

CITY OF NEWPORT NEWS, VIRGINIA

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2019

Prepared by the
Department of Finance

2400 Washington Avenue
Newport News, VA 23607

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City of Newport News, Virginia

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November 22, 2019

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, 2019 (FY 2019).

Cherry Bekaert LLP, Certified Public Accountants, conducted the audit of the City's financial statements for the year ended June 30, 2019, and have issued an unmodified ("clean") opinion on those statements. The independent auditor's report is located at the front of the Financial Section of this report.

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

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

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

PROFILE OF THE CITY AND ITS GOVERNMENT

The City of Newport News, incorporated in 1896, is located on the eastern coast of Virginia. It occupies 69 square miles with a population of 178,626, based on the 2019 census estimates.

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

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

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

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

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

The City's annual budget process, the foundation for communicating major financial operating objectives and for allocating resources to achieve them, is a complex undertaking involving the entire government. The City is required by State code to adopt a final budget by the 15th day of the last month of the fiscal year (June 15). Once the budget is approved, there is significant focus on the control of expenditures and monitoring revenues. Ongoing monitoring of revenues and expenditures throughout the year is a responsibility shared by department directors and the Department of Budget and Evaluation (Budget Department).

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

LONG-TERM FINANCIAL PLANNING AND DEBT ADMINISTRATION

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

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

Debt Indicator	Established Policy	FY 2018	FY 2019
Outstanding General Obligation Debt to Taxable Real and Personal Property Value	No greater than 3.0%	2.3%	2.5%
Debt Service to General Fund and School Revenue	No greater than 9.5%	8.3%	8.1%
Proportion of Capital Improvement Plan spending with Cash Capital	No less than 20%	24.4%	22.3%
Outstanding General Obligation Debt Scheduled to be repaid within 5 years	No less than 30%	43.0%	41.0%
Outstanding General Obligation Debt Scheduled to be repaid within 10 years	No less than 60%	74.0%	72.0%

As required by City Code, the City Manager submits a multi-year Capital Improvements Plan (CIP) to City Council, no later than November 1 of each year. The FY 2019 to FY 2023 Capital Improvements Plan was approved by City Council on January 23, 2018. The CIP reflects the vision and priorities of the City Council for the construction and maintenance of the buildings and infrastructure owned by the City. Although intended to be a commitment to a multi-year capital needs program, the CIP is fundamentally a planning document, subject to annual modification and amendment as changing priorities, availability of funding and other factors create the need for revision. Most projects in the CIP are funded by 20-year General Obligation Bonds issued by the City with level annual principal payments. The annual principal and interest payments (debt service) are included in the City's annual operating budget. The General, Wastewater, Stormwater, and Solid Waste funds each pay for a proportionate share of principal and interest payments. The Waterworks Fund pays all of the debt service related to its capital project. The FY 2020 Budget provides that the General Fund will pay 80%, or \$37.5 million, of the total debt service budget of \$46.4 million.

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LOCAL ECONOMY AND OUTLOOK

Newport News is a vibrant City at the mid-point of the Atlantic Coast and at the center of the Virginia Beach-Norfolk-Newport News Metropolitan Statistical Area, the 37th largest market in the United States and the largest metro between Washington and Atlanta, with a population estimate of 1.7 million.

Newport News is located on the Virginia Peninsula, surrounded by the James River to the south, the York River to the north, and the Chesapeake Bay to the east. The diversity of available resources and quality of life for those who live here are further enhanced by its close proximity to 18 other cities and counties. In total, these entities blend synergistically into Virginia's Hampton Roads region, with Newport News a vital contributor to the desirable lifestyle, high energy, and economic strength of this vibrant area.

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



Unemployment rates in Newport News have decreased slightly in the last year, and are on par with the national average. As of July 2019, the local unemployment rate (not seasonally adjusted) was 3.5% compared to 4.2% in July 2018. The national rate was 4.0% compared to 4.2% in 2018.

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. Schools provides a full range of public education services to approximately 28,600 students in four early childhood centers, 24 elementary schools, seven middle schools, five high schools, one combination middle/high school, and nine program sites.

Schools receive funding from taxes collected and allocated by the Commonwealth of Virginia and local support from the City, 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 Schools is available in the separately published Schools CAFR.

ECONOMIC DEVELOPMENT ACTIVITIES

Newport News promotes the expansion of economic activity, provides varied economic opportunities for its residents, and fosters a healthy climate for new and existing businesses. During FY 2019, the focal point of economic development activity within the City was on continued support and expansion of science and technology industries and related economic opportunities, as well as investment in neighborhoods and resident amenities. Information on some of the new and ongoing projects follows.

Corporate Research at Tech Center & Jefferson Lab Activity

Jefferson Lab, a world-class national laboratory specializing in particle physics, has been present in Newport News for over 30 years. During that time, the Lab has been awarded with over \$3.2 billion in federal funding and made groundbreaking discoveries in nuclear physics. Jefferson Lab recently completed a \$400 million federally funded upgrade, doubling the power of the existing facility. The

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Lab has also begun early project development of an Energy Electron Ion Collider (EIC) in preparation to compete for a high-priority, next-generation Department of Energy, multi-phased, multi-billion dollar science initiative. This unique and important science asset, attracting over 1,600 international user annually, is a significant contributor to the local economy.

Adjacent to Jefferson Lab is the Tech Center Research Park, which upon completion will contain approximately 850,000 square feet of office and lab space spread across 10 buildings with an estimated 5,500 employees. A ribbon cutting ceremony was held in August 2019 for Building One @ Tech Center, the first research office building. Plans to break ground on the second research facility, Building Two, are anticipated for early 2020. The presence of a research center next to Jefferson Lab will provide immediate opportunities for collaboration between Jefferson Lab scientists and the private sector. In addition to the research park, the broader Tech Center development includes housing, retail, and commercial uses including Venture Apartments, a high-end, 285-unit multifamily fully leased complex.

The provision of these amenities aligns with a growing trend of mixed-use research parks and will contribute toward the attraction of skilled workers to Newport News, benefitting both the researchers at Jefferson Lab and the companies occupying the corporate research center.

Endview

In addition to the new housing options at Tech Center, a residential community is planned at one of the City's last large undeveloped areas in northern Newport News. In June 2019, the Economic Development Authority selected a design/development/build team to plan, design, build and market a premier, predominantly residential community at its 285-acre Endview tract. In Endview, the City and its Economic Development Authority see an opportunity to develop a distinctive, high-quality, vibrant residential neighborhood.

Innovation and Opportunity Center

The City of Newport News hosted a ribbon cutting ceremony in August 2019 for the new Brooks Crossing Innovation and Opportunity Center (BCIOC) in the Southeast Community. Governor Ralph Northam, Senator Mark Warner, Senator Tim Kaine, Congressman Bobby Scott, Mayor McKinley Price, officials from the City, Newport News Shipbuilding and Old Dominion University, as well as community leaders celebrated the opening of the center. BCIOC, which is leased by the Newport News Economic Development Authority, occupies the first floor of the newly constructed 105,000-square-foot Brooks Crossing office building, will make workforce development and STEM education services readily accessible to citizens, students and businesses. The facility includes a collaborative space for innovation and new ventures, such as entrepreneurial initiatives. Newport News Shipbuilding is the anchor tenant of the four-story office building, with approximately 600 employees in the information technology, engineering and design, and integrated planning and production control departments now occupying the top three floors of the building.

Huntington Ingalls Industries

Huntington Ingalls Industries is the State's largest private employer with nearly 24,500 workers employed in the City 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 as well as its human capital, typically in tens of millions of dollars annually.

Shipbuilding and repair have remained exceptionally strong in 2019. Huntington Ingalls – Newport News Shipbuilding continues to build the next generation of Ford-class aircraft carriers, and will work jointly with Connecticut based Electric Boat to build a new fleet of Columbia-class ballistic missile submarines for the Navy to replace the aging Ohio-class subs. To support this effort, the Shipyard will invest more than \$750 million in its facility and create 1,000 new jobs by the year 2025. The company anticipates its workforce will reach 25,000 in the next few years.

Liebherr Mining Equipment Company

Liebherr Mining Equipment Company, located in the Copeland Industrial Park, manufactures the world's largest mining trucks. Liebherr is expanding once again with the construction of three new buildings on 28 acres adjacent to the company's current manufacturing facility. These new facilities will total over 251,000 square feet and will be occupied by Liebherr USA, Co., the umbrella for eight divisions positioned across the United States. The expansion includes space for Liebherr USA, Co.'s new headquarters and administrative building. Construction began in July 2018 and is expected to be completed by summer 2020.

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Ferguson Enterprises

Ferguson Enterprises, the largest whole sale plumbing distributor in the U.S., began construction on an eight-story, 260,000 square-foot campus in City Center at Oyster Point in July 2018. The new facility, expected to be completed in summer 2020, will house 1,600 Ferguson employees working in Marketing and Communications, National Sales Center, eBusiness, Human Resources, Information Technology, Security, and other corporate functions. As part of the expansion, Ferguson is investing nearly \$83 million and creating 350 new jobs.

City Center at Oyster Point

As of 2018, capital investment in City Center, a public-private partnership, totals more than \$300 million, with nearly 30% from the public sector. City Center currently offers over 1,000,000 square feet of mixed-use space for office, retail and entertainment uses, more than 600 units of luxury residential development, a 256-room full-service Marriott hotel and conference center, and a 182 room full-service Holiday Inn hotel and conference center. The mixed-use nature of City Center provides those living and working there with a host of amenities.

Christopher Newport University

Christopher Newport University (CNU) has completely transformed its campus and surrounding area with construction of multiple on and off-campus student housing facilities, a new library, the Robert L. Freeman Sports and Convocation Center, structured parking and the CNU Ferguson Center for the Arts. Investment in recently completed projects and others in progress is approximately \$500 million. A respected liberal arts institution, CNU is attracting most of its student body from beyond the Hampton Roads region and providing talented young graduates to support the City's expanding industries.

SIGNIFICANT STRATEGIC PRIORITY ACCOMPLISHMENTS FOR FY 2019

The Council has identified several broad strategic priorities to guide the City's operations. Highlights of the significant accomplishments and initiatives undertaken or completed during the year in support of these priorities are listed below.

Efficient Operations and Fiscal Management

The City carefully monitors revenue and expenditures to ensure a financially health organization. The City maintains strong credit ratings with the financial ratings agencies Standard & Poor's (S&P) and Moody's with long-term credit ratings of AA+ and Aa1, respectively. The City's Waterworks Department also maintains strong credit ratings of AAA with S&P and Aa1 with Moody's. These strong credit ratings allow the City gain access to capital at lower interest rates.

Community Renewal, Maintenance and Enhancement

Choice Neighborhoods Initiative



The City of Newport News and the Newport News Redevelopment and Housing Authority received a \$30 million grant from the U.S. Department of Housing and Urban Development's (HUD) Choice Neighborhoods Initiative (CNI) program. CNI provides competitive grants to rebuild both deteriorated public and assisted housing into mixed-income communities by bringing together local leaders, residents, and a vast array of other stakeholders. The \$30 million grant is leveraged by \$128.5 million in private investments and \$146.8 in public investments. This money will transform the Marshall-Ridley area in the Southeast Community by creating new housing options, community services, recreational opportunities and parks. Newport News received the maximum amount of funding allowable from HUD. U.S. Housing and Urban Development Secretary Ben Carson visited Newport News in May 2019 to announce the grant in-person.

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Community renewal efforts that preserve and respect existing neighborhoods while inviting new growth are also underway in the Northern part of the City. In support of this goal and following extensive community input, City Council adopted the Denbigh-Warwick Area Plan in October 2019. The plan creates a long-term vision for the area that establishes an identity, enhances the quality of life, stimulates economic revitalization and improves the community's overall health and safety.

Newport News continually reinvests in and enhances its neighborhoods and community resources. In FY 2019, as part of the City-wide effort to promote environmental sustainability, alternative means of transportation, and use of our natural and cultural assets, two new trails were completed. The Chesapeake Avenue Bike Trail project, completed in April 2019 at a cost of \$1,700,000, converted an existing concrete roadway into a two-way street with parking, a new bicycle path and a sidewalk along the Chesapeake Bay in the Southeast community, and the Mariners' Museum Multipurpose Trail, completed in June 2019 at a cost of \$2,800,000, added a pedestrian and bike path with a timber bridge and granite seating adjacent to Warwick Boulevard near the museum. The projects were financed with State and City funds.

The City also completed 680 street light updates in the Southeast and Forrest Drive areas of the City as part of a comprehensive City-wide program to update the City's lights to newer, brighter LED fixtures. Upgraded lights enhance visibility and safety in the City's neighborhoods and locations are prioritized in coordination with the Police Department.

In addition, the City completed replacement of two major bridges: the Huntington Avenue Bridge in April 2019 and the six-lane, 163-foot long Warwick Boulevard over Lake Maury Bridge in July 2019. Both projects required complete removal and replacement of the existing bridge structures and provided related roadway and utility enhancements, including an additional through lane on Warwick Boulevard and sidewalk improvements on Huntington Avenue. The new bridges, which cost a combined \$15,000,000 in State and City funds, carry over 40,000 vehicles per day and are anticipated to last 75 years.

Environmental Stewardship and Sustainability

In FY 2019, environmental initiatives were focused on effective storm water management. To address flooding and safety concerns in the area, the Warwick and Bland Intersection Improvements project was completed in February 2019 for a total cost of \$4,400,000 financed by the State and City funds. The intersection, a part of the City's hurricane evacuation route, was historically prone to flooding. To improve drainage in the area, the roadway was elevated three feet and the storm water system serving the intersection was enhanced. The project also included new traffic signals and detection systems to improve traffic flow.

The City also installed 11 flood sensors within flood prone areas to give advanced warnings of rising waters as part of the regional Storm Sense initiative. This is a groundbreaking project that helps predict localized flooding based on rising sea levels. The project uses sensors, historical information, and big data analytics to identify impacted areas, allowing the City to send flood warnings to citizens and businesses in the affected areas.

The City worked to engage residents in environmental stewardship. Using grants awarded by the Virginia Department of Environmental Quality, the Department of Public Works began providing litter kits available for loan at all Newport News Public Libraries. Each litter clean-up kit contains litter grabbers, safety vest, trash bags, and latex-free gloves for up to five participants. The litter kits are available for a one-week check-out-period to library cardholders. Thirty-six individuals/groups have taken advantage of this opportunity.

Public Safety

The City is committed to taking a proactive, community-focused approach to ensure residents and visitors are supported and safe. The Police Department Community & Youth Outreach Division (CYOD) focuses on growing community relationships and improving the department's community policing initiatives. A major component of the CYOD is the development and sustainment of working and viable Neighborhood Watch programs in order to partner with engaged citizens to improve neighborhood safety. There were 58 Neighborhood Watch Groups during 2018. The CYOD hosted the Citizen's Police Academy throughout the year with 77 members graduating from the program. In the Fire Department, the Community Paramedicine Division proactively connects with citizens who repeatedly use 911 services for non-emergencies and partners with community organizations to connect these residents with alternative services for their needs. The Division has reached over 800 individuals this year.

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The City continually looks for innovative solutions to address safety concerns. In June 2019, the Police Department implemented ShotSpotter in the Southeast Community. ShotSpotter uses a wide-area network of acoustic sensors to detect when a gun is being fired. The system precisely and quickly pinpoints the location of gunfire and sends a notification of the incident to NNPD. In the Fire Department, the Pulse Point app interfaces with the City's dispatch system and alerts CPR-trained citizens when someone is experiencing sudden cardiac arrest in a nearby public location.

Other Community and Citizen Services

For our most vulnerable citizens, the City administers public welfare benefits, including Supplemental Nutrition Assistance, Temporary Assistance for Needy Families, Medicaid, Comprehensive Services Act, Energy assistance and Child Care assistance. In FY 2019, the City reached over 60,000 individuals through these programs. In addition, in December 2018, the City opened the Four Oaks Day Service Center, a one-stop assistance center for men, women, and families experiencing homelessness. A former Marine Corps training facility that had been vacant for years was given new life and purpose when the Navy donated the 30,000 square foot facility to the city with the guarantee that it would be used to serve the homeless. At the Day Service Center, a diverse group of partners meets the basic personal needs of homeless individuals and families while giving them access to health, education, and most importantly, workforce development services.

The City also provides innovative library services for its citizens. In 2019, Newport News Public Library (NNPL) dramatically increased its effort to connect small children with literacy. Babies and children who are read to and have access to reading materials enter kindergarten ready to read and ready to learn. NNPL hired an Early Literacy Outreach Coordinator who established a regular outreach schedule with 25% of the preschools in Newport News. This past summer, NNPL launched the innovative Books and Bubbles Early Literacy Center at a Soaps N' Suds Laundromat, providing fun learning opportunities to kids who are bored and restless while their parents do laundry.

As part of our commitment towards bridging the digital divide in Newport News, NNPL also launched the circulation of Wi-Fi Hotspots at the Pearl Bailey Library, achieving 100% circulation in less than a month after launch. NNPL continues to see steady growth in in-library Wi-Fi usage and boasted a 120% increase in digital downloads in 2019, demonstrating that public libraries remain a connection point for technology tools and digital resources.

Newport News hosts a variety of special events for citizens and guest of all ages each year. In December 2018, the city debuted a new holiday event, *25 Nights of Northern Lights*, which included a state-of-the-art light show and 43' tall digital tree. This event complemented the city's annual *Celebration in Lights*, Virginia's first drive-through holiday light event that illuminates Newport News Park with over a million individual lights, creating animated holiday and fanciful scenes. In 2019, Newport News also celebrated the 5th Anniversary of the *One City Marathon*. To commemorate this milestone and due to overwhelming requests, the City added a half marathon to the line-up of races. Over 2,500 runners participated in all five races. Other events include the 4th of July *Stars in the Sky*, *Children's Festival of Friends*, *Fall Festival*, and *World Arts Celebration*. In total, over 600,000 people attended special events in Newport News in FY 2019.

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, 2018. This was the 40th consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for one year. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

In December 2018, the Department of Public Works was reaccredited with the prestigious American Public Works Association (APWA) Accreditation designation. The APWA Accreditation program recognizes public works agencies that go beyond the requirements of the management practices established nationally in the public works industry, as contained in the APWA Public Works Management Practices Manual. All of the Department of Public Works Management Practices were rated full compliance, with ten chosen as model practices. Model practices are examples of best management practices that can be used as a template for other agencies.

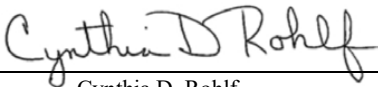
CITY OF NEWPORT NEWS, VIRGINIA

The National Institute of Governmental Purchasing's (NIGP) Outstanding Agency Accreditation Award (OA4) was awarded to the City of Newport News from 2019 through 2022. This OA4 accreditation formally recognizes excellence in public procurement through the establishment of a body of standards that evidence sound procurement practice. The City of Newport News is part of an elite group of procurement organizations as one of only 154 governmental agencies that have attained this distinction nationwide.

ACKNOWLEDGMENTS

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

Respectfully submitted,



Cynthia D. Rohlf
City Manager



Susan M. Goodwin
Director of Finance

CITY OF NEWPORT NEWS, VIRGINIA

CITY GOVERNMENT OFFICIALS

(at June 30, 2019)

City Council

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

Office of the City Manager

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

Department of Finance

Susan M. Goodwin..... Director of Finance
William R. Rose..... Controller
Chrystal Y. Rose Accounting Manager

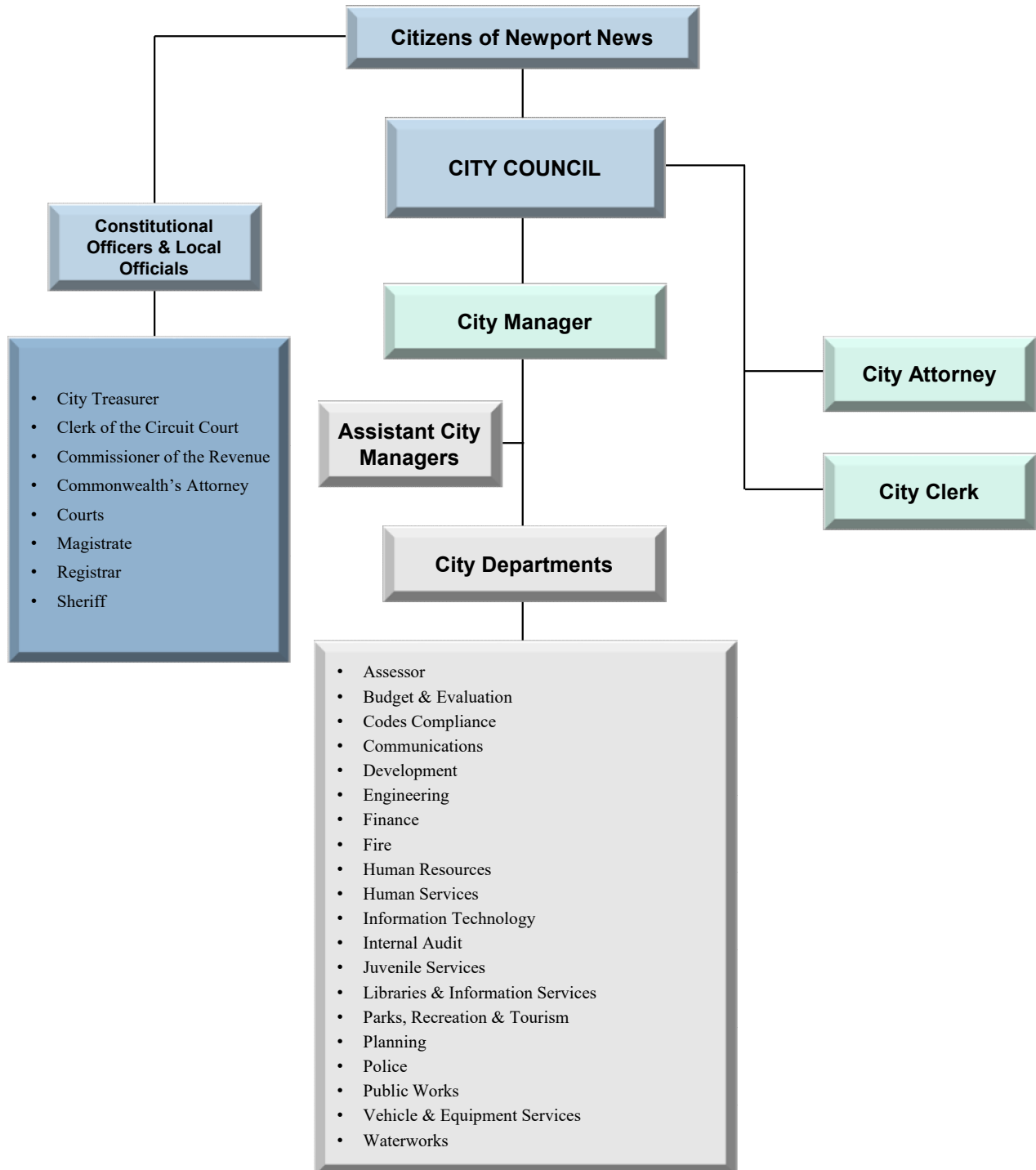
Other Officials

Marty Eubank City Treasurer
Tiffany Boyle..... Commissioner of the Revenue
Charles T. Vester Real Estate Assessor
Lisa Cipriano..... Director of Budget and Evaluation
Florence G. Kingston..... Director of Development
Cathy S. Matthews..... Director of Internal Audit
Louis Martinez Director of Public Utilities

Ralph L. Clayton, III was hired as an Assistant City Manager effective July 1, 2019.

**CITY OF NEWPORT NEWS, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2019**

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, 2018

Christopher P. Morrell

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, 2019, 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 \$99.6 million of the respective \$507.8 million assets, \$11.8 million of the respective \$409.2 million revenues, and \$84.0 million of the \$(75.1) million net deficit 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 opinion, insofar as they relate to the amounts included for the Peninsula Airport Commission, is based on the report of the other auditors. 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 auditors, 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, 2019, 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.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Introductory Section, Supplementary Information, and Statistical Section, as listed within the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The Supplementary Information and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, 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 22, 2019, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance



Richmond, Virginia
November 22, 2019

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, 2019 (FY 2019). 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 2019

- For the fiscal year 2019, the City maintained its strong financial position for both its governmental and business-type funds. The City's strong financial management and conservative budgeting practices allow the City to continue its commitment to the citizens of Newport News.
- At the end of the fiscal year 2019, the total net position of the City on a government-wide basis, excluding component units, was \$610 million. This amount represents an increase of \$77.9, or 14.6%, over the prior year. The net position for governmental activities was \$258.1, an increase of \$58.7 million over the prior year. The business-type activities net position was \$351.9, an increase of \$19.2 million over the prior year.
- Property tax rates remain the same as in the prior year, real estate tax at \$1.22 per \$100 of assessed valuation and personal property tax at \$4.50 per \$100 of assessed valuation. Real Estate assessed values increased by 3.9% and Personal Property assessed values increased by 3.1% from prior year.
- At the close of FY 2019, unassigned fund balance for the General Fund was \$66.5 million or 13.7% of FY 2019 total General Fund revenues and transfers in and an increase of \$9.6 million from the prior year.
- General Fund revenues and transfers increased \$16.2 million or 3.4% above FY 2018, primarily due to an increase in general property tax revenue. Expenditures and transfers out increased \$7.5 million, or 1.6% higher than the prior fiscal year. FY 2019 expenditures and transfers out were 1.9% more than budget, primarily due to accounts receivable written off as of June 30, 2019.
- During the fiscal year, the City issued \$85.8 million of General Obligation General Improvement Bonds to finance the costs of various capital improvement projects. Prior to the bond sale, the financial rating agency Standard & Poor's reaffirmed the City's long term credit rating of AA+ and Moody's also reaffirmed the City's Aa1 rating.
- The City implemented the provisions of Governmental Accounting Standards Board GASB Statement No. 88 (GASB 88), Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements in FY 2019.

OVERVIEW OF THE FINANCIAL STATEMENTS

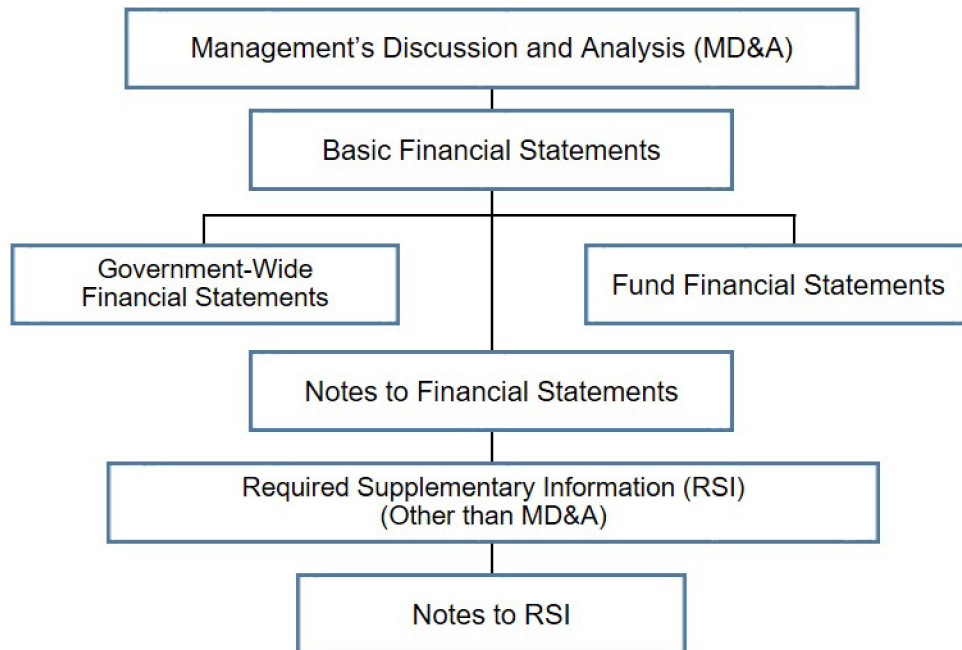
The City's basic financial statements comprise three components: *government-wide financial statements*, *fund financial statements*, and *notes to the financial statements*. This report also contains required other supplementary information sections in addition to the basic financial statements themselves.

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

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

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

Figure A
Required Components of Newport News' Financial Statements



Government-Wide Statements

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

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

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

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

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

Fund Financial Statements

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

The City has three types of funds:

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

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

Notes to the Basic Financial Statements

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

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

Statement of Net Position

The following table reflects the condensed net position:

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2019	2018	2019	2018*	2019	2018*
Current and other assets	\$ 293.6	237.9	128.8	121.1	422.4	359.0
Capital assets, net	829.4	771.5	409.6	412.5	1,239.0	1,184.0
Total assets	1,123.0	1,009.4	538.4	533.6	1,661.4	1,543.0
Deferred outflows of resources	49.8	51.2	7.3	7.8	57.1	59.0
Current and other liabilities	116.4	113.9	50.2	51.9	166.6	165.8
Long-term liabilities	770.4	740.1	140.8	156.3	911.2	896.4
Total liabilities	886.8	854.0	191.0	208.2	1,077.8	1,062.2
Deferred inflows of resources	27.9	7.2	2.8	0.5	30.7	7.7
Net position:						
Net investment in capital assets	473.7	434.5	332.0	321.6	805.7	756.1
Restricted	34.7	28.0	-	-	34.7	28.0
Unrestricted (deficit)	(250.3)	(263.1)	19.9	11.1	(230.4)	(252.0)
Total net position	\$ 258.1	199.4	351.9	332.7	610.0	532.1

*Prior year balances were reclassified to reflect correct allocation between current and long-term liabilities.

Over time, net position may serve as a useful indicator of a government's financial position. At the end of the fiscal year, the City's total net position was \$610 million. This amount represents an increase of \$77.9 million, or 14.6%, over the prior year's net position. The net position for governmental activities increased by \$58.7 million and the business-type activities net position increased by \$19.2 million.

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

Approximately 5.7% of the City's net position is subject to external restrictions, mostly for the use of bond proceeds.

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

Statement of Activities

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

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2019	2018	2019	2018*	2019	2018*
Revenues						
Program revenues:						
Charges for services	\$ 91.2	87.2	95.3	99.4	186.5	186.6
Operating grants and contributions	30.5	39.1	-	-	30.5	39.1
Capital grants and contributions	38.1	30.4	2.4	4.0	40.5	34.4
General revenues:						
General property taxes	277.5	265.6	-	-	277.5	265.6
Other taxes	107.8	105.5	-	-	107.8	105.5
Grants and contributions not restricted to specific programs	47.2	46.1	-	-	47.2	46.1
Investment earnings	6.2	4.3	1.7	1.0	7.9	5.3
Miscellaneous	12.7	14.3	1.4	1.5	14.1	15.8
Total revenues	611.2	592.5	100.8	105.9	712.0	698.4
Expenses						
General government	104.5	99.7	-	-	104.5	99.7
Judicial administration	8.1	8.0	-	-	8.1	8.0
Public safety	126.2	123.7	-	-	126.2	123.7
Public works	78.2	76.4	-	-	78.2	76.4
Health and welfare	46.2	45.4	-	-	46.2	45.4
Education	122.3	132.5	-	-	122.3	132.5
Parks, recreation and culture	33.7	33.8	-	-	33.7	33.8
Community development	11.7	11.3	-	-	11.7	11.3
Public utility	-	-	72.1	74.3	72.1	74.3
Interest and other fiscal charges	20.9	20.1	-	-	20.9	20.1
Total expenses	551.8	550.9	72.1	74.3	623.9	625.2
Excess before special item and transfers	59.4	41.6	28.7	31.6	88.1	73.2
Special item: Loss on extinguishment	(10.2)	-	-	-	(10.2)	-
Transfers	9.5	9.5	(9.5)	(9.5)	-	-
Change in net position	58.7	51.1	19.2	22.1	77.9	73.2
Beginning net position	199.4	148.3	332.7	310.6	532.1	458.9
Ending net position	\$ 258.1	199.4	351.9	332.7	610.0	532.1

*Prior year balances were reclassified to reflect correct allocation of capital grants and contributions.

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

Revenues

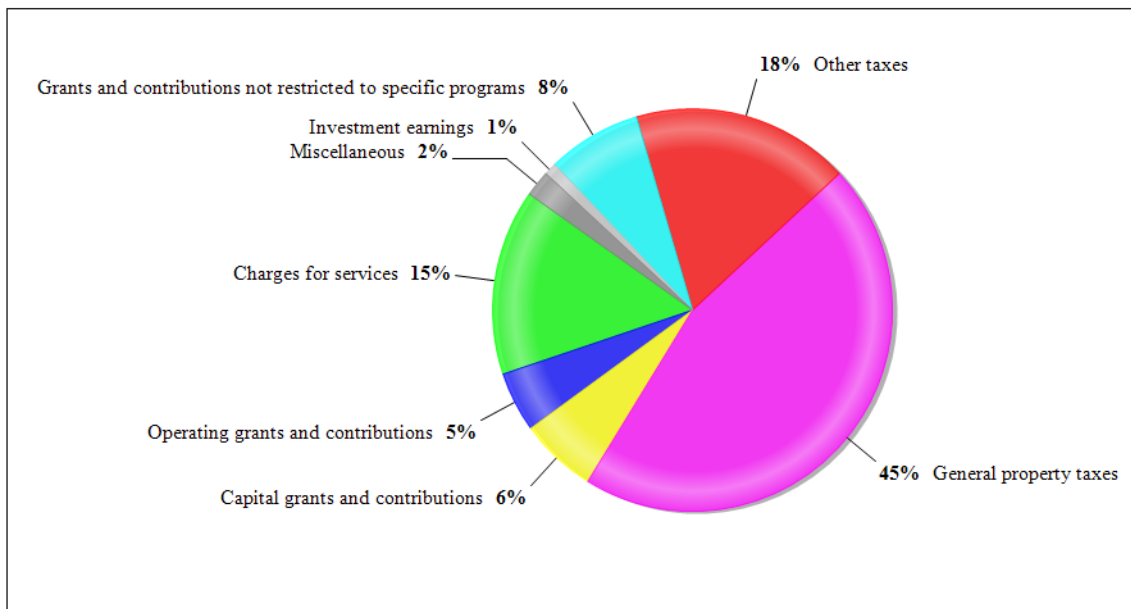
The City's total revenues for the Primary Government was \$712.0 million, a \$13.6 million increase over revenues from the prior year.

Revenues for *Governmental Activities* totaled \$611.2 million, an increase of \$18.7 million over revenues from the prior year. These revenues consist of program and general revenues. Program revenues are derived from the program itself and reduce the reliance on the City's general revenues; these include charges for services, operating and capital grants and contributions. General revenues are all other revenues and include property and other taxes, and interest earnings. Program revenues totaled \$159.8 million, compared to \$156.7 million from the prior year. The increase is primarily due to increases in revenue related to Non-Major Special Revenue sources.

General revenues totaled \$451.4 million. This represents an increase of \$15.6 million over the prior year due to higher property tax revenue. The largest revenue sources for the City are general property taxes at 45% of total revenue. As mentioned earlier, there was no change to real or personal property tax rates for FY 2019.

Approximately 63.0% of the City's revenue from governmental activities comes from some type of tax and 14.9% comes from fees charged for services.

Revenues by Source – Governmental Activities June 30, 2019



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

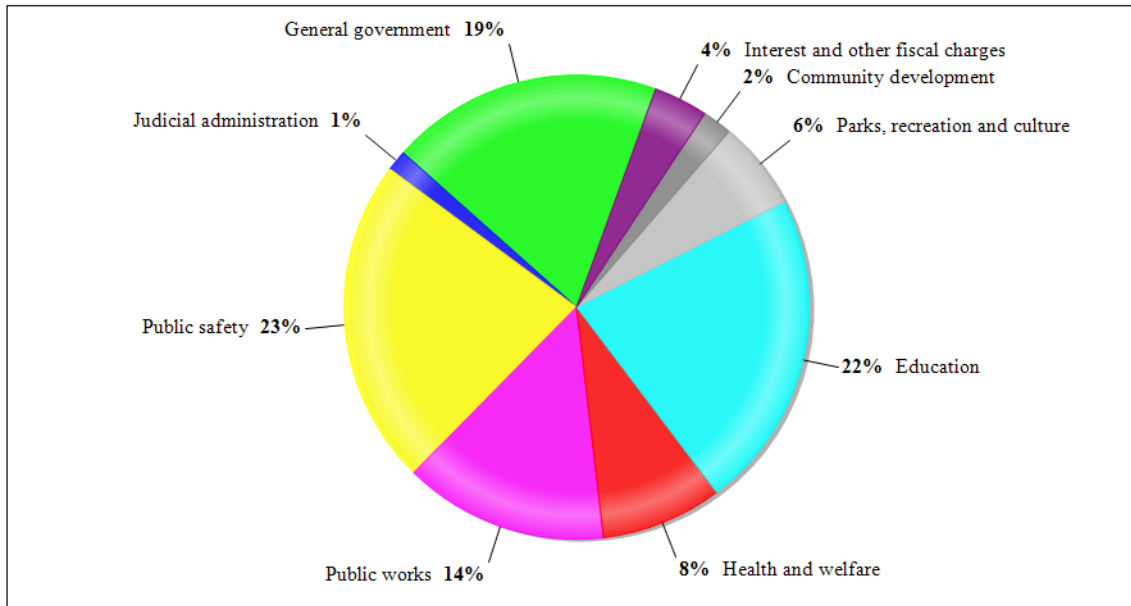
Expenses

The City's total cost to provide all programs and services for the Primary Government was \$623.9 million, a \$1.3 million decrease under expenses from the prior year.

Expenses for *Governmental Activities* totaled \$551.8 million, an increase of \$0.9 million from the prior year primarily due to an accounts receivable of \$10.2 million written off during the year. In FY 2019, the City changed how it accounts for debt service related to school projects and no longer records the transaction as a direct education expense. It is now recorded as a transfer for School project debt from the General Fund to the Debt Service Fund. Debt service related to school projects was \$8.8 million for FY 2018 and \$8.1 million for FY 2019. The graph below shows the breakdown of major expenses by function for the governmental activities.

Education and Public Safety continue to be among the City's highest priorities and commitments representing \$248.5 million or 45% of total governmental expenses.

Expenses by Source – Governmental Activities June 30, 2019



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

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

General Fund

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the General Fund fund balance was \$96.0 million of which \$66.5 million represents an unassigned fund balance. As a measure of the General Fund's liquidity, it is useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 13.7% of the total fund expenditures, while total fund balance represents 20.2%.

Debt Service Fund

The Debt Service Fund has a fund balance of \$1.5 million. Balances in this fund represent reserves for future debt payments.

Bond Fund

The Bond Fund accounts for the proceeds of general obligation bond issues, except those of the Proprietary Funds. The Bond Fund fund balance totaled \$60.5 million at June 30, 2019, an increase of \$39.8 million over the prior year due to new bond proceeds offset by ongoing construction projects.

Capital Projects Other Federal and State Fund

The Capital Projects Other Federal and State Fund accounts for the federal entitlements used for capital expenditures as well as various federal and state grants for capital outlay in accordance with the respective grant agreements. The fund balance remained relatively the same as prior year at \$1.8 million.

Proprietary Funds

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

GENERAL FUND BUDGETARY HIGHLIGHTS

General Fund (Budget Basis)
Fiscal Year 2019

	Original Budget	Final Budget	Actual (Budget Basis)
Revenues:			
Taxes	\$ 379,080,591	379,080,591	384,000,291
Intergovernmental	44,870,482	44,870,482	47,239,111
Other	53,027,692	53,027,692	54,996,424
Total	<u>476,978,765</u>	<u>476,978,765</u>	<u>486,235,826</u>
Expenditures and transfers:			
Expenditures	422,337,887	422,337,887	427,299,864
Transfers out	54,640,878	54,640,878	58,770,302
Total	<u>476,978,765</u>	<u>476,978,765</u>	<u>486,070,166</u>
Change in fund balance	<u>\$ -</u>	<u>-</u>	<u>165,660</u>

Actual General Fund revenues and transfers from other funds exceeded budgeted revenues by \$9.3 million primarily due to property taxes trending more favorably than anticipated. Expenditures were over budget by \$5.0 million due to the write-off of accounts receivable. Transfers out were over budget by \$4.1 million due to an increase in transfers to capital projects and special events.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2019, totaled \$1,239.0 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 \$139.2 million for governmental activities at the end of FY 2019 including the following projects: Atkinson Blvd.-Warwick to Jefferson improvement, SCOT Center relocation, Lake Maury bridge replacement and other various stormwater, wastewater and sanitary sewer projects.

Construction in progress totaled \$5.9 million for business-type activities at the end of the fiscal year including the following projects: Infrastructure improvements, Asset Management Software, field mobility, and Harwood's Mill dam improvement.

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

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 91,904,435	91,938,576	8,336,904	8,336,904	100,241,339	100,275,480
Construction in progress	139,218,899	81,150,036	5,945,350	5,663,368	145,164,249	86,813,404
Buildings	226,622,732	231,724,797	83,828,306	87,988,008	310,451,038	319,712,805
Water systems	-	-	292,934,280	292,744,046	292,934,280	292,744,046
Improvements	106,437,940	102,633,983	7,261,963	7,582,432	113,699,903	110,216,415
Machinery and equipment	48,720,547	49,549,985	11,319,019	10,178,324	60,039,566	59,728,309
Infrastructure	216,500,366	214,492,822	-	-	216,500,366	214,492,822
	<u>\$ 829,404,919</u>	<u>771,490,199</u>	<u>409,625,822</u>	<u>412,493,082</u>	<u>1,239,030,741</u>	<u>1,183,983,281</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 \$489.8 million, an increase of 8.7% 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	
	2019	2018	2019	2018	2019	2018
General obligation bonds	\$ 393.1	341.5	39.3	50.0	432.4	391.5
Literary loans	3.4	3.8	-	-	3.4	3.8
Revenue bonds	-	-	54.0	55.2	54.0	55.2
	<u>\$ 396.5</u>	<u>345.3</u>	<u>93.3</u>	<u>105.2</u>	<u>489.8</u>	<u>450.5</u>

The amount of the debt outstanding related to School Board activities is \$62.0 million of the total outstanding general obligation bonds of the governmental activities.

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

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The unemployment rate in June 2019 for the City was 3.5%, which is a decrease from the average for 2018 of 4.2%, and is consistent with other areas of the Commonwealth. The City's annual population decreased from approximately 179,388 at the end of fiscal year 2018 to 178,626 at the end of fiscal year 2019 according to US Census estimates.

The FY 2020 approved revenue budget for the General Fund increased by 2.2% compared to the FY 2019 adopted budget. The FY 2020 adopted budget includes allocations for 7,303 positions (including schools), a net increase of 7 positions from the FY 2019 adopted budget.

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

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

City of Newport News, Virginia
Statement of Net Position
June 30, 2019

	Primary Government			Discretely presented component units	
	Governmental activities	Business-type activities	Total	Public schools	Others
Assets					
Cash and cash equivalents	\$ 142,907,648	\$ 74,785,763	\$ 217,693,411	\$ 60,972,839	\$ 9,034,950
Restricted cash and investments	69,841,488	23,260,072	93,101,560	-	22,871,867
Accounts receivable, net	30,005,552	11,764,973	41,770,525	448,202	9,129,093
Receivable from Primary Government	-	-	-	4,670,804	-
Receivables from other governments	40,522,010	-	40,522,010	6,468,497	-
Due from Pension Fund	91,129	-	91,129	-	-
Due from OPEB Fund	377,040	-	377,040	-	-
Inventory, at cost	2,116,361	3,435,768	5,552,129	1,344,321	45,540
Land held for lease or resale	-	7,102,444	7,102,444	-	34,694,532
Wetlands credits	-	5,530,135	5,530,135	-	-
Net pension asset	7,727,971	543,733	8,271,704	1,648,474	261,500
Capital assets:					
Nondepreciable capital assets:					
Land	91,904,435	8,336,904	100,241,339	2,263,424	6,604,658
Construction in progress	139,218,899	5,945,350	145,164,249	1,097,191	9,060,370
Depreciable capital assets:					
Buildings	364,683,060	149,109,499	513,792,559	77,934,806	201,667,374
Improvements	230,350,561	-	230,350,561	81,626,662	19,700,793
Water system	-	489,491,534	489,491,534	-	-
Airport assets	-	-	-	-	181,574,786
Machinery and equipment	181,852,738	44,339,330	226,192,068	69,805,797	6,506,978
Infrastructure	594,833,142	-	594,833,142	-	2,543,500
Total capital assets	1,602,842,835	697,222,617	2,300,065,452	232,727,880	427,658,459
Less accumulated depreciation	(773,437,916)	(287,596,795)	(1,061,034,711)	(130,253,729)	(180,539,772)
Capital assets, net	829,404,919	409,625,822	1,239,030,741	102,474,151	247,118,687
Restricted assets:					
Other assets	-	2,391,402	2,391,402	6,374,964	218,670
Total assets	1,122,994,118	538,440,112	1,661,434,230	184,402,252	323,374,839
Deferred outflows of resources					
Employer contributions subsequent to the measurement date	39,857,697	4,778,901	44,636,598	38,379,070	228,254
Net difference between projected and actual earnings on plan investments	164,932	-	164,932	549,880	-
Changes in proportion and difference between employer contributions and proportionate share of contributions	889,240	56,760	946,000	215,000	-
Changes in assumptions	-	-	-	11,054,047	-
Difference between expected and actual experience	1,517,013	148,817	1,665,830	715,982	45,394
Debt refundings resulting in loss transactions	7,377,830	2,300,166	9,677,996	-	4,271,542
Total deferred outflows of resources	49,806,712	7,284,644	57,091,356	50,913,979	4,545,190
Liabilities					
Accounts payable	30,090,597	3,949,420	34,040,017	3,612,898	2,110,307
Accrued liabilities	16,058,473	4,830,687	20,889,160	28,290,213	421,196
Deposits	3,802,837	-	3,802,837	-	29,252
Unearned revenue	446,468	28,669,422	29,115,890	86,475	-
Payable to Newport News Public Schools	4,670,804	-	4,670,804	-	-
Long term liabilities:					
Due within one year	61,363,606	12,780,144	74,143,750	4,921,804	10,100,921
Due in more than one year	770,368,278	140,775,808	911,144,086	433,266,110	88,448,335
Total liabilities	886,801,063	191,005,481	1,077,806,544	470,177,500	101,110,011
Deferred inflows of resources					
Property taxes collected in advance	1,094,634	-	1,094,634	-	-
Net difference between projected and actual earnings on plan investments	16,171,623	2,031,023	18,202,646	9,314,173	68,208
Difference between expected and actual experience	1,166,454	35,490	1,201,944	34,895,231	1,017,541
Changes in assumptions	9,427,317	740,030	10,167,347	6,177,528	1,277,978
Changes in proportionate share	-	-	-	8,031,000	17,000
Deferred contribution to City - AHTIC	-	-	-	4,766,558	-
Deferred revenue	-	-	-	-	1,000
Deferred grant proceeds	-	-	-	1,465,237	-
Total deferred inflows of resources	27,860,028	2,806,543	30,666,571	64,649,727	2,381,727
Net position					
Net investment in capital assets	473,716,004	332,048,472	805,764,476	85,817,478	158,185,015
Restricted for:					
Capital projects	1,801,299	-	1,801,299	105,775	21,299,038
Debt service	-	-	-	-	1,654,991
Grants	2,536,452	-	2,536,452	-	-
Other governmental purposes	30,434,710	-	30,434,710	16,382,615	-
Unrestricted (deficit)	(250,348,726)	19,864,260	(230,484,466)	(401,816,864)	43,289,247
Total net position	\$ 258,139,739	\$ 351,912,732	\$ 610,052,471	\$ (299,510,996)	\$ 224,428,291

See accompanying notes to basic financial statements.

City of Newport News, Virginia
Statement of Activities
Year Ended June 30, 2019

	Program revenues				Net (expense) revenue and changes in net position				
	Expenses	Charges for services	Operating grants and contributions	Capital grants and contributions	Primary government			Public schools	Other component units
					Governmental activities	Business-type activities	Total		
Primary Government:									
Governmental activities:									
General government	\$ 104,489,210	\$ 14,986,003	\$ -	\$ 38,072,400	\$ (51,430,807)	\$ -	\$ (51,430,807)		
Judicial administration	8,087,466	2,232,799	512,528	-	(5,342,139)	-	(5,342,139)		
Public safety	126,206,588	6,379,957	2,271,056	-	(117,555,575)	-	(117,555,575)		
Public works	78,239,758	60,027,815	17,616,821	-	(595,122)	-	(595,122)		
Health and welfare	46,245,011	299,680	6,313,171	-	(39,632,160)	-	(39,632,160)		
Education	122,254,884	-	339,010	-	(121,915,874)	-	(121,915,874)		
Parks, recreation and culture	33,704,442	7,271,835	1,180,955	-	(25,251,652)	-	(25,251,652)		
Community development	11,669,637	6,582	2,218,865	-	(9,444,190)	-	(9,444,190)		
Interest and other fiscal charges	20,959,483	-	-	-	(20,959,483)	-	(20,959,483)		
Total governmental activities	<u>551,856,479</u>	<u>91,204,671</u>	<u>30,452,406</u>	<u>38,072,400</u>	<u>(392,127,002)</u>	<u>-</u>	<u>(392,127,002)</u>		
Business-type activities:									
Public utility	72,132,481	95,343,639	-	2,396,486	-	25,607,644	25,607,644		
Total Primary Government	<u>\$ 623,988,960</u>	<u>\$ 186,548,310</u>	<u>\$ 30,452,406</u>	<u>\$ 40,468,886</u>	<u>(392,127,002)</u>	<u>25,607,644</u>	<u>(366,519,358)</u>		
Component units:									
Public Schools	\$ 341,214,134	6,148,701	77,131,195	1,632,915				(256,301,323)	-
Peninsula Airport Commission	15,804,724	8,198,264	-	3,121,562				-	(4,484,898)
Economic and Industrial Development Authorities	30,213,060	24,713,971	-	-				-	(5,499,089)
Total component units	<u>\$ 387,231,918</u>	<u>\$ 39,060,936</u>	<u>\$ 77,131,195</u>	<u>\$ 4,754,477</u>				<u>(256,301,323)</u>	<u>(9,983,987)</u>
General revenues:									
City taxes:									
General property taxes					\$ 277,522,739	-	277,522,739	-	-
E-911 service					789,725	-	789,725	-	-
Local sales and use					26,197,558	-	26,197,558	-	-
Consumers' utility					6,341,872	-	6,341,872	-	-
Consumption					696,656	-	696,656	-	-
Telecom sales and use					9,982,359	-	9,982,359	-	-
Business license					18,015,385	-	18,015,385	-	-
Rental car					1,157,389	-	1,157,389	-	-
Motor vehicle license					4,286,075	-	4,286,075	-	-
Bank stock taxes					1,140,972	-	1,140,972	-	-
Recordation and wills					1,389,607	-	1,389,607	-	-
Tobacco					4,761,217	-	4,761,217	-	-
Hotel and motel room tax					4,634,839	-	4,634,839	-	-
Restaurant food tax					27,364,800	-	27,364,800	-	-
Tourism zone tax					44,858	-	44,858	-	-
Amusement					961,140	-	961,140	-	-
Total City taxes					<u>385,287,191</u>	<u>-</u>	<u>385,287,191</u>	<u>-</u>	<u>-</u>
Grants and contributions not restricted to specific programs					47,239,111	-	47,239,111	160,439,641	-
Payment from the City					-	-	-	113,885,271	-
Investment earnings					6,240,402	1,684,370	7,924,772	188,822	703,117
Miscellaneous					12,708,310	1,455,102	14,163,412	-	2,842,756
Special item: Loss on extinguishment					(10,155,757)	-	(10,155,757)	-	-
Extraordinary item: Contribution - Primary Government					-	-	-	-	10,155,757
Transfers					<u>9,500,000</u>	<u>(9,500,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total general revenues and transfers					<u>450,819,257</u>	<u>(6,360,528)</u>	<u>444,458,729</u>	<u>274,513,734</u>	<u>13,701,630</u>
Change in net position					58,692,255	19,247,116	77,939,371	18,212,411	3,717,643
Net position beginning of year					<u>199,447,484</u>	<u>332,665,616</u>	<u>532,113,100</u>	<u>(317,723,407)</u>	<u>220,710,648</u>
Net position end of year					<u>\$ 258,139,739</u>	<u>\$ 351,912,732</u>	<u>\$ 610,052,471</u>	<u>\$ (299,510,996)</u>	<u>\$ 224,428,291</u>

See accompanying notes to basic financial statements.

City of Newport News, Virginia
Balance Sheet
Governmental Funds
June 30, 2019

	General Fund	Debt Service Fund	Bond Fund	Capital Projects Other Federal and State Fund	Nonmajor governmental funds	Total governmental funds
Assets						
Cash and cash equivalents	\$ 94,258,374	1,562,522	-	-	39,068,351	134,889,247
Restricted cash	-	-	68,485,549	1,355,939	-	69,841,488
Accounts receivable, net	24,427,649	-	-	-	5,577,903	30,005,552
Receivables from other funds	5,376,077	-	-	-	14,553,732	19,929,809
Receivables from other governments	14,952,973	-	-	23,340,680	2,228,357	40,522,010
Due from Pension Fund	91,129	-	-	-	-	91,129
Due from OPEB Fund	377,040	-	-	-	-	377,040
Inventory, at cost	1,177,088	-	-	-	6,869	1,183,957
Total assets	<u>\$ 140,660,330</u>	<u>1,562,522</u>	<u>68,485,549</u>	<u>24,696,619</u>	<u>61,435,212</u>	<u>296,840,232</u>
Liabilities						
Accounts payable	\$ 19,080,289	31,000	3,216,812	3,498,170	3,533,489	29,359,760
Accrued liabilities	7,582,223	70,500	145,663	338,230	831,309	8,967,925
Deposits	3,802,837	-	-	-	-	3,802,837
Unearned revenues	244,058	-	-	-	202,410	446,468
Payable to Newport News Public Schools	-	-	4,670,804	-	-	4,670,804
Payable to major governmental funds	-	-	-	4,505,188	870,889	5,376,077
Payable to other funds	-	-	-	14,553,732	-	14,553,732
Total liabilities	<u>30,709,407</u>	<u>101,500</u>	<u>8,033,279</u>	<u>22,895,320</u>	<u>5,438,097</u>	<u>67,177,603</u>
Deferred inflows of resources						
Unavailable revenue-property taxes	12,844,243	-	-	-	-	12,844,243
Property taxes collected in advance	1,094,634	-	-	-	-	1,094,634
Unavailable revenue-stormwater fees	-	-	-	-	589,327	589,327
Total deferred inflows of resources	<u>13,938,877</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>589,327</u>	<u>14,528,204</u>
Fund balances						
Nonspendable	1,177,088	-	-	-	6,869	1,183,957
Restricted	596,452	-	60,452,270	1,801,299	32,374,710	95,224,731
Committed	-	1,407,324	-	-	23,246,845	24,654,169
Assigned	27,739,746	53,698	-	-	-	27,793,444
Unassigned	66,498,760	-	-	-	(220,636)	66,278,124
Total fund balances	<u>96,012,046</u>	<u>1,461,022</u>	<u>60,452,270</u>	<u>1,801,299</u>	<u>55,407,788</u>	<u>215,134,425</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 140,660,330</u>	<u>1,562,522</u>	<u>68,485,549</u>	<u>24,696,619</u>	<u>61,435,212</u>	<u>296,840,232</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, 2019

Fund balances - total governmental funds		\$ 215,134,425
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Net pension assets are not current financial resources and, therefore, are unavailable in the funds.		7,727,971
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Governmental capital assets	1,525,052,184	
Less accumulated depreciation	<u>(726,854,633)</u>	
		798,197,551
Other long-term assets are not available to pay for current period expenditures and, therefore, are unavailable in the funds.		13,433,570
Internal service funds are used by management to charge the costs of certain activities to individual funds.		
Internal service funds are used by management to charge the costs of certain activities to individual funds.	39,039,118	
Adjustment to add back accrued vacation included below	<u>276,167</u>	
		39,315,285
Deferred charge on refunding are reported as deferred outflows of resources in the government-wide financial statements, but are not reported in the governmental fund statements.		7,377,830
Unmatured interest payable reported in governmental activities will not be paid with current financial resources and, therefore, are not reported in the funds.		(6,978,497)
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	(428,193,008)	
Literary fund bonds	(3,359,286)	
Landfill liability	(3,194,000)	
Accrued vacation	(19,206,338)	
Workers' compensation and other claims	(12,551,430)	
Net pension liability	(279,119,817)	
Net OPEB obligations	(77,013,424)	
Net line of duty obligations	(5,723,581)	
Incurred but not reported claims	<u>(3,371,000)</u>	
		(831,731,884)
Deferred inflows and outflows of resources related to pension plans and OPEB are not due and payable in the current period and therefore, not reported in the governmental funds:		
Deferred inflows - difference between expected and actual experience related to pension and OPEB	(1,166,454)	
Deferred inflows - difference between projected and actual earnings on plan investments	(16,171,623)	
Deferred inflows - changes in assumptions related to pension and OPEB	(9,427,317)	
Deferred outflows - employer contributions made subsequent to the measurement date	39,857,697	
Deferred outflows - difference between expected and actual experience	1,517,013	
Deferred outflows - difference between projected and actual earnings on plan investments	164,932	
Deferred outflows - changes in proportion and difference between employer contributions and proportionate share of contributions	<u>889,240</u>	
		15,663,488
Net position of governmental activities		<u><u>\$ 258,139,739</u></u>

See accompanying notes to basic financial statements.

City of Newport News, Virginia
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
Year ended June 30, 2019

	General Fund	Debt Service Fund	Bond Fund	Capital Projects Other Federal and State Fund	Nonmajor governmental funds	Total governmental funds
Revenues:						
General property taxes	\$ 276,235,839	-	-	-	-	276,235,839
Other local taxes	107,764,452	-	-	-	-	107,764,452
Licenses and permits	4,019,230	-	-	-	-	4,019,230
Fines and forfeitures	1,834,016	-	-	-	-	1,834,016
Intergovernmental	47,239,111	339,010	-	34,267,883	30,113,396	111,959,400
Charges for services	22,348,075	-	-	-	60,281,978	82,630,053
Interest and rent	5,438,727	-	-	27,808	641,089	6,107,624
Recovered costs	6,734,502	-	-	-	6,100	6,740,602
Miscellaneous	5,121,874	34,273	-	-	546,542	5,702,689
Total revenues	<u>476,735,826</u>	<u>373,283</u>	<u>-</u>	<u>34,295,691</u>	<u>91,589,105</u>	<u>602,993,905</u>
Expenditures:						
Current operating:						
General government	93,821,045	-	-	-	130,099	93,951,144
Judicial administration	7,095,257	-	-	-	492,595	7,587,852
Public safety	120,663,272	-	-	-	1,870,632	122,533,904
Public works	8,125,862	-	-	-	59,342,542	67,468,404
Health and welfare	38,038,877	-	-	-	8,558,083	46,596,960
Education	110,889,307	-	3,293,717	-	2,000,000	116,183,024
Parks, recreation, and culture	27,239,714	-	-	-	3,154,459	30,394,173
Community development	8,106,151	-	-	-	2,543,990	10,650,141
Debt service:						
Principal	-	34,662,513	-	-	-	34,662,513
Interest and other charges	-	19,518,717	527,085	-	-	20,045,802
Capital outlay	-	-	49,871,594	34,297,000	11,114,993	95,283,587
Total expenditures	<u>413,979,485</u>	<u>54,181,230</u>	<u>53,692,396</u>	<u>34,297,000</u>	<u>89,207,393</u>	<u>645,357,504</u>
Excess (deficiency) of revenues over (under) expenditures	<u>62,756,341</u>	<u>(53,807,947)</u>	<u>(53,692,396)</u>	<u>(1,309)</u>	<u>2,381,712</u>	<u>(42,363,599)</u>
Other financing sources (uses):						
Transfers in	9,500,000	52,991,673	-	-	18,507,404	80,999,077
Transfers out	(60,770,302)	-	-	-	(10,728,775)	(71,499,077)
Premium on bonds	-	-	7,656,996	-	-	7,656,996
Bond and note issuance of debt	-	-	85,795,000	-	-	85,795,000
Total other financing sources (uses), net	<u>(51,270,302)</u>	<u>52,991,673</u>	<u>93,451,996</u>	<u>-</u>	<u>7,778,629</u>	<u>102,951,996</u>
Special item:						
Loss on extinguishment	<u>(10,155,757)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(10,155,757)</u>
Net changes in fund balances	1,330,282	(816,274)	39,759,600	(1,309)	10,160,341	50,432,640
Fund balances at June 30, 2018	<u>94,681,764</u>	<u>2,277,296</u>	<u>20,692,670</u>	<u>1,802,608</u>	<u>45,247,447</u>	<u>164,701,785</u>
Fund balances at June 30, 2019	<u>\$ 96,012,046</u>	<u>1,461,022</u>	<u>60,452,270</u>	<u>1,801,299</u>	<u>55,407,788</u>	<u>215,134,425</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, 2019

Net change in fund balances - total governmental funds		\$ 50,432,640
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	95,283,587	
Plus: Capital outlay expenditures not included in capital outlays, net of disposals	3,097,515	
Less: Non-capitalized asset	(12,257,676)	
Depreciation expense	<u>(29,217,105)</u>	
		56,906,321
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.		(1,346,917)
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.		1,286,900
Change in pension asset valuation. These assets are not reported in the governmental funds.		369,455
Investment gains and changes in assumptions are recognized resulting from deferred inflows or outflows in the Statement of Activities, but are not reported as gains or losses in the funds.		(20,597,237)
Experience loss and change in proportion are recognized resulting from deferred inflows or outflows in the Statement of Activities, but are not reported as gains or losses in the funds.		867,864
Change in annual employer contributions to the pension funds. These activities are reported as deferred outflows in the Statement of Activities, but are not reported in the funds.		(279,215)
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	34,662,513	
Debt issued	(85,795,000)	
Premium on issuance of long-term debt amortization	(2,994,377)	
Amortization of refunding losses	<u>(2,023,009)</u>	
		(56,149,873)
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	(913,680)	
Capital leases payable	98,801	
Landfill liability	318,000	
Accrued vacation	(448,497)	
Net pension obligation	16,716,017	
Net OPEB obligation	6,932,757	
Net line of duty obligation	1,484,895	
Workers' compensation and other claims	(506,980)	
Incurred but not reported liabilities	<u>(153,000)</u>	
		23,528,313
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.		
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 and capital leases).		<u>3,674,004</u>
Change in net position of governmental activities		<u>\$ 58,692,255</u>

See accompanying notes to basic financial statements.

City of Newport News, Virginia
Statement of Net Position
Proprietary Funds
June 30, 2019

	Major Fund - Public Utility	Internal Service Fund
Assets		
Current assets:		
Cash and cash equivalents	\$ 74,785,763	8,018,401
Restricted cash	23,260,072	-
Accounts receivable, net	11,764,973	-
Inventory	3,435,768	932,404
Prepaid bond principal	2,391,402	-
Total current assets	<u>115,637,978</u>	<u>8,950,805</u>
Noncurrent assets:		
Land held for resale	7,102,444	-
Wetlands credit	5,530,135	-
Capital assets:		
Nondepreciable capital assets:		
Land	8,336,904	20,257
Construction in progress	5,945,350	1,278,230
Depreciable capital assets:		
Buildings	149,109,499	3,469,775
Improvements	-	1,128,639
Water system	489,491,534	-
Machinery and equipment	44,339,330	71,893,750
Total capital assets	697,222,617	77,790,651
Less accumulated depreciation	<u>(287,596,795)</u>	<u>(46,583,283)</u>
Capital assets, net	409,625,822	31,207,368
Net pension asset	543,733	-
Total noncurrent assets	<u>422,802,134</u>	<u>31,207,368</u>
Total assets	<u>538,440,112</u>	<u>40,158,173</u>
Deferred outflows of resources		
Employer contributions subsequent to the measurement date	4,778,901	-
Difference between expected and actual experience	148,817	-
Difference in proportion and difference between employer contributions and proportionate share of contributions	56,760	-
Debt refundings resulting in loss transactions	2,300,166	-
Total deferred outflows	<u>7,284,644</u>	<u>-</u>
Liabilities		
Current liabilities:		
Accounts payable	3,949,420	730,837
Accrued liabilities	4,830,687	388,218
Unearned revenues	28,669,422	-
General obligation bonds payable, net	9,597,237	-
Revenue bonds payable, net	3,182,907	-
Total current liabilities	<u>50,229,673</u>	<u>1,119,055</u>
Noncurrent liabilities:		
Deposits	4,994,616	-
General obligation bonds payable, net	32,015,084	-
Revenue bonds payable, net	58,342,359	-
Net pension liability	35,098,570	-
Net OPEB liability	10,325,179	-
Total noncurrent liabilities	<u>140,775,808</u>	<u>-</u>
Total liabilities	<u>191,005,481</u>	<u>1,119,055</u>
Deferred inflows of resources		
Net difference between projected and actual earnings on plan investments	2,031,023	-
Difference between expected and actual experience	35,490	-
Changes in assumptions	740,030	-
Total deferred inflows	<u>2,806,543</u>	<u>-</u>
Net position		
Net investment in capital assets	332,048,472	31,207,368
Unrestricted	19,864,260	7,831,750
Total net position	<u>\$ 351,912,732</u>	<u>39,039,118</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, 2019

	Major Fund - Public Utility	Internal Service Fund
Operating Revenues:		
Water sales	\$ 58,676,747	-
Charges for services	27,412,189	13,802,818
Miscellaneous	9,254,703	96,753
Total operating revenues	<u>95,343,639</u>	<u>13,899,571</u>
Operating expenses:		
Personal services	24,969,573	3,399,667
Contractual services	11,998,870	119,429
Internal services	1,254,395	160,832
Materials and supplies	12,170,124	5,106,287
Depreciation	14,007,658	5,625,017
Other	2,561,972	-
Total operating expenses	<u>66,962,592</u>	<u>14,411,232</u>
Operating income (loss)	<u>28,381,047</u>	<u>(511,661)</u>
Nonoperating revenues (expenses):		
Interest revenue	1,684,370	132,778
Gain (loss) on disposal of capital assets	(549,513)	346,781
Amortization on bond premium	1,455,102	-
Gain (loss) on long-term debt	(332,781)	-
Interest expense	(4,287,595)	-
Total nonoperating revenues (expenses), net	<u>(2,030,417)</u>	<u>479,559</u>
Income before capital contributions and transfers out	<u>26,350,630</u>	<u>(32,102)</u>
Capital contributions for capital assets	2,396,486	3,804,517
Transfers out	(9,500,000)	-
Change in net position	19,247,116	3,772,415
Net position at June 30, 2018	<u>332,665,616</u>	<u>35,266,703</u>
Net position at June 30, 2019	<u>\$ 351,912,732</u>	<u>39,039,118</u>

See accompanying notes to basic financial statements.

City of Newport News, Virginia
Statement of Cash Flows
Proprietary Funds
Year ended June 30, 2019

	Major Fund - Public Utility	Internal Service Funds
Cash flows from operating activities:		
Receipts from customers	\$ 98,268,743	\$ 13,899,571
Payments to suppliers	(25,293,367)	(5,129,144)
Payments to employees	(25,621,601)	(3,399,667)
Other payments	(2,561,946)	-
Net cash provided by operating activities	44,791,829	5,370,760
Cash flows used in noncapital financing activities:		
Transfers to other funds	(9,500,000)	-
Net cash used in noncapital financing activities	(9,500,000)	-
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(11,904,641)	(8,173,404)
Contributed capital	2,396,486	3,804,517
Proceeds from sale of capital assets	214,730	539,852
Repayment and retirement of long-term debt, net	(13,164,099)	-
Bond issuance cost	(1,500)	-
Interest paid	(4,286,095)	-
Net cash used in capital and related financing activities	(26,745,119)	(3,829,035)
Cash flows provided by investing activities		
Interest received	1,684,370	132,778
Net cash provided (used) by investing activities	1,684,370	132,778
Increase in cash and restricted cash	10,231,080	1,674,503
Cash, cash equivalents, and restricted cash at beginning of year	87,814,755	6,343,898
Cash, cash equivalents, and restricted cash at end of year	98,045,835	8,018,401
Reported as:		
Cash and cash equivalents	74,785,763	8,018,401
Restricted cash	23,260,072	-
Total cash, cash equivalents, and restricted cash	98,045,835	8,018,401
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	28,381,047	(511,661)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	14,007,658	5,625,017
Change in:		
Accounts receivable	3,864,739	-
Inventories	(128,074)	(133,212)
Accounts payable, accrued liabilities and leases payable	(6,740)	390,616
Unearned revenues	(939,633)	-
Deposits	325,714	-
Net pension asset	(23,582)	-
Net pension liability	(2,083,523)	-
Net OPEB liability	(1,004,123)	-
Deferred outflows of resources	86,967	-
Deferred inflows of resources	2,311,379	-
Total adjustments	16,410,782	5,882,421
Net cash provided by operating activities	\$ 44,791,829	\$ 5,370,760

See accompanying notes to basic financial statements.

City of Newport News, Virginia
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2019

	Pension, Other Postemployment Benefits, & Line of Duty Act Fund	Agency Funds
Assets		
Cash and cash equivalents	\$ 9,014,719	8,156,169
Cash and cash equivalents with trustee	11,418,542	-
Investments, at fair value::		
Debt securities	147,787,229	-
Equity investments	662,540,399	-
Private equities	45,305,240	-
Real estate and timber	120,771,284	-
Accounts receivable	-	2,763,320
Due from other components	73,357	-
Sales receivable	998,736	-
Claims Fluctuation Reserve (Anthem)	1,827,864	-
Other assets	15,686	-
Total assets	<u>\$ 999,753,056</u>	<u>10,919,489</u>
Liabilities		
Accounts payable	\$ 2,008,513	1,958,518
Due to other governments	-	5,488,682
Due to other agencies	-	3,472,289
Due to City	468,169	-
Purchases payable	2,302,235	-
Total liabilities	<u>4,778,917</u>	<u>10,919,489</u>
Net Position		
Assets held in trust:		
Restricted for pension and OPEB benefits	992,351,661	
Restricted	2,622,478	
Total net position	<u>\$ 994,974,139</u>	

See accompanying notes to basic financial statements.

City of Newport News, Virginia
Statement of Changes in Fiduciary Net Position
Fiduciary Funds - Employees' Retirement Trusts for Pension & Other Postemployment Benefits
Year ended June 30, 2019

	Pension, Other Postemployment Benefits, & Line of Duty Act Fund
Additions:	
Employer contributions:	
City General Fund	\$ 36,247,041
Waterworks Fund	4,548,434
School Operating Fund	8,598,267
Employee contributions:	
City General Fund	4,191,223
Waterworks Fund	547,053
School Operating Fund	602,601
Other contributions:	
Income from leave exchange	128,152
Employee buy-back	61,767
Total contributions	<u>54,924,538</u>
Investment income:	
Net appreciation (depreciation) - bonds	2,245,340
Net appreciation (depreciation) - stocks	21,626,248
Interest	4,077,050
Dividends	6,352,601
Real estate operating income	7,209,718
Commission recapture	29,642
Other investment income	15,075
Total investment income	41,555,674
Less investment expenses	<u>(3,052,036)</u>
Net investment gain	<u>38,503,638</u>
Total additions	<u>93,428,176</u>
Deductions:	
Benefits paid to participants	91,472,493
Refunds of member contributions	70,306
Administrative expenses	1,031,400
Other expenses	72,497
Total deductions	<u>92,646,696</u>
Change in net position	781,480
Net position held in trust for retirement benefits at June 30, 2018	<u>994,192,659</u>
Net position held in trust for retirement benefits at June 30, 2019	<u><u>\$ 994,974,139</u></u>

See accompanying notes to basic financial statements.

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City of Newport News, Virginia
Notes to the Financial Statements
June 30, 2019

(1) Summary of Significant Accounting Policies

(a) The Reporting Entity

The City of Newport News, Virginia (City or Primary Government) was established by act of the Virginia General Assembly in 1958. It is a political subdivision of the Commonwealth of Virginia operating under the council-manager form of government. City Council consists of a mayor and six other council members. The City is not part of a county and has taxing powers subject to Commonwealth wide restrictions and tax limits. The City provides a full range of municipal services including police and fire, sanitation, health and social services, public improvements, planning and zoning, general administrative services, education, sewer, and a water system administered by the Newport News Department of Public Utilities.

The City's reporting entity, as defined by accounting principles generally accepted in the United States of America (GAAP), consists of the Primary Government as well as its component units, which are legally separate organizations for which the elected officials of the Primary Government are financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either (a) the ability to impose will by the Primary Government, or (b) the possibility that the component unit will provide a financial benefit or impose a financial burden on the Primary Government.

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

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

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

Major discretely presented component unit

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

Nonmajor discretely presented component units

- The Economic and Industrial Development Authorities (E/IDA or the Authorities) are two legally separate entities included in the City's financial statements due to financial/legal inter-dependency with the City. The E/IDA acquires, maintains and develops land for sale or lease, promotes both economic and industrial development and growth in the City, and includes the Parking Authority. The City Council approves the E/IDA's budget. Separate audited financial statements are available from E/IDA, at Department of Development, 2400 Washington Avenue, Newport News, Virginia 23607.

City of Newport News, Virginia
Notes to the Financial Statements
June 30, 2019

- The Peninsula Airport Commission (PAC) is a legally separate entity included in the City's financial statements. The PAC operates the Newport News/Williamsburg International Airport. The City appoints four of PAC's six commission members, thus holding a voting majority of the board. The City has a financial benefit/burden relationship with the PAC as described within GAAP. The PAC's governing body is not substantially the same as the City, nor does the PAC exclusively serve the City, or have its total debt outstanding repaid by the City. Separate audited financial statements are available from PAC at 900 Bland Boulevard, Newport News, Virginia 23602.

(b) Government-wide and Fund Financial Statements

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

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

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

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

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

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

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

City of Newport News, Virginia
Notes to the Financial Statements
June 30, 2019

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

Licenses and permits, fines and forfeitures, charges for services and miscellaneous revenues (except interest on temporary investments) are recorded as revenues when received in cash because they are generally not measurable until actually received.

The City reports the following major governmental funds:

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

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

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

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

The City reports the following major proprietary fund:

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

Additionally, the City reports the following fund types:

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

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

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

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

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

City of Newport News, Virginia
Notes to the Financial Statements
June 30, 2019

Nonmajor governmental funds

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

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

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

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

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

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

(d) Cash and Cash Equivalents and Investments

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

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

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

City of Newport News, Virginia
Notes to the Financial Statements
June 30, 2019

(e) Receivables and Payables

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

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

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

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

Real Estate – Each year as of July 1, the City levies real estate taxes on all real estate within its boundaries, except that exempted by statute. Real estate taxes are levied on the estimated market value of the property and become a lien on real property the first day of the levy year. The City follows the practice of reassessing all property annually. Real estate taxes are collected in semi-annual payments due December 5 and June 5. During the fiscal year, the current year real estate taxes reported as revenue are the levies on assessed valuation on July 1, less an allowance for uncollectible amounts and taxes not collected within 45 days after year-end. The tax rate for 2019 was \$1.22 per \$100 of assessed value.

Personal Property – The City levies personal property taxes on motor vehicles and tangible personal business property. These levies are made each year as of January 1 with payment due the following December 5 and June 5. The current year personal property taxes reported as revenue are the levies on assessed valuation at January 1, less an allowance for uncollectible amounts and taxes not collected within 45 days after year-end. The 2019 tax rates per \$100 of assessed value were:

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

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

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

City of Newport News, Virginia
Notes to the Financial Statements
June 30, 2019

(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, 2019, is composed of the following:

General Fund - allowance for uncollectibles

Taxes receivable:	
Real estate	\$ 2,073,628
Personal property	<u>3,783,830</u>
Total taxes	<u><u>\$ 5,857,458</u></u>

Nonmajor Governmental -

Special Revenue Funds - accounts receivable	\$ 2,307,649
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Public Utility Fund - accounts receivable	\$ 2,138,630
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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. The cost of inventory is recorded as an expenditure at the time individual inventory items are consumed (consumption method).

(h) Capital Assets

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. There was no capitalized interest during fiscal year 2019.

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, 2019, the City holds capital assets related to school property with a net book value of approximately \$137,542,000.

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

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

(i) Land Held for Resale

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

City of Newport News, Virginia
Notes to the Financial Statements
June 30, 2019

(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 compensation through time off or some other means is probable. Sick leave expense is recorded by the City when the employee is paid. Upon termination, City employees are not paid for accumulated sick leave. For members of the Newport News Employees' Retirement Fund, the unused sick leave is added to the employee's years of credited service for the purpose of computing pension benefits. These liabilities are accounted for in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured as a result of employee resignations and retirements. For members of the Virginia Retirement System, the unused sick leave is forfeited at termination.

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

(k) *Long-term Obligations*

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

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

(l) *Fund Equity/Net Position*

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

Under GAAP, fund balances are required to be reported according to the following classifications:

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

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

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

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

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

City Council has adopted a minimum fund balance policy which states that the General Fund's unassigned fund balance shall not be less than 7.5% of the actual General Fund revenues. For FY 2019, the General Fund's unassigned fund balance is 13.7% of revenues, exceeding the policy threshold of 7.5%.

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

City of Newport News, Virginia
Notes to the Financial Statements
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Details of the fund balance classifications of the Governmental funds at June 30, 2019 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	\$ 1,177,088	-	-	-	-
General government:					
Administration	-	-	-	2,042,603	-
Self insured activities	-	-	-	21,753,853	-
Projects	-	-	-	1,000,000	-
Public safety	-	-	-	494,867	-
Public works	-	596,452	-	2,071,939	-
Health and welfare	-	-	-	146	-
Parks, recreation, and cultural	-	-	-	354,194	-
Community development	-	-	-	1,078	-
Imprest funds	-	-	-	21,066	-
Unassigned	-	-	-	-	66,498,760
Total General Fund	\$ 1,177,088	596,452	-	27,739,746	66,498,760
Other funds:					
Debt service:					
Future debt service	\$ -	-	1,407,324	53,698	-
Bond:					
Buildings	-	349,682	-	-	-
Community development	-	27,234,101	-	-	-
Environmental	-	70,052	-	-	-
Parks, recreation, and cultural	-	196,038	-	-	-
Streets and bridges	-	4,492,675	-	-	-
Sanitary sewer/Solid waste	-	507,240	-	-	-
Stormwater	-	3,654,511	-	-	-
Future capital projects	-	23,947,971	-	-	-
Capital projects:					
Federal and state grants	-	1,801,299	-	-	-
Nonmajor governmental:					
Economic development	-	-	1,246,668	-	-
Law library	-	25	188,238	-	-
Environmental	-	-	7,068	-	-
Criminal Justice Academy	-	-	230,500	-	-
Federal and state grants	-	2,536,452	-	-	-
Community development	-	-	251,933	-	-
Health and welfare	-	-	42,727	-	-
Transit	-	-	1,272	-	-
Equipment	-	-	886,618	-	-
Parks, recreation, and cultural	6,869	-	809,837	-	(220,636)
Buildings	-	-	39,994	-	-
Streets and bridges	-	-	724,311	-	-
Wastewater	-	8,332,149	-	-	-
Solid waste	-	7,382,744	-	-	-
Stormwater	-	14,123,340	-	-	-
Future capital projects	-	-	18,817,679	-	-
Total other funds	\$ 6,869	94,628,279	24,654,169	53,698	(220,636)
Total fund balance	\$ 1,183,957	95,224,731	24,654,169	27,793,444	66,278,124

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

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

	Governmental activities
General activities:	
Public works	\$ 596,452
Other activities:	
Law library	25
Grants	2,536,452
Capital projects	1,801,299
Stormwater, Solid Waste ,Wastewater	29,838,233
Total restricted net position	<u>\$ 34,772,461</u>

(m) Encumbrances

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

(n) Deferred Outflows and Inflows of Resources

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

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

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

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(o) Governmental Accounting Standards Board ("GASB") Pronouncements

Effective July 1, 2018, the City adopted the provisions of Governmental Accounting Standards Board GASB Statement No. 88 (GASB 88), *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, which requires the City to disclose additional information related to debt in the notes to the financial statements. This additional information includes unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

(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, 2019 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	\$ 123,247
Deposits with banks	<u>70,684,620</u>
Total cash and deposits	<u>70,807,867</u>
Investments:	
Local Government Investment Pool (LGIP)	236,743,822
Deposits with banks - money market accounts	6,319,568
Commonwealth cash reserve	3,638,423
Virginia State Non-Arbitrage Pool (VA SNAP)	97,018,487
IDA escrow funds	<u>131,369</u>
Total deposits and investments	<u><u>\$ 414,659,536</u></u>

Cash and investments as of June 30, 2019 are classified in the accompanying financial statements, except for Pension and OPEB Funds, as follows:

	<u>June 30, 2019</u>
Statements of net position:	
Primary Government:	
Cash and cash equivalents	\$ 217,693,411
Restricted cash	93,101,560
Component units:	
Cash and cash equivalents	70,007,789
Restricted cash	22,871,867
Fiduciary funds:	
Cash and cash equivalents - Line of Duty Act Fund	2,828,740
Cash and cash equivalents - Agency Funds	<u>8,156,169</u>
Total cash and investments	<u><u>\$ 414,659,536</u></u>

City of Newport News, Virginia
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Investment Policy

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

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

Interest Rate Risk: As a means of limiting exposure to fair value losses arising from rising interest rates, investment maturity is managed to proceed or coincide with expectance need of funds. The City’s Policy limits the investment of operating funds to investments with a stated maturity of no more than thirty-six (36) months from the date of purchase. Purchases of securities are laddered with staggered maturity dates. Proceeds from the sale of bonds must be invested in compliance with the specific requirements of the bond covenants and may be invested in securities with longer maturities. As of June 30, 2019, the carrying value and weighted average maturity of the City’s investments are listed in the chart that follows.

Custodial Credit Risk – Deposits: The City’s deposits at June 30, 2019 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, 2019, were rated by Standard & Poors and Moody. The ratings are presented below using the Standard & Poors rating scale. The School Board, E/IDA and PAC, component units, are pooled with the City and not separately identified.

City of Newport News, Virginia
Notes to the Financial Statements
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Assets held by the Treasurer	Fair value	Credit rating	Weighted average maturity (years)
LGIP	\$ 226,365,993	AAAm	0.11
LGIP extended maturity	10,377,829	AAAf/S1	0.88
Commonwealth cash reserve (AIM) - underlying:			
U.S. agencies	75,032	A-1	0.10
U.S. agencies	60,216	A-1+	0.65
U.S. agencies	49,892	A+	1.35
U.S. agencies	205,348	AA-	1.39
U.S. agencies	2,920,262	AA+	2.07
U.S. agencies	140,199	AA	1.10
U.S. agencies	124,988	AAA	1.82
Supranational bonds	39,799	AAA	1.22
Money market	22,687	AAAm	-
SNAP	97,018,487	AAAm	0.13
Total investments	<u>\$ 337,400,732</u>		

Fair Value Hierarchy

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

The following is a summary of the fair value hierarchy of the fair value of investments of the City as of June 30, 2019.

Investments by fair value level	6/30/2019	Fair value measurements using	
		Quoted prices in active markets for identical assets (Level 1)	Quoted prices in active markets for identical assets (Level 2)
Time deposits	\$ 285,205	\$ 285,205	\$ -
U.S. government agencies	304,731	-	304,731
U.S. Treasury securities	2,398,932	-	2,398,932
U.S. corporate bonds	485,238	-	485,238
Supranational bonds	39,799	-	39,799
Money market funds	22,688	22,688	-
Collateralized mortgage obligations	101,830	-	101,830
Total at fair value	<u>3,638,423</u>	<u>\$ 307,893</u>	<u>\$ 3,330,530</u>
Investments measured at NAV			
SNAP	<u>97,018,487</u>		
Total investments at NAV	<u>97,018,487</u>		
Investments at amortized cost			
LGIP	226,365,993		
LGIP extended maturity	<u>10,377,829</u>		
Total at amortized cost	<u>236,743,822</u>		
Total	<u>\$ 337,400,732</u>		

City of Newport News, Virginia
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Deposits of Pension and Other Postemployment Benefits Funds

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

	<u>Carrying amount</u>
Cash and deposits:	
Deposits with banks	\$ 1,984,406
Deposits with banks - repurchase agreements	4,201,573
Pension Trust fund money markets	<u>11,418,542</u>
Total cash and deposits	<u>17,604,521</u>
Investments:	
Debt securities	147,787,229
Equity investments	662,540,399
Private equities	45,305,240
Pension fund real estate funds	<u>120,771,284</u>
Total investments	<u>976,404,152</u>
Total deposits and investments	<u><u>\$ 994,008,673</u></u>

The Pension and OPEB funds' cash and investments as of June 30, 2019, are classified in the accompanying financial statements as follows:

	<u>June 30, 2019</u>
Cash and cash equivalents	\$ 6,185,979
Cash and cash equivalents with trustee	11,418,542
Investments:	
Debt securities	147,787,229
Equity investments	662,540,399
Private equities	45,305,240
Real estate and timber	<u>120,771,284</u>
Total deposits and investments	<u><u>\$ 994,008,673</u></u>

Fair Value Hierarchy

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

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The Pension Plan has the following recurring fair value measurements as of June 30, 2019:

Investments measured at fair value - Pension Fund

Investments by fair value level	Fair value at 6/30/2019	Fair value measurements using	
		Quoted prices in active markets for identical assets Level 1	Significant other observable inputs Level 2
Debt securities:			
Asset backed securities	\$ 20,554,595	\$ -	\$ 20,554,595
Collateralized mortgage obligations	7,425,548	-	7,425,548
Corporate bonds	58,344,598	-	58,344,598
Government agencies	5,997,192	-	5,997,192
Mortgage pass-through	15,487,975	-	15,487,975
U.S. Treasury securities	30,479,422	-	30,479,422
Total debt securities	138,289,330	-	138,289,330
Equity securities:			
Consumer goods	38,015,920	38,015,920	-
Energy	9,563,500	9,563,500	-
Financials	30,234,073	30,234,073	-
Health care	18,262,970	18,262,970	-
Industrials	34,349,005	34,349,005	-
Information technology	30,813,370	30,813,370	-
Materials	9,968,903	9,968,903	-
Mutual funds	56,872,720	56,872,720	-
Real estate investment trusts	4,631,298	4,631,298	-
Telecommunication services	5,507,018	5,507,018	-
Utilities	2,639,274	2,639,274	-
Total equity securities	240,858,051	240,858,051	-
Total investments at fair value level	379,147,381	\$ 240,858,051	\$ 138,289,330
Investments measured at the net asset value (NAV)			
Equity investments:			
Commingled international equity fund	269,393,418		
Commingled small cap equity fund	128,581,797		
Total equity investments	397,975,215		
Private equity - private equity partnerships	45,305,240		
Real assets:			
Real estate	43,111,162		
Timber	77,660,122		
Total real assets	120,771,284		
Total investments measured at the NAV	564,051,739		
Total investments at fair value	943,199,120		
Cash equivalents and short-term investments at the amortized cost			
U.S. Treasury Money Market	11,244,612		
Total investments measured at amortized cost	11,244,612		
Total investments	\$ 954,443,732		

City of Newport News, Virginia
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Investments measured at fair value - OPEB

	Fair value at 6/30/2019	Fair value measurements using Quoted prices in active markets for identical assets Level 1
Investments by fair value level		
Equity securities:		
Mutual funds	\$ 29,689,140	\$ 29,689,140
Total equity securities	29,689,140	29,689,140
Total investments at fair value level	29,689,140	\$ 29,689,140
Investments measured at the NAV		
Equity investments:		
Commingled international equity fund	3,515,892	
Total equity investments measured at the NAV	3,515,892	
Total investments measured at fair value	33,205,032	
Cash equivalents and short-term investments at the amortized cost		
U.S. Treasury Money Market	173,930	
Total investments measured at amortized costs	173,930	
Total investments	\$ 33,378,962	

Debt and equity securities classified as Level 1 fair value are valued using prices quoted in active markets for those securities. Debt securities classified as Level 2 fair value are valued using a matrix pricing technique.

Private equity funds – international are valued as described in the following schedule, Note 2. The valuation method for investments measured at the NAV per share (or its equivalent) is presented in the following table:

Investments measured at the NAV - Pension

	NAV at 6/30/2019	Unfunded commitments	Redemption frequency (if currently eligible)	Redemption notice period
Equity investments:				
Commingled international equity fund ⁽¹⁾	\$ 269,393,418	\$ -	Daily, Monthly	3-30 days
Commingled small cap equity fund ⁽¹⁾	128,581,797	-	Daily, Monthly	3-30 days
Total equity investments	397,975,215	-		
Private equity - private equity partnerships ⁽²⁾	45,305,240	19,242,869	Not eligible	N/A
Real assets:				
Real estate ⁽³⁾	43,111,162	-	Quarterly	3 months
Timber ⁽³⁾	77,660,122	-	Quarterly	N/A
Total real assets	120,771,284	-		
Total investments measured at the NAV	\$ 564,051,739	\$ 19,242,869		

City of Newport News, Virginia
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Investments measured at the NAV - OPEB

	NAV at 6/30/2019	Unfunded commitments	Redemption frequency (if currently eligible)	Redemption notice period
Equity investments:				
Commingled international equity fund ⁽¹⁾	\$ 3,515,892	\$ -	Daily, Monthly	3-30 days
Total equity investments	3,515,892	-		
Total investments measured at the NAV	\$ 3,515,892	\$ -		

1. *Commingled International Equity Fund and Commingled Small Cap Fund.* This type consists of four investment funds that invest in international equities diversified across all sectors and two funds that invest in small cap equities. The fair values of the investments in these types have been determined using the NAV per share of the investments.
2. *Private equity funds.* This asset class includes three commingled vehicles that take private ownership of companies. These investments have an eight-to-ten year time horizon and cannot be redeemed at NNERF's discretion during that period. Distributions from each of these assets will be delivered to NNERF periodically as revenue is generated and/or the underlying investments of the funds are sold. It is probable that the investments of this type will be sold at NAV.
3. *Real estate and timber funds.* Real estate funds include two commingled real estate funds that invest primarily in U.S. commercial real estate. Timber funds include one commingled fund and one separate account managed by NNERF Timberland, LLC, a related party of the Fund, which invests in timber-related resources. The fair value of investments of this type are determined using NAV per share (or its equivalent) of NNERF's ownership interest in partners' capital. The NAV is based on the fair value of the underlying assets, determined by an appraisal process using independent appraisers. These investments have an inherent time-horizon, and cannot be redeemed at NNERF's discretion during that period. Distributions from each of these assets will be delivered to NNERF periodically as revenue is generated and/or the underlying investments of the funds are sold.

Investment Policy of the Pension and OPEB Funds

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

Credit Risk of Pension Funds

The policy for the Fund has a strict control on credit quality. The Fund may only be invested in corporate bonds rated "A" or higher by two of three nationally known security rating concerns; provided, however, that no more than five percent of the Fund may be invested in corporate bonds rated less than "A" but not less than "BB". The credit risk profile for the Pension Funds' securities by investment type as of June 30, 2019, is as follows:

City of Newport News, Virginia
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S & P's ratings as of June 30, 2019

Investment types	Total	AAA	AA	A	BBB	B	C	Not rated
Asset-backed	\$ 20,554,595	14,035,871	1,710,136	-	-	-	-	4,808,588
Corporate bonds	58,344,598	773,143	7,261,911	39,075,474	11,234,070	-	-	-
Foreign currency	27,580,256	-	-	-	-	-	-	27,580,256
Ltd partner units	45,305,240	-	-	-	-	-	-	45,305,240
Mortgage-backed	22,913,523	2,267,056	2,901,951	630,644	113,949	-	-	16,999,923
Mutual funds	427,267,678	-	-	-	-	-	-	427,267,678
Real estate	43,111,162	-	-	-	-	-	-	43,111,162
Short-term	11,244,612	-	-	-	-	-	-	11,244,612
Timber	77,660,122	-	-	-	-	-	-	77,660,122
U.S. agencies	5,997,192	-	5,561,938	-	-	-	-	435,254
U.S. treasury	30,479,422	-	-	-	-	-	-	30,479,422
Non-fixed assets	183,985,332	-	-	-	-	-	-	183,985,332
Total	<u>\$ 954,443,732</u>	<u>17,076,070</u>	<u>17,435,936</u>	<u>39,706,118</u>	<u>11,348,019</u>	<u>-</u>	<u>-</u>	<u>868,877,589</u>

Concentration of Credit Risk - Pension Fund

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

Custodial Risk - Pension and OPEB Funds

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

Foreign Currency Risk - Pension and OPEB Funds

The Plans do not have a formal policy to limit foreign currency risk. Risk of loss arises from changes in currency exchange rates. The Pension Fund's exposure to foreign currency risk is none to minimal. The OPEB Fund currently has no exposure to foreign currency risk.

Interest Risk - Pension Fund

The Plan's investment policy does not address investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The investment policy defines the investment objectives for both the passive and actively managed segments of the fixed income portfolio. The objective of the passive segment is to replicate the return of the Barclays 1-3 year Government Credit Bond Index. The objective of the actively managed fixed income portfolio is to outperform the Barclays 1-3 year Government Credit Bond index over a moving 3-5 year range, with the exception of long-duration fixed income, which has an objective of outperforming the Barclays Capital Long Government/Credit Index over a moving 3-5 year range. The fair value of the Plan's fixed income portfolio consisted of the following investment and maturities as of June 30, 2019:

Investment type	Fair value	<5 years	5-10	10-15	15-20
U.S. government	\$ 57,031,209	\$ 56,391,209	\$ 640,000	\$ -	\$ -
Corporate bonds	58,344,598	56,905,773	1,438,825	-	-
Mortgage	22,913,523	22,913,523	-	-	-
Total	<u>\$ 138,289,330</u>	<u>\$ 136,210,505</u>	<u>\$ 2,078,825</u>	<u>\$ -</u>	<u>\$ -</u>

City of Newport News, Virginia
Notes to the Financial Statements
June 30, 2019

(3) Accounts Receivable

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

	Governmental activities	Business-type activities
Taxes receivable:		
Real estate	\$ 9,738,115	\$ -
Personal property	8,006,050	-
Total taxes receivable, net	<u>17,744,165</u>	<u>-</u>
Accounts receivable	<u>12,261,387</u>	<u>11,764,973</u>
Total receivables, net	<u><u>\$ 30,005,552</u></u>	<u><u>\$ 11,764,973</u></u>

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

	General	Capital projects other federal and state	Public utility	Agency funds	Nonmajor governmental funds	Total
Receivables:						
Taxes	\$ 23,601,623	\$ -	\$ -	\$ -	\$ -	\$ 23,601,623
Accounts	6,683,484	-	13,903,603	2,763,320	7,885,552	31,235,959
Intergovernmental:						
Federal	1,755,077	12,809,477	-	-	718,215	15,282,769
State	<u>13,197,896</u>	<u>10,531,203</u>	<u>-</u>	<u>-</u>	<u>1,510,142</u>	<u>25,239,241</u>
Gross receivables	45,238,080	23,340,680	13,903,603	2,763,320	10,113,909	95,359,592
Less allowance for doubtful accounts	<u>(5,857,458)</u>	<u>-</u>	<u>(2,138,630)</u>	<u>-</u>	<u>(2,307,649)</u>	<u>(10,303,737)</u>
Net total receivables	<u><u>\$ 39,380,622</u></u>	<u><u>\$ 23,340,680</u></u>	<u><u>\$ 11,764,973</u></u>	<u><u>\$ 2,763,320</u></u>	<u><u>\$ 7,806,260</u></u>	<u><u>\$ 85,055,855</u></u>

In the governmental funds, unavailable revenues consist of revenues that are measurable, but not available for use during the current period. Property taxes receivable at June 30, but not collected within 45 days after that date are reported as deferred inflows of resources in the financial statements. At the end of the current fiscal year, unavailable revenue of \$0.6 million was reported in the governmental nonmajor funds related to stormwater fees. The General Fund had unavailable revenues of \$12.8 million related to property taxes.

City of Newport News, Virginia
Notes to the Financial Statements
June 30, 2019

(4) Capital Assets, Net

Capital asset activity for the year ended June 30, 2019 was as follows:

Primary Government

	Balance July 1, 2018	Increases	Decreases	Balance June 30, 2019
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 91,938,576	3,000	37,141	91,904,435
Construction in progress	81,150,036	89,306,844	31,237,981	139,218,899
Total capital assets, not being depreciated	<u>173,088,612</u>	<u>89,309,844</u>	<u>31,275,122</u>	<u>231,123,334</u>
Capital assets, being depreciated:				
Buildings	366,261,502	5,403,878	6,982,320	364,683,060
Improvements	219,832,980	10,712,173	194,592	230,350,561
Machinery and equipment	175,593,261	9,777,291	3,517,814	181,852,738
Infrastructure	581,913,845	12,919,297	-	594,833,142
Total capital assets, being depreciated	<u>1,343,601,588</u>	<u>38,812,639</u>	<u>10,694,726</u>	<u>1,371,719,501</u>
Less accumulated depreciation for:				
Buildings	134,536,705	6,697,087	3,173,464	138,060,328
Improvements	117,198,997	6,826,492	112,868	123,912,621
Machinery and equipment	126,043,276	10,406,790	3,317,875	133,132,191
Infrastructure	367,421,023	10,911,753	-	378,332,776
Total accumulated depreciation	<u>745,200,001</u>	<u>34,842,122</u>	<u>6,604,207</u>	<u>773,437,916</u>
Total capital assets being depreciated, net	<u>598,401,587</u>	<u>3,970,517</u>	<u>4,090,519</u>	<u>598,281,585</u>
Capital assets, net	<u>\$ 771,490,199</u>	<u>93,280,361</u>	<u>35,365,641</u>	<u>829,404,919</u>

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

General government	\$ 2,338,162
Judicial administration	585,486
Public safety	5,059,397
Public works	11,534,892
Health and welfare	175,388
Education	4,724,943
Parks, recreation and culture	3,654,239
Community development	1,140,022
Non-departmental	4,576
Internal Service Fund	5,625,017
	<u>\$ 34,842,122</u>

City of Newport News, Virginia
Notes to the Financial Statements
June 30, 2019

Business-type Activities

	Balance July 1, 2018	Increases	Decreases	Balance June 30, 2019
Public utility:				
Capital assets, not being depreciated:				
Land	\$ 8,336,904	-	-	8,336,904
Construction in progress	5,663,368	5,776,397	5,494,415	5,945,350
Total capital assets, not being depreciated	14,000,272	5,776,397	5,494,415	14,282,254
Capital assets, being depreciated:				
Buildings	152,155,622	-	3,046,123	149,109,499
Improvements	493,930,232	7,864,211	12,302,909	489,491,534
Machinery and equipment	42,067,917	3,714,988	1,443,575	44,339,330
Total capital assets, being depreciated	688,153,771	11,579,199	16,792,607	682,940,363
Less accumulated depreciation for:				
Buildings	64,167,614	3,593,454	2,479,875	65,281,193
Improvements	193,603,754	7,879,578	12,188,041	189,295,291
Machinery and equipment	31,889,593	2,534,626	1,403,908	33,020,311
Total accumulated depreciation	289,660,961	14,007,658	16,071,824	287,596,795
Total capital assets being depreciated, net	398,492,810	(2,428,459)	720,783	395,343,568
Capital assets, net	\$ 412,493,082	3,347,938	6,215,198	409,625,822

Discretely Presented Component Units

	Balance July 1, 2018	Increases	Decreases	Adjustment assets held tenancy in-common	Balance June 30, 2019
Public schools:					
Capital assets, not being depreciated:					
Land	\$ 2,896,704	-	633,280	-	2,263,424
Construction in progress	-	1,097,191	-	-	1,097,191
Total capital assets, not being depreciated	2,896,704	1,097,191	633,280	-	3,360,615
Capital assets, being depreciated:					
Buildings	73,391,826	90,000	2,529,340	6,982,320	77,934,806
Improvements	80,259,454	1,631,918	459,302	194,592	81,626,662
Machinery and equipment	67,614,176	4,312,736	2,121,115	-	69,805,797
Total capital assets, being depreciated	221,265,456	6,034,654	5,109,757	7,176,912	229,367,265
Less accumulated depreciation for:					
Buildings	45,515,284	1,028,413	1,684,585	3,173,464	48,032,576
Improvements	29,936,567	2,626,925	282,854	112,868	32,393,506
Machinery and equipment	47,054,734	3,772,805	999,892	-	49,827,647
Total accumulated depreciation	122,506,585	7,428,143	2,967,331	3,286,332	130,253,729
Total capital assets being depreciated, net	98,758,871	(1,393,489)	2,142,426	3,890,580	99,113,536
Capital assets, net	\$ 101,655,575	(296,298)	2,775,706	3,890,580	102,474,151

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

Depreciation expense of \$7,428,143 was charged to the Public School's governmental functions.

City of Newport News, Virginia
Notes to the Financial Statements
June 30, 2019

(5) Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2019, is as follows:

Receivables/payables between other funds:

Receivable fund	Payable fund	Amount
General Fund	Nonmajor Gov. Fund: CDBG	\$ 264,145
General Fund	Nonmajor Gov. Fund: Parks Grants	23
General Fund	Nonmajor Gov. Fund: Animal Shelter	344,002
General Fund	Nonmajor Gov. Fund: Police Grants	63,378
General Fund	Nonmajor Gov. Fund: Comm. Atty. Grants	52,475
General Fund	Nonmajor Gov. Fund: Misc. Grants	146,866
General Fund	Capital Projects Other Federal and State	4,505,188
Nonmajor Gov. Fund: Gen. Cap. Imp. Fund	Capital Projects Other Federal and State	14,553,732

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

Due to/from external parties:

Due from external party	Due to external party	Amount
General Fund	Pension fund	\$ 91,129
General Fund	OPEB fund	377,040

Receivables/payables between Primary Government and component units:

Receivable entity	Payable entity	Amount
Newport News Public Schools	City	\$ 4,670,804

As of June 30, 2018, the IDA had a payable to the City of \$10,155,757, which represented the outstanding balance of the City's financing of the construction of the Applied Research Center (ARC). During fiscal year 2019, declining tenants, maintenance costs and notification by the primary tenants of their intent to vacate resulted in lease revenue being insufficient to support the repayment of the debt. Accordingly, the payable was designated as uncollectible as of June 30, 2019.

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

	Transfers to:				Total
	General Fund	Debt Service	Nonmajor Governmental Capital Projects	Nonmajor Governmental Special Revenue	
Transfers from:					
General Fund	\$ -	42,262,898	12,775,945	5,731,459	60,770,302
Nonmajor Gov. - Special Revenue	-	10,728,775	-	-	10,728,775
Public Utility	9,500,000	-	-	-	9,500,000
	<u>\$ 9,500,000</u>	<u>52,991,673</u>	<u>12,775,945</u>	<u>5,731,459</u>	<u>80,999,077</u>

City of Newport News, Virginia
Notes to the Financial Statements
June 30, 2019

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) Capital Lease Payments - Public Schools (Component Unit)

The School Board has four lease agreements at June 30, 2019 for financing the acquisition of property and equipment.

The net book value of assets acquired through the four capital leases as of June 30, 2019 is as follows:

Machinery and equipment	\$ 2,068,108
Less accumulated depreciation	<u>(1,186,250)</u>
Assets acquired through capital leases, net	<u><u>\$ 881,858</u></u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2019, were as follows:

Years ending June 30:	
2020	\$ 354,643
2021	317,262
2022	<u>374,602</u>
Total minimum lease payments	\$ 1,046,507
Less amounts representing interest	<u>(62,884)</u>
Present value of minimum capital lease payments	<u><u>\$ 983,623</u></u>

(b) Operating Lease Payments - Component Units

The School Board had three ongoing leased buildings in FY2019. Part of the leased space expires on June 30, 2028 and the other leased space in that same building expires on June 30, 2030. One other lease expired on June 30, 2019, but the School Board is negotiating a possible extension. The School Board also leases space for high school graduation ceremonies on a year-to-year basis. Total costs for such leases were approximately \$824,072 for the year ended June 30, 2019.

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

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

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

	Schools	E/IDA	PAC
Years ending June 30:			
2020	\$ 658,673	1,375,045	15,090
2021	663,605	1,383,152	14,340
2022	707,751	1,310,341	14,340
2023	712,882	1,276,773	14,340
2024	718,116	1,283,156	2,390
2025-2029	3,218,483	3,794,078	-
2030	<u>296,938</u>	<u>-</u>	<u>-</u>
	<u><u>\$ 6,976,448</u></u>	<u><u>10,422,545</u></u>	<u><u>60,500</u></u>

City of Newport News, Virginia
Notes to the Financial Statements
June 30, 2019

(7) Long-Term Liabilities

(a) A summary of changes in long-term liabilities for governmental activities for the year ended June 30, 2019 is as follows:

	Balance July 1, 2018	Additions	Reductions	Balance June 30, 2019	Due within one year
Bonds payable:					
General obligation bonds*	\$ 325,197,494	85,795,000	(32,017,494)	378,975,000	30,660,000
VRA*	15,270,245	-	(1,877,478)	13,392,767	1,828,465
VPSA*	1,075,384	-	(347,774)	727,610	358,278
Deferred amounts:					
Add bonds premiums	32,103,254	7,656,996	(4,662,619)	35,097,631	4,962,255
Total bonds payable	<u>373,646,377</u>	<u>93,451,996</u>	<u>(38,905,365)</u>	<u>428,193,008</u>	<u>37,808,998</u>
Literary loan bonds	3,779,053	-	(419,767)	3,359,286	419,767
Capital leases payable	98,801	-	(98,801)	-	-
Landfill liability	3,512,000	-	(318,000)	3,194,000	335,000
Accrued vacation	18,757,841	16,654,707	(16,206,210)	19,206,338	16,593,915
Net line of duty obligation	7,208,476	1,773,667	(3,258,562)	5,723,581	-
Net pension liability	295,835,834	26,840,269	(43,556,286)	279,119,817	-
Net OPEB obligation	79,656,021	7,127,192	(14,619,249)	72,163,964	-
Net OPEB obligation - GLI	4,290,160	1,817,960	(1,258,660)	4,849,460	-
Workers' comp. and other claims	12,044,450	3,270,313	(2,763,333)	12,551,430	2,834,926
Incurred but not reported medical claims	3,218,000	40,305,275	(40,152,275)	3,371,000	3,371,000
Total long-term liabilities	<u>\$ 802,047,013</u>	<u>191,241,379</u>	<u>(161,556,508)</u>	<u>831,731,884</u>	<u>61,363,606</u>

* Balances were reclassified to reflect implementation of GASB 88 (see Note 1).

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

The Commonwealth of Virginia imposes a legal limit of 10% of the assessed valuation of taxable real property on the amount of general obligation borrowing which may be outstanding by the City. The City has independently set a lower debt limit of 3% of the assessed valuation. As of June 30, 2019, the City's aggregate general obligation indebtedness is approximately \$1,125.4 million less than the Commonwealth's limit and \$38.9 million less than the City's independent limit.

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

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

General obligation bonds of \$35.0 million are authorized but unissued.

At June 30, 2019, approximately \$46.1 million is considered defeased because refunding trusts have been established to pay for them.

On February 5, 2019, the City issued \$85,795,000 principal amount of General Obligation General Improvement Bonds Series 2019A with a true interest cost of 2.952%. The net proceeds of \$92,924,911 (after an original issue premium of \$7,656,996 and payment of \$527,085 for underwriting fees and other issuance costs) were used to finance the costs of various capital improvement projects.

City of Newport News, Virginia
Notes to the Financial Statements
June 30, 2019

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 \$3.2 million liability at June 30, 2019 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 2019. Actual costs may be higher due to inflation, technology changes or regulation changes.

Outstanding general obligation bonds at June 30, 2019, of the Primary Government governmental activities, are comprised of the following issues:

G.O Bond Series	Bond date	Final maturity date	Effective interest rate (at issue)	Balance June 30, 2019
VRA 99A	03/09/99	12/01/19	3.80%	\$ 91,636
VRA 00A	03/01/00	03/01/21	3.50%	373,685
VPSA 00B	11/16/00	07/15/20	5.15%	727,610
VRA 01A	04/24/01	05/01/22	4.10%	410,451
VRA 02A	05/15/02	01/01/23	3.75%	692,839
VRA 03A	06/24/03	06/01/24	3.50%	960,357
VRA 04A	06/30/04	09/01/25	3.10%	1,167,595
VRA 05A	08/24/05	09/01/26	3.50%	1,506,841
VRA 06A	10/20/06	11/01/27	3.10%	1,376,484
Series 07B	04/05/07	07/01/22	5.00%	12,250,000
VRA 07A	09/11/07	09/01/28	3.00%	1,726,715
VRA 08	12/12/08	09/01/29	3.50%	1,844,213
Series 09A	05/06/09	06/30/30	3.44%	1,580,000
Series 09B	05/06/09	06/30/20	2.23%	1,255,000
VRA 09	12/16/09	09/01/30	3.35%	3,241,951
Series 11A	07/28/11	07/01/31	3.31%	4,200,000
Series 11B	07/28/11	07/01/19	1.97%	2,670,000
Series 12A	03/21/12	07/15/24	1.93%	25,290,000
Series 12B	03/21/12	07/15/19	1.41%	1,805,000
Series 12C	09/27/12	09/01/32	2.58%	26,400,000
Series 12D	09/27/12	09/01/21	1.77%	1,575,000
Series 14A	05/22/14	07/15/34	3.05%	36,000,000
Series 14A-Ref	05/22/14	07/15/27	2.43%	44,160,000
Series 14B	05/22/14	07/15/25	3.08%	4,770,000
Series 15	12/17/15	07/15/35	2.58%	41,555,000
Series 16A	06/21/16	08/01/31	2.01%	33,190,000
Series 17A	06/08/17	08/01/37	2.60%	56,480,000
Series 19A	02/05/19	02/01/40	2.95%	85,795,000
Totals				<u>\$ 393,095,377</u>

City of Newport News, Virginia
Notes to the Financial Statements
June 30, 2019

The following table summarizes future debt service requirements as of June 30, 2019:

Fiscal year ending June 30:	General Obligation Bonds		VRA		VPSA	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 30,660,000	\$ 15,489,040	\$ 1,828,465	312,875	\$ 358,278	27,972
2021	30,745,000	14,196,061	1,778,515	270,524	369,332	9,418
2022	30,655,000	12,838,362	1,624,472	229,480	-	-
2023	29,145,000	11,501,673	1,520,136	193,144	-	-
2024	27,860,000	10,185,498	1,375,202	158,379	-	-
2025-2029	107,320,000	34,243,937	4,685,241	363,010	-	-
2030-2034	77,395,000	14,618,438	580,736	14,153	-	-
2035-2039	42,720,000	3,856,787	-	-	-	-
2040	2,475,000	86,625	-	-	-	-
Total future debt service	<u>\$ 378,975,000</u>	<u>\$ 117,016,421</u>	<u>\$ 13,392,767</u>	<u>1,541,565</u>	<u>\$ 727,610</u>	<u>37,390</u>

Outstanding literary loans at June 30, 2019, 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, 2019
Warwick High	09/01/99	09/01/19	2%	\$ 9,200
Menchville High-2	10/01/00	10/01/20	2%	25,000
Denbigh High-2	08/01/01	08/01/21	2%	36,797
Gildersleeve Middle-2	08/15/01	08/15/21	2%	18,750
Dozier Middle	08/15/01	08/15/21	2%	18,750
Reservoir Middle	05/01/02	05/01/22	2%	18,750
Hines Middle	05/01/02	05/01/22	2%	18,750
Huntington Middle-2	09/01/02	09/01/22	2%	27,134
General Stanford	06/30/07	07/15/27	2%	3,186,155
Totals				<u>\$ 3,359,286</u>

The following table summarizes future debt service requirements as of June 30, 2019:

Fiscal year ending June 30:	Literary Loans	
	Principal	Interest
2020	\$ 419,767	67,186
2021	410,567	58,791
2022	398,066	50,578
2023	360,803	42,618
2024	354,018	35,402
2025-2029	1,416,065	70,803
Total future debt service	<u>\$ 3,359,286</u>	<u>325,378</u>

City of Newport News, Virginia
Notes to the Financial Statements
June 30, 2019

Business-type Activities

A summary of changes in long-term liabilities for capital-related, business-type activities for the year ended June 30, 2019 is as follows:

	Balance July 1, 2018	Additions	Reductions	Balance June 30, 2019	Due within one year
Bonds payable:					
General obligation bonds	\$ 50,010,000	-	(10,750,000)	39,260,000	9,025,000
Revenue bonds	55,237,698	-	(1,257,698)	53,980,000	2,425,000
Deferred amounts:					
Add bond premiums	11,352,689	-	(1,455,102)	9,897,587	1,330,144
Total bonds payable	116,600,387	-	(13,462,800)	103,137,587	12,780,144
Net pension liability	37,182,093	3,393,496	(5,477,019)	35,098,570	-
Net OPEB liability	11,055,462	989,183	(2,029,006)	10,015,639	-
Net OPEB liability-GLI	273,840	116,040	(80,340)	309,540	-
Deposits	4,668,902	2,223,076	(1,897,362)	4,994,616	-
Total long-term liabilities	\$ 169,780,684	6,721,795	(22,946,527)	153,555,952	12,780,144

Outstanding public utility bonds at June 30, 2019 are comprised of the following issues:

Public Utility Bond Series	Issue date	Final maturity date	Interest rate (at issue)	Balance June 30, 2019
2007B	04/05/07	07/01/22	5.1 %	\$ 12,845,000
2009B	05/06/09	09/01/29	4.3 %	2,530,000
2012A	03/21/12	07/15/24	1.9 %	5,135,000
2012B	03/21/12	07/15/19	1.4 %	2,560,000
2014A	05/22/14	07/15/27	2.5 %	16,190,000
2016A-IRB	06/02/16	06/30/37	2.7 %	26,350,000
2017A-IRB	05/31/17	06/30/38	2.6 %	27,630,000
Totals				<u>\$ 93,240,000</u>

The following table summarizes future debt service requirements of Business-type Activities as of June 30, 2019:

Fiscal year ending June 30:	Business-type Activities	
	Principal	Interest
2020	\$ 11,450,000	3,993,884
2021	9,065,000	3,557,269
2022	9,485,000	3,091,875
2023	7,095,000	2,700,525
2024	5,780,000	2,402,600
2025-2029	22,755,000	8,206,900
2030-2034	15,665,000	4,071,225
2035-2038	11,945,000	818,325
Totals	<u>\$ 93,240,000</u>	<u>28,842,603</u>

City of Newport News, Virginia
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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, 2019 is as follows:

	Balance July 1, 2018	Additions	Reductions	Balance June 30, 2019	Due within one year
Compensated absences	\$ 4,933,667	15,388,079	(15,254,241)	5,067,505	760,126
Workers' compensation claims	5,332,395	1,128,380	(1,459,114)	5,001,661	1,000,332
Capital leases payable	1,402,592	-	(418,969)	983,623	322,522
Capital facility notes payable	16,517,067	-	(844,017)	15,673,050	148,824
OPEB NNPS trust fund	89,334,628	12,121,886	(38,286,813)	63,169,701	-
OPEB VRS health care credit	25,671,000	2,483,000	(2,868,000)	25,286,000	-
OPEB VRS life insurance	13,753,000	2,498,000	(2,528,000)	13,723,000	-
Incurred but not reported medical claims	2,594,000	28,904,270	(28,808,270)	2,690,000	2,690,000
VRS teacher pool net pension liability	248,946,000	47,022,000	(61,654,000)	234,314,000	-
NNERF net pension liability	75,985,892	7,570,333	(11,276,851)	72,279,374	-
Totals	<u>\$ 484,470,241</u>	<u>117,115,948</u>	<u>(163,398,275)</u>	<u>438,187,914</u>	<u>4,921,804</u>

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

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

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

E/IDA and PAC - Component Units

Industrial Revenue Bonds and Notes Payable (the “Bonds and Notes”) have been issued in the name of E/IDA to finance construction projects. The Bonds and Notes, both as to principal and interest, are payable generally from lease proceeds. In the event of default by the lessee, the holders of the Bonds and Notes have no recourse against the E/IDA, but must look to the property and lessee for indemnity. In 2019, approximately \$21.0 million of the Bonds and Notes are considered a moral obligation of the City. A moral obligation of the City is a contingent guarantee of a third party’s debt. It is referred to as a “moral” obligation because it is not a legal obligation of the City, but a good faith obligation, which, if called upon, would require appropriations by City Council of amounts sufficient to pay the guaranteed amounts. Since 1995, when the first moral obligation was issued by the E/IDA, there has never been a need to call upon the City to appropriate any funds on morally obligated debt.

At June 30, 2019, the E/IDA has outstanding bonds and notes from direct borrowings in the amount of \$36,774,823. Significant events of default are the presence of falsifying or misleading information in the financing documents, assignment without prior consent, or non-payment. The CITI A and B notes are payable from revenues pledged and derived from leases related to the properties less the E/IDA expenses plus any payments made to the E/IDA pursuant to a support agreement with the City. The E/IDA has no lines of credit.

City of Newport News, Virginia
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The E/IDA bonds and Notes at June 30, 2019 are comprised of the following:

	Issue date	Maturity date	Effective interest rates *	Balance July 1, 2018	Additions	Reductions	Balance June 30, 2019	Amount due within one year
Bonds payable								
Series 2012A	10/12/12	07/01/30	4.00%	\$ 25,390,000	-	-	25,390,000	1,780,000
Series 2012B	10/12/12	07/01/31	0.76%	21,110,000	-	(2,625,000)	18,485,000	1,950,000
Series 2015	07/23/15	09/01/27	3.48%	3,660,000	-	(1,140,000)	2,520,000	-
Total bonds payable				50,160,000	-	(3,765,000)	46,395,000	3,730,000
Premium on bonds payable - 2012				2,649,457	-	(330,391)	2,319,066	330,391
Premium on bonds payable - 2015				238,887	-	(24,872)	214,015	20,802
Total bonds payable, net				53,048,344	-	(4,120,263)	48,928,081	4,081,193
Direct borrowings:								
Bonds payable								
VSS	03/01/98	10/01/18	5.40%	257,876	-	(257,876)	-	-
Sears	03/01/98	10/01/18	5.40%	284,132	-	(284,132)	-	-
Downtown Eng	04/05/00	07/01/31	2.58%	12,600,000	-	(1,060,000)	11,540,000	1,060,000
Merchant's Walk	12/21/10	12/01/20	2.70%	2,682,000	-	(894,000)	1,788,000	894,000
Citi A '07	02/26/07	08/01/22	2.86%	1,353,321	-	(296,978)	1,056,343	318,102
Citi B '07	02/26/07	08/01/22	2.74%	276,881	-	(62,024)	214,857	65,605
A-School Garage	07/23/15	09/01/27	3.80%	9,769,228	-	(976,924)	8,792,304	976,924
Foundry Bond	12/18/18	1/15/23	3.40%	-	6,000,000	(750,000)	5,250,000	1,500,000
Total direct borrowing bonds payable				27,223,438	6,000,000	(4,581,934)	28,641,504	4,814,631
Notes payable:								
809 Omni Blvd	08/31/07	07/01/22	3.49%	1,350,000	-	(150,015)	1,199,985	150,000
Sherwood note A	11/23/16	01/01/32	3.14%	4,573,334	-	(326,667)	4,246,667	326,667
Sherwood note B	11/23/16	01/01/32	3.14%	2,893,333	-	(206,666)	2,686,667	206,667
Total direct borrowing notes payable				8,816,667	-	(683,348)	8,133,319	683,334
Total direct borrowings				36,040,105	6,000,000	(5,265,282)	36,774,823	5,497,965
Total bonds and notes payable				\$ 89,088,449	6,000,000	(9,385,545)	85,702,904	9,579,158

* v denotes variable rate bonds

In December 2018, the E/IDA funded a grant of \$6 million to Huntington Ingalls Industries (HII) with a borrowing from Citizens & Farmers Bank at the rate of 3.40% amortized over five years. The borrowing is supported by a payment agreement with the City. The Foundry grant was to support the construction, expansion and renovation of the Foundry by HII who met the criteria of the grant by receiving a share of the work for the Columbia Class Submarine Program, maintaining 120 full-time jobs within the Foundry and receiving funding commitments from the Navy and the Commonwealth of Virginia. The grant also serves as a match for the Commonwealth's initial HII grant of \$6 million in October 2018.

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

City of Newport News, Virginia
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Bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the City, the Commonwealth, nor any political subdivision thereof is obligated in any manner for repayment of the Bonds. Furthermore, in the event of default by the lessee, the holders of the Bonds have no recourse to the E/IDA, but must look to the property and lessee for indemnity. Accordingly, the Bonds are not reported as liabilities in the accompanying basic financial statements. At June 30, 2019 there were thirteen bonds outstanding and at June 30, 2018, there were eleven Bonds outstanding with an aggregate principal balance of \$467,257,663 and \$472,976,729 million, respectively.

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

Fiscal year ending June 30:	Bonds		Direct Borrowings		Total Bonds and Notes	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 3,730,000	1,626,258	5,497,965	1,140,408	9,227,965	2,766,666
2021	3,910,000	1,531,699	5,524,788	972,013	9,434,788	2,503,712
2022	3,865,000	1,438,407	4,659,285	798,495	8,524,285	2,236,902
2023	3,825,000	1,321,421	4,108,177	629,104	7,933,177	1,950,525
2024	3,795,000	1,202,245	3,930,257	526,338	7,725,257	1,728,583
2025-2029	18,340,000	3,932,395	11,074,351	1,174,473	29,414,351	5,106,868
2030-2032	8,930,000	512,054	1,980,000	91,144	10,910,000	603,198
Totals	<u>\$46,395,000</u>	<u>11,564,479</u>	<u>36,774,823</u>	<u>5,331,975</u>	<u>83,169,823</u>	<u>16,896,454</u>

The PAC Airport Improvement Bonds at June 30, 2019, are comprised of the following:

Series	Issue date	Maturity date	Eff. int. rate (%)	Balance July 1, 2018	Reductions	Balance June 30, 2019	Amt due in one year
2002	07/03/02	07/01/27	2.8	\$ 1,197,733	120,211	1,077,522	123,559
2005A	12/15/05	01/15/32	4.3	4,676,272	261,394	4,414,878	271,843
2005B	12/15/05	01/15/32	5.8	2,129,498	121,840	2,007,658	126,361
Totals				<u>\$ 8,003,503</u>	<u>503,445</u>	<u>7,500,058</u>	<u>521,763</u>

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

Fiscal year ending June 30:	PAC	
	Principal	Interest
2020	\$ 521,763	291,087
2021	542,207	270,642
2022	563,475	249,375
2023	585,599	227,251
2024	608,615	204,235
2025-2029	3,097,423	650,892
2030-2032	1,580,976	91,898
Totals	<u>\$ 7,500,058</u>	<u>1,985,380</u>

City of Newport News, Virginia
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(8) Defined Benefit Retirement Plan

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

Plan Description

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

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

Benefits Provided

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

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

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

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

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

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

July 1, 2017	
	Participant counts
Active members	2,168
Retirees and beneficiaries	6,184
Terminated vested members	4,638
Total	<u>12,990</u>

Contributions Required and Contributions Made

The Plan engages an actuary to determine the Actuarially Determined Contribution (ADC) in accordance with GAAP. However, the City has elected to continue to compute the Actuarially Required Contribution (ARC) in order to track its progress on the eight-year funding program established by the City in 2010, which was put in place to provide that, by 2017, the City would be contributing 100% of the recommended contribution. The City began funding 100% of the ADC beginning in fiscal year 2016, one year earlier than planned. The total contributions as a percentage of the ARC was 100% for fiscal year 2019.

Effective January 1, 2013, employee contributions to the Pension were made mandatory. Contributions totaling \$40,853,742 and \$5,530,796 were made by employers and employees, respectively, to the Pension Fund during the year ended June 30, 2019. The percentage of contributions to covered payroll for fiscal year 2019 was 39.4%.

Net Pension Liability

The City's net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of July 1, 2017, using an updated actuarial assumption, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

Actuarial Assumptions

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

Actuarial valuation date	July 1, 2017
Actuarial cost method	Entry Age Normal
Amortization method	Closed
Remaining amortization period	30 years level dollar from July 1, 2011
Asset valuation method	Five-year smoothed market
Actuarial assumptions:	
Investment rate of return	7.35%
Rate of salary increases	4.60%
Cost of living adjustment	1.26%
Inflation	2.60%
Rate of mortality	RP-2014 Total Dataset Headcount-Weighted Employee Mortality Table projected from the 2006 base rates using the RPEC 2016 model

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

The long-term expected rate of return on NNERF investments was determined using best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation), developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The annual money-weighted rate of return net of investment fees for fiscal year 2018 was 9.92%. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2018 are summarized in the following table:

Asset class	Long-term expected real rate of return	Target allocation
Large cap equities	4.6%	24.0%
Mid cap equities	8.4%	14.0%
Small cap equities	6.3%	12.0%
International equities	3.5%	12.0%
Emerging markets	7.9%	4.0%
Real estate	6.5%	4.0%
Private equities	10.1%	6.0%
Timberland	3.6%	8.0%
Fixed income (bonds)	1.8%	15.0%
Cash	(2.8)%	1.0%
Total		100.0%

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

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

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

Based on these assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments for current members until the last payment for the current covered population is made as of June 30, 2018 measurement date. Consequently, the single equivalent rate used to determine the total pension liability as of June 30, 2018 is 7.35%, the long-term expected rate-of-return as defined by GAAP as of that date.

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

	1% Decrease 6.35%	Discount rate 7.35%	1% Increase 8.35%
Total pension liability	\$ 1,495,492,268	1,344,247,663	1,217,152,479
Plan fiduciary net position	957,749,902	957,749,902	957,749,902
Net pension liability	\$ 537,742,366	386,497,761	259,402,577
Plan fiduciary net position as a percentage of the total pension liability	64.0 %	71.2 %	78.7 %

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

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

The City's change in net pension liability of the Pension Fund for 2018 was as follows:

	Total pension liability (a)	Fiduciary net position			Net position liability (a)-(b)
		City's (b)	Proprietary's (b)	School's (b)	
Balances at June 30, 2017	\$ 1,308,437,308	\$ 626,501,085	\$ 69,726,519	\$ 203,205,885	\$ 409,003,819
Changes for the year:					
Service cost	8,497,193	-	-	-	8,497,193
Interest	95,861,994	-	-	-	95,861,994
Differences between expected and actual experience	17,695,138	-	-	-	17,695,138
Changes of assumptions	(7,267,035)	-	-	-	(7,267,035)
Contributions - employer	-	29,393,174	3,696,113	7,611,499	(40,700,786)
Contributions - member	-	4,173,575	524,816	1,080,767	(5,779,158)
Net investment income	-	66,327,672	8,340,542	17,175,852	(91,844,066)
Benefit payments	(78,976,935)	(57,035,326)	(7,172,053)	(14,769,556)	-
Administrative expenses	-	(744,321)	(93,596)	(192,745)	1,030,662
Net changes	35,810,355	42,114,774	5,295,822	10,905,817	(22,506,058)
Balances at June 30, 2018	\$ 1,344,247,663	\$ 668,615,859	\$ 75,022,341	\$ 214,111,702	\$ 386,497,761

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

Activities	Contributions	Net pension liability	Proportionate share
Governmental activities	\$ 29,393,174	279,119,817	72.22 %
Business-type activities	3,696,113	35,098,570	9.08 %
Component unit - Schools	7,611,499	72,279,374	18.70 %
Total	\$ 40,700,786	386,497,761	100.00 %

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

For the year ended June 30, 2019, the City and Schools recognized pension expense of \$37,804,098. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Governmental activities		Business-type activities		Total activities - Primary		Component unit - Schools	
	Deferred outflows of resources	Deferred inflows of resources	Deferred outflows of resources	Deferred inflows of resources	Deferred outflows of resources	Deferred inflows of resources	Deferred outflows of resources	Deferred inflows of resources
Employer contributions subsequent to measurement date	\$28,711,291	-	3,544,184	-	32,255,475	-	8,598,267	-
Net difference between projected and actual earnings on pension plan investments	\$ -	13,092,364	-	1,646,329	-	14,738,693	-	3,390,329

\$32,255,475 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the Fiscal Year ending June 30, 2020.

City of Newport News, Virginia
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Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follow:

	Primary Government	Schools
Year ended June 30:		
2020	\$ 4,272,837	\$ 982,877
2021	(1,711,497)	(393,694)
2022	(13,134,096)	(3,021,225)
2023	(4,165,937)	(958,287)
	<u>\$ (14,738,693)</u>	<u>\$ (3,390,329)</u>

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

Payable to the Pension Plan

At June 30, 2019, the City did not have a payable to the pension plan.

(b) Virginia Retirement System

Plan Description

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

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

Benefits Provided

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

VRS issues a publicly available CAFR that includes financial statements and required supplementary information for the plans administered by VRS. A copy of the report may be obtained from the VRS Web site at <http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

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

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

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

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<p>service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p>		<p>Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p> <p><u>Defined Contributions Component:</u> Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p>
<p>Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.</p>	<p>Vesting Same as Plan 1.</p>	<p>Vesting <u>Defined Benefit Component:</u> Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p>

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

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

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

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

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

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		Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.
<p>Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.</p>	<p>Purchase of Prior Service Same as Plan 1.</p>	<p>Purchase of Prior Service <u>Defined Benefit Component:</u> Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> • Hybrid Retirement Plan members are ineligible for ported service. <p><u>Defined Contribution Component:</u> Not applicable.</p>

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Number of Employees by Class

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

	June 30, 2017
	Retirees and beneficiaries
Inactive members or their beneficiaries currently receiving benefits	13
Inactive members	
Vested	48
Non-vested	335
Active elsewhere in VRS	201
Total inactive members	584
Active members	1,344
Total	1,941

Contributions Made and Contributions Required

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5.00% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.

The City's contractually required contribution rate for the year ended June 30, 2019 was 5.67% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the City were \$3,470,159 and \$3,074,885 for the years ended June 30, 2019 and June 30, 2018, respectively.

Net Pension Asset

The City's net pension asset was measured as of June 30, 2018. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation performed as of June 30, 2017, rolled forward to the measurement date of June 30, 2018.

Actuarial Assumptions

The total pension liability for General Employees was based on an actuarial valuation as of June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

Inflation	2.5 percent
Salary increases, including inflation	3.5 percent - 5.35%
Investment rate of return	7.0 percent, net of pension plan investment expense, including inflation*

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* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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Largest 10 – Non-Hazardous Duty:

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

All Others (Non 10 Largest) – Non-Hazardous Duty:

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

Long-term Expected Rate of Return

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

Asset class (strategy)	Target allocation	Arithmetic long-term expected rate of return	Weighted avg long-term expected rate of return
Public equity	40.00%	4.54%	1.82%
Fixed income	15.00%	0.69%	0.10%
Credit strategies	15.00%	3.96%	0.59%
Real assets	15.00%	5.76%	0.86%
Private equity	15.00%	9.53%	1.43%
Total	<u>100.00%</u>		<u>4.80%</u>
Inflation			<u>2.50%</u>
* Expected arithmetic nominal return			<u>7.30%</u>

* The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83% including expected inflation of 2.50%.

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

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

The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; political subdivisions were also provided with an opportunity to used an alternate employer contribution rate. For the year ended June 30, 2018, the alternate rate was the employer contribution rate used in FY 2012 or 90% of the actuarially determined employer contribution rate from the June 30, 2015 actuarial valuations, whichever was greater. From July 1, 2018 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the Long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

The following presents the net pension asset of the City using the discount rate of 7.00%, as well as what the City's net pension asset would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	1% Decrease 6.00%	Discount rate 7.00%	1% Increase 8.00%
Plan's net pension asset	(1,399,030)	(8,271,704)	(13,640,680)

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

Changes in the Net Pension Asset

The City's change in net pension asset of the VRS Plan for 2018 was as follows:

	Total pension liability (a)	City's fiduciary net position (b)	Proprietary's fiduciary net position (b)	Net pension asset (a)-(b)
Balances at June 30, 2017	\$ 25,027,784	30,640,384	2,266,067	(7,878,667)
Changes for the year:				
Service cost	5,810,589	-	-	5,810,589
Interest	1,732,518	-	-	1,732,518
Differences between expected and actual experience	746,189	-	-	746,189
Contributions - employer	-	2,890,392	184,493	(3,074,885)
Contributions - member	-	2,868,909	183,122	(3,052,031)
Net investment income	-	2,420,505	154,500	(2,575,005)
Benefit payments	(555,062)	(521,758)	(33,304)	-
Administrative expenses	-	(16,019)	(1,023)	17,042
Other changes	-	(2,393)	(153)	2,546
Net changes	<u>7,734,234</u>	<u>7,639,636</u>	<u>487,635</u>	<u>(393,037)</u>
Balances at June 30, 2018	<u>\$ 32,762,018</u>	<u>38,280,020</u>	<u>2,753,702</u>	<u>(8,271,704)</u>

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

For the year ended June 30, 2019, the City recognized VRS pension expense of \$1,607,305. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Governmental activities		Business-type activities		Total activities	
	Deferred outflows of resources	Deferred inflows of resources	Deferred outflows of resources	Deferred inflows of resources	Deferred outflows of resources	Deferred inflows of resources
Employer contributions subsequent to measurement date	\$ 3,261,950	-	208,209	-	3,470,159	-
Differences between expected and actual experience	\$ 586,619	469,533	37,444	29,970	624,063	499,503
Changes of assumptions	\$ -	794,743	-	50,728	-	845,471
Net difference between projected and actual earnings on plan investments	\$ -	411,402	-	26,260	-	437,662

\$3,470,159 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the Fiscal Year ending June 30, 2020.

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

Year ended June 30:	
2020	\$ (229,289)
2021	(303,710)
2022	(507,915)
2023	(175,510)
2024	44,418
Thereafter	13,433
Total	\$ (1,158,573)

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

Payable to the Pension Plan

At June 30, 2019, the City did not have a payable to the VRS plan.

(9) Other Postemployment Benefits

(a) City of Newport News Other Postemployment Fund

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, but are offered different benefits through a separate fund established by Schools on their behalf. Once a retiree has withdrawn from the OPEB Fund by terminating coverage, they are not allowed to rejoin the plan. Benefits and contribution provisions are established by City Ordinance and may be amended only by the City Council. An actuarial service is employed to advise the City Council and the Retirement Board of the contributions necessary to fund the benefits.

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

Benefits Provided

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

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

Employees Covered by Benefit Terms

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

July 1, 2017	
Active employees	
Count	1,689
Retirees with medical, dental, and/or life coverage	
Retirees	1,831
Surviving spouses	208
Non-line of duty disabled retirees	61
Total	2,100

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

Contribution Required and Contributions Made

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

Contributions by the City to the OPEB Fund during the year ended June 30, 2019 totaled \$8,240,000. The percentage of contributions to covered payroll for fiscal year 2019 was 8.9%.

Net OPEB Liability

The City's net OPEB liability was measured as of June 30, 2018. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation performed as of June 30, 2017, using an updated actuarial assumption, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

City of Newport News, Virginia
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Actuarial Methods and Assumptions

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

Actuarial valuation date	July 1, 2017
Actuarial cost method	Entry Age Normal
Amortization method	Level dollar closed
Remaining amortization period	23 years
Asset valuation method	Market value

Actuarial assumptions:

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

Rate of mortality:

Non-retired members:

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

Retired members:

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

Long-Term Expected Rate of Return

The long-term expected rate of return on NNERF OPEB investments was determined using best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation), developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The annual money weighted rate of return net of investment fees for fiscal year 2018 was 11.29%. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of June 30, 2018 are summarized in the following table:

<u>Asset class</u>	<u>Long-term expected real rate of return</u>
Large cap equities	4.6%
Mid cap equities	7.3%
Developed markets equities	3.8%
Emerging markets equities	7.9%
Cash	(2.8)%

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

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

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

Based on these assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

	1% Decrease 6.35%	Discount rate 7.35%	1% Increase 8.35%
Total OPEB liability	\$ 128,399,133	116,033,448	105,684,450
Plan fiduciary net position	33,853,845	33,853,845	33,853,845
Net OPEB liability	<u>\$ 94,545,288</u>	<u>82,179,603</u>	<u>71,830,605</u>
Plan fiduciary net position as a percentage of the total OPEB liability	26.4 %	29.2 %	32.0 %

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

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

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

	1% Decrease	Healthcare trend	1% Increase
Total OPEB liability	\$ 105,995,714	116,033,448	127,928,366
Plan fiduciary net position	33,853,845	33,853,845	33,853,845
Net OPEB liability	<u>72,141,869</u>	<u>82,179,603</u>	<u>94,074,521</u>
Plan fiduciary net position as a percentage of the total OPEB liability	31.9 %	29.2 %	26.5 %

A one percent decrease in the healthcare trends decreases the TOL by approximately 9% and decreases the collective NOL by approximately 12%. A one percent increase in the healthcare trends increases the TOL by approximately 10% and increases the collective NOL by approximately 14%.

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Changes in the Net OPEB Liability

The City's change in net OPEB liability to the OPEB Fund for 2018 was as follows:

	Total OPEB liability (a)	City's fiduciary net position (b)	Proprietary's fiduciary net position (b)	Net OPEB liability (a)-(b)
Balances at June 30, 2017	\$ 122,243,009	27,688,621	3,842,905	90,711,483
Changes for the year:				
Service cost	519,381	-	-	519,381
Interest	8,847,501	-	-	8,847,501
Differences between expected and actual experience	1,053,023	-	-	1,053,023
Changes of assumptions	(7,399,952)	-	-	(7,399,952)
Contributions - employer	-	7,235,750	1,004,250	(8,240,000)
Contributions - member	-	-	-	-
Net investment income	-	2,946,852	408,994	(3,355,846)
Benefit payments	(9,229,514)	(8,104,667)	(1,124,847)	-
Administrative expenses	-	(38,649)	(5,364)	44,013
Net changes	(6,209,561)	2,039,286	283,033	(8,531,880)
Balances at June 30, 2018	\$ 116,033,448	29,727,907	4,125,938	82,179,603

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

Activities	Contributions	Net pension liability	Proportionate share
Governmental activities	\$ 7,235,750	72,163,964	87.81 %
Business-type activities	1,004,250	10,015,639	12.19 %
Total	\$ 8,240,000	82,179,603	100.00 %

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

For the year ended June 30, 2019 the City recognized OPEB expense of \$4,613,194. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Governmental activities		Business-type activities		Total activities	
	Deferred outflows of resources	Deferred inflows of resources	Deferred outflows of resources	Deferred inflows of resources	Deferred outflows of resources	Deferred inflows of resources
Employer contributions subsequent to measurement date	\$ 7,235,750	-	1,004,250	-	8,240,000	-
Differences between expected and actual experience	\$ 693,514	-	96,253	-	789,767	-
Changes in assumptions	\$ -	4,873,562	-	676,402	-	5,549,964
Net difference between projected and actual earnings on OPEB plan investments	\$ -	2,509,937	-	348,354	-	2,858,291

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\$8,240,000 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the Fiscal Year ending June 30, 2020.

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

Year ended June 30:	
2020	\$ (2,470,893)
2021	(2,470,893)
2022	(2,470,896)
2023	(205,806)
	<u>\$ (7,618,488)</u>

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

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

Plan Description

The LOD was established by the 2010 Appropriation Act of the Virginia General Assembly, and provides health, dental, and vision insurance benefits for public safety employees who are injured in the line of duty.

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

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

Benefits Provided

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

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

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Employees Covered by Benefit Terms

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

	July 1, 2017	
Active employees		
Count		1,174
Retirees and spouses - with medical coverage		
Non medicare eligible		16
Medicare eligible		7
Total		23
With dental coverage		22
With vision coverage		20

Contributions Required and Contributions Made

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

The actual cost to the City was \$323,485 for the year ending June 30, 2019.

Net OPEB Liability

The City's net OPEB liability was measured as of June 30, 2018. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation performed as of June 30, 2017, using an updated actuarial assumption, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

Actuarial Methods and Assumptions

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

Actuarial valuation date	July 1, 2017
Actuarial cost method	Entry Age Normal
Amortization method	Level dollar open
Remaining amortization period	30 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	3.58 %
Rate of salary increases	4.60 %
Ultimate rate of medical inflation	5.00 %
Inflation	2.60 %

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

The discount rate used to measure the total OPEB liability was 3.87%.

This Plan uses the Bond Buyer GO 20-Bond Municipal Bond Index to satisfy the requirements within GAAP. As this index is issued weekly, the value closest to but not after the reporting date is used in determining the appropriate rate. Based on this practice, the municipal bond rate at June 30, 2017 was 3.58% and the municipal bond rate at June 29, 2018 was 3.87%.

The following presents the net OPEB liability of the City, calculated using the discount rate of 3.87%, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is one percent point lower (2.87%) or one percent point higher (4.87%) than the current rate:

	1% Decrease 2.87%	Discount rate 3.87%	1% Increase 4.87%
Total OPEB liability	\$ 9,804,013	8,308,635	7,118,487
Plan fiduciary net position	2,585,054	2,585,054	2,585,054
Net OPEB liability	<u>\$ 7,218,959</u>	<u>5,723,581</u>	<u>4,533,433</u>
Plan fiduciary net position as a percentage of the total OPEB liability	26.4 %	31.1 %	36.3 %

Sensitivity of the Net OPEB Liability to Changes in Trend Rates

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

	Trend minus 1%	Baseline trends	Trend plus 1%
Total OPEB liability	\$ 7,105,178	8,308,635	9,757,744
Plan fiduciary net position	2,585,054	2,585,054	2,585,054
Net OPEB liability	<u>\$ 4,520,124</u>	<u>5,723,581</u>	<u>7,172,690</u>
Plan fiduciary net position as a percentage of the total OPEB liability	36.4 %	31.1 %	26.5 %

A one percent decrease in the healthcare trends decreases the TOL by approximately 14% and decreases the NOL by approximately 21%. A one percent increase in the healthcare trend increases the TOL by approximately 17% and increases the NOL by approximately 25%.

City of Newport News, Virginia
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Changes in the Net OPEB Liability

The City's change in net OPEB liability of the LOD Fund for 2018 was as follows:

	Total OPEB liability (a)	Plan fiduciary net position (b)	Net OPEB liability (a)-(b)
Balances at June 30, 2017	\$ 9,716,974	2,508,498	7,208,476
Changes for the year:			
Service cost	1,148,034	-	1,148,034
Interest	383,248	-	383,248
Changes of benefits	905,453	-	905,453
Differences between expected and actual experience	(686,746)	-	(686,746)
Change of assumptions	(2,835,907)	-	(2,835,907)
Contributions - employer	-	300,000	(300,000)
Contributions - member	-	-	-
Net investment income	-	104,072	(104,072)
Benefit payments	(322,421)	(322,421)	-
Administrative expenses	-	(5,095)	5,095
Net changes	<u>(1,408,339)</u>	<u>76,556</u>	<u>(1,484,895)</u>
Balances at June 30, 2018	<u>\$ 8,308,635</u>	<u>2,585,054</u>	<u>5,723,581</u>

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

For the year ended June 30, 2019, the City recognized OPEB expense of \$1,744,048. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
Employer contributions subsequent to measurement date	\$ 300,000	-
Differences between expected and actual experience	\$ -	610,441
Changes in assumptions	\$ -	3,556,912
Net difference between projected and actual earnings on OPEB plan investments	\$ 164,932	-

\$300,000 reported as deferred outflows of resources related to OPEB resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the Net OPEB Liability in the Fiscal Year ending June 30, 2020. Amounts reported as deferred outflows and deferred inflows of resources will be recognized in OPEB expense as follows:

Year ended June 30:	
2020	\$ (514,401)
2021	(514,401)
2022	(514,400)
2023	(548,230)
2024	(564,091)
Thereafter	(1,346,898)
Total	<u>\$ (4,002,421)</u>

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

Plan Description

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

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

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

Benefits Provided

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

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

City of Newport News, Virginia
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Reduction in Benefit Amounts

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

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

For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at \$8,000 by statute. This amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and was increased to \$8,279 effective July 1, 2018.

Contributions Required and Contributions Made

The contribution requirements for the GLI Program are governed by §51.1-506 and §51.1-508 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% X 60%) and the employer component was 0.52% (1.31% X 40%). Employers may elect to pay all or part of the employee contribution, however the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2019 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions by the City to the GLI Program were \$370,964 and \$335,894 for the years ended June 30, 2019 and June 30, 2018, respectively.

Net GLI OPEB Liability

The net OPEB liability (NOL) for the GLI Program represents the program's total OPEB liability determined in accordance with GAAP, less the associated fiduciary net position. As of June 30, 2018, NOL amounts for the GLI Program are as follows (amounts expressed in thousands):

	Group life insurance OPEB program
Total GLI OPEB liability	\$ 3,113,508
Plan fiduciary net position	1,594,773
Employers' net GLI OPEB liability	<u>\$ 1,518,735</u>

Plan fiduciary net position as a percentage of the total GLI OPEB liability	51.22 %
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The total GLI OPEB liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net GLI OPEB liability is disclosed in accordance with the requirements of GAAP in the System's notes to the financial statements and required supplementary information.

City of Newport News, Virginia
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Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2017, using the Entry Age Normal actuarial cost method. The following assumptions, which applied to all periods included in the measurement, were used to roll the valuation forward to the measurement date of June 30, 2018.

Inflation	2.5%
Salary increases, including inflation -	
General state employees	3.5% - 5.35%
Teachers	3.5% - 5.95%
SPORS employees	3.5% - 4.75%
VaLORS employees	3.5% - 4.75%
JRS employees	4.5%
Locality - general employees	3.5% - 5.35%
Locality - hazardous duty employees	3.5% - 4.75%
Investment rate of return	7.0% net of plan investment expenses, including inflation*

*Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GAAP purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of the liabilities.

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

Long-Term Expected Rate of Return

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

Asset class (strategy)	Target allocation	Arithmetic long-term expected rate of return	Weighted avg long-term expected rate of return
Public equity	40.00 %	4.54 %	1.82 %
Fixed income	15.00 %	0.69 %	0.10 %
Credit strategies	15.00 %	3.96 %	0.59 %
Real assets	15.00 %	5.76 %	0.86 %
Private equity	15.00 %	9.53 %	1.43 %
Total	100.00 %		4.80 %
Inflation			2.50 %
*Expected arithmetic nominal return			7.30 %

*The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

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Discount Rate

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

The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2018, the rate contributed by employers for the VRS GLI OPEB plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined rate. From July 1, 2018 on, employers are assumed to contribute 100% of the actuarially determined contribution rates.

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

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

The following presents the employer's proportionate share of the net GLI OPEB liability using the discount rate of 7.00%, as well as what the employer's proportionate share of the net GLI OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	1% Decrease 6.00%	Current discount rate 7.00%	1% Increase 8.00%
Employer's proportionate share of the GLI program net OPEB liability	\$ 6,742,000	5,159,000	3,873,000

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

		June 30, 2018	
	Contributions	Net pension liability	Proportionate share
Governmental activities	\$ 315,740	4,849,460	94.00 %
Business-type activities	20,154	309,540	6.00 %
Total	\$ 335,894	5,159,000	100.00 %

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

At June 30, 2019, the City reported a liability of \$5,159,000 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2018 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Program for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the City's proportion was 0.33971% as compared to 0.30329% at June 30, 2017.

For the year ended June 30, 2019, the City recognized GLI OPEB expense of \$228,000. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

City of Newport News, Virginia
Notes to the Financial Statements
June 30, 2019

At June 30, 2019, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	Governmental activities		Business-type activities		Total activities	
	Deferred outflows of resources	Deferred inflows of resources	Deferred outflows of resources	Deferred inflows of resources	Deferred outflows of resources	Deferred inflows of resources
Employer contributions subsequent to measurement date	\$ 348,706	-	22,258	-	370,964	-
Differences between expected and actual experience	\$ 236,880	86,480	15,120	5,520	252,000	92,000
Net difference between projected and actual earnings on GLI OPEB program investments	\$ -	157,920	-	10,080	-	168,000
Changes in assumptions	\$ -	202,100	-	12,900	-	215,000
Changes in proportion	\$ 889,240	-	56,760	-	946,000	-

\$370,964 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the Fiscal Year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year ended June 30:	
2020	\$ 116,000
2021	116,000
2022	116,000
2023	164,000
2024	155,000
Thereafter	56,000
Total	\$ 723,000

GLI Program Fiduciary Net Position

Detailed information about the GLI Program's Fiduciary Net Position is available in the separately issued VRS 2018 CAFR. A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Payables to the VRS GLI OPEB Plan

At June 30, 2019, the City did not have a payable to the VRS GLI OPEB plan.

City of Newport News, Virginia
Notes to the Financial Statements
June 30, 2019

(10) Deferred Compensation Plans

(a) 457 Deferred Compensation Plan - Traditional and Roth

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

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

(b) Health Reimbursement Arrangement (HRA)

All full-time employees of the City hired after March 1, 2010 (except Schools employees) are automatically enrolled in the HRA Plan adopted under the provision of the IRS Notice 2002-45 and Revenue Ruling 2002-41. Under the plan, the City contributes 3% of the average City salary into each employee's HRA account. For fiscal 2019, based on an average City salary of \$52,251, the City contributed \$1,568 per participant for a total of \$2,434,929 to the HRA accounts. The accumulated amounts are available to participants at retirement or at age 55, if terminated prior to reaching retirement eligibility. The Plan reimburses the participant, the participant's spouse, and dependents for insurance premiums or other medical payments expended for permissible benefits described under the plan. HRA participants cannot be members of the City's OPEB Fund.

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

(11) Self Insurance

(a) Medical Benefits

The School Board is self-insured for medical benefits through funding from the General Fund for employees up to \$175,000, per employee per year. The City self-insures its active employees for medical and prescription drug benefits. The City's claims liability per member per contract year is the amount up to the amount of the City's portion of paid claims or \$200,000, whichever is less. Claims in excess of the limitation are covered by third-party insurance. Expenditures are charged to the fund to which the employees' payroll expenditure is charged at amounts that approximate what third-party insurers would have charged. 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, 2019 and 2018 for the City and the Public Schools were as follows:

	City		Public schools	
	2019	2018	2019	2018
Claims payable at beginning of year	\$ 3,218,000	3,497,000	2,594,000	3,078,000
Claims and changes in estimates	40,305,275	37,305,914	28,904,270	28,348,765
Claim payments	(40,152,275)	(37,584,914)	(28,808,270)	(28,832,765)
Claims payable at end of year	<u>\$ 3,371,000</u>	<u>3,218,000</u>	<u>2,690,000</u>	<u>2,594,000</u>

City of Newport News, Virginia
Notes to the Financial Statements
June 30, 2019

(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, 2019 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, 2019 and 2018 for the City and the Public Schools.

	City		Public schools	
	2019	2018	2019	2018
Claims payable at beginning of year	\$ 10,413,617	10,941,802	5,332,395	5,332,357
Claims and changes in estimates	2,712,289	1,402,338	1,128,380	1,173,032
Claim payments	(2,217,170)	(1,930,523)	(1,459,114)	(1,172,994)
Claims payable at end of year	<u>\$ 10,908,736</u>	<u>10,413,617</u>	<u>5,001,661</u>	<u>5,332,395</u>

A loss analysis was conducted by Oliver Wyman Actuarial Consulting, Inc. on this fund. The total actuarially computed liability as of June 30, 2019 for the City and School Board was determined to be approximately \$10.9 million and \$5.0 million, respectively.

(c) Other

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

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

	City	
Auto & General Liability	2019	2018
Claims payable at beginning of year	\$ 1,630,833	1,602,759
Claims and changes in estimates	558,024	1,004,069
Claim payments	(546,163)	(975,995)
Claims payable at end of year	<u>\$ 1,642,694</u>	<u>1,630,833</u>

The auto and general liability claims increased slightly from \$1.63 million to \$1.64 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.

City of Newport News, Virginia
Notes to the Financial Statements
June 30, 2019

(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, 2019, will not be material to the financial statements.

(c) Encumbrances

Encumbrance accounting, the recording of purchase orders, contracts, and other monetary commitments in order to reserve an applicable portion of an appropriation is used as an extension of formal budgetary control by the City. At June 30, 2019, the City had outstanding encumbrances as follows:

General fund	
General government	\$ 1,222,546
Public safety	494,867
Public works	2,071,939
Health and welfare	146
Parks, recreation and cultural	174,282
Community development	1,078
Total general fund	<u>3,964,858</u>
Debt service fund	
Debt service	<u>53,698</u>
Total debt service fund	<u>53,698</u>
Bond fund	
Public works	9,816,915
Parks, recreation and cultural	196,038
Community development	26,491,346
Total bond fund	<u>36,504,299</u>
Capital projects other federal and state fund	
Public works	<u>29,124,394</u>
Total capital projects other federal and state fund	<u>29,124,394</u>
Nonmajor governmental funds	
General government	1,984,424
Public safety	149,795
Public works	3,256,931
Health and welfare	42,727
Parks, recreation and cultural	148,536
Community development	78,825
Total nonmajor governmental funds	<u>5,661,238</u>
Total	<u><u>\$ 75,308,487</u></u>

(13) Jointly Governed Organizations and Joint Ventures

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

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

City of Newport News, Virginia
Notes to the Financial Statements
June 30, 2019

(b) Hampton Roads Regional Jail Authority (HRRJA)

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

(c) Hampton Roads Economic Development Alliance (HREDA)

The HREDA is a non-profit, public-private partnership that aggressively markets Virginia's Hampton Roads region as the primary region of choice for economic investment and business expansion. All HREDA business attraction initiatives and activities are designed to promote the jurisdictions of Chesapeake, Franklin, Gloucester County, Hampton, Isle of Wight County, James City County, Newport News, Norfolk, Poquoson, Portsmouth, Southampton County, Suffolk, Virginia Beach, Williamsburg and York County, Virginia. The business affairs are managed by a Board of not less than fifty or more than 300 Directors. The City's Mayor and the Director of E/IDA are board members. HREDA receives funding from both private and public entities. Newport News contributed \$172,734 in FY 19. Separate financial statements are available from the HREDA, 500 Main Street, Suite 1300, Norfolk, Virginia 23510.

(14) Deficit Fund Balance

The City has an accumulated deficit in the Nonmajor Combining Statement of Revenues, Expenditures and Changes in Fund Balance as of June 30, 2019 of \$203,502 for the Animal Shelter fund. The Animal Shelter fund deficit is the result of operating expenditures exceeding budgeted amounts in fiscal years 2016 and 2018. As a result, budgeted amounts were inadequate to cover unforeseen operating overages. Fund balance increased by \$76,631 in fiscal year 2019, thus reducing the accumulated deficit from \$280,133 to \$203,502. This deficit does not indicate the Animal Shelter is facing financial difficulty.

(15) Tax Abatements

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

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

City of Newport News, Virginia
Notes to the Financial Statements
June 30, 2019

The EDA administers an Expansion/Relocation Cost Reduction (ERCR) Incentive program within the City of Newport News. The program is a customized incentive available to companies in targeted industries investing \$2.5 million or more in capital investment, machinery and tools and/or business personal property. The company must also create at least twenty-five (25) new full-time jobs meeting a minimum salary requirement. The City has tax abatement agreements with four entities as of June 30, 2019.

Industry	2014	2015	2016	2017	2018	2019
Automotive manufacturer	\$ 115,395	\$ 55,136	\$ 186,438	\$ 472,906	\$ 632,945	\$ 781,022
Industrial digital imaging	1,379,246	1,515,016	1,092,673	893,688	697,173	653,200
Food processor and distributor	12,568	34,365	46,983	65,053	97,790	124,065
Manufacturer of flavors and related specialties	-	-	-	-	-	3,535
	<u>\$ 1,507,209</u>	<u>\$ 1,604,517</u>	<u>\$ 1,326,094</u>	<u>\$ 1,431,647</u>	<u>\$ 1,427,908</u>	<u>\$ 1,561,822</u>

(16) Subsequent Events

Subsequent events have been analyzed through November 21, 2018 noting the following:

E/IDA

In July 2019, a new lease of the Coats and Clark facility was executed between the IDA and the City for an additional ten years with two, five-year renewal options. The new lease includes a \$55,000 annual maintenance reserve and \$20,000 annual administrative fee for the IDA, with escalations at the five-year renewal periods.

In July 2019, the EDA authorized funding of \$600,000 to be used as matching funds to support the Newport News/Williamsburg International Airport (PHF) grant application to the U.S. Department of Transportation's Small Community Air Service Development Program (SCASDP) to expand air service from PHF. The expenditure of these grant match funds are subject to PHF's receipt of the SCASDP grant.

In August 2019, the E/IDA entered into a contract with The WorkPlace for the fiscal year 2020 in the amount of \$110,000 to provide services as the management entity for the workplace development activities to be held at the Brooks Crossing Innovation and Opportunity Center.

In September 2019, the E/IDA authorized the award of a bid in the amount of \$1,778,178 for building rehabilitation and parking lot and hardscape improvements at 2506 Jefferson Avenue and 610 26th Street to create a co-working space. This project will be funded through the appropriated City Capital Improvement Plan and the Industrial Revitalization Fund Grant of \$480,000 which was awarded for this purpose.

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, 2019

	Original budget	Amended budget	Actual	Variance
Revenues:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 188,947,000	188,947,000	186,521,445	(2,425,555)
Real and personal public service corporation property taxes	6,700,206	6,700,206	6,790,733	90,527
Personal property taxes	55,404,000	55,404,000	57,322,626	1,918,626
Machinery and tools taxes	21,200,000	21,200,000	23,674,195	2,474,195
Penalties and interest	1,408,000	1,408,000	1,926,840	518,840
Total general property taxes	273,659,206	273,659,206	276,235,839	2,576,633
Other local taxes:				
E-911 service revenue	775,885	775,885	789,725	13,840
Telecom sales taxes	10,900,000	10,900,000	9,982,359	(917,641)
Local sales and use taxes	25,040,000	25,040,000	26,197,558	1,157,558
Consumers' utility taxes	6,275,000	6,275,000	6,341,872	66,872
Consumption tax	747,000	747,000	696,656	(50,344)
Business license taxes	17,095,000	17,095,000	18,015,385	920,385
Rental car taxes	1,145,000	1,145,000	1,157,389	12,389
Motor vehicle license	4,250,000	4,250,000	4,286,075	36,075
Bank stock taxes	960,000	960,000	1,140,972	180,972
Taxes on recordation and wills	1,750,000	1,750,000	1,389,607	(360,393)
Tobacco taxes	4,900,000	4,900,000	4,761,217	(138,783)
Hotel and motel room taxes	4,586,500	4,586,500	4,634,839	48,339
Restaurant food taxes	25,950,000	25,950,000	27,364,800	1,414,800
Tourism zone taxes	62,000	62,000	44,858	(17,142)
Amusement taxes	985,000	985,000	961,140	(23,860)
Total other local taxes	105,421,385	105,421,385	107,764,452	2,343,067
Permits, privilege fees and regulatory licenses:				
Animal licenses	45,000	45,000	49,545	4,545
Permits and other licenses	3,763,637	3,763,637	3,969,685	206,048
Total permits, privilege fees and regulatory licenses	3,808,637	3,808,637	4,019,230	210,593
Fines and forfeitures	1,765,500	1,765,500	1,834,016	68,516
Revenue from use of money and property:				
Revenue from use of money	959,540	959,540	3,345,642	2,386,102
Revenue from use of property	2,025,366	2,025,366	2,093,085	67,719
Total revenue from use of money and property	2,984,906	2,984,906	5,438,727	2,453,821
Charges for services:				
Court costs	969,097	969,097	855,722	(113,375)
Law enforcement and traffic control	142,000	142,000	95,262	(46,738)
Fire and rescue services	4,400,000	4,400,000	4,561,245	161,245
Information Technology	1,878,705	1,878,705	1,878,705	-
Parks and recreation	7,601,526	7,601,526	6,913,334	(688,192)
Cultural enrichment	245,261	245,261	123,531	(121,730)
Self-insurance premiums	2,576,207	2,576,207	2,485,298	(90,909)
Library	45,500	45,500	31,343	(14,157)
Planning and community development	600	600	482	(118)
Indirect costs	5,360,416	5,360,416	5,360,416	-
Animal services	43,246	43,246	42,737	(509)
Applied research center	40,562	40,562	-	(40,562)
Total charges for services	\$ 23,303,120	23,303,120	22,348,075	(955,045)

(continued)

City of Newport News, Virginia
Required Supplementary Information
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Budget Basis)
Year ended June 30, 2019

	Original budget	Amended budget	Actual	Variance
Recovered costs:				
Health department	\$ 24,658	24,658	299,680	275,022
Juvenile detention home	4,782,040	4,782,040	5,111,420	329,380
City jail	1,193,601	1,193,601	1,163,533	(30,068)
Sewer assessments - debt service	19,000	19,000	159,869	140,869
Total recovered costs	6,019,299	6,019,299	6,734,502	715,203
Miscellaneous revenues:				
Payments in lieu of taxes	2,774,651	2,774,651	2,733,422	(41,229)
Miscellaneous	2,371,579	2,371,579	2,388,452	16,873
Total miscellaneous revenues	5,146,230	5,146,230	5,121,874	(24,356)
Total revenue from local sources	422,108,283	422,108,283	429,496,715	7,388,432
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicle carriers' taxes	65,000	65,000	65,186	186
Mobile home titling taxes	60,000	60,000	59,039	(961)
Tax on deeds	445,000	445,000	388,510	(56,490)
State rebate – recording tax	492,000	492,000	429,855	(62,145)
DCJP grants for law enforcement	9,357,454	9,357,454	9,357,452	(2)
Total noncategorical aid	10,419,454	10,419,454	10,300,042	(119,412)
Shared expenses:				
Technology trust fund	133,739	133,739	133,739	-
Commonwealth's Attorney	1,855,000	1,855,000	1,821,141	(33,859)
Sheriff	7,155,000	7,155,000	7,633,394	478,394
Commissioner of the Revenue	341,000	341,000	391,708	50,708
Treasurer	300,000	300,000	368,291	68,291
Registrar/Electoral board	59,034	59,034	59,809	775
Total shared expenses	9,843,773	9,843,773	10,408,082	564,309
Categorical state aid:				
Welfare	24,278,066	24,278,066	26,251,362	1,973,296
Emergency medical service funds	155,000	155,000	-	(155,000)
Library	174,189	174,189	175,538	1,349
Other	-	-	104,087	104,087
Total categorical state aid	24,607,255	24,607,255	26,530,987	1,923,732
Total revenue from the Commonwealth	44,870,482	44,870,482	47,239,111	2,368,629
Other financing sources:				
Transfers from other funds	9,500,000	9,500,000	9,500,000	-
Transfers from fund balance	500,000	500,000	-	(500,000)
Total other financing sources	10,000,000	10,000,000	9,500,000	(500,000)
Total revenues	\$ 476,978,765	476,978,765	486,235,826	9,257,061

(continued)

City of Newport News, Virginia
Required Supplementary Information
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Budget Basis)
Year ended June 30, 2019

	Original budget	Amended budget	Actual	Variance
Expenditures:				
General government administration:				
Legislative:				
City Council	\$ 275,245	275,451	270,463	4,988
City Clerk	326,610	330,220	312,896	17,324
Total legislative	601,855	605,671	583,359	22,312
General and financial administration:				
City Manager	1,411,027	1,414,633	1,347,721	66,912
Human resources	1,233,199	1,233,686	1,063,867	169,819
Employee benefits	402,557	402,557	414,741	(12,184)
Medical services	37,791	37,791	30,421	7,370
City Attorney	2,028,864	2,063,953	2,067,377	(3,424)
Internal Auditor	556,127	556,168	542,462	13,706
Commissioner of the Revenue	2,530,598	2,536,364	2,301,600	234,764
Real Estate Assessor	1,656,386	1,681,659	1,659,707	21,952
City Treasurer	2,482,525	2,483,574	2,406,509	77,065
Finance	3,126,938	3,131,013	2,994,489	136,524
Budget and evaluation	708,865	708,884	586,202	122,682
Auto self-insurance	1,341,000	1,341,000	1,264,259	76,741
General liability self-insurance	1,550,000	1,550,000	1,623,217	(73,217)
Workers' compensation	3,128,000	3,128,000	2,604,066	523,934
Information technology	10,058,290	10,060,898	9,767,163	293,735
Total general and financial administration	32,252,167	32,330,180	30,673,801	1,656,379
Board of elections:				
Registrar	473,579	474,035	472,232	1,803
Nondepartmental:				
Appointed boards	111,911	111,911	71,917	39,994
Community support	2,589,089	2,589,089	2,505,990	83,099
Contract community agencies	8,769,267	8,769,267	8,640,390	128,877
City development	40,442,000	38,777,118	37,159,502	1,617,616
Contractual services	2,220,301	2,220,301	2,115,566	104,735
Internal services	176,000	43,288	4,700	38,588
Machinery and equipment	570,000	570,000	404,247	165,753
Security Services	1,501,837	1,501,837	1,387,075	114,762
Strategic priorities	2,005,500	2,005,500	2,314,277	(308,777)
Street lighting	545,706	545,706	10,482	535,224
Other	6,686,282	6,661,078	5,421,988	1,239,090
Total nondepartmental	65,617,893	63,795,095	60,036,134	3,758,961
Total general government administration	98,945,494	97,204,981	91,765,526	5,439,455
Judicial administration:				
Courts:				
Circuit Courts	510,395	510,395	508,629	1,766
District Courts	150,199	150,199	79,400	70,799
Office of the Magistrate	6,947	6,947	4,841	2,106
Juvenile/Domestic Relations Court	57,000	57,051	48,739	8,312
Clerk of the Circuit Court	1,701,128	1,730,076	1,737,285	(7,209)
Court services	486,477	487,070	454,946	32,124
Total courts	2,912,146	2,941,738	2,833,840	107,898
Commonwealth's Attorney	4,226,134	4,239,156	4,237,338	1,818
Total judicial administration	\$ 7,138,280	7,180,894	7,071,178	109,716

(continued)

City of Newport News, Virginia
Required Supplementary Information
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Budget Basis)
Year ended June 30, 2019

	Original budget	Amended budget	Actual	Variance
Public safety:				
Law enforcement and traffic control:				
Police department	\$ 48,391,858	49,076,417	50,971,523	(1,895,106)
Emergency communications	361,594	364,046	336,467	27,579
Total law enforcement and traffic control	48,753,452	49,440,463	51,307,990	(1,867,527)
Fire and rescue services:				
Fire department	31,399,142	31,884,930	33,025,880	(1,140,950)
Ambulance and rescue service	2,486,849	2,481,849	2,587,328	(105,479)
Total fire and rescue services	33,885,991	34,366,779	35,613,208	(1,246,429)
Correction and detention:				
Sheriff	22,041,166	22,259,803	22,368,181	(108,378)
Juvenile detention	8,477,001	8,506,793	8,172,141	334,652
Total correction and detention	30,518,167	30,766,596	30,540,322	226,274
Inspection – codes compliance	3,180,050	3,182,797	3,127,337	55,460
Total public safety	116,337,660	117,756,635	120,588,857	(2,832,222)
Public works:				
Engineering:				
Administration	317,150	405,582	14,793	390,789
Civil services	178,892	211,558	195,791	15,767
Construction and bridge	674,969	685,197	591,192	94,005
Architectural services	536,419	478,921	432,777	46,144
Technical support	213,967	218,839	175,831	43,008
Transportation services	870,228	819,383	881,262	(61,879)
Total engineering	2,791,625	2,819,480	2,291,646	527,834
Public works administration	704,125	1,173,592	30,313	1,143,279
Maintenance of highways, streets, bridges, and sidewalks	855,536	494,258	1,634,453	(1,140,195)
Maintenance of general buildings and grounds	7,690,489	7,590,278	7,465,408	124,870
Total public works	12,041,775	12,077,608	11,421,820	655,788
Health and welfare:				
Health:				
Medical services	3,620,493	3,645,697	3,641,799	3,898
Welfare:				
Social services administration	6,993,771	7,062,584	6,968,598	93,986
Financial services	9,551,964	9,578,941	7,990,071	1,588,870
Social work services	13,254,202	13,210,017	14,258,926	(1,048,909)
Healthy families	1,320,622	1,332,335	1,263,353	68,982
Employment service program	2,266,065	2,266,065	2,073,186	192,879
CSA administration	330,713	330,713	342,536	(11,823)
Fuel assistance	27,903	-	-	-
Youth services	558,733	558,733	524,000	34,733
Family and community education	210,827	220,515	221,409	(894)
Homeless family services	382,487	397,887	430,344	(32,457)
Cooperative extension	212,639	192,437	182,504	9,933
CHIP program	72,151	72,151	71,547	604
Total welfare	35,182,077	35,222,378	34,326,474	895,904
Total health and welfare	\$ 38,802,570	38,868,075	37,968,273	899,802

(continued)

City of Newport News, Virginia
Required Supplementary Information
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Budget Basis)
Year ended June 30, 2019

	Original budget	Amended budget	Actual	Variance
Parks, recreation and cultural:				
Parks and recreation:				
Administration	\$ 6,197,996	6,317,796	5,605,425	712,371
Recreation division	2,761,132	2,777,314	2,604,689	172,625
Parks division	3,586,005	3,587,142	3,910,958	(323,816)
Recreation classes	4,996,000	4,996,000	4,952,314	43,686
Golf course	1,728,000	1,728,000	1,800,740	(72,740)
Leeward Marina	265,000	265,000	244,025	20,975
Festival support	269,732	269,774	390,632	(120,858)
Tourism, promotion and development	1,452,000	1,452,000	1,511,225	(59,225)
Animal services	609,890	612,810	645,753	(32,943)
Total parks and recreation	<u>21,865,755</u>	<u>22,005,836</u>	<u>21,665,761</u>	<u>340,075</u>
Cultural enrichment – museum	1,124,000	1,124,000	1,249,582	(125,582)
Library	4,674,794	4,675,888	4,417,937	257,951
Total parks, recreation and cultural	<u>27,664,549</u>	<u>27,805,724</u>	<u>27,333,280</u>	<u>472,444</u>
Community development:				
Planning and community development:				
Development	1,253,143	1,286,467	1,266,664	19,803
Planning	1,586,899	1,589,838	1,274,696	315,142
Communications	1,788,634	1,788,782	1,677,320	111,462
Economic development	3,889,576	3,889,576	14,042,943	(10,153,367)
Total community development	<u>8,518,252</u>	<u>8,554,663</u>	<u>18,261,623</u>	<u>(9,706,960)</u>
Education:				
General fund transfer to Public Schools	110,889,307	110,889,307	110,889,307	-
Capital projects' transfer to Public Schools	2,000,000	2,000,000	2,000,000	-
Total education	<u>112,889,307</u>	<u>112,889,307</u>	<u>112,889,307</u>	<u>-</u>
Transfers to other funds:				
Debt service	34,152,206	34,152,206	34,152,205	1
Debt service - Public Schools	8,110,693	8,110,693	8,110,693	-
Capital projects	8,175,945	8,175,945	10,775,945	(2,600,000)
Other	4,202,034	4,202,034	5,731,459	(1,529,425)
Total transfers to other funds	<u>54,640,878</u>	<u>54,640,878</u>	<u>58,770,302</u>	<u>(4,129,424)</u>
Total expenditures and transfers to other funds	<u>476,978,765</u>	<u>476,978,765</u>	<u>486,070,166</u>	<u>(9,091,401)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>-</u>	165,660	<u>(165,660)</u>
Less encumbrances outstanding at June 30, 2018 expended or canceled at June 30, 2019			(2,800,236)	
Add encumbrances outstanding at June 30, 2019			<u>3,964,858</u>	
FY 2019 surplus (deficit)			1,330,282	
Fund balance at beginning of year			<u>94,681,764</u>	
Fund balance at end of year			<u>\$ 96,012,046</u>	

See accompanying notes to required supplementary information.

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

	2018	2017	2016	2015	2014
Total pension liability					
Service costs	\$ 8,497,193	9,045,434	9,467,439	9,926,558	10,534,763
Interest	95,861,994	93,983,070	91,489,549	88,917,067	86,803,765
Differences between expected and actual experience	17,695,138	(185,230)	6,473,172	6,665,024	-
Changes of assumptions	(7,267,035)	-	-	-	-
Benefit payments, including refunds of member contributions	(78,976,935)	(75,570,088)	(72,016,569)	(69,527,978)	(67,393,918)
Net change in total pension liability	35,810,355	27,273,186	35,413,591	35,980,671	29,944,610
Total pension liability - beginning	1,308,437,308	1,281,164,122	1,245,750,531	1,209,769,860	1,179,825,250
Total pension liability - ending	\$ 1,344,247,663	1,308,437,308	1,281,164,122	1,245,750,531	1,209,769,860
Plan fiduciary net position					
Contributions - employer	\$ 40,700,786	39,135,864	39,005,899	33,258,275	29,364,826
Contributions - member	5,779,158	5,987,851	6,416,136	6,738,148	6,558,611
Net investment income	91,844,066	115,173,724	(7,465,822)	26,194,662	113,205,029
Benefit payments, including refunds of member contributions	(78,976,935)	(75,570,088)	(72,016,569)	(69,527,978)	(67,393,918)
Administrative expense	(1,030,662)	(952,560)	(921,181)	(1,003,673)	(866,517)
Net change in plan fiduciary net position	\$ 58,316,413	83,774,791	(34,981,537)	(4,340,566)	80,868,031
Plan fiduciary net position - beginning	899,433,489	815,658,698	850,640,235	854,980,801	774,112,770
Plan fiduciary net position - ending	\$ 957,749,902	899,433,489	815,658,698	850,640,235	854,980,801
Net pension liability ending	\$ 386,497,761	409,003,819	465,505,424	395,110,296	354,789,059
Plan fiduciary net position as a percentage of the total pension liability	71.25 %	68.74 %	63.67 %	68.28 %	70.67 %
Covered payroll	\$ 108,187,035	113,302,877	118,639,692	123,619,906	129,912,288
Net position liability as a percentage of covered payroll	357.25 %	360.98 %	392.37 %	319.62 %	273.10 %

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

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

	2018	2017	2016	2015	2014
Total pension liability					
Service costs	\$ 5,810,589	5,556,353	4,831,751	4,219,577	3,376,352
Interest	1,732,518	1,382,295	1,000,116	702,834	441,527
Differences between expected and actual experience	746,189	(271,408)	(127,774)	(522,034)	-
Changes of assumptions	-	(1,239,629)	-	-	-
Benefit payments, including refunds of member contributions	(555,062)	(293,811)	(194,963)	(112,015)	(57,843)
Net change in total pension liability	7,734,234	5,133,800	5,509,130	4,288,362	3,760,036
Total pension liability - beginning	25,027,784	19,893,984	14,384,854	10,096,492	6,336,456
Total pension liability - ending	\$ 32,762,018	25,027,784	19,893,984	14,384,854	10,096,492
Plan fiduciary net position					
Contributions - employer	\$ 3,074,885	2,766,138	2,754,620	2,346,626	3,039,422
Contributions - member	3,052,031	2,685,841	2,326,164	2,054,662	1,685,840
Net investment income	2,575,005	3,322,147	485,326	760,402	1,589,581
Benefit payments, including refunds of member contributions	(555,062)	(293,811)	(194,963)	(112,015)	(57,843)
Administrative expense	(17,042)	(13,687)	(8,716)	(5,937)	(4,461)
Other	(2,546)	(3,225)	(153)	(177)	(83)
Net change in plan fiduciary net position	\$ 8,127,271	8,463,403	5,362,278	5,043,561	6,252,456
Plan fiduciary net position - beginning	32,906,451	24,443,048	19,080,770	14,037,209	7,784,753
Plan fiduciary net position - ending	\$ 41,033,722	32,906,451	24,443,048	19,080,770	14,037,209
Net pension asset ending	\$ (8,271,704)	(7,878,667)	(4,549,064)	(4,695,916)	(3,940,717)
Plan fiduciary net position as a percentage of the total net pension asset	125.25 %	131.48 %	122.87 %	132.64 %	139.03 %
Covered payroll	\$ 64,320,834	55,753,786	47,926,329	36,397,255	33,287,071
Net position asset as a percentage of covered payroll	12.86 %	14.13 %	9.49 %	12.90 %	11.84 %

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

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

	<u>2018</u>	<u>2017</u>
Total OPEB liability		
Service costs	\$ 519,381	811,867
Interest	8,847,501	8,837,567
Differences between expected and actual experience	1,053,023	-
Changes of assumptions	(7,399,952)	-
Benefit payments, including refunds of member contributions	<u>(9,229,514)</u>	<u>(9,512,163)</u>
Net change in total OPEB liability	(6,209,561)	137,271
Total OPEB liability - beginning	<u>122,243,009</u>	<u>122,105,738</u>
Total OPEB liability - ending	<u><u>\$ 116,033,448</u></u>	<u><u>122,243,009</u></u>
Plan fiduciary net position		
Contributions - employer	\$ 8,240,000	8,240,000
Net investment income	3,355,846	5,402,335
Benefit payments, including refunds of member contributions	(9,229,514)	(9,512,163)
Administrative expense	<u>(44,013)</u>	<u>(60,497)</u>
Net change in plan fiduciary net position	\$ 2,322,319	4,069,675
Plan fiduciary net position - beginning	<u>31,531,526</u>	<u>27,461,851</u>
Plan fiduciary net position - ending	<u><u>\$ 33,853,845</u></u>	<u><u>31,531,526</u></u>
Net OPEB liability ending	<u><u>\$ 82,179,603</u></u>	<u><u>90,711,483</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	29.18 %	25.79 %
Covered payroll	\$ 95,734,439	100,618,959
Net OPEB liability as a percentage of covered payroll	85.84 %	90.15 %

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

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

	<u>2018</u>	<u>2017</u>
Total OPEB liability		
Service costs	\$ 1,148,034	1,130,417
Interest	383,248	311,181
Changes of benefit terms	905,453	-
Differences between expected and actual experience	(686,746)	-
Changes of assumptions	(2,835,907)	(1,381,476)
Benefit payments, including refunds of member contributions	<u>(322,421)</u>	<u>(260,856)</u>
Net change in total OPEB liability	(1,408,339)	(200,734)
Total OPEB liability - beginning	<u>9,716,974</u>	<u>9,917,708</u>
Total OPEB liability - ending	<u><u>\$ 8,308,635</u></u>	<u><u>9,716,974</u></u>
Plan fiduciary net position		
Contributions - employer	\$ 300,000	256,300
Net investment income	104,072	19,499
Benefit payments, including refunds of member contributions	(322,421)	(260,856)
Administrative expense	<u>(5,095)</u>	<u>(46,909)</u>
Net change in plan fiduciary net position	\$ 76,556	(31,966)
Plan fiduciary net position - beginning	<u>2,508,498</u>	<u>2,540,464</u>
Plan fiduciary net position - ending	<u><u>\$ 2,585,054</u></u>	<u><u>2,508,498</u></u>
Net OPEB liability ending	<u><u>\$ 5,723,581</u></u>	<u><u>7,208,476</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	31.11 %	25.82 %
Covered payroll	\$ 59,928,556	59,195,883
Net OPEB liability as a percentage of covered payroll	9.55 %	12.18 %

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

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

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

Schedule of City Contributions VRS
(Dollar amounts in thousands)

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

Schedule of City Contributions OPEB
(Dollar amounts in thousands)

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

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

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

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

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

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

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

Schedule of Investment Returns OPEB
Years ended June 30

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Annual money-weighted rate of return, net of investment fees	3.60%	11.29%	21.23%

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

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

	<u>2018</u>	<u>2017</u>
Employer's proportion of the net GLI OPEB liability	0.33971%	0.30329%
Employer's proportionate share of the net GLI OPEB liability	\$ 5,159,000	4,564,000
Employer's covered payroll	\$ 64,320,834	55,753,786
Employer's proportionate share of the net GLI OPEB liability as a percentage of its covered payroll	8.02%	8.19%
Plan fiduciary net position as a percentage of the total GLI OPEB liability	51.22%	48.86%

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

City of Newport News, Virginia
Notes to Required Supplementary Information
Year ended June 30, 2019

(1) Budgetary Data

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

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

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

The City may amend the budget or make transfers between functions and budgetary line items without City Council approval. However, the City may not make transfers or expend any sum of money in excess of City Council appropriations, at the fund level, without the consent of the City Council. The legal level of budgetary control for the General Fund is the fund level; however, management control is exercised over the budget at the budgetary line item level. Appropriations, except for encumbrances and committed or assigned fund balances, lapse at year-end. There were supplemental appropriations made during 2019 for the following reasons: (1) grant matching, (2) funding to meet the increase in operating expenses.

(2) Legally Adopted Budgets

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

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

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

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

(3) Encumbrances

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

City of Newport News, Virginia
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2019

	Special Revenue						
	Community development	Street maintenance	Economic development	Law library	Stormwater	Solid waste	Wastewater
Assets							
Cash and cash equivalents	\$ -	-	1,177,687	183,480	14,458,084	6,276,394	7,135,086
Accounts receivable, net	-	-	-	10,616	808,111	1,838,226	1,634,698
Receivables from other funds	-	-	-	-	-	-	-
Receivables from other governments:							
Virginia	38,479	-	-	-	-	-	-
Federal	237,023	-	-	-	-	-	-
Inventory, at cost	-	-	-	-	-	-	-
Total assets	<u>\$ 275,502</u>	<u>-</u>	<u>1,177,687</u>	<u>194,096</u>	<u>15,266,195</u>	<u>8,114,620</u>	<u>8,769,784</u>
Liabilities							
Accounts payable	\$ 10,096	-	9,093	3,358	319,373	533,309	205,812
Accrued liabilities	1,261	-	-	2,475	234,155	160,879	231,823
Unearned revenues	-	-	751	-	-	37,688	-
Payable to major governmental funds	264,145	-	-	-	-	-	-
Total liabilities	<u>275,502</u>	<u>-</u>	<u>9,844</u>	<u>5,833</u>	<u>553,528</u>	<u>731,876</u>	<u>437,635</u>
Deferred inflows of resources							
Unavailable revenue-stormwater fees	-	-	-	-	589,327	-	-
Fund balances							
Nonspendable	-	-	-	-	-	-	-
Restricted	-	-	-	25	14,123,340	7,382,744	8,332,149
Committed	-	-	1,167,843	188,238	-	-	-
Unassigned	-	-	-	-	-	-	-
Total fund balances	<u>-</u>	<u>-</u>	<u>1,167,843</u>	<u>188,263</u>	<u>14,123,340</u>	<u>7,382,744</u>	<u>8,332,149</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 275,502</u>	<u>-</u>	<u>1,177,687</u>	<u>194,096</u>	<u>15,266,195</u>	<u>8,114,620</u>	<u>8,769,784</u>

(continued)

City of Newport News, Virginia
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2019

	Special Revenue					Capital Projects	Total nonmajor governmental funds
	Comprehensive Services Act	Criminal Justice Academy	Animal shelter	Special events	Other federal and state	General capital improvements	
Assets							
Cash and cash equivalents	\$ 74,235	225,020	300	672,965	2,648,510	6,216,590	39,068,351
Accounts receivable, net	-	6,957	220,586	-	-	1,058,709	5,577,903
Receivables from other funds	-	-	-	-	-	14,553,732	14,553,732
Receivables from other governments:							
Virginia	1,339,737	-	-	-	131,926	-	1,510,142
Federal	-	-	-	-	481,192	-	718,215
Inventory, at cost	-	-	6,869	-	-	-	6,869
Total assets	<u>\$ 1,413,972</u>	<u>231,977</u>	<u>227,755</u>	<u>672,965</u>	<u>3,261,628</u>	<u>21,829,031</u>	<u>61,435,212</u>
Liabilities							
Accounts payable	\$ 1,162,039	1,477	41,972	20,722	251,956	974,282	3,533,489
Accrued liabilities	-	-	45,283	-	46,657	108,776	831,309
Unearned revenues	-	-	-	150	163,821	-	202,410
Payable to major governmental funds	-	-	344,002	-	262,742	-	870,889
Total liabilities	<u>1,162,039</u>	<u>1,477</u>	<u>431,257</u>	<u>20,872</u>	<u>725,176</u>	<u>1,083,058</u>	<u>5,438,097</u>
Deferred inflows of resources							
Unavailable revenue-stormwater fees	-	-	-	-	-	-	589,327
Fund balances							
Nonspendable	-	-	6,869	-	-	-	6,869
Restricted	-	-	-	-	2,536,452	-	32,374,710
Committed	251,933	230,500	10,265	652,093	-	20,745,973	23,246,845
Unassigned	-	-	(220,636)	-	-	-	(220,636)
Total fund balances	<u>251,933</u>	<u>230,500</u>	<u>(203,502)</u>	<u>652,093</u>	<u>2,536,452</u>	<u>20,745,973</u>	<u>55,407,788</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,413,972</u>	<u>231,977</u>	<u>227,755</u>	<u>672,965</u>	<u>3,261,628</u>	<u>21,829,031</u>	<u>61,435,212</u>

City of Newport News, Virginia
Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Governmental Funds
Year ended June 30, 2019

	Special Revenue						
	Community development	Street maintenance	Economic development	Law library	Stormwater	Solid waste	Wastewater
Revenues:							
Intergovernmental:							
Local	\$ 42,569	-	-	-	-	-	-
Virginia	-	17,510,921	-	-	-	29,045	-
Federal	1,789,158	-	-	-	-	-	-
Charges for services	-	-	-	128,288	20,973,824	15,695,508	23,198,614
Interest and rent	-	-	234,740	-	115,769	102,594	126,588
Sale of property	-	-	6,100	-	-	-	-
Local fees and contributions	-	-	-	-	-	-	-
Miscellaneous	-	-	106,900	-	13,624	2,765	-
Total revenues	1,831,727	17,510,921	347,740	128,288	21,103,217	15,829,912	23,325,202
Expenditures:							
Current operating:							
General government	-	-	-	130,099	-	-	-
Judicial administration	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-
Public works	-	17,510,921	-	-	14,125,842	13,244,265	14,384,659
Health and welfare	-	-	-	-	-	-	-
Education	-	-	-	-	-	-	-
Parks, recreation, and culture	-	-	-	-	-	-	-
Community development	1,831,727	-	325,125	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Total expenditures	1,831,727	17,510,921	325,125	130,099	14,125,842	13,244,265	14,384,659
Excess (deficiency) of revenues over (under) expenditures	-	-	22,615	(1,811)	6,977,375	2,585,647	8,940,543
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	(4,034,944)	(313,979)	(5,710,674)
Total other financing sources (uses), net	-	-	-	-	(4,034,944)	(313,979)	(5,710,674)
Net changes in fund balances	-	-	22,615	(1,811)	2,942,431	2,271,668	3,229,869
Fund balances at June 30, 2018	-	-	1,145,228	190,074	11,180,909	5,111,076	5,102,280
Fund balances at June 30, 2019	\$ -	-	1,167,843	188,263	14,123,340	7,382,744	8,332,149

City of Newport News, Virginia
Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Governmental Funds
Year ended June 30, 2019

	Special Revenue					Capital Projects	Total nonmajor governmental funds
	Comprehensive Services Act	Criminal Justice Academy	Animal shelter	Special events	Other federal and state	General capital improvements	
Revenues:							
Intergovernmental:							
Local	\$ -	-	1,101,213	-	246,347	-	1,390,129
Virginia	5,549,741	-	-	-	1,531,882	-	24,621,589
Federal	382,483	-	-	-	1,930,037	-	4,101,678
Charges for services	-	124,854	160,890	-	-	-	60,281,978
Interest and rent	-	-	-	-	21,028	40,370	641,089
Sale of property	-	-	-	-	-	-	6,100
Local fees and contributions	-	-	-	61,150	-	346,607	407,757
Miscellaneous	-	-	15,496	-	-	-	138,785
Total revenues	<u>5,932,224</u>	<u>124,854</u>	<u>1,277,599</u>	<u>61,150</u>	<u>3,729,294</u>	<u>386,977</u>	<u>91,589,105</u>
Expenditures:							
Current operating:							
General government	-	-	-	-	-	-	130,099
Judicial administration	-	-	-	-	492,595	-	492,595
Public safety	-	57,632	-	-	1,813,000	-	1,870,632
Public works	-	-	-	-	76,855	-	59,342,542
Health and welfare	8,177,135	-	-	-	380,948	-	8,558,083
Education	-	-	-	-	-	2,000,000	2,000,000
Parks, recreation, and culture	-	-	1,798,493	1,223,354	132,612	-	3,154,459
Community development	-	-	-	-	387,138	-	2,543,990
Capital outlay	-	-	-	-	-	11,114,993	11,114,993
Total expenditures	<u>8,177,135</u>	<u>57,632</u>	<u>1,798,493</u>	<u>1,223,354</u>	<u>3,283,148</u>	<u>13,114,993</u>	<u>89,207,393</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,244,911)</u>	<u>67,222</u>	<u>(520,894)</u>	<u>(1,162,204)</u>	<u>446,146</u>	<u>(12,728,016)</u>	<u>2,381,712</u>
Other financing sources (uses):							
Transfers in	2,490,247	-	1,266,703	1,974,509	-	12,775,945	18,507,404
Transfers out	-	-	(669,178)	-	-	-	(10,728,775)
Total other financing sources (uses), net	<u>2,490,247</u>	<u>-</u>	<u>597,525</u>	<u>1,974,509</u>	<u>-</u>	<u>12,775,945</u>	<u>7,778,629</u>
Net changes in fund balances	245,336	67,222	76,631	812,305	446,146	47,929	10,160,341
Fund balances at June 30, 2018	6,597	163,278	(280,133)	(160,212)	2,090,306	20,698,044	45,247,447
Fund balances at June 30, 2019	<u>\$ 251,933</u>	<u>230,500</u>	<u>(203,502)</u>	<u>652,093</u>	<u>2,536,452</u>	<u>20,745,973</u>	<u>55,407,788</u>

City of Newport News, Virginia
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Street Maintenance
Year ended June 30, 2019

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Intergovernmental:				
Virginia	\$ 16,990,752	17,510,921	17,510,921	-
Total revenues	<u>16,990,752</u>	<u>17,510,921</u>	<u>17,510,921</u>	<u>-</u>
Expenditures:				
Current:				
Public works	<u>16,990,752</u>	<u>17,510,921</u>	<u>17,510,921</u>	<u>-</u>
Total expenditures	<u>16,990,752</u>	<u>17,510,921</u>	<u>17,510,921</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	\$ -	-	-	-
Fund balance at June 30, 2018			-	
Fund balance at June 30, 2019			<u>\$ -</u>	

City of Newport News, Virginia
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Economic Development
Year ended June 30, 2019

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Interest and rent	\$ 177,912	177,912	234,740	56,828
Sale of property	10,000	10,000	6,100	(3,900)
Miscellaneous	88	88	106,900	106,812
Total revenues	<u>188,000</u>	<u>188,000</u>	<u>347,740</u>	<u>159,740</u>
Expenditures:				
Current:				
Community development	<u>188,000</u>	<u>188,155</u>	<u>325,125</u>	<u>(136,970)</u>
Total expenditures	<u>188,000</u>	<u>188,155</u>	<u>325,125</u>	<u>(136,970)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>(155)</u>	<u>22,615</u>	<u>22,770</u>
Fund balance at June 30, 2018			<u>1,145,228</u>	
Fund balance at June 30, 2019			<u><u>\$ 1,167,843</u></u>	

City of Newport News, Virginia
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Law Library
Year ended June 30, 2019

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Charges for services	\$ 110,771	110,771	128,288	17,517
Miscellaneous	15,229	15,229	-	(15,229)
Total revenues	<u>126,000</u>	<u>126,000</u>	<u>128,288</u>	<u>2,288</u>
Expenditures:				
Current:				
General government	<u>126,000</u>	<u>126,000</u>	<u>130,099</u>	<u>(4,099)</u>
Total expenditures	<u>126,000</u>	<u>126,000</u>	<u>130,099</u>	<u>(4,099)</u>
Excess (deficiency) of revenues over (under) expenditures	\$ -	-	(1,811)	(1,811)
Fund balance at June 30, 2018			<u>190,074</u>	
Fund balance at June 30, 2019			<u>\$ 188,263</u>	

City of Newport News, Virginia
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Stormwater
Year ended June 30, 2019

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Charges for services	\$ 20,218,095	20,218,095	20,973,824	755,729
Interest and rent	62,000	62,000	115,769	53,769
Miscellaneous	1,502,990	3,437,990	13,624	(3,424,366)
Total revenues	<u>21,783,085</u>	<u>23,718,085</u>	<u>21,103,217</u>	<u>(2,614,868)</u>
Expenditures:				
Current:				
Public works	<u>17,748,141</u>	<u>20,156,588</u>	<u>14,125,842</u>	<u>6,030,746</u>
Total expenditures	<u>17,748,141</u>	<u>20,156,588</u>	<u>14,125,842</u>	<u>6,030,746</u>
Excess (deficiency) of revenues over (under) expenditures	<u>4,034,944</u>	<u>3,561,497</u>	<u>6,977,375</u>	<u>3,415,878</u>
Other financing sources (uses):				
Transfers out	<u>(4,034,944)</u>	<u>(4,034,944)</u>	<u>(4,034,944)</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>(473,447)</u>	<u>2,942,431</u>	<u>3,415,878</u>
Fund balance at June 30, 2018			<u>11,180,909</u>	
Fund balance at June 30, 2019			<u>\$ 14,123,340</u>	

City of Newport News, Virginia
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Solid Waste
Year ended June 30, 2019

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Intergovernmental:				
Virginia	\$ 26,500	26,500	29,045	2,545
Charges for services	14,651,100	14,651,100	15,695,508	1,044,408
Interest and rent	4,000	4,000	102,594	98,594
Miscellaneous	4,400	4,400	2,765	(1,635)
Total revenues	<u>14,686,000</u>	<u>14,686,000</u>	<u>15,829,912</u>	<u>1,143,912</u>
Expenditures:				
Current:				
Public works	<u>14,372,021</u>	<u>14,482,660</u>	<u>13,244,265</u>	<u>1,238,395</u>
Total expenditures	<u>14,372,021</u>	<u>14,482,660</u>	<u>13,244,265</u>	<u>1,238,395</u>
Excess (deficiency) of revenues over (under) expenditures	<u>313,979</u>	<u>203,340</u>	<u>2,585,647</u>	<u>2,382,307</u>
Other financing sources (uses):				
Transfers out	<u>(313,979)</u>	<u>(313,979)</u>	<u>(313,979)</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>(110,639)</u>	<u>2,271,668</u>	<u>2,382,307</u>
Fund balance at June 30, 2018			<u>5,111,076</u>	
Fund balance at June 30, 2019			<u>\$ 7,382,744</u>	

City of Newport News, Virginia
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Wastewater
Year ended June 30, 2019

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Charges for services	\$ 21,777,605	21,777,605	23,198,614	1,421,009
Interest and rent	395	395	126,588	126,193
Total revenues	<u>21,778,000</u>	<u>21,778,000</u>	<u>23,325,202</u>	<u>1,547,202</u>
Expenditures:				
Current:				
Public works	<u>16,034,875</u>	<u>17,254,768</u>	<u>14,384,659</u>	<u>2,870,109</u>
Total expenditures	<u>16,034,875</u>	<u>17,254,768</u>	<u>14,384,659</u>	<u>2,870,109</u>
Excess (deficiency) of revenues over (under) expenditures	<u>5,743,125</u>	<u>4,523,232</u>	<u>8,940,543</u>	<u>4,417,311</u>
Other financing sources (uses):				
Transfers out	<u>(5,743,125)</u>	<u>(5,743,125)</u>	<u>(5,710,674)</u>	<u>32,451</u>
Net change in fund balance	<u>\$ -</u>	<u>(1,219,893)</u>	<u>3,229,869</u>	<u>4,449,762</u>
Fund balance at June 30, 2018			<u>5,102,280</u>	
Fund balance at June 30, 2019			<u>\$ 8,332,149</u>	

City of Newport News, Virginia
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Animal Shelter
Year ended June 30, 2019

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Intergovernmental:				
Local	\$ 1,101,213	1,101,213	1,101,213	-
Charges for services	118,500	118,500	160,890	42,390
Miscellaneous	9,584	9,584	15,496	5,912
Total revenues	<u>1,229,297</u>	<u>1,229,297</u>	<u>1,277,599</u>	<u>48,302</u>
Expenditures:				
Current:				
Parks, recreation, and culture	<u>1,826,822</u>	<u>1,826,822</u>	<u>1,798,493</u>	<u>28,329</u>
Total expenditures	<u>1,826,822</u>	<u>1,826,822</u>	<u>1,798,493</u>	<u>28,329</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(597,525)</u>	<u>(597,525)</u>	<u>(520,894)</u>	<u>76,631</u>
Other financing sources (uses):				
Transfers in	1,266,703	1,266,703	1,266,703	-
Transfers out	<u>(669,178)</u>	<u>(669,178)</u>	<u>(669,178)</u>	<u>-</u>
Total other financing sources (uses), net	<u>597,525</u>	<u>597,525</u>	<u>597,525</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>-</u>	<u>76,631</u>	<u>76,631</u>
Fund balance at June 30, 2018			<u>(280,133)</u>	
Fund balance at June 30, 2019			<u>\$ (203,502)</u>	

City of Newport News, Virginia
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
Debt Service Fund
Year ended June 30, 2019

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Intergovernmental:				
Local	\$ 339,010	339,010	339,010	-
Miscellaneous	-	-	34,273	34,273
Total revenues	<u>339,010</u>	<u>339,010</u>	<u>373,283</u>	<u>34,273</u>
Expenditures:				
Debt service payments	<u>53,363,135</u>	<u>53,363,135</u>	<u>54,181,230</u>	<u>(818,095)</u>
Total expenditures	<u>53,363,135</u>	<u>53,363,135</u>	<u>54,181,230</u>	<u>(818,095)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(53,024,125)</u>	<u>(53,024,125)</u>	<u>(53,807,947)</u>	<u>(783,822)</u>
Other financing sources (uses):				
Transfers in	<u>53,024,125</u>	<u>53,024,125</u>	<u>52,991,673</u>	<u>(32,452)</u>
Net change in fund balance	<u>\$ -</u>	<u>-</u>	<u>(816,274)</u>	<u>(816,274)</u>
Fund balance at June 30, 2018			<u>2,277,296</u>	
Fund balance at June 30, 2019			<u>\$ 1,461,022</u>	

City of Newport News, Virginia
Combining Statement of Net Position
Nonmajor Component Units
June 30, 2019

	Peninsula Airport Commission	Economic and Industrial Development Authorities	Total Nonmajor Component Units
Assets			
Current assets:			
Cash and cash equivalents	\$ 1,629,123	7,405,827	9,034,950
Restricted cash	-	12,083,707	12,083,707
Receivables:			
Accounts	567,383	353,445	920,828
Loans	31,215	76,477	107,692
Other	-	187,578	187,578
Inventories	45,540	-	45,540
Other current assets	54,078	-	54,078
Total current assets	<u>2,327,339</u>	<u>20,107,034</u>	<u>22,434,373</u>
Restricted cash and cash equivalents	8,330,784	2,457,376	10,788,160
Deferred project costs	164,592	-	164,592
Net pension asset	261,500	-	261,500
Receivables:			
Loans	-	1,187,313	1,187,313
Accounts, notes & grants	-	6,725,682	6,725,682
Land held for lease or resale	-	34,694,532	34,694,532
Property, plant and equipment:			
Land	6,604,658	-	6,604,658
Construction in progress	444,706	8,615,664	9,060,370
Infrastructure	-	2,543,500	2,543,500
Buildings	-	201,667,374	201,667,374
Improvements	-	19,700,793	19,700,793
Airfield	90,658,261	-	90,658,261
Terminal	89,367,640	-	89,367,640
Trailer park and rental units	1,548,885	-	1,548,885
Machinery and equipment	6,422,304	84,674	6,506,978
Less accumulated depreciation	<u>(106,511,906)</u>	<u>(74,027,866)</u>	<u>(180,539,772)</u>
Total assets	<u>99,618,763</u>	<u>223,756,076</u>	<u>323,374,839</u>
Deferred outflows of resources			
Pension deferrals	147,248	-	147,248
OPEB deferrals	126,400	-	126,400
Deferred amount on refunding	-	4,271,542	4,271,542
Total deferred outflows of resources	<u>273,648</u>	<u>4,271,542</u>	<u>4,545,190</u>
Liabilities			
Current liabilities:			
Accounts payable	256,992	1,853,315	2,110,307
Accrued liabilities	370,659	50,537	421,196
Deposits	29,252	-	29,252
Bonds and notes payable	521,763	9,579,158	10,100,921
Total current liabilities	<u>1,178,666</u>	<u>11,483,010</u>	<u>12,661,676</u>
Notes payable	-	7,449,985	7,449,985
Bonds payable	6,978,295	68,673,761	75,652,056
Net OPEB liability	5,346,294	-	5,346,294
Total liabilities	<u>13,503,255</u>	<u>87,606,756</u>	<u>101,110,011</u>
Deferred inflows of resources			
Pension deferrals	415,497	-	415,497
OPEB deferrals	1,965,230	-	1,965,230
Deferred revenues	-	1,000	1,000
Total deferred inflows of resources	<u>2,380,727</u>	<u>1,000</u>	<u>2,381,727</u>
Net position			
Net investment in capital assets	81,034,490	77,150,525	158,185,015
Restricted for:			
Capital projects	8,592,284	12,706,754	21,299,038
Capital loans	-	1,654,991	1,654,991
Unrestricted	<u>(5,618,345)</u>	<u>48,907,592</u>	<u>43,289,247</u>
Total net position	<u>\$ 84,008,429</u>	<u>140,419,862</u>	<u>224,428,291</u>

City of Newport News, Virginia
Statement of Revenues, Expenses and Changes in Net Position
Nonmajor Component Units
Year ended June 30, 2019

	Peninsula Airport Commission	Economic and Industrial Development Authorities	Total Nonmajor Component Units
Operating revenues:			
Charges for services	\$ 8,198,264	-	8,198,264
Property rentals	-	7,067,031	7,067,031
Parking contributions	-	199,601	199,601
Parking Authority revenues	-	849,556	849,556
Intergovernmental - Primary Government	-	16,597,783	16,597,783
Total operating revenues	8,198,264	24,713,971	32,912,235
Operating expenses:			
Personal services	3,795,869	789,740	4,585,609
Contractual services	2,409,375	6,209,473	8,618,848
Materials and supplies	1,092,367	450,322	1,542,689
Depreciation and amortization	7,867,862	5,484,341	13,352,203
Rental expenses	-	1,155,804	1,155,804
Miscellaneous	98,410	4,933,681	5,032,091
Total operating expenses	15,263,883	19,023,361	34,287,244
Operating income (loss)	(7,065,619)	5,690,610	(1,375,009)
Nonoperating revenues (expenses):			
Interest revenue	1,183	701,934	703,117
Bond and admin fee income	-	229,342	229,342
Interest expense	(313,809)	(3,138,049)	(3,451,858)
Letter of credit and trustee fees	-	(51,650)	(51,650)
Gain (loss) on disposal	(6,138)	-	(6,138)
Other revenues	-	613,414	613,414
Governor's opportunity grants	-	2,000,000	2,000,000
Governor's opportunity grants	-	(2,000,000)	(2,000,000)
Foundry grant	-	(6,000,000)	(6,000,000)
OPEB expense	(220,894)	-	(220,894)
Total non-operating revenues (expenses), net	(539,658)	(7,645,009)	(8,184,667)
Gain (loss) before capital contributions and extraordinary item	(7,605,277)	(1,954,399)	(9,559,676)
Capital contributions, net	3,121,562	-	3,121,562
Extraordinary item: Contribution - Primary Government	-	10,155,757	10,155,757
Change in net position	(4,483,715)	8,201,358	3,717,643
Net position at June 30, 2018	88,492,144	132,218,504	220,710,648
Net position at June 30, 2019	\$ 84,008,429	140,419,862	224,428,291

City of Newport News, Virginia
Statement of Cash Flows
Nonmajor Component Units
Year ended June 30, 2019

	Peninsula Airport Commission	Economic and Industrial Development Authorities	Total
Cash flows from operating activities:			
Receipts from customers	\$ 8,630,680	24,944,324	33,575,004
Payments to suppliers	(4,069,978)	(12,703,122)	(16,773,100)
Payments to employees	(4,100,276)	(789,740)	(4,890,016)
Receipts from loans and mortgages	-	111,065	111,065
Net cash provided by operating activities	460,426	11,562,527	12,022,953
Cash flows used in noncapital financing activities:			
OPEB expenses paid	(104,670)	-	(104,670)
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(743,709)	(583,030)	(1,326,739)
Contributed capital	3,601,030	-	3,601,030
Proceeds from sale of capital assets	5,131	-	5,131
Repayment and retirement of long-term debt, net	(503,445)	(3,385,545)	(3,888,990)
Interest paid	(313,809)	(3,138,049)	(3,451,858)
Other revenue and expenses	(321)	791,106	790,785
Proceeds from debt refunding	-	643,637	643,637
Payment to foundry grant	-	(6,000,000)	(6,000,000)
Net cash provided by (used in) capital and related financing activities	2,044,877	(11,671,881)	(9,627,004)
Cash flows from investing activities:			
Interest received	1,183	701,934	703,117
Loans issued	-	(126,137)	(126,137)
Investment in future projects	(3,115)	-	(3,115)
Decrease in restricted investments, net	(2,362,352)	-	(2,362,352)
Net cash provided (used) by investing activities	(2,364,284)	575,797	(1,788,487)
Increase (decrease) in cash and cash equivalents	36,349	466,443	502,792
Cash, cash equivalents and restricted cash at beginning of year	1,592,774	21,480,467	23,073,241
Cash, cash equivalents and restricted cash at end of year	1,629,123	21,946,910	23,576,033
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	(7,065,619)	5,690,610	(1,375,009)
Adjustment to reconcile operating income (loss) to cash provided by operating activities:			
Depreciation	7,867,862	5,484,341	13,352,203
Changes in assets and liabilities:			
Accounts receivable	(39,279)	-	(39,279)
Inventories	10,408	-	10,408
Accounts payable, accrued liabilities and leases payable	(58,995)	578,905	519,910
Unearned revenues	-	1,000	1,000
Net pension liability and related deferred inflows/outflows of resources	(220,347)	-	(220,347)
Net GLI OPEB liability and related deferred inflows/outflows of resources	(13,918)	-	(13,918)
Other receivables	-	4,562,045	4,562,045
Prepaid assets	(19,686)	-	(19,686)
Changes in land inventory	-	(4,865,439)	(4,865,439)
Mortgages receivable	-	111,065	111,065
Net cash provided by operating activities	\$ 460,426	11,562,527	12,022,953
Supplemental disclosure:			
Noncash investing and financing activities:			
Contributed capital funded by accounts receivable	31,215	-	31,215
Write off of ARC receivable	\$ -	10,155,757	10,155,757

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City of Newport News, Virginia
Combining Statement of Fiduciary Net Position
Trust Funds
June 30, 2019

	Line of Duty Act			
	Benefit Fund	Pension Fund	OPEB Fund	Total
Assets				
Cash and cash equivalents	\$ 2,828,740	4,526,105	1,659,874	9,014,719
Cash and cash equivalents with trustee	-	11,244,612	173,930	11,418,542
Investments, at fair value:				
Debt securities	-	138,289,330	9,497,899	147,787,229
Equity investments	-	638,833,266	23,707,133	662,540,399
Private equities	-	45,305,240	-	45,305,240
Real estate and timber	-	120,771,284	-	120,771,284
Due from other components	-	73,357	-	73,357
Sales receivable	-	998,444	292	998,736
Claims Fluctuation Reserve (Anthem)	-	-	1,827,864	1,827,864
Other assets	15,686	-	-	15,686
Total assets	<u>2,844,426</u>	<u>960,041,638</u>	<u>36,866,992</u>	<u>999,753,056</u>
Liabilities				
Accounts payable	221,948	169,812	1,616,753	2,008,513
Due to City	-	91,129	377,040	468,169
Purchases payable	-	2,302,235	-	2,302,235
Total liabilities	<u>221,948</u>	<u>2,563,176</u>	<u>1,993,793</u>	<u>4,778,917</u>
Net Position				
Assets held in trust				
Restricted for pension and OPEB benefits	-	957,478,462	34,873,199	992,351,661
Restricted	2,622,478	-	-	2,622,478
Total net position	<u>\$ 2,622,478</u>	<u>957,478,462</u>	<u>34,873,199</u>	<u>994,974,139</u>

City of Newport News, Virginia
Combining Statement of Changes in Fiduciary Net Position
Trust Funds
Year ended June 30, 2019

	Line of Duty Act			
	Benefit Fund	Pension Fund	OPEB Fund	Total
Additions:				
Employer contributions:				
City General Fund	\$ 300,000	28,711,291	7,235,750	36,247,041
Waterworks Fund	-	3,544,184	1,004,250	4,548,434
School Operating Fund	-	8,598,267	-	8,598,267
Employee contributions:				
City General Fund	-	4,191,223	-	4,191,223
Waterworks Fund	-	547,053	-	547,053
School Operating Fund	-	602,601	-	602,601
Other contributions:				
Income from leave exchange	-	128,152	-	128,152
Employee buy-back	-	61,767	-	61,767
Total contributions	<u>300,000</u>	<u>46,384,538</u>	<u>8,240,000</u>	<u>54,924,538</u>
Investment income:				
Net appreciation (depreciation) - bonds	-	1,935,215	310,125	2,245,340
Net appreciation (depreciation) - stocks	-	21,363,244	263,004	21,626,248
Interest	57,051	3,977,880	42,119	4,077,050
Dividends	-	5,743,567	609,034	6,352,601
Real estate operating income	-	7,209,718	-	7,209,718
Commission recapture	-	29,642	-	29,642
Other investment income	-	15,075	-	15,075
Total investment income	<u>57,051</u>	<u>40,274,341</u>	<u>1,224,282</u>	<u>41,555,674</u>
Less investment expenses	<u>-</u>	<u>(3,045,890)</u>	<u>(6,146)</u>	<u>(3,052,036)</u>
Net investment gain	<u>57,051</u>	<u>37,228,451</u>	<u>1,218,136</u>	<u>38,503,638</u>
Total additions	<u>357,051</u>	<u>83,612,989</u>	<u>9,458,136</u>	<u>93,428,176</u>
Deductions:				
Benefits paid to participants	247,202	82,831,443	8,393,848	91,472,493
Refunds of member contributions	-	70,306	-	70,306
Administrative expenses	3,786	982,680	44,934	1,031,400
Other expenses	<u>72,497</u>	<u>-</u>	<u>-</u>	<u>72,497</u>
Total deductions	<u>323,485</u>	<u>83,884,429</u>	<u>8,438,782</u>	<u>92,646,696</u>
Change in net position	33,566	(271,440)	1,019,354	781,480
Net position held in trust for retirement benefits at June 30, 2018	<u>2,588,912</u>	<u>957,749,902</u>	<u>33,853,845</u>	<u>994,192,659</u>
Net position held in trust for retirement benefits at June 30, 2019	<u>\$ 2,622,478</u>	<u>957,478,462</u>	<u>34,873,199</u>	<u>994,974,139</u>

City of Newport News, Virginia
Combining Statement of Changes in Fiduciary Assets and Liabilities
Agency Funds
June 30, 2019

	Balance June 30, 2018	Additions	Deductions	Balance June 30, 2019
GPWDC				
Assets:				
Cash and cash equivalents	\$ 149,122	3,159,140	3,131,324	176,938
Accounts receivable	824,642	93,061	10,000	907,703
Total assets	<u>\$ 973,764</u>	<u>3,252,201</u>	<u>3,141,324</u>	<u>1,084,641</u>
Liabilities:				
Accounts payable	\$ 150,326	2,059,844	2,013,500	196,670
Due to other agencies	823,438	64,533	-	887,971
Total liabilities	<u>\$ 973,764</u>	<u>2,124,377</u>	<u>2,013,500</u>	<u>1,084,641</u>
 Other agency funds				
Assets:				
Cash and cash equivalents	\$ 6,470,982	23,217,088	21,708,839	7,979,231
Accounts receivable	3,937,481	22,752,409	24,834,273	1,855,617
Total assets	<u>\$ 10,408,463</u>	<u>45,969,497</u>	<u>46,543,112</u>	<u>9,834,848</u>
Liabilities:				
Accounts payable	\$ 997,150	22,233,244	21,468,546	1,761,848
Due to other governments	6,817,439	-	1,328,757	5,488,682
Due to other agencies	2,593,874	138,354	147,910	2,584,318
Total liabilities	<u>\$ 10,408,463</u>	<u>22,371,598</u>	<u>22,945,213</u>	<u>9,834,848</u>
 Total agency funds				
Assets:				
Cash and cash equivalents	\$ 6,620,104	26,376,228	24,840,163	8,156,169
Accounts receivable	4,762,123	22,845,470	24,844,273	2,763,320
Total assets	<u>\$ 11,382,227</u>	<u>49,221,698</u>	<u>49,684,436</u>	<u>10,919,489</u>
Liabilities:				
Accounts payable	\$ 1,147,476	24,293,088	23,482,046	1,958,518
Due to other governments	6,817,439	-	1,328,757	5,488,682
Due to other agencies	3,417,312	202,887	147,910	3,472,289
Total liabilities	<u>\$ 11,382,227</u>	<u>24,495,975</u>	<u>24,958,713</u>	<u>10,919,489</u>

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Statistical Section

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

<u>Contents</u>	<u>Page</u>
Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	124
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.	130
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.	135
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.	139
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.	141

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									
	2019	2018	2017	2016	2015*	2014	2013	2012	2011	2010
Governmental activities:										
Net investment in capital assets	\$ 473,716,004	\$ 434,506,011	\$ 403,502,237	\$ 384,685,456	\$ 362,541,053	\$ 344,253,405	\$ 331,677,129	\$ 311,394,219	\$ 290,455,293	\$ 251,724,446
Restricted	34,772,461	28,002,362	19,682,760	19,333,167	15,441,843	11,105,034	9,396,408	10,732,493	1,182,184	1,034,412
Unrestricted (deficit)	(250,348,726)	(263,060,889)	(226,610,632)	(202,853,172)	(201,104,209)	(169,541,405)	(165,087,764)	(141,023,569)	(104,156,300)	(59,047,595)
Total governmental activities net position	<u>\$ 258,139,739</u>	<u>\$ 199,447,484</u>	<u>\$ 196,574,365</u>	<u>\$ 201,165,451</u>	<u>\$ 176,878,687</u>	<u>\$ 185,817,034</u>	<u>\$ 175,985,773</u>	<u>\$ 181,103,143</u>	<u>\$ 187,481,177</u>	<u>\$ 193,711,263</u>
Business-type activities:										
Net investment in capital assets	\$ 332,048,472	\$ 321,533,379	\$ 312,211,263	\$ 299,063,108	\$ 284,602,082	\$ 243,541,418	\$ 232,313,434	\$ 257,644,908	\$ 251,759,910	\$ 238,441,047
Restricted	-	-	-	-	-	28,007,541	30,427,669	-	-	-
Unrestricted	19,864,260	11,132,237	9,195,280	3,558,442	1,951,106	27,165,354	21,103,436	19,485,138	23,521,844	31,828,423
Total business-type activities net position	<u>\$ 351,912,732</u>	<u>\$ 332,665,616</u>	<u>\$ 321,406,543</u>	<u>\$ 302,621,550</u>	<u>\$ 286,553,188</u>	<u>\$ 298,714,313</u>	<u>\$ 283,844,539</u>	<u>\$ 277,130,046</u>	<u>\$ 275,281,754</u>	<u>\$ 270,269,470</u>
Primary Government:										
Net investment in capital assets	\$ 805,764,476	\$ 756,039,390	\$ 715,713,500	\$ 683,748,564	\$ 647,143,135	\$ 587,794,823	\$ 563,990,563	\$ 569,039,127	\$ 542,215,203	\$ 490,165,493
Restricted	34,772,461	28,002,362	19,682,760	19,333,167	15,441,843	39,112,575	39,824,077	10,732,493	1,182,184	1,034,412
Unrestricted (deficit)	(230,484,466)	(251,928,652)	(217,415,352)	(199,294,730)	(199,153,103)	(142,376,051)	(143,984,328)	(121,538,431)	(80,634,456)	(27,219,172)
Total Primary Government net position	<u>\$ 610,052,471</u>	<u>\$ 532,113,100</u>	<u>\$ 517,980,908</u>	<u>\$ 503,787,001</u>	<u>\$ 463,431,875</u>	<u>\$ 484,531,347</u>	<u>\$ 459,830,312</u>	<u>\$ 458,233,189</u>	<u>\$ 462,762,931</u>	<u>\$ 463,980,733</u>

Note: * Implementation of GASB 68

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

	Fiscal Year									
	2019	2018	2017	2016	2015**	2014*	2013	2012	2011	2010
Program revenues										
Governmental activities:										
Charges for services:										
Public works	\$ 60,027,815	\$ 57,160,432	\$ 55,846,420	\$ 54,559,279	\$ 52,316,287	\$ 45,729,958	\$ 40,889,684	\$ 37,095,768	\$ 36,800,694	\$ 37,744,481
All others	31,176,856	30,035,422	29,954,030	28,819,222	29,469,594	27,341,075	27,279,880	26,264,076	25,854,740	25,805,742
Operating grants and contributions	30,452,406	39,075,745	40,933,661	41,835,794	41,537,105	41,230,144	39,249,011	41,429,302	44,986,270	42,704,554
Capital grants and contributions	38,072,400	30,410,059	16,980,158	9,891,763	9,852,965	8,261,793	6,482,329	4,966,923	3,156,118	4,740,959
Total governmental activities program revenues	159,729,477	156,681,658	143,714,269	135,106,058	133,175,951	122,562,970	113,900,904	109,756,069	110,797,822	110,995,736
Business-type activities:										
Charges for services	95,343,639	99,350,705	91,990,145	89,992,744	88,819,826	85,580,834	76,099,474	73,337,822	74,497,015	72,719,343
Operating/Capital grants and contributions	2,396,486	3,986,319	2,263,856	3,352,599	2,434,032	2,327,993	2,811,556	3,475,356	4,810,036	5,381,669
Total business-type activities program revenues	97,740,125	103,337,024	94,254,001	93,345,343	91,253,858	87,908,827	78,911,030	76,813,178	79,307,051	78,101,012
Total Primary Government program revenues	257,469,602	260,018,682	237,968,270	228,451,401	224,429,809	210,471,797	192,811,934	186,569,247	190,104,873	189,096,748
Expenses										
Governmental activities:										
General government	104,489,210	99,745,558	110,180,530	105,287,988	95,389,412	98,295,537	85,544,610	53,687,583	41,072,050	56,496,116
Judicial administration	8,087,466	7,996,313	8,150,550	7,000,968	6,705,580	6,801,427	6,779,007	7,796,103	7,675,395	7,061,964
Public safety	126,206,588	123,683,767	128,952,047	117,228,275	112,771,624	116,029,097	113,305,100	131,544,707	129,661,963	119,642,698
Public works	78,239,758	76,410,545	85,577,272	77,766,098	70,465,462	72,201,809	70,293,521	76,076,207	77,288,468	71,950,527
Health and welfare	46,245,011	45,434,568	44,848,871	41,363,323	39,218,507	40,894,433	42,283,290	49,131,969	54,114,507	52,805,082
Education	122,254,884	132,474,462	138,929,299	121,829,209	147,634,659	119,743,781	116,592,925	117,566,704	118,376,318	119,956,981
Parks, recreation and culture	33,704,442	33,766,228	35,237,952	32,294,586	31,522,216	32,804,044	34,050,686	34,690,901	34,385,246	32,614,571
Community development	11,669,637	11,298,553	11,180,081	11,490,635	7,371,121	9,764,564	11,194,312	8,743,779	12,678,704	10,369,291
Interest and other fiscal charges	20,959,483	20,083,955	19,860,527	20,545,591	20,497,054	20,607,931	22,927,201	25,545,336	30,258,101	23,923,629
Total governmental activities expenses	551,856,479	550,893,949	582,917,129	534,806,673	531,575,635	517,142,623	502,970,652	504,783,289	505,510,752	494,820,859
Business-type activities:										
Public utilities	72,132,481	74,291,178	67,605,709	69,011,682	64,775,097	63,629,010	62,502,189	65,287,629	64,529,867	64,078,572
Total business-type activities expenses	72,132,481	74,291,178	67,605,709	69,011,682	64,775,097	63,629,010	62,502,189	65,287,629	64,529,867	64,078,572
Total Primary Government expenses	623,988,960	625,185,127	650,522,838	603,818,355	596,350,732	580,771,633	565,472,841	570,070,918	570,040,619	558,899,431
Net revenue/(expenses)										
Governmental activities	(392,127,002)	(394,212,291)	(439,202,860)	(399,700,615)	(398,399,684)	(394,579,653)	(389,069,748)	(395,027,220)	(394,712,930)	(383,825,123)
Business-type activities	25,607,644	29,045,846	26,648,292	24,333,661	26,478,761	24,279,817	16,408,841	11,525,549	14,777,184	14,022,440
Total Primary Government	\$(366,519,358)	\$(365,166,445)	\$(412,554,568)	\$(375,366,954)	\$(371,920,923)	\$(370,299,836)	\$(372,660,907)	\$(383,501,671)	\$(379,935,746)	\$(369,802,683)

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

	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
General revenues and other changes in net assets										
Governmental activities:										
General property taxes	\$ 277,522,739	\$ 265,622,961	\$ 261,245,586	\$ 256,787,386	\$ 250,847,834	\$ 246,119,180	\$ 229,811,554	\$ 229,194,920	\$ 230,980,102	\$ 236,993,370
Other taxes	107,764,452	105,492,219	103,889,921	102,082,792	100,362,448	96,418,092	96,537,561	91,744,426	89,063,340	88,595,948
Grants and contributions not restricted to specific programs	47,239,111	46,117,575	44,482,705	43,217,511	43,235,474	42,216,776	41,481,654	47,106,347	48,209,536	48,630,187
Investment earnings	6,240,402	4,345,961	3,102,177	2,688,086	2,438,265	2,293,272	2,328,310	2,270,634	2,395,569	2,663,324
Special item: Loss on extinguishment	(10,155,757)	-	-	-	-	-	-	-	-	-
Miscellaneous	12,708,310	14,270,016	12,391,385	9,711,606	10,542,858	9,358,360	3,902,299	8,441,859	7,834,297	7,466,092
Transfers	9,500,000	9,500,000	9,500,000	9,500,000	9,500,000	9,391,000	9,891,000	9,891,000	10,000,000	10,000,000
Total governmental activities	450,819,257	445,348,732	434,611,774	423,987,381	416,926,879	405,796,680	383,952,378	388,649,186	388,482,844	394,348,921
Business-type activities:										
Investment earnings	1,684,370	1,033,077	454,799	276,491	167,947	153,241	196,652	213,743	235,100	549,737
Extraordinary loss	-	-	-	-	-	-	-	-	-	(52,612,401)
Miscellaneous	1,455,102	1,474,323	1,181,902	958,210	962,131	717,187	-	-	-	-
Transfers	(9,500,000)	(9,500,000)	(9,500,000)	(9,500,000)	(9,500,000)	(9,391,000)	(9,891,000)	(9,891,000)	(10,000,000)	(10,000,000)
Total business-type activities	(6,360,528)	(6,992,600)	(7,863,299)	(8,265,299)	(8,369,922)	(8,520,572)	(9,694,348)	(9,677,257)	(9,764,900)	(62,062,664)
Total Primary Government	444,458,729	438,356,132	426,748,475	415,722,082	408,556,957	397,276,108	374,258,030	378,971,929	378,717,944	332,286,257
Change in net position										
Governmental activities	58,692,255	51,136,441	(4,591,086)	24,286,766	18,527,195	11,217,027	(5,117,370)	(6,378,034)	(6,230,086)	10,523,798
Business-type activities	19,247,116	22,053,246	18,784,993	16,068,362	18,108,839	15,759,245	6,714,493	1,848,292	5,012,284	(48,040,224)
Total Primary Government	\$ 77,939,371	\$ 73,189,687	\$ 14,193,907	\$ 40,355,128	\$ 36,636,034	\$ 26,976,272	\$ 1,597,123	\$ (4,529,742)	\$ (1,217,802)	\$ (37,516,426)

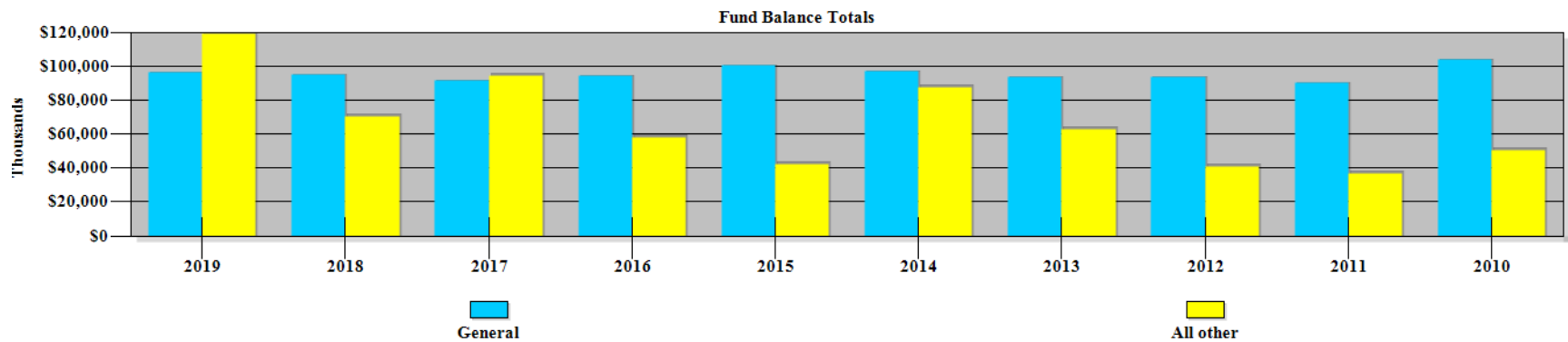
Note: * Implementation of GASB 65

** Implementation of GASB 68

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

	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
General fund										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,305,988
Unreserved	-	-	-	-	-	-	-	-	-	97,366,646
Nonspendable	1,177,088	11,427,627	11,519,118	11,436,689	11,541,956	11,370,286	12,862,783	15,412,699	15,711,917	-
Restricted	596,452	437,862	322,798	224,814	133,554	90,649	563,863	2,013,986	2,011,665	-
Assigned	27,739,746	25,939,296	28,279,733	31,855,250	39,089,271	38,415,687	34,939,767	34,656,608	31,290,680	-
Unassigned	66,498,760	56,876,979	51,711,616	51,054,853	49,692,460	47,366,583	45,353,317	41,364,679	41,390,600	-
Total general fund	\$ 96,012,046	\$ 94,681,764	\$ 91,833,265	\$ 94,571,606	\$ 100,457,241	\$ 97,243,205	\$ 93,719,730	\$ 93,447,972	\$ 90,404,862	\$ 103,672,634
All other governmental funds										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17,170,639
Unreserved, reported in:										
Special revenue fund	-	-	-	-	-	-	-	-	-	12,372,862
Debt service fund	-	-	-	-	-	-	-	-	-	6,511,346
Capital project fund	-	-	-	-	-	-	-	-	-	13,290,298
Bond fund	-	-	-	-	-	-	-	-	-	1,144,480
Nonspendable	6,869	4,708	-	-	-	-	-	-	-	-
Restricted	94,628,279	48,257,170	74,987,521	37,764,123	30,414,816	56,269,407	32,442,547	24,773,693	28,210,329	-
Committed	24,654,169	22,255,786	19,575,222	20,806,270	32,354,805	30,841,880	30,148,309	32,951,026	40,772,110	-
Assigned	53,698	-	15,223	-	-	-	92,000	-	30,000	-
Unassigned	(220,636)	(497,643)	(368,067)	(429,701)	(20,674,947)	-	-	(17,129,925)	(32,086,837)	-
Total all other governmental funds	\$ 119,122,379	\$ 70,020,021	\$ 94,209,899	\$ 58,140,692	\$ 42,094,674	\$ 87,111,287	\$ 62,682,856	\$ 40,594,794	\$ 36,925,602	\$ 50,489,625

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									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Revenues										
General property taxes	\$ 276,236	\$ 266,110	\$ 261,130	\$ 256,442	\$ 248,297	\$ 245,531	\$ 228,025	\$ 229,353	\$ 230,860	\$ 236,184
Other local taxes	107,764	105,492	103,890	102,083	100,362	96,418	96,538	91,744	89,063	88,596
Licenses and permits	4,019	4,006	3,724	3,413	3,866	3,433	2,803	3,645	3,372	2,846
Fines and forfeitures	1,834	1,741	1,727	1,517	2,247	2,599	2,984	2,697	2,332	2,213
Intergovernmental	111,959	113,955	99,943	92,433	92,649	90,606	86,344	93,076	94,980	92,883
Charges for services	82,630	79,547	78,390	76,208	73,593	64,421	59,179	54,895	54,057	55,523
Interest and rent	6,108	4,280	3,065	2,669	2,425	2,285	2,322	2,264	2,391	2,653
Recovered costs	6,741	5,908	5,683	5,654	5,946	6,051	6,007	5,768	6,267	5,814
Miscellaneous	5,703	7,296	6,000	4,211	4,348	3,596	3,810	3,034	3,476	3,348
Total revenues	602,994	588,335	563,552	544,630	533,733	514,940	488,012	486,476	486,798	490,060
Expenditures										
General government	93,951	92,769	91,034	94,516	83,730	77,930	76,785	50,109	49,331	51,254
Judicial administration	7,588	7,436	7,225	6,442	6,383	6,129	5,861	6,733	6,592	6,236
Public safety	122,534	119,923	118,558	113,199	111,415	107,104	100,419	116,183	114,075	108,877
Public works	67,468	65,966	71,256	67,487	61,926	59,511	55,527	60,806	62,152	58,764
Health and welfare	46,597	45,825	42,722	41,461	40,244	39,113	38,807	44,654	48,918	49,309
Education	116,183	128,632	130,697	120,300	140,727	117,890	119,362	123,007	118,262	119,581
Parks, recreation, and culture	30,394	30,170	30,047	28,396	27,984	26,637	26,829	27,421	26,923	25,976
Community development	10,650	10,315	9,895	10,974	6,990	8,811	9,778	7,429	10,852	8,959
Debt service:										
Principal	34,662	33,690	40,085	38,000	38,687	38,295	35,123	36,792	33,675	33,444
Interest and other charges	20,046	19,683	19,995	20,670	19,499	21,690	22,426	25,424	28,100	24,356
Capital outlay	95,284	64,767	45,078	56,311	47,865	45,878	38,271	37,883	27,791	27,186
Total expenditures	645,357	619,176	606,592	597,756	585,450	548,988	529,188	536,441	526,671	513,942
Deficiency of revenues under expenditures	(42,363)	(30,841)	(43,040)	(53,126)	(51,717)	(34,048)	(41,176)	(49,965)	(39,873)	(23,882)

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									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Other financing sources (uses)										
Transfers in	80,999	70,054	71,696	70,403	73,313	69,806	64,854	63,980	87,189	69,587
Transfers out	(71,499)	(60,554)	(62,196)	(60,903)	(63,398)	(60,415)	(54,963)	(54,089)	(77,189)	(59,587)
Payment to refund bonds	-	-	-	(39,614)	-	(64,867)	-	(76,685)	-	-
Premium on refunded bonds	-	-	-	6,728	-	7,464	-	7,756	-	-
Refund bonds proceeds	-	-	-	33,190	-	56,115	-	69,335	-	-
Bond and note proceeds	85,795	-	59,455	48,890	-	45,000	51,905	42,121	3,041	2,918
Premium on bonds issuance	7,657	-	7,416	4,592	-	8,897	5,698	4,259	-	-
Contribution to PAC	-	-	-	-	-	-	(3,958)	-	-	-
Total other financing sources (uses), net	102,952	9,500	76,371	63,286	9,915	62,000	63,536	56,677	13,041	12,918
Special item										
Loss on extinguishment	(10,156)	-	-	-	-	-	-	-	-	-
Net change in fund balance	<u>\$ 50,433</u>	<u>\$ (21,341)</u>	<u>\$ 33,331</u>	<u>\$ 10,160</u>	<u>\$ (41,802)</u>	<u>\$ 27,952</u>	<u>\$ 22,360</u>	<u>\$ 6,712</u>	<u>\$ (26,832)</u>	<u>\$ (10,964)</u>
Debt service as a percentage of noncapital expenditures *	9.6 %	9.5 %	10.5 %	10.6 %	10.6 %	11.6 %	11.7 %	12.6 %	12.8 %	11.9 %

* Corrected capitalized expenditure amounts that are used to determine debt service as a percentage of noncapital expenditures for fiscal years 2010 thru 2018.

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

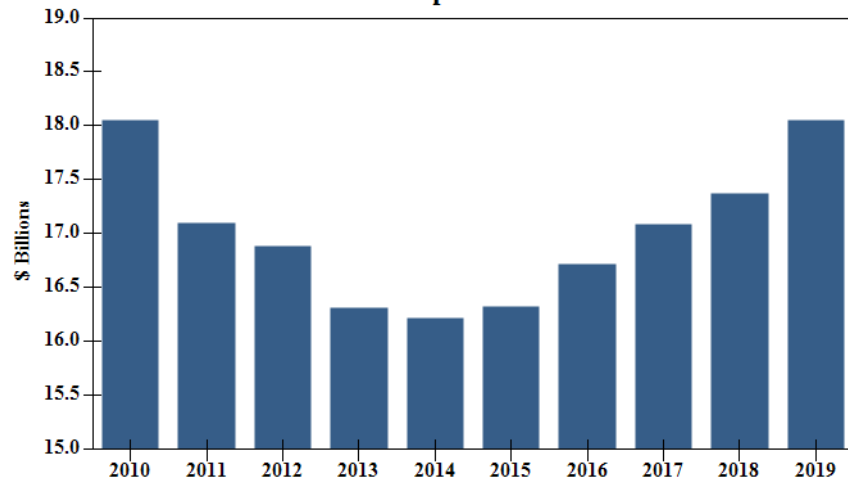
	Fiscal Year										% Change 2010-2019
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	
Revenues											
General property taxes	\$ 277,522,739	\$ 265,622,961	\$ 261,245,586	\$ 256,787,386	\$ 250,847,834	\$ 246,119,180	\$ 229,811,554	\$ 229,194,920	\$ 230,980,102	\$ 236,183,979	17.5 %
E-911 service	789,725	746,818	722,114	701,894	722,381	637,060	596,242	699,378	729,711	737,734	7.0 %
Telecom sales	9,982,359	10,685,005	11,012,699	11,289,782	11,679,829	11,697,528	11,992,112	11,681,054	12,321,643	12,018,133	(16.9)%
Sales tax	26,197,558	25,693,286	24,553,589	23,601,270	23,390,029	22,426,753	22,920,353	22,022,527	21,206,724	20,862,730	25.6 %
Utility tax	6,341,872	6,428,968	6,043,252	6,262,091	6,312,731	6,279,595	6,262,714	5,891,989	6,511,120	6,321,381	0.3 %
Consumption tax	696,656	554,807	904,868	669,850	714,814	709,174	700,021	653,430	674,265	776,672	(10.3)%
Business license tax	18,015,385	17,239,148	16,762,176	16,383,239	16,360,314	15,750,751	16,200,207	16,109,141	15,115,176	15,266,938	18.0 %
Rental car tax	1,157,389	1,110,324	1,144,248	1,115,643	1,119,583	1,041,657	1,151,221	1,229,911	1,044,775	1,021,610	13.3 %
Motor vehicle license tax	4,286,075	4,273,220	4,131,204	4,096,782	4,009,795	4,103,933	3,876,035	3,917,451	3,880,996	3,922,803	9.3 %
Bank stock tax	1,140,972	1,018,617	1,012,668	804,718	642,977	675,657	666,072	847,745	957,902	1,015,597	12.3 %
Recordation and wills tax	1,389,607	1,477,452	1,598,418	1,490,565	1,340,624	1,265,779	1,370,840	1,407,159	1,065,889	1,263,938	9.9 %
Tobacco tax	4,761,217	4,576,884	4,925,919	4,808,217	4,949,954	5,102,091	5,228,287	4,799,234	4,269,564	4,160,343	14.4 %
Hotel and motel room tax	4,634,839	4,345,781	4,278,009	4,297,160	4,013,332	3,178,730	3,008,260	3,191,992	3,064,515	2,969,053	56.1 %
Restaurant food tax	27,364,800	26,263,697	25,757,894	25,551,404	24,136,927	22,873,051	22,082,728	18,835,979	17,767,348	17,765,937	54.0 %
Amusement tax	961,140	984,277	980,953	929,005	872,557	665,301	482,469	457,436	453,712	493,079	94.9 %
Tourism zone tax	44,858	93,935	61,910	81,172	96,601	11,032	-	-	-	-	- %
Total taxes	\$ 385,287,191	\$ 371,115,180	\$ 365,135,507	\$ 358,870,178	\$ 351,210,282	\$ 342,537,272	\$ 326,349,115	\$ 320,939,346	\$ 320,043,442	\$ 324,779,927	18.6 %

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

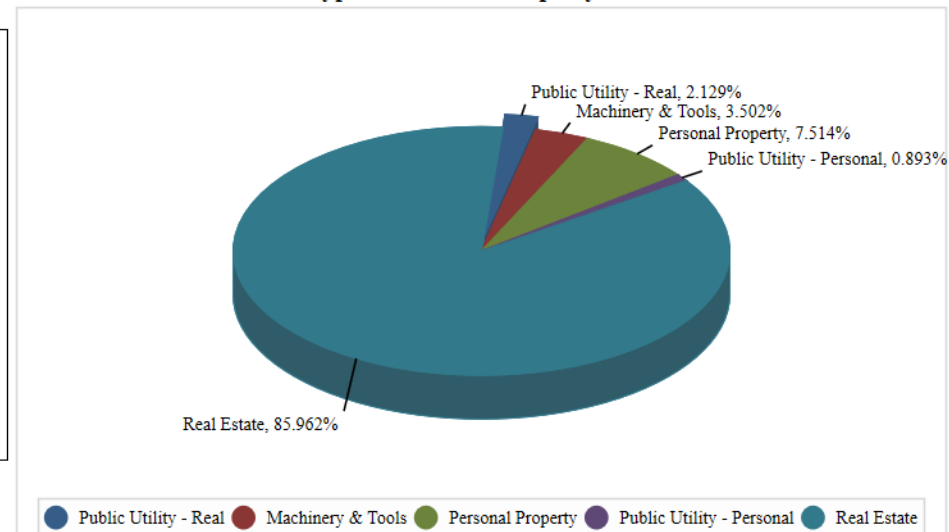
Fiscal Year	Real Property		Personal Property		Machinery and Tools		Public Utility		Less: Tax-Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value
							Real Estate	Personal Property				
2010	\$	19,762,256	\$	1,154,011	\$	419,441	\$ 293,307	\$ 172,545	\$ (3,753,027)	\$ 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
2014		17,768,798		1,248,199		507,497	353,179	156,714	(3,826,649)	16,207,738	1.41	20,034,387
2015		17,979,237		1,263,012		531,235	352,226	155,737	(3,962,290)	16,319,157	1.40	20,281,447
2016		18,396,884		1,322,984		543,091	349,931	157,772	(4,053,925)	16,716,737	1.42	20,770,662
2017		18,782,332		1,365,979		554,965	355,023	167,828	(4,143,466)	17,082,661	1.53	21,226,127
2018		21,798,305		1,371,461		587,738	379,115	158,661	(6,922,307)	17,372,973	1.53	24,295,280
2019		22,673,480		1,413,676		632,389	384,420	161,155	(7,208,716)	18,056,404	1.53	25,265,120

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

Values of Taxable Properties Last Ten Years



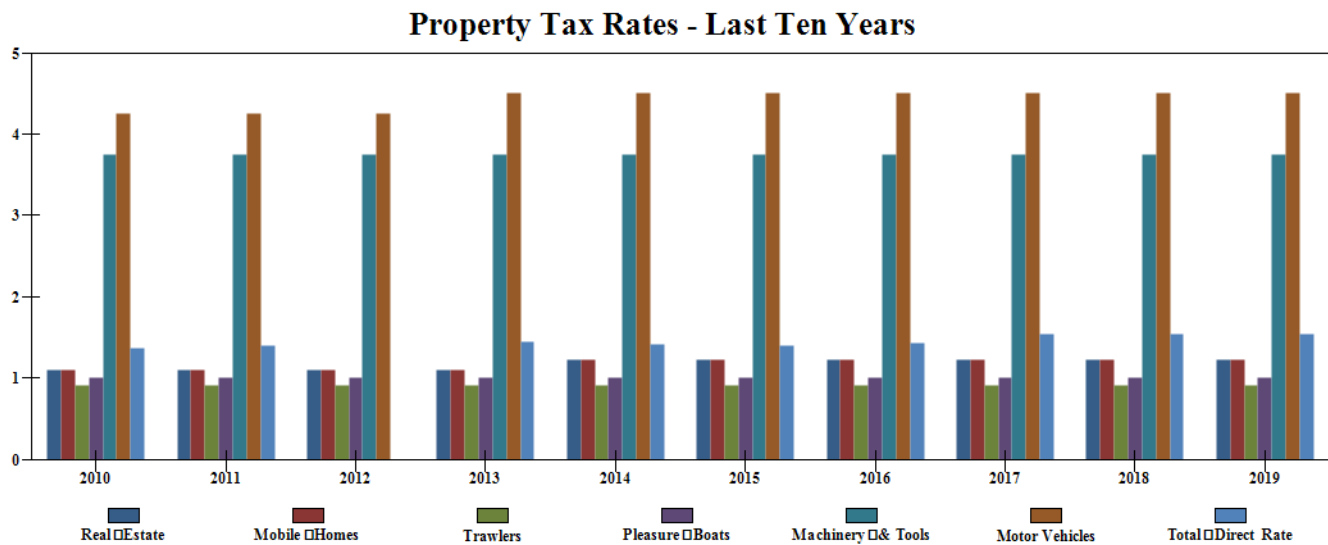
Types of Taxable Property 2019



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	
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	
2014	1.22	1.22	0.90	1.00	3.75	4.50	1.41	
2015	1.22	1.22	0.90	1.00	3.75	4.50	1.40	
2016	1.22	1.22	0.90	1.00	3.75	4.50	1.42	
2017	1.22	1.22	0.90	1.00	3.75	4.50	1.53	
2018	1.22	1.22	0.90	1.00	3.75	4.50	1.53	
2019	1.22	1.22	0.90	1.00	3.75	4.50	1.53	

Source: City of Newport News FY19 Adopted Operating Budget



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

	2019		2010	
	Taxes Due based on Assessed Value	Percentage of Taxes Due	Taxes Due based on Assessed Value	Percentage of Taxes Due
Huntington Ingalls Incorporated	\$25,060	9.08%	\$14,944	8.48%
Canon USA Inc/ Canon Virginia Inc	5,494	1.99%	2,412	1.37%
Virginia Electric & Power Co Richmond	3,144	1.14%	1,154	0.65%
The Mariners Museum	2,819	1.02%	1,582	0.90%
Continental Automotive Systems US Inc	2,270	0.82%	1,831	1.04%
PR Patrick Henry LLC	1,930	0.70%	1,453	0.82%
Dominion Terminal Associates	1,258	0.46%	1,035	0.59%
Virginia Natural Gas Inc.	1,132	0.41%	433	0.25%
Verizon Virginia LLC	1,116	0.40%	881	0.50%
Kinder Morgan Operating LP	991	0.36%	1,050	0.60%
Ferguson Enterprises Corp	949	0.34%	582	0.33%
Pointe Hope LLC	944	0.34%	-	-
IREIT Newport News Tech Center LLC	888	0.32%	-	-
RPAI US Management LLC	698	0.25%	-	-
Oyster Point Residential LLC	639	0.23%	521	0.30%
Patrick Henry Hospital (Warwick Forest)	610	0.22%	496	0.28%
Bottling Group LLC	572	0.21%	526	0.30%
Wal-Mart Real Estate Business Trust	568	0.21%	-	-
Venture Newport News LLC	565	0.20%	-	-
Cox Communications Hampton Roads LLC	519	0.19%	457	0.26%
Inland Western Newport News	-	-	793	0.45%
United Dominion Realty Trust Inc	-	-	507	0.29%
Meridian Parkside Apartments LLC	-	-	467	0.26%
Shorewood Packaging Corp of VA	-	-	435	0.25%
Harbours LLC	-	-	402	0.23%
Total	\$52,166	18.89%	\$31,961	18.15%

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

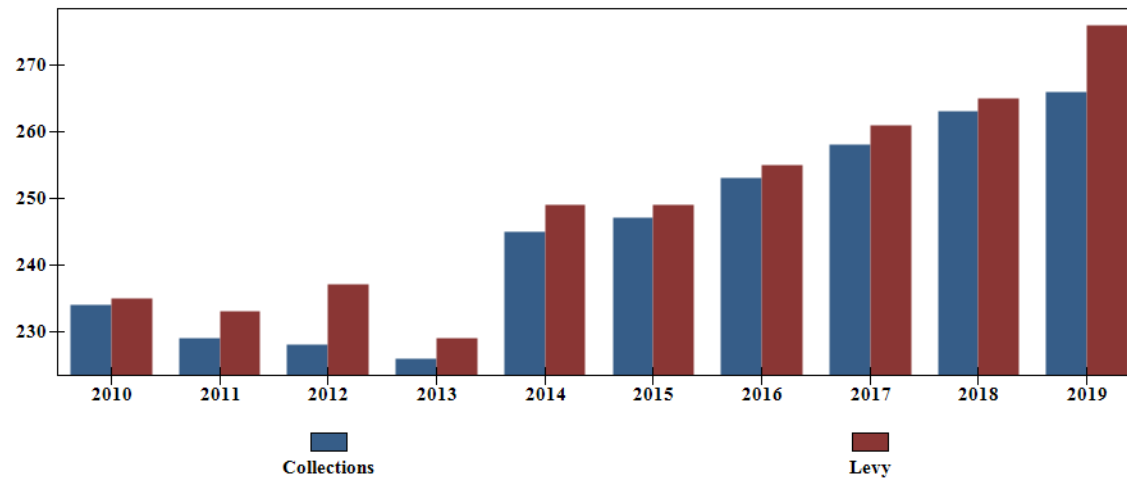
Source: City of Newport News Real Estate Assessors Office and Office of the Commissioner of Revenue

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

Fiscal Year	Tax Levy	Current Year		Prior Year Amount	Collections in Subsequent Years	Total Collections for Year	
		Amount	% of Levy			Amount	% of Levy
2010	\$ 235,225	\$ 227,030	96.5%	-	\$ 6,476	\$ 233,506	99.3
2011	233,380	222,804	95.5%	-	6,115	228,919	98.1
2012	236,875	220,914	93.3%	-	7,550	228,464	96.4
2013	229,071	218,911	95.6%	-	7,267	226,178	98.7
2014	248,820	236,734	95.1%	-	8,340	245,074	98.5
2015	248,645	238,149	95.8%	-	9,199	247,348	99.5
2016	255,057	245,186	96.1%	-	7,917	253,103	99.2
2017	260,913	250,535	96.0%	-	7,873	258,408	99.0
2018	265,381	255,657	96.3%	-	7,626	263,283	99.2
2019	276,004	265,894	96.3%	-	Not Available	265,894	96.3

Property Tax Levy and Collections

in Millions



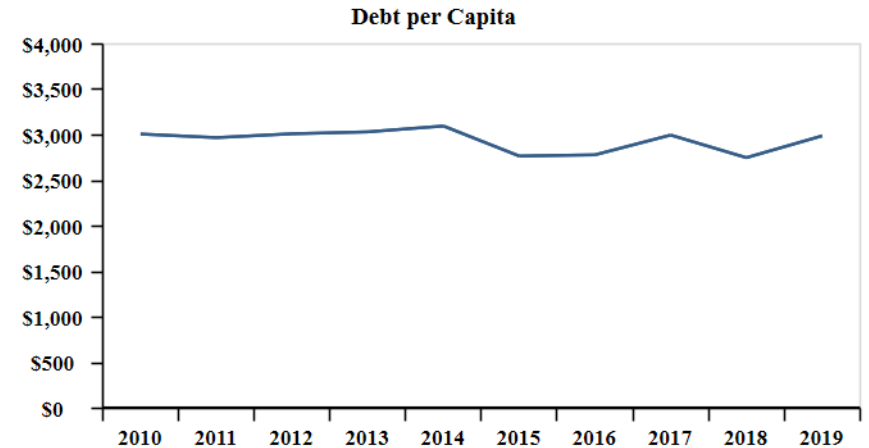
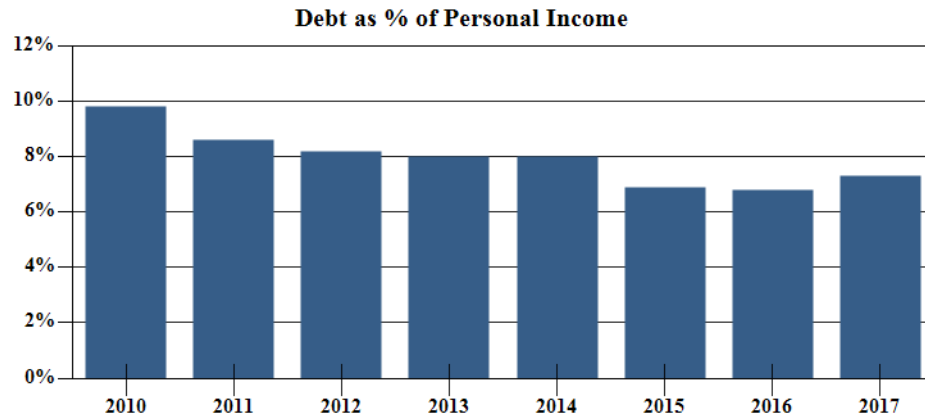
City of Newport News, Virginia
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
(Dollars in thousands, except per capita)

	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Population	178,626	179,388	181,825	182,385	182,965	182,020	180,726	180,719	180,719	193,172
Personal income	\$ -	\$ -	\$ 7,470,774	\$ 7,448,898	\$ 7,377,992	\$ 7,045,829	\$ 6,891,612	\$ 6,672,878	\$ 6,241,927	\$ 5,946,073
Governmental activities:										
General obligation bonds*	414,072	357,301	393,024	367,747	349,364	388,106	357,229	332,436	316,605	346,886
VRA*	13,393	15,270	17,282	19,530	22,129	24,728	27,228	29,583	31,777	30,761
VPSA*	728	1,075	1,413	1,741	2,430	3,099	3,749	4,382	5,257	6,106
Guaranty of Peninsula Airport bonds	-	-	-	-	-	-	-	4,180	4,490	4,780
Literary fund	3,359	3,779	4,199	4,619	5,038	5,458	5,878	6,298	6,717	7,237
Capital leases	-	99	211	320	434	571	-	-	-	-
Land lease payable	-	-	262	509	742	961	1,167	1,362	-	-
Land purchase payable	-	-	-	-	-	142	600	633	-	-
Business-type activities:										
Public Utility bonds	103,138	116,600	129,367	113,508	127,043	141,464	153,005	166,107	172,695	186,330
Total Primary Government	\$ 534,690	\$ 494,124	\$ 545,758	\$ 507,974	\$ 507,180	\$ 564,529	\$ 548,856	\$ 544,981	\$ 537,541	\$ 582,100
Percentage of personal income	- %	- %	7.3 %	6.8 %	6.9 %	8.0 %	8.0 %	8.2 %	8.6 %	9.8 %
Net bonded debt per capita	\$ 2,993	\$ 2,754	\$ 3,002	\$ 2,785	\$ 2,772	\$ 3,101	\$ 3,037	\$ 3,016	\$ 2,974	\$ 3,013

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

Source: Population figures are derived as follows: 2010 - 2019 Census Bureau estimates.

Note: Personal income figures were not available for FY2018 & FY2019

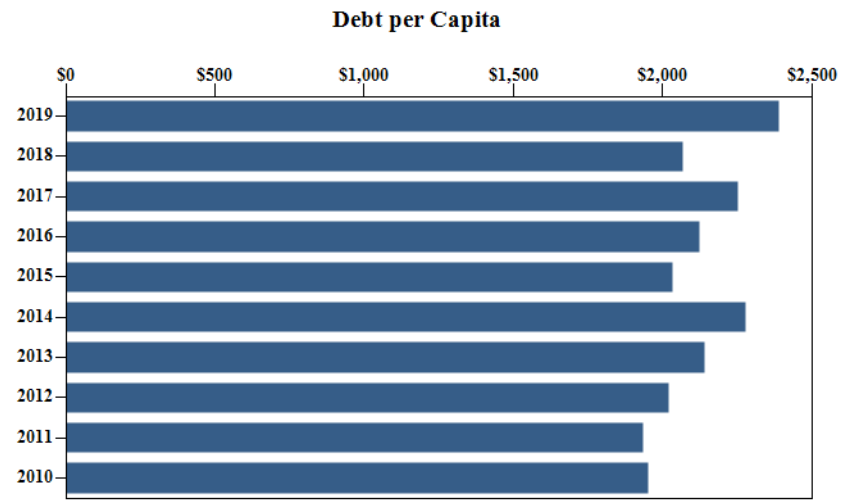
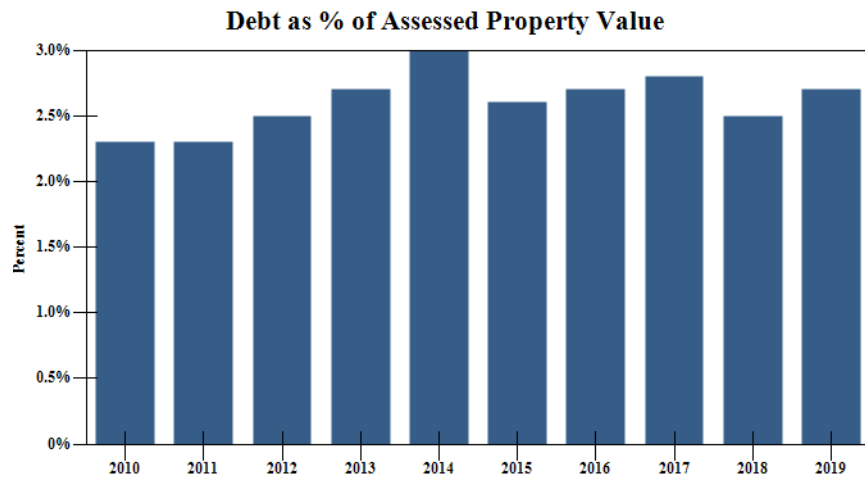


City of Newport News, Virginia
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years
(in thousands of dollars)

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
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
2014	182,020	13,996,117	415,933	1,560	414,373	3.0%	2,277
2015	182,965	14,072,307	373,923	1,739	372,184	2.6%	2,034
2016	182,385	14,393,093	389,018	1,924	387,094	2.7%	2,122
2017	181,825	14,702,701	411,719	2,096	409,623	2.8%	2,253
2018	179,388	14,939,690	373,646	2,277	371,369	2.5%	2,070
2019	178,626	15,521,734	428,193	1,461	426,732	2.7%	2,389

Source: Population figures are Census Bureau estimates.

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

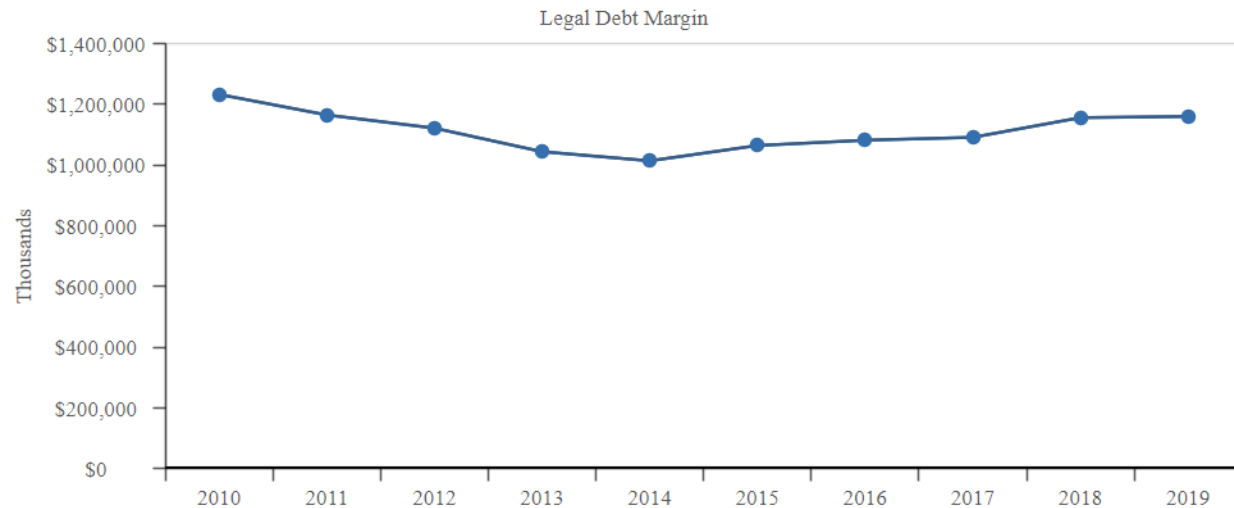


City of Newport News, Virginia
Legal Debt Margin Information
Last Ten Fiscal Years

	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Assessed Value of Real Estate:										
General	\$ 15,521,734,200	\$ 14,939,690,000	\$ 14,702,700,500	\$ 14,393,093,200	\$ 14,072,307,152	\$ 13,996,117,386	\$ 14,150,366,660	\$ 14,768,666,300	\$ 15,037,654,401	\$ 16,059,444,443
Public Service Corporations	384,420,678	379,115,133	355,023,068	349,931,124	352,225,787	352,225,787	333,265,887	339,789,784	326,888,523	293,307,435
Total assessed value	15,906,154,878	15,318,805,133	15,057,723,568	14,743,024,324	14,424,532,939	14,348,343,173	14,483,632,547	15,108,456,084	15,364,542,924	16,352,751,878
Total debt limit (10% of total assessed value)	1,590,615,488	1,531,880,513	1,505,772,357	1,474,302,432	1,442,453,294	1,434,834,317	1,448,363,255	1,510,845,608	1,536,454,292	1,635,275,188
Bond Outstanding:										
General Obligation, net of unamortized premiums*	414,072,631	354,858,254	390,581,276	365,304,713	346,758,457	384,926,642	364,737,386	341,281,715	322,235,283	354,045,305
General Obligation: Virginia Public School Authority (VPSA)	727,610	1,075,384	1,413,176	1,741,482	2,430,106	3,099,111	3,749,472	4,382,117	5,256,983	6,105,937
General Obligation: Virginia Resources Authority (VRA) loan fund	13,392,767	15,270,245	17,282,464	19,529,503	22,128,990	24,727,534	27,228,156	29,583,326	31,776,867	30,761,968
General Obligation: Virginia Municipal Pool Loans (VMPL)	-	-	-	-	162,564	737,565	1,312,565	1,887,565	2,462,565	3,037,565
Guaranty of Peninsula Airport Bonds	-	-	-	-	-	-	-	4,180,000	4,490,000	4,780,000
Library Fund	3,359,286	3,779,053	4,198,821	4,618,588	5,038,355	5,458,122	5,877,889	6,297,656	6,717,425	7,598,441
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	2,442,494
Capital leases**	-	98,801	210,801	320,418	433,747	570,701	-	-	-	-
Amount available in debt service fund	(1,461,022)	(2,277,296)	(2,096,466)	(1,923,785)	(1,738,973)	(1,559,619)	(1,467,172)	(1,183,546)	(4,370,897)	(6,511,346)
Total debt outstanding	430,091,272	375,246,935	414,032,566	392,033,413	377,655,740	420,402,550	403,880,790	388,871,327	371,010,720	402,260,364
Legal debt margin	\$ 1,160,524,216	\$ 1,156,633,578	\$ 1,091,739,791	\$ 1,082,269,019	\$ 1,064,797,554	\$ 1,014,431,767	\$ 1,044,482,465	\$ 1,121,974,281	\$ 1,165,443,572	\$ 1,233,014,824
Total net debt applicable to the limit as a % of debt limit	72.96 %	75.50 %	72.50 %	73.41 %	73.82 %	70.70 %	72.11 %	74.26 %	75.85 %	75.40 %

* Corrected general obligation amounts for 2010-2016 to include unamortized premiums that were previously omitted from schedule

** Corrected capital leases amounts for 2009-2010



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

	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Revenues	\$ 95,343,639	\$ 99,350,705	\$ 91,990,145	\$ 89,992,744	\$ 88,819,826	\$ 85,580,834	\$ 76,099,474	\$ 73,337,821	\$ 74,497,013	\$ 72,719,343
Less the Sum of:										
Operating Expenses	52,954,934	54,389,582	47,780,964	48,435,441	43,199,329	43,866,179	44,089,732	43,538,269	42,366,225	42,696,818
120% of Max Debt Service on Revenue Bonds	5,707,170	4,145,564	2,788,351	2,213,227	3,129,200	3,129,200	3,129,200	3,129,200	3,129,200	3,129,200
100% of Max Debt Service on General Obligation Water Bonds	10,687,909	12,754,595	15,703,580	15,886,779	15,935,112	16,006,224	16,356,343	16,710,108	19,355,120	16,356,343
	69,350,013	71,289,741	66,272,895	66,535,447	62,263,641	63,001,603	63,575,275	63,377,577	64,850,545	62,182,361
Equals (1)	<u>\$ 25,993,626</u>	<u>\$ 28,060,964</u>	<u>\$ 25,717,250</u>	<u>\$ 23,457,297</u>	<u>\$ 26,556,185</u>	<u>\$ 22,579,231</u>	<u>\$ 12,524,199</u>	<u>\$ 9,960,244</u>	<u>\$ 9,646,468</u>	<u>\$ 10,536,982</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
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		6,672,878	36,923	32	27,701	7.4
2013	180,726		6,891,612	37,862	32	29,222	6.9
2014	182,020		7,045,829	38,509	32	29,268	6.4
2015	182,965		7,377,992	40,453	33	29,118	6.0
2016	182,385		7,448,898	40,967	33	28,865	5.0
2017	181,825		7,470,774	41,646	33	28,240	4.9
2018	179,388		-	-	33	28,401	4.2
2019	178,626		-	-	33	28,381	3.5

Sources:

Note: Population figures are derived as follows: 2010-2015 Bureau of Economic Analysis, 2016-2019 - U.S. Census Bureau estimates.

Personal income: 2010-2016 Bureau of Economic Analysis; 2018-2019 were not available at year end.

Per capita income: 2010-2016 Bureau of Economic Analysis; 2018-2019 were not available at year-end.

Unemployment rate: 2010-2014 Virginia Workforce Connection; 2015-2019 Virginia Labor Market Information.

Median Age: U.S. Census Bureau.

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

	2019		2010	
	Employees	% of Total City Employment	Employees	% of Total City Employment
Huntington Ingalls Industries, Inc.	10,000 - 25,000	19.69%	10,000 - 20,000	16.52%
Newport News Public Schools	1,000 - 5,000	3.38%	1,000 - 5,000	3.30%
Riverside Regional Medical Center	1,000 - 5,000	3.38%	1,000 - 5,000	3.30%
City of Newport News	1,000 - 5,000	3.38%	1,000 - 5,000	3.30%
U.S. Department of Defense	1,000 - 5,000	3.38%	1,000 - 5,000	3.30%
Ferguson Enterprises Inc.	1,000 - 5,000	3.38%	500 - 1000	0.83%
Christopher Newport University	1,000 - 5,000	3.38%	1,000 - 5,000	3.30%
U.S. Department of Army and Air Force	1,000 - 5,000	3.38%	1,000 - 5,000	3.30%
Canon	1,000 - 5,000	3.38%	1,000 - 5,000	3.30%
Walmart	500 - 1000	0.84%	-	-
Hampton Newport News Comm Services Board	-	-	500 - 1000	0.83%
Total	18,500 - 66,000	47.57%	18,000 - 60,000	41.28%

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									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Fund, Function, Activity and Elements										
General Fund:										
General Government Administration:										
Legislative:										
City Council	7	7	7	7	7	7	7	7	7	7
City Clerk	4	4	4	4	4	4	5	5	5	5
General and Financial Administration:										
City Manager	10	10	10	10	18	18	18	18	18	21
Human Resources	20	20	20	16	15	15	18	19	19	18
City Attorney	18	18	18	18	18	18	18	18	18	18
Internal Auditor	6	6	6	6	6	6	6	6	6	6
Commissioner of the Revenue	42	42	42	42	40	40	40	40	40	42
Real Estate Assessor	19	20	20	21	21	22	22	22	22	23
City Treasurer	34	34	34	34	33	33	33	33	33	34
Finance	41	41	22	18	18	18	18	18	18	18
Budget and Evaluation	7	7	7	7	7	7	7	7	7	7
Office of Self-Insurance (General Liability Insurance Fund)	6	6	6	6	6	6	6	6	6	9
Purchasing***	-	-	18	19	21	20	23	23	23	23
Information Technology	62	64	58	57	57	56	57	57	58	63
Customer Service - 311 Call Center*	-	-	-	-	10	10	6	-	-	-
Communications*	25	25	25	24	-	-	-	-	-	-
Non-departmental - Security Services****	22	-	-	-	-	-	-	-	-	-
Board of Elections:										
Registrar	5	5	5	5	5	5	5	5	5	5
Total general government administration	328	309	302	294	286	285	289	284	285	299
Judicial Administration:										
Courts:										
Circuit Courts	7	7	7	7	6	6	6	6	7	7
Office of the Magistrate	-	-	6	6	6	6	6	6	6	6
Clerk of the Circuit Court	24	24	24	24	24	23	23	24	24	27
Court Services	2	2	2	2	2	2	2	2	2	2
Commonwealth's Attorney	54	54	52	49	49	49	49	49	49	50
Total judicial administration	87	87	91	88	87	86	86	87	88	92
Public Safety:										
Law Enforcement and Traffic Control:										
Police Department	602	601	594	588	586	586	586	586	587	593
Fire and Rescue Services:										
Fire Department	383	382	381	380	379	380	380	382	382	371
Correction and Detention:										
Sheriff	219	219	219	219	215	215	217	217	217	222
Adult Corrections**	-	-	-	-	60	60	60	61	62	69
Juvenile Detention	145	141	138	130	126	126	125	130	128	143
Inspections:										
Codes Compliance	39	39	39	38	38	38	38	39	39	40
Total public safety	1,388	1,382	1,371	1,355	1,404	1,405	1,406	1,415	1,415	1,438

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										
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Public Works:										
Engineering	62	68	70	68	69	78	78	84	85	93
Public works administration	164	186	185	185	156	152	157	158	158	170
Total public works	226	254	255	253	225	230	235	242	243	263
Welfare:										
Human Services	395	387	382	377	377	387	391	391	391	397
Office of Youth Development	-	-	-	-	-	-	-	-	-	-
Total welfare	395	387	382	377	377	387	391	391	391	397
Parks and Library:										
Parks and Recreation	108	108	108	108	106	108	107	105	106	117
Parks and Recreation Revolving Fund	82	80	80	80	83	93	94	95	95	98
Library	53	52	51	52	52	53	56	56	57	61
Total parks, recreation and library	243	240	239	240	241	254	257	256	258	276
Community Development:										
Planning and Community Development:										
Development	20	20	20	19	17	17	17	17	18	20
Planning	19	14	13	13	12	12	13	13	13	14
Total community development	39	34	33	32	29	29	30	30	31	34
Total general fund	2,706	2,693	2,673	2,639	2,649	2,676	2,694	2,705	2,711	2,799
Other Operating Funds:										
Public Utilities Fund	352	352	352	352	353	353	365	365	365	370
Vehicle & Equipment Services Fund	40	40	40	41	39	39	39	40	40	40
Solid Waste Revolving Fund	77	71	71	66	64	64	61	61	66	66
Wastewater Fund	110	109	108	104	100	99	97	95	87	87
Stormwater Management Fund	104	105	105	98	90	88	84	81	79	79
Pension Fund	-	-	-	6	6	6	6	6	6	7
Economic and Industrial Authority	5	5	5	5	5	5	5	5	5	5
Parking Authority Fund	2	2	2	2	2	2	2	2	2	2
Law Library	1	1	1	1	1	1	1	1	1	2
Schools	3,884	3,901	3,934	3,904	3,921	3,937	4,026	4,076	4,138	4,296
Peninsula Regional Animal Shelter	13	11	11	11	11	11	-	-	-	-
Total other operating funds	4,588	4,597	4,629	4,590	4,592	4,605	4,686	4,732	4,789	4,954
Total city employees	7,294	7,290	7,302	7,229	7,241	7,281	7,380	7,437	7,500	7,753

Source: City Adopted Budget.

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

**The Newport News City Farm (Adult Corrections) ceased operations in FY 2016. Four positions from Adult corrections were transferred to Sheriff, 24 positions were transferred to Public Works, and two positions were transferred to Vehicle and Equipment Services.

***In FY 2018, the Purchasing Department was transferred into the Finance Department.

****In FY 2019, the Security Services Division was transferred from Public Works to Non-departmental.

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

	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Function/Program										
General Government:										
Retail Sales (Millions)	2,665	2,146	2,329	2,278	2,212	2,242	2,202	2,109	1,893	1,923
Police:										
Calls for Service	177,649	181,522	148,561	75,150	154,111	170,317	169,877	255,267	250,126	251,346
Number of Offenses	20,015	19,737	20,236	9,855	19,291	20,601	20,888	22,516	21,386	23,905
Adult Arrests	9,712	12,024	12,716	4,997	13,156	15,182	9,804	14,759	15,065	15,093
Traffic Summonses	23,652	23,171	17,828	17,011	22,700	29,974	28,383	32,961	15,682	26,611
Traffic Accidents	3,142	2,909	3,020	1,490	2,924	2,756	2,641	2,517	2,480	2,510
Fire:										
Emergency Medical Service/Rescue*	20,142	21,508	19,520	22,938	22,728	27,574	22,017	24,674	22,190	21,845
Public Assistance*	1,633	2,579	1,120	1,045	1,939	1,660	1,651	1,461	1,569	1,483
Good Intent Calls*	2,535	2,720	2,225	1,817	1,817	150	1,685	1,305	1,309	1,457
False/Alarm/Alarm Malfunction*	1,555	1,577	1,488	1,381	1,436	778	1,375	1,348	1,418	1,428
Hazardous Conditions*	692	577	2,093	109	564	572	637	930	720	879
All Fires*	490	577	622	543	578	610	639	704	870	776
Explosions*	10	15	5	7	7	7	14	18	2	18
Weather Event/Other*	23	4	23	9	10	4	57	51	27	16
Sheriff:										
City Jail Capacity	300	300	300	300	300	300	300	300	300	248
Codes Compliance:										
Building Permits Issued	1,464	1,475	1,363	1,372	1,545	1,589	1,985	2,155	1,759	1,821
Residential Construction	137	135	195	222	219	230	222	340	262	198
Commercial Construction	21	18	72	55	76	69	49	102	81	37
Waterworks:										
Gallons Delivered per Day (Millions)	33	33	33	34	35	35	35	36	40	40
Meters Connected*	130,381	137,754	136,914	134,191	133,722	133,380	132,743	132,439	134,403	131,924
Public Works:										
Potholes Repaired	19,951	20,037	18,494	23,208	19,148	18,148	15,305	15,125	19,216	17,675
Streets Resurfaced (Miles)	14	3	11	10	12	8	7	8	9	9
Recyclables Collected (Tons)	6,447	6,101	6,151	6,300	6,901	7,325	6,957	6,698	7,641	7,463
Parks and Recreation:										
Park Visitors (Millions) (All Parks)	4	4	4	4	4	4	4	4	4	4
Celebration of Lights Visitors	105,149	119,638	111,097	110,679	104,617	103,491	109,700	112,854	93,428	91,665
Tourism Visitor Inquiries	87,747	78,605	241,311	152,252	78,795	77,224	79,088	87,732	80,206	79,610
Tourism Website Visits***	331,643	235,698	380,233	241,722	200,132	198,520	215,849	147,875	126,754	138,048
Visitor Guides Distributed	175,000	175,000	200,000	200,000	200,000	200,000	165,000	150,000	150,000	150,000
Library:										
Circulation Transactions	702,676	692,774	777,457	788,356	887,044	951,241	1,009,939	1,062,759	941,934	847,367
Reference	88,967	77,570	85,349	106,329	152,153	321,102	174,356	178,117	140,623	140,071
Computer Use	188,337	249,743	241,301	236,361	302,465	256,929	244,971	240,257	235,080	231,601
Program Attendance	22,264	31,800	20,848	22,442	14,985	16,272	26,206	14,526	24,552	14,490
Visitor Count**	567,747	678,439	737,748	890,717	890,717	829,290	889,407	759,840	814,129	997,912
Meeting Room Use	1,134	1,397	1,228	1,294	1,872	916	830	1,126	1,193	1,218
Schools:										
Average Daily Students	28,381	28,401	28,240	28,865	29,118	29,268	29,222	27,701	28,183	28,610

Source: Various city departments.

*Corrections made for service connections for FY 2010.

**Library: New counters installed FY2011.

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

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

Function/Program	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Police:										
Patrol Units	243	251	247	242	238	238	245	237	253	240
Boats	3	3	3	3	3	2	3	3	2	2
Fire:										
Stations	11	11	11	11	11	11	11	11	11	11
Fire Trucks	18	18	25	25	25	25	26	26	23	23
Ambulances	12	12	18	18	17	17	17	17	17	17
Boats	2	1	2	2	2	2	2	2	2	2
Engineering:										
Streetlights	20,790	20,756	20,424	20,586	21,387	20,308	20,125	20,033	19,780	19,645
Traffic Lights	268	263	263	261	261	257	253	253	255	253
Parks and Recreation:										
Parks	36	37	37	37	37	36	36	35	35	35
Acreage	8,696	8,697	8,697	8,697	8,697	8,697	9,120	9,119	9,119	9,119
Athletic Fields	154	154	154	154	154	154	97	97	97	97
Mini-parks	3	3	3	3	3	3	3	3	3	3
Beach/Waterfront Areas	8	8	8	8	8	8	8	8	8	8
Boat Ramps	7	7	7	7	7	7	7	7	7	7
Golf Courses	2	2	2	2	2	2	2	2	2	2
Swimming Pools	3	3	3	3	3	3	3	3	3	3
Tennis Courts (Free)	57	57	57	57	57	57	57	57	57	57
Tennis Courts (Pay)	24	24	24	24	24	24	24	24	24	24
Squares	3	3	3	3	3	3	3	3	3	3
Library:										
Libraries	5	5	5	5	5	5	6	6	5	5
Law Libraries	1	1	1	1	1	1	1	1	1	1
Waterworks:										
Miles of Pipe	1,762	1,762	1,758	1,754	1,754	1,746	1,748	1,746	1,798	1,780
Fire Hydrants	11,363	11,286	11,122	11,069	11,113	10,987	10,939	10,874	10,821	10,700
Public Works:										
Refuse Carts	81,808	80,674	82,251	76,654	76,654	77,619	78,354	79,056	82,023	76,607
Streets (Miles)	506	506	505	510	505	505	505	666	505	505
Lanes (Miles)*	1,186	1,185	1,184	1,203	1,193	1,193	1,191	1,191	1,191	1,184
Sanitary Sewers (Miles)*	587	585	583	584	584	699	709	709	554	572
Storm Sewers (Miles)	681	677	651	599	607	717	542	542	542	487
Pump Stations	187	185	183	183	183	182	180	185	177	179
Schools:										
Early Childhood Centers	4	4	4	4	4	4	4	4	4	4
Elementary Schools	24	24	24	24	24	24	24	24	25	26
Middle Schools	7	7	7	7	7	7	7	7	7	7
High Schools	5	5	5	5	5	5	5	5	5	5
Middle-High Combo Schools	1	1	1	1	1	1	1	1	1	1

Source: Various city departments.

*For previous years beginning in 2012, Non-VDOT eligible roads were included in Lane Miles. The correct totals have been provided for FY16, FY17 and include corrected totals for FY12, FY13, FY14 and FY15.

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

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, 2019, 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 22, 2019. 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.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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* or under the *Specifications for Audits of Counties, Cities, and Towns*.

Purpose of this Report

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

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

Richmond, Virginia
November 22, 2019



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

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

Report on Compliance for Each Major Federal Program

We have audited the City of Newport News, Virginia's (the "City") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2019. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2019-001 and 2019-002. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material a weakness and a significant deficiency.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2019-001 to be a material weakness.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance 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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2019-002 to be a significant deficiency.

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

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

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

Richmond, Virginia
November 22, 2019

City of Newport News, Virginia
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

<u>Federal Granting Agency/Recipient State Agency</u>	<u>CFDA Number</u>		<u>Federal Expenditures</u>	<u>Passed Through to Sub-Recipients</u>
DEPARTMENT OF AGRICULTURE				
Pass-through Payments:				
Department of Social Services:				
State Administrative Matching Grants for Food Stamp Program (765-460-03; 765-452-13)	10.561		\$ 4,298,506	
Department of Agriculture:				
Pilot projects - SNAP	10.596		6,203	
School Lunch Program-Commodities	10.555	\$ 10,549		
Department of Education:				
School Breakfast Program (777-360-01; 777-360-03)	10.553	137,135		
Total Child Nutrition Cluster			147,684	
DEPARTMENT OF HOUSING & URBAN DEVELOPMENT				
Direct Payments:				
Community Development Block Grant Program				
Community Development Block Grants (B11-MC-51-0015, B12-MC-51-0015)				
Passed through to - Newport News Redevelopment and Housing Authority	14.218		1,036,089	1,036,089
Pass-through Payments:				
Department of Housing & Community Development:				
Home Investment in Affordable Housing (M-07-MC-51-0202, M13-MC-51-0202)				
Passed through to - Newport News Redevelopment and Housing Authority	14.239		753,069	753,069
Choice Neighborhoods Planning (FR-5900-N-14)	14.892		45,241	
DEPARTMENT OF JUSTICE				
Direct Payments -				
Office of Justice Programs:				
Edward Byrne Memorial Justice Assistance Grants (2010-DJ-BX-0899)	16.738		232,597	
Pass-through Payments:				
Department of Criminal Justice Service:				
Victims of Crime Act (VOCA) (140-390-01)	16.575		348,352	
Equitable Sharing Program	16.922		54,553	
National Opinion Research Center				
Oriented Policing in Crime Hotspots	16.560		4,953	
DEPARTMENT OF TRANSPORTATION				
Pass-through Payments:				
Va Department of Transportation:				
Highway Planning & Construction	20.205	20,759,565		
Highway Planning & Construction--Safe Routes	20.205	76,855		
Total Highway Planning & Construction			20,836,420	
Va Department of Motor Vehicles:				
DMV Select Enforcement	20.607		48,844	
Totals, page 1			\$ 27,812,511	1,789,158

City of Newport News, Virginia
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

<u>Federal Granting Agency/Recipient State Agency</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>	<u>Passed Through to Sub-Recipients</u>
DEPARTMENT OF DEFENSE			
Direct Payments:			
Joint Land Use Study - Joint Base Langley Eustis JLUS	12.610	20,018	
DEPARTMENT OF HEALTH & HUMAN SERVICES			
Pass-through Payments:			
Department of Social Services:			
Maternal, Infant and Early Childhood Home (MIECH) Visiting Program	93.870	378,698	
Promoting Safe and Stable Families (765-469-01)	93.556	99,960	
Temporary Assistance for Needy Families (765-452-01; 765-460-03)	93.558	\$ 2,474,076	
Healthy Families	93.558	275,425	
Virginia First Cities TANF Grant	93.558	298,934	
Total TANF Cluster		3,048,435	
Refugee and Entrant Assistance (765-460-03; 765-491-02)	93.566	7,267	
Low-Income Home Energy Assistance (765-460-03)	93.568	348,488	
Child Care and Development Block Grant Act of 1990 (765-452-15)	93.575	\$ (10,691)	
Child Care and Development Mandatory Matching Funds (765-460-03)	93.596	416,332	
Total Child Care Cluster		405,641	
Chafee Education and Training Vouchers Program (765-469-01)	93.599	15,789	
Child Welfare Services State Grants (765-460-06)	93.645	2,309	
Foster Care - Title IV-E (765-460-03; 765-460-06; 765-469-01)	93.658	2,300,874	
Adoption Assistance (765-460-03; 765-469-03)	93.659	1,781,665	
Social Services Block Grant (765-460-03; 765-468-02; 765-469-01)	93.667	2,073,397	
Independent Living (765-460-03; 765-469-01)	93.674	29,071	
State Children's Insurance Program (765-460-03)	93.767	101,348	
Medical Assistance Program - Title XIX (765-460-03)	93.778	4,790,568	
SOCIAL SECURITY ADMINISTRATION			
Direct Payments:			
Social Security Incentive Program	96.006	21,500	
DEPARTMENT OF HOMELAND SECURITY			
Direct Payments:			
FEMA Dept. of Homeland Security (EMW-2012-PU-APP-00134)	97.056	18,430	
Pass-through Payments:			
Department of Emergency Management:			
Disaster Grants-Public Assistance (DR-1862, DR-1661, DR-4024)	97.036	73,312	
Emergency Management Performance Grants (127-775-01)	97.042	121,500	
Homeland Security Grant	97.067	100,638	
Totals, page 2		15,738,908	-
Grand Total		\$ 43,551,419	1,789,158

City of Newport News, Virginia
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

(1) Basis of Presentation

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

The City operates on a contractual basis with its grant partners except for its relationship with NNRHA. NNRHA is a sub-recipient of the City for the Community Development Block Grant Program (CFDA number 14.218) and the Home Investment in Affordable Housing Program (CFDA number 14.239). The amounts passed through to NNRHA for the Community Development Block Grant Program and the Home Investment in Affordable Housing Program were \$1,036,089 and \$753,069 respectively.

(2) Relationship to Basic Financial Statements

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

	<u>Federal expenditures</u>
General Fund	\$ 18,660,152
Special Revenue Funds Capital Projects	20,759,565
Special Revenue Funds	<u>4,131,702</u>
Total expenditures	<u><u>\$ 43,551,419</u></u>

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

City of Newport News, Virginia

Schedule of Findings and Questioned Costs

Year ended June 30, 2019

A. Summary of Auditor's Results

1. The type of report issued on the basic financial statements: **Unmodified opinion**
2. Significant deficiencies in internal control disclosed by the audit of the financial statements: **None reported**
3. Material weaknesses in internal control disclosed by the audit of financial statements: **No**
4. Noncompliance, which is material to the financial statements: **No**
5. Significant deficiencies in internal control over major programs: **Yes, Finding 2019-002**
6. Material weaknesses in internal control over major programs: **Yes, Finding 2019-001**
7. The type of report issued on compliance for major programs: **Unmodified opinion**
8. Any audit findings which are required to be reported in accordance with 200.516(a) of the Uniform Guidance: **Yes**
9. The programs tested as major programs were:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
93,778	Medicaid Cluster
93.568	Low-Income Home Energy Assistance
93.659	Adoption Assistance
93.658	Foster Care Title IV

10. Dollar threshold used to distinguish between type A and type B programs: **\$1,306,543**
11. City of Newport News qualified as a low-risk auditee under in accordance with 200.516(a) of the Uniform Guidance: **Yes**

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

None reported

C. Findings and Questioned Costs Relating to Federal Awards:

2019-001: Non-Material Noncompliance and Material Weakness – U.S. Department of Health and Human Services – Eligibility for Medicaid Program Assistance (CFDA 93.778)

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

City of Newport News, Virginia

Schedule of Findings and Questioned Costs

Year ended June 30, 2019

Per 42 Code of Federal Regulation section 435.910, the agency must verify the social security number furnished by the applicant to ensure the social security number was issued to that individual. Also, per 42 Code of Federal Regulation section 935.956, the agency must verify citizenship status.

Condition: Of the sixty (60) participants selected for testing, one (1) eligible participant case file did not include evidence that a renewal was completed within twelve months from the prior re-determination, one (1) participant case file did not include evidence that a review of the participant's income was properly verified, and three (3) eligible participant case files were missing the initial eligibility application and the re-determination application, completed within twelve months from the prior re-determination, was not signed.

Cause: An increase in the applicants during the year, as well as a lack of personnel to assist in processing and reviewing these applications, hindered the City's efforts to comply with the program requirements for determination of participant's eligibility.

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

Questioned Cost: Undeterminable

Recommendation: The City should implement a plan to enhance internal controls related to participant eligibility to ensure renewals are occurring on a timely basis and the files contain adequate supporting documentation in accordance with Medicaid requirements.

Views of Responsible Officials and Planned Corrective Actions: An email was sent to all staff on 9/23/19 instructing them to ensure that all eligibility elements have been verified at renewal and that the system correctly reflects the method of verification. They were directed to check VaCMS DMIS to ensure all required verifications and applications were present prior to authorization of a case. The one case that was not reviewed timely appeared to be a system generated error. Workers were sent an email on 11/8/19 directing them to check generated Medicaid next renewal dates on notices to ensure the date is in compliance with the 12 month timeframe. As supervisors monitor Medicaid cases they will check these elements to ensure workers are in compliance.

2019-002: Non-Material Noncompliance and Significant Deficiency – Department of Health and Human Services Program name: Low Income Home Energy Assistance (CFDA#: 93.568)

Criteria: Grantees may provide assistance to (a) households in which one or more individuals are receiving Temporary Assistance for Needy Families, Supplemental Security Income, Supplemental Nutrition Assistance Program benefits, or certain needs-tested veterans' benefits; or (b) households 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 (42 USC 8624(b)(2)). Grantees must give priority to those households with the highest home energy costs or needs in relation to income and household size (42 USC 8624(b)(5)).

Condition: Of the forty (40) participants selected for testing, one (1) participant case file did not include the application for eligibility determination.

Cause: An increase in the applicants during the year, as well as a lack of personnel to assist in processing and reviewing these applications, hindered the City's efforts to comply with the program requirements for determination of participant's eligibility.

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

Questioned Cost: Undeterminable, the participant file did not include payments made during the year.

City of Newport News, Virginia

Schedule of Findings and Questioned Costs

Year ended June 30, 2019

Recommendation: The City should implement a plan to enhance internal controls related to participant eligibility to ensure all case files are complete.

Views of Responsible Officials and Planned Corrective Actions: The Department of Human Services agrees with the findings. The department will increase staffing in the Energy Assistance Unit to allow workers additional time to document sufficiently and double check their work prior to authorizing eligibility. The team will consist of four (4) Full Time Eligibility Workers, 1 Full Time Administrative Assistant and 1 Part-Time Administrative Assistant. We have also identified Administrative Assistants assigned to other areas of the agency to assist the Energy Assistance team during high volume periods of each active Energy Assistance Component. The agency has established an efficiency plan that will organize the work of the unit to ensure documents are tracked, scanned, filed and processed timely. To ensure efficiency, paper applications will be logged for tracking, all applications (online and paper) will be registered and scanned into VaCMS and processing staff will utilize the State's reporting system to ensure timely processing. Each person involved will have an identified role that includes logging, registering, scanning and/or processing.

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

None noted

E. Status of Prior Year Findings:

None noted