietary Funds. The bond fund accounts increased from a deficit of \$1.1 million at June 30, 2012 to a positive fund balance of \$23.6 million at June 30, 2013, as a result of a sale of bonds with a face value of \$48 million, which netted proceeds of \$53.6 million, and had capital expenditures of \$28.7 million.

**Proprietary Funds**

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

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

**GENERAL FUND BUDGETARY HIGHLIGHTS**

**General Fund (Budget Basis)**  
**Fiscal Year 2013**

	<u><b>Original Budget</b></u>	<u><b>Final Budget</b></u>	<u><b>Actual (Budget Basis)</b></u>
Revenues:			
Taxes	\$ 318,944,599	318,944,599	324,562,995
Intergovernmental	41,800,141	41,841,448	41,481,654
Other	47,703,584	47,782,599	46,258,231
Total	<u>408,448,324</u>	<u>408,568,646</u>	<u>412,302,880</u>
Expenditures and Transfers:			
Expenditures	370,031,877	370,152,199	370,013,479
Transfers out	38,416,447	40,016,447	43,681,112
Total	<u>408,448,324</u>	<u>410,168,646</u>	<u>413,694,591</u>
Change in fund balance	\$ <u>-</u>	<u>(1,600,000)</u>	<u>(1,391,711)</u>

The difference between the original budget and the final amended budget for the City's General Fund expenditures was approximately \$1.72 million representing an increase in appropriations. The variance is mainly due to the following expenditures and transfers:

\$ 1.60 million	General Fund Reserve - Sanitary Sewer Extension
\$ 0.08 million	Health Department - Increase in Appropriation
\$ 0.04 million	Circuit Court Clerk - Technology Enhancements

Actual General Fund revenues and transfers from other funds were above the final budgeted revenues by \$3.73 million because of higher than expected tax revenue. Expenditures were in line with budget but transfers out were over budget by \$3.5 million, due to additional funding for capital projects.

**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, 2013 totaled \$1,082.5 million (net of depreciation). This investment includes land, buildings and improvements, drainage and water/sewer systems, machinery and equipment, roads, bridges, and construction in progress.

Construction in progress totaled \$53.6 million for governmental activities at the end of the fiscal year (including certain Public Schools projects under construction).

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

Construction in progress totaled \$15.4 million for business-type activities at the end of the fiscal year including the following projects: Walker's Dam rehabilitation, \$11.1 million; Lee Hall Dam improvements, \$2.1 million; and Harwoods Mill modernization, \$1.0 million.

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

	Governmental Activities		Business-Type Activities		Total	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Land	\$ 87,524,612	\$ 86,839,432	7,133,367	17,681,753	94,657,979	104,521,185
Construction in progress	53,633,244	50,884,734	15,369,666	11,307,371	69,002,910	62,192,105
Buildings	235,956,177	229,020,300	106,319,957	110,165,929	342,276,134	339,186,229
Water systems	-	-	234,891,100	235,691,510	234,891,100	235,691,510
Improvements	98,516,981	91,479,546	11,462,272	12,429,653	109,979,253	103,909,199
Machinery and equipment	49,240,447	48,341,714	10,141,822	11,487,059	59,382,269	59,828,773
Infrastructure	172,320,445	171,849,893	-	-	172,320,445	171,849,893
	<u>\$ 697,191,906</u>	<u>678,415,619</u>	<u>385,318,184</u>	<u>398,763,275</u>	<u>1,082,510,090</u>	<u>1,077,178,894</u>

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

**Long-Term Debt**

At the end of the current fiscal year, the City had total outstanding debt (including literary loans) of \$532.4 million, an increase of 0.9% 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	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
General obligation bonds	\$ 378.3	361.1	111.4	122.7	489.7	483.8
Literary loans	5.9	6.3	-	-	5.9	6.3
Revenue bonds	-	-	36.8	37.7	36.8	37.7
Total	<u>\$ 384.2</u>	<u>367.4</u>	<u>148.2</u>	<u>160.4</u>	<u>532.4</u>	<u>527.8</u>

The amount of the debt outstanding related to School Board activities is \$88.6 million of the total outstanding general obligation bonds of the governmental activities.

The City issued new debt during the year totaling \$51.9 million in the form of general obligation bonds.

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

The City maintains an AA rating from Standard & Poor's Corporation and an Aa1 rating from Moody's Investors Services.

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

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS**

The unemployment rate in June 2013 for the City was 6.9%, which is a decrease from the average for 2012 of 7.4%, which is consistent with other areas of the Commonwealth. The City's annual population increased slightly from approximately 180,719 at the end of fiscal year 2012 to 180,726 at the end of fiscal year 2013.

The FY 2014 approved revenue budget for the General Fund increased by 4.6% compared to the FY 2013 adopted budget, primarily as a result of the increase in the real property tax rate. The FY 2014 budget includes 7,283 positions, a net decrease of 97 positions.

The City believes that it will be several years before economic activity returns to prior levels. Strategic focus areas include providing the capital assets required to maintain City assets and operations, funding Schools for the education of students, developing opportunities for economic development and job creation, and maintaining a motivated and quality workforce.

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

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

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**CITY OF NEWPORT NEWS, VIRGINIA**

Statement of Net Position

June 30, 2013

Assets	Primary government			Discretely presented component units	
	Governmental activities	Business-type activities	Total	Public schools	Others
Cash and cash equivalents	\$ 102,183,639	32,144,833	134,328,472	41,213,340	13,910,375
Restricted cash and investments	32,139,321	30,427,669	62,566,990	-	19,181,567
Accounts receivable, net	19,811,738	15,234,967	35,046,705	278,203	5,138,503
Receivable from Industrial Development Authority	11,563,639	-	11,563,639	-	-
Receivable from Primary Government	-	-	-	3,957,092	-
Receivables from other governments	21,456,953	-	21,456,953	13,424,015	-
Due from OPEB Fund	1,464,481	-	1,464,481	-	-
Inventory, at cost	1,941,402	3,465,212	5,406,614	1,085,800	113,062
Land held for lease or resale	-	10,548,386	10,548,386	-	22,042,088
Net investment in direct financing leases	-	-	-	-	1,978,870
Capital assets:					
Nondepreciable capital assets:					
Land	87,524,612	7,133,367	94,657,979	2,505,084	6,604,658
Construction in progress	53,633,244	15,369,666	69,002,910	-	20,641,114
Depreciable capital assets:					
Buildings	348,673,753	152,185,865	500,859,618	46,849,002	183,476,933
Improvements	184,082,729	-	184,082,729	51,496,466	14,274,715
Water system	-	404,239,112	404,239,112	-	-
Airport assets	-	-	-	-	142,896,474
Machinery and equipment	146,887,218	33,653,813	180,541,031	63,571,105	4,329,546
Infrastructure	492,421,818	-	492,421,818	-	2,543,500
Total capital assets	1,313,223,374	612,581,823	1,925,805,197	164,421,657	374,766,940
Less accumulated depreciation	(616,031,468)	(227,263,639)	(843,295,107)	(90,521,238)	(110,470,659)
Capital assets, net	697,191,906	385,318,184	1,082,510,090	73,900,419	264,296,281
Restricted assets:					
Permanently restricted cash	1,352,359	-	1,352,359	-	-
Other assets	1,385,766	2,671,244	4,057,010	15,806,711	10,213,344
Total assets	890,491,204	479,810,495	1,370,301,699	149,665,580	336,874,090
<b>Deferred Outflows of Resources</b>					
Deferred swap outflow	-	-	-	-	3,688,883
<b>Liabilities</b>					
Liabilities:					
Accounts payable	\$ 12,806,242	1,793,558	14,599,800	3,225,376	3,808,505
Accrued liabilities	7,480,878	4,075,121	11,555,999	26,956,502	752,750
Deposits	3,317,824	3,576,968	6,894,792	-	28,555
Unearned revenues	731,233	33,515,559	34,246,792	609,663	155,424
Payable to Newport News Public Schools	3,957,092	-	3,957,092	-	-
Payable to Primary Government	-	-	-	-	11,563,639
Due to Pension Fund	1,603,404	-	1,603,404	-	-
Long term liabilities:					
Due within one year	64,425,799	13,560,852	77,986,651	3,800,510	8,743,424
Due in more than one year	620,182,959	139,443,898	759,626,857	40,653,231	122,365,946
Total liabilities	714,505,431	195,965,956	910,471,387	75,245,282	147,418,243
<b>Net Position</b>					
Net investment in capital assets	331,677,129	232,313,434	563,990,563	66,806,834	149,602,955
Restricted for:					
Capital projects	2,133,574	30,427,669	32,561,243	836,084	15,393,151
Debt service	1,352,359	-	1,352,359	-	1,439,000
Grants	2,058,749	-	2,058,749	-	-
Other governmental purposes	3,851,726	-	3,851,726	3,457,746	2,349,416
Unrestricted (deficit)	(165,087,764)	21,103,436	(143,984,328)	3,319,634	24,360,208
Total net position	175,985,773	283,844,539	459,830,312	74,420,298	193,144,730

See accompanying notes to basic financial statements.

**CITY OF NEWPORT NEWS, VIRGINIA**

Statement of Activities  
Year ended June 30, 2013

	Expenses	Program revenues			Net (expense) revenue and changes in net position				
		Charges for services	Operating grants and contributions	Capital grants and contributions	Governmental activities	Primary government Business-type activities	Total	Public schools	Other component units
Primary government:									
Governmental activities:									
General government	\$ 85,544,610	9,877,631	-	6,482,329	(69,184,650)	-	(69,184,650)		
Judicial administration	6,779,007	3,351,044	508,642	-	(2,919,321)	-	(2,919,321)		
Public safety	113,305,100	6,693,808	2,299,555	-	(104,311,737)	-	(104,311,737)		
Public works	70,293,521	40,889,684	15,350,367	-	(14,053,470)	-	(14,053,470)		
Health and welfare	42,283,290	104,190	4,640,938	-	(37,538,162)	-	(37,538,162)		
Education	116,592,925	-	13,473,927	-	(103,118,998)	-	(103,118,998)		
Parks, recreation and culture	34,050,686	6,852,568	24,064	-	(27,174,054)	-	(27,174,054)		
Community development	11,194,312	400,639	2,951,518	-	(7,842,155)	-	(7,842,155)		
Interest on long-term debt	22,927,201	-	-	-	(22,927,201)	-	(22,927,201)		
Total governmental activities	502,970,652	68,169,564	39,249,011	6,482,329	(389,069,748)	-	(389,069,748)		
Business-type activities:									
Public utility	62,502,189	76,099,474	-	2,811,556	-	16,408,841	16,408,841		
Total business-type activities	62,502,189	76,099,474	-	2,811,556	-	16,408,841	16,408,841		
Total primary government	\$ 565,472,841	144,269,038	39,249,011	9,293,885	(389,069,748)	16,408,841	(372,660,907)		
Component units:									
Public Schools	\$ 315,148,360	6,378,929	68,549,968	867,746				(239,351,717)	-
Peninsula Airport Commission	14,222,558	8,143,650	-	4,802,019				-	(1,276,889)
Economic and Industrial Development Authorities	22,788,991	27,233,653	-	-				-	4,444,662
Total component units	\$ 352,159,909	41,756,232	68,549,968	5,669,765				(239,351,717)	3,167,773
General revenues:									
City Taxes:									
General property					229,811,554	-	229,811,554	-	-
E-911 service					596,242	-	596,242	-	-
Local sales and use					22,920,353	-	22,920,353	-	-
Consumers' utility					6,262,714	-	6,262,714	-	-
Consumption					700,021	-	700,021	-	-
Telecom sales and use					11,992,112	-	11,992,112	-	-
Business license					16,200,207	-	16,200,207	-	-
Rental car					1,151,221	-	1,151,221	-	-
Motor vehicle license					3,876,035	-	3,876,035	-	-
Bank stock taxes					666,072	-	666,072	-	-
Recordation and wills					1,370,840	-	1,370,840	-	-
Tobacco					5,228,287	-	5,228,287	-	-
Hotel and motel room tax					3,008,260	-	3,008,260	-	-
Restaurant food tax					22,082,728	-	22,082,728	-	-
Amusement					482,469	-	482,469	-	-
Total City Taxes					326,349,115	-	326,349,115	-	-
Grants and contributions not restricted to specific programs					41,481,654	-	41,481,654	142,184,561	-
Payment from the City					-	-	-	98,085,490	-
Investment earnings					2,328,310	196,652	2,524,962	19,275	277,745
Miscellaneous					3,902,299	-	3,902,299	-	3,253,517
Transfers					9,891,000	(9,891,000)	-	-	-
Total general revenues and transfers					383,952,378	(9,694,348)	374,258,030	240,289,326	3,531,262
Change in net position					(5,117,370)	6,714,493	1,597,123	937,609	6,699,035
Net position beginning of year					181,103,143	277,130,046	458,233,189	73,482,689	186,445,695
Net position end of year	\$				175,985,773	283,844,539	459,830,312	74,420,298	193,144,730

See accompanying notes to basic financial statements.

**CITY OF NEWPORT NEWS, VIRGINIA**

Balance Sheet  
Governmental Funds  
June 30, 2013

<b>Assets</b>	<b>General fund</b>	<b>Debt service fund</b>	<b>Bond fund</b>	<b>Nonmajor governmental funds</b>	<b>Total governmental funds</b>
Cash and cash equivalents	\$ 65,276,221	125,035	-	34,648,583	100,049,839
Restricted cash	-	114,813	30,336,294	1,688,214	32,139,321
Accounts receivable, net	17,156,247	-	-	2,641,738	19,797,985
Receivable from component unit	11,563,639	-	-	-	11,563,639
Receivable from other funds	2,171,314	-	-	833,795	3,005,109
Receivables from other governments	17,478,277	-	-	3,978,676	21,456,953
Due from OPEB Fund	1,464,481	-	-	-	1,464,481
Inventory, at cost	1,299,144	-	-	-	1,299,144
Restricted assets:					
Permanently restricted cash	-	1,352,359	-	-	1,352,359
Total assets	<u>\$ 116,409,323</u>	<u>1,592,207</u>	<u>30,336,294</u>	<u>43,791,006</u>	<u>192,128,830</u>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable	\$ 8,377,362	54,535	1,654,835	2,531,304	12,618,036
Accrued liabilities	157,042	70,500	1,114,365	117,343	1,459,250
Deposits	3,317,824	-	-	-	3,317,824
Unavailable revenues	8,502,728	-	-	531,568	9,034,296
Unearned revenues	731,233	-	-	-	731,233
Payable to Newport News Public Schools	-	-	3,957,092	-	3,957,092
Due to Pension Fund	1,603,404	-	-	-	1,603,404
Payable to other funds	-	-	-	3,005,109	3,005,109
Total liabilities	<u>22,689,593</u>	<u>125,035</u>	<u>6,726,292</u>	<u>6,185,324</u>	<u>35,726,244</u>
Fund balances:					
Nonspendable	12,862,783	-	-	-	12,862,783
Restricted	563,863	1,352,359	23,610,002	7,480,186	33,006,410
Committed	-	22,813	-	30,125,496	30,148,309
Assigned	34,939,767	92,000	-	-	35,031,767
Unassigned	<u>45,353,317</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>45,353,317</u>
Total fund balances	<u>93,719,730</u>	<u>1,467,172</u>	<u>23,610,002</u>	<u>37,605,682</u>	<u>156,402,586</u>
Total liabilities and fund balances	<u>\$ 116,409,323</u>	<u>1,592,207</u>	<u>30,336,294</u>	<u>43,791,006</u>	<u>192,128,830</u>

See accompanying notes to basic financial statements.

**CITY OF NEWPORT NEWS, VIRGINIA**  
Reconciliation of the Balance Sheet of Governmental Funds to the  
Statement of Net Position  
June 30, 2013

Fund balances – total governmental funds		\$ 156,402,586
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Governmental capital assets	\$ 1,258,140,408	
Less accumulated depreciation	<u>(581,178,065)</u>	
		676,962,343
Other long-term assets are not available to pay for current period expenditures and, therefore, are unavailable in the funds.		9,034,296
Internal service funds are used by management to charge the costs of certain activities to individual funds.	22,563,705	
Adjustment to add back accrued vacation included below	<u>252,280</u>	
		22,815,985
Governmental funds report the effect of issuance costs when the debt is issued. These costs, less accumulated amortization, are deferred in the Statement of Net Position.		1,385,766
Unmatured interest payable reported in governmental activities will not be paid with current financial resources and, therefore, are not reported in the funds.		(6,006,445)
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	(388,205,861)	
Literary fund bonds	(5,877,889)	
Land lease payable	(1,167,320)	
Land purchase payable	(600,001)	
Landfill liability	(4,890,000)	
Accrued vacation	(19,466,735)	
Workers' compensation and other claims	(15,642,846)	
Net pension obligations	(217,121,000)	
Net OPEB Obligations	(28,332,411)	
Incurred but not reported claims	<u>(3,304,695)</u>	
		<u>(684,608,758)</u>
Net position of governmental activities		<u>\$ 175,985,773</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, 2013

	<b>General fund</b>	<b>Debt service fund</b>	<b>Bond fund</b>	<b>Nonmajor governmental funds</b>	<b>Total governmental funds</b>
Revenues:					
General property taxes	\$ 228,025,434	-	-	-	228,025,434
Other local taxes	96,537,561	-	-	-	96,537,561
Licenses and permits	2,802,921	-	-	-	2,802,921
Fines and forfeitures	2,984,185	-	-	-	2,984,185
Intergovernmental	41,481,654	13,473,927	-	31,388,636	86,344,217
Charges for services	18,117,324	-	-	41,061,551	59,178,875
Interest and rent	2,171,726	-	-	150,789	2,322,515
Recovered costs	6,006,498	-	-	6	6,006,504
Miscellaneous	3,534,577	37,889	-	237,193	3,809,659
Total revenues	<u>401,661,880</u>	<u>13,511,816</u>	<u>-</u>	<u>72,838,175</u>	<u>488,011,871</u>
Expenditures:					
Current operating:					
General government	76,670,847	-	-	114,617	76,785,464
Judicial administration	5,860,863	-	-	-	5,860,863
Public safety	98,021,927	-	-	2,396,545	100,418,472
Public works	7,460,312	-	-	48,066,831	55,527,143
Health and welfare	32,525,012	-	-	6,282,142	38,807,154
Education	113,400,000	-	4,962,267	1,000,000	119,362,267
Parks, recreation and culture	26,750,934	-	-	78,365	26,829,299
Community development	6,660,115	-	-	3,117,526	9,777,641
Debt service:					
Principal	-	35,122,582	-	-	35,122,582
Interest and other charges	-	22,194,235	231,360	-	22,425,595
Capital outlay	-	-	23,734,464	14,536,606	38,271,070
Total expenditures	<u>367,350,010</u>	<u>57,316,817</u>	<u>28,928,091</u>	<u>75,592,632</u>	<u>529,187,550</u>
Excess (deficiency) of revenues over (under) expenditures	<u>34,311,870</u>	<u>(43,805,001)</u>	<u>(28,928,091)</u>	<u>(2,754,457)</u>	<u>(41,175,679)</u>
Other financing sources (uses):					
Transfers in	10,641,000	44,056,960	-	10,156,122	64,854,082
Transfers out	(44,681,112)	-	-	(10,281,970)	(54,963,082)
Premium on bonds	-	84,775	5,612,832	-	5,697,607
Bond and note issuance of debt	-	3,905,000	48,000,000	-	51,905,000
Contribution to PAC	-	(3,958,108)	-	-	(3,958,108)
Total other financing sources (uses), net	<u>(34,040,112)</u>	<u>44,088,627</u>	<u>53,612,832</u>	<u>(125,848)</u>	<u>63,535,499</u>
Net changes in fund balances	271,758	283,626	24,684,741	(2,880,305)	22,359,820
Fund balances (deficit) at June 30, 2012	93,447,972	1,183,546	(1,074,739)	40,485,987	134,042,766
Fund balances at June 30, 2013	<u>\$ 93,719,730</u>	<u>1,467,172</u>	<u>23,610,002</u>	<u>37,605,682</u>	<u>156,402,586</u>

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, 2013

Net change in fund balances – total governmental funds \$ 22,359,820

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	\$ 38,271,070	
Plus: Capital expenditures not included in capital outlays, net of disposals	7,937,714	
Less: Non-capitalized asset	(7,714,806)	
Depreciation expense	<u>(28,019,141)</u>	
		10,474,837

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.

7,802,850

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.

1,786,120

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	35,122,582	
Debt issued (and related costs)	(51,905,000)	
Premium on issuance of long-term debt	(2,690,671)	
Amortization of refunding losses	(1,912,460)	
Debt issuance costs, net of amortization	<u>3,217</u>	
		(21,382,332)

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	(501,606)	
Land purchase payable	33,333	
Landfill liability	237,000	
Accrued vacation	(984,976)	
Net pension obligation	(21,352,000)	
Net OPEB obligation	(5,950,714)	
Workers' compensation and other claims	1,578,884	
Incurred but not reported liabilities	<u>175,488</u>	
		(26,764,591)

Some capital additions were financed through capital leases in a prior year. In governmental funds, a capital lease arrangement is considered a source of financing, but in the Statement of Net Position, the lease obligation is reported as a liability.

Payments and write-offs on capital leases made in the current year	194,396
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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).

411,530

Change in net position of governmental activities	<u><u>\$ (5,117,370)</u></u>
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See accompanying notes to basic financial statements.

**CITY OF NEWPORT NEWS, VIRGINIA**

Statement of Net Position

Proprietary Funds

June 30, 2013

<b>Assets</b>	<b>Major Fund - Public Utility</b>	<b>Internal Service Fund</b>
Current assets:		
Cash and cash equivalents	\$ 32,144,833	2,133,800
Restricted cash	30,427,669	—
Accounts receivable, net	15,234,967	13,753
Inventory	3,465,212	642,258
Total current assets	<u>81,272,681</u>	<u>2,789,811</u>
Noncurrent assets:		
Land held for resale	10,548,386	—
Capital assets:		
Nondepreciable capital assets:		
Land	7,133,367	20,257
Construction in progress	15,369,666	846,183
Depreciable capital assets:		
Buildings	152,185,865	3,469,775
Improvements	—	212,993
Water system	404,239,112	—
Machinery and equipment	33,653,813	50,533,758
Total capital assets	612,581,823	55,082,966
Less accumulated depreciation	(227,263,639)	(34,853,403)
Capital assets, net	385,318,184	20,229,563
Other assets	2,671,244	—
Total noncurrent assets	<u>398,537,814</u>	<u>20,229,563</u>
Total assets	<u>\$ 479,810,495</u>	<u>23,019,374</u>
<b>Liabilities</b>		
Liabilities:		
Current liabilities:		
Accounts payable	\$ 1,793,558	188,206
Accrued liabilities	4,075,121	267,463
Unearned revenues	33,515,559	—
General obligation bonds payable, net	12,654,363	—
Revenue bonds payable, net	906,489	—
Total current liabilities	<u>52,945,090</u>	<u>455,669</u>
Noncurrent liabilities:		
Deposits	3,576,968	—
General obligation bonds payable, net	103,116,943	—
Revenue bonds payable, net	36,326,955	—
Total noncurrent liabilities	<u>143,020,866</u>	<u>—</u>
Total liabilities	<u>195,965,956</u>	<u>455,669</u>
<b>Net Position</b>		
Net position:		
Net investment in capital assets	232,313,434	20,229,563
Restricted for bond construction	30,427,669	—
Unrestricted	21,103,436	2,334,142
Total net position	<u>283,844,539</u>	<u>22,563,705</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, 2013

	<u>Major Fund - Public Utility</u>	<u>Internal Service Fund</u>
Operating revenues:		
Water sales	\$ 60,354,102	-
Charges for services	13,105,344	12,178,261
Miscellaneous	2,640,028	44,249
Total operating revenues	<u>76,099,474</u>	<u>12,222,510</u>
Operating expenses:		
Personal services	22,676,706	3,028,149
Contractual services	10,015,583	55,028
Internal services	1,428,976	104,319
Materials and supplies	5,572,081	5,755,475
Depreciation	13,958,539	3,899,724
Other	4,396,382	-
Total operating expenses	<u>58,048,267</u>	<u>12,842,695</u>
Operating income (loss)	<u>18,051,207</u>	<u>(620,185)</u>
Nonoperating revenues (expenses):		
Interest revenue	196,652	5,795
Gain on disposal of capital assets	46,084	153,351
Amortization, cost of issuing bonds	(119,506)	-
Loss on long-term debt	(295,660)	-
Interest expense	(4,084,840)	-
Total nonoperating revenues (expenses), net	<u>(4,257,270)</u>	<u>159,146</u>
Income (loss) before capital contributions and transfers out	<u>13,793,937</u>	<u>(461,039)</u>
Capital contributions for capital assets	2,811,556	868,777
Transfers out	(9,891,000)	-
Change in net position	6,714,493	407,738
Net position at June 30, 2012	<u>277,130,046</u>	<u>22,155,967</u>
Net position at June 30, 2013	<u>\$ 283,844,539</u>	<u>22,563,705</u>

See accompanying notes to basic financial statements.

**CITY OF NEWPORT NEWS, VIRGINIA**

Statement of Cash Flows

Proprietary Funds

Year ended June 30, 2013

	<u>Major Fund - Public Utility</u>	<u>Internal Service Fund</u>
Cash flows from operating activities:		
Receipts from customers	\$ 74,064,491	12,222,510
Payments to suppliers	(18,733,153)	(6,464,868)
Payments to employees	(23,969,464)	(3,028,149)
Other payments	(4,396,382)	—
Net cash provided by operating activities	<u>26,965,492</u>	<u>2,729,493</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(8,177,821)	(3,729,955)
Proceeds from sale of capital assets	108,743	353,759
Repayment and retirement of long-term debt	(12,162,499)	—
Interest paid	(5,159,234)	—
Net cash used in capital and related financing activities	<u>(25,390,811)</u>	<u>(3,376,196)</u>
Cash flows used in noncapital financing activities -		
Transfer to other funds	<u>(9,891,000)</u>	<u>—</u>
Cash flows provided by investing activities -		
Interest received	<u>196,652</u>	<u>5,795</u>
Increase (decrease) in cash and restricted cash	(8,119,667)	(640,908)
Cash and restricted cash at beginning of year	<u>70,692,169</u>	<u>2,774,708</u>
Cash and restricted cash at end of year	\$ <u>62,572,502</u>	<u>2,133,800</u>
Reported as:		
Cash and cash equivalents	\$ 32,144,833	2,133,800
Restricted cash	<u>30,427,669</u>	<u>—</u>
Total cash & cash equivalents	\$ <u>62,572,502</u>	<u>2,133,800</u>
Cash flows from operating activities:		
Operating income (loss)	\$ 18,051,205	(620,185)
Adjustments to reconcile operating income to cash provided by operating activities:		
Depreciation	13,958,539	3,899,724
Changes in assets and liabilities:		
Accounts receivable	(1,120,350)	(13,643)
Inventories	(132,819)	23,156
Accounts payable	(2,648,920)	(559,559)
Deferred revenue	(914,634)	—
Deposits	(227,529)	—
Total adjustments	<u>8,914,287</u>	<u>3,349,678</u>
Net cash provided by operating activities	\$ <u>26,965,492</u>	<u>2,729,493</u>
Noncash capital activities:		
Capital asset contributions	\$ <u>2,811,556</u>	<u>868,777</u>

See accompanying notes to basic financial statements.

**CITY OF NEWPORT NEWS, VIRGINIA**

Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2013

<b>Assets</b>	<b>Pension &amp; Other Postemployment Benefits</b>	<b>Agency Funds</b>
Cash and cash equivalents	\$ 7,679,923	4,579,380
Cash and cash equivalents with trustee	18,579,022	—
Investments:		
Corporate and government bonds	167,098,089	—
Domestic stocks	342,550,423	—
Domestic mutual funds	12,562,721	—
International stocks	88,414,792	—
International mutual funds	61,457,793	—
Real estate	93,494,411	—
Accounts receivable	949,190	3,770,637
Due from City	1,603,404	—
Interest receivable	590,226	—
Sales receivable	8,034,432	—
Inventory	—	1,512
<b>Total assets</b>	<b>\$ 803,014,426</b>	<b>8,351,529</b>
<b>Liabilities</b>		
Accounts payable	\$ 816,311	1,063,798
Accrued vacation	40,831	—
Due to other governments	—	4,553,876
Due to other agencies	—	2,733,855
Due to City	1,464,481	—
Purchases payable	6,057,993	—
<b>Total liabilities</b>	<b>8,379,616</b>	<b>8,351,529</b>
<b>Net Position</b>		
Assets held in trust:		
Postemployment healthcare benefits	20,522,040	—
Employees' retirement	774,112,770	—
<b>Total net position</b>	<b>\$ 794,634,810</b>	<b>—</b>

See accompanying notes to basic financial statements.

**CITY OF NEWPORT NEWS, VIRGINIA**

## Statement of Changes in Fiduciary Net Position

## Fiduciary Funds - Employees' Retirement Trusts for Pension &amp; Other Postemployment Benefits

Year ended June 30, 2013

	<b>Pension &amp; Other Postemployment Benefits</b>
<b>Additions:</b>	
Employer Contributions:	
City General Fund	\$ 32,341,455
Waterworks Fund	4,035,766
School Operating Fund	8,061,060
Employee Contributions:	
City General Fund	2,732,342
Waterworks Fund	332,709
Other Contributions:	
Income from Leave Exchange	151,587
Employee Buy-back	476,239
Total contributions	<u>48,131,158</u>
Investment income:	
Net depreciation - bonds	(5,176,796)
Net appreciation - stocks	82,230,429
Interest	4,822,362
Dividends	14,698,682
Real estate operating loss, net	2,695,295
Commission recapture	81,311
Other investment income	606
Total investment gain	<u>99,351,889</u>
Less investment expenses:	
Other investment expenses	<u>(4,521,908)</u>
Net investment gain	<u>94,829,981</u>
Total additions	<u>142,961,139</u>
<b>Deductions:</b>	
Benefits paid to participants	72,354,662
Administrative expenses	1,027,869
Total deductions	<u>73,382,531</u>
Change in net position	69,578,608
Net position held in trust for pension benefits at June 30, 2012	<u>725,056,202</u>
Net position held in trust for pension benefits at June 30, 2013	<u><u>\$ 794,634,810</u></u>

See accompanying notes to basic financial statements.

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## CITY OF NEWPORT NEWS, VIRGINIA

### Notes to Basic Financial Statements

June 30, 2013

#### (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 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 (the Primary Government) 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.

- 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

## **CITY OF NEWPORT NEWS, VIRGINIA**

### **Notes to Basic Financial Statements**

**June 30, 2013**

the voters of Newport News and operates the four early childhood centers, twenty four elementary, seven middle, five high schools and one middle-high school combination in the City. The School Board may not issue debt. City Council makes an annual appropriation to the School Board, but is prohibited from exercising any control over specific expenditures of School Board operating funds. Transfers within the School Operating Fund are under the control of the School Board at the categorical level. Expenditures are controlled in the School Cafeteria and School Grants Funds through use of budgets approved by the School Board. Separate audited financial statements are available from the Newport News Public Schools at 12465 Warwick Boulevard, Newport News, Virginia 23606.

- The Economic and Industrial Development Authorities (E/IDA or the Authorities) are two legally separate entities included in the City's financial statements due to financial/legal inter-dependency with the City. The E/IDA acquires, maintains and develops land for sale or lease, promotes both economic and industrial development and growth in the City, and includes the Parking Authority. The City Council approves the E/IDA's budget. Separate audited financial statements are available from E/IDA, at Department of Planning and Development, 2400 Washington Avenue, Newport News, Virginia 23607.
- The Peninsula Airport Commission (PAC) is a legally separate entity included in the City's financial statements due to financial/legal inter-dependency with the City. The PAC operates the Newport News/Williamsburg International Airport. The City appoints four of PAC's six commission members. Separate audited financial statements are available from PAC at 900 Bland Boulevard, Newport News, Virginia 23602.

#### ***(b) Government-wide and Fund Financial Statements***

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or activity is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Included in direct expenses are certain indirect costs that have been allocated to the various programs. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are

## **CITY OF NEWPORT NEWS, VIRGINIA**

### **Notes to Basic Financial Statements**

**June 30, 2013**

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 is 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. 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, workers 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.

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.



## CITY OF NEWPORT NEWS, VIRGINIA

### Notes to Basic Financial Statements

June 30, 2013

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 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:

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

*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.

*Other Postemployment Benefits' (OPEB) Fund* accounts for all contributions and investments accumulated for employees' medical benefits and life insurance

## CITY OF NEWPORT NEWS, VIRGINIA

### Notes to Basic Financial Statements

June 30, 2013

coverage at retirement. The fund pays for all related expenses incurred as well as health, dental and life insurance benefits.

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

#### ***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, activities of the Community Development Block Grant Program, individual grant programs, community services programs for mental health and substance abuse, and economic aid to certain qualifying citizens under several different programs.

*Capital Projects Funds*, excluding the Bond Fund, account 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.

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

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

## **CITY OF NEWPORT NEWS, VIRGINIA**

### **Notes to Basic Financial Statements**

**June 30, 2013**

Since the governmental fund's financial statements are presented on a different measurement focus and basis of accounting than the governmental-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 Peninsula Airport Commission. 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. 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.

#### **(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."

## CITY OF NEWPORT NEWS, VIRGINIA

### Notes to Basic Financial Statements

June 30, 2013

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 an 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 June 5 and December 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 2013 was \$1.10 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 June 5 and December 5. The current year personal property taxes reported as revenue are the levies on assessed valuation at January 1, less an allowance for uncollectible amounts and taxes not collected within 45 days after year-end. The 2013 tax rates per \$100 of assessed value were:

Mobile homes	\$1.10
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 property taxes collected prior to their due date, developer deposits, and grant receipts.

## CITY OF NEWPORT NEWS, VIRGINIA

### Notes to Basic Financial Statements

June 30, 2013

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.

#### **(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, 2013 is composed of the following:

##### General Fund – Allowance for Uncollectibles

###### Taxes receivable:

Real Estate	\$	1,965,322
Personal Property		<u>2,505,860</u>
Total Taxes	\$	<u>4,471,182</u>

##### Non-Major Governmental –

Special Revenue Funds – accounts receivable	\$	1,341,527
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Public Utility Fund - accounts receivable	\$	1,309,951
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#### **(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. Inventory is accounted for under the consumption method. The costs are recorded as expenditures at the time of purchase.

#### **(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 activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an initial useful life of more than 4 years. Assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

## **CITY OF NEWPORT NEWS, VIRGINIA**

### **Notes to Basic Financial Statements**

**June 30, 2013**

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Interest of \$135,117 was capitalized during fiscal year 2013.

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, 2013, the City holds capital assets related to school property with a net book value of \$149,629,507.

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

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

#### ***(i) Land Held for Resale***

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

#### ***(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 accrued based financial statements as the benefits are earned by the employees if attributable to services already rendered and

## **CITY OF NEWPORT NEWS, VIRGINIA**

### **Notes to Basic Financial Statements**

**June 30, 2013**

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, but 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.

School Board employees are granted vacation and sick pay in varying amounts as services are provided. They may accumulate, subject to certain limitations, unused vacation leave, and upon retirement, termination or death, may be compensated for certain amounts at their then current rates of pay. Upon termination, School Board employees are not paid for accumulated sick leave. Upon retirement, sick leave may be taken in cash at \$30 per day depending upon employment status (maximum payment of \$5,000) or may be used for additional service credit towards their retiree health insurance subsidy. After July 2, 2011, all future retirees will receive a retiree health insurance subsidy based on years of service rather than sick leave.

#### **(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, as well as issuance costs, 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. Bond issuance costs are reported as other assets and amortized over the term of the related debt.

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.

## CITY OF NEWPORT NEWS, VIRGINIA

### Notes to Basic Financial Statements

June 30, 2013

#### **(I) 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.

Under accounting principles generally accepted in the United States of America (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 which are neither restricted nor committed, as previously defined. In the General Fund, assigned amounts represent intended uses established by City Council, or as delegated to the City Manager. With the exception of the General Fund, this is the residual fund balance of the classification for all governmental funds with positive balances.

*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



# CITY OF NEWPORT NEWS, VIRGINIA

## Notes to Basic Financial Statements

June 30, 2013

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 2013, the General Fund's unassigned fund balance is 11% 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.

Details of the fund balance classifications of the Governmental funds at June 30, 2013 are as follows:

<u>Function/Purpose</u>	<u>Nonspendable</u>	<u>Restricted</u>	<u>Committed</u>	<u>Assigned</u>	<u>Unassigned</u>
General fund					
Inventories	\$ 1,299,144	\$ -	\$ -	\$ -	\$ -
Long-term note receivable	11,563,639	-	-	-	-
General government:					
Administration	-	-	-	1,132,968	-
Self insured activities	-	-	-	16,000,000	-
Projects	-	-	-	12,924,563	-
Judicial administration	-	-	-	5,552	-
Public safety	-	-	-	2,422,553	-
Public works	-	256,440	-	1,678,610	-
Health and welfare	-	-	-	23,259	-
Park, recreation, and cultural	-	307,423	-	728,726	-
Community development	-	-	-	646	-
Imprest funds	-	-	-	22,890	-
Unassigned	-	-	-	-	45,353,317
Total General Fund	<u>\$ 12,862,783</u>	<u>\$ 563,863</u>	<u>\$ -</u>	<u>\$ 34,939,767</u>	<u>\$ 45,353,317</u>
Other Funds					
Debt Service	\$ -	\$ 1,352,359	\$ 22,813	\$ 92,000	\$ -
Bond Fund Projects	-	23,610,002	-	-	-
Special Revenue	-	5,346,612	3,687,915	-	-
Capital Projects	-	2,133,574	26,437,581	-	-
Total Other Funds	<u>\$ -</u>	<u>\$ 32,442,547</u>	<u>\$ 30,148,309</u>	<u>\$ 92,000</u>	<u>\$ -</u>
Total fund balance	<u>\$ 12,862,783</u>	<u>\$ 33,006,410</u>	<u>\$ 30,148,309</u>	<u>\$ 35,031,767</u>	<u>\$ 45,353,317</u>

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

# CITY OF NEWPORT NEWS, VIRGINIA

## Notes to Basic Financial Statements

June 30, 2013

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	Business-type Activities	Total
General activities			
Public works	\$ 256,440	-	256,440
Parks, recreation, and cultural	307,423	-	307,423
Other activities			
Debt Service	1,352,359	-	1,352,359
Grants	2,058,749	-	2,058,749
Capital Projects	2,133,574	30,427,669	32,561,243
Stormwater, Solid waste, Wastewater	3,287,863	-	3,287,863
Total restricted net position	\$ 9,396,408	30,427,669	39,824,077

### (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) *Governmental Accounting Standards Board ("GASB") Pronouncements*

Effective July 1, 2012, the City adopted the provisions of Governmental Accounting Standards Board GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* (Statement No. 63). This implementation required the City to present a Statement of Net Position, replacing previously presented Statement of Net Assets, in the City's basic financial statements. The City's implementation also required the Statement of Net Position to present deferred outflows and inflows of resources in separate sections following total assets and total liabilities sections, respectively. In practice, Statement No. 63 only impacts

## CITY OF NEWPORT NEWS, VIRGINIA

### Notes to Basic Financial Statements

June 30, 2013

activities related to derivative instruments or service concession arrangements. In the case of the City, the implementation of this standard was mainly isolated to reclassification of derivative instrument activities to the appropriate outflow and/or inflow sections of the Combining Statement of Net Position for Non-Major Components Units for the E/IDA.

#### (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, 2013 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	\$ 131,375
Deposits with banks	<u>38,021,955</u>
Total cash and deposits	38,153,330
Investments:	
Local Government Investment Pool (LGIP)	158,715,399
Deposits with banks – Money market accounts	4,461,657
Deposits with banks – Repurchase agreements	7,501,198
Commonwealth cash reserve	3,397,099
Virginia State Non-Arbitrage Pool (VA SNAP)	63,146,967
Common Stock – IDA	1,391
Debt Service – QZAB Sinking Fund	1,352,359
Schools' escrow funds	250,000
IDA escrow funds	<u>153,083</u>
Total deposits and investments	<u>\$ 277,132,483</u>

## CITY OF NEWPORT NEWS, VIRGINIA

### Notes to Basic Financial Statements

June 30, 2013

Cash and investments as of June 30, 2013 are classified in the accompanying financial statements, except for Pension and OPEB Funds' as follows:

	<b><u>June 30, 2013</u></b>
Statements of net position:	
Primary Government:	
Cash and cash equivalents	\$ 134,328,472
Restricted cash	63,919,349
Component Units:	
Cash and cash equivalents	55,123,715
Restricted cash	19,181,567
Fiduciary Funds:	
Cash and cash equivalents – Agency Funds	<u>4,579,380</u>
Total cash and investments	<u>\$ 277,132,483</u>

#### ***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, banker's acceptances, repurchase agreements, the State Treasurer's Local Government Investment Pool (the Virginia LGIP, a 2a-7 like pool), the State Non-Arbitrage Pool (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.

## CITY OF NEWPORT NEWS, VIRGINIA

### Notes to Basic Financial Statements

June 30, 2013

**Interest Rate Risk:** As a means of limiting exposure to fair value losses arising from rising interest rates, investment maturity is managed to proceed or coincide with expectance need of funds. The City's Policy limits the investment of operating funds to investments with a stated maturity of no more than thirty-six (36) months from the date of purchase. Purchases of securities are laddered with staggered maturity dates. Proceeds from the sale of bonds must be invested in compliance with the specific requirements of the bond covenants and may be invested in securities with longer maturities. As of June 30, 2013, the carrying value and weighted average maturity of the City's investments are listed below.

**Custodial Credit Risk – Deposits:** The City's deposits at June 30, 2013 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, 2013, were rated by Standard & Poors and Moody. The ratings are presented below using the Standard & Poors rating scale. The School Board and E/IDA, component units, are pooled with the City and not separately identified.

<u>Assets held by the Treasurer</u>	<u>Fair Value</u>	<u>Credit Rating</u>	<u>Weighted Average Maturity (Years)</u>
Local Government Investment Pool	\$ 158,715,399	AAAm	N/A
Commonwealth Cash Reserve (AIM) – Underlying:			
U.S. Agencies	3,054,351	AA+	2.02
U.S. Agencies	100,179	AA	1.06
U.S. Agencies	100,344	A+	0.63
U.S. Agencies	100,042	A-1+	0.73
U.S. Agencies	42,183	AAAm	0.00
SNAP	<u>63,146,967</u>	AAAm	0.00
Total Deposits and Investments	<u>\$ 225,259,465</u>		

N/A – Not applicable

## CITY OF NEWPORT NEWS, VIRGINIA

### Notes to Basic Financial Statements

June 30, 2013

#### 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	\$ 976,215
Deposits with banks – Repurchase agreements	6,703,708
Pension trust fund money markets	<u>18,579,022</u>
Total cash and deposits	\$ 26,258,945
Investments:	
Common & international stocks	\$504,985,729
Corporate and government bonds	167,098,089
Pension fund real estate funds	<u>93,494,411</u>
Total deposits and investments	<u><u>\$791,837,174</u></u>

The Pension and OPEB funds' cash and investment as of June 30, 2013 are classified in the accompanying financial statements as follows:

	<u>June 30, 2013</u>
Cash and cash equivalents	\$ 7,679,923
Cash and cash equivalents with trustee	18,579,022
Investments	
Corporate and government bonds	167,098,089
Common stock	342,550,423
International stock	100,977,513
International emerging markets	61,457,793
Real estate	<u>93,494,411</u>
Total deposits and investments	<u><u>\$791,837,174</u></u>

#### ***Investment Policy of the Pension Fund***

The Pension Fund 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 BBB or higher by two of three nationally known security rating concerns, federally insured mortgages under Titles 203, 207, 220 and 221 of the National Housing Act, equities, certificates of deposit, guaranteed investment contracts and real estate. Pension Trust Fund investments are subject to restrictions placed by policies of the City Council and the Retirement Board.

**CITY OF NEWPORT NEWS, VIRGINIA**  
Notes to Basic Financial Statements  
June 30, 2013

**Credit Risk of Pension Funds**

The credit risk profile for the Pension Funds' securities by investment type as of June 30, 2013 is as follows:

	<b>S &amp; P's Ratings as of June 30, 2013</b>					
	<b><u>TOTAL</u></b>	<b><u>AAA</u></b>	<b><u>AA</u></b>	<b><u>A</u></b>	<b><u>BBB</u></b>	<b><u>Not Rated</u></b>
<b>Investment Types</b>						
Asset-backed	\$ 17,896,472	11,634,419	347,151	-	-	5,914,902
Corporate Bonds	54,473,718	654,979	9,152,475	34,641,159	3,411,144	6,613,961
Foreign Currency	330,823	-	-	-	-	330,823
Mortgage-backed	56,803,565	4,549,795	39,705,664	-	-	12,548,106
Municipals	462,369	-	462,369	-	-	-
Mutual Funds	131,459,277	-	-	-	-	131,459,277
Real Estate Inv.	13,489,144	-	-	-	-	13,489,144
Short-term	18,256,225	-	-	-	-	18,256,225
U.S. Agencies	10,457,548	-	9,570,590	446,440	-	440,518
U.S. Treasury	26,993,378	-	-	-	-	26,993,378
Non-fixed Assets	435,655,173	-	-	-	-	435,655,173
Total	<u>\$ 766,277,692</u>	<u>16,839,193</u>	<u>59,238,249</u>	<u>35,087,599</u>	<u>3,411,144</u>	<u>651,701,507</u>

***Concentration of Credit Risk – Pension Fund***

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

***Custodial Risk – Pension and OPEB Funds***

The policy requires that all securities purchased for the Pension and OPEB Funds 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.

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# CITY OF NEWPORT NEWS, VIRGINIA

## Notes to Basic Financial Statements

June 30, 2013

### ***Foreign Currency Risk – Pension Fund***

The Pension Fund does not have a formal policy to limit foreign currency risk. Risk of loss arises from changes in currency exchange rates and the Pension Fund's exposure to foreign currency risk is as follows:

#### **2013 Foreign Currency Risk**

<b>Investment</b>	<b>Currency</b>	<b>Fair Value</b>
Cash equivalent	Euro currency	\$ 17,235
Cash equivalent	Japanese yen	7,457
Common stock	Pound sterling	34,589
Common stock	Swiss Franc	3,507
Total		<u>\$ 62,788</u>

### ***Interest Risk – Pension Fund***

The Pension Fund's investment policy does not address investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The investment policy defines the investment objectives for both the passive and actively managed segments of the fixed income portfolio. The objective of the passive segment is to replicate the return of the Barclays Aggregate Bond Index thus providing broad diversification that would be impractical to achieve in an actively managed portfolio. The objective of the actively managed fixed income portfolio is to outperform the Barclays Aggregate Bond Index over a moving 3-5 year range, with the exception of long duration fixed income, which has an objective of outperforming the Barclays Capital Long Government/Credit Index over a moving 3-5 year range. The fair value of the Pension Fund's fixed income portfolio consisted of the following investment and maturities as of June 30, 2013:

Investment Type	Fair Value	< 5 years	5 - 10	10 - 15	15 - 20	> 20 years
US Government	\$ 37,450,925	\$ 15,036,160	\$ 7,402,345	\$ 6,268,540	\$ -	\$ 8,743,879
Municipal	462,369	128,707	-	-	-	333,662
Corporate Bonds	55,173,495	30,032,147	15,985,475	3,377,744	2,375,967	3,402,161
MTGE	74,700,095	46,865,560	27,740,574	-	-	93,961
Total	\$ 167,786,884	\$ 92,062,574	\$ 51,128,394	\$ 9,646,284	\$ 2,375,967	\$ 12,573,663



# CITY OF NEWPORT NEWS, VIRGINIA

## Notes to Basic Financial Statements

June 30, 2013

### (3) Accounts Receivable

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

	<b>Governmental activities</b>	<b>Business-type activities</b>
Taxes receivable:		
Real Estate	\$ 7,396,396	-
Personal Property	4,940,064	-
Total taxes receivable, net	12,336,460	-
Accounts receivable	7,475,278	15,234,967
Total receivables, net	\$ 19,811,738	15,234,967

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

	<b>General</b>	<b>Public Utility</b>	<b>Fiduciary Funds</b>	<b>Nonmajor Funds</b>	<b>Total</b>
Receivables:					
Taxes	\$ 16,807,642	-	-	-	16,807,642
Accounts	4,819,787	16,544,918	4,719,827	3,983,265	30,067,797
Intergovernmental:					
Federal	3,453,405	-	-	1,295,128	4,748,533
State	14,024,872	-	-	2,683,138	16,708,010
Local	-	-	-	410	410
Gross receivables	39,105,706	16,544,918	4,719,827	7,961,941	68,332,392
Less allowance for doubtful accounts	(4,471,182)	(1,309,951)	-	(1,341,527)	(7,122,660)
Net total receivables	\$ 34,634,524	15,234,967	4,719,827	6,620,414	61,209,732

Governmental funds report unearned revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, unavailable revenue of \$0.5 million was reported in the governmental nonmajor funds. The General Fund had unavailable revenue of \$8.5 million, which includes approximately \$8.4 million in property tax deferrals.

**CITY OF NEWPORT NEWS, VIRGINIA**  
Notes to Basic Financial Statements  
June 30, 2013

**(4) Capital Assets, Net**

Capital asset activity for the year ended June 30, 2013 was as follows:

**Primary Government**

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 86,839,432	781,000	95,820	87,524,612
Construction in progress	50,884,734	38,863,959	36,115,449	53,633,244
Total capital assets, not being depreciated	<u>137,724,166</u>	<u>39,644,959</u>	<u>36,211,269</u>	<u>141,157,856</u>
Capital assets, being depreciated:				
Buildings	335,337,413	13,336,340	-	348,673,753
Improvements	170,713,423	13,369,306	-	184,082,729
Machinery and equipment	138,516,371	11,749,348	3,378,501	146,887,218
Infrastructure	483,284,474	9,137,344	-	492,421,818
Total capital assets being depreciated	<u>1,127,851,681</u>	<u>47,592,338</u>	<u>3,378,501</u>	<u>1,172,065,518</u>
Less accumulated depreciation for:				
Buildings	106,317,113	6,400,463	-	112,717,576
Improvements	79,233,877	6,331,871	-	85,565,748
Machinery and equipment	90,174,657	10,519,739	3,047,625	97,646,771
Infrastructure	311,434,581	8,666,792	-	320,101,373
Total accumulated depreciation	<u>587,160,228</u>	<u>31,918,865</u>	<u>3,047,625</u>	<u>616,031,468</u>
Total capital assets being depreciated, net	<u>540,691,453</u>	<u>15,673,473</u>	<u>330,876</u>	<u>556,034,050</u>
Capital assets, net	<u>\$ 678,415,619</u>	<u>55,318,432</u>	<u>36,542,145</u>	<u>697,191,906</u>

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# CITY OF NEWPORT NEWS, VIRGINIA

## Notes to Basic Financial Statements

June 30, 2013

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

General Government	\$ 2,428,329
Judicial Administration	420,003
Public Safety	4,351,614
Public Works	10,046,878
Health and Welfare	177,743
Education	5,033,508
Parks, Recreation and Culture	4,941,045
Community Development	585,626
Non-departmental	34,395
Internal Service Fund	3,899,724
	<u>\$ 31,918,865</u>

Construction in progress for the City at June 30, 2013 is composed of the following project authorizations and contract commitments (in millions):

	<b>Project Authorization</b>	<b>Expended as of June 30, 2013</b>	<b>Balance of Authorization</b>	<b>Contract Commitments (Encumbrances)</b>	<b>Future Funding Requirements</b>
General Government	\$ 10.1	5.4	4.7	1.7	7.4
Judicial	0.7	-	0.7	-	-
Health & Welfare	0.0	-	0.0	-	-
Public Safety	9.5	1.1	8.4	2.8	7.7
Public Works	87.9	18.0	69.9	20.9	16.1
Parks and Recreation	20.4	7.4	13.0	6.9	5.7
Economic Development and Urban Renewal	20.6	7.0	13.6	5.0	3.7
Public Schools	15.5	6.0	9.5	-	9.2
Totals	<u>\$ 164.7</u>	<u>44.9</u>	<u>119.8</u>	<u>37.3</u>	<u>49.8</u>

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**CITY OF NEWPORT NEWS, VIRGINIA**  
Notes to Basic Financial Statements  
June 30, 2013

**Business-type Activities:**

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013
<b>Public Utility:</b>				
Capital assets, not being depreciated:				
Land	\$ 17,681,753	-	10,548,386	7,133,367
Construction in progress	11,307,371	5,612,020	1,549,725	15,369,666
Total capital assets, not being depreciated	28,989,124	5,612,020	12,098,111	22,503,033
Capital assets, being depreciated:				
Buildings	152,185,865	-	-	152,185,865
Improvements	398,800,044	5,906,883	467,815	404,239,112
Machinery and equipment	33,670,244	1,157,070	1,173,501	33,653,813
Total capital assets being depreciated	584,656,153	7,063,953	1,641,316	590,078,790
Less accumulated depreciation for:				
Buildings	42,019,937	3,845,971	-	45,865,908
Improvements	150,678,881	7,627,208	420,349	157,885,740
Machinery and equipment	22,183,184	2,485,360	1,156,553	23,511,991
Total accumulated depreciation	214,882,002	13,958,539	1,576,902	227,263,639
Total capital assets being depreciated, net	369,774,151	(6,894,586)	64,414	362,815,151
Capital assets, net	\$ 398,763,275	(1,282,566)	12,162,525	385,318,184

Land with a capitalized cost of \$10,548,386 was reclassified to "Land held for resale" during the year. This amount consists of land purchased by the Department of Public Utilities specifically for a raw water supply project that was discontinued. These assets are not needed or used for water system operations.

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**CITY OF NEWPORT NEWS, VIRGINIA**  
Notes to Basic Financial Statements  
June 30, 2013

**Discretely Presented Component Units**

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013
<b>Public Schools:</b>				
Capital assets, not being depreciated:				
Land	\$ 2,505,084	-	-	2,505,084
Construction in progress	104,108	104,107	208,215	-
Total capital assets, not being depreciated	<u>2,609,192</u>	<u>104,107</u>	<u>208,215</u>	<u>2,505,084</u>
Capital assets, being depreciated:				
Buildings	46,849,002	-	-	46,849,002
Improvements	50,933,282	846,424	283,240	51,496,466
Machinery and equipment	60,875,560	5,149,546	2,454,001	63,571,105
Total capital assets being depreciated	<u>158,657,844</u>	<u>5,995,970</u>	<u>2,737,241</u>	<u>161,916,573</u>
Less accumulated depreciation for:				
Buildings	27,351,352	773,923	-	28,125,275
Improvements	16,945,872	2,075,539	283,240	18,738,171
Machinery and equipment	40,946,917	4,268,594	1,557,719	43,657,792
Total accumulated depreciation	<u>85,244,141</u>	<u>7,118,056</u>	<u>1,840,959</u>	<u>90,521,238</u>
Total capital assets being depreciated, net	<u>73,413,703</u>	<u>(1,122,086)</u>	<u>896,282</u>	<u>71,395,335</u>
Capital assets, net	<u>\$ 76,022,895</u>	<u>(1,017,979)</u>	<u>1,104,497</u>	<u>73,900,419</u>

Depreciation expense of \$7,118,056 was charged to the Public School's governmental functions.

Loss on disposal of assets of \$896,282 is charged to the Academic services function.

Construction in progress for the Public Schools at June 30, 2013 is composed of project authorizations of \$9,075,199, amounts expended through June 30, 2013 of \$1,786,026, and a remaining balance of \$7,289,173.

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**CITY OF NEWPORT NEWS, VIRGINIA**  
Notes to Basic Financial Statements  
June 30, 2013

	<u>Balance July 1, 2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2013</u>
<b>E/IDA:</b>				
Capital assets, not being depreciated -				
Construction in progress	\$ 7,448,863	830,971	365,891	7,913,943
Capital assets, being depreciated:				
Infrastructure	2,543,500	-	-	2,543,500
Buildings	183,476,933	-	-	183,476,933
Improvements	14,106,455	168,260	-	14,274,715
Machinery and equipment	84,674	-	-	84,674
Total capital assets being depreciated	200,211,562	168,260	-	200,379,822
Less accumulated depreciation for:				
Infrastructure	620,070	97,768	-	717,838
Buildings	33,569,031	4,291,662	-	37,860,693
Improvements	6,328,445	372,240	-	6,700,685
Machinery and equipment	84,674	-	-	84,674
Total accumulated depreciation	40,602,220	4,761,670	-	45,363,890
Total capital assets being depreciated, net	159,609,342	(4,593,410)	-	155,015,932
Capital assets, net	\$ 167,058,205	(3,762,439)	365,891	162,929,875

	<u>Balance July 1, 2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2013</u>
<b>PAC:</b>				
Capital assets, not being depreciated -				
Land	\$ 6,604,658	-	-	6,604,658
Construction in progress	5,226,772	9,537,393	2,036,994	12,727,171
Total capital assets not being depreciated	11,831,430	9,537,393	2,036,994	19,331,829
Capital assets, being depreciated:				
Airfield	77,628,005	926,742	-	78,554,747
Terminal	62,011,024	478,091	-	62,489,115
Other	1,852,612	-	-	1,852,612
Machinery and equipment	3,641,363	632,161	28,652	4,244,872
Total capital assets being depreciated	145,133,004	2,036,994	28,652	147,141,346
Less accumulated depreciation for:				
Airfield	32,936,356	3,479,303	-	36,415,659
Terminal	22,790,262	2,332,001	-	25,122,263
Other	1,852,612	-	-	1,852,612
Machinery and equipment	1,489,373	254,864	28,002	1,716,235
Total accumulated depreciation	59,068,603	6,066,168	28,002	65,106,769
Total capital assets being depreciated, net	86,064,401	(4,029,174)	650	82,034,577
Capital assets, net	\$ 97,895,831	5,508,219	2,037,644	101,366,406

**CITY OF NEWPORT NEWS, VIRGINIA**

Notes to Basic Financial Statements

June 30, 2013

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

The composition of interfund balances as of June 30, 2013, is as follows:

Receivables/payables between other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor Gov. Fund: Wastewater	\$2,114,435
General Fund	Nonmajor Gov. Fund: CDGB	56,879
Nonmajor Gov. Fund: Gen. Cap. Imp. Fund	Nonmajor Gov. Fund: Capital Project Grants	833,795

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:

<u>Due from external party</u>	<u>Due to external party</u>	<u>Amount</u>
Pension Fund	General Fund	\$1,603,404
General Fund	OPEB Fund	1,464,481

Receivables/payables between Primary Government and component units:

<u>Receivable Entity</u>	<u>Payable Entity</u>	<u>Amount</u>
City	Industrial Development Authority	\$11,563,639
Newport News Public Schools	City	3,957,092

The IDA Payable of \$11,563,639 represents the outstanding balance of the City's financing of the Applied Research Center (ARC). In June 2013, the City agreed to write down the amount the IDA owes for the financing of the construction of the Applied Research Center by \$2,168,776. In addition, because the bonds were subsequently refinanced at a lower rate (reduced from 3.729% to 2.79%), it was agreed to base the IDA's repayment upon the lower 2.79% rate. The IDA's annual payments to the City represent net leasing revenues from the ARC.

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# CITY OF NEWPORT NEWS, VIRGINIA

## Notes to Basic Financial Statements

June 30, 2013

Individual fund interfund transfers for the primary government are as follows:

	Transfers to:				
	General Fund	Nonmajor Governmental Capital Projects	Debt Service	Nonmajor Governmental Special Revenue	Total
Transfers from:					
General Fund	\$ -	9,398,132	34,524,990	757,990	44,681,112
Nonmajor Governmental -					
Special Revenue	750,000	-	9,531,970	-	10,281,970
Public Utility	9,891,000	-	-	-	9,891,000
	<u>\$ 10,641,000</u>	<u>9,398,132</u>	<u>44,056,960</u>	<u>757,990</u>	<u>64,854,082</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.

## (6) Lease Agreements

### (a) Land Lease Payments – Primary Government

Land: The City has a lease agreement with Mariner’s Museum through 2018 to finance the acquisition of a parcel of land. The lease is accounted for as a capital lease and recorded at the present value of the future minimum lease payments at the date of inception. The cost of the land is \$3,150,000 and is included in capital assets. The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2013 were as follows:

Years ending June 30:	
2014	\$ 270,811
2015	270,811
2016	270,811
2017	270,811
2018	270,811
Total	<u>\$ 1,354,055</u>
Less Interest	186,735
Present Value	<u>\$ 1,167,320</u>



**CITY OF NEWPORT NEWS, VIRGINIA**

Notes to Basic Financial Statements

June 30, 2013

**(b) Capital Lease Payments – Public Schools (Component Unit)**

The School Board has entered into three lease agreements for financing the acquisition of property and equipment. One of the machinery and equipment leases was completed during the year and a capital lease for buildings was paid off early during the fiscal year. Only one capital lease for machinery and equipment remains at June 30, 2012. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The net book value of assets acquired through capital leases is as follows:

Machinery and equipment	\$ 2,045,567
Less accumulated depreciation	(796,185)
Net assets acquired through capital leases	<u>\$ 1,249,382</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2013, were as follows:

Years ending June 30:

2014	\$ 463,198
2015	237,658
2016	237,658
2017	237,658
2018	39,610
Total minimum lease payments	<u>\$ 1,215,782</u>
Less amounts representing interest	(88,702)
Present value of minimum capital lease payments	<u>\$ 1,127,080</u>

**(c) Operating Lease Payments – Component Units**

The School Board had three ongoing leased buildings in FY2013. One lease was terminated effective July 15, 2013 and additional space was leased via an amendment to one of the remaining two leases. An early termination penalty of \$214,891 was paid by the lessor of one of the remaining leases. Remaining leases are for one building being leased under a non-cancelable operating lease, and one other lease on a month-to-month operating lease.

The E/IDA leases land and property in Newport News. Original lease terms range from one to twenty years. In February 2012, the City entered into a moral obligation with the Authorities

# CITY OF NEWPORT NEWS, VIRGINIA

## Notes to Basic Financial Statements

June 30, 2013

to morally obligate the lease payments of the Apprentice School Parking Garage at an amount of no more than \$23.5 million over the life of the lease.

PAC leases equipment under a long-term non-cancelable operating lease. The initial lease term is five years and expires in February 2018. The lease provides renewal options for additional periods.

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

	<u>Schools</u>	<u>E/IDA</u>	<u>PAC</u>
Years ending June 30:			
2014	\$ 426,982	2,745,269	12,648
2015	561,602	2,785,597	12,648
2016	565,704	2,575,375	12,648
2017	664,509	2,410,000	12,648
2018	666,776	2,510,000	8,432
2019-2023	3,496,981	12,550,000	-
2024-2028	3,746,285	9,205,833	-
2029-2030	588,464	-	-
	<u>\$ 10,717,303</u>	<u>34,782,074</u>	<u>59,024</u>

### (d) Operating Lease Revenues – Component Units

The E/IDA have developed several properties where they continue to own the land and buildings. These properties were developed with the purpose of entering into lease agreements with private companies, whose terms range from 1 to 25 years.

The following schedule shows the composition of E/IDA's investment in property in operating leases:

Land	\$ 5,012,230
Buildings	109,128,421
Improvements & Parking Lots	3,813,459
Less accumulated depreciation	<u>(29,576,313)</u>
Net investment in property held for lease	<u>\$ 88,377,797</u>

PAC leases property to tenants including terminal space, hangers and land.

**CITY OF NEWPORT NEWS, VIRGINIA**

## Notes to Basic Financial Statements

June 30, 2013

Minimum future rental income on operating leases as of June 30, 2013 is as follows:

	<u>E/IDA</u>	<u>PAC</u>
Year ending June 30:		
2014	\$ 9,754,431	865,450
2015	9,411,471	922,447
2016	8,588,842	933,248
2017	8,164,802	942,397
2018	6,078,448	836,538
2019-2023	8,731,278	4,815,535
2024-2028	6,116,374	—
2029-2030	1,445,165	—
Total	<u>\$ 58,290,811</u>	<u>9,315,615</u>

Rental income on operating leases for year ended 2013 was \$10,411,933 and \$908,848 for E/IDA and PAC, respectively.

**(e) Net Investment in Direct Financing Leases – E/IDA (Component Unit)**

The E/IDA is lessor in one direct financing lease on a property within the City. The lease agreement, whose remaining term is three years, is an agreement with a private company, the objective of which is to increase the economic activity in the City. In fiscal year 2012, the E/IDA had two direct financing leases of which one terminated.

The following schedule lists the composition of the net investment in the direct financing leases as of June 30, 2013:

Minimum lease payments to be received	\$ 2,028,902
Less unearned income	<u>(50,032)</u>
Net investment in direct financing leases	<u>\$ 1,978,870</u>

Minimum future rental income on these direct financing leases as of June 30, 2013 is as follows:

Year ending June 30:	
2014	\$ 973,873
2015	973,873
2016	81,156
Total	<u>\$ 2,028,902</u>

# CITY OF NEWPORT NEWS, VIRGINIA

## Notes to Basic Financial Statements

June 30, 2013

### (7) Long-Term Liabilities

- (a) A summary of changes in long-term liabilities for governmental activities for the year ended June 30, 2013 is as follows:

	Balance July 1, 2012	Additions	Reductions	Balance June 30, 2013	Due within one year
Bonds payable:					
General obligation bonds	\$ 361,125,502	51,905,000	(34,702,815)	378,327,687	37,940,099
Deferred amounts:					
Add bonds premiums	18,451,715	5,697,607	(3,006,936)	21,142,386	3,160,257
Net loss on refunded bonds	(13,176,672)	—	1,912,460	(11,264,212)	1,510,024
Total bonds payable	366,400,545	57,602,607	(35,797,291)	388,205,861	42,610,380
Literary loan bonds	6,297,656	—	(419,767)	5,877,889	419,767
Land lease payable	1,361,716	—	(194,396)	1,167,320	206,386
Land purchase payable	633,334	425,000	(458,333)	600,001	458,334
Landfill liability	5,127,000	—	(237,000)	4,890,000	250,000
Accrued vacation	18,481,759	14,175,995	(13,191,019)	19,466,735	13,893,115
Net pension obligation	195,769,000	72,011,000	(50,659,000)	217,121,000	—
Net OPEB obligation	22,381,697	16,420,714	(10,470,000)	28,332,411	—
Workers' comp. and other claims	17,221,730	1,945,645	(3,524,529)	15,642,846	3,283,122
Incurring but not reported medical claims	3,480,183	34,300,245	(34,475,733)	3,304,695	3,304,695
Total long-term liabilities	\$ 637,154,620	196,881,206	(149,427,068)	684,608,758	64,425,799

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

General obligation bonds of \$49.4 million are authorized but unissued.

The land purchase payable consists of two properties purchased on installment, which is being paid for with available cash. No debt was issued to finance the purchases.

On September 27, 2012, the City issued \$48,000,000 principal amount of General Obligation General Improvement Bonds Series 2012C with a true interest cost of 2.576%. The net proceeds of \$53,381,472 (after an original issue premium of \$5,612,832 and payment of \$231,360 for underwriting fees and other issuance costs) were used to finance the costs of various capital improvement projects.

On September 27, 2012, the City issued \$3,905,000 principal amount of General Obligation Refunding Bonds Series 2012D with a true interest cost of 1.769%. The net proceeds of \$3,958,108 (after an original issue premium of \$84,775 and payment of \$31,667 for underwriting fees and other issuance costs) were used to refund on a current basis \$3,855,000 outstanding principal amount of the Peninsula Airport Commission's Airport Improvement Bonds, Refunding Series 2001, dated April 15, 2001, which were subject to redemption and were to be redeemed on October 29, 2012. Under the terms of a Guaranty Agreement, dated as of June 15, 1991, as amended as of April 15, 2001, the City has unconditionally guaranteed the full and prompt payment of the Refunded Bonds. The net proceeds were deposited with U.S. Bank National Association, Richmond, Virginia, as Escrow Agent, under an Escrow Deposit

## **CITY OF NEWPORT NEWS, VIRGINIA**

### **Notes to Basic Financial Statements**

**June 30, 2013**

Agreement, dated September 27, 2012 (the “Escrow Deposit Agreement”). Such proceeds so deposited with the Escrow Agent (which were held as cash and not invested) were sufficient to pay interest due on the Peninsula Airport Commission’s Refunded Bonds to their redemption date and to pay the redemption price of the Refunded Bonds on their redemption date. Due to the refunding, overall aggregate debt service payments were reduced by \$640,751. In addition, this resulted in an economic gain (the difference between the present values of the debt service payments on the old and new debt) of \$634,109.

At June 30, 2013, approximately \$36.8 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 \$4.9 million liability at June 30, 2013 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 2013. Actual costs may be higher due to inflation, technology changes or regulation changes.

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# CITY OF NEWPORT NEWS, VIRGINIA

## Notes to Basic Financial Statements

June 30, 2013

**Outstanding general obligation bonds at June 30, 2013, of the Primary Government governmental activities are comprised of the following issues:**

<b>G.O. Bond Series</b>	<b>Bond Date</b>	<b>Final Maturity Date</b>	<b>Effective Interest Rate (At Issue)</b>	<b>Balance June 30, 2013</b>
VRA 93D	09/17/93	06/01/15	3.60%	\$ 125,383
VRA 94A	06/02/94	01/01/16	3.60%	888,594
VMPL 95C	09/28/95	12/1/2016	4.25%	1,312,565
VPSA 95C	12/01/95	07/15/15	5.20%	1,075,384
VRA 96C	01/24/96	10/01/16	3.65%	702,199
VRA 97A	01/30/97	10/01/17	3.70%	854,346
VRA 98A	01/22/98	12/01/17	3.70%	690,318
VRA 99A	03/09/99	12/01/19	3.80%	1,141,233
VRA 00A	03/01/00	03/01/21	3.50%	1,351,029
VPSA 00B	11/16/00	07/15/21	5.15%	2,674,088
VRA 01A	04/24/01	05/01/22	4.10%	1,172,421
VRA 02A	05/15/02	01/01/23	3.75%	1,636,233
Series 02A	09/26/02	07/01/15	3.50%	1,400,000
Series 02B	09/26/02	07/01/16	3.40%	23,340,000
Series 03B	06/03/03	11/01/23	3.80%	1,350,000
VRA 03A	06/24/03	06/01/24	3.50%	2,004,874
QZAB 03A	12/31/03	12/28/18	3.50%	1,090,819
QZAB 03B	12/31/03	12/28/18	3.50%	1,351,675
Series 04A	03/01/04	07/15/24	5.00%	2,500,000
Series 04B	03/01/04	01/15/18	4.50%	5,575,000
Series 04C	03/01/04	05/01/20	5.00%	2,005,000
VRA 04A	06/30/04	09/01/25	3.10%	2,056,642
Series 04D	12/01/04	12/01/24	5.00%	2,920,000
Series 05A	02/01/05	01/15/25	4.00%	6,945,000
VRA 05A	08/24/05	09/01/26	3.50%	2,554,183
Series 06A	02/16/06	02/01/26	4.00%	9,655,000
Series 06B	02/16/06	02/01/19	4.00%	17,930,000
VRA 06A	10/20/06	11/01/27	3.10%	2,212,184
Series 07A	04/05/07	03/01/27	4.10%	22,000,000
Series 07B	04/05/07	07/01/22	5.00%	20,215,000
VRA 07A	09/11/07	09/01/28	3.00%	2,618,121
Series 08A	04/09/08	07/28/28	4.00%	27,825,000
VRA 08	12/12/08	09/01/29	3.50%	2,671,839
Series 09A	05/06/09	06/30/30	3.44%	26,840,000
Series 09B	05/06/09	06/30/20	2.23%	12,030,000
VRA 09	12/16/09	09/01/30	3.35%	4,548,557
Series 11A	07/28/11	07/01/31	3.31%	39,900,000
Series 11B	07/28/11	07/01/19	1.97%	9,745,000
Series 12A	03/21/12	07/15/24	1.93%	43,350,000
Series 12B	03/21/12	07/15/19	1.41%	16,165,000
Series 12C	09/27/12	09/01/32	2.58%	48,000,000
Series 12D	09/27/12	09/01/21	1.77%	3,905,000
<b>Totals</b>				<b>\$ 378,327,687</b>

# CITY OF NEWPORT NEWS, VIRGINIA

## Notes to Basic Financial Statements

June 30, 2013

Outstanding literary loans at June 30, 2013, 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, 2013
Warwick High	09/01/99	09/01/19	2%	\$ 64,400
Menchville High-2	10/01/00	10/01/20	2%	100,000
Denbigh High-2	08/01/01	08/01/21	2%	110,391
Gildersleeve Middle-2	08/15/01	08/15/21	2%	56,250
Dozier Middle	08/15/01	08/15/21	2%	56,250
Reservoir Middle	05/1/02	05/1/22	2%	56,250
Hines Middle	05/1/02	05/1/22	2%	56,250
Huntington Middle-2	09/1/02	09/1/22	2%	67,835
General Stanford	06/30/07	7/15/27	2%	5,310,263
Totals				\$ 5,877,889

The following table summarizes future debt service requirements as of June 30, 2013:

Fiscal year ending June 30:	General Obligation Bonds		Literary Loans	
	Principal	Interest	Principal	Interest
2014	\$ 37,940,099	15,035,497	\$ 419,767	117,558
2015	38,179,848	13,461,874	419,767	109,163
2016	35,480,080	11,971,208	419,767	100,767
2017	34,906,400	10,549,129	419,767	92,372
2018	28,550,877	9,216,720	419,767	83,977
2019 - 2023	111,453,066	31,091,659	2,008,971	294,753
2024 - 2028	67,028,142	10,959,359	1,770,083	106,205
2029 - 2033	24,789,175	1,777,784	-	-
Total future debt service	\$ 378,327,687	104,063,230	\$ 5,877,889	904,795

## Business-type Activities

A summary of changes in long-term liabilities for capital-related, business-type activities for the year ended June 30, 2013 is as follows:

	Balance July 1, 2012	Additions	Reductions	Balance June 30, 2013	Due within one year
Bonds payable:					
General obligation bonds	\$ 122,695,000	—	11,315,000	111,380,000	11,830,000
Revenue bonds	37,657,083	—	847,499	36,809,584	877,917
Deferred amounts:					
Add bond premiums	5,754,442	—	939,276	4,815,166	852,935
Total bonds payable	\$ 166,106,525	—	13,101,775	153,004,750	13,560,852
Add deposits	3,804,499	876,568	1,104,099	3,576,968	—
Total long-term liabilities	\$ 169,911,024	876,568	14,205,874	156,581,718	13,560,852

# CITY OF NEWPORT NEWS, VIRGINIA

## Notes to Basic Financial Statements

June 30, 2013

Outstanding public utility bonds at June 30, 2013 are comprised of the following issues:

<b>Public Utility Bond Series</b>	<b>Issue Date</b>	<b>Final Maturity Date</b>	<b>Interest Rate (At Issue)</b>	<b>Balance June 30, 2013</b>
2002A	09/26/02	07/01/22	4.3%	\$ 1,050,000
2002B	09/26/02	07/01/16	3.8%	4,045,000
2003B	06/03/03	11/01/23	4.1%	440,000
2004B	03/01/04	01/15/18	3.6%	3,845,000
2004C	03/01/04	05/01/20	3.9%	3,705,000
2006A	02/15/06	02/01/26	4.3%	4,815,000
2006B	02/15/06	02/01/19	4.3%	7,555,000
2007B	04/05/07	07/01/22	5.1%	17,950,000
2007A-IRB	06/30/07	06/01/37	4.6%	36,809,584
2008B	04/09/08	06/30/28	4.5%	20,860,000
2009B	05/06/09	09/01/29	4.3%	19,260,000
2011B	07/28/11	07/01/19	1.9%	495,000
2012A	03/21/12	07/15/24	1.9%	9,985,000
2012B	03/21/12	07/15/19	1.4%	17,375,000
<b>Totals</b>				<b>\$ 148,189,584</b>

The following table summarizes future debt service requirements of Business-type Activities as of June 30, 2013:

Fiscal year ending June 30:	<b>Business-type Activities</b>	
	<b>Principal</b>	<b>Interest</b>
2014	\$ 12,707,917	6,013,656
2015	13,484,167	5,470,231
2016	13,578,750	4,982,758
2017	13,983,333	4,528,824
2018	11,463,333	4,086,752
2019-2023	44,397,500	14,053,476
2024-2028	20,039,583	7,158,463
2029-2033	9,431,250	3,584,663
2034-2038	9,103,751	1,168,275
<b>Totals</b>	<b>\$ 148,189,584</b>	<b>51,047,098</b>



## CITY OF NEWPORT NEWS, VIRGINIA

### Notes to Basic Financial Statements

June 30, 2013

#### 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, 2013 is as follows:

	Balance			Balance	Due within
	July 1, 2012	Additions	Reductions	June 30, 2013	one year
Compensated absences	\$ 3,955,391	2,193,220	1,914,075	4,234,536	635,180
Workers' compensation claims	2,064,500	788,531	938,531	1,914,500	281,900
Capital leases payable	423,917	1,072,755	369,592	1,127,080	422,430
Capital facilities notes payable	8,228,636	-	2,262,131	5,966,505	-
Other postemployment benefits	28,975,176	6,600,887	6,825,943	28,750,120	-
Incurred but not reported medical claims	2,500,000	26,623,085	26,662,085	2,461,000	2,461,000
Totals	\$ 46,147,620	37,278,478	38,972,357	44,453,741	3,800,510

The capital facility notes payable provided financing for a fiber wide-area-network linking all School Board computers as well as a variety of energy conservation and water savings 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 Virginia Public School Authority (VPSA). The City recorded the sale of school bonds to the VPSA as “other financing sources” in the City’s Debt Service Fund.

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. However, the Public Schools are still tasked with all care, management, and control over these properties.

#### E/IDA and PAC – Component Units

Industrial Revenue Bonds and Notes Payable (the Bonds and Notes) have been issued in the name of E/IDA to finance construction projects. The Bonds and Notes, both as to principal and interest, are payable generally from lease proceeds. In the event of default by the lessee, the holders of the Bonds and Notes have no recourse against the E/IDA, but must look to the property and lessee for indemnity. Approximately \$27.8 million of the Bonds and Notes are considered a moral obligation of the City. The increase in moral obligations debt is due to the moral obligation by the City to morally obligate the lease payments of the Apprentice School Parking Garage at an amount of no more than \$23.5 million over the life of the lease. 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

# CITY OF NEWPORT NEWS, VIRGINIA

## Notes to Basic Financial Statements

June 30, 2013

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.

The E/IDA bonds and Notes at June 30, 2013 are comprised of the following:

<b>Bonds and notes payable</b>	<b>Issue date</b>	<b>Maturity date</b>	<b>Effective interest rates</b>		<b>Balance June 30, 2013</b>
UPS, 04	06/04/04	07/01/15	5.58%	m	\$ 1,836,963
Sears	03/01/98	10/01/18	5.40%	mm	5,220,990
VSS	03/01/98	10/01/18	5.40%	mm	4,739,078
Downtown Engineering	04/05/00	07/01/31	7.64%		17,900,000
Merchant's Walk Garage	12/21/10	12/01/20	2.70%	a	7,152,000
PrintPack	08/15/03	09/01/18	2.70%		1,860,000
City Oper Center Area	12/07/04	07/01/26	3.50%	a	220,000
Fountain Way Garage	12/07/04	07/01/31	4.75%	a	2,680,000
Conference Center (taxable)	12/07/04	07/01/31	4.75%	a	2,105,000
Hotel Promissory Note	12/07/04	07/01/31	4.75%	a	820,000
Rouse Project	12/29/05	01/15/31	5.14%	a	1,060,000
Mariner's Row Garage	12/29/05	01/15/31	5.14%	a	2,465,000
Conference Center (tax exempt)	06/30/06	07/01/31	4.00%	a	6,930,000
CITI A '07	02/26/07	08/01/22	6.85%		2,569,110
CITI B '07	02/26/07	08/01/22	5.59%		539,400
Series 2012A	10/12/17	07/01/30	4.00%	a	25,390,000
Series 2012B	10/12/17	07/01/31	0.76%	a	25,950,000
809 Omni Blvd - Note	08/13/07	07/01/17	1.38%		1,500,000
Totals					<u>110,937,541</u>
Premium on bonds payable					4,404,353
Discount on bonds payable					(13,087)
Add interest rate swap fair value					3,688,883
Total bonds payable, net					<u>\$ 119,017,690</u>

m balance denotes moral obligation of the City

mm balance denotes moral obligation of the City of \$2 million

a denotes payment agreement with the City

**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. Not 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

## **CITY OF NEWPORT NEWS, VIRGINIA**

### **Notes to Basic Financial Statements**

**June 30, 2013**

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.

As of the end of the fiscal year, there are six series of the Bonds outstanding, with an aggregate principal amount payable of approximately \$223 million.

*Interest Rate Swap Agreement:* As a means to lower its borrowing costs when compared against fixed-rate bonds at the time of issuance, the E/IDA have entered into multiple interest rate swaps in connection with various revenue bond issuances. The intention of the swaps was to effectively change the E/IDA variable interest rate on bonds to a synthetic fixed rate.

On April 6, 2000, the E/IDA entered into an interest rate swap agreement, a derivative instrument, with First Union National Bank, N.A. (First Union) whereby the E/IDA agreed to pay First Union a 7.64% fixed rate of interest on the E/IDA Taxable Incremental Variable Rate Demand Bonds, Series A, in the original principal amount of \$5 million, in exchange for the floating rate. The floating rate is determined weekly by the Remarketing Agent at a rate equal to the rate of interest certified to the Trustee by the Remarketing Agent on and as of each Wednesday (the Determination Date) as the minimum rate of interest which, in the judgment of the Remarketing Agent taking into account market conditions prevailing on the Determination Date, would be necessary to enable the Remarketing Agent to arrange for sale of all the Bonds in the secondary market on the Determination Date at a price equal to the principal amount thereof. This agreement is to continue in effect until July 1, 2016 (the Termination Date).

Interest is payable monthly and mandatory sinking fund redemption payments are due quarterly in July, October, January, and April commencing October 1, 2001. The debt service requirements through the Termination Date for these bonds are based on the fixed rate. The E/IDA will be exposed to variable interest rates if the swap agreement is terminated or if there occurs an event of default. A termination of the swap agreement may also result in the E/IDA making or receiving a termination payment.

The E/IDA entered into an interest rate swap on April 4, 2004 with the Bank of America, N.A., whereby the E/IDA agreed to pay Bank of America a 5.58% fixed rate of interest on the E/IDA Taxable Industrial Development Revenue and Refunding Bond, Series 2004 (United Parcel Service, Inc. Project) in the amount of \$8,046,249 in exchange for the floating rate.

In 2007, the E/IDA entered into two (2) interest rate swaps with the Bank of America, N.A., whereby the E/IDA agreed to pay Bank of America a 6.85% and 5.59% fixed rate of interest on 2007 Series A and B in the amount of \$3,604,169 and \$781,097, respectively, in exchange for the floating rate.

Because interest rates have declined since the execution of the swaps, the swaps had a combined negative fair value of \$3,688,883 as of June 30, 2013. If the Series 2000A or 2000B interest swaps were terminated, the E/IDA would be required to pay a termination payment in the amount of the fair value of the swap as of the termination date.

# CITY OF NEWPORT NEWS, VIRGINIA

## Notes to Basic Financial Statements

June 30, 2013

The PAC Airport Improvement Revenue Bonds at June 30, 2013, are comprised of the following:

Series	Issue Date	Maturity Date	Eff. Int. Rate (%)	Balance July 1, 2012	Reductions	Balance June 30, 2013	Amt Due in one year
2001	04/15/01	07/16/21	5.05-5.5	\$ 4,180,000	4,180,000	—	—
2002	07/03/02	07/01/27	4.5	1,812,360	87,569	1,724,791	90,980
2005A	12/15/05	01/15/32	4.3	6,030,233	202,501	5,827,732	210,121
2005B	12/15/05	01/15/32	5.8	2,653,664	75,848	2,577,816	79,680
Totals				\$ 14,676,257	4,545,918	10,130,339	380,781

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

	E/IDA		PAC	
	Principal	Interest	Principal	Interest
Fiscal year ending June 30:				
2014	\$ 8,362,643	4,966,028	380,781	472,076
2015	8,530,632	4,398,513	398,891	453,966
2016	8,007,641	3,981,504	417,878	434,980
2017	9,924,090	3,610,007	437,784	415,073
2018	8,523,609	3,192,197	458,655	394,202
2019-2023	29,288,926	12,103,954	2,643,589	1,620,695
2024-2028	23,890,000	6,609,314	3,168,931	925,685
2029-2033	14,410,000	1,222,439	2,223,830	203,509
Total	\$ 110,937,541	40,083,956	10,130,339	4,920,186

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## **CITY OF NEWPORT NEWS, VIRGINIA**

### **Notes to Basic Financial Statements**

**June 30, 2013**

#### **(8) Defined Benefit Retirement Plan**

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

###### **1. Plan description**

The Plan is a multi-employer, defined benefit, public employee retirement system established and administered by the City to provide pension and other postemployment benefits for employees of the City and the Newport News School System (Schools). For those school teachers and administrative support personnel employed by Schools, the Plan provides a small supplement to the Virginia Retirement System (VRS) plan. The Plan has been closed to new entrants effective 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 consists of two separate funds, the Pension Fund (Pension) and the Other Postemployment Benefits (OPEB) Fund. The Plan's two Funds are considered trust funds of the City, so they are included and incorporated within this Comprehensive Annual Financial Report (CAFR) as a fiduciary fund. The City issues a publicly available CAFR that includes financial statements and required information for the Plan.

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. (Members who have earned a supplemental benefit are shown as "School VRS" members in the chart below.) Employees hired after the above dates are in VRS, a multiple-employer defined benefit pension plan administered by the Commonwealth of Virginia. NNERF benefits are available only to employees with five years' service. School VRS employees who did not have five years' service when the supplemental NNERF benefits were frozen at December 31, 2012, are not eligible for a supplemental benefit from NNERF. For the years ended June 30, 2013 and June 30, 2012, the total payroll of the City and Schools was approximately \$357.6 million and \$338.3 million, respectively, with approximately \$129.9 million and \$248.5 million paid to employees covered by the Pension Fund. The significant decrease in covered payroll from 2012 is the result of the elimination of the pay for those Schools VRS employees no longer participating as of January 1, 2013. At June 30, 2013, membership in the Plan consisted of:

## CITY OF NEWPORT NEWS, VIRGINIA

### Notes to Basic Financial Statements

June 30, 2013

	<b>Retirees and Beneficiaries</b>	<b>Terminated or Frozen Vested Employees</b>	<b>Active Employees Vested</b>	<b>Active Employees Non-Vested</b>	<b>Total</b>
City general	1,099	694	1,138	110	3,041
City police and fire	751	239	733	118	1,841
Public utilities	227	111	239	20	597
School VRS	2,355	3,658	-	-	6,013
School Non-VRS	759	268	642	61	1,730
Total	<u>5,191</u>	<u>4,970</u>	<u>2,752</u>	<u>309</u>	<u>13,222</u>

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 (50 for police officers, firefighters and deputy sheriffs) 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 compensation paid during the member's 36 highest paid consecutive months of credited service. Employees with 30 years (25 for police officers, firefighters and deputy sheriffs) credited service may retire at any age with full benefits. Employees (other than police officers, firefighters and deputy sheriffs) with 25 years of service may retire prior to age 60 and receive a reduced benefit. Members began contributing to the Pension Fund as of January 1, 2013 for City employees and July 1, 2013 for School employees. City employees in NNERF began to contribute 5% of their salary to the Plan as of January 1, 2013. Schools employees began contributing 1% of their pay effective July 1, 2013, and will contribute an increasing amount each July 1<sup>st</sup> until they are also contributing 5% of pay.

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.

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

## 2. Concentrations

There are no investments in any one issuer which represent 5% or more of net assets available for benefits.

# CITY OF NEWPORT NEWS, VIRGINIA

## Notes to Basic Financial Statements

June 30, 2013

### 3. Pension Fund-Contributions Required and Contributions Made

The Pension Fund is contributory for employees. The Plan engages an actuary to determine the Actuarially Recommended Contribution (ARC), sometimes referred to as the Annual Required Contribution. However, the City has not contributed 100% of the ARC to the Fund since 2004. In 2010, the City established an eight year funding program to begin fully funding the ARC by 2017. The City contributed 63% of the ARC in fiscal 2013 and 58% in 2012, and has budgeted to contribute 73% of the ARC in fiscal 2014.

Contributions totaling \$33,968,281 and \$32,786,062 were made by the City to the Pension Fund during the years ended June 30, 2013 and June 30, 2012. Contributions totaling \$3,065,051 were made by employees to the Pension Fund during the year ended June 30, 2013. The percentage of contributions to covered payroll for fiscal 2013 was 28.5% and 13.2% for fiscal 2012. The percentage of normal costs to covered payroll was 8.11% and 5.40% for fiscal years ending June 30, 2013 and June 30, 2012, respectively.

The City's annual pension costs and net pension obligation for 2013 and 2012 is as follows:

		<u>2013</u>	<u>2012</u>
(000's Omitted)			
Annual required contribution	\$	56,839	\$ 55,011
Interest on net pension obligation (NPO)		15,172	13,543
Adjustment to ARC		(16,691)	(14,749)
Annual pension cost (APC)		55,320	53,805
Contributions made		(33,968)	(32,786)
Increase in net pension obligation		21,352	21,019
Net pension obligation at beginning of year		195,769	174,750
Net pension obligation at end of year	\$	<u>217,121</u>	\$ <u>195,769</u>

### Pension Fund-Funded Status and Funding Progress

The funded status of the plan as of June 30, 2013 was as follows:

(in millions)

Actuarial valuation date	Actuarial value of assets	Actual accrued liability (AAL)	Unfunded accrued liability (UAAL)	Funded ratio	Covered payroll	UAAL as a percentage of covered payroll
June 30, 2013	\$ 744.4	1,179.8	435.4	63.1%	129.9	-335.4%

The required Schedule of Funding Progress immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial liability for benefits

## **CITY OF NEWPORT NEWS, VIRGINIA**

### **Notes to Basic Financial Statements**

**June 30, 2013**

over time. Potential effects of legal and contractual limitations are not explicitly incorporated in benefits for financial reporting purposes.

Analysis of the dollar amounts of actuarial valued assets, actuarial liability, and unfunded actuarial liability in isolation can be misleading. Expressing actuarial valued assets as a percentage of the actuarial liability provides one indication of the Plan's funding status on a going concern basis. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the system.

Schedules of Funding Progress and Employer Contributions are included in the Required Supplemental Information Section.

Additional information as of the latest actuarial valuation follows:

Actuarial valuation date	7/1/13
Actuarial cost method	Entry Age
Amortization method	Closed
Remaining amortization period	27 years
Asset valuation method	Five-Year smoothed market

**Actuarial assumptions:**

Investment rate of return	7.5%
Rate of salary increases	Ultimate rate of 4.5%
Cost of living adjustment	1.9%
Inflation	2.8%

#### **4. Pension Fund-Three Year Trend Information**

The chart below shows the changes in the Annual Pension Cost and the Net Pension Obligation over the past three years.



# CITY OF NEWPORT NEWS, VIRGINIA

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(000's omitted)

<b>Fiscal Year Ended</b>	<b>Annual Pension Cost (APC)</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligation</b>
June 30, 2013	\$ 55,320	61.4%	\$ 217,121
June 30, 2012	53,805	60.9%	195,769
June 30, 2011	55,660	49.2%	174,750

**(b) Virginia Retirement System: City of Newport News (City), Newport News School System (Schools) and Peninsula Airport Commission (PAC)**

### 1. Plan Description

The City, Schools and the PAC contribute to the VRS, an agent multiple-employer defined benefit pension plan administered by the VRS. In addition, VRS administers a single employer 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 and those hired on or after July 1, 2010 are under the provisions of Plan 2, which plans are described below.

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 their employer is paying into the VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service.

VRS administers two defined benefit plans for local government employees – Plan 1 and Plan 2:

- Members hired before July 1, 2010 and who have service credits before July 1, 2010 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit as early as age 55 with at least five years of service credit or age 50 with at least ten years of service credit.
- Members hired or rehired on or after July 1, 2010 and who have no service credits before July 1, 2010 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement

## **CITY OF NEWPORT NEWS, VIRGINIA**

### **Notes to Basic Financial Statements**

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age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.

- Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least five years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit.

The VRS Basic Benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the member's average final compensation multiplied by the member's total service credit. Under Plan 1, average final compensation is the average of the member's 36 consecutive months of highest compensation. Under Plan 2, average final compensation is the average of the member's 60 consecutive months of highest compensation. The retirement multiplier for non-hazardous duty members is 1.70%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier for eligible political subdivision hazardous duty employees other than sheriffs and jail superintendents is 1.70% or 1.85% as elected by the employer. The City has elected 1.85%. At retirement, members can elect the Basic Benefit, the Survivor Option, a Partial Lump-Sum Option Payment (PLOP) or the Advance Pension Option. A retirement reduction factor is applied to the Basic Benefit amount for members electing the Survivor Option, PLOP or Advance Pension Option or those retiring with a reduced benefit.

Retirees are eligible for an annual cost-of-living adjustment (COLA) effective July 1 of the second calendar year of retirement. Under Plan 1, the COLA cannot exceed 5.00%; under Plan 2, the COLA cannot exceed 6.00%. During years of no inflation or deflation, the COLA is 0.00%. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The system issues a publicly available Comprehensive Annual Financial Report that includes financial statements and required supplementary information for the plans administered by VRS. A copy of the report may be obtained from the VRS Web site at <http://www.varetire.org/Pdf/Publications/2011-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

## **CITY OF NEWPORT NEWS, VIRGINIA**

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#### **2. Funding Policy**

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be paid by the employer. For the year ended June 30, 2012, the City, Schools and PAC have paid their member contributions. In addition, the City, Schools and the PAC are required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The contribution rates for the fiscal year ended June 30, 2013 were 9.13%, 16.66% and 9.36% of covered annual payroll for the City, NNSS and PAC, respectively.

#### **3. Annual Pension Cost**

For the fiscal year ended June 30, 2013, the annual pension costs for VRS employees of \$2.3 million, \$25.6 million and \$0.2 million for the City, Schools and the PAC, respectively, were equal to the required and actual contributions.

The City and PAC: The annual required contributions were determined as part of the June 30, 2012 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2012 included (a) an investment rate of return (net of administrative expenses) of 7.00%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees and 3.50% to 4.75% per year for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year for Plan 1 employees and 2.25% for Plan 2 employees. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2012, for the Unfunded Actuarial Accrued liability (UAAL) was 29 years.

Schools (Agent Multiple-Employer): The annual required contributions were determined as part of the June 30, 2012 actuarial valuation. The actuarial assumptions included (a) a rate of return on investment of 7.50%, (b) projected salary increases ranging from 3.50% to 5.60% per year, and (c) cost-of-living adjustment of 2.50%. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial values of the respective entities' assets are equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The unfunded actuarial accrued

## CITY OF NEWPORT NEWS, VIRGINIA

### Notes to Basic Financial Statements

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liability is being amortized as a level percentage of payroll on an open basis within a period of 20 years.

Schools (Single Employer): The annual required contributions for the single employer plan were determined as part of the June 30, 2012 actuarial valuation. The actuarial assumptions included (a) a rate of return on investment of 7.0% to 7.5% (b) projected annual cost-of-living adjustments of 2.50% and salary increases that range between 3.75% and 5.60% depending upon the member's service and classification. Liabilities were determined under the Entry Age Normal actuarial cost method. There is no unfunded actuarial accrued liability at June 30, 2012 but if there is one in the future, it would be amortized as a level percentage of payroll on an open basis over a period of 20 years.

#### 4. Schedule of Funding Progress and Employer Contributions

Schedules of Funding Progress and Employer Contributions for both the agent multiple-employer plan and the single employer plan are combined for Schools and PAC are as follows:

	<b>Fiscal year ending</b>	<b>Annual Pension Cost (APC)</b>	<b>Percentage of APC contributed</b>	<b>Net pension obligation</b>
City	06/30/13	\$ 2,288,064	100.0%	-
	06/30/12	2,043,517	100.0%	-
	06/30/11	1,040,790	100.0%	-
Schools	06/30/13	25,624,173	100.0%	-
	06/30/12	17,536,019	100.0%	-
	06/30/11	14,086,314	100.0%	-
PAC	06/30/13	216,015	100.0%	-
	06/30/12	202,606	100.0%	-
	06/30/11	191,304	100.0%	-

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## **CITY OF NEWPORT NEWS, VIRGINIA**

### **Notes to Basic Financial Statements**

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#### **Funding Progress**

The City: As of June 30, 2012, the most recent actuarial valuation date, the plan was 108.05% funded. The actuarial liability for benefits was \$3,477,768 and the actuarial value of assets was \$3,757,694 resulting in an unfunded actuarial accrued liability of (\$279,926). The covered payroll (annual payroll of active employees covered by the plan) was \$21,197,790, and the ratio of the UAAL to the covered payroll was (1.32%).

PAC: As of June 30, 2012, the most recent actuarial valuation date, the plan was 81.47% funded. The actuarial accrued liability for benefits was \$6,041,896 and the actuarial value of assets was \$4,922,093 resulting in an unfunded actuarial accrued liability of \$1,119,803. The covered payroll (annual payroll of active employees covered by the plan) was \$2,331,760, and the ratio of the UAAL to the covered payroll was 48.02%.

Schools: As of June 30, 2012, the most recent actuarial valuation date, the plan was 163% funded. The actuarial accrued liability for benefits was \$366,255 and the actuarial value of assets was \$596,931 resulting in an unfunded actuarial accrued liability of (\$230,676). The covered payroll (annual payroll of active employees covered by the plan) was \$2,812,157 and the ratio of the UAAL to the covered payroll was (8.2%).

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

#### **(9) Other Postemployment Benefits (OPEB) Fund**

##### **(a) City of Newport News**

###### **1. Plan Description**

The OPEB Fund 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 and 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.

## CITY OF NEWPORT NEWS, VIRGINIA

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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 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. For participants not eligible to retire before July 1, 2005, the life insurance benefit is 50% of salary upon 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 by City Council. Since 1958, the City has allowed employees to continue their coverage after retirement.

The actual costs to the fund for the retirees for years ended June 30 are as follows:

	Health Insurance		Dental Insurance		Life Insurance	
	Participants	Cost	Participants	Cost	Participants	Cost
2013	1,282	\$ 7,370,709	1,393	\$ 497,019	1,757	\$ 354,022
2012	1,286	\$ 8,444,597	1,363	\$ 499,626	1,711	\$ 346,257
2011	1,347	\$ 8,790,299	1,360	\$ 503,747	1,694	\$ 341,297

Employees who leave City employment before meeting the age and service requirements to receive a pension are not eligible for post-retirement benefits.

The OPEB Fund is a separate pension 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.

## 2. OPEB Fund-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 in amounts sufficient to pay all claims and expenses, 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 totaling \$10.5 million, \$10.9 million and \$11.8 million were made during the years ended June 30, 2013, June 30, 2012 and June 30, 2011. The following table shows the components of the City's annual OPEB costs for the year, the amounts contributed to the Plan, and changes in the City's net OPEB obligation:

# CITY OF NEWPORT NEWS, VIRGINIA

## Notes to Basic Financial Statements

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	2013	2012	2011
Annual Required Contribution	\$ 16,868,638	\$ 17,891,772	\$ 18,290,221
Interest on net OPEB Obligation	895,268	627,798	376,117
Adjustment to annual required contribution:	(1,343,192)	(924,117)	(543,772)
Annual OPEB Cost	16,420,714	17,595,453	18,122,566
Contributions made	(10,470,000)	(10,908,694)	(11,830,543)
Increase in net OPEB obligation	5,950,714	6,686,759	6,292,023
Net OPEB obligation at beginning of fiscal year	22,381,697	15,694,938	9,402,915
Net OPEB obligation at end of fiscal year	\$ 28,332,411	\$ 22,381,697	\$ 15,694,938

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligations were:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2013	\$ 16,420,714	63.76%	\$ 28,332,411
June 30, 2012	\$ 17,595,453	62.00%	\$ 22,381,697
June 30, 2011	\$ 18,122,566	65.28%	\$ 15,694,938

### OPEB Fund-Funded Status and Funding Progress

The funded status of the OPEB Fund as of fiscal, 2013, 2012 and 2011 was as follows:

(in millions)	2013	2012	2011
Actuarial value of assets	\$ 20.5	\$ 15.6	\$ 14.1
Actuarial Accrued Liability (AAL)	172.5	216.9	232.0
Unfunded AAL (UAAL)	\$ 152.0	\$ 201.3	\$ 217.9

(in millions)	2012	2012	2011
Funded Ratio	12.0 %	7.0 %	6.0 %
Covered Payroll	\$ 115.1	\$ 113.6	\$ 118.6
UAAL as a percentage of covered payroll	132.1 %	177.2 %	183.7 %

The required Schedule of Funding Progress immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial liability for benefits over time. Potential effects of legal and contractual limitations are not explicitly incorporated in benefits for financial reporting purposes.

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### Notes to Basic Financial Statements

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Analysis of the dollar amounts of actuarial valued assets, actuarial liability, and unfunded actuarial liability in isolation can be misleading. Expressing actuarial valued assets as a percentage of the actuarial liability provides one indication of the Plan's funding status on a going concern basis. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the system.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared to past expectations and new estimates are made about the future

#### ***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, 2013
Actuarial cost method	Projected Unit Credit
Amortization method	Level Dollar Closed
Remaining amortization period	27 years
Asset valuation method	Market Value
Actuarial assumptions:	
Investment rate of return	4.00%
Rate of salary increases	3.00%
Ultimate rate of medical inflation (capped by employer policy)	1.33% and beyond
Inflation	2.80%



## **CITY OF NEWPORT NEWS, VIRGINIA**

### **Notes to Basic Financial Statements**

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#### **(b) Newport News Schools System (Schools)**

##### **1. Plan Description**

In FY 2000, an OPEB fund was established to accumulate assets to pay for other postemployment benefits. The fund was administered by the City to provide health, dental and life insurance benefits for City and School Board retirees. During FY 2010, the School Board established a separate Trust Fund apart from the City and all assets belonging to the School Board were transferred to this new fund. The plan is a single-employer plan. Benefits and contribution provisions are established by the School Board and may be amended only by the School Board. An actuarial service is employed to advise the School Board of the contributions necessary to fund the benefits.

The School Board provides health and dental insurance for their retirees under the School's group plans. The School Board annually determines the retiree's contribution to participate in the medical plans. The total contribution is based on the active premium rates. The retiree's portion of the active rate is based on the retiree's accumulated sick leave at retirement. Retirees with maximum accumulated sick leave will pay what an active employee would pay. Retirees with minimal accumulations would pay most of the total active premium rate.

Approximately 484 Schools retirees who are grandfathered participate in the City OPEB Fund's sponsored life insurance coverage which is paid by Schools. These retirees have elected supplemental coverage under the City's OPEB fund.

The OPEB Trust Fund does not issue a separate report.

##### ***Contribution Required and Contributions Made***

OPEB funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate sufficient assets to pay benefits when due. A level percentage of payroll amounts, with a 30-year amortization period is used for purposes of computing the minimum accrual in accordance with GAAP. The projected unit credit method is used for cost calculations.

Contributions to normal costs totaling \$1.1 million were made during the year ended June 30, 2013. The School Board's annual OPEB cost for the past three fiscal years is as follows:

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(in millions)	<u>2013</u>	<u>2012</u>	<u>2011</u>
Annual Required Contribution	\$ 8.7	\$ 7.4	\$ 7.1
Interest on net OPEB Obligation	2.3	2.1	2.2
Adjustment to annual required contribution:	<u>(2.6)</u>	<u>(2.4)</u>	<u>(2.5)</u>
Annual OPEB Cost	8.4	7.1	6.8
Contributions made	<u>(8.6)</u>	<u>(5.9)</u>	<u>(7.6)</u>
Increase in net OPEB obligation	(0.2)	1.2	(0.8)
Net OPEB obligation at beginning of fiscal year	29.0	27.8	28.6
Net OPEB obligation at end of fiscal year	<u><u>\$ 28.8</u></u>	<u><u>\$ 29.0</u></u>	<u><u>\$ 27.8</u></u>

**Funded Status and Funding Progress**

The funded status of the Schools plan as of June 30, 2013 was as follows:

<i>(in millions)</i>	
Actuarial value of assets	\$ 11.0
Actuarial Accrued Liability (AAL)	<u>101.4</u>
Unfunded AAL (UAAL)	<u><u>\$ 90.4</u></u>
 Funded ratio	 10.8%
Covered Payroll	\$ 128.6
UAAL as a percentage of covered payroll	70.3%

The required Schedule of Funding Progress immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial liability for benefits over time. Potential effects of legal and contractual limitations are not explicitly incorporated in benefits for financial reporting purposes.

Analysis of the dollar amounts of actuarial valued assets, actuarial liability, and unfunded actuarial liability in isolation can be misleading. Expressing actuarial valued assets as a percentage of the actuarial liability provides one indication of the Plan's funding status on a going concern basis. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the system.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

**Actuarial Methods and Assumptions.** Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include

## CITY OF NEWPORT NEWS, VIRGINIA

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the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the School Board 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	7/1/12
Actuarial cost method	Projected Unit Credit
Amortization method	Level Dollar Closed
Amortization period	28 years
Asset valuation method	Market Value
Actuarial assumptions:	
Investment rate of return	7.75%
Rate of salary increases	NA%
Ultimate rate of medical inflation	5.00%

#### **(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 2013, based on an average City salary of \$43,671, the City contributed \$1,310 per participant. For the year ended June 30, 2013, the City contributed a total of \$793,332 to the HRA accounts. The accumulated amounts are available to participants at retirement, or age 55 if terminated prior to reaching retirement eligibility. The Plan reimburses the participant, the participant's spouse, and dependents for insurance premiums or other medical payments expended for permissible benefits described under the plan. HRA participants cannot be members of the City's OPEB Fund.

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

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## Notes to Basic Financial Statements

June 30, 2013

### (11) Self Insurance

#### (a) Medical Benefits

The School Board is self-insured for medical benefits through funding from the General Fund for employees up to \$175,000, per employee per year, and 110% of adjusted subscriber charges for the year (\$28.7 million for 2013). The City self-insures for medical benefits for its employees up to \$200,000 per employee per year 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. The insurance coverage is substantially the same as in prior fiscal years.

Changes in the medical incurred but not reported amount during the fiscal years ended June 30, 2013 and 2012 for the City and the Public Schools were as follows:

	City		Public Schools	
	2013	2012	2013	2012
Claims payable at beginning of year	\$ 3,480,183	3,046,809	2,500,000	2,771,700
Claims and changes in estimates	34,300,245	38,118,328	26,623,085	27,513,144
Claim payments	(34,475,733)	(37,684,954)	(26,662,085)	(27,784,844)
Claims payable at end of year	<u>\$ 3,304,695</u>	<u>\$ 3,480,183</u>	<u>2,461,000</u>	<u>2,500,000</u>

#### (b) Workers' Compensation

The City self-insures for workers' compensation through the General Fund up to \$1,750,000 per claim. The School Board has 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, 2013 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, 2013 and 2012 for the City and the Public Schools.

	City		Public Schools	
	2013	2012	2013	2012
Claims payable at beginning of year	\$ 11,316,334	10,889,618	2,064,500	1,964,500
Claims and changes in estimates	2,249,342	2,930,025	788,531	642,228
Claim payments	(2,795,846)	(2,503,309)	(938,531)	(542,228)
Claims payable at end of year	<u>\$ 10,769,830</u>	<u>11,316,334</u>	<u>1,914,500</u>	<u>2,064,500</u>

A loss analysis was conducted by Oliver Wyman Actuarial Consulting, Inc. on this fund. The total actuarially computed liability as of June 30, 2013 for the City and School Board was determined to be approximately \$10.8 million and \$1.9 million, respectively.

## **CITY OF NEWPORT NEWS, VIRGINIA**

### **Notes to Basic Financial Statements**

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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, which is included in accrued liabilities, and up to \$500,000 for each fire and property claim. The School Board insures for property losses with self-insured retention per occurrence of \$25,000 for basic, \$5,000 for floods, and \$25,000 for earthquakes. 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.

<b>Auto &amp; General Liability</b>	<b>City</b>	
	<b>2013</b>	<b>2012</b>
Claims payable at beginning of year	\$ 5,905,396	\$ 5,052,825
Claims and changes in estimates	(303,697)	1,390,977
Claim payments	(728,683)	(538,406)
Claims payable at end of year	<u>\$ 4,873,016</u>	<u>\$ 5,905,396</u>

The auto and general liability claims decreased from \$5.9 million to \$4.9 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, 2013, will not be material to the financial statements.

#### **(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

## **CITY OF NEWPORT NEWS, VIRGINIA**

### **Notes to Basic Financial Statements**

June 30, 2013

adopts its own budget. The operations are financed principally by state and federal funds. Separate financial statements are available from the CSB, 200 Medical Drive, Hampton, VA 23666.

#### **(b) Hampton Roads Regional Jail Authority (HRRJA)**

The HRRJA is a political subdivision of the Commonwealth of Virginia, created December 14, 1993, by the cities of Hampton, Newport News, Norfolk and Portsmouth. The HRRJA is governed by a twelve-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 Hampton Roads Regional Jail Authority, 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, Hampton, Isle of Wight County, James City County, Newport News, Norfolk, Poquoson, Portsmouth, Southampton County, Suffolk, Virginia Beach, Williamsburg and York County, Virginia. The business affairs are managed by a Board of not less than fifty nor 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 \$161,685 in FY 13. Separate financial statements are available from the HREDA, 500 Main Street, Suite 1300, Norfolk, Virginia 23510.

#### **(13) Subsequent Events**

Subsequent events have been analyzed through November 26, 2013 noting the following:

##### **E/IDA**

**(a)** In July 2006, the E/IDA entered into an agreement with Achievable Dream Middle and High School, LLC (ADMHS) whereby ADMHS would construct a new facility on land owned by the School Board, and lease the facility to the E/IDA who in turn, leased the facility to the City and Schools. Under the terms of the lease, the E/IDA had an option to purchase the facility at July, 2013.

In July 2013, The E/IDA decided against exercising its purchase option under an EDA lease, but instead, along with the City, the Newport News School Board, and An Achievable Dream, Inc. modified the original lease and financing of the Achievable Dream project to allow the Achievable Dream to pay down the debt using the debt reserve funds, thereby, reflecting a reduction in annual lease payments from \$960,000 to \$910,000 annually for the remaining 13 years of the lease. At the end of the lease term, the Newport News School Board will have the option to purchase the improvements of the property for a nominal amount.

**CITY OF NEWPORT NEWS, VIRGINIA**

Notes to Basic Financial Statements

June 30, 2013

**(b)** The E/IDA issued Industrial Revenue Bonds to provide financial assistance to the following entities for the construction of facilities deemed to be in the public interest:

On November 12, 2013, the EDA issued a tax-exempt revenue bond in the amount of \$11,000,000 to finance the construction of a 52,500 square foot educational facility for New Opportunity, LLC, whose sole member is the New Horizons Educational Foundation.

On November 18, 2013, the IDA issued a tax-exempt revenue bond in the amount of \$41,290,000 for Christopher Newport University for the refinancing of the acquisition, construction and equipping the 250,000 square foot residence hall for students and the adjacent 95,000 square foot parking garage.

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**CITY OF NEWPORT NEWS, VIRGINIA**

Required Supplementary Information

General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual (Budget Basis)

Year ended June 30, 2013

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Revenues from local sources:				
General property taxes:				
Real property taxes	\$ 153,350,052	153,350,052	153,808,214	458,162
Real and personal public service corporation property taxes	5,578,688	5,578,688	5,520,395	(58,293)
Personal property taxes	48,284,000	48,284,000	49,688,519	1,404,519
Machinery and tools taxes	16,800,000	16,800,000	17,985,703	1,185,703
Penalties and interest	1,105,200	1,105,200	1,022,603	(82,597)
Total general property taxes	<u>225,117,940</u>	<u>225,117,940</u>	<u>228,025,434</u>	<u>2,907,494</u>
Other local taxes:				
E-911 service revenue	704,224	704,224	596,242	(107,982)
Telecom sales taxes	12,000,000	12,000,000	11,992,112	(7,888)
Local sales and use taxes	21,890,000	21,890,000	22,920,353	1,030,353
Consumers' utility taxes	6,307,000	6,307,000	6,262,714	(44,286)
Consumption tax	750,000	750,000	700,021	(49,979)
Business license taxes	15,535,000	15,535,000	16,200,207	665,207
Rental car taxes	1,078,000	1,078,000	1,151,221	73,221
Motor vehicle license	3,940,000	3,940,000	3,876,035	(63,965)
Bank stock taxes	920,000	920,000	666,072	(253,928)
Taxes on recordation and wills	1,268,000	1,268,000	1,370,840	102,840
Tobacco taxes	5,400,000	5,400,000	5,228,287	(171,713)
Hotel and motel room taxes	3,100,000	3,100,000	3,008,260	(91,740)
Restaurant food taxes	20,456,435	20,456,435	22,082,728	1,626,293
Amusement taxes	478,000	478,000	482,469	4,469
Total other local taxes	<u>93,826,659</u>	<u>93,826,659</u>	<u>96,537,561</u>	<u>2,710,902</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	58,600	58,600	54,321	(4,279)
Permits and other licenses	3,351,194	3,351,194	2,748,600	(602,594)
Total permits, privilege fees, and regulatory licenses	<u>3,409,794</u>	<u>3,409,794</u>	<u>2,802,921</u>	<u>(606,873)</u>
Fines and forfeitures	<u>2,838,551</u>	<u>2,838,551</u>	<u>2,984,185</u>	<u>145,634</u>
Revenue from use of money and property:				
Revenue from use of money	356,704	356,704	448,863	92,159
Revenue from use of property	1,854,078	1,854,078	1,722,863	(131,215)
Total revenue from use of money and property	<u>2,210,782</u>	<u>2,210,782</u>	<u>2,171,726</u>	<u>(39,056)</u>
Charges for services:				
Court costs	1,173,097	1,173,097	1,066,627	(106,470)
Law enforcement and traffic control	75,500	75,500	78,650	3,150
Fire and rescue services	4,412,656	4,412,656	3,928,537	(484,119)
Information Technology	1,594,746	1,594,746	1,594,646	(100)
Parks and recreation	7,390,134	7,390,134	6,612,514	(777,620)
Cultural enrichment	173,731	173,731	132,204	(41,527)
Self-insurance premiums	1,678,243	1,678,243	1,696,183	17,940
Library	65,000	65,000	68,680	3,680
Planning and community development	7,200	7,200	2,787	(4,413)
Indirect costs	2,499,420	2,499,420	2,499,480	60
Animal services	42,534	42,534	39,170	(3,364)
Applied research center	529,339	529,339	397,846	(131,493)
Total charges for services	<u>\$ 19,641,600</u>	<u>19,641,600</u>	<u>18,117,324</u>	<u>(1,524,276)</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, 2013

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance</u>
Recovered costs:				
Health department	\$ 25,788	104,803	104,190	(613)
Juvenile detention home	3,629,751	3,629,751	3,919,560	289,809
City farm	912,000	912,000	815,430	(96,570)
City jail	1,130,101	1,130,101	1,061,070	(69,031)
Sewer assessments - debt service	22,000	22,000	106,248	84,248
Total recovered costs	5,719,640	5,798,655	6,006,498	207,843
Miscellaneous revenue:				
Payments in lieu of taxes	2,295,169	2,295,169	2,406,523	111,354
Miscellaneous	947,048	947,048	1,128,054	181,006
Total miscellaneous revenues	3,242,217	3,242,217	3,534,577	292,360
Total revenues from local sources	356,007,183	356,086,198	360,180,226	4,094,028
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicle carriers' taxes	53,010	53,010	63,794	10,784
Mobile home titling taxes	50,000	50,000	62,398	12,398
Tax on deeds	221,000	221,000	272,425	51,425
State rebate – recording tax	416,588	416,588	420,003	3,415
DCJP grants for law enforcement	8,254,927	8,254,927	8,335,785	80,858
Total noncategorical aid	8,995,525	8,995,525	9,154,405	158,880
Shared expenses:				
Technology trust fund	-	41,307	41,207	(100)
Commonwealth's Attorney	1,607,287	1,607,287	1,619,469	12,182
Sheriff	6,746,201	6,746,201	6,762,506	16,305
Commissioner of the Revenue	369,266	369,266	349,206	(20,060)
Treasurer	346,627	346,627	289,942	(56,685)
Registrar/electoral board	50,461	50,461	53,512	3,051
Total shared expenses	9,119,842	9,161,149	9,115,842	(45,307)
Categorical aid:				
Welfare	23,399,170	23,399,170	22,015,044	(1,384,126)
Emergency medical service funds	125,000	125,000	-	(125,000)
Library	160,604	160,604	159,013	(1,591)
Other	-	-	1,037,350	1,037,350
Total categorical state aid	23,684,774	23,684,774	23,211,407	(473,367)
Total revenue from the Commonwealth	41,800,141	41,841,448	41,481,654	(359,794)
Other financing sources:				
Transfers from other funds	10,641,000	10,641,000	10,641,000	-
Total revenues	\$ 408,448,324	408,568,646	412,302,880	3,734,234

**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, 2013

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance</u>
Expenditures:				
General government administration:				
Legislative:				
City Council	\$ 279,463	279,463	266,737	12,726
City Clerk	326,432	326,432	311,952	14,480
Total legislative	605,895	605,895	578,689	27,206
General and financial administration:				
City Manager	1,332,435	1,332,435	1,357,504	(25,069)
Human resources	1,123,788	1,123,788	1,082,976	40,812
Medical services	54,840	54,840	58,523	(3,683)
City Attorney	1,560,359	1,560,359	1,512,430	47,929
Video production service	406,625	406,625	416,735	(10,110)
Internal Auditor	461,948	461,948	473,219	(11,271)
Commissioner of the Revenue	2,401,015	2,401,015	2,137,693	263,322
Real estate assessor	1,503,084	1,503,084	1,514,743	(11,659)
City treasurer	1,940,312	1,940,312	1,971,189	(30,877)
Finance	1,102,963	1,102,963	1,109,732	(6,769)
Budget and evaluation	619,658	619,658	549,449	70,209
Auto self-insurance	1,357,900	1,357,900	1,190,393	167,507
General liability self-insurance	1,248,600	1,248,600	1,597,159	(348,559)
Workers' compensation	3,132,000	3,132,000	3,188,983	(56,983)
Purchasing	1,281,039	1,281,039	1,200,948	80,091
Information technology	7,384,535	7,384,535	7,431,617	(47,082)
Total general and financial administration	26,911,101	26,911,101	26,793,293	117,808
Board of elections -				
Registrar	413,515	413,515	526,591	(113,076)
Nondepartmental:				
Appointed boards	102,948	102,948	83,210	19,738
Community support	2,311,252	2,311,252	2,302,600	8,652
Contract community agencies	6,193,624	6,193,624	6,189,919	3,705
City development	34,324,156	34,324,156	30,595,263	3,728,893
Contractual services	1,106,279	1,106,279	1,062,930	43,349
Internal services	117,000	117,000	473	116,527
Machinery and equipment	571,000	571,000	465,845	105,155
Street lighting	518,377	518,377	149,725	368,652
Other	4,139,357	4,139,357	5,629,714	(1,490,357)
Total nondepartmental	49,383,993	49,383,993	46,479,679	2,904,314
Total general government administration	77,314,504	77,314,504	74,378,252	2,936,252
Judicial administration:				
Courts:				
Circuit courts	365,456	365,456	372,605	(7,149)
District courts	172,150	172,150	158,151	13,999
Office of the Magistrate	223,963	223,963	229,981	(6,018)
Juvenile/domestic relations court	43,161	43,161	40,457	2,704
Clerk of the circuit court	1,315,511	1,356,818	1,351,529	5,289
Court services	477,992	477,992	430,383	47,609
Total courts	2,598,233	2,639,540	2,583,106	56,434
Commonwealth's Attorney	3,301,342	3,301,342	3,282,430	18,912
Total judicial administration	\$ 5,899,575	5,940,882	5,865,536	75,346

**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, 2013

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance</u>
Public safety:				
Law enforcement and traffic control:				
Police department	\$ 38,598,572	38,598,572	39,195,206	(596,634)
Emergency communications	389,456	389,456	415,281	(25,825)
Total law enforcement and traffic control	38,988,028	38,988,028	39,610,487	(622,459)
Fire and rescue services:				
Fire department	24,817,728	24,817,728	25,979,603	(1,161,875)
Ambulance and rescue service	1,924,515	1,924,515	1,977,119	(52,604)
Total fire and rescue services	26,742,243	26,742,243	27,956,722	(1,214,479)
Correction and detention:				
Sheriff	17,128,342	17,128,342	17,199,368	(71,026)
Adult corrections	3,967,034	3,967,034	3,847,480	119,554
Juvenile detention	6,520,378	6,520,378	6,976,357	(455,979)
Total correction and detention	27,615,754	27,615,754	28,023,205	(407,451)
Inspection – codes compliance	2,533,331	2,533,331	2,519,798	13,533
Total public safety	95,879,356	95,879,356	98,110,212	(2,230,856)
Public works:				
Engineering:				
Administration	137,515	137,515	3,122	134,393
Civil services	865,538	865,538	678,729	186,809
Facilities engineering	725,607	725,607	184,094	541,513
Technical support	527,345	527,345	528,074	(729)
Site & subdivision services	309,601	309,601	727,723	(418,122)
Operation engineering	-	-	2	(2)
Environmental services	162,747	162,747	356,228	(193,481)
Transportation services	55,775	55,775	29,562	26,213
Total engineering	2,784,128	2,784,128	2,507,534	276,594
Public works administration	43,655	43,655	526,403	(482,748)
Maintenance of highways, streets, bridges, and sidewalks	7,680	7,680	9,527	(1,847)
Maintenance of general buildings and grounds	8,279,254	8,279,254	8,195,792	83,462
Total public works	11,114,717	11,114,717	11,239,256	(124,539)
Health and welfare:				
Health -				
Medical services	3,556,472	3,635,487	3,636,884	(1,397)
Welfare:				
Social services administration	7,927,280	7,927,280	7,596,383	330,897
Financial services	6,494,741	6,494,741	5,318,549	1,176,192
Social work services	12,423,993	12,423,993	12,266,837	157,156
Healthy families	1,124,761	1,124,761	1,113,579	11,182
Employment service program	2,047,678	2,047,678	1,710,963	336,715
CSA administration	307,192	307,192	354,811	(47,619)
Fuel assistance	35,753	35,753	30,772	4,981
Homeless family services	295,679	295,679	294,717	962
Cooperative extension	204,522	204,522	179,979	24,543
Total welfare	30,861,599	30,861,599	28,866,590	1,995,009
Total health and welfare	\$ 34,418,071	34,497,086	32,503,474	1,993,612

**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, 2013

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance</u>
Parks, recreation and cultural:				
Parks and recreation:				
Administration	\$ 5,899,650	5,899,650	5,346,290	553,360
Recreation division	2,468,433	2,468,433	2,531,024	(62,591)
Parks division	3,001,906	3,001,906	3,487,487	(485,581)
Recreation classes	4,680,800	4,680,800	4,830,129	(149,329)
Golf course	1,795,700	1,795,700	2,029,734	(234,034)
Leeward Marina	262,600	262,600	242,128	20,472
Festival support	148,545	148,545	182,653	(34,108)
Tourism, promotion and development	1,413,000	1,413,000	1,742,773	(329,773)
Animal services	1,044,066	1,044,066	982,170	61,896
Total parks and recreation	20,714,700	20,714,700	21,374,388	(659,688)
Cultural enrichment – Museum	1,103,700	1,103,700	1,082,114	21,586
Library	4,450,835	4,450,835	4,405,960	44,875
Total parks, recreation and cultural	26,269,235	26,269,235	26,862,462	(593,227)
Community development -				
Planning and community development:				
Development	1,050,738	1,050,738	1,022,177	28,561
Planning	942,305	942,305	885,204	57,101
Economic development	2,412,919	2,412,919	4,496,943	(2,084,024)
Customer Service-311 Call Center	330,457	330,457	249,963	80,494
Total community development	4,736,419	4,736,419	6,654,287	(1,917,868)
Education -				
General fund transfer to Public Schools	113,400,000	113,400,000	113,400,000	-
Capital projects transfer to Public Schools	1,000,000	1,000,000	1,000,000	-
Total educations	114,400,000	114,400,000	114,400,000	-
Transfers to other funds:				
Debt service	34,630,325	34,630,325	34,524,990	105,335
Capital projects	2,394,246	3,994,246	8,094,246	(4,100,000)
Other	1,391,876	1,391,876	1,061,876	330,000
Total transfers to other funds	38,416,447	40,016,447	43,681,112	(3,664,665)
Total expenditures and transfers to other funds	\$ 408,448,324	410,168,646	413,694,591	(3,525,945)
Excess (deficiency) of revenues over (under) expenditures	-	(1,600,000)	(1,391,711)	208,289
Less encumbrances outstanding at June 30, 2012 expended or canceled at June 30, 2013			(1,344,940)	
Add encumbrances outstanding at June 30, 2013			3,008,409	
FY 2013 surplus			271,758	
Fund balance at beginning of year			93,447,972	
Fund balance at end of year			\$ 93,719,730	

See accompanying notes to required supplementary information

**CITY OF NEWPORT NEWS, VIRGINIA**  
Required Supplementary Information  
Schedule of Funding Progress (unaudited)  
Year ended June 30, 2013

**Newport News Employee Retirement Fund (in millions):**

	<b>Actuarial valuation date</b>	<b>Actuarial value of assets</b>	<b>Actual accrued liability (AAL)</b>	<b>Overfunded (unfunded) accrued liability (UAAL)</b>	<b>Funded ratio</b>	<b>Covered payroll</b>	<b>UAAL as a percentage of covered payroll</b>
	June 30, 2013	\$ 744	\$ 1,180	\$ (436)	63%	\$ 130	-335.4%
	June 30, 2012	680	1,176	(496)	58%	249	-199.2%
	June 30, 2011	641	1,145	(504)	56%	262	-192.4%
	June 30, 2010	638	1,110	(472)	57%	283	-166.8%
	June 30, 2009	711	1,115	(404)	64%	314	-128.7%
	June 30, 2008	772	1,030	(258)	75%	314	-82.2%

**Newport News Employees' OPEB Fund (in millions):**

	<b>Actuarial valuation date</b>	<b>Actuarial value of assets</b>	<b>Actual accrued liability (AAL)</b>	<b>Overfunded (unfunded) accrued liability (UAAL)</b>	<b>Funded ratio</b>	<b>Covered payroll</b>	<b>UAAL as a percentage of covered payroll</b>
City	June 30, 2013	\$ 21	\$ 173	\$ (152)	12%	\$ 115	-132.2%
City	June 30, 2012	16	217	(201)	7%	114	-177.2%
City	June 30, 2011	14	232	(218)	6%	119	-183.7%
City	June 30, 2010	10	237	(227)	4%	125	-181.7%
City	June 30, 2009	6	215	(209)	3%	136	-153.8%
NNSS	June 30, 2009	3	180	(177)	2%	184	-96.2%
	Total	\$ 9	395	(386)	2%	\$ 320	-120.6%

**Peninsula Airport Commission (PAC) Retirement (in thousands):**

	<b>Actuarial valuation date</b>	<b>Actuarial value of assets</b>	<b>Actual accrued liability (AAL)</b>	<b>Overfunded accrued liability (UAAL)</b>	<b>Funded ratio</b>	<b>Covered payroll</b>	<b>UAAL as a percentage of covered payroll</b>
	June 30, 2012	\$ 4,922	\$ 6,042	\$ (1,120)	81%	\$ 2,332	-48.0%
	June 30, 2011	4,804	5,775	(971)	83%	2,553	-38.0%
	June 30, 2010	4,545	5,397	(852)	84%	2,319	-36.7%
	June 30, 2009	4,410	4,933	(523)	89%	2,095	-25.0%
	June 30, 2008	4,126	4,663	(537)	88%	2,022	-26.6%

**CITY OF NEWPORT NEWS, VIRGINIA**  
Required Supplementary Information  
Schedule of Funding Progress (unaudited)  
Year ended June 30, 2013

**Peninsula Airport Commission (PAC) OPEB Fund (in thousands):**

Actuarial valuation date	Actuarial value of assets	Actual accrued liability (AAL)	Overfunded (unfunded) accrued liability (UAAL)	Funded ratio	Covered payroll	UAAL as a percentage of covered payroll
July 1, 2010	\$ -	\$ 3,839,014	\$ (3,839,014)	0%	\$ 3,114,372	-123.3%
July 1, 2007	-	4,155,776	(4,155,776)	0%	2,112,183	-196.8%

**\*Newport News School System (NNSS)**

**Single Employer Plan Administered by the Virginia Retirement System**

Actuarial valuation date	Actuarial value of assets	Actual accrued liability (AAL)	Overfunded (unfunded) accrued liability (UAAL)	Funded ratio	Covered payroll	UAAL as a percentage of covered payroll
06/30/2012	\$ 597	\$ 366	\$ 231	163%	\$ 2,812	-8.2%
06/30/2011	285	210	75	136%	1,849	-4.1%
06/30/2010	79	16	63	494%	983	-6.4%

\*Plan started July 1, 2009. June 30, 2012 is the most recent actuarial valuation done.

**\*\*Newport News School System (NNSS) OPEB Fund (in millions):**

Actuarial valuation date	Actuarial value of assets	Actual accrued liability (AAL)	Overfunded (unfunded) accrued liability (UAAL)	Funded ratio	Covered payroll	UAAL as a percentage of covered payroll
06/30/2013	\$ 11	\$ 101	\$ (90)	11%	\$ 129	-70.0%
06/30/2012	9	84	(75)	10%	137	-54.9%
06/30/2011	7	78	(71)	9%	147	-48.3%
06/30/2010	3	133	(130)	2%	181	-71.8%

\*\*Beginning 7/01/2009, NNSS OPEB Fund separated from the City.



**CITY OF NEWPORT NEWS, VIRGINIA**  
Required Supplementary Information  
Employees' Retirement Fund  
Schedule of Employer Contributions (Unaudited)  
(in millions)  
Year ended June 30, 2013

**Newport News Employees' Retirement Fund (in millions):**

<b>Fiscal year end</b>	<b>Annual required contribution</b>	<b>Actual contribution</b>	<b>Percentage contributed</b>
* 2013	\$ 56.8	\$ 37.0	65%
2012	55.0	32.8	60%
2011	56.7	27.4	48%
2010	41.0	21.2	52%
2009	40.5	19.7	49%
** 2008	38.0	16.4	43%
2007	51.1	23.3	46%
2006	42.2	19.2	45%
2005	35.5	13.6	38%
2004	27.9	12.3	44%
2003	15.9	11.7	73%
2002	11.3	11.3	100%
2001	10.6	10.6	100%

**Newport News Employees' OPEB Fund (in millions):**

<b>Fiscal year end</b>		<b>Annual required contribution</b>	<b>Actual contribution</b>	<b>Percentage contributed</b>
2013	City	\$ 16.9	\$ 10.5	62%
2012	City	17.9	10.9	61%
2011	City	18.3	11.8	64%
2010	City	13.4	12.1	90%
2009	City	12.5	9.2	74%
	NNSS	14.9	3.2	21%

\* Beginning January 1, 2013, City employees began contributing 5% of their salary.

\*\* Beginning June 30, 2008, pension and OPEB disclosures are reported separately.

## **CITY OF NEWPORT NEWS, VIRGINIA**

### **Notes to Required Supplementary Information**

Year ended June 30, 2013

#### **(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. Encumbrances and committed or assigned fund balances outstanding at year-end are reappropriated in the succeeding year. There were supplemental appropriations made during 2013 for the following reasons: (1) grant matching, (2) funding to meet the increase in operating expenses, (3) capital improvements not included in the Capital Improvements Plan, and (4) increases in school funding.

#### **(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, 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.

## **CITY OF NEWPORT NEWS, VIRGINIA**

### **Notes to Required Supplementary Information**

Year ended June 30, 2013

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP), 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 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. Encumbrances outstanding at year-end are reported as reservations of fund balances since they do not constitute expenditures or liabilities under GAAP.

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**CITY OF NEWPORT NEWS, VIRGINIA**

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2013

	<b>Special Revenue</b>						
<b>Assets</b>	<b>Community development</b>	<b>Street maintenance</b>	<b>Economic development</b>	<b>Law library</b>	<b>Stormwater</b>	<b>Solid waste</b>	<b>Wastewater</b>
Cash and cash equivalents	\$ 1	-	1,447,326	180,638	3,513,810	669,702	-
Restricted cash	-	-	-	-	-	-	-
Accounts receivable, net	-	-	-	616	708,626	1,092,132	836,216
Receivable from other governments:							
Local	-	-	-	-	-	-	-
Virginia	52,995	-	-	-	-	-	-
Federal	31,228	-	-	-	-	-	-
Advances to other funds	-	-	-	-	-	-	-
<b>Total assets</b>	<b>\$ 84,224</b>	<b>-</b>	<b>1,447,326</b>	<b>181,254</b>	<b>4,222,436</b>	<b>1,761,834</b>	<b>836,216</b>
<b>Liabilities and Fund Balances</b>							
Liabilities:							
Accounts payable	\$ 27,345	-	11,046	1,144	121,612	445,162	242,067
Accrued liabilities	-	-	-	-	20,528	23,435	33,841
Unavailable revenues	-	-	-	-	493,469	38,099	-
Advances from other funds	-	-	-	-	-	-	2,114,435
Advances from major governmental funds	56,879	-	-	-	-	-	-
<b>Total liabilities</b>	<b>\$ 84,224</b>	<b>-</b>	<b>11,046</b>	<b>1,144</b>	<b>635,609</b>	<b>506,696</b>	<b>2,390,343</b>
Fund balances:							
Restricted	-	-	-	25	3,586,827	1,255,138	(1,554,127)
Committed	-	-	1,436,280	180,085	-	-	-
<b>Total fund balances</b>	<b>\$ -</b>	<b>-</b>	<b>1,436,280</b>	<b>180,110</b>	<b>3,586,827</b>	<b>1,255,138</b>	<b>(1,554,127)</b>
<b>Total liabilities and fund balances</b>	<b>\$ 84,224</b>	<b>-</b>	<b>1,447,326</b>	<b>181,254</b>	<b>4,222,436</b>	<b>1,761,834</b>	<b>836,216</b>

(continued)

**CITY OF NEWPORT NEWS, VIRGINIA**

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2013

Assets	Special Revenue			Capital Projects		Total nonmajor
	Comprehensive Services Act	Criminal Justice Academy	Other federal and state	General capital improvements	Other federal and state	
Cash and cash equivalents	\$ 1,534,340	305,147	1,335,874	25,661,745	-	34,648,583
Restricted cash	-	-	-	-	1,688,214	1,688,214
Accounts receivable, net	3,497	651	-	-	-	2,641,738
Receivable from other governments:						
Local	-	-	410	-	-	410
Virginia	782,845	-	291,090	392,335	1,163,873	2,683,138
Federal	-	-	530,101	110,000	623,799	1,295,128
Advances to other funds	-	-	-	833,795	-	833,795
Total assets	<u>\$ 2,320,682</u>	<u>305,798</u>	<u>2,157,475</u>	<u>26,997,875</u>	<u>3,475,886</u>	<u>43,791,006</u>
<b>Liabilities and Fund Balances</b>						
Liabilities:						
Accounts payable	\$ 550,394	4,536	96,850	522,631	508,517	2,531,304
Accrued liabilities	-	-	1,876	37,663	-	117,343
Unavailable revenues	-	-	-	-	-	531,568
Advances from other funds	-	-	-	-	833,795	2,948,230
Advances from major governmental funds	-	-	-	-	-	56,879
Total liabilities	<u>\$ 550,394</u>	<u>4,536</u>	<u>98,726</u>	<u>560,294</u>	<u>1,342,312</u>	<u>6,185,324</u>
Fund balances:						
Restricted	-	-	2,058,749	-	2,133,574	7,480,186
Committed	1,770,288	301,262	-	26,437,581	-	30,125,496
Total fund balances	<u>\$ 1,770,288</u>	<u>301,262</u>	<u>2,058,749</u>	<u>26,437,581</u>	<u>2,133,574</u>	<u>37,605,682</u>
Total liabilities and fund balances	<u>\$ 2,320,682</u>	<u>305,798</u>	<u>2,157,475</u>	<u>26,997,875</u>	<u>3,475,886</u>	<u>43,791,006</u>

**CITY OF NEWPORT NEWS, VIRGINIA**

Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Nonmajor Governmental Funds  
Year ended June 30, 2013

	Special Revenue						
	Community development	Street maintenance	Economic development	Law library	Stormwater	Solid waste	Wastewater
Revenues:							
Intergovernmental:							
Virginia	\$ -	14,982,020	-	-	-	30,768	-
Federal	2,951,518	-	-	-	-	-	-
Charges for services	-	-	-	121,652	12,987,940	11,952,641	15,842,855
Interest and rents	-	-	123,140	-	16,954	1,666	(4,468)
Sale of property	-	-	6	-	-	-	-
Miscellaneous	-	-	-	-	-	15,521	-
Total revenues	\$ 2,951,518	14,982,020	123,146	121,652	13,004,894	12,000,596	15,838,387
Expenditures:							
Current operating:							
General government	-	-	-	114,617	-	-	-
Public safety	-	-	-	-	-	-	-
Public works	-	14,982,020	-	-	9,490,753	11,345,744	11,910,735
Health and welfare	-	-	-	-	-	-	-
Parks, recreation, and culture	-	-	-	-	-	-	-
Community development	2,951,518	-	166,008	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Total expenditures	\$ 2,951,518	14,982,020	166,008	114,617	9,490,753	11,345,744	11,910,735
Excess (deficiency) of revenues over (under) expenditures	-	-	(42,862)	7,035	3,514,141	654,852	3,927,652
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	(2,844,955)	(1,548,389)	(5,888,626)
Total other financing sources (uses), net	\$ -	-	-	-	(2,844,955)	(1,548,389)	(5,888,626)
Net changes in fund balances	-	-	(42,862)	7,035	669,186	(893,537)	(1,960,974)
Fund balances at June 30, 2012	-	-	1,479,142	173,075	2,917,641	2,148,675	406,847
Fund balances at June 30, 2013	\$ -	-	1,436,280	180,110	3,586,827	1,255,138	(1,554,127)

(continued)

**CITY OF NEWPORT NEWS, VIRGINIA**

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

Year ended June 30, 2013

	<b>Special Revenue</b>			<b>Capital Projects</b>		
	<b>Comprehensive Services Act</b>	<b>Criminal Justice Academy</b>	<b>Other federal and state</b>	<b>General capital improvements</b>	<b>Other federal and state</b>	<b>Total nonmajor</b>
Revenues:						
Intergovernmental:						
Local	\$ -	-	213,648	-	-	213,648
Virginia	4,123,370	-	1,692,977	859,240	3,347,253	25,035,628
Federal	245,452	-	1,535,331	189,431	1,217,628	6,139,360
Charges for services	-	156,463	-	-	-	41,061,551
Interest and rents	-	-	2,601	10,837	59	150,789
Sale of Property	-	-	-	-	-	6
Miscellaneous	-	-	-	221,672	-	237,193
Total revenues	\$ 4,368,822	156,463	3,444,557	1,281,180	4,564,940	72,838,175
Expenditures:						
Current operating:						
General government	-	-	-	-	-	114,617
Public safety	-	107,203	2,289,342	-	-	2,396,545
Public works	-	-	337,579	-	-	48,066,831
Health and welfare	6,010,025	-	272,117	-	-	6,282,142
Education	-	-	-	1,000,000	-	1,000,000
Parks, recreation, and culture	-	-	78,365	-	-	78,365
Community development	-	-	-	-	-	3,117,526
Capital outlay	-	-	-	11,659,880	2,876,726	14,536,606
Total expenditures	\$ 6,010,025	107,203	2,977,403	12,659,880	2,876,726	75,592,632
Excess (deficiency) of revenues over (under) expenditures	(1,641,203)	49,260	467,154	(11,378,700)	1,688,214	(2,754,457)
Other financing sources (uses):						
Transfers in	757,990	-	-	9,398,132	-	10,156,122
Transfers out	-	-	-	-	-	(10,281,970)
Total other financing sources (uses), net	\$ 757,990	-	-	9,398,132	-	(125,848)
Net changes in fund balances	(883,213)	49,260	467,154	(1,980,568)	1,688,214	(2,880,305)
Fund balances at June 30, 2012	2,653,501	252,002	1,591,595	28,418,149	445,360	40,485,987
Fund balances at June 30, 2013	\$ 1,770,288	301,262	2,058,749	26,437,581	2,133,574	37,605,682

**CITY OF NEWPORT NEWS, VIRGINIA**  
Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual (Non-GAAP Basis)  
Special Revenue Funds  
Year ended June 30, 2013

	Street Maintenance				Economic Development				Law Library				Stormwater			
	Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance
Revenues:																
Intergovernmental:																
Virginia	\$ 14,705,754	14,982,020	14,982,020	-	-	-	-	-	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-	149,300	149,300	121,652	(27,648)	14,026,124	14,515,882	12,987,940	(1,527,942)
Sale of property	-	-	-	-	24,500	24,500	-	(24,500)	-	-	-	-	-	-	-	-
Interest and rents	-	-	-	-	123,014	123,014	123,140	126	-	-	-	-	25,000	25,000	16,954	(8,046)
Miscellaneous	-	-	-	-	186	186	6	(180)	-	-	-	-	-	-	-	-
Total revenues	\$ 14,705,754	14,982,020	14,982,020	-	147,700	147,700	123,146	(24,554)	149,300	149,300	121,652	(27,648)	14,051,124	14,540,882	13,004,894	(1,535,988)
Expenditures:																
Current:																
General government	-	-	-	-	-	-	-	-	149,300	149,300	114,617	34,683	-	-	-	-
Public works	14,705,754	14,982,020	14,982,020	-	-	-	-	-	-	-	-	-	14,051,124	14,579,565	12,335,708	2,243,857
Community development	-	-	-	-	147,700	171,735	166,008	5,727	-	-	-	-	-	-	-	-
Total expenditures	\$ 14,705,754	14,982,020	14,982,020	-	147,700	171,735	166,008	5,727	149,300	149,300	114,617	34,683	14,051,124	14,579,565	12,335,708	2,243,857
Operating Transfers Out	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Excess (deficiency) of revenues over expenditures	\$ -	-	-	-	-	(24,035)	(42,862)	(18,827)	-	-	7,035	7,035	-	(38,683)	669,186	707,869
Less encumbrances outstanding at June 30, 2012			-				(2,105)				-				(293,807)	
Add encumbrances outstanding at June 30, 2013			-				2,105				-				293,807	
Excess (deficiency) of revenues over expenditures - GAAP basis			-				(42,862)				7,035				669,186	
Fund balances at July 1, 2012			-				1,479,142				173,075				2,917,641	
Fund balances at June 30, 2013		\$ -				\$ 1,436,280				\$ 180,110				\$ 3,586,827		



**CITY OF NEWPORT NEWS, VIRGINIA**  
Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual (Non-GAAP Basis)  
Special Revenue Funds  
Year ended June 30, 2013

	Solid Waste				Wastewater				Totals			
	Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance
Revenues:												
Intergovernmental:												
Virginia	\$ 21,000	21,000	30,768	9,768	—	—	—	—	14,726,754	15,003,020	15,012,788	9,768
Charges for services	13,253,700	13,263,700	11,952,641	(1,311,059)	18,842,000	18,842,000	15,842,855	(2,999,145)	46,271,124	46,770,882	40,905,088	(5,865,794)
Sale of Property	—	—	—	—	—	—	—	—	24,500	24,500	—	(24,500)
Interest and rents	4,000	4,000	1,666	(2,334)	3,000	3,000	(4,468)	(7,468)	155,014	155,014	137,292	(17,722)
Miscellaneous	10,000	—	15,521	15,521	—	—	—	—	10,186	186	15,527	15,341
Total revenues	\$ 13,288,700	13,288,700	12,000,596	(1,288,104)	18,845,000	18,845,000	15,838,387	(3,006,613)	61,187,578	61,953,602	56,070,695	(5,882,907)
Expenditures:												
Current:												
General government	—	—	—	—	—	—	—	—	149,300	149,300	114,617	34,683
Public works	13,288,700	13,339,543	12,894,133	445,410	18,845,000	19,797,134	17,799,361	1,997,773	60,890,578	62,698,262	58,011,222	4,687,040
Community development	—	—	—	—	—	—	—	—	147,700	171,735	166,008	5,727
Total expenditures	\$ 13,288,700	13,339,543	12,894,133	445,410	18,845,000	19,797,134	17,799,361	1,997,773	61,187,578	63,019,297	58,291,847	4,727,450
Operating Transfers Out	—	—	—	—	—	—	—	—	—	—	—	—
Excess (deficiency) of revenues over expenditures	\$ —	(50,843)	(893,537)	(842,694)	—	(952,134)	(1,960,974)	(1,008,840)	—	(1,065,695)	(2,221,152)	(1,155,457)
Less encumbrances outstanding at June 30, 2012			(114,217)				(306,031)				(716,160)	
Add encumbrances outstanding at June 30, 2013			114,217				306,031				716,160	
Excess (deficiency) of revenues over expenditures - GAAP basis			(893,537)				(1,960,974)				(2,221,152)	
Fund balances at June 30, 2012			2,148,675				406,847				7,125,380	
Fund balances at June 30, 2013		\$	<u>1,255,138</u>			\$	<u>(1,554,127)</u>			\$	<u>4,904,228</u>	

**CITY OF NEWPORT NEWS, VIRGINIA**

Debt Service Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual (Non-GAAP Basis)

Year ended June 30, 2013

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance</b>
Revenues:				
Intergovernmental - Local	\$ 13,584,367	13,584,367	13,473,927	(110,440)
Miscellaneous	-	-	37,889	37,889
Total revenues	<u>13,584,367</u>	<u>13,584,367</u>	<u>13,511,816</u>	<u>(72,551)</u>
Expenditures:				
General government	544,204	544,204	438,869	105,335
Debt service payments	<u>57,202,454</u>	<u>57,202,454</u>	<u>56,877,948</u>	<u>324,506</u>
Total expenditures	<u>57,746,658</u>	<u>57,746,658</u>	<u>57,316,817</u>	<u>429,841</u>
Excess (deficiency) of revenues over expenditures	\$ <u>(44,162,291)</u>	<u>(44,162,291)</u>	<u>(43,805,001)</u>	<u>357,290</u>
Other financing sources (uses):				
Bond and note issuance of debt			3,905,000	
Premium on bonds			84,775	
Contributions to PAC			(3,958,108)	
Transfers in			<u>44,056,960</u>	
Net changes in fund balances			283,626	
Fund balances at June 30, 2012			<u>1,183,546</u>	
Fund balances at June 30, 2013			\$ <u><u>1,467,172</u></u>	

**CITY OF NEWPORT NEWS, VIRGINIA**  
Combining Statement of Changes in Assets and Liabilities  
Agency Funds  
Year Ended June 30, 2013

<b>GPWDC</b>	<b>Balance June 30, 2012</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30, 2013</b>
<b>Assets:</b>				
Cash and cash equivalents	\$ —	4,848,406	4,743,853	104,553
Accounts receivable	631,327	14,832,078	15,067,612	395,793
Total assets	\$ 631,327	19,680,484	19,811,465	500,346
<b>Liabilities:</b>				
Accounts payable	\$ 183,473	3,639,846	3,531,526	291,793
Due to other agencies	447,854	—	239,301	208,553
Total liabilities	\$ 631,327	3,639,846	3,770,827	500,346
 <b>Other Agency Funds</b>				
<b>Assets:</b>				
Cash and cash equivalents	\$ 4,245,445	19,222,501	18,993,119	4,474,827
Accounts receivable	3,383,688	19,505,915	19,514,759	3,374,844
Inventory	2,827	—	1,315	1,512
Total assets	\$ 7,631,960	38,728,416	38,509,193	7,851,183
<b>Liabilities:</b>				
Accounts payable	\$ 884,764	17,796,556	17,909,315	772,005
Due to other governments	4,320,622	233,254	—	4,553,876
Due to other agencies	2,426,574	1,460,668	1,361,940	2,525,302
Total liabilities	\$ 7,631,960	19,490,478	19,271,255	7,851,183
 <b>Total - Agency Funds</b>				
<b>Assets:</b>				
Cash and cash equivalents	\$ 4,245,445	24,070,907	23,736,972	4,579,380
Accounts receivable	4,015,015	34,337,993	34,582,371	3,770,637
Inventory	2,827	—	1,315	1,512
Total assets	\$ 8,263,287	58,408,900	58,320,658	8,351,529
<b>Liabilities:</b>				
Accounts payable	\$ 1,068,237	21,436,402	21,440,841	1,063,798
Due to other governments	4,320,622	233,254	—	4,553,876
Due to other agencies	2,874,428	1,460,668	1,601,241	2,733,855
Total liabilities	\$ 8,263,287	23,130,324	23,042,082	8,351,529

**CITY OF NEWPORT NEWS, VIRGINIA**

Combining Statement of Net Position

Non-Major Component Units

June 30, 2013

<b>Assets</b>	<b>Peninsula Airport Commission</b>	<b>Economic and Industrial Development Authorities</b>	<b>Totals</b>
Current Assets:			
Cash and cash equivalents	\$ 4,500,031	9,410,344	13,910,375
Restricted cash and investments	—	16,677,677	16,677,677
Receivables:			
Accounts	516,450	77,046	593,496
Loans	887,086	—	887,086
Mortgages	—	36,091	36,091
Net investment in direct financing leases	—	937,955	937,955
Inventories	113,062	—	113,062
Other current assets	612,630	968,027	1,580,657
Total current assets	<u>6,629,259</u>	<u>28,107,140</u>	<u>34,736,399</u>
Restricted cash and cash equivalents	2,349,416	153,083	2,502,499
Restricted investments	—	1,391	1,391
Receivables:			
Loans	—	534,012	534,012
Mortgages	—	50,228	50,228
Notes	—	3,037,590	3,037,590
Land held for lease or resale	—	22,042,088	22,042,088
Net investment in direct financing leases	—	1,040,915	1,040,915
Other noncurrent assets	—	8,632,687	8,632,687
Property, plant and equipment:			
Land	6,604,658	—	6,604,658
Construction in progress	12,727,171	7,913,943	20,641,114
Infrastructure	—	2,543,500	2,543,500
Buildings	—	183,476,933	183,476,933
Improvements	—	14,274,715	14,274,715
Airfield	78,554,747	—	78,554,747
Terminal	62,489,115	—	62,489,115
Trailer park and rental units	1,852,612	—	1,852,612
Machinery and equipment	4,244,872	84,674	4,329,546
Accumulated depreciation	(65,106,769)	(45,363,890)	(110,470,659)
Total assets	<u>110,345,081</u>	<u>226,529,009</u>	<u>336,874,090</u>
<b>Deferred Outflows</b>			
Deferred swap	—	3,688,883	3,688,883
<b>Liabilities</b>			
Current Liabilities			
Accounts payable	\$ 1,205,941	1,102,564	2,308,505
Accrued liabilities	444,802	307,948	752,750
Deposits/unearned revenues	183,979	—	183,979
Due to Primary Government	—	419,988	419,988
Bonds payable - due within one year	380,781	8,362,643	8,743,424
Total current liabilities	<u>2,215,503</u>	<u>10,193,143</u>	<u>12,408,646</u>
Due to Primary Government	—	11,143,651	11,143,651
Note payable	—	1,500,000	1,500,000
Bonds payable	9,749,558	109,155,047	118,904,605
Other postemployment benefits liability	3,461,341	—	3,461,341
Total liabilities	<u>15,426,402</u>	<u>131,991,841</u>	<u>147,418,243</u>
<b>Net Position</b>			
Net investment in capital assets	91,236,067	58,366,888	149,602,955
Restricted for:			
Capital projects	2,349,416	15,393,151	17,742,567
Capital loans	—	1,439,000	1,439,000
Unrestricted	1,333,196	23,027,012	24,360,208
Total net position	<u>94,918,679</u>	<u>98,226,051</u>	<u>193,144,730</u>

**CITY OF NEWPORT NEWS, VIRGINIA**

Combining Statement of Revenues, Expenses and Changes in Net Position

Non-Major Component Units

Year ended June 30, 2013

	<b>Peninsula Airport Commission</b>	<b>Economic and Industrial Development Authorities</b>	<b>Totals</b>
Operating revenues:			
Charges for services	\$ 8,143,650	—	8,143,650
Property rentals	—	10,411,933	10,411,933
Parking contributions	—	148,410	148,410
Land sales	—	2,600,000	2,600,000
Intergovernmental-Regional Air Service Enhancement Fund	—	153,194	153,194
Intergovernmental-Parking Authority	—	461,957	461,957
Intergovernmental-Primary Government	—	13,458,159	13,458,159
Total operating revenues	<u>8,143,650</u>	<u>27,233,653</u>	<u>35,377,303</u>
Operating expenses:			
Cost of land sold	—	2,325,880	2,325,880
Personal services	4,115,830	636,258	4,752,088
Contractual services	1,993,649	6,125,481	8,119,130
Materials and supplies	699,389	494,588	1,193,977
Depreciation and amortization	6,066,168	4,809,288	10,875,456
Real estate commissions	—	3,234	3,234
Rental expenses	—	2,437,435	2,437,435
Miscellaneous	43,262	436,319	479,581
Total operating expenses	<u>12,918,298</u>	<u>17,268,483</u>	<u>30,186,781</u>
Operating income (loss)	<u>(4,774,648)</u>	<u>9,965,170</u>	<u>5,190,522</u>
Nonoperating revenues (expenses):			
Interest revenue	93,630	184,115	277,745
Bond and admin fee income	—	300,472	300,472
Interest expense	(559,688)	(5,435,439)	(5,995,127)
Letter of credit and trustee fees	—	(85,069)	(85,069)
Amortization - bond costs	(121,015)	—	(121,015)
Contribution - Primary Government	—	2,168,776	2,168,776
Other revenues	—	784,269	784,269
OPEB expense	(622,907)	—	(622,907)
Loss on retirement of assets	(650)	—	(650)
Nonoperating expenses, net	<u>(1,210,630)</u>	<u>(2,082,876)</u>	<u>(3,293,506)</u>
Capital contributions, net	<u>4,802,019</u>	<u>—</u>	<u>4,802,019</u>
Change in net position	<u>(1,183,259)</u>	<u>7,882,294</u>	<u>6,699,035</u>
Net position at June 30, 2012	<u>96,101,938</u>	<u>90,343,757</u>	<u>186,445,695</u>
Net position at June 30, 2013	\$ <u>94,918,679</u>	<u>98,226,051</u>	<u>193,144,730</u>

**CITY OF NEWPORT NEWS, VIRGINIA**

Statement of Cash Flows  
Non-Major Component Units  
Year ended June 30, 2013

	<b>Peninsula Airport Commission</b>	<b>Economic and Industrial Development Authorities</b>	<b>Totals</b>
Cash flows from operating activities:			
Receipts from customers	\$ 8,131,721	24,613,774	32,745,495
Receipts from land sales and new loans, net of settlement charges	-	2,545,809	2,545,809
Payments to suppliers	(3,629,595)	(11,268,695)	(14,898,290)
Payments to employees	(4,115,830)	(636,258)	(4,752,088)
Net cash provided by operating activities	<u>386,296</u>	<u>15,254,630</u>	<u>15,640,926</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(9,537,393)	(633,339)	(10,170,732)
Capital contributions, net	4,993,353	-	4,993,353
Proceeds from issuance of industrial revenue bonds, net of discount	-	51,340,000	51,340,000
Bond issuance costs	-	(7,876,202)	(7,876,202)
Repayment and retirement of industrial revenue bonds and notes payable	(4,545,918)	(56,634,128)	(61,180,046)
Proceeds from Primary Government	4,180,000	2,566,624	6,746,624
Payment to Primary Government	-	(3,093,936)	(3,093,936)
Interest paid	(559,688)	(1,611,275)	(2,170,963)
Other revenue (expenses), net	(559)	999,671	999,112
Net cash used in capital and related financing activities	<u>(5,470,205)</u>	<u>(14,942,585)</u>	<u>(20,412,790)</u>
Cash flows from investing activities:			
Net investment in direct financing leases	-	916,519	916,519
Interest received	198,010	183,614	381,624
Increase in restricted investments, net	3,831,516	-	3,831,516
Net cash provided by investing activities	<u>4,029,526</u>	<u>1,100,133</u>	<u>5,129,659</u>
Increase (decrease) in cash and cash equivalents	<u>(1,054,383)</u>	<u>1,412,178</u>	<u>357,795</u>
Cash, cash equivalents and restricted cash at beginning of year	<u>5,554,414</u>	<u>24,828,926</u>	<u>30,383,340</u>
Cash, cash equivalents and restricted cash at end of year	\$ <u>4,500,031</u>	<u>26,241,104</u>	<u>30,741,135</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ (4,774,648)	9,965,170	5,190,522
Adjustment to reconcile operating income (loss) to cash provided by operating activities:			
Depreciation	6,066,168	4,809,288	10,875,456
OPEB expense paid	(74,606)	-	(74,606)
Changes in assets and liabilities:			
Changes in land inventory	-	854,242	854,242
Mortgages receivable	-	187,309	187,309
Other receivables	(11,929)	(261,379)	(273,308)
Inventories	(3,674)	-	(3,674)
Prepaid Assets	(591,906)	-	(591,906)
Accounts payable and accrued liabilities	(94,483)	(300,000)	(394,483)
Deferred revenue	(128,626)	-	(128,626)
Net cash provided by operating activities	\$ <u>386,296</u>	<u>15,254,630</u>	<u>15,640,926</u>
Supplemental disclosure:			
Noncash investing and financing activities:			
Contributed capital funded by accounts receivable	\$ 887,086	-	887,086

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**CITY OF NEWPORT NEWS, VIRGINIA**  
**Trust Funds**  
**Combining Statement of Fiduciary Net Position**  
**June 30, 2013**

	<u>Pension</u>	<u>OPEB</u>	<u>Total</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 2,945,393	\$ 4,734,530	\$ 7,679,923
Cash and cash equivalents with trustee	18,511,822	67,200	18,579,022
Investments, at market value:			
Corporate and government bonds	167,098,089	-	167,098,089
Domestic stocks	342,550,423	-	342,550,423
Domestic mutual funds	-	12,562,721	12,562,721
International stocks	88,414,792	-	88,414,792
International mutual funds	56,208,155	5,249,638	61,457,793
Real estate	93,494,411	-	93,494,411
Accounts receivable	949,190	-	949,190
Receivable from City	1,603,404	-	1,603,404
Interest receivable	590,226	-	590,226
Sales receivable	7,974,263	60,169	8,034,432
Total assets	<u>780,340,168</u>	<u>22,674,258</u>	<u>803,014,426</u>
<b>Liabilities</b>			
Accounts payable	172,668	643,643	816,311
Payable to City	-	1,464,481	1,464,481
Accrued vacation	40,831	-	40,831
Purchases payable	6,013,899	44,094	6,057,993
Total liabilities	<u>6,227,398</u>	<u>2,152,218</u>	<u>8,379,616</u>
<b>Net Position</b>			
Assets held in trust:			
Postemployment healthcare benefits	-	20,522,040	20,522,040
Employees' retirement	774,112,770	-	774,112,770
Total net position	<u>\$ 774,112,770</u>	<u>\$ 20,522,040</u>	<u>\$ 794,634,810</u>



**CITY OF NEWPORT NEWS, VIRGINIA**  
**Trust Funds**  
**Combining Statement of Fiduciary Net Position**  
**Year ended June 30, 2013**

	<u>Pension</u>	<u>OPEB</u>	<u>Total</u>
Additions:			
Employer Contributions:			
City General Fund	\$ 23,158,455	\$ 9,183,000	\$ 32,341,455
Waterworks Fund	2,748,766	1,287,000	4,035,766
School Operating Fund	8,061,060	-	8,061,060
Employee Contributions:			
City General Fund	2,732,342	-	2,732,342
Waterworks Fund	332,709	-	332,709
Other Contributions:			
Income from Leave Exchange	151,587	-	151,587
Employee Buy-back	476,239	-	476,239
Total contributions	<u>37,661,158</u>	<u>10,470,000</u>	<u>48,131,158</u>
Investment income:			
Net depreciation - bonds	(5,176,796)	-	(5,176,796)
Net appreciation - stocks	79,748,854	2,481,575	82,230,429
Interest	4,817,729	4,633	4,822,362
Dividends	14,375,289	323,393	14,698,682
Real estate operating income, net	2,695,295	-	2,695,295
Commission recapture	81,311	-	81,311
Other investment income	-	606	606
Total investment loss	<u>96,541,682</u>	<u>2,810,207</u>	<u>99,351,889</u>
Less investment expenses:	<u>(4,436,795)</u>	<u>(85,113)</u>	<u>(4,521,908)</u>
Net investment gain	<u>92,104,887</u>	<u>2,725,094</u>	<u>94,829,981</u>
Total additions	<u>129,766,045</u>	<u>13,195,094</u>	<u>142,961,139</u>
Deductions:			
Benefits paid to participants	64,132,912	8,221,750	72,354,662
Administrative expenses	995,882	31,987	1,027,869
Total deductions	<u>65,128,794</u>	<u>8,253,737</u>	<u>73,382,531</u>
Change in net position	<u>64,637,251</u>	<u>4,941,357</u>	<u>69,578,608</u>
Net position held in trust for pension benefits at June 30, 2012	709,475,519	15,580,683	725,056,202
Net position held in trust for pension benefits at June 30, 2013	<u>\$ 774,112,770</u>	<u>\$ 20,522,040</u>	<u>\$ 794,634,810</u>

## STATISTICAL SECTION

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

<u>Contents</u>	<u>Page</u>
Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	S-1
Revenue Capacity These schedules contain information to help the reader assess the factors affecting the City's ability to generate its property and sales taxes.	S-5
Debt Capacity 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.	S-10
Demographic and Economic Information 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.	S-14
Operating Information 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.	S-16

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual 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									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Governmental activities										
Net investment in capital assets	\$ 331,677,129	\$ 311,394,219	\$ 290,455,293	\$ 251,724,446	\$ 228,275,222	\$ 223,305,188	\$ 190,926,170	\$ 175,306,479	\$ 162,580,785	\$ 126,254,500
Restricted	9,396,408	10,732,493	1,182,184	1,034,412	1,517,751	1,853,588	2,234,557	1,521,091	3,998,951	34,052,310
Unrestricted	(165,087,764)	(141,023,569)	(104,156,300)	(59,047,595)	(46,605,508)	(37,333,216)	(3,441,801)	14,603,368	30,067,425	35,374,896
Total governmental activities net position	<u>\$ 175,985,773</u>	<u>\$ 181,103,143</u>	<u>\$ 187,481,177</u>	<u>\$ 193,711,263</u>	<u>\$ 183,187,465</u>	<u>\$ 187,825,560</u>	<u>\$ 189,718,926</u>	<u>\$ 191,430,938</u>	<u>\$ 196,647,161</u>	<u>\$ 195,681,706</u>
Business-type activities										
Net investment in capital assets	\$ 232,313,434	\$ 257,644,908	\$ 251,759,910	\$ 238,441,047	\$ 276,666,222	\$ 277,770,877	\$ 269,150,510	\$ 264,939,418	\$ 249,491,400	\$ 224,842,179
Restricted	30,427,669	-	-	-	-	-	-	225,000	225,000	16,963,485
Unrestricted	21,103,436	19,485,138	23,521,844	31,828,423	41,643,472	29,287,711	24,572,102	18,150,853	16,912,260	10,242,607
Total business-type activities net position *	<u>\$ 283,844,539</u>	<u>\$ 277,130,046</u>	<u>\$ 275,281,754</u>	<u>\$ 270,269,470</u>	<u>\$ 318,309,694</u>	<u>\$ 307,058,588</u>	<u>\$ 293,722,612</u>	<u>\$ 283,315,271</u>	<u>\$ 266,628,660</u>	<u>\$ 252,048,271</u>
Primary Government										
Net investment in capital assets	\$ 563,990,563	\$ 569,039,127	\$ 542,215,203	\$ 490,165,493	\$ 504,941,444	\$ 501,076,065	\$ 460,076,680	\$ 440,245,897	\$ 412,072,185	\$ 351,096,679
Restricted	39,824,077	10,732,493	1,182,184	1,034,412	1,517,751	1,853,588	2,234,557	1,746,091	4,223,951	51,015,795
Unrestricted (deficit)	(143,984,328)	(121,538,431)	(80,634,456)	(27,219,172)	(4,962,036)	(8,045,505)	21,130,301	32,754,221	46,979,685	45,617,503
Total Primary Government net position	<u>\$ 459,830,312</u>	<u>\$ 458,233,189</u>	<u>\$ 462,762,931</u>	<u>\$ 463,980,733</u>	<u>\$ 501,497,159</u>	<u>\$ 494,884,148</u>	<u>\$ 483,441,538</u>	<u>\$ 474,746,209</u>	<u>\$ 463,275,821</u>	<u>\$ 447,729,977</u>

Note: \* Effective in fiscal year 2007: Parking Authority is no longer reported as a business-type activity; it is now reported under The Economic and Industrial Development Authorities (E/IDA).

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

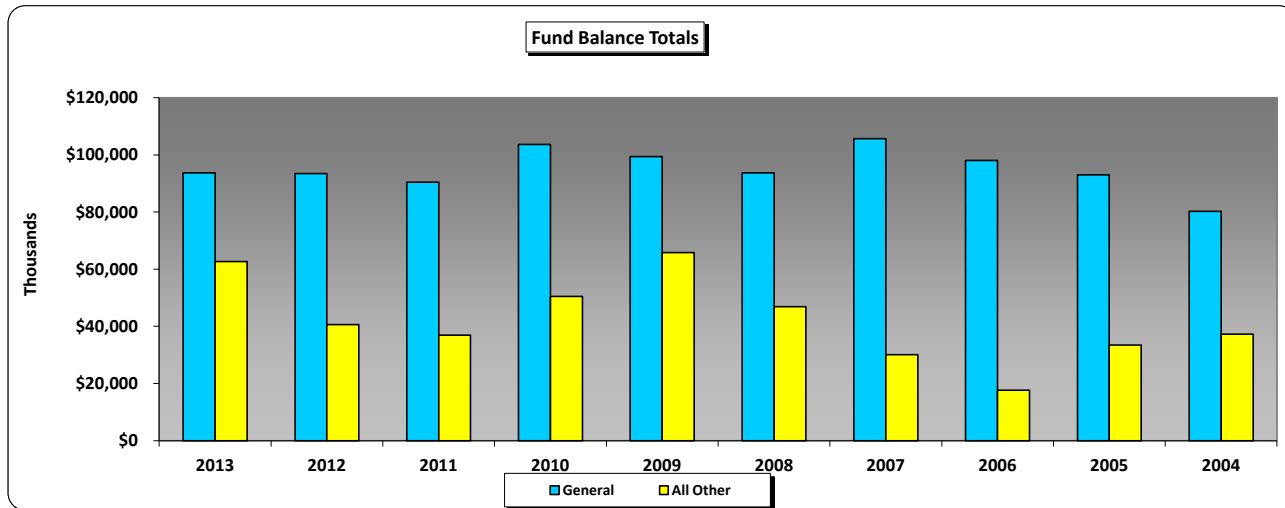
	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
<b>Program revenues</b>										
<b>Governmental activities:</b>										
Charges for services:										
Public works	\$ 40,889,684	\$ 37,095,768	\$ 36,800,694	\$ 37,744,481	\$ 34,526,097	\$ 30,513,564	\$ 28,057,816	\$ 26,160,999	\$ 23,453,616	\$ 22,952,047
All others	27,279,880	26,264,076	25,854,740	25,805,742	26,406,149	25,760,135	25,941,895	24,758,610	24,671,063	22,932,430
Operating grants and contributions	39,249,011	41,429,302	44,986,270	42,704,554	44,966,813	45,835,149	44,078,633	43,861,201	59,841,991	49,539,479
Capital grants and contributions	6,482,329	4,966,923	3,156,118	4,740,959	1,962,681	2,140,343	2,771,153	2,970,950	11,326,181	13,693,887
<b>Total governmental activities program revenues</b>	<b>113,900,904</b>	<b>109,756,069</b>	<b>110,797,822</b>	<b>110,995,736</b>	<b>107,861,740</b>	<b>104,249,191</b>	<b>100,849,497</b>	<b>97,751,760</b>	<b>119,292,851</b>	<b>109,117,843</b>
<b>Business-type activities:</b>										
Charges for services	76,099,474	73,337,822	74,497,015	72,719,343	73,817,176	76,003,756	71,908,595	72,397,545	64,692,616	63,863,831
<b>Total business-type activities program revenues</b>	<b>76,099,474</b>	<b>73,337,822</b>	<b>74,497,015</b>	<b>72,719,343</b>	<b>73,817,176</b>	<b>76,003,756</b>	<b>71,908,595</b>	<b>72,397,545</b>	<b>64,692,616</b>	<b>63,863,831</b>
<b>Total Primary Government program revenues</b>	<b>190,000,378</b>	<b>183,093,891</b>	<b>185,294,837</b>	<b>183,715,079</b>	<b>181,678,916</b>	<b>180,252,947</b>	<b>172,758,092</b>	<b>170,149,305</b>	<b>183,985,467</b>	<b>172,981,674</b>
<b>Expenses</b>										
<b>Governmental activities:</b>										
General government	85,544,610	53,687,583	41,072,050	56,496,116	67,006,531	54,904,104	54,577,481	64,991,195	57,053,132	75,766,012
Judicial administration	6,779,007	7,796,103	7,675,395	7,061,964	7,042,239	7,269,926	6,919,927	6,397,049	6,060,839	5,283,193
Public safety	113,305,100	131,544,707	129,661,963	119,642,698	120,240,436	119,019,088	112,089,213	100,481,015	96,637,983	87,907,570
Public works	70,293,521	76,076,207	77,288,468	71,950,527	70,635,586	70,571,291	66,258,073	63,695,077	54,351,940	49,364,947
Health and welfare	42,283,290	49,131,969	54,114,507	52,805,082	56,468,567	58,563,411	56,061,131	53,362,500	53,692,902	51,593,737
Education	116,592,925	117,566,704	118,376,318	119,956,981	116,528,527	114,275,568	117,460,703	104,054,463	107,463,439	95,799,045
Parks, recreation and culture	34,050,686	34,690,901	34,385,246	32,614,571	34,409,781	36,183,209	32,557,355	29,934,662	27,059,823	26,372,043
Community development	11,194,312	8,743,779	12,678,704	10,369,291	8,832,458	10,623,457	8,700,790	11,168,279	10,455,402	6,568,809
Interest on long-term debt	22,927,201	25,545,336	30,258,101	23,923,629	25,487,370	24,118,788	21,149,858	17,169,976	19,109,084	19,083,650
<b>Total governmental activities expenses</b>	<b>502,970,652</b>	<b>504,783,289</b>	<b>505,510,752</b>	<b>494,820,859</b>	<b>506,651,495</b>	<b>495,528,842</b>	<b>475,774,531</b>	<b>451,254,216</b>	<b>431,884,544</b>	<b>417,739,006</b>
<b>Business-type activities:</b>										
Public utilities	62,502,189	65,287,629	63,397,723	64,078,572	62,684,897	59,439,084	54,357,032	51,394,362	46,037,659	45,060,323
Parking Authority *	-	-	-	-	-	-	-	199,461	262,691	265,020
<b>Total business-type activities expenses</b>	<b>62,502,189</b>	<b>65,287,629</b>	<b>63,397,723</b>	<b>64,078,572</b>	<b>62,684,897</b>	<b>59,439,084</b>	<b>54,357,032</b>	<b>51,593,823</b>	<b>46,300,350</b>	<b>45,325,343</b>
<b>Total primary government expenses</b>	<b>565,472,841</b>	<b>570,070,918</b>	<b>568,908,475</b>	<b>558,899,431</b>	<b>569,336,392</b>	<b>554,967,926</b>	<b>530,131,563</b>	<b>502,848,039</b>	<b>478,184,894</b>	<b>463,064,349</b>
<b>Net Revenue/(Expenditures)</b>										
Governmental activities	(389,069,748)	(395,027,220)	(394,712,930)	(383,825,123)	(398,789,755)	(391,279,651)	(374,925,034)	(353,502,456)	(312,591,693)	(308,621,163)
Business-type activities	13,597,285	8,050,193	11,099,292	8,640,771	11,132,279	16,564,672	17,551,563	20,803,722	18,392,266	18,538,488
<b>Total primary government</b>	<b>(375,472,463)</b>	<b>(386,977,027)</b>	<b>(383,613,638)</b>	<b>(375,184,352)</b>	<b>(387,657,476)</b>	<b>(374,714,979)</b>	<b>(357,373,471)</b>	<b>(332,698,734)</b>	<b>(294,199,427)</b>	<b>(290,082,675)</b>
<b>General revenues and Other Changes in Net Assets</b>										
<b>Governmental activities:</b>										
Property taxes	229,811,554	229,194,920	230,980,102	236,993,370	233,735,214	219,867,771	207,827,846	187,912,894	172,575,384	159,841,724
Other taxes	96,537,561	91,744,426	89,063,340	88,595,948	89,624,744	93,161,528	90,412,582	89,170,125	83,396,354	80,131,054
Unrestricted grants and contributions	41,481,654	47,106,347	48,209,536	48,630,187	48,993,988	49,350,467	48,308,625	45,473,865	37,699,447	39,506,422
Investment earnings	2,328,310	2,270,634	2,395,569	2,663,324	3,596,647	6,169,470	6,465,913	5,007,664	3,116,612	4,211,328
Miscellaneous	3,902,299	8,441,859	7,834,297	7,466,092	8,201,067	10,837,049	11,087,567	11,587,686	8,013,660	5,713,465
Transfers	9,891,000	9,891,000	10,000,000	10,000,000	10,000,000	10,000,000	9,110,489	9,134,000	9,134,000	9,134,001
<b>Total governmental activities</b>	<b>383,952,378</b>	<b>388,649,186</b>	<b>388,482,844</b>	<b>394,348,921</b>	<b>394,151,660</b>	<b>389,386,285</b>	<b>373,213,022</b>	<b>348,286,234</b>	<b>313,935,457</b>	<b>298,537,994</b>
<b>Business-type activities:</b>										
Investment earnings	196,652	213,743	235,100	549,737	1,940,465	2,988,546	1,926,084	1,240,697	485,453	301,763
Miscellaneous	2,811,556	3,475,356	3,677,892	5,381,669	8,332,219	3,782,758	3,530,826	3,753,852	4,836,670	4,854,288
Extraordinary loss	-	-	-	(52,612,401)	-	-	-	-	-	-
Transfers	(9,891,000)	(9,891,000)	(10,000,000)	(10,000,000)	(10,000,000)	(10,000,000)	(9,110,489)	(9,134,000)	(9,134,000)	(9,134,001)
<b>Total business-type activities</b>	<b>(6,882,792)</b>	<b>(6,201,901)</b>	<b>(6,087,008)</b>	<b>(56,680,995)</b>	<b>272,684</b>	<b>(3,228,696)</b>	<b>(3,653,579)</b>	<b>(4,139,451)</b>	<b>(3,811,877)</b>	<b>(3,977,950)</b>
<b>Total Primary Government</b>	<b>377,069,586</b>	<b>382,447,285</b>	<b>382,395,836</b>	<b>337,667,926</b>	<b>394,424,344</b>	<b>386,157,589</b>	<b>369,559,443</b>	<b>344,146,783</b>	<b>310,123,580</b>	<b>294,560,044</b>
<b>Changes in Net Position</b>										
Governmental activities	(5,117,370)	(6,378,034)	(6,230,086)	10,523,798	(4,638,095)	(1,893,366)	(1,712,012)	(5,216,222)	1,343,764	(10,083,169)
Business-type activities	6,714,493	1,848,292	5,012,284	(48,040,224)	11,404,963	13,335,976	13,897,984	16,664,271	14,580,389	14,560,538
<b>Total Primary Government</b>	<b>\$ 1,597,123</b>	<b>\$ (4,529,742)</b>	<b>\$ (1,217,802)</b>	<b>\$ (37,516,426)</b>	<b>\$ 6,766,868</b>	<b>\$ 11,442,610</b>	<b>\$ 12,185,972</b>	<b>\$ 11,448,049</b>	<b>\$ 15,924,153</b>	<b>\$ 4,477,369</b>

Note: \* Effective fiscal year 2007: Parking Authority is no longer reported as a business-type activity; they are now reported under The Economic and Industrial Development Authorities (E/IDA).

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

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
<b>General fund</b>										
Reserved	\$ -	\$ -	\$ -	\$ 6,305,988	\$ 5,194,291	\$ 6,009,589	\$ 6,791,817	\$ 6,356,403	\$ 7,284,539	\$ 6,911,653
Unreserved	-	-	-	97,366,646	94,164,397	87,703,448	98,820,178	91,686,630	85,724,284	73,370,464
Nonspendable	12,862,783	15,412,699	15,711,917	-	-	-	-	-	-	-
Restricted	563,863	2,013,986	2,011,665	-	-	-	-	-	-	-
Assigned	34,939,767	34,656,608	31,290,680	-	-	-	-	-	-	-
Unassigned	45,353,317	41,364,679	41,390,600	-	-	-	-	-	-	-
<b>Total general fund</b>	<b>\$ 93,719,730</b>	<b>\$ 93,447,972</b>	<b>\$ 90,404,862</b>	<b>\$ 103,672,634</b>	<b>\$ 99,358,688</b>	<b>\$ 93,713,037</b>	<b>\$ 105,611,995</b>	<b>\$ 98,043,033</b>	<b>\$ 93,008,823</b>	<b>\$ 80,282,117</b>
<b>All other governmental funds</b>										
Reserved	\$ -	\$ -	\$ -	\$ 17,170,639	\$ 11,977,232	\$ 14,741,065	\$ 12,333,840	\$ 21,873,135	\$ 28,361,951	\$ 10,399,097
Unreserved, reported in:										
Special revenue fund	-	-	-	12,372,862	15,126,615	10,474,287	9,267,465	8,845,238	10,597,971	12,155,851
Debt service fund	-	-	-	6,511,346	1,258,059	2,695,240	1,306,632	319,453	1,137,289	2,524,220
Capital project fund	-	-	-	13,290,298	10,927,505	11,555,870	9,492,210	2,749,848	1,253,898	1,408,532
Bond fund	-	-	-	1,144,480	26,477,781	7,393,868	(2,354,461)	(16,143,636)	(7,897,965)	10,795,788
Restricted	32,442,547	24,773,693	28,210,329	-	-	-	-	-	-	-
Committed	30,148,309	32,951,026	40,772,110	-	-	-	-	-	-	-
Assigned	92,000	-	30,000	-	-	-	-	-	-	-
Unassigned	-	(17,129,925)	(32,086,837)	-	-	-	-	-	-	-
<b>Total all other governmental funds</b>	<b>\$ 62,682,856</b>	<b>\$ 40,594,794</b>	<b>\$ 36,925,602</b>	<b>\$ 50,489,625</b>	<b>\$ 65,767,192</b>	<b>\$ 46,860,330</b>	<b>\$ 30,045,686</b>	<b>\$ 17,644,038</b>	<b>\$ 33,453,144</b>	<b>\$ 37,283,488</b>

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



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

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
<b>Revenues</b>										
General property taxes	\$228,025	\$229,353	\$230,860	\$236,184	\$233,632	\$219,316	\$208,128	\$189,477	\$170,347	\$159,876
Other local taxes	96,538	91,744	89,063	88,596	89,625	93,162	90,413	89,170	83,396	80,131
Licenses and permits	2,803	3,645	3,372	2,846	3,170	3,672	3,315	3,487	3,706	2,690
Fines and forfeitures	2,984	2,697	2,332	2,213	1,981	1,881	1,826	2,079	2,187	2,231
Interest and rents	2,322	2,264	2,391	2,653	3,579	6,147	6,437	4,987	3,129	4,206
Charges for services	59,179	54,895	54,057	55,523	51,003	46,403	44,484	41,289	37,981	36,836
Recovered costs	6,007	5,768	6,267	5,814	7,948	8,718	7,690	7,551	8,737	6,818
Intergovernmental	86,344	93,076	94,980	92,883	95,048	96,745	94,477	90,199	103,533	102,439
Miscellaneous	3,810	3,034	3,476	3,348	3,821	4,964	5,411	6,714	3,662	3,077
<b>Total revenues</b>	<b>488,012</b>	<b>486,476</b>	<b>486,798</b>	<b>490,060</b>	<b>489,807</b>	<b>481,008</b>	<b>462,181</b>	<b>434,953</b>	<b>416,678</b>	<b>398,304</b>
<b>Expenditures</b>										
General government	76,785	50,109	49,331	51,254	51,921	49,368	48,637	57,389	46,546	44,281
Judicial administration	5,861	6,733	6,592	6,236	6,148	6,218	5,910	5,517	5,184	4,968
Public safety	100,419	116,183	114,075	108,877	108,467	105,008	99,472	90,508	86,910	82,528
Public works	55,527	60,806	62,152	58,764	57,178	56,174	51,798	49,915	42,017	40,108
Health and welfare	38,807	44,654	48,918	49,309	52,154	52,892	50,487	48,989	44,957	48,845
Education	119,362	123,007	118,262	119,581	119,088	121,770	121,050	104,848	109,639	99,397
Parks recreation culture	26,829	27,421	26,923	25,976	27,082	28,174	26,384	24,412	21,822	20,732
Community development	9,778	7,429	10,852	8,959	7,439	8,899	7,140	9,573	8,932	6,040
Debt service:										
Principal	35,123	36,792	33,675	33,444	34,422	35,742	31,333	31,156	38,750	26,536
Interest	22,426	25,424	28,100	24,356	26,054	24,792	21,861	17,281	20,625	19,371
Capital outlay	38,271	37,883	27,791	27,186	21,858	33,615	37,535	52,626	25,945	33,992
Bond issuance cost	-	-	-	-	-	-	370	475	-	-
<b>Total expenditures</b>	<b>529,188</b>	<b>536,441</b>	<b>526,671</b>	<b>513,942</b>	<b>511,811</b>	<b>522,651</b>	<b>501,977</b>	<b>492,689</b>	<b>451,327</b>	<b>426,798</b>
Deficiency of revenues										
Under expenditures	(41,176)	(49,965)	(39,873)	(23,882)	(22,004)	(41,643)	(39,796)	(57,736)	(34,649)	(28,494)
<b>Other Financing sources (Uses)</b>										
Transfer In	64,854	63,980	87,189	69,587	66,217	78,707	63,120	51,963	44,599	40,261
Transfer Out	(54,963)	(54,089)	(77,189)	(59,587)	(56,217)	(68,707)	(54,010)	(42,829)	(35,465)	(34,051)
Payment to refund bonds	-	(76,685)	-	-	(136)	-	(22,380)	(30,533)	(11,785)	(71,635)
Premium on refunded bonds	-	7,756	-	-	663	1,716	3,666	2,131	1,109	644
Refund bonds proceeds	-	69,335	-	-	481	-	20,370	28,020	12,720	71,635
Bond and note proceeds	51,905	42,121	3,041	2,918	35,549	34,843	49,001	37,873	32,367	29,312
Premium on bonds issuance	5,698	4,259	-	-	-	-	-	985	-	-
Capital leases	-	-	-	-	-	-	-	-	-	388
Contribution to PAC	(3,958)	-	-	-	-	-	-	-	-	-
<b>Total other financing sources (uses), net</b>	<b>63,536</b>	<b>56,677</b>	<b>13,041</b>	<b>12,918</b>	<b>46,557</b>	<b>46,559</b>	<b>59,767</b>	<b>47,610</b>	<b>43,545</b>	<b>36,554</b>
<b>Net change in fund balance</b>	<b>\$22,360</b>	<b>\$6,712</b>	<b>(\$26,832)</b>	<b>(\$10,964)</b>	<b>\$24,553</b>	<b>\$4,916</b>	<b>\$19,971</b>	<b>(\$10,126)</b>	<b>\$8,896</b>	<b>\$8,060</b>
Debt service as a percentage of noncapital expenditures *	11.0%	12.0%	12.1%	11.3%	11.6%	11.9%	11.0%	10.5%	13.2%	10.5%

\*Corrected capitalized expenditure amounts that are used to determine debt service as a percentage of noncapital expenditures for fiscal years 2004 thru 2012.

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

	Fiscal Year										% Change 2004-2013
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004	
Property tax	\$229,811,554	\$229,194,920	\$230,980,102	\$236,183,979	\$233,631,532	\$219,315,976	\$208,128,176	\$189,477,417	\$170,347,467	\$159,875,655	43.7%
E911 service	596,242	699,378	729,711	737,734	708,725	571,027	1,078,375	2,750,556	2,737,853	2,788,546	-78.6%
Telecom sales	11,992,112	11,681,054	12,321,643	12,018,133	12,416,819	13,177,014	4,772,796	-	-	-	90.0%
Sales tax	22,920,353	22,022,527	21,206,724	20,862,730	21,930,591	23,572,320	23,276,742	22,432,446	20,955,339	20,294,801	12.9%
Utility tax	6,262,714	5,891,989	6,511,120	6,321,381	6,137,436	6,112,238	8,017,460	9,254,101	9,515,933	9,345,342	-33.0%
Cellular telephone tax	-	-	-	-	-	-	2,138,607	3,117,614	2,848,339	2,615,736	0.0%
Consumption tax	700,021	653,430	674,265	776,672	728,656	704,570	695,383	774,586	641,699	680,202	2.9%
Business license tax	16,200,207	16,109,141	15,115,176	15,266,938	14,676,421	15,116,393	14,770,199	14,701,673	13,391,073	12,199,360	32.8%
Rental car tax	1,151,221	1,229,911	1,044,775	1,021,610	1,058,659	996,093	966,780	932,481	870,813	898,190	28.2%
Franchise license tax	-	-	-	-	-	-	890,920	1,732,167	1,670,013	1,606,670	0.0%
Cable television tax	-	-	-	-	-	-	1,225,349	2,108,165	2,006,039	2,087,952	0.0%
Motor vehicle license tax	3,876,035	3,917,451	3,880,996	3,922,803	3,905,814	3,531,053	3,578,087	3,585,645	3,585,609	3,531,624	9.8%
Bank stock tax	666,072	847,745	957,902	1,015,597	727,678	588,882	584,773	600,317	532,019	544,584	22.3%
Recordation and wills tax	1,370,840	1,407,159	1,065,889	1,263,938	1,461,537	2,219,287	2,120,046	2,535,995	1,969,391	1,052,317	30.3%
Tobacco tax	5,228,287	4,799,234	4,269,564	4,160,343	4,119,169	4,205,798	4,406,514	4,622,565	4,639,855	5,090,983	2.7%
Hotel and motel room tax	3,008,260	3,191,992	3,064,515	2,969,053	3,130,281	3,454,926	3,386,331	2,802,362	2,686,120	2,724,109	10.4%
Restaurant food tax	22,082,728	18,835,979	17,767,348	17,765,937	18,074,235	18,348,254	17,943,384	16,649,811	14,779,660	14,092,861	56.7%
Amusement tax	482,469	457,436	453,712	493,079	548,722	563,673	560,836	569,643	566,599	577,777	-16.5%
<b>Total Taxes</b>	<b>\$326,349,115</b>	<b>\$320,939,346</b>	<b>\$320,043,442</b>	<b>\$324,779,927</b>	<b>\$323,256,275</b>	<b>\$312,477,504</b>	<b>\$298,540,758</b>	<b>\$278,647,544</b>	<b>\$253,743,821</b>	<b>\$240,006,709</b>	<b>36.0%</b>

Note: Effective in FY 2007, all communication taxes (E-911, utility, cellular telephone, franchise license and cable television) are reported under telecom sales.



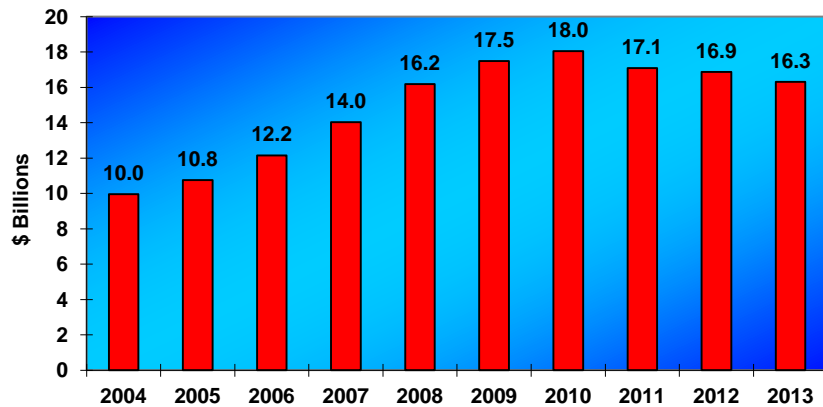
**City of Newport News, Virginia**  
**Assessed Value and Estimated Actual Value of Taxable Property**  
**Last Ten Fiscal Years**  
(In thousands of dollars)

Fiscal Year	Real Estate	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				
2004	8,301,266	962,822	343,020	209,128	151,551	-	9,967,787	-	-
2005	9,042,610	1,024,049	337,032	204,572	148,487	-	10,756,750	-	-
2006	12,887,570	1,155,202	343,770	186,890	117,131	(2,538,300)	12,152,263	1.59	14,690,563
2007	15,141,893	1,161,864	352,403	180,706	92,112	(2,901,608)	14,027,370	1.55	16,928,978
2008	17,390,981	1,233,279	364,010	211,388	136,000	(3,157,425)	16,178,233	1.53	19,335,658
2009	19,011,429	1,195,193	397,899	250,995	163,492	(3,530,295)	17,488,713	1.51	21,019,008
2010	19,762,256	1,154,011	419,441	293,307	172,545	(3,753,027)	18,048,533	1.37	21,801,560
2011	18,600,158	1,165,494	438,747	326,889	173,108	(3,614,365)	17,090,031	1.40	20,704,396
2012	18,342,224	1,186,515	468,330	339,790	163,940	(3,622,298)	16,878,501	1.41	20,500,799
2013	17,744,690	1,221,798	486,090	333,266	163,292	(3,641,733)	16,307,403	1.45	19,949,136

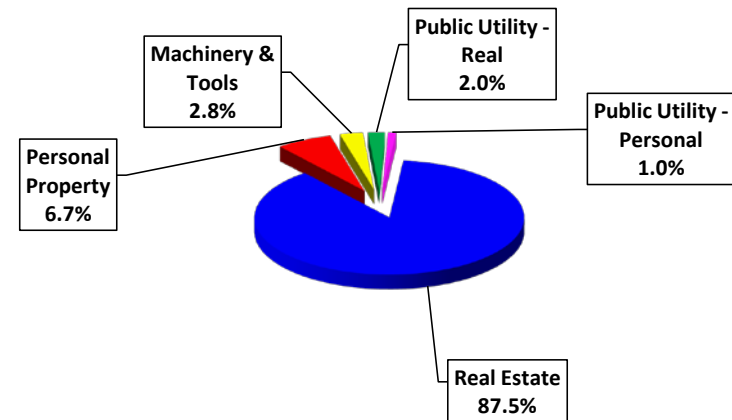
**Note:** Prior to the implementation of GASB 44 in FY 2006, assessed values were presented net of tax-exempt property.  
Prior to the implementation of GASB 44 in FY2006, total direct rate and estimated actual taxable value was not required.

Source: City of Newport News Real Estate Assessors Office

**Values of Taxable Properties Last Ten Years**



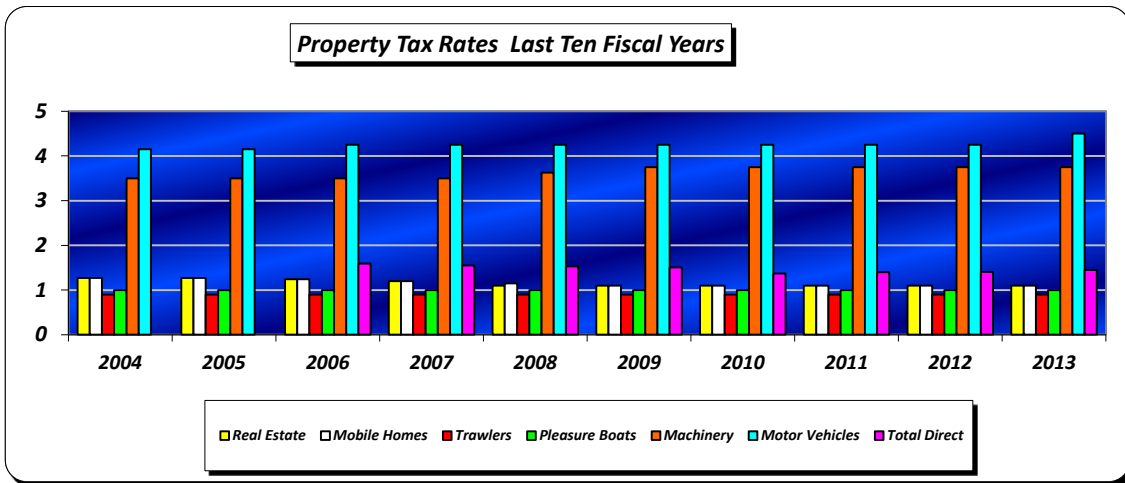
**Types of Taxable Property (2013)**



**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
2004	1.27	1.27	0.90	1.00	3.50	4.15	-
2005	1.27	1.27	0.90	1.00	3.50	4.15	-
2006	1.24	1.24	0.90	1.00	3.50	4.25	1.59
2007	1.20	1.20	0.90	1.00	3.50	4.25	1.55
2008	1.10	1.15	0.90	1.00	3.63	4.25	1.53
2009	1.10	1.10	0.90	1.00	3.75	4.25	1.51
2010	1.10	1.10	0.90	1.00	3.75	4.25	1.37
2011	1.10	1.10	0.90	1.00	3.75	4.25	1.40
2012	1.10	1.10	0.90	1.00	3.75	4.25	1.41
2013	1.10	1.10	0.90	1.00	3.75	4.50	1.45

**Note:** Prior to the implementation of GASB 44 in FY06, total direct rate was not required.  
**Source:** City of Newport News Office of the Commissioner of Revenue



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

	2013		2004	
	Taxable Assessed Value	Percentage of Assessments	Taxable Assessed Value	Percentage of Assessments
Huntington Ingalls Industries Inc *1	\$17,358	7.56%	\$11,321	7.89%
Canon Virginia Inc *2	3,929	1.71%	1,393	0.97%
Dominion Virginia Power *5	2,118	0.92%	1,651	1.15%
Continental Automotive Systems Us Inc	1,861	0.81%	-	-
The Mariners Museum (Riverside Hospital)	1,689	0.74%	665	0.46%
PR Patrick Henry L L C *6	1,505	0.66%	1,109	0.77%
Verizon Virginia Inc	1,264	0.55%	677	0.47%
Dominion Terminal Associates *3	1,154	0.50%	952	0.66%
Kinder Morgan Operation LP"C"	965	0.42%	521	0.36%
Patrick Henry Hospital (Warwick Forest)	818	0.36%	-	-
Virginia Natural Gas Inc	767	0.33%	411	0.29%
Inland Western Newport News	706	0.31%	-	-
Bottling Group L L C *8	582	0.25%	257	0.18%
Cox Communications Hampton Roads, Inc	503	0.22%	282	0.20%
DCO Realty Inc	479	0.21%	-	-
Oyster Point Residential L L C	471	0.21%	-	-
CSX Transportation Inc	365	0.16%	314	0.22%
Meridian Parkside Apartments L L C	352	0.15%	-	-
BR Springhouse LLC	339	0.15%	-	-
Harbours L L C *4	300	0.13%	306	0.21%
Ferguson Enterprises Corp	-	-	474	0.33%
The Daily Press Inc	-	-	234	0.16%
Seimens - Bendix Automotive	-	-	1,768	1.23%
Shorewood Packaging Corp Of Va	-	-	493	0.34%
Seimens Credit *7	-	-	284	0.20%
United Dominion Realty Trust Inc	-	-	395	0.28%
Newport-Oxford Associates Ltd	-	-	298	0.21%
<b>Total</b>	<b>\$37,525</b>	<b>16.35%</b>	<b>\$23,805</b>	<b>16.58%</b>

**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

\*1 Previously Northrup Grumman Shipbuilding Inc and previously Newport News Shipbuilding and Dry Dock Company

\*2 Previously Canon USA Inc

\*3 Previously Peninsula Port Authority - Dominion Terminal Associates

\*4 Previously Harbours Associates

\*5 Previously Virginia Electric & Power Company

\*6 Previously Crown American Financing

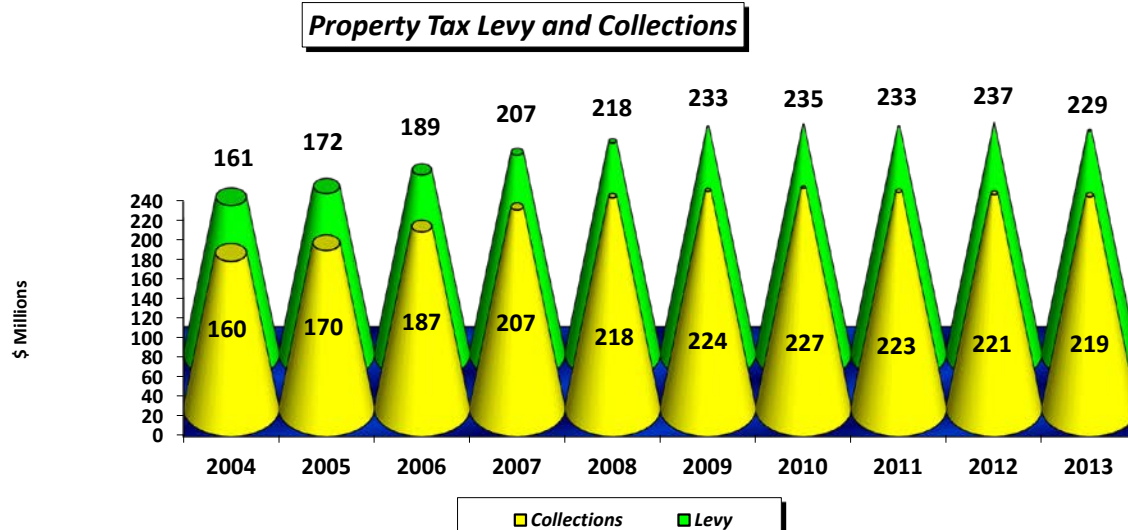
\*7 Previously Siemens Financial Services

\*8 Previously Pepsi-Cola Bottling Group

**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		Collections in Subsequent Years		Total Collections for Year	
			Amount	% of Levy	Amount				Amount	% of Levy
2004	\$	160,747	\$ 152,197	94.7%	\$ 7,463	\$ -	\$ -	\$ 159,660	99.3%	
2005		171,852	162,199	94.4%	7,497	-	-	169,696	98.7%	
2006		188,870	180,295	95.5%	-	6,355		186,650	98.8%	
2007		207,427	200,041	96.4%	-	7,236		207,277	99.9%	
2008		218,395	210,243	96.3%	-	7,831		218,074	99.9%	
2009		232,507	224,199	96.4%	-	7,592		231,791	96.4%	
2010		235,225	227,030	96.5%	-	6,476		233,506	96.5%	
2011		233,380	222,804	95.5%	-	6,115		228,919	95.5%	
2012		236,875	220,914	93.3%	-	7,550		228,464	93.3%	
2013		229,071	218,911	95.6%	-	Not Available		218,911	95.6%	

**Note:** Prior to the implementation of GASB 44 in FY 2006, collections in subsequent years was not required to be reported by tax year.



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

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
<b>Population</b>	180,726	180,719	180,719	193,172	193,212	187,200	186,000	186,000	185,240	185,200
<b>Personal Income</b>	\$ -	\$ -	\$ 6,241,927	\$ 5,946,073	\$ 6,011,449	\$ 5,941,588	\$ 5,500,739	\$ 5,225,657	\$ 5,086,295	\$ 4,872,092
<b>Governmental Activities:</b>										
General Obligation Bonds*	\$ 388,206	\$ 366,401	\$ 353,639	\$ 383,753	\$ 413,482	\$ 411,159	\$ 411,567	\$ 401,020	\$ 394,354	\$ 399,243
Guaranty of Peninsula Airport Bonds	-	4,180	4,490	4,780	5,055	5,315	5,565	5,800	6,000	6,245
Literary Fund	5,878	6,298	6,717	7,237	8,034	8,830	9,321	2,895	3,564	4,233
Capital Leases	-	-	-	-	388	53	140	219	293	360
Land Lease Payable*	1,167	1,362	-	-	-	-	-	-	-	-
Land Purchase Payable*	600	633	-	-	-	-	-	-	-	-
<b>Business-type Activities:</b>										
Public Utility Bonds*	153,005	166,107	172,695	186,330	217,720	208,855	195,155	152,675	165,220	178,025
<b>Total Primary Government</b>	<b>\$ 548,856</b>	<b>\$ 544,981</b>	<b>\$ 537,541</b>	<b>\$ 582,100</b>	<b>\$ 644,679</b>	<b>\$ 634,212</b>	<b>\$ 621,748</b>	<b>\$ 562,609</b>	<b>\$ 569,431</b>	<b>\$ 588,106</b>
<b>Percentage of Personal Income</b>	0.0%	0.0%	8.6%	9.8%	10.7%	10.7%	11.3%	10.8%	11.2%	12.1%
<b>Net Bonded Debt Per Capita</b>	<b>\$ 3,037</b>	<b>\$ 3,016</b>	<b>\$ 2,974</b>	<b>\$ 3,013</b>	<b>\$ 3,337</b>	<b>\$ 3,388</b>	<b>\$ 3,343</b>	<b>\$ 3,025</b>	<b>\$ 3,074</b>	<b>\$ 3,176</b>

\*Amounts for FY2012 were changed to correct amounts.

**Note: Population figures are derived as follows: 2004 - 2008 City estimates, 2009 - 2013 Census Bureau estimates.**

**Note: Personal Income figures were not available for FY2012 and FY2013.**

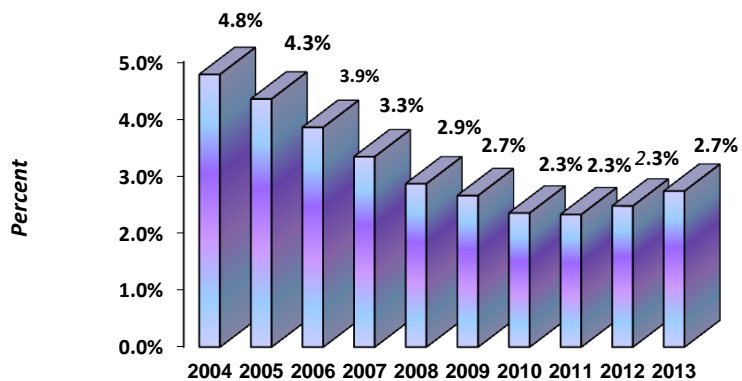
**City of Newport News, Virginia**  
**Ratios of General Bonded Debt Outstanding**  
**Last Ten Fiscal Years**  
**(in thousands of dollars)**

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
2004	185,200	\$ 8,301,266	\$ 399,243	\$ 2,524	\$ 396,719	4.8%	\$ 2,142
2005	185,240	9,042,610	394,354	1,137	393,217	4.3%	2,123
2006	186,000	10,404,207	401,020	319	400,701	3.9%	2,154
2007	186,000	12,293,454	411,567	1,307	410,260	3.3%	2,206
2008	187,200	14,286,003	411,159	2,139	409,020	2.9%	2,185
2009	193,212	15,527,921	413,482	1,258	412,224	2.7%	2,134
2010	193,172	16,059,444	383,753	6,511	377,242	2.3%	1,953
2011	180,719	15,037,654	353,639	4,341	349,298	2.3%	1,933
2012	180,719	14,768,666	* 366,401	1,184	365,217	2.5%	2,021
2013	180,726	14,150,367	388,206	1,375	386,831	2.7%	2,140

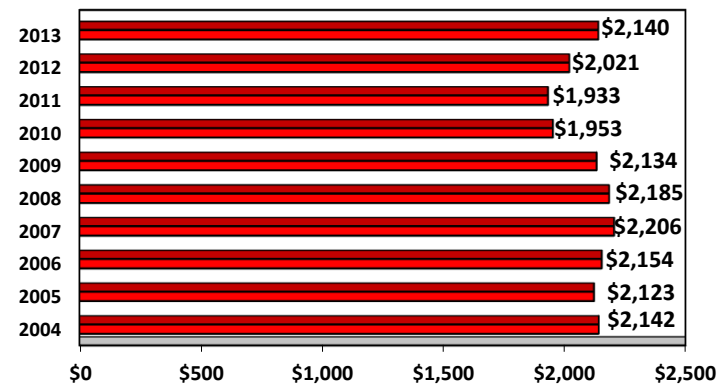
Note: Population figures are derived as follows: 2004 - 2008 City estimates, 2009 - 2013 Census Bureau estimates.

\* Corrected FY 2012 amount for GOB.

**Debt as % of Assessed Property Value**

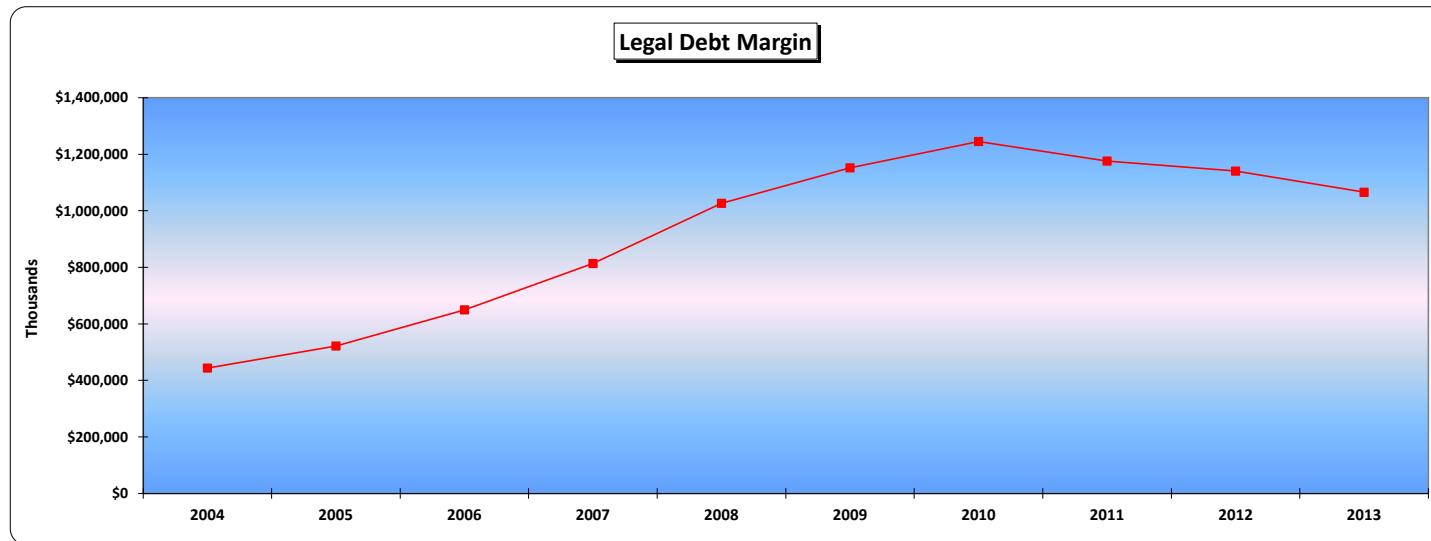


**Debt per Capita**



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

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
<b>Assessed Value of Real Estate:</b>										
General	\$14,150,366,660	\$14,768,666,300	\$15,037,654,401	\$16,059,444,443	\$15,527,920,717	\$14,286,002,924	\$12,293,453,737	\$10,404,206,752	\$9,042,610,300	\$8,301,266,000
Public Service Corporations	333,265,887	339,789,784	326,888,523	293,307,435	250,994,845	211,388,045	180,706,024	186,889,718	204,600,000	209,128,000
<b>Total assessed value</b>	<b>14,483,632,547</b>	<b>15,108,456,084</b>	<b>15,364,542,924</b>	<b>16,352,751,878</b>	<b>15,778,915,562</b>	<b>14,497,390,969</b>	<b>12,474,159,761</b>	<b>10,591,096,470</b>	<b>9,247,210,300</b>	<b>8,510,394,000</b>
<b>Total debt limit (10% of Total Assessed Value)</b>	<b>1,448,363,255</b>	<b>1,510,845,608</b>	<b>1,536,454,292</b>	<b>1,635,275,188</b>	<b>1,577,891,556</b>	<b>1,449,739,097</b>	<b>1,247,415,976</b>	<b>1,059,109,647</b>	<b>924,721,030</b>	<b>851,039,400</b>
<b>Bonds Outstanding:</b>										
General Obligation	343,595,000	322,830,000	311,700,000	341,405,000	378,499,990	371,155,000	378,656,195	358,855,000	353,330,000	359,055,000
General Obligation: Virginia Public School Authority (VPSA)	3,749,472	4,382,117	5,256,983	6,105,937	6,929,403	7,728,827	8,506,195	9,263,363	10,000,000	10,717,000
General Obligation: Virginia Resources Authority (VRA) Loan Fund	27,228,156	29,583,326	31,776,867	30,761,968	21,997,022	25,644,960	25,705,339	25,121,275	22,668,400	20,452,000
General Obligation: Virginia Municipal Pool Loans (VMPL)	1,312,565	1,887,565	2,462,565	3,037,565	3,612,565	4,187,565	4,762,565	5,337,565	5,912,600	6,577,800
Guaranty of Peninsula Airport Bonds	0	4,180,000	4,490,000	4,780,000	5,055,000	5,315,000	5,565,000	5,800,000	6,000,000	6,245,000
Literary Fund	5,877,889	6,297,656	6,717,425	7,598,441	8,034,421	8,829,688	9,320,937	2,894,833	3,564,100	4,233,000
Qualified Zone Academy Bonds (QZAB)	2,442,494	2,442,494	2,442,494	2,442,494	2,442,494	2,442,494	2,442,494	2,442,494	2,442,500	2,442,494
Capital leases	-	-	-	360,965	387,811	53,406	139,513	219,145	292,800	360,000
Amount available in Debt Service Fund	(1,467,172)	(1,183,546)	(4,370,897)	(6,511,346)	(1,258,059)	(2,138,839)	(1,306,632)	(319,453)	(1,137,300)	(2,524,220)
<b>Total debt outstanding</b>	<b>382,738,404</b>	<b>370,419,612</b>	<b>360,475,437</b>	<b>389,981,024</b>	<b>425,700,647</b>	<b>423,218,101</b>	<b>433,791,606</b>	<b>409,614,222</b>	<b>403,073,100</b>	<b>407,558,074</b>
<b>Legal debt margin</b>	<b>\$1,065,624,851</b>	<b>\$1,140,425,996</b>	<b>\$1,175,978,855</b>	<b>\$1,245,294,164</b>	<b>\$1,152,190,909</b>	<b>\$1,026,520,996</b>	<b>\$813,624,370</b>	<b>\$649,495,425</b>	<b>\$521,647,930</b>	<b>\$443,481,326</b>
<b>Total net debt applicable to the limit as a % of debt limit</b>	<b>73.57%</b>	<b>75.48%</b>	<b>76.54%</b>	<b>76.15%</b>	<b>73.02%</b>	<b>70.81%</b>	<b>65.22%</b>	<b>61.32%</b>	<b>56.41%</b>	<b>52.11%</b>



**City of Newport News, Virginia**  
**Pledged-Revenue Coverage**  
**Current and Prior Fiscal Years**

	Fiscal Year					
	2013	2012	2011	2010	2009	2008
<b>Revenues</b>	\$ 76,099,474	\$ 73,337,822	\$ 74,497,013	\$ 72,719,343	\$ 73,817,176	\$ 76,003,756
<b>Less the Sum of:</b>						
Operating Expenses	44,089,728	43,538,269	42,366,225	42,696,818	41,863,251	40,055,421
120% of Max Debt Service on Revenue Bonds	3,129,200	3,129,200	3,129,200	3,129,200	27,555,365	3,118,485
100% of Max Debt Service on general obligation water bonds	16,356,343	16,710,108	19,355,120	16,356,343	16,356,343	19,552,167
	63,575,271	63,377,577	64,850,545	62,182,361	85,774,959	62,726,073
<b>Equals (1)</b>	<u>\$ 12,524,203</u>	<u>\$ 9,960,245</u>	<u>\$ 9,646,468</u>	<u>\$ 10,536,982</u>	<u>\$ (11,957,783)</u>	<u>\$ 13,277,683</u>

(1) Must be positive to meet subsection (i) of the Additional Bonds Test.

Note: Operating expenses exclude depreciation.



**City of Newport News, Virginia**  
**Demographic and Economic Statistics**  
**Last Ten Fiscal Years**

Fiscal Year	Population	Personal Income (In thousands)	Per Capita Income	Median Age	School Enrollment	Unemployment Rate
2004	185,200	4,872,092	23,986	32	31,358	5.2%
2005	185,240	5,086,295	25,233	32	30,827	4.8%
2006	186,000	5,225,657	26,782	32	30,635	4.2%
2007	186,000	5,500,739	28,436	33	30,218	3.4%
2008	187,200	5,941,588	28,990	34	29,441	4.0%
2009	193,212	6,011,449	31,120	33	29,023	6.5%
2010	193,172	5,946,073	32,921	32	28,610	8.0%
2011	180,719	6,241,927	34,752	32	28,183	7.6%
2012	180,719	-	-	32	27,701	7.4%
2013	180,726	-	-	32	29,222	6.9%

**Sources:**

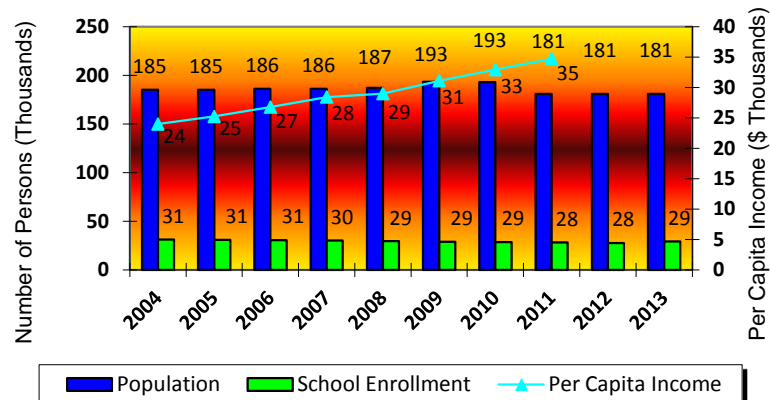
Note: Population figures are derived as follows: 2004 - 2008 City estimates, 2009 - 2013 Census Bureau estimates.

Personal Income: 2004 - 2007 Virginia Employment Commission; 2008-2011 Bureau of Economic Analysis; 2012 - 2013 were not available at year-end.

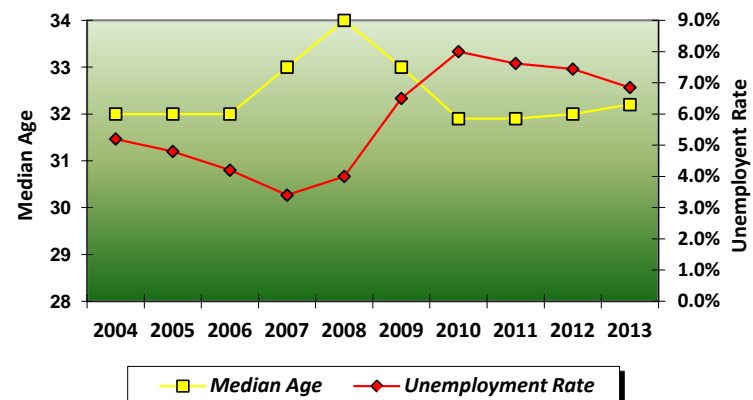
Per Capita Income: 2005 Census Bureau; 2004, 2006 - 2011 Bureau of Economic Analysis; 2012 - 2013 were not available at year-end.

Unemployment Rate: 2004 - 2009 Virginia Employment Commission; 2010-2013 Virginia Workforce Connection.

**Population, School Enrollment, Per Capita Income**



**Median Age - Unemployment**



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

	2013		2004	
	Employees	% of Total City Employment	Employees	% of Total City Employment
Huntington Ingalls Industries, Inc.	10,000 - 25,000	19.82%	10,000 - 25,000	20.18%
Newport News Public Schools	1,000 - 5,000	3.40%	1,000 - 5,000	3.46%
Riverside Regional Medical Center	1,000 - 5,000	3.40%	1,000 - 5,000	3.46%
U. S. Department of Defense	1,000 - 5,000	3.40%	1,000 - 5,000	3.46%
City of Newport News	1,000 - 5,000	3.40%	1,000 - 5,000	3.46%
Ferguson Enterprises Inc.	1,000 - 5,000	3.40%	-	-
U. S. Department of Army and Air Force	1,000 - 5,000	3.40%	500 - 999	0.86%
Canon	1,000 - 5,000	3.40%	500 - 999	0.86%
Christopher Newport University	1,000 - 5,000	3.40%	500 - 999	0.86%
Wal Mart	1,000 - 5,000	3.40%	-	-
Siemen's Automotive Corporation	-	-	500 - 999	0.86%
MCI Payroll Services	-	-	500 - 999	0.86%
<b>Total</b>	<b>18,500 - 65,999</b>	<b>50.40%</b>	<b>17,500 - 52,997</b>	<b>38.34%</b>

Source: Virginia Employment Commission

**City of Newport News, Virginia**  
**Full-Time City Government Employees by Function/Program**  
**Last Ten Fiscal Years**

	Full-Time City Government Employees as of June 30									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
<b>Fund, Function, Activity and Elements</b>										
<b>General Fund:</b>										
<b>General Government Administration:</b>										
<b>Legislative:</b>										
City Council	7	7	7	7	7	7	7	7	7	7
City Clerk	5	5	5	5	5	5	5	5	5	5
<b>General and Financial Administration:</b>										
City Manager	18	18	18	21	21	23	23	12	12	12
Human Resources	18	19	19	18	18	20	20	18	17	17
City Attorney	18	18	18	18	18	19	19	18	18	17
Management/Legislative Services	0	0	0	0	0	0	0	10	10	10
Internal Auditor	6	6	6	6	6	7	7	7	7	7
Commissioner of the Revenue	40	40	40	42	42	40	40	40	40	40
Real Estate Assessor	22	22	22	23	23	23	23	23	23	23
City Treasurer	33	33	33	34	34	35	35	34	34	34
Finance	18	18	18	18	18	19	19	19	19	19
Budget and Evaluation	7	7	7	7	7	7	7	7	7	7
Office of Self-Insurance	6	6	6	9	9	9	9	9	9	10
Purchasing	23	23	23	23	23	24	24	24	24	24
Information Technology	57	57	58	63	63	66	66	65	65	65
Customer Service - 311 Call Center	6	-	-	-	-	-	-	-	-	-
<b>Board of Elections:</b>										
Registrar	5	5	5	5	5	5	5	5	5	5
<b>Total General Government Administration</b>	<b>289</b>	<b>284</b>	<b>285</b>	<b>299</b>	<b>299</b>	<b>309</b>	<b>309</b>	<b>303</b>	<b>302</b>	<b>302</b>
<b>Judicial administration:</b>										
<b>Courts:</b>										
Circuit Courts	6	6	7	7	7	7	7	7	7	7
Office of the Magistrate	6	6	6	6	6	6	6	6	6	6
Clerk of the Circuit Court	23	24	24	27	27	27	27	27	27	27
Court Services	2	2	2	2	2	2	2	2	2	2
Commonwealth's Attorney	49	49	49	50	50	51	47	41	41	41
<b>Total Judicial Administration</b>	<b>86</b>	<b>87</b>	<b>88</b>	<b>92</b>	<b>92</b>	<b>93</b>	<b>89</b>	<b>83</b>	<b>83</b>	<b>83</b>
<b>Public Safety:</b>										
<b>Law Enforcement and Traffic Control:</b>										
Police Department	586	586	587	593	593	578	578	564	539	532
Emergency Communications	-	-	-	-	-	4	4	4	4	4
<b>Fire and Rescue Services:</b>										
Fire Department	380	382	382	371	371	372	377	374	374	374
<b>Correction and Detention:</b>										
Sheriff	217	217	217	222	222	202	198	193	187	181
Adult Corrections	60	61	62	69	69	73	72	72	69	69
Juvenile Detention	125	130	128	143	143	168	171	178	178	178
<b>Inspections:</b>										
Codes Compliance	38	39	39	40	40	41	41	41	42	37
<b>Total Public Safety</b>	<b>1,406</b>	<b>1,415</b>	<b>1,415</b>	<b>1,438</b>	<b>1,438</b>	<b>1,438</b>	<b>1,441</b>	<b>1,426</b>	<b>1,393</b>	<b>1,375</b>
<b>Public Works:</b>										
Engineering	78	84	85	93	93	98	97	97	95	84
Project Services	-	-	-	-	-	-	-	-	1	6
Public Works Administration	157	158	158	170	170	167	167	159	151	148
<b>Total Public Works</b>	<b>235</b>	<b>242</b>	<b>243</b>	<b>263</b>	<b>263</b>	<b>265</b>	<b>264</b>	<b>256</b>	<b>247</b>	<b>238</b>
<b>Welfare:</b>										
Human Services	391	391	391	397	397	396	394	394	390	390
Office of Youth Development	-	-	-	-	-	9	9	9	9	9
<b>Total Welfare</b>	<b>391</b>	<b>391</b>	<b>391</b>	<b>397</b>	<b>397</b>	<b>405</b>	<b>403</b>	<b>403</b>	<b>399</b>	<b>399</b>
<b>Parks and Library:</b>										
Parks and Recreation	107	105	106	117	117	122	120	112	112	103
Parks and Recreation Revolving Fund	94	95	95	98	98	95	93	89	75	75
Library	56	56	57	61	61	67	67	63	62	59
<b>Total Parks, Recreation and Library</b>	<b>257</b>	<b>256</b>	<b>258</b>	<b>276</b>	<b>276</b>	<b>284</b>	<b>280</b>	<b>264</b>	<b>249</b>	<b>237</b>
<b>Community Development:</b>										
<b>Planning and Community Development:</b>										
Development	17	17	18	20	20	20	20	18	18	17
Planning	13	13	13	14	14	15	15	14	14	14
<b>Total Community Development</b>	<b>30</b>	<b>30</b>	<b>31</b>	<b>34</b>	<b>34</b>	<b>35</b>	<b>35</b>	<b>32</b>	<b>32</b>	<b>31</b>
<b>Total General Fund</b>	<b>2,694</b>	<b>2,705</b>	<b>2,711</b>	<b>2,799</b>	<b>2,799</b>	<b>2,829</b>	<b>2,821</b>	<b>2,767</b>	<b>2,705</b>	<b>2,665</b>
<b>OTHER OPERATING FUNDS</b>										
Public Utilities Fund	365	365	365	370	370	381	372	374	374	374
Vehicle & Equipment Services Fund	39	40	40	40	40	43	40	45	45	45
Solid Waste Revolving Fund	61	61	66	66	66	68	68	69	66	65
Wastewater Fund	97	95	87	87	87	76	76	78	77	80
Stormwater Management Fund	84	81	79	79	79	84	84	83	61	59
Pension Fund	6	6	6	7	7	7	7	7	7	7
Economic and Industrial Authority	5	5	5	5	5	5	4	4	4	4
Parking Authority Fund	2	2	2	2	2	2	1	1	1	1
Law Library	1	1	1	2	2	2	1	1	1	1
Schools	4,026	4,076	4,138	4,296	4,293	4,420	4,468	4,446	4,389	4,281
<b>Total Other Operating Funds</b>	<b>4,686</b>	<b>4,732</b>	<b>4,789</b>	<b>4,954</b>	<b>4,951</b>	<b>5,088</b>	<b>5,121</b>	<b>5,108</b>	<b>5,025</b>	<b>4,917</b>
<b>TOTAL CITY EMPLOYEES</b>	<b>7,380</b>	<b>7,437</b>	<b>7,500</b>	<b>7,753</b>	<b>7,750</b>	<b>7,917</b>	<b>7,942</b>	<b>7,875</b>	<b>7,730</b>	<b>7,582</b>

Source: City Adopted Budget.

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

Function/Program	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
General Government										
<b>Retail Sales (Millions)</b>	2,202	2,109	1,893	1,923	1,873	2,021	2,122	2,029	1,743	1,897
Police										
<b>Calls for Service</b>	169,877	255,267	250,126	251,346	179,975	219,634	230,065	222,939	222,939	221,047
Number of Offenses	20,888	22,516	21,386	23,905	30,787	23,269	24,415	25,336	24,263	27,076
Adult Arrests	9,804	14,759	15,065	15,093	15,496	17,477	18,592	19,288	19,082	18,846
Traffic Summonses	28,383	32,961	15,682	26,611	22,944	23,417	27,072	26,778	37,452	32,791
Traffic Accidents	2,641	2,517	2,480	2,510	3,068	3,484	3,825	3,620	3,341	3,452
Fire										
<b>Fire Calls</b>	-	-	-	-	12,718	12,569	6,134	12,022	11,702	12,024
EMS Calls	-	-	-	-	21,492	24,854	24,872	23,931	23,764	21,669
Structure Fires	-	-	-	-	517	430	484	381	285	314
<b>Emergency Medical Service/Rescue*</b>	22,017	24,674	22,190	21,845	-	-	-	-	-	-
Public Assistance*	1,651	1,461	1,569	1,483	-	-	-	-	-	-
Good Intent Calls*	1,685	1,305	1,309	1,457	-	-	-	-	-	-
False/Alarm / Alarm Malfunction*	1,375	1,348	1,418	1,428	-	-	-	-	-	-
Hazardous Conditions*	637	930	720	879	-	-	-	-	-	-
All Fires*	639	704	870	776	-	-	-	-	-	-
Explosions*	14	18	2	18	-	-	-	-	-	-
Weather Event/Other*	57	51	27	16	-	-	-	-	-	-
Sheriff										
<b>City Jail Capacity</b>	300	300	300	248	248	248	248	248	248	248
Codes Compliance										
<b>Building Permits Issued</b>	1,985	2,155	1,759	1,821	2,079	2,203	2,640	2,680	2,226	2,876
Residential Construction	222	340	262	198	91	130	192	257	308	180
Commercial Construction	49	102	81	37	53	59	65	69	101	70
Waterworks										
<b>Gallons Delivered Per Day (Millions)</b>	35	36	40	40	42	44	44	44	43	44
Meters Connected**	132,743	132,439	134,403	131,924	128,614	124,956	124,677	123,857	128,090	127,377
Public Works										
<b>Potholes Repaired</b>	15,305	15,125	19,216	17,675	7,742	9,697	12,543	13,542	17,630	13,293
Streets Resurfaced (Miles)	7	8	9	9	10	11	8	22	21	18.50
Recyclables collected (Tons)	6,957	6,698	7,641	7,463	9,924	10,538	10,335	10,653	91,411	129,201
Parks and Recreation										
<b>Park Vistors (Millions) (All Parks)</b>	4	4	4	4	4	4	4	4	-	-
Celebration of lights vistors	109,700	112,854	93,428	91,665	103,341	103,400	111,786	95,510	109,223	95,510
Tourism visitor inquiries	79,088	87,732	80,206	79,610	108,412	129,495	141,774	141,300	148,766	136,167
Tourism web site visits****	215,849	147,875	126,754	138,048	117,588	116,109	93,418	105,374	129,682	74,653
Vistor guides distributed	165,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000
Library										
<b>Circulation Transactions</b>	1,009,939	1,062,759	941,934	847,367	767,131	715,613	688,569	668,092	625,276	593,077
Reference	174,356	178,117	140,623	140,071	129,196	126,182	139,285	122,543	110,053	115,234
Computer use	244,971	240,257	235,080	231,601	206,687	176,168	177,092	147,035	126,488	84,285
Program attendance	26,206	14,526	24,552	14,490	16,594	12,323	13,785	17,548	15,074	28,159
Visitor count***	889,407	759,840	814,129	997,912	973,869	942,224	909,939	877,477	808,196	748,834
Meeting room use	830	1,126	1,193	1,218	1,223	1,330	1,140	1,029	1,029	1,520
Schools										
<b>Average Daily Students</b>	29,222	27,701	28,183	28,610	29,023	29,441	30,218	30,635	30,827	31,358

Sources: Various city departments.

\*In 2009, the Fire Dept implemented a new incident reporting system which uses a national coding system that identifies multiple types of service calls.

\*\*Corrections made for service connections for Years 2008-2010

\*\*\*Library: New counters installed FY2011

\*\*\*\*Starting FY2013 includes mobile web site visits

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

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
<b>Function/Program</b>										
<b>Police</b>										
Patrol Units	245	237	253	240	224	221	224	222	222	222
Boat	3	3	2	2	1	1	1	1	1	-
<b>Fire</b>										
Stations	11	11	11	11	10	10	10	10	10	10
Fire Trucks	26	26	23	23	25	24	22	20	19	17
Ambulances	17	17	17	17	17	16	16	16	16	18
Boats	2	2	2	2	2	2	2	1	1	1
<b>Engineering</b>										
Streetlights	20,125	20,033	19,780	19,645	19,616	20,411	19,791	19,760	18,660	19,507
Traffic Lights	253	253	255	253	253	258	256	256	255	251
<b>Parks and Recreation</b>										
Parks	36	35	35	35	35	32	32	19	19	19
Acreage	9,120	9,119	9,119	9,119	9,119	9,119	9,939	8,978	8,978	8,978
Athletic Fields	97	97	97	97	97	102	102	77	77	77
Mini-parks	3	3	3	3	3	3	4	6	6	6
Beach/Waterfront Areas	8	8	8	8	8	4	4	6	6	6
Boat Ramps	7	7	7	7	9	5	5	3	3	3
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	65	56	57	60	60	60
Tennis Courts (pay)	24	24	24	24	20	20	24	20	20	20
Squares	3	3	3	3	3	2	5	3	3	3
<b>Library</b>										
Books	287,595	273,640	325,370	324,531	340,733	333,176	464,194	456,791	444,328	437,324
Paperbacks	17,497	17,374	19,914	21,276	21,173	20,382	24,758	23,443	19,047	17,174
Videos/DVD's	32,714	26,859	26,270	21,259	19,910	15,128	12,821	11,330	9,416	7,018
Cassettes/Compact Disks	20,362	20,960	22,911	20,605	16,359	12,453	21,227	19,683	18,202	17,107
Microfilm	-	-	-	-	-	5,320	9,216	9,176	9,124	9,080
Microfiche	-	-	-	-	-	-	1,060	1,060	1,060	1,060
<b>Waterworks</b>										
Miles of Pipe	1,748	1,746	1,798	1,780	1,786	1,785	1,781	1,772	1,763	1,754
Fire Hydrants	10,939	10,874	10,821	10,700	10,650	10,129	9,944	9,843	9,704	9,595
<b>Public Works</b>										
Refuse Carts	78,354	79,056	82,023	76,607	76,729	76,725	76,202	76,491	76,029	71,164
Streets (miles)	505	666	505	505	504	504	503	503	502	502
Lanes (miles)	1,515	1,513	1,191	1,184	1,183	1,183	1,180	1,180	1,177	1,177
Sanitary sewers (miles)*	709	709	554	572	572	708	708	602	602	602
Storm sewers (miles)*	542	542	542	487	487	659	605	605	605	555
Pump Stations	180	185	177	179	179	175	171	170	-	-
<b>Schools</b>										
Early Childhood centers	4	4	4	4	4	4	4	4	4	3
Elementary schools	24	24	25	26	26	26	25	27	27	27
Middle schools	7	7	7	7	7	8	8	7	7	8
High schools	5	5	5	5	5	5	5	5	5	5
Elem-Middle combo schools	1	1	1	1	1	1	1	1	1	1

**Sources:** Various city departments.

\* For 2009 Public Works consulted with Engineering to verify a more accurate accounting of the actual miles of sewers.

**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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 26, 2013. That report recognizes that the City implemented a new accounting standard effective July 1, 2012. Our report includes a reference to other auditors who audited the financial statements of the Peninsula Airport Commission, a component unit of the City. This report does not include the results of the other auditors testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

**Internal Control Over Financial Reporting**

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

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

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as 2013-1 to be a material weakness.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and three instances of noncompliance that are required to be reported under the *Specifications for Audits of Counties, Cities and Towns*, which are reported in the accompanying schedule of findings and questioned costs as items 2013-3 through 2013-5.

### **City of Newport News, Virginia's Response to Findings**

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

We noted certain other matters that we reported to management of the City in a separate letter dated November 26, 2013.

### **Purpose of this Report**

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

A handwritten signature in blue ink that reads "Cheryl Behrman CPA". The signature is written in a cursive, flowing style.

Richmond, Virginia  
November 26, 2013

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

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

### **Report on Compliance for Each Major Federal Program**

We have audited City of Newport News, Virginia's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Newport News, Virginia's (the City) major federal programs for the year ended June 30, 2013. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

### **Opinion on Each Major Federal Program**

In our opinion, the City of Newport News, Virginia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

### **Other Matters**

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2013-2. Our opinion on each major federal program is not modified with respect to this matter.

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



## Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2013-2, that we consider to be a significant deficiency.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Cheryl Behrman CP". The signature is written in a cursive, flowing style.

Richmond, Virginia  
November 26, 2013

**CITY OF NEWPORT NEWS, VIRGINIA**  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2013

Federal Granting Agency/Recipient State Agency	CFDA Number	Federal Expenditures
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	\$ 2,467,601
Department of Agriculture:		
Food Distribution-Commodities	10.558	1,998
School Lunch Program-Commodities	10.555	\$ 7,321
Department of Education:		
School Breakfast Program (777-360-01; 777-360-03)	10.553	<u>114,894</u>
Total Child Nutrition Cluster		122,215
DEPARTMENT OF HOUSING & URBAN DEVELOPMENT		
Direct Payments:		
Community Development Block Grant Program	14.218	1,543,023
Community Development Block Grants (B10-MC-51-0015)		
Community Development Block Grant ARRA Entitl Grants (B09-MY-51-0015)	14.253	163,440
Pass-through Payments:		
Department of Housing & Community Development:		
Neighborhood Stabilization Program (08-NSP-05)	14.228	56,602
Home Investment in Affordable Housing (M-10-MC-51-0202)	14.239	1,188,453
Economic Development Initiative Special Projects (B08-SP-VA-0709)	14.251	189,431
DEPARTMENT OF JUSTICE		
Direct Payments -		
Office of Justice Programs:		
Public Safety Partnership & Community Policing Grants (2010-CK-WX-0248)	16.710	115,613
Edward Byrne Memorial Justice Assistance Grants (2010-DJ-BX-0899)	16.738	129,948
Pass-through Payments:		
Department of Criminal Justice Service:		
Victims of Crime Act (VOCA) (140-390-01)	16.575	36,000
Drug Control & System improvement - Formula Grant (140-390-01)	16.579	135,180
Office of Juvenile Justice & Delinquency Prevention		
Juvenile Accountability Incentive Block Grants (140-390-01)	16.523	25,050
Part E-Developing, Testing and Demo Prom New Prgms (2009-JL-FX-0291)	16.541	34,625
DEPARTMENT OF TRANSPORTATION		
Pass-through Payments:		
Va Department of Transportation:		
Highway Planning & Construction	20.205	1,217,628
Highway Planning & Construction--ARRA Funded	20.205	251,040
Va Department of Motor Vehicles:		
Alcohol Open Container-Project Grants (154-AL-2013-53072)	20.607	39,071
NATIONAL ENDOWMENT FOR THE HUMANITIES		
Direct Payments -		
Promotion of the Humanities-Public Programs (LB-50061-12)	45.164	<u>2,500</u>
Totals, page 1		<u>\$ 7,719,418</u>

**CITY OF NEWPORT NEWS, VIRGINIA**  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2013

Federal Granting Agency/Recipient State Agency	CFDA Number	Federal Expenditures
DEPARTMENT OF ENERGY		
Direct Payments:		
Energy Efficiency & Conservation Block Grant Prgm-ARRA (DE-SC0002677)	81.128	\$ 86,540
DEPARTMENT OF HEALTH & HUMAN SERVICES		
Pass-through Payments:		
Department of Social Services:		
Affordable Care Act MIECH Visiting Program	93.505	214,462
Promoting Safe and Stable Families (765-469-01)	93.556	25,262
Temporary Assistance for Needy Families (765-452-01; 765-460-03)	93.558	2,949,726
Refugee and Entrant Assistance (765-460-03; 765-491-02)	93.566	60,688
Low-Income Home Energy Assistance (765-460-03)	93.568	214,134
Child Care and Development Mandatory Matching Funds (765-460-03)	93.596	452,739
Chafee Education and Training Vouchers Program (765-469-01)	93.599	15,507
Child Welfare Services State Grants (765-460-06)	93.645	14,719
Foster Care - Title IV-E (765-460-03; 765-460-06; 765-469-01)	93.658	1,256,949
Adoption Assistance (765-460-03; 765-469-03)	93.659	1,891,548
Social Services Block Grant (765-460-03; 765-468-02; 765-469-01)	93.667	2,185,476
Independent Living (765-460-03; 765-469-01)	93.674	37,461
State Children's Insurance Program (765-460-03)	93.767	60,730
Medical Assistance Program - Title XIX (765-460-03; )	93.778	1,486,416
Supreme Court of Virginia, Office of Executive Secretary		
State Court Improvement Program	93.586	2,500
SOCIAL SECURITY ADMINISTRATION		
Direct Payments:		
Social Security Incentive Program	96.006	14,040
Pass-through Payments:		
Department of Emergency Management:		
Disaster Grants-Public Assistance (DR-1862, DR-1661, DR-4024)	97.036	787,155
Hazard Mitigation Grant (HPMG-1905-70017)	97.039	21,936
Emergency Management Performance Grants (127-775-01)	97.042	70,884
Port Security Grant Program (127-775-01)	97.056	188,477
State Homeland Security Program (127-775-01)	97.073	98,916
		<hr/>
Totals, page 2		12,136,265
		<hr/>
Grand Totals		\$ 19,855,683
		<hr/> <hr/>

Note: This report does not include Newport News Public Schools (NNPS) and Peninsula Airport Commission (PAC) programs. NNPS has conducted a separate audit and that report is issued by NNPS. PAC was required to have a single audit for FY2013 that is issued separately.

## CITY OF NEWPORT NEWS, VIRGINIA

### Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2013

#### (1) Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards Schedule 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 Single Audit Reports. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

#### (2) Relationship to Basic Financial Statements

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

	<b><u>Federal expenditures</u></b>
General Fund	\$ 13,118,957
Special Revenue Funds	<u>6,736,726</u>
Total expenditures	<u><u>\$ 19,855,683</u></u>

**CITY OF NEWPORT NEWS, VIRGINIA**

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

**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: **Yes, 2013-1**
4. Noncompliance, which is material to the financial statements: **No**
5. Significant deficiencies in internal control over major programs: **Yes, 2013-2**
6. Material weaknesses in internal control over major programs: **No**
7. The type of report issued on compliance for major programs: **Unmodified opinion**
8. Any audit findings which are required to be reported under Section 510(a) of OMB Circular A-133: **Yes, 2013-2**
9. The programs tested as major programs were:

<b><u>CFDA Number</u></b>	<b><u>Name of Federal Program or Cluster</u></b>
10.561-CL	SNAP Cluster
10.553/10.555-CL	Child Nutrition Cluster
14.218/14.253-CL	CDBG – Entitlement Grants Cluster
14.228-CL	National Stabilization Program
14.239	Home Investment Partnerships Program
14.251	Economic Development Initiative
16.710	Public Safety Partnership
93.505	Affordable Care Act
93.568	Low-Income Home Energy Assistance
93.596-CL	Child Care and Development Fund Cluster
93.658	Foster Care
93.659	Adoption Assistance
97.056	Port Security

10. Dollar threshold used to distinguish between type A and type B programs: **\$595,670**
11. City of Newport News qualified as a low-risk auditee under Section 530 of OMB Circular A-133: **No**

## **CITY OF NEWPORT NEWS, VIRGINIA**

### **Schedule of Findings and Questioned Costs**

Year ended June 30, 2013

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

##### **2013-1 Capital Assets**

###### **Criteria:**

The City of Newport News, Virginia (City) is required to initiate, authorize, record, process, reconcile and report financial data in accordance with generally accepted accounting principles. In order to prepare financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP), accurate and complete subsidiary records must be maintained and City policies must be defined for consistent and accurate presentation of the financial position of the City at the end of the year.

###### **Condition:**

During our testing of capital asset additions, we noted an instance where an asset acquisition was not accurately recorded.

###### **Cause:**

City Finance Department policy for review of the related transaction was ineffectively followed.

###### **Effect:**

An understatement of machinery and equipment and related depreciation expense.

###### **Recommendation:**

We recommend that the Finance Department's existing policy of supervisory review of related transactions be emphasized to ensure the accuracy and completeness of the City's capital asset ledger.

###### **Management Response:**

Management is in agreement with the recommendation and has revised its procedures to minimize the opportunity for similar errors in the future.

#### **C. Findings and Questioned Costs Relating to Federal Awards:**

##### **2013-2 Eligibility**

**Program** – Low-Income Home Energy Assistance (CFDA 93.568 – U.S. Department of Health and Human Services – Virginia Department of Social Services; Federal Award Number – not available; Federal Award Year – 2013)

###### **Criteria:**

Grantees may provide assistance to: (a) households in which one or more individuals are receiving Temporary Assistance for Needy Families (TANF), Supplemental Security Income (SSI), Supplemental Nutrition Assistance Program (SNAP) benefits, or certain needs-tested veterans benefits; or (b) households

## **CITY OF NEWPORT NEWS, VIRGINIA**

### **Schedule of Findings and Questioned Costs**

Year ended June 30, 2013

with incomes which do not exceed the greater of 150 percent of the State's established poverty level, or 60 percent of the State median income. Grantees may establish lower income eligibility criteria, but no household may be excluded solely on the basis of income if the household income is less than 110 percent of the State's poverty level. Grantees may give priority to those households with the highest home energy costs or needs in relation to income.

#### **Condition:**

For one of the 40 Fuel Assistance cases tested, the participant's household income was over the maximum limit for a one person household. The maximum income limit for a one person household is \$1,211; however, the participant reported income of \$1,247.

#### **Cause:**

The City will often use income information submitted to similar program during the last 12 months to verify application data. The same applicant was approved for assistance during the last 12 month period but there were two residents in the household. The current year application only indicated a single resident, which put the total household income over the State limit.

#### **Effect:**

As a result of the participant not being denied assistance, the individual received Fuel Assistance benefits.

**Questioned Cost:** \$269.38

#### **Recommendation:**

We recommend that the interviewer use the updated application for each program and season to reduce the chance of repeating the error and providing assistance to ineligible households.

#### **Management Response:**

Management is in agreement with the comment and the recommendation, and will re-emphasize the importance of having accurate and current income information for recipients.

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

#### **2013-3 Virginia Retirement System Reporting**

##### **Criteria:**

Local governments participating in the Virginia Retirement System (VRS) must provide the following information on all eligible employees to VRS:

1. Reported to the VRS for retirement, life insurance and/or retiree health insurance credit,
2. The employee's creditable compensation includes all eligible salary, exclusive of overtime, supplements, extraordinary pay, and termination pay for annual or sick leave,

## **CITY OF NEWPORT NEWS, VIRGINIA**

### **Schedule of Findings and Questioned Costs**

Year ended June 30, 2013

3. The employee's base pay includes all eligible salary, exclusive of overtime, supplements, extraordinary pay, and termination pay for annual or sick leave, and
4. The employee's pay was not reduced for contributions if the employer has assumed the employee share.

#### **Condition:**

During our testing of proper reporting to the Virginia Retirement System, we noted 2 instances where the employee's creditable compensations and base pay was not accurately reported.

#### **Cause:**

The internal control processes was not operating effectively to ensure accurate reporting of VRS eligible employees.

#### **Effect:**

Inaccurate reporting to VRS could lead to inaccurate calculations of pension and other postemployment benefits costs and actuarial calculated liabilities.

#### **Recommendation:**

We recommend that the process for ensuring the accuracy of VRS reporting is properly reviewed and that compensation reported is reconciled to the City's payroll ledger.

#### **Management Response:**

Management is in agreement with the recommendations and has established a process which will reconcile the reported compensation to the City's payroll records.

### **2013-4 Conflicts of Interest**

#### **Criteria:**

As described in Section 2.2-3115 of the *Code of Virginia*, Local officials must file an annual disclosure form, disclosing personal financial interests that may cause conflicts.

#### **Condition:**

There were two of 13 elected officials who did not complete the annual disclosure completely.

#### **Cause:**

Disclosures were incomplete or unanswered.



## **CITY OF NEWPORT NEWS, VIRGINIA**

### **Schedule of Findings and Questioned Costs**

Year ended June 30, 2013

#### **Effect:**

Non-compliance may result in action by the Commonwealth.

#### **Recommendation:**

Elected officials should complete all questions on the disclosure form.

#### **Views of Management:**

Management agrees with the comment and will work with the City Clerk and Council members to ensure that the forms are fully completed.

### **2013-5 Information Security Policy**

#### **Criteria:**

City Social Service employees are required to read the 2012 VDSS Information Security Program and sign the Information Security Program and Acceptable Use Awareness Acknowledgement Form no later than close of business November 30, 2012.

#### **Condition:**

In our sample of 30 employees, we noted six instances where employees signed the Information Security Program and Acceptable Use Awareness Acknowledgement Form subsequent to November 30, 2012.

#### **Cause:**

Employees did not remit the signed Information Security Program and Acceptable Use Awareness Acknowledgement Forms on a timely basis.

#### **Effect**

Non-compliance may result in unauthorized individuals having system access.

#### **Recommendation**

Employees should complete the Information Security Program and Acceptable Use Awareness Acknowledgement Form by the required deadline.

#### **Views of Management**

Management is in agreement with the recommendation. All employees signed the Acknowledgement, after a review by management in early December to identify those employees who had not signed by the due date.

**CITY OF NEWPORT NEWS, VIRGINIA**

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

**Resolution of Prior Year Findings:**

**2012-01 Virginia Retirement System Reporting** – Finding repeated as finding 2013-3.

**2012-02 Capital Assets** – Finding repeated as finding 2013-1.

**2012-03 Bonds Payable** – Finding not repeated.

**2012-04 Subrecipient Monitoring** – Finding not repeated.

**2012-05 Eligibility** – Finding not repeated.

**2012-06 Allowability** – Finding not repeated.

**2012-07 Eligibility** – Finding not repeated

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# COMPREHENSIVE ANNUAL FINANCIAL REPORT 2013

DEPARTMENT OF FINANCE  
2400 WASHINGTON AVENUE | NEWPORT NEWS, VIRGINIA 23607

CITY OF NEWPORT NEWS, VIRGINIA

