

2023 ANNUAL COMPREHENSIVE FINANCIAL REPORT



CITY OF NEWPORT NEWS, VA



FISCAL YEAR ENDED JUNE 30, 2023

CITY OF NEWPORT NEWS, VIRGINIA

Annual Comprehensive Financial Report

Fiscal Year Ended June 30, 2023

Prepared by the
Department of Finance

2400 Washington Avenue
Newport News, VA 23607

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City of Newport News, Virginia

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

December 8, 2023

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

We are pleased to submit the Annual Comprehensive Financial Report of the City of Newport News, Virginia (the City), as of, and for, the fiscal year ended June 30, 2023 (FY 2023).

Cherry Bekaert LLP, Certified Public Accountants, conducted the audit of the City's financial statements for the year ended June 30, 2023, and 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 Virginia's eastern coast. It occupies 69 square miles with a population of 184,587, based on the 2021 Population Estimates from the U.S. Census Bureau. Newport News is the fourth largest City by acreage, and the fifth largest City by population, in the Commonwealth of Virginia.

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

Newport News is located on the Virginia Peninsula, surrounded by the James River to the south, the York River to the north, and the Chesapeake Bay to the east. For those who live here, the diversity of available resources

and quality of life is further enhanced by its proximity to 18 other cities and counties. In total, these entities blend synergistically into Virginia's Hampton Roads region, with Newport News a vital contributor to the desirable lifestyle, high energy, and economic strength of this vibrant area.



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

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

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

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, 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 fund for which an annual budget has been adopted.

LOCAL ECONOMY AND OUTLOOK

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



Newport News is home to the State's largest private employer, Huntington Ingalls Industries (HII), with nearly 26,000 workers employed in the City at its Newport News Shipbuilding division (Shipyard) and its affiliated companies. Shipbuilding and repairing remain exceptionally strong in 2023. HII and NNS are building the next generation of Ford-class aircraft carriers and are working jointly with Connecticut-based Electric Boat to build a new fleet of Columbia-class ballistic missile submarines for the

Navy. The Columbia-class submarine program requires the creation of 1,000 new jobs by 2025. Over 900 of these new jobs have already been created. The Shipyard is currently experiencing unprecedented hiring and investment as it works to address a \$28.6 billion backlog of projects. In May 2023, HII and NNS celebrated the christening of one of its newest Virginia-class fast-attack submarines, the USS Massachusetts (SSN 798).

In addition to the defense sector, Newport News is also home to Jefferson Lab, a world-class national laboratory specializing in particle physics. Its Continuous Electron Beam Accelerator Facility has a 20-year backlog of scientists waiting to use this facility. During 2023, the U.S. Department of Energy (DOE) announced the selection of Jefferson Lab as the lead for its new High Performance Data Facility Hub (HPDF). The HPDF will be a \$300-500 million computing resource that will provide transformational capabilities for data analysis, networking, and storage for the nation's research enterprise. Construction of the new building for the HPDF will be funded by the Commonwealth of Virginia. The Commonwealth already provided \$6 million in seed funding and committed to provide \$43 million to fund the construction of the data center building, suitable for outfitting by the DOE project, on Jefferson Lab's central campus.



While Newport News is known for these unique defense and research sector assets, the local economy is well diversified across employment sectors. Ferguson Enterprise, the largest wholesale plumbing distributor in the U.S., Liebherr USA, Co., the world's largest manufacturer of mining trucks and Canon Virginia, domestic manufacturer of Canon copiers, printers, and cartridges, all chose Newport News for their business headquarters. Riverside Regional Medical Center and Christopher Newport University also offer a diverse array of career opportunities to residents. In addition, the City continues to promote economic development and redevelopment, with a particular focus on small businesses, which has spurred many businesses to start, expand or relocate to Newport News recently. With over 85,300 jobs total, Newport News is a significant job center for the Peninsula and the entire Hampton Roads region.

LONG-TERM FINANCIAL PLANNING AND DEBT ADMINISTRATION

The City has adopted policies that 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 that 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 Debt Management Policies:

Debt Indicator	Established Policy	FY 2022	FY 2023
Outstanding General Obligation to Taxable Real and Personal Property Value	No greater than 3.0%	2.0%	1.6%
General Fund Debt Service to General Fund Revenue	No greater than 9.5%	7.5%	6.5%
Proportion of Capital Improvement Plan spending with Cash Capital	No less than 20%	20.0%	20.0%
Outstanding General Obligation Debt Scheduled to be repaid within 5 years	No less than 30%	44.0%	38.7%
Outstanding General Obligation Debt Scheduled to be repaid within 10 years	No less than 60%	74.0%	68.2%

The City maintains strong credit ratings with the financial rating agencies Standard & Poor's (S&P) and Moody's with long-term credit ratings of AA+ and Aa1, respectively. The City's Waterworks Department also maintains strong credit ratings of AAA with S&P and Aa1 with Moody's. These credit ratings were reaffirmed in the summer of 2023 and allow the City to gain access to capital at lower interest rates.

As required by City Code, the City Manager submits a multi-year Capital Improvements Plan (CIP) to City Council no later than November 1 of each year. The FY 2024 to FY 2028 Capital Improvements Plan was approved by City Council on September 26, 2023. The CIP reflects the vision and priorities of City Council for the construction and maintenance of the buildings and infrastructure owned by the City. Although intended to be a commitment to a multi-year capital needs program, the CIP is fundamentally a planning document, subject to annual modification and amendment as changing priorities, availability of funding and other factors create the need for revision. Most projects in the CIP are funded by 20-year General Obligation Bonds issued by the City with level annual principal payments. The annual principal and interest payments (debt service) are included in the City's annual operating budget. The General, Wastewater, Stormwater, and Solid Waste funds each pay for a proportionate share of principal and interest payments. The Waterworks Fund pays all the debt service related to its capital projects. The FY 2024 Budget provides that the General Fund will pay 80.1%, or \$47.7 million, of the total debt service budget of \$59.5 million.

SIGNIFICANT STRATEGIC PRIORITY ACCOMPLISHMENTS FOR FY 2023

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



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

Newport News Debuts Vibrant New City Brand and Strategic Message

During the fiscal year, the City of Newport News launched a dynamic new brand - *Newport News: Built on Breakthroughs*. A place where collective ideas come together without limitations, Newport News is on the move, constantly changing and always creating. This initiative is much more than a logo and tagline; it is a community



pride-building campaign that is being activated artistically and three dimensionally by the City, businesses, and residents. Additional plans to activate the new brand include signage, murals, outreach campaigns, and increased messaging.

Health, Safety & Well-Being

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

In 2023, the City entered the third year of its progressive new program designed to provide crisis intervention services to individuals within Newport News. The result of a partnership between the Fire Department, the Police Department and the Hampton-Newport News Community Services Board, the Community Assistance Response (CARE) program provides initial crisis intervention services for those who are experiencing mental or behavioral health issues within Newport News. A CARE team comprised of a paramedic and mental health professional is dispatched when emergency calls for service are non-violent and show a need for mental health care. The program aims to connect mentally ill individuals with appropriate support and reduce the need for police response on mental health calls. Due to the success this team had addressing identified goals, a third CARE team was added in FY 2023.

Through an allocation of the City's American Rescue Plan Act (ARPA) funds, the City partnered with the City of Hampton and Riverside Behavioral Health Center to establish a Psychiatric Emergency Room which opened in October 2023. A first of its kind in Virginia, the Center will provide immediate care to people in a mental health or addiction crisis. Located in neighboring Hampton, the Center will serve the entire Peninsula, further enhancing resources for this vulnerable population.



For those experiencing homelessness, or at risk of becoming homeless, the City's Four Oaks Day Services and Training Center continues to be a beacon of hope and opportunity. Over 200 patrons were housed or diverted during the year. Southeastern Virginia Health Systems also began to provide an onsite Nurse Practitioner and Medical Case Manager twice a week. Through a partnership with Roadmap to Health, mobile health services were also made available to patrons. Four Oaks had the second highest participation rate for mobile health services in the country, reducing the barrier to healthcare many regularly face. The Center also began hosting monthly job fairs for patrons resulting in successful employment of approximately 80 patrons. Additionally, the "Bike to Work" initiative, designed to help recently employed patrons with transportation, distributed over 50 bikes.



The City supports programs to increase access to food and medical services, as well as programs to encourage healthy living. For our most vulnerable citizens, the City administers public welfare benefits, including Supplemental Nutrition Assistance for Needy Families, Medicaid, the Comprehensive Services Act, Energy assistance and childcare assistance.

In addition to these programs, the City's Waterworks department participated in the Low-Income Household Water Assistance Program (LIHWAP), a temporary federally funded program created to assist eligible, low-income households with water and wastewater bills. During FY2023, LIHWAP assistance was provided to 3,369 customer accounts for a total of \$2,471,947.

Nationwide, the country saw an increase in gun violence following the COVID-19 pandemic. In August 2022, utilizing \$1.8 million in federal, state, and local funds, the City issued grants to community-based organizations to expand youth mentorship programs, support mental health and counseling services, and offer leadership and job training, along with other programs, initiatives, and strategies to address risk factors for violence and create change in our community. Based on the success of the program's initial year, \$1.3 million in additional grants were awarded in FY 2024 for this important initiative.

The Police Department considers engagement of youth a foundation for Community Policing. In FY 2023, 25 students from Newport News Public Schools participated in the Young Adult Police Commissioners Program (YAPC). This group of youth assisted the department with bridging the gap, not only with the community, but with the younger generation. The students participated in community walks, press conferences, debates, City Council visits and community service hours in Newport News.

Education and Learning

The City continually looks for ways to strengthen education and access to learning for all residents. One of the most important services provided by a City to its taxpayers is the education of the community's children.



Newport News Public Schools (NNPS) educates 24,000 students in 40 schools. NNPS is comprised of diverse learners with over 1,500 students speaking a language other than English. As an urban school system, NNPS offers students diverse classes and programs that challenge and motivate young people of all abilities including special needs, English as second language, STEM, arts, gifted education and advanced programs. Each day in Newport News Public Schools the focus is on one mission: ensuring that all students graduate college, career and citizen-ready! More information about the Schools is available in the separately published Schools Annual Comprehensive Financial Report.

To ensure children enter school ready to learn and be successful, City Council's strategic plan includes a specific goal to increase availability and strengthen early education pre-kindergarten programs, particularly for low-income children. Through an allocation of funding made available by ARPA, the City is one step closer to making this goal a reality. In October 2022, the City, in partnership with Peake Childhood Center and Virginia Peninsula Community College, broke ground on the Newport News Early Childhood Center, expected to open in summer 2024. The \$14.4 million facility will serve approximately 200 children ages six weeks to five years of age and have a sliding-scale tuition rate based on family income and need. While the facility is in the Southeast Community of Newport News, it will support children and families from throughout the region.

The Newport News Public Library continually strives to ensure that the community has access to this important resource. During 2023, the Library became fine free, removing a barrier to access consistent with the fundamental mission of libraries; to serve the public with information and knowledge. In addition to its award-winning school system, Newport News is also home to Christopher Newport University (CNU). Selected by The Princeton Review to be included in *The 389 Best*



Colleges: 2024 Edition, CNU is a public school offering a private school experience in the heart of Newport News — great teaching, small classes, and a safe, vibrant campus. A “student-first, teaching-first” community, CNU is dedicated to the ideals of scholarship, leadership and service. Academic programs at CNU encompass more



than 90 areas of study, from biology to business administration and political science to the performing arts. Christopher Newport University is committed to ensuring that all people are welcomed, honored, and fully engaged in the life of the academic community.

Opportunity & Economic Prosperity

Newport News promotes the expansion of economic activity, provides varied economic opportunities for its residents, and fosters a healthy climate for new and existing businesses. Our unique and supportive business environment makes Newport News the ideal location to start, expand or relocate a business.

Certified Origins, an Italian-based company focused on providing fresh and authentic extra virgin olive oil, is investing over \$25 million as part of its global expansion strategy, establishing its first U.S. production facility in the City of Newport News. The state-of-the-art facility, which is expected to open in 2024, is in the City’s Oakland Industrial Park. The facility will receive high-quality olive oil imported in bulk from the Mediterranean area, through the Port of Virginia, and offer co-packing services and tailored solutions to local and global retailers. Founded in 2006, Certified Origins is an established international food producer and distributor, with branches and distribution in Europe, Asia, Mexico, and the United States and is the proud owner of the Bellucci Italian Extra Virgin Olive Oil brand.

Aldora Glass, a South Florida-based fabricator and distributor of glass and aluminum systems, celebrated opening its seventh facility serving the mid-Atlantic and Southeastern United States in November 2023. Located in the City’s Oakland Industrial Park, the 72,000 square-foot facility represents a \$10 million investment and will support a 150-mile radius including Hampton Roads, Richmond, Baltimore, the District of Columbia, Raleigh-Durham, Roanoke, and others. Operations featured at the Newport News plant will include the production and distribution of fabricated, tempered, and insulated glass, mirrors, and shower door products to a variety of glass retailers, glazing contractors and OEM clients.

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



High Liner Foods, a leading North American value-added frozen seafood company, continues to invest \$30 million in modernizing its facility in Newport News with new equipment and product lines. Founded over 120 years ago in Lunenburg, Nova Scotia, High Liner Foods’ retail branded products are sold throughout the United States and Canada in most grocery and club stores. High Liner also sells branded products to restaurants and institutions. As North America’s largest producer and marketer of frozen, value-added seafood products, High Liner Foods is an integral part of the business community in Newport News, as well as a significant employer and contributor to the regional economy.

Mühlbauer Inc., the U.S. subsidiary of Germany-based Mühlbauer Group and the world’s top producer of automated machinery designed to implement intelligent solutions, is investing \$9 million to expand its operation





in the City of Newport News. The company will make upgrades to its facility in the City's Oakland Industrial Park and increase capacity by adding new production equipment. Mühlbauer has been in Newport News for over 25 years serving as a base for all the company's activities in North America.

Fun, Entertainment & Culture

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

During the summer of 2023, the City of Newport News partnered with the CAN Foundation to create the Newport News Street Museum, a city-wide mural project. This innovative initiative highlights diverse locations throughout the city while also encouraging placemaking, promoting tourism, and strengthening community and regional connections.



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

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

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

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



Each year, the City also hosts a variety of special events, from the beloved Celebration in Lights, Virginia's first drive-through holiday event, now in its 31st year, to summer concerts, neighborhood parades, Independence Day fireworks, an Outdoor Enthusiast festival and block parties in "The Yard," the City's newest entertainment district. In FY 2023, building on the event's inaugural success in 2022, Newport News hosted the 2nd annual Twilight Criterium Bicycle Race, a three-day event drawing over 900 bicyclists. The City celebrated the 9th Anniversary of the popular One City Marathon. The City's point-to-point marathon course, in the top 20 for Boston Qualifying events, takes runners through a 26.2 mile tour of the entire city, featuring scenic views of Newport News' parks, waterways, and historic neighborhoods. More than 2,500 from across the globe participated in the event.



Welcoming Communities with Connected Neighborhoods

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

The City's Choice Neighborhood Initiative (CNI) is a targeted effort focused on creating meaningful transformation of a one square-mile area of Newport News known as the Marshall-Ridley Choice Neighborhood. The Department of Housing and Urban Development (HUD) awarded the City and NNRHA a \$30 million grant in 2019 to transform the Marshall-Ridley neighborhood in the Southeast Community. This project is creating additional housing options and amenities while revitalizing a historic neighborhood and improving the lives of residents. Phase I of the CNI replacement housing, The Lift & Rise located on Jefferson Avenue, featuring apartments, townhouses and retail space was completed in spring 2023. Phase II of the redevelopment, a 25-acre site, commenced in fall 2022 and includes the construction of multifamily units, townhomes, single family lots and retail space and is expected to be completed in late 2024.

Building on the momentum of the CNI transformation, the design for the Southeast Community Resource Area, a 7-block site, was completed and initial site work began during the fiscal year. The project includes a new middle school, a state-of-the-art public library, a community center, sports features, and a splash pad. Construction of the new Huntington Middle School is expected to begin in spring 2024, with an anticipated opening during the second semester of the 2025-2026 school year. The new school will be a 600-student education center, a multi-story, state-of-the-art institution with a focus on STEAM - science, technology, engineering, arts, and mathematics. The building will feature student learning studios and labs, and open collaboration areas.



Also complementing the CNI implementation, the EDA received over \$500,000 in grant funds for the rehabilitation of 2510 Jefferson Avenue. This project will preserve a key component of the historic Black business district on Jefferson Avenue. The nearly 100-year-old building is being redeveloped into office and retail space, with the expected creation of 11 full-time jobs. 2510 Jefferson Avenue will follow the success of the neighboring Offices @ Two Five & J.



Just blocks away, the Downtown Reimagined Initiative casts a bold redevelopment vision for the City's Downtown area. This plan leverages the downtown waterfront areas to create a vibrant, walkable community for all to dine, visit, move and invest. Due in large part to private investment, development of the Downtown



23rd Street Corridor, also referred to as the Yard District, is beginning to take shape consistent with the Downtown Reimagined vision. This area now includes Coastal Fermentory, a locally owned microbrewery, Ironclad Distillery, a locally owned micro-distillery, the Gastro at 23rd pub and Benny's Cantiere's pizza parlor. In September 2022, the City continued its investment in Downtown, breaking ground on the James River Strand project. The project includes a multi-use walkway connection from 28th Street and Christopher Newport Park to Victory Landing Park, which will allow guests closer access to the James River. Plans also include an outdoor amphitheater, with terraced lawn seating, hardscape areas, lighting, and electricity to support small-scale performances and special events.

Newport News strives to improve connectivity within the City and region, and create safe, effective, and efficient transit choices. To that end, construction continued on the \$51 million transportation center located at Bland Boulevard, between Warwick Boulevard and Interstate 64. This new facility will replace the outdated and undersized Amtrak train station that is currently located on Warwick Boulevard. Located adjacent to the City's international airport, the transportation center will serve as a hub for Hampton Roads Transit, taxis and shuttles and will modernize and streamline transportation on the Peninsula, in Hampton Roads, and throughout the Commonwealth. Construction is estimated to be complete in the spring of 2024.



Quality Government & Innovation

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

In 2023, Habitat for Humanity Peninsula and Greater Williamsburg completed construction of two 3D-printed homes in the Southeast Community of Newport News. The houses were built using 3D printing technology, a cost-efficient, sustainable option that relies on concrete to print the walls of the homes, saving up to 15% per square foot in construction costs. The homes will be approximately 1,200 square feet with three bathrooms and two bedrooms and will be sold to local families. The two 3D-printed houses are the 20th and 21st Habitat for Humanity Peninsula and Greater Williamsburg homes built. Habitat for Humanity Peninsula and Greater Williamsburg dedicated the first-ever 3D-printed Habitat home in the nation in Williamsburg last year. Alquist 3D, a 3D printing construction company, partnered with Habitat to print the inaugural house in less than 28 hours last summer.



Leveraging state-of-the-art technology, the Department of Public Works invested in a CAT Simulator that teaches heavy equipment operations using the same OEM (original equipment manufacturer) controls and machine applications as found on real-world worksite heavy equipment, which will provide training and hands-on experience for staff. It will be used to provide annual instruction to include refresher training to evaluate technical skills, safety, and preventative maintenance assessments as well as provide post-accident refresher, succession training, promotional preparation, and an interviewing skills assessment for our Equipment Operators. The CAT Simulator will help lower costs and address safety, production, and sustainability initiatives because simulators do not burn fuel, use fluids, create emissions, or incur maintenance costs during training.



Newport News Waterworks neared completion on the innovative Advanced Metering Infrastructure (AMI) project. AMI enables continuous two-way communication over a fixed network between the water utility system and water meters. The implementation of smart metering will reduce wasted water because leaks can be detected and addressed sooner. In addition, use of these smart meters will save Waterworks labor, fuel, and vehicle costs associated with truck rollouts, ending the need for someone to show up each month to read the meter and reducing our carbon footprint. Furthermore, it allows customers to access timely and detailed consumption data, receive quicker response times for move-ins and move-outs, and be alerted about potential high bills by identifying high usage earlier. Upgrading more than 130,000 existing meters in Newport News, Hampton, Poquoson, York County, and part of James City County, the project is expected to be completed by the end of calendar year 2023.

Environmental Stewardship & Sustainability

The City continues to focus on energy efficiency and air quality for its buildings and vehicular fleet. Efforts to decarbonize the vehicular fleet include expanded use of propane, hybrid electric and electric vehicles reducing gasoline consumption by 250,000 gallons and a corresponding reduction of 2,917 metric tons of greenhouse gas emissions.

During FY 2023, the City began a three-year effort to address stormwater, flooding, and climate change concerns. Leveraging a \$4.9 million grant from the Virginia Community Flood Preparedness Fund, the City will develop three separate, yet interconnected, Citywide master plans for Stormwater Management, Floodplain Management, and Climate Change & Resilience. This project will include an assessment of the existing components of the City's stormwater program through public engagement; general inventory (documentation and evaluation of infrastructure); analysis of ordinances and design manuals; and conceptual plan development with capital planning, cost estimating, and financial planning.

AWARDS

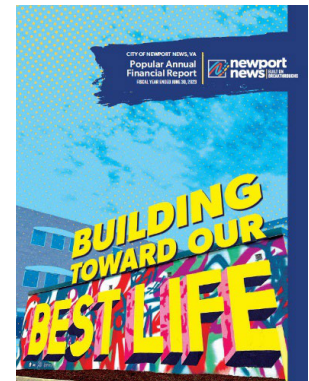
The Newport News Public Works Department received full accreditation from the American Public Works Association (APWA) for complying with the recommended practices outlined in the Public Works Management Practices Manual. This is the fifth time the Public Works Department has been re-accredited since its initial accreditation in 2002. APWA's accreditation process involves a thorough internal review of an agency, followed by an onsite, or virtual, accreditation visit where a team of reviewers examines documentation, processes,



and procedures. The purpose of accreditation is to promote excellence in the operation and management of a public works agency, its programs, and its employees. Accreditation is designed to assist the agency in the continuous improvement of operations and management while providing an objective evaluation.

The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Newport News for its Comprehensive Annual Financial Report for the year ended June 30, 2022. This was the 44th consecutive year that the City has received this prestigious award. To be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Annual Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for one year. We believe that our current Annual Financial Report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The City also published a Popular Annual Financial Report (PAFR) for the year ended June 30, 2023. The PAFR, which is unaudited, is a simplified and condensed version of the City's audited Comprehensive Annual Financial Report. The PAFR offers a brief analysis of where the City's revenue comes from and where those dollars are spent, making the City's financial information more accessible to the general public. We are pleased to have been awarded the Government Finance Officers Association (GFOA) Award for Outstanding Achievement in Popular Annual Financial Reporting for the FY 2022 PAFR and believe this year's report continues to meet the requirements for an achievement award.




ACKNOWLEDGMENTS

Preparation of this report would not have been possible without the expertise and commitment of the entire Finance Department, supporting departments, and component units. We would like to express our appreciation to all members of the Finance department who contributed to the preparation of this report, with a special thanks to the Accounting Division. We also gratefully acknowledge the members of City Council for their leadership and guidance in establishing sound and progressive financial management policies.

Respectfully submitted,



Alan Archer
Acting City Manager



Susan M. Goodwin
Director of Finance

CITY OF NEWPORT NEWS, VIRGINIA

CITY GOVERNMENT OFFICIALS

at June 30, 2023

City Council

Phillip D. Jones	Mayor
Curtis D. Bethany, III	Vice Mayor
John R. Eley, III	Member
Marcellus L. Harris III, D. Div.	Member
Cleon M. Long, P.E.	Member
Tina L. Vick	Member
Dr. Patricia P. Woodbury.....	Member

Office of the City Manager

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

Department of Finance

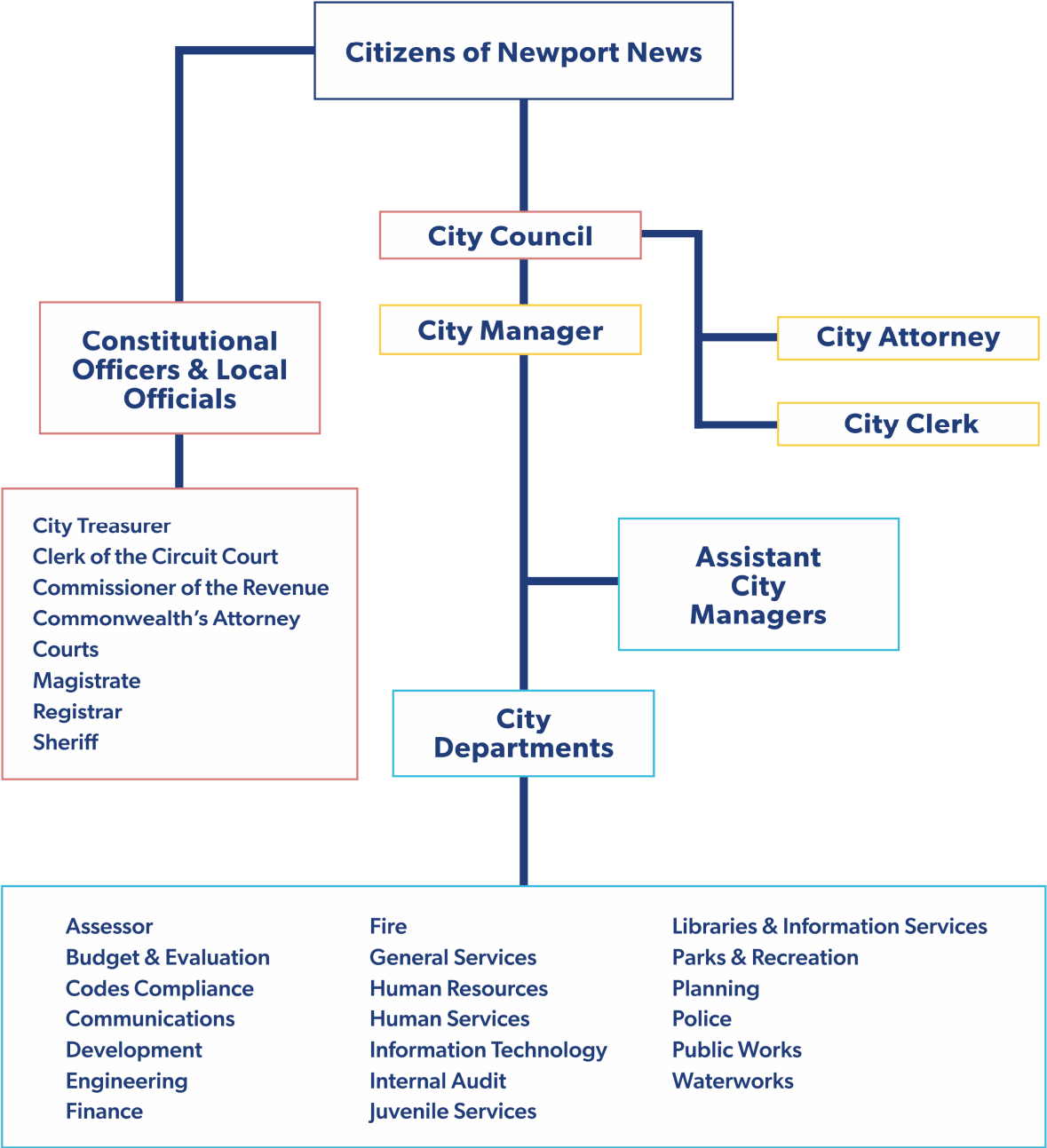
Susan M. Goodwin.....	Director of Finance
Virginia A. Lovell.....	Assistant Director of Finance
Kelsey S. Tice	Accounting Manager

Other Officials

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

Cynthia D. Rohlf resigned as City Manager effective August 1, 2023, with Alan K. Archer being appointed as acting City Manager at that time.

ORGANIZATION CHART





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Newport News
Virginia**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2022

Christopher P. Morill

Executive Director/CEO

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Report of Independent Auditor

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Newport News, Virginia (the "City"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia (the "Specifications"). Our responsibilities under those standards and Specifications are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions.

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary Information

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

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2023, 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.



Tysons Corner, Virginia
December 8, 2023

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, 2023 (FY 2023). 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 2023

- At the end of the fiscal year 2023, the total net position of the City on a government-wide basis, excluding component units, was \$1,058.8 million. This amount represents an increase of \$147.2 million, or 16.2%, over the prior year. The net position for governmental activities was \$614.0 million, an increase of \$125.3 million over the prior year. The business-type activities net position was \$444.8 million, an increase of \$21.9 million over the prior year.
- The real estate tax rate decreased \$.02 from the prior year to \$1.20 per \$100 of assessed valuation and personal property tax remained the same at \$4.50 per \$100 of assessed valuation. Real estate assessed values increased by 12.0% and personal property assessed values increased by 8.9% from prior year. While there was no change in the personal property tax rate, an assessment ratio of seventy-five percent (75%) was applied to vehicles for calendar year 2022 to mitigate the significant increase in vehicle values.
- At the close of FY 2023, unassigned fund balance for the General Fund was \$89.3 million or 14.9% of FY 2023 total General Fund revenues, transfers in, and other financing sources and an increase of \$11.5 million from the prior year.
- General Fund revenues and transfers increased by \$44.3 million or 8.1% above FY 2022, primarily due to an increase in general property and other local tax revenue. Expenditures and transfers out increased \$48.1 million, or 9.2% higher than the prior fiscal year, primarily due to an increase in personnel costs, contractual services, and transfers out to capital projects.
- During the fiscal year, the total bonded debt for the City and Public Utilities decreased by approximately \$35.2 million and \$10.3 million, respectively. The net decreases are due to principal payments made during the year without the issuance of any new debt. The City maintains a bond rating of AA+ with the financial rating agency Standard & Poor's and an Aa1 rating with Moody's.
- The City implemented the provisions of Governmental Accounting Standards Board GASB Statement No. 96 (GASB 96), *Subscription-Based Information Technology Arrangements* in FY23.

OVERVIEW OF THE FINANCIAL STATEMENTS

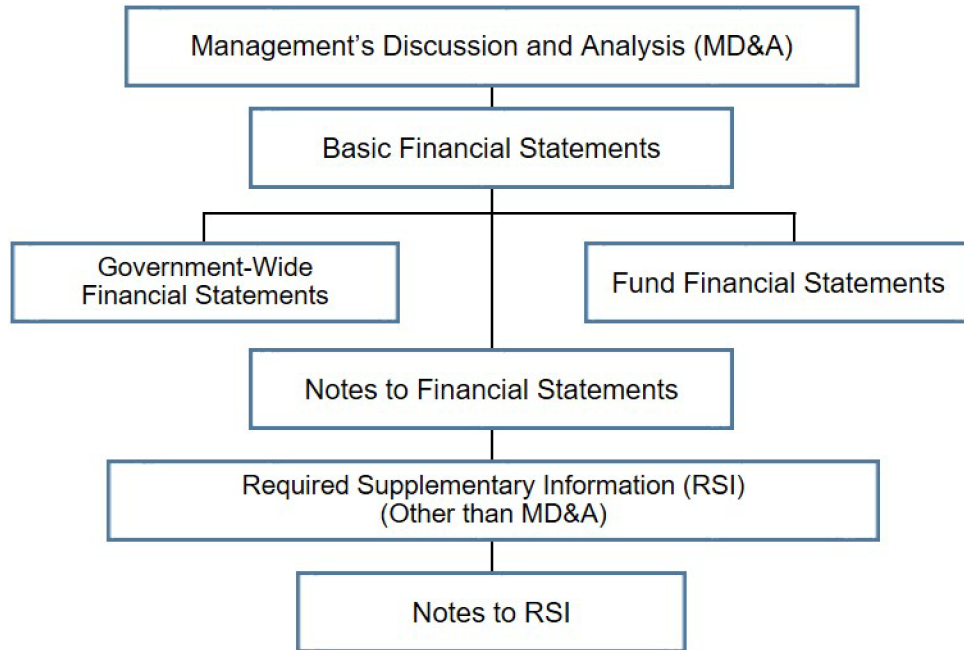
The City's basic financial statements comprise three components: *government-wide financial statements*, *fund financial statements*, and *notes to the financial statements*. This report also contains required other supplementary information sections in addition to the basic financial statements themselves.

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

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

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

Figure A
Required Components of Newport News' Financial Statements



Government-Wide Statements

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

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

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

- *Governmental activities* – Most of the City's basic services are included here, such as the police, fire, public works, parks, internal services and general administration. Taxes, state grants, 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 Newport News Public Schools (Schools), the Economic and Industrial Development Authorities (E/IDA), and the Peninsula Airport Commission (PAC). 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 maintenance of buildings and operation of vehicles and equipment and includes this activity in its government-wide financial statements.
- *Fiduciary funds* – The City is the trustee, or fiduciary, for certain donated funds. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. The City is responsible for ensuring that the assets reported in this fund are used for their intended purpose. The fiduciary funds include the Pension and Other Postemployment Benefits Trust Funds, Custodial Funds and the Line of Duty Act Fund. These activities are reported in a separate statement of fiduciary net position. The City excludes this activity from its government-wide financial statements because the City cannot use these assets to finance its operations.

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

Notes to the Basic Financial Statements

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

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

Statement of Net Position

The following table reflects the condensed net position:

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2023	2022	2023	2022	2023	2022
Current and Other Assets	\$ 491.1	501.8	196.9	220.2	688.0	722.0
Capital Assets, Net	925.7	881.5	459.4	428.1	1,385.1	1,309.6
Total Assets	1,416.8	1,383.3	656.3	648.3	2,073.1	2,031.6
Deferred Outflows of Resources	96.2	55.2	11.1	6.6	107.3	61.8
Current and Other Liabilities	133.0	180.2	47.3	50.7	180.3	230.9
Long-Term Liabilities	743.5	650.2	171.1	165.4	914.6	815.6
Total Liabilities	876.5	830.4	218.4	216.1	1,094.9	1,046.5
Deferred Inflows of Resources	22.5	119.4	4.2	15.9	26.7	135.3
Net Position:						
Net Investment in Capital Assets	545.8	516.3	378.4	361.3	924.2	877.6
Restricted	84.9	60.5	-	-	84.9	60.5
Unrestricted (Deficit)	(16.7)	(88.1)	66.4	61.6	49.7	(26.5)
Total Net Position	\$ 614.0	\$ 488.7	\$ 444.8	\$ 422.9	\$ 1,058.8	\$ 911.6

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 \$1,058.8 million. This amount represents an increase of \$147.2 million, or 16.1%, over the prior year's net position. The net position for governmental activities increased by \$125.3 million and the business-type activities net position increased by \$21.9 million.

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

Approximately 8.0% of the City's net position is subject to external restrictions or legal constraints. See note 1(L) for more information concerning the City's net position components.

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

Statement of Activities

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

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2023	2022	2023	2022	2023	2022
Revenues						
Program Revenues:						
Charges for Services	\$ 95.4	92.7	97.9	96.8	193.3	189.5
Operating Grants and Contributions	76.2	74.9	-	-	76.2	74.9
Capital Grants and Contributions	23.3	31.7	4.4	5.6	27.7	37.3
General Revenues:						
General Property Taxes	349.5	316.5	-	-	349.5	316.5
Other Taxes	125.6	122.5	-	-	125.6	122.5
Grants and Contributions not Restricted to Specific Programs	54.1	49.5	-	-	54.1	49.5
Investment Earnings	16.2	3.5	5.9	0.5	22.1	4.0
Miscellaneous	14.2	24.9	1.7	1.5	15.9	26.4
Total Revenues	754.5	716.2	109.9	104.4	864.4	820.6
Expenses						
General Government	106.9	93.3	-	-	106.9	93.3
Judicial Administration	11.3	9.6	-	-	11.3	9.6
Public Safety	151.2	140.3	-	-	151.2	140.3
Public Works	86.1	74.0	-	-	86.1	74.0
Health and Welfare	51.0	49.1	-	-	51.0	49.1
Education	157.7	170.0	-	-	157.7	170.0
Parks, Recreation and Culture	38.7	34.4	-	-	38.7	34.4
Community Development	17.6	16.7	-	-	17.6	16.7
Interest and Other Fiscal Charges	18.2	20.1	-	-	18.2	20.1
Public Utility	-	-	78.5	70.4	78.5	70.4
Total Expenses	638.7	607.5	78.5	70.4	717.2	677.9
Excess before Transfers	115.8	108.7	31.4	34.0	147.2	142.7
Transfers	9.5	9.5	(9.5)	(9.5)	-	-
Change in Net Position	125.3	118.2	21.9	24.5	147.2	142.7
Beginning Net Position	488.7	370.5	422.9	398.4	911.6	768.9
Ending Net Position	\$ 614.0	488.7	444.8	422.9	1,058.8	911.6

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

Revenues

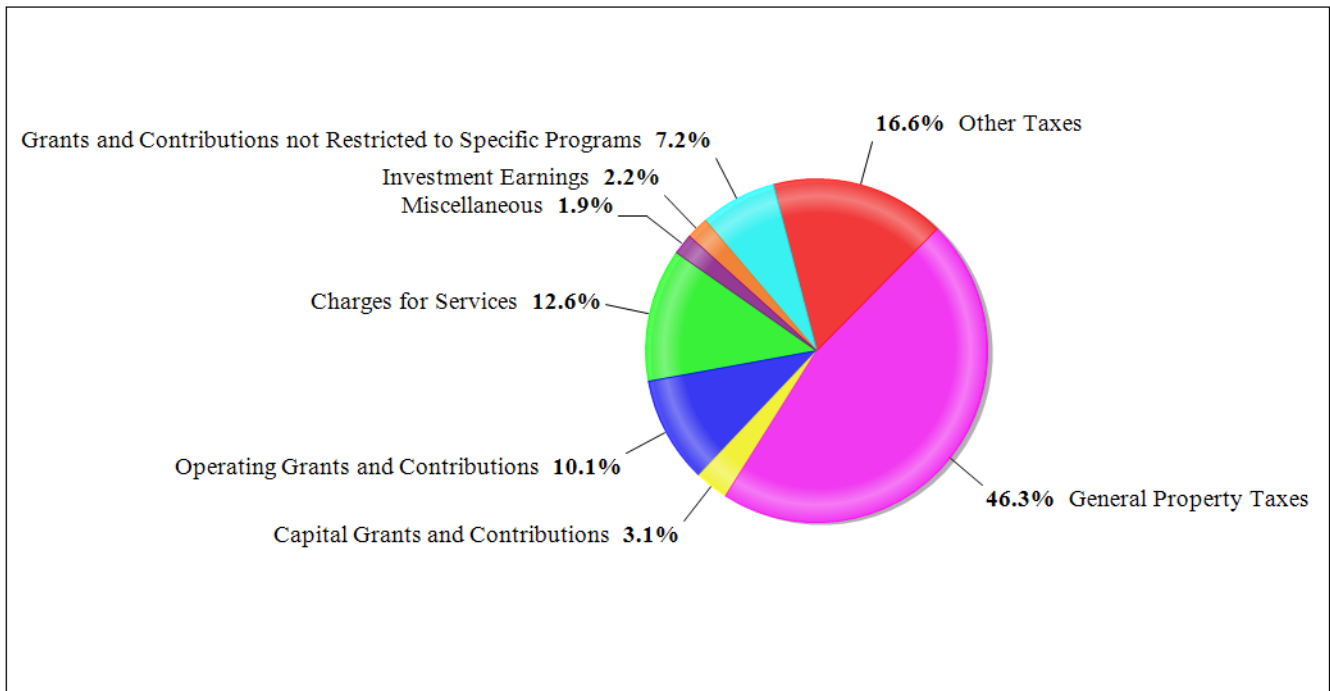
The City's total revenues for the Primary Government, which include governmental and business-type activities, were \$864.4 million, a \$43.8 million increase over revenues from the prior year. These revenues consist of program and general revenues. Program revenues are derived from the program itself and reduce the reliance on the City's general revenues; these include charges for services, operating and capital grants, and contributions. General revenues are all other revenues and include property and other taxes, and interest earnings.

For *Governmental Activities*, program revenues totaled \$194.9 million, compared to \$199.3 million from the prior year, a decrease of \$4.4 million. This decrease is primarily due to a decrease in capital grants and contributions.

General revenues totaled \$559.6 million. This represents an increase of \$42.7 million over the prior year due an increase in property tax revenues generated from higher property assessments.

Approximately 63% of the City's revenue from governmental activities comes from various taxes and nearly 13% comes from fees charged for services. The largest revenue sources for the City are general property taxes at 46% of total revenue.

Revenues by Source – Governmental Activities June 30, 2023



For FY2023 and FY2022, revenues totaling \$109.9 million and \$104.4 million, respectively, for the *Business-Type Activities* include program and general revenues of Waterworks, the City's Public Utility Fund. The majority of this revenue, 89.1% and 92.7% represents charges for services for FY 2023 and FY 2022, respectively.

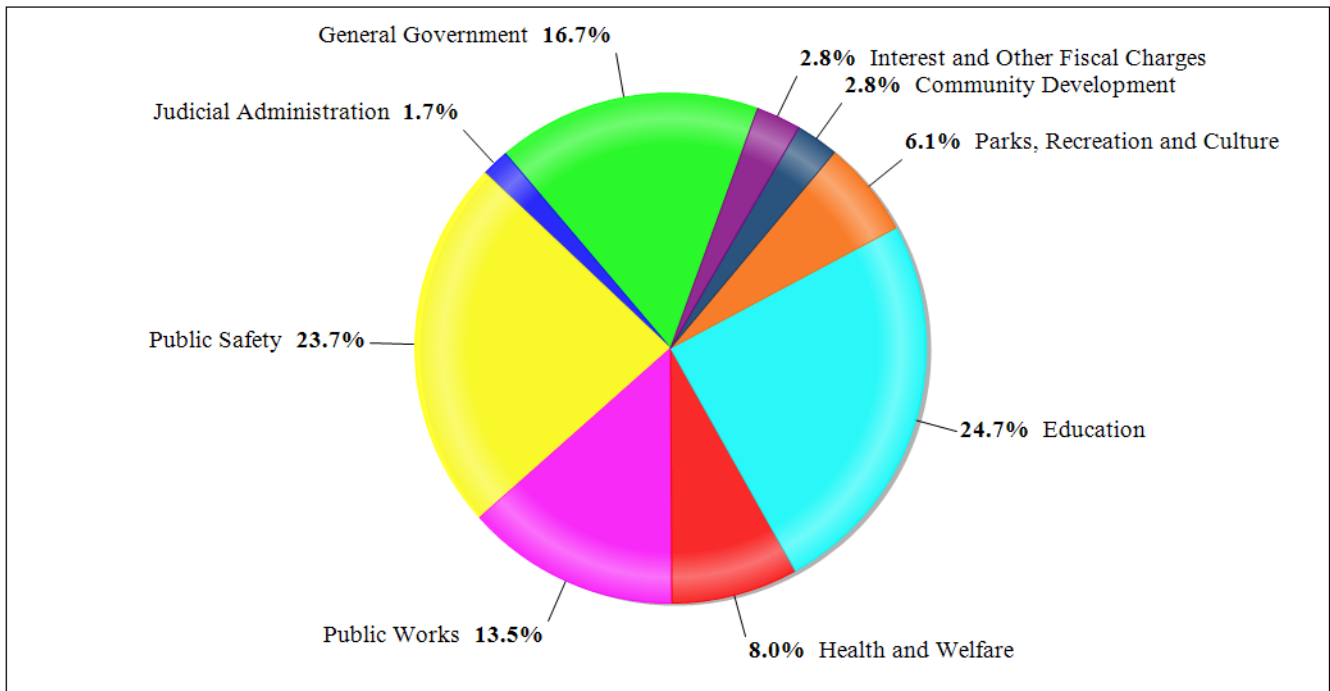
CITY OF NEWPORT NEWS, VIRGINIA MANAGEMENT'S DISCUSSION AND ANALYSIS

Expenses

The City's total cost to provide all programs and services for the Primary Government was \$717.2 million, a \$39.3 million increase over expenses from the prior year.

Expenses for *Governmental Activities* totaled \$638.7 million, an increase of \$31.2 million from the prior year primarily due to an increase in personnel costs, contractual services and a scheduled transfer of tenancy in common assets to schools in FY23. Education and Public Safety continue to be among the City's highest priorities and commitments representing \$308.9 million or over 48% of total governmental expenses. The graph below shows the breakdown of major expenses by function for the governmental activities.

Expenses by Source – Governmental Activities June 30, 2023



Expenses for the *Business-type Activities* represent costs to provide services of Waterworks, the City's Public Utility Fund. For the current fiscal year these totaled \$78.5 million, an \$8.1 million increase from prior year, primarily due to an increase in investment earnings.

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

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

Governmental Funds

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

At the end of the fiscal year, the total fund balance for the City's governmental funds was \$384.0 million, compared to \$328.7 million in the prior fiscal year, an increase of \$55.3 million. The largest contributors to that change by fund included:

- A \$29.2 million increase in the fund balance of the General Fund, mainly driven by increased general property tax revenues from higher assessed values of property and increased interest and rent revenues from higher interest rates on cash holdings.
- A \$36.7 million increase in the fund balance of the General Capital Improvements Fund, mainly driven by transfers in from the General Fund being larger than planned capital outlay expenditures for the year.
- A \$24.7 million decrease in the fund balance of the Bond Fund, mainly a result of payments on existing debt with no new bonds issued in fiscal year 2023.

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

- \$2.2 million is nonspendable which consists of inventories in the General Fund and Non-Major Governmental Funds.
- \$91.6 million is restricted, which can be spent only for the specific purposes stipulated by external providers, such as grantors or restricted through legislation. In the Bond Fund, this amount is restricted for capital projects funded by general obligation bonds (\$23.5 million). In the Non-Major Governmental Funds, this amount is restricted for specific purposes, mainly in the Stormwater, Wastewater, and Solid Waste funds (\$63.0 million).
- \$155.9 million is committed, which can only be used for specific purposes imposed by the formal action of City Council. These balances primarily represent fund balances in the debt service and general capital improvement funds.
- \$64.4 million is assigned, which applies to amounts that are intended for specific purposes but do not meet the criteria to be classified as restricted or committed. For example, this amount includes reserve for encumbrances at year end, as well as the reserve for capital projects and self insurance reserves for worker's compensation, general, auto, and health insurance.
- \$69.8 million is unassigned, which is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2023, totaled \$1,385.1 million (net of depreciation/amortization). This investment includes land, buildings and improvements, drainage and water/sewer systems, machinery/equipment, infrastructure, construction in progress, and lease/subscription right to use assets.

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

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Land	\$ 92,974,889	92,501,078	13,188,378	8,727,984	106,163,267	101,229,062
Construction in Progress	137,252,965	99,251,311	64,295,637	38,760,325	201,548,602	138,011,636
Buildings	205,067,734	218,745,952	69,935,504	73,361,477	275,003,238	292,107,429
Water System	-	-	300,022,133	297,785,916	300,022,133	297,785,916
Improvements	99,974,580	94,646,481	-	-	99,974,580	94,646,481
Machinery and Equipment	47,700,602	47,108,635	7,971,836	9,466,229	55,672,438	56,574,864
Infrastructure	321,107,909	329,275,869	-	-	321,107,909	329,275,869
Lease Right to Use	15,577,861	11,433,044	2,818,004	3,294,303	18,395,865	14,727,347
Subscription Right to Use	6,062,455	-	1,161,373	-	7,223,828	-
	<u>\$ 925,718,995</u>	<u>892,962,370</u>	<u>459,392,865</u>	<u>431,396,234</u>	<u>1,385,111,860</u>	<u>1,324,358,604</u>

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

- Newport News Transportation Center
- Tech Center Parkway
- Fort Eustis Bridge Replacement
- Sanitary Sewer Pump Station Replacements

Additional information on the City's capital assets can be found in Note 4 and Note 6 to the basic financial statements.

Long-Term Debt

At the end of the current fiscal year, the City had total outstanding debt of \$451.7 million, a decrease of 9.2% from last year, as shown in the table below. Lease and subscription liabilities, landfill liability, accrued vacation, net pension obligations, other postemployment benefit obligations and other notes 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	
	2023	2022	2023	2022	2023	2022
General Obligation Bonds	\$ 334.9	370.1	12.5	17.2	347.4	387.3
Literary Loans	1.8	2.1	-	-	1.8	2.1
Revenue Bonds	-	-	102.5	108.2	102.5	108.2
	<u>\$ 336.7</u>	<u>372.2</u>	<u>115.0</u>	<u>125.4</u>	<u>451.7</u>	<u>497.6</u>

The amount of the debt outstanding related to School Board activities is \$44.6 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 Newport News economy remains strong evidenced by a steady decrease in the unemployment rate. Unemployment rates in Newport News have declined from an average of 4.4% for FY 2022 to 3.6% for FY 2023 and are on par with the national average for the year. Economic growth is further evidenced by a 9.5% increase in assessed values of taxable real property for FY 2024. Consumer sensitive revenues such as sales tax, meals tax, and lodging taxes also remain strong, projecting a slight increase in FY 2024.

The City's strong financial management and conservative budgeting practices allow the City to continue its commitment to the citizens of Newport News. The FY 2024 General Fund Operating Budget continues to move the City's Strategic Priorities of People, Places and Government forward. The total General Fund Operating Budget is \$606.1 million, a 6.6% increase over the FY 2023 budget. Two significant items to note include:

- The real estate tax rate was decreased from \$1.20 to \$1.18 per \$100 of assessed value. This two cent decrease in the rate is intended to ease the burden of increasing home values in the City. Even with this reduction, real estate tax remains the single largest revenue source for the City, representing 43.5% of the General Fund revenue in FY 2024.
- The personal property tax rate of \$4.50 per \$100 of assessed value remained the same for FY 2024, with the assessment ratio returning back to 100% from the seventy-five percent (75%) assessment ratio that was applied to calendar year 2022 assessments which included the billing cycle of December 5, 2022 in FY 2023.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

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City of Newport News, Virginia
Statement of Net Position
June 30, 2023

	Primary Government			Discretely Presented Component Units	
	Governmental Activities	Business-Type Activities	Total	Public schools	Others
Assets					
Cash and Cash Equivalents	\$ 383,005,155	\$ 115,029,932	\$ 498,035,087	\$ 84,334,191	\$ 15,269,187
Restricted Cash and Investments	10,950,522	48,378,247	59,328,769	-	33,724,767
Accounts Receivable, Net	41,216,554	10,784,036	52,000,590	516,634	3,011,019
Receivable from Primary Government	-	-	-	3,777,716	-
Receivables from Other Governments	33,332,554	-	33,332,554	24,355,165	-
Lease Receivable	4,234,380	3,541,999	7,776,379	-	17,309,654
Due from OPEB Fund	145,216	-	145,216	-	-
Inventory, at Cost	3,799,031	5,927,564	9,726,595	3,006,716	-
Land Held for Lease or Resale	-	1,187,363	1,187,363	-	36,557,286
Wetlands Credits	-	5,530,135	5,530,135	-	-
Net Pension Asset	14,424,958	971,201	15,396,159	2,247,906	762,213
Capital Assets:					
Non-depreciable / Non-amortizable Capital Assets:					
Land	92,974,889	13,188,378	106,163,267	2,263,424	7,354,949
Construction in Progress	137,252,965	64,295,637	201,548,602	4,540,466	3,951,501
Depreciable / Amortizable Capital Assets:					
Buildings	327,510,209	149,113,985	476,624,194	183,722,570	203,519,114
Improvements	228,514,073	-	228,514,073	131,101,255	21,868,846
Water System	-	517,195,615	517,195,615	-	-
Airport Assets	-	-	-	-	192,294,757
Machinery and Equipment	165,327,053	49,217,132	214,544,185	75,953,684	9,844,555
Infrastructure	751,383,725	-	751,383,725	-	2,543,500
Lease Right to Use	18,538,880	4,280,018	22,818,898	5,674,364	8,144,259
Subscription Right to Use	7,468,259	1,533,275	9,001,534	1,543,111	128,795
Total Capital Assets	1,728,970,053	798,824,040	2,527,794,093	404,798,874	449,650,276
Less Accumulated Depreciation / Amortization	(803,251,058)	(339,431,175)	(1,142,682,233)	(217,300,056)	(238,087,307)
Capital Assets, Net	925,718,995	459,392,865	1,385,111,860	187,498,818	211,562,969
Restricted Assets:					
Other assets	9,899	5,598,256	5,608,155	5,050,000	15,062
Total Assets	1,416,837,264	656,341,598	2,073,178,862	310,787,146	318,212,157
Deferred Outflows of Resources					
Employer Contributions Subsequent to the Measurement Date	41,041,909	4,713,664	45,755,573	43,049,455	204,539
Net Difference between Projected and Actual Earnings on Plan Investments	42,643,930	5,059,248	47,703,178	13,126,024	-
Contributions	999,550	63,801	1,063,351	111,192	8,974
Changes in Assumptions	4,225,807	218,345	4,444,152	20,239,594	134,655
Difference between Expected and Actual Experience	3,345,899	33,341	3,379,240	858,094	800,849
Debt Refundings Resulting in Loss Transactions	3,909,621	1,007,877	4,917,498	-	2,075,914
Total Deferred Outflows of Resources	96,166,716	11,096,276	107,262,992	77,384,359	3,224,931
Liabilities					
Accounts Payable	37,539,563	6,933,646	44,473,209	7,188,283	5,325,287
Accrued Liabilities	11,880,452	3,828,489	15,708,941	35,411,813	500,650
Deposits	4,195,565	-	4,195,565	-	-
Unearned Revenues	163,123	24,910,886	25,074,009	4,020,127	-
Payable to Newport News Public Schools	3,777,716	-	3,777,716	-	-
Payable to Pension Fund	568,083	-	568,083	-	-
Long Term Liabilities:					
Due within One Year	74,858,217	11,652,405	86,510,622	7,776,022	7,901,658
Due in More than One Year	743,549,307	171,066,776	914,616,083	370,573,615	52,867,998
Total Liabilities	876,532,026	218,392,202	1,094,924,228	424,969,860	66,595,593
Deferred Inflows of Resources					
Property Taxes Collected in Advance	1,172,952	-	1,172,952	-	-
Net Difference between Projected and Actual Earnings on Plan Investments	1,654,030	105,576	1,759,606	24,234,798	70,293
Difference between Expected and Actual Experience	6,936,349	525,674	7,462,023	16,387,487	1,792,782
Changes in Assumptions	6,248,716	34,435	6,283,151	1,373,820	1,732,676
Changes in Proportionate Share	692	44	736	9,244,595	16,225
Investment Experience	311,617	19,890	331,507	650,977	-
Lease Related	6,177,117	3,542,794	9,719,911	325,733	16,955,165
Deferred contribution to City - AHTIC	-	-	-	4,602,180	-
Total Deferred Inflows of Resources	22,501,473	4,228,413	26,729,886	56,819,590	20,567,141
Net Position					
Net Investment in Capital Assets	545,763,007	378,381,418	924,144,425	170,797,424	156,684,399
Restricted for:					
Capital Projects	1,371,025	-	1,371,025	7,634,016	37,286,974
Debt Service	-	-	-	-	1,691,738
Grants & Awards	4,909,624	-	4,909,624	-	-
Public Safety	1,443,651	-	1,443,651	-	-
Public Works	62,780,642	-	62,780,642	-	-
Parks & Recreation	25	-	25	-	-
Net Pension Asset	14,424,958	-	14,424,958	2,247,906	-
Education	-	-	-	26,852,477	-
Unrestricted (deficit)	(16,722,451)	66,435,841	49,713,390	(301,149,768)	38,611,243
Total Net Position	\$ 613,970,481	\$ 444,817,259	\$ 1,058,787,740	\$ (93,617,945)	\$ 234,274,354

See accompanying notes to basic financial statements.

City of Newport News, Virginia
Statement of Activities
Year Ended June 30, 2023

	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	\$ 106,892,584	\$ 16,329,309	\$ 429,839	\$ 23,305,851	\$ (66,827,585)	\$ -	\$ (66,827,585)		
Judicial Administration	11,329,035	1,614,340	508,050	-	(9,206,645)	-	(9,206,645)		
Public Safety	151,192,716	8,083,541	32,182,140	-	(110,927,035)	-	(110,927,035)		
Public Works	86,099,939	61,577,330	21,241,513	-	(3,281,096)	-	(3,281,096)		
Health and Welfare	50,966,208	509,764	9,823,579	-	(40,632,865)	-	(40,632,865)		
Education	157,651,873	-	1,074,895	-	(156,576,978)	-	(156,576,978)		
Parks, Recreation and Culture	38,719,311	7,147,144	5,988,799	-	(25,583,368)	-	(25,583,368)		
Community Development	17,566,231	106,693	4,981,752	-	(12,477,786)	-	(12,477,786)		
Interest and Other Fiscal Charges	18,277,283	-	-	-	(18,277,283)	-	(18,277,283)		
Total Governmental Activities	<u>638,695,180</u>	<u>95,368,121</u>	<u>76,230,567</u>	<u>23,305,851</u>	<u>(443,790,641)</u>	<u>-</u>	<u>(443,790,641)</u>		
Business-Type Activities:									
Public Utility	78,538,324	97,877,754	-	4,413,295	-	23,752,725	23,752,725		
Total Primary Government	<u>\$ 717,233,504</u>	<u>\$ 193,245,875</u>	<u>\$ 76,230,567</u>	<u>\$ 27,719,146</u>	<u>(443,790,641)</u>	<u>23,752,725</u>	<u>(420,037,916)</u>		
Component Units:									
Public Schools	\$ 419,216,886	6,583,780	164,908,675	1,955,227				(245,769,204)	-
Peninsula Airport Commission	16,263,530	5,292,408	-	2,819,985				-	(8,151,137)
Economic and Industrial Development Authorities	23,388,886	23,704,162	-	-				-	315,276
Total component units	<u>\$ 458,869,302</u>	<u>\$ 35,580,350</u>	<u>\$ 164,908,675</u>	<u>\$ 4,775,212</u>				<u>(245,769,204)</u>	<u>(7,835,861)</u>
General revenues:									
City taxes:									
General Property Taxes					\$ 349,485,472	-	349,485,472	-	-
E-911 service					925,290	-	925,290	-	-
Local sales and use					34,195,284	-	34,195,284	-	-
Consumers' utility					5,661,860	-	5,661,860	-	-
Consumption					608,728	-	608,728	-	-
Telecom sales and use					8,097,874	-	8,097,874	-	-
Business license					22,000,132	-	22,000,132	-	-
Rental car					1,367,513	-	1,367,513	-	-
Motor vehicle license					4,555,068	-	4,555,068	-	-
Bank stock taxes					1,383,253	-	1,383,253	-	-
Recordation and wills					2,147,148	-	2,147,148	-	-
Tobacco					4,035,487	-	4,035,487	-	-
Hotel and motel room tax					5,650,032	-	5,650,032	-	-
Restaurant food tax					34,032,909	-	34,032,909	-	-
Tourism zone tax					58,209	-	58,209	-	-
Amusement					848,325	-	848,325	-	-
Total City taxes					<u>475,052,584</u>	<u>-</u>	<u>475,052,584</u>	<u>-</u>	<u>-</u>
Grants and Contributions not Restricted to Specific Programs					54,062,653	-	54,062,653	182,496,388	70,500
Payment from the City					-	-	-	123,331,148	-
Investment Earnings					16,164,392	5,946,581	22,110,973	510,480	1,917,736
Miscellaneous					14,326,945	1,712,351	16,039,296	-	7,123,748
Transfers					9,500,000	(9,500,000)	-	-	-
Total general revenues and transfers					<u>569,106,574</u>	<u>(1,841,068)</u>	<u>567,265,506</u>	<u>306,338,016</u>	<u>9,111,984</u>
Change in net position					125,315,933	21,911,657	147,227,590	60,568,812	1,276,123
Net position, as restated, beginning of year*					488,654,548	422,905,602	911,560,150	(154,186,757)	232,998,231
Net position end of year					<u>\$ 613,970,481</u>	<u>\$ 444,817,259</u>	<u>\$ 1,058,787,740</u>	<u>\$ (93,617,945)</u>	<u>\$ 234,274,354</u>

*Net position at the beginning of the year for the E/IDA, part of the "Other component units" column here, has been adjusted down by \$2,371,959 due to a government merger. See E/IDA's separately issued financial statements for further detail.

See accompanying notes to basic financial statements.

City of Newport News, Virginia
Balance Sheet
Governmental Funds
June 30, 2023

	General Fund	Debt Service Fund	Bond Fund	Capital Projects Other Federal and State Fund	General Capital Improvements	Other Federal and State	Nonmajor Governmental Funds	Total Governmental Funds
Assets								
Cash and Cash Equivalents	\$ 160,945,271	13,826,811	-	-	128,627,149	2,526,443	66,507,195	372,432,869
Restricted Cash	-	-	10,024,857	925,665	-	-	-	10,950,522
Accounts Receivable, Net	30,995,646	-	-	-	4,255,134	2,146,008	3,796,882	41,193,670
Other Prepaid Asset	9,899	-	-	-	-	-	-	9,899
Lease Receivable	2,433,409	-	-	-	-	-	1,800,971	4,234,380
Receivables from Other Funds	2,356,400	-	-	-	8,044,465	-	-	10,400,865
Receivables from Other Governments	17,948,615	-	-	10,353,738	-	3,215,048	1,815,153	33,332,554
Due from OPEB Fund	145,216	-	-	-	-	-	-	145,216
Inventory, At Cost	2,200,291	-	-	-	-	-	17,947	2,218,238
Total Assets	<u>\$ 217,034,747</u>	<u>13,826,811</u>	<u>10,024,857</u>	<u>11,279,403</u>	<u>140,926,748</u>	<u>7,887,499</u>	<u>73,938,148</u>	<u>474,918,213</u>
Liabilities								
Accounts Payable	\$ 25,913,410	90,100	1,493,619	1,273,254	3,431,129	789,355	3,328,861	36,319,728
Accrued Liabilities	4,626,600	70,500	438,439	590,659	122,285	26,057	447,802	6,322,342
Deposits	4,195,565	-	-	-	-	-	-	4,195,565
Unearned Revenues	163,123	-	-	-	-	-	-	163,123
Payable to Newport News Public Schools	-	-	3,777,716	-	-	-	-	3,777,716
Payable to Other Funds	-	-	-	8,044,465	-	2,162,463	193,937	10,400,865
Payable to Pension Fund	568,083	-	-	-	-	-	-	568,083
Total Liabilities	<u>35,466,781</u>	<u>160,600</u>	<u>5,709,774</u>	<u>9,908,378</u>	<u>3,553,414</u>	<u>2,977,875</u>	<u>3,970,600</u>	<u>61,747,422</u>
Deferred Inflows of Resources								
Unavailable Revenue - Property Taxes	19,125,989	-	-	-	-	-	-	19,125,989
Property Taxes Collected in Advance	1,172,952	-	-	-	-	-	-	1,172,952
Unavailable Revenue - EMS Bills	314,203	-	-	-	-	-	-	314,203
Unavailable Revenue - Opioid Funds	-	-	-	-	-	1,804,924	-	1,804,924
Lease Related	4,372,543	-	-	-	-	-	1,804,574	6,177,117
Unavailable Revenue - Stormwater Fees	-	-	-	-	-	-	597,199	597,199
Total Deferred Inflows of Resources	<u>24,985,687</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,804,924</u>	<u>2,401,773</u>	<u>29,192,384</u>
Fund Balances								
Nonspendable	2,200,291	-	-	-	-	-	17,947	2,218,238
Restricted	613,622	-	23,527,117	1,371,025	-	3,104,700	63,013,497	91,629,961
Committed	-	13,666,211	-	-	137,373,334	-	4,827,342	155,866,887
Assigned	64,441,711	-	-	-	-	-	-	64,441,711
Unassigned	89,326,655	-	(19,212,034)	-	-	-	(293,011)	69,821,610
Total Fund Balances	<u>156,582,279</u>	<u>13,666,211</u>	<u>4,315,083</u>	<u>1,371,025</u>	<u>137,373,334</u>	<u>3,104,700</u>	<u>67,565,775</u>	<u>383,978,407</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 217,034,747</u>	<u>13,826,811</u>	<u>10,024,857</u>	<u>11,279,403</u>	<u>140,926,748</u>	<u>7,887,499</u>	<u>73,938,148</u>	<u>474,918,213</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, 2023

Fund Balances - Total Governmental Funds		\$ 383,978,407
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.		14,424,958
Capital Assets, Lease Assets, and Subscription Assets used in Governmental Activities are not Financial Resources and, therefore, are not Reported in the Funds:		
Governmental Capital Assets	1,612,037,257	
Less Accumulated Depreciation	(744,514,127)	
Governmental Lease Right to Use Asset	18,538,880	
Accumulated Amortization - Leases	(2,961,019)	
Governmental Subscription Right to Use Asset	6,894,311	
Accumulated Amortization - Subscriptions	<u>(1,289,576)</u>	
		888,705,726
Other long-term assets are not available to pay for current period expenditures and, therefore, are unavailable in the funds.		21,842,315
	46,792,166	
Adjustment to add back subscription liability included below	441,540	
Adjustment to add back accrued vacation included below	<u>593,048</u>	
		47,826,754
Deferred charge on refunding are reported as deferred outflows of resources in the government-wide financial statements, but are not reported in the governmental funds' statements.		3,909,621
Unmatured interest payable reported in governmental activities will not be paid with current financial resources and, therefore, are not reported in the funds.		(5,415,467)
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	(362,162,788)	
Literary fund bonds	(1,770,083)	
Notes Payable	(2,884,176)	
Landfill Liability	(1,751,000)	
Accrued Vacation	(20,004,278)	
Workers' Compensation and Other Claims	(14,722,030)	
Net Pension Liability	(310,793,373)	
Net OPEB Liability	(70,962,997)	
Net Line of Duty Obligations	(8,629,157)	
Incurred but not Reported Claims	(3,364,000)	
Lease Liability	(15,550,808)	
Subscription Liability	<u>(5,812,834)</u>	
		(818,407,524)
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	(6,936,349)	
Deferred Inflows - Difference between Projected and Actual Earnings on Plan Investments	(1,654,030)	
Deferred Inflows - Changes in Assumptions related to Pension and OPEB	(6,248,716)	
Deferred Inflows - Investment Experience	(311,617)	
Deferred Inflows - Changes in Proportion	(692)	
Deferred Outflows - Employer Contributions made Subsequent to the Measurement Date	41,041,909	
Deferred Outflows - Difference between Expected and Actual Experience	3,345,899	
Deferred Outflows - Difference between Projected and Actual Earnings on Plan Investments	42,643,930	
Deferred Outflows - Changes in Proportion and Difference between Employer Contributions and Proportionate Share of Contributions	999,550	
Deferred outflows - Changes in Assumptions	<u>4,225,807</u>	
		<u>77,105,691</u>
Net position of governmental activities		<u>\$ 613,970,481</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, 2023

	General Fund	Debt Service Fund	Bond Fund	Capital Projects Other Federal and State Fund	General Capital Improvements	Other Federal and State	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:								
General Property Taxes	\$ 348,759,229	-	-	-	-	-	-	348,759,229
Other Local Taxes	125,567,112	-	-	-	-	-	-	125,567,112
Licenses and Permits	4,338,340	-	-	-	-	-	-	4,338,340
Fines and Forfeitures	1,135,010	-	-	-	-	-	-	1,135,010
Intergovernmental	54,062,653	1,074,895	-	20,506,054	-	43,094,093	30,256,653	148,994,348
Charges for Services	16,726,428	-	-	-	-	-	62,955,447	79,681,875
Interest and Rent	12,387,246	-	-	28,994	83,858	817,977	2,499,320	15,817,395
Recovered Costs	14,724,385	-	-	-	-	-	106,570	14,830,955
Miscellaneous	4,714,533	-	-	-	400,417	-	168,493	5,283,443
Total Revenues	582,414,936	1,074,895	-	20,535,048	484,275	43,912,070	95,986,483	744,407,707
Expenditures:								
Current Operating:								
General Government	107,641,630	-	-	-	-	440,273	151,645	108,233,548
Judicial Administration	11,477,412	-	-	-	-	543,068	-	12,020,480
Public Safety	119,082,691	-	-	-	-	33,069,188	870,699	153,022,578
Public Works	4,989,439	-	-	-	-	4,416	67,698,422	72,692,277
Health and Welfare	41,530,638	-	-	-	-	1,137,331	7,738,826	50,406,795
Education	116,189,307	-	740,094	-	2,757,251	-	-	119,686,652
Parks, Recreation, and Culture	26,085,772	-	-	-	-	5,673,984	4,133,686	35,893,442
Community Development	10,391,398	-	-	-	-	3,358,348	5,753,838	19,503,584
Debt Service:								
Principal	4,270,287	35,565,937	-	-	927,504	91,283	253,480	41,108,491
Interest and Other Charges	114,894	18,490,783	-	-	68,801	374	104,835	18,779,687
Capital Outlay	-	-	23,981,599	20,318,344	36,165,516	-	-	80,465,459
Total Expenditures	441,773,468	54,056,720	24,721,693	20,318,344	39,919,072	44,318,265	86,705,431	711,812,993
Excess (Deficiency) of Revenues Over (Under) Expenditures	140,641,468	(52,981,825)	(24,721,693)	216,704	(39,434,797)	(406,195)	9,281,052	32,594,714
Other Financing Sources (Uses):								
Transfers In	9,500,000	59,508,227	-	-	76,130,076	-	4,880,234	150,018,537
Transfers Out	(130,148,444)	-	-	-	-	-	(10,370,093)	(140,518,537)
Leases (as Lessee)	3,225,003	-	-	-	-	161,689	3,794,291	7,180,983
Subscriptions	5,948,291	-	-	-	-	15,518	63,261	6,027,070
Total Other Financing Sources (Uses), Net	(111,475,150)	59,508,227	-	-	76,130,076	177,207	(1,632,307)	22,708,053
Net Changes in Fund Balances	29,166,318	6,526,402	(24,721,693)	216,704	36,695,279	(228,988)	7,648,745	55,302,767
Fund Balance at June 30, 2022	127,415,961	7,139,809	29,036,776	1,154,321	100,678,055	3,333,688	59,917,030	328,675,640
Fund Balances at June 30, 2023	<u>\$ 156,582,279</u>	<u>13,666,211</u>	<u>4,315,083</u>	<u>1,371,025</u>	<u>137,373,334</u>	<u>3,104,700</u>	<u>67,565,775</u>	<u>383,978,407</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, 2023

Net change in fund balances - total governmental funds		\$ 55,302,767
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	80,465,459	
Plus: Capital outlay expenditures not included in capital outlays, net of disposals	31,413,131	
Less: Non-capitalized asset	(29,399,957)	
Depreciation expense	<u>(31,596,816)</u>	
		50,881,817
Lease expenditure	7,188,484	
Amortization expense - leases	<u>(3,043,666)</u>	
		4,144,818
Subscription expenditure	6,030,070	
Amortization expense - subscriptions	<u>(1,289,576)</u>	
		4,740,494
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.		
		(33,231,321)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. Unavailable revenues increased/(decreased) by this amount in the current year.		
		2,251,450
Change in pension asset valuation. These assets are not reported in the governmental funds.		
		(2,869,989)
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.		
		98,060,318
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.		
		43,220,826
Change in annual employer contributions to the pension funds. These activities are reported as deferred outflows in the Statement of Activities, but are not reported in the funds.		
		(1,070,846)
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	36,493,443	
Net premium of long-term debt amortization	4,876,522	
Amortization of refunding losses	<u>(1,147,356)</u>	
		40,222,610
Lease principal repayments	3,095,032	
Lease liability issued	<u>(7,180,984)</u>	
		(4,085,952)
Subscription principal repayments	1,520,017	
Subscription liability issued	<u>(6,027,070)</u>	
		(4,507,053)
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	512,813	
Landfill liability	387,000	
Accrued vacation	(223,066)	
Net pension obligation	(125,276,020)	
Net OPEB obligation	(4,907,327)	
Net line of duty obligation	(1,197,292)	
Workers' compensation and other claims	576,562	
Incurred but not reported liabilities	<u>(496,000)</u>	
		(130,623,330)
Internal service funds are used by management to charge the costs of certain services to individual funds. The net income of this fund is reported with governmental activities (excludes change in compensated absences).		
		<u>2,879,324</u>
Change in net position of governmental activities		<u><u>\$ 125,315,933</u></u>

See accompanying notes to basic financial statements.

City of Newport News, Virginia
Statement of Net Position
Proprietary Funds
June 30, 2023

	Major Fund - Public Utility	Internal Service Fund
Assets		
Current Assets:		
Cash and Cash Equivalents	\$ 115,029,932	10,572,286
Restricted Cash	48,378,247	-
Accounts Receivable, Net	10,784,036	22,884
Inventory	5,927,564	1,580,793
Lease Receivable	148,351	-
Prepaid Bond Principal	5,598,256	-
Total Current Assets	<u>185,866,386</u>	<u>12,175,963</u>
Noncurrent Assets:		
Lease Receivable	3,393,648	-
Land Held for Resale	1,187,363	-
Wetlands Credit	5,530,135	-
Capital Assets:		
Non-depreciable / Non-amortizable Capital Assets:		
Land	13,188,378	20,257
Construction in Progress	64,295,637	8,774,678
Depreciable / Amortizable Capital Assets:		
Buildings	149,113,985	3,469,775
Improvements	-	1,128,639
Water System	517,195,615	-
Machinery and Equipment	49,217,132	77,532,308
Lease Right to Use Asset	4,280,018	-
Subscription Right to Use Asset	1,533,275	573,948
Total Capital Assets	798,824,040	91,499,605
Less Accumulated Depreciation / Amortization	<u>(339,431,175)</u>	<u>(54,486,336)</u>
Capital Assets, Net	459,392,865	37,013,269
Net Pension Asset	971,201	-
Total Noncurrent Assets	<u>470,475,212</u>	<u>37,013,269</u>
Total Assets	<u>656,341,598</u>	<u>49,189,232</u>
Deferred Outflows of Resources		
Employer Contributions Subsequent to the Measurement Date	4,713,664	-
Difference between Expected and Actual Experience	33,341	-
Difference in Proportion and Difference between Employer Contributions and Proportionate Share of Contributions	63,801	-
Change in Assumptions	218,345	-
Net Difference between Projected and Actual Earnings on Plan Investments	5,059,248	-
Debt Refundings Resulting in Loss Transactions	1,007,877	-
Total Deferred Outflows	<u>11,096,276</u>	<u>-</u>

See accompanying notes to basic financial statements.

(Continued)

City of Newport News, Virginia
Statement of Net Position
Proprietary Funds
June 30, 2023

	Major Fund - Public Utility	Internal Service Fund
Liabilities		
Current Liabilities:		
Accounts Payable	6,933,646	1,219,835
Accrued Liabilities	3,828,489	735,691
Unearned Revenues	24,910,886	-
General Obligation Bonds Payable, Net	3,403,755	-
Leases (as Lessee)	780,843	-
Subscription Liability	329,028	121,484
Revenue Bonds Payable, Net	7,138,779	-
Total Current Liabilities	<u>47,325,426</u>	<u>2,077,010</u>
Noncurrent Liabilities:		
Deposits	6,349,061	-
General Obligation Bonds Payable, Net	9,249,378	-
Revenue bonds payable, net	106,657,410	-
Leases (as lessee)	2,026,631	-
Subscription Liability	771,809	320,056
Net Pension Liability	36,537,360	-
Net OPEB Liability	9,475,127	-
Total Noncurrent Liabilities	<u>171,066,776</u>	<u>320,056</u>
Total Liabilities	<u>218,392,202</u>	<u>2,397,066</u>
Deferred Inflows of Resources		
Lease Related	3,542,794	-
Net Difference between Projected and Actual Earnings on Plan Investments	105,576	-
Difference between Expected and Actual Experience	525,674	-
Changes in Assumptions	34,435	-
Investment Experience	19,890	-
Changes in Proportionate Share	44	-
Total Deferred Inflows	<u>4,228,413</u>	<u>-</u>
Net Position		
Net Investment in Capital Assets	378,381,418	36,571,729
Unrestricted	66,435,841	10,220,437
Total Net Position	<u>\$ 444,817,259</u>	<u>46,792,166</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, 2023

	Major Fund - Public Utility	Internal Service Fund
Operating Revenues:		
Water sales	\$ 61,715,676	-
Charges for services	28,427,771	27,249,920
Miscellaneous	7,734,307	235,652
Total operating revenues	<u>97,877,754</u>	<u>27,485,572</u>
Operating expenses:		
Personal services	26,338,017	7,979,167
Contractual services	13,485,500	2,696,706
Internal services	1,266,304	373,113
Materials and supplies	13,338,629	11,374,854
Depreciation and Amortization	14,875,712	6,336,640
Other	2,774,568	-
Total operating expenses	<u>72,078,730</u>	<u>28,760,480</u>
Operating income (loss)	<u>25,799,024</u>	<u>(1,274,908)</u>
Nonoperating revenues (expenses):		
Interest revenue	5,946,581	346,995
Gain (loss) on disposal of capital assets	(1,880,437)	975,989
Amortization on bond premium	1,712,351	-
Loss on long-term debt	(321,182)	-
Interest expense	(4,257,975)	(10,409)
Total nonoperating revenues (expenses), net	<u>1,199,338</u>	<u>1,312,575</u>
Income before capital contributions and transfers out	<u>26,998,362</u>	<u>37,667</u>
Capital contributions for capital assets	4,413,295	2,799,797
Transfers out	(9,500,000)	-
Change in net position	21,911,657	2,837,464
Net position at June 30, 2022	<u>422,905,602</u>	<u>43,954,702</u>
Net position at June 30, 2023	<u>\$ 444,817,259</u>	<u>46,792,166</u>

See accompanying notes to basic financial statements.

City of Newport News, Virginia
Statement of Cash Flows
Proprietary Funds
Year ended June 30, 2023

	Major Fund - Public Utility	Internal Service Funds
Cash flows from operating activities:		
Receipts from customers	\$ 98,571,535	\$ 27,485,572
Payments to suppliers	(29,848,933)	(14,651,212)
Payments to employees	(27,843,224)	(7,979,167)
Other payments	(2,774,567)	-
Net cash provided by operating activities	38,104,811	4,855,193
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	(40,967,387)	(11,341,401)
Contributed capital	4,413,295	2,799,797
Proceeds from sale of capital assets	3,280,461	1,198,124
Repayment and retirement of long-term debt, net	(10,365,000)	-
Bond issuance cost	(9,560)	-
Interest paid	(4,221,741)	-
Lease liability principal payments made	(876,328)	-
Subscription liability principal payments made	(432,438)	(132,408)
Net cash used in capital and related financing activities	(49,178,698)	(7,475,888)
Cash flows provided by investing activities		
Interest received	5,949,352	346,995
Lease receivable payments received	149,555	-
Net cash provided by investing activities	6,098,907	346,995
Decrease in cash and restricted cash	(14,474,980)	(2,273,700)
Cash, cash equivalents, and restricted cash at beginning of year	177,883,159	12,845,987
Cash, cash equivalents, and restricted cash at end of year	163,408,179	10,572,287
Reported as:		
Cash and cash equivalents	115,029,932	10,572,286
Restricted cash	48,378,247	-
Total cash, cash equivalents, and restricted cash	163,408,179	10,572,286
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating Income (Loss)	25,799,024	(1,274,908)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation and Amortization	14,875,712	6,336,640
Deferred lease revenue recognized	(193,682)	-
Change in:		
Accounts receivable	1,827,098	62,482
Inventories	(1,758,457)	(303,685)
Accounts payable, accrued liabilities, lease liabilities, subscription liabilities, and payroll accruals	(1,215,374)	34,664
Unearned revenues	(939,634)	-
Deposits	440,906	-
Net pension asset	183,191	-
Net pension liability	14,764,619	-
Net OPEB liability	652,514	-
Deferred outflows of resources	(4,825,928)	-
Deferred inflows of resources	(11,505,178)	-
Total adjustments	12,305,787	6,130,101
Net cash provided by operating activities	\$ 38,104,811	\$ 4,855,193

See accompanying notes to basic financial statements.

City of Newport News, Virginia
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2023

	Pension, Other Postemployment Benefits, & Line of Duty Act Fund	Custodial Funds
Assets		
Cash and cash equivalents	\$ 4,526,960	10,468,920
Cash and cash equivalents with trustee	4,536,415	-
Investments, at fair value:		
Debt securities	72,985,081	-
Equity investments	307,232,046	-
Private equities	45,977,556	-
Bond mutual fund	122,628,105	-
Commingled equity fund	411,660,057	-
Real estate and timber	103,551,255	-
Accounts receivable	-	3,487,298
Due from other components	1,292,893	-
Sales receivable	659,285	-
Total assets	<u>\$ 1,075,049,653</u>	<u>13,956,218</u>
Liabilities		
Accounts payable	\$ 1,151,980	2,233,755
Due to City	145,216	-
Purchases payable	64,646	-
Deposits	-	1,832
Total liabilities	<u>1,361,842</u>	<u>2,235,587</u>
Net Position		
Assets held in trust:		
Restricted for pension benefits	1,025,541,458	-
Restricted for OPEB benefits	45,051,010	-
Restricted for LOD benefits	3,095,343	
Restricted for custodial funds	-	11,720,631
Total net position	<u>\$ 1,073,687,811</u>	<u>11,720,631</u>

See accompanying notes to basic financial statements.

City of Newport News, Virginia
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year ended June 30, 2023

	Pension, Other Postemployment Benefits, & Line of Duty Act Fund	Custodial Funds
Additions:		
Employer contributions:		
City General Fund	\$ 33,955,139	-
Waterworks Fund	4,254,934	-
School Operating Fund	7,938,184	-
Employee contributions:		
City General Fund	3,458,094	-
Waterworks Fund	459,449	-
School Operating Fund	570,684	-
Other contributions:		
Income from leave exchange	112,818	-
Local	-	109,505
Other additions:		
Payments collected for other localities	-	26,081,253
Total contributions	<u>50,749,302</u>	<u>26,190,758</u>
Investment income:		
Net appreciation/(depreciation) - bonds	(1,387,487)	-
Net appreciation/(depreciation) - stocks	96,698,729	-
Interest	2,306,044	-
Dividends	5,619,554	-
Real estate operating income/(loss)	(1,645,682)	-
Commission recapture	4,943	-
Other investment income/(loss)	9,692	-
Total investment income/(loss)	<u>101,605,793</u>	<u>-</u>
Less investment expenses	<u>(1,940,065)</u>	<u>-</u>
Net investment income/(loss)	<u>99,665,728</u>	<u>-</u>
Total additions	<u>150,415,030</u>	<u>26,190,758</u>
Deductions:		
Benefits paid to participants	111,808,959	-
Refunds of member contributions	225,741	-
Administrative expenses	1,332,727	-
Contractual services	-	109,275
Payments collected for other localities	-	25,490,534
Total deductions	<u>113,367,427</u>	<u>25,599,809</u>
Change in net position	37,047,603	590,949
Net position at June 30, 2022	1,036,640,208	11,129,682
Net position at June 30, 2023	<u><u>\$ 1,073,687,811</u></u>	<u><u>11,720,631</u></u>

See accompanying notes to basic financial statements.

City of Newport News, Virginia
Notes to the Financial Statements
June 30, 2023

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

Major discretely presented component unit

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

Nonmajor discretely presented component units

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

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

(b) Government-wide and Fund Financial Statements

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

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

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

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

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

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

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

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

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

The City reports the following major governmental funds:

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

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

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

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

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

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

The City reports the following proprietary funds, which are reported using the accrual basis of accounting and the economic resources measurement focus:

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.

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

The City reports the following fiduciary funds, including custodial funds, using the accrual basis of accounting and the economic resources measurement focus:

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.

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Line of Duty 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 Regional Homeless Commission Fund accounts for payments collected from regional localities to be submitted in one collective quarterly payment to the Greater Virginia Peninsula Homeless Consortium, which provides services to citizens experiencing homelessness.

The Hampton User Fee Fund accounts for sewer and solid waste payments collected by Newport News Waterworks on behalf of the City of Hampton. Newport News Waterworks keeps a 1% administrative fee, and then passes the payments along to the City of Hampton.

The Special Welfare Foster Care Fund accounts for funds held in trust for the benefit of foster children. Child support and Social Security benefits are received on behalf of foster children, which are held in trust to help pay for a portion of the cost of the foster children's ongoing care.

Special Revenue Funds account for revenues and expenditures related to programs that are restricted in nature or committed for specific purposes. The City reports the following Special Revenue Funds as nonmajor governmental funds:

The Community Development Fund accounts for activities of the Community Development Block Grant and the HOME grant.

The Street Maintenance Fund accounts for the maintenance of arterial and secondary streets, street lighting, and some paving projects, which are funded by the Commonwealth of Virginia.

The Economic Development Fund accounts for certain activities undertaken by the City's Department of Development, with revenue from rents and small land sales, and expenditures to include marketing, small and medium business growth and development, business recruitment and attraction, strategic communications, property rental, and other real estate-related activities.

The Law Library Fund accounts for the operation of the law library, which receives revenue including court and copier fees, and has expenditures mainly related to payroll and the purchase of books and periodicals. Law books, legal reports and other legal materials are available for in-house research and reference use only.

The Stormwater Fund accounts for the activities of stormwater-related maintenance and capital projects, with revenue generated by stormwater fees charged to residents of the City.

The Solid Waste Fund accounts for the activities related to solid waste operations, to include waste collections, recycling, landfill, composting, hazardous household waste, and special collections. Revenue in this fund is generated by solid waste fees charged to residents of the City.

The Wastewater Fund accounts for the activities of wastewater-related maintenance and capital projects, to include the upkeep of the City's sanitary sewer system. Revenue in this fund is generated by wastewater fees charged to residents of the City.

The Comprehensive Services Act Fund accounts for services provided under the 1993 Virginia Comprehensive Services Act, the purpose of which is to provide high quality, child centered, family focused, cost effective, community-based services to high-risk youth and their families. This includes services such as counseling, special education and some foster care needs. The Commonwealth of Virginia reimburses the City for a portion of expenditures, the federal government funds a small portion, and the City funds the remainder.

The Criminal Justice Academy Fund accounts for court fees collected that, once appropriated, the Police Department uses for specialized police supplies and training.

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The Animal Shelter Fund accounts for the operations of the Peninsula Regional Animal Shelter, which includes animal adoptions, owner surrenders, and stray drop offs and reclaims. Funding is provided by the four partnering localities of Newport News, Hampton, Poquoson, and York County, as well as revenue from sales and fees.

The Special Events Fund accounts for the operations, revenue, and expenditures of various special events held throughout the City, and is managed by the City's Parks and Recreation Department.

The Canteen Fund accounts for the operations related to the sheriff and juvenile services' canteens and telephone charges. Revenue is generated through sales of various canteen items and charges for phone calls to inmates, and expenditures support goods and services for the inmates.

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

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

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

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

(d) Cash and Cash Equivalents and Investments

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

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

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

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(e) Receivables and Payables

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

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

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

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

Real Estate – Each year as of July 1, the City levies real estate taxes on all real estate within its boundaries, except that exempted by statute. Real estate taxes are levied on the estimated market value of the property and become a lien on real property the first day of the levy year. The City follows the practice of reassessing all property annually. Real estate taxes are collected in semi-annual payments due December 5 and June 5. During the fiscal year, the current year real estate taxes reported as revenue are the levies on assessed valuation on July 1, less an allowance for uncollectible amounts and taxes not collected within 45 days after year-end. The tax rate for 2023 was \$1.20 per \$100 of assessed value.

Personal Property – The City levies personal property taxes on motor vehicles and tangible personal business property. These levies are made each year as of January 1 with payment due the following December 5 and June 5. The current year personal property taxes reported as revenue are the levies on assessed valuation at January 1, less an allowance for uncollectible amounts and taxes not collected within 45 days after year-end. In March 2022, City Council approved an assessment ratio of seventy-five percent (75%) to be applied to vehicles for the calendar year 2022, which included the December 5, 2022 billing cycle in FY2023, to mitigate the significant increase in used vehicle values. The 2023 tax rates per \$100 of assessed value were:

Mobile homes	\$	1.20
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.

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(f) Allowances for Uncollectibles

The City calculates allowances for uncollectibles using historical collection data, specific account analysis and management's judgment. The allowance at June 30, 2023, is composed of the following:

General Fund - allowance for uncollectibles

Taxes receivable:	
Real estate	\$ 2,010,703
Personal property	<u>6,199,636</u>
Total taxes	\$ 8,210,339
Emergency medical services receivable	<u>1,054,759</u>
Total General Fund	<u><u>9,265,098</u></u>

Nonmajor Governmental

Special Revenue Funds - accounts receivable \$ 2,239,656

Public Utility Fund - accounts receivable \$ 2,705,258

Custodial Fund - accounts receivable \$ 933,322

(g) Inventories

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

(h) Capital Assets

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

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

Under Virginia law, certain property maintained by the School Board is subject to a "tenancy-in-common" with the City if the City incurred a financial obligation for the property payable over more than one fiscal year. The School Board and the City have agreed that such property will be carried on the City's financial statements until the outstanding debt is repaid. After repayment, the asset is transferred to the School Board. At June 30, 2023, the City holds capital assets related to school property with a net book value of approximately \$127,369,762.

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
Lease right to use assets	Shorter of lease term or asset useful life
Subscription right to use assets	Shorter of subscription term or software useful life

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(i) Land Held for Resale

Land held for resale by the E/IDA and the Public Utility Fund is stated at acquisition cost plus improvements, 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. As land is sold, all costs associated with that land are charged to cost of land sold.

(j) Compensated Absences

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

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

(k) Long-term Obligations

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

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

(l) Fund Equity/Net Position

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

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

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

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

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

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

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

City Council has adopted a minimum fund balance policy which states that the General Fund's unassigned fund balance shall not be less than 7.5% of the actual General Fund revenues. For FY 2023, the General Fund's unassigned fund balance is 14.9% 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.

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Details of the fund balance classifications of the Governmental funds at June 30, 2023 are as follows:

Function/Purpose	Nonspendable	Restricted	Committed	Assigned	Unassigned
General Fund:					
Inventories	\$ 2,200,291	-	-	-	-
General government:					
Administration	-	-	-	5,279,864	-
Self insured activities	-	-	-	22,357,014	-
Specific Projects	-	-	-	28,000,000	-
Public safety	-	-	-	778,633	-
Public works	-	613,622	-	6,331,960	-
Health and welfare	-	-	-	13,339	-
Parks, recreation, and cultural	-	-	-	1,598,842	-
Community development	-	-	-	63,534	-
Imprest funds	-	-	-	18,525	-
Unassigned	-	-	-	-	89,326,655
Total General Fund	\$ 2,200,291	613,622	-	64,441,711	89,326,655
Other funds:					
Debt service:					
Future debt service	\$ -	-	13,666,211	-	-
Bond:					
Buildings	-	8,275,820	-	-	-
Community development	-	9,314,760	-	-	-
Environmental	-	8,700	-	-	-
Parks, recreation, and cultural	-	472,631	-	-	-
Streets and bridges	-	1,307,623	-	-	-
Sanitary sewer/Solid waste	-	2,575,054	-	-	-
Stormwater	-	1,572,529	-	-	-
Future capital projects	-	-	-	-	(19,212,034)
Capital projects:					
Federal and state grants	-	1,371,025	-	-	-
General Capital Improvements:					
Economic Development	-	-	29,008,812	-	-
Equipment	-	-	1,077,804	-	-
Parks, recreation, and cultural	-	-	1,818,652	-	-
Buildings	-	-	4,661,663	-	-
Streets and bridges	-	-	2,604,988	-	-
Future capital projects	-	-	98,201,415	-	-
Other Federal and State:					
Federal and state grants	-	3,104,700	-	-	-
Nonmajor governmental:					
Economic development	-	-	1,217,102	-	-
Law library	-	25	2,236	-	-
Criminal Justice Academy	-	-	247,340	-	-
Community development	-	-	3,057,204	-	-
Parks, recreation, and cultural	17,947	-	303,460	-	(293,011)
Wastewater	-	22,145,233	-	-	-
Solid waste	-	11,180,982	-	-	-
Stormwater	-	28,243,606	-	-	-
Canteen	-	1,443,651	-	-	-
Total other funds	\$ 17,947	91,016,339	155,866,887	-	(19,505,045)
Total fund balance	\$ 2,218,238	91,629,961	155,866,887	64,441,711	69,821,610

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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 or amortization, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Restricted reflects the assets whose use is restricted by outside parties or legal constraints. The unrestricted component of net position consists of the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

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

	Governmental Activities
General Activities:	
Public Works	\$ 613,622
Net Pension Asset	14,424,958
Other Activities:	
Canteen	1,443,651
Law Library	25
Grants & Awards	4,909,624
Capital Projects	1,371,025
Stormwater, Solid Waste ,Wastewater	62,167,020
Total Restricted Net Position	<u>\$ 84,929,925</u>

(m) Encumbrances

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

(n) Deferred Outflows and Inflows of Resources

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

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

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

City of Newport News, Virginia
Notes to the Financial Statements
June 30, 2023

(o) Leases

Lessee

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

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

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

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

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

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

Lessor

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

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

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

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

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

City of Newport News, Virginia
Notes to the Financial Statements
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(p) Subscription-Based Information Technology Arrangements

The City engages in various subscription-based information technology arrangements. The City recognizes a subscription liability and an intangible right-to-use subscription asset (subscription asset) in the government-wide financial statements and other full-accrual basis financial statements presented herein to account for these subscriptions.

At the commencement of a subscription agreement, the City initially measures the subscription liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of subscription payments made. The subscription asset is initially measured as the initial amount of the subscription liability, adjusted for payments associated with the subscription contract made to the subscription vendor at the commencement of the subscription term, plus certain capitalizable initial implementation costs. Subsequently, the subscription asset is amortized on a straight-line basis over its useful life.

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

- The City uses the interest rate charged by the subscription vendor as the discount rate. When the interest rate charged by the subscription vendor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for subscriptions.
- The subscription term includes the noncancellable period of the subscription. Subscription payments included in the measurement of the subscription liability are composed of fixed payments, variable payments that are fixed in substance, and certain variable payments which depend on an index or rate (such as the Consumer Price Index or a market interest rate), measured using the index or rate as of the commencement of the subscription term.

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

Subscription assets are reported with capital assets and subscription liabilities are reported with long-term debt on the statement of net position.

(q) Changes in Accounting Principles

GASB 96: Subscription-Based Information Technology Arrangements

Effective July 1, 2022, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 96 (GASB 96), *Subscription-Based Information Technology Arrangements*, which provides a single model for software subscription accounting based on the principle that subscriptions are financings of the right to use an underlying asset. Under this Statement, a government end user is required to recognize a subscription liability and an intangible right-to-use subscription asset. In accordance with the transition guidance provided in GASB 96, all subscription assets and liabilities were measured and recorded using the facts and circumstances as of the date of implementation, which led to equal and offsetting balance sheet items as of July 1, 2022, the date of implementation. Thus, no restatement of fund balances or net position was necessary for the primary government as of June 30, 2022 based on the implementation of GASB 96.

The Schools and the PAC, both of which are presented as discretely presented component units of the City in the government-wide financial statements presented herein (the Schools as a major discretely presented component unit and the PAC as a nonmajor discretely presented component unit), also had a change in accounting principles and did not have a restatement in their respective net positions as of June 30, 2022 due to the adoption of the provisions of GASB 96. See the Schools' and the PAC's separate audited financial statements for further details.

The E/IDA, presented as a discretely presented component unit of the City in the government-wide financial statements presented herein, had no change to its financial statements due to GASB 96, as implementing GASB 96 had no material impact to the E/IDA's financial statements.

City of Newport News, Virginia
Notes to the Financial Statements
June 30, 2023

(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, 2023 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	\$ 645,417
Deposits with banks	<u>110,869,735</u>
Total cash and deposits	<u>111,515,152</u>
Investments:	
Local Government Investment Pool (LGIP)	522,514,702
Deposits with banks - money market accounts	6,470,663
Commonwealth cash reserve	3,880,574
Virginia State Non-Arbitrage Pool (VA SNAP)	57,026,405
IDA escrow funds	<u>351,369</u>
Total deposits and investments	<u>\$ 701,758,865</u>

Cash and investments as of June 30, 2023 are classified in the accompanying financial statements, except for Pension and OPEB Funds, as follows:

	<u>June 30, 2023</u>
Statements of Net Position:	
Primary Government:	
Cash and cash equivalents	\$ 498,035,087
Restricted cash	59,328,769
Component units:	
Cash and cash equivalents	99,603,378
Restricted cash	33,724,767
Fiduciary funds:	
Cash and cash equivalents - Line of Duty Act Fund	597,944
Cash and cash equivalents - Custodial Funds	<u>10,468,920</u>
Total cash and investments	<u>\$ 701,758,865</u>

City of Newport News, Virginia
Notes to the Financial Statements
June 30, 2023

Investment Policy

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

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

Interest Rate Risk: As a means of limiting exposure to fair value losses arising from rising interest rates, investment maturity is managed to precede or coincide with the expected need of funds. The City’s Policy limits the investment of operating funds to investments with a stated maturity of no more than thirty-six (36) months from the date of purchase. Purchases of securities are laddered with staggered maturity dates. Proceeds from the sale of bonds must be invested in compliance with the specific requirements of the bond covenants and may be invested in securities with longer maturities. As of June 30, 2023, 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, 2023 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, 2023, were rated by Standard & Poors and Moody. The ratings are presented below using the Standard & Poors rating scale. The School Board, E/IDA and PAC, component units, are pooled with the City and not separately identified.

Assets held by the Treasurer	Fair value	Credit rating	Weighted average maturity (years)
LGIP	\$ 496,296,226	AAAm	0.14
LGIP extended maturity	26,218,476	AAAf/S1	0.77
Commonwealth cash reserve (AIM) - underlying:			
U.S. agencies	14,528	AA-	1.71
U.S. agencies	3,516,515	AA+	1.89
U.S. agencies	49,523	AA	2.83
U.S. agencies	39,858	AAA	0.61
Supranational bonds	73,381	AAA	0.72
Money market	6,989	AAAm	0.00
Money market	179,780	AAAm	0.09
SNAP	57,026,405	AAAm	0.07
Total investments	<u>\$ 583,421,681</u>		

City of Newport News, Virginia
Notes to the Financial Statements
June 30, 2023

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, 2023.

		Fair value measurements using	
		Quoted prices in active markets for identical assets	Quoted prices in active markets for identical assets
	June 30, 2023	(Level 1)	(Level 2)
Investments by fair value level			
U.S. government agencies	\$ 117,431	\$ -	\$ 117,431
U.S. Treasury securities	3,261,793	-	3,261,793
U.S. corporate bonds	157,264	-	157,264
Supranational bonds	73,381	-	73,381
Money market funds	186,769	186,769	-
Collateralized mortgage obligations	83,936	-	83,936
Total at fair value	<u>3,880,574</u>	<u>186,769</u>	<u>3,693,805</u>
Investments measured at NAV			
SNAP	<u>57,026,405</u>		
Total investments at NAV	<u>57,026,405</u>		
Investments measured at amortized cost			
LGIP	496,296,226		
LGIP extended maturity	<u>26,218,476</u>		
Total at amortized cost	<u>522,514,702</u>		
Total	<u>\$ 583,421,681</u>		

City of Newport News, Virginia
Notes to the Financial Statements
June 30, 2023

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	\$ 896,987
Deposits with banks - repurchase agreements	3,542,929
Pension Trust fund money markets	<u>4,025,515</u>
Total cash and deposits	<u>8,465,431</u>
Investments:	
Debt securities	72,422,878
Equity investments	306,055,618
Private equities	45,977,556
Bond mutual fund	122,628,105
Commingled equity fund	410,685,176
Real assets	<u>103,551,255</u>
Total investments	<u>1,061,320,588</u>
Total deposits and investments	<u><u>\$ 1,069,786,019</u></u>

The Pension and OPEB funds' cash and investments as of June 30, 2023, are classified in the accompanying financial statements as follows:

Cash and cash equivalents	\$ 4,439,916
Cash and cash equivalents with trustee	4,025,515
Investments:	
Debt securities	72,422,878
Equity investments	306,055,618
Private equities	45,977,556
Bond mutual fund	122,628,105
Commingled equity fund	410,685,176
Real assets	<u>103,551,255</u>
Total deposits and investments	<u><u>\$ 1,069,786,019</u></u>

Fair Value Hierarchy

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

City of Newport News, Virginia
Notes to the Financial Statements
June 30, 2023

The Pension Plan has the following recurring fair value measurements as of June 30, 2023:

Investments measured at fair value - Pension Fund

Investments by fair value level	Fair value at 6/30/2023	Fair value measurements using	
		Quoted prices in active markets for identical assets Level 1	Significant other observable inputs Level 2
Debt securities:			
Collateralized mortgage obligations	\$ 4,739,951	-	4,739,951
Corporate bonds	42,122,119	-	42,122,119
U.S. Treasury securities	21,237,320	-	21,237,320
Total debt securities	68,099,390	-	68,099,390
Equity securities:			
Consumer goods	59,884,120	59,884,120	-
Energy	5,943,905	5,943,905	-
Financials	32,979,050	32,979,050	-
Health care	30,973,495	30,973,495	-
Industrials	54,273,509	54,273,509	-
Information technology	59,450,622	59,450,622	-
Materials	7,327,631	7,327,631	-
Real estate investment trusts	4,359,193	4,359,193	-
Telecommunication services	19,128,095	19,128,095	-
Utilities	1,198,702	1,198,702	-
Total equity securities	275,518,322	275,518,322	-
Total investments at fair value level	343,617,712	275,518,322	68,099,390
Investments measured at the net asset value (NAV)			
Debt investments:			
Bond mutual fund	116,121,068		
Total debt investments	116,121,068		
Equity investments:			
Commingled international equity fund	350,043,185		
Commingled domestic equity fund	57,273,706		
Total equity investments	407,316,891		
Private equity - private equity partnerships	45,977,556		
Real assets:			
Core infrastructure	35,341,187		
Real estate	48,400,897		
Timber	19,809,171		
Total real assets	103,551,255		
Total investments measured at the NAV	672,966,770		
Total investments at fair value	1,016,584,482		
Cash equivalents and short-term investments at the amortized cost			
U.S. Treasury money market	3,843,393		
Total investments measured at amortized cost	3,843,393		
Total investments	\$ 1,020,427,875		

City of Newport News, Virginia
Notes to the Financial Statements
June 30, 2023

Investments measured at fair value - OPEB

	Fair value at 6/30/2023	Fair value measurements using Quoted prices in active markets for identical assets Level 1
Investments by fair value level		
Equity securities:		
Mutual funds	\$ 41,367,821	\$ 41,367,821
Total equity securities	41,367,821	41,367,821
Total investments at fair value level	41,367,821	41,367,821
Investments measured at the NAV		
Equity investments:		
Commingled international equity fund	3,368,285	
Total equity investments	3,368,285	
Total investments measured at the NAV	3,368,285	
Total investments measured at fair value	44,736,106	
Cash equivalents and short-term investments at the amortized cost		
U.S. Treasury money market	182,122	
Total investments measured at amortized costs	182,122	
Total investments	\$ 44,918,228	

Investments measured at fair value - Line of Duty Act

	Fair value at 6/30/2023	Fair value measurements using Quoted prices in active markets for identical assets Level 1
Investments by fair value level		
Equity securities:		
Mutual funds	\$ 1,738,631	\$ 1,738,631
Total equity securities	1,738,631	1,738,631
Total investments at fair value level	1,738,631	1,738,631
Investments measured at the NAV		
Equity investments:		
Commingled international equity fund	974,881	
Total investments measured at the NAV	974,881	
Total investments measured at fair value	2,713,512	
Cash equivalents and short-term investments at the amortized cost		
U.S. Treasury money market	510,900	
Total investments measured at amortized costs	510,900	
Total investments	\$ 3,224,412	

City of Newport News, Virginia
Notes to the Financial Statements
June 30, 2023

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

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

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

Investments measured at the NAV - Pension

	NAV at 6/30/2023	Unfunded commitments	Redemption frequency (if currently eligible)	Redemption notice period
Debt investments:				
Bond mutual fund ⁽¹⁾	\$ 116,121,068	-	Daily, Monthly	3-30 days
Total debt investments	<u>116,121,068</u>	<u>-</u>		
Equity investments:				
Commingled international equity fund ⁽²⁾	350,043,185	-	Daily, Monthly	3-30 days
Commingled domestic equity fund ⁽³⁾	<u>57,273,706</u>	<u>-</u>	Daily, Monthly	3-30 days
Total equity investments	<u>407,316,891</u>	<u>-</u>		
Private equity - private equity partnerships ⁽⁴⁾	45,977,556	50,118,937	Not eligible	N/A
Real assets:				
Core infrastructure ⁽⁵⁾	35,341,187	-	Quarterly	3 months
Real estate ⁽⁵⁾	48,400,897	-	Quarterly	3 months
Timber ⁽⁵⁾	<u>19,809,171</u>	<u>-</u>	Quarterly	N/A
Total real assets	<u>103,551,255</u>	<u>-</u>		
Total investments measured at the NAV	<u>\$ 672,966,770</u>	<u>50,118,937</u>		

Investments measured at the NAV - OPEB

	NAV at 6/30/2023	Unfunded commitments	Redemption frequency (if currently eligible)	Redemption notice period
Equity investments:				
Commingled international equity fund ⁽²⁾	\$ 3,368,285	-	Daily, Monthly	3-30 days
Total equity investments:	<u>3,368,285</u>	<u>-</u>		
Total investments measured at the NAV	<u>\$ 3,368,285</u>	<u>-</u>		

Investments measured at the NAV - Line of Duty Act

	NAV at 6/30/2023	Unfunded commitments	Redemption frequency (if currently eligible)	Redemption notice period
Equity investments:				
Commingled international equity fund ⁽²⁾	\$ 974,881	-	Daily, Monthly	3-30 days
Total equity investments	<u>974,881</u>	<u>-</u>		
Total investments measured at the NAV	<u>\$ 974,881</u>	<u>-</u>		

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

Investment Policy of the Pension and OPEB Funds

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

Credit Risk of Pension and OPEB Funds

Generally credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. The policy for the Fund has strict control on credit quality. Corporate bonds must be rated "A" or higher by two out of three nationally known security rating agencies. Split rated securities are treated as the highest of the ratings unless the lowest grade is below "Baa3/BBB-" or equivalent. Securities with a credit rating below "Baa3/BBB-" or equivalent by at least two of the three major credit rating agencies (Fitch, Standard & Poor's, and Moody's) are not permitted. The credit risk profile for the Pension and OPEB Funds' securities by investment type, as of June 30, 2023, is as follows:

City of Newport News, Virginia
Notes to the Financial Statements
June 30, 2023

Pension - S & P's ratings as of June 30, 2023									
Investment types	Total	AAA	AA	A	BBB	BB	B	C	Not rated
Core infrastructure	\$ 35,341,187	-	-	-	-	-	-	-	35,341,187
Corporate bonds	42,122,119	2,967,510	4,436,342	28,105,528	6,612,739	-	-	-	-
Ltd partner units	45,977,556	-	-	-	-	-	-	-	45,977,556
Mortgage-backed	4,739,951	1,148,266	-	-	-	-	-	-	3,591,685
Mutual funds	523,437,959	-	-	-	-	-	-	-	523,437,959
Real estate	48,400,897	-	-	-	-	-	-	-	48,400,897
Short-term	3,843,393	-	-	-	-	-	-	-	3,843,393
Timber	19,809,171	-	-	-	-	-	-	-	19,809,171
U.S. Treasury	21,237,320	-	-	-	-	-	-	-	21,237,320
Non-fixed assets	275,518,322	-	-	-	-	-	-	-	275,518,322
Total	\$ 1,020,427,875	4,115,776	4,436,342	28,105,528	6,612,739	-	-	-	977,157,490

OPEB - S & P's ratings as of June 30, 2023									
Investment types	Total	AAA	AA	A	BBB	BB	B	C	Not rated
Foreign currency	\$ 5,223,968	-	-	-	-	-	-	-	5,223,968
Mutual funds	39,512,138	-	-	-	-	-	-	-	39,512,138
Short-term	182,122	-	-	-	-	-	-	-	182,122
Total	\$ 44,918,228	-	-	-	-	-	-	-	44,918,228

Concentration of Credit Risk - Pension and OPEB Funds

This is the risk of loss that may be attributed to the magnitude of a government's investment in a single issue. Accordingly, neither the Pension Fund or OPEB hold any investments in excess of 5% exposure.

Custodial Risk - Pension and OPEB Funds

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

Foreign Currency Risk - Pension and OPEB Funds

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

Interest Risk - Pension and OPEB Funds

The Plan's investment policy does not address investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates or higher inflation. The investment policy defines the investment objectives for both the passive and actively managed segments of the fixed income portfolio. The objective of the passive segment is to replicate the return of the Barclays Aggregate Bond Index. The objective of the actively managed fixed income portfolio is to outperform the Bloomberg Barclays 1-3 year government/corporate index. The fair value of the Plan's fixed income portfolio consisted of the following investments and maturities as of June 30, 2023:

Investment type	Fair value	<1 year	1-3	4-5	5-10
U.S. government	\$ 21,237,320	7,961,465	11,724,806	1,551,049	-
Corporate bonds	42,122,119	5,976,955	20,414,962	11,639,492	4,090,710
Mortgage	4,739,951	580,247	3,016,027	707,099	436,578
Total	\$ 68,099,390	14,518,667	35,155,795	13,897,640	4,527,288

City of Newport News, Virginia
Notes to the Financial Statements
June 30, 2023

(3) Accounts Receivable

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

	Governmental activities	Business-type activities
Taxes receivable:		
Real estate	\$ 10,566,186	-
Personal property	13,817,596	-
Total taxes receivable, net	<u>24,383,782</u>	<u>-</u>
Accounts receivable	<u>16,832,772</u>	<u>10,784,036</u>
Total receivables, net	<u><u>\$ 41,216,554</u></u>	<u><u>10,784,036</u></u>

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

	General	Capital projects other federal and state	General capital improvements	Other federal and state	Public utility	Custodial funds	Internal service fund	Nonmajor governmental funds	Total
Receivables:									
Taxes	\$ 32,594,122	-	-	-	-	-	-	-	32,594,122
Accounts	7,666,622	-	4,255,134	2,146,008	13,489,294	4,420,620	22,884	6,036,538	38,037,100
Intergovernmental:									
Federal	2,068,760	4,202,973	-	2,624,297	-	-	-	-	8,896,030
State	<u>15,879,855</u>	<u>6,150,765</u>	<u>-</u>	<u>590,751</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,815,153</u>	<u>24,436,524</u>
Gross receivables	58,209,359	10,353,738	4,255,134	5,361,056	13,489,294	4,420,620	22,884	7,851,691	103,963,776
Less allowance for doubtful accounts	<u>(9,265,098)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,705,258)</u>	<u>(933,322)</u>	<u>-</u>	<u>(2,239,656)</u>	<u>(15,143,334)</u>
Net total receivables	<u><u>\$ 48,944,261</u></u>	<u><u>10,353,738</u></u>	<u><u>4,255,134</u></u>	<u><u>5,361,056</u></u>	<u><u>10,784,036</u></u>	<u><u>3,487,298</u></u>	<u><u>22,884</u></u>	<u><u>5,612,035</u></u>	<u><u>88,820,442</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 \$19.1 million related to property taxes and \$0.3 million related to emergency medical billings. The Other Federal and State fund had unavailable revenues of \$1.8 million related to opioid settlement funds.

City of Newport News, Virginia
Notes to the Financial Statements
June 30, 2023

(4) Capital Assets, Net

Capital asset activity for the year ended June 30, 2023 was as follows:

Primary Government

	Balance July 1, 2022	Increases	Decreases	Balance June 30, 2023
Governmental activities:				
Capital assets, not being depreciated or amortized:				
Land	\$ 92,501,078	620,311	146,500	92,974,889
Construction in progress	99,251,311	62,238,847	24,237,193	137,252,965
Total capital assets, not being depreciated or amortized	191,752,389	62,859,158	24,383,693	230,227,854
Capital assets, being depreciated or amortized:				
Buildings	339,353,690	1,681,502	13,524,983	327,510,209
Improvements	240,099,298	16,482,787	28,068,012	228,514,073
Machinery and equipment	158,580,584	10,876,391	4,129,922	165,327,053
Infrastructure	745,358,609	6,025,116	-	751,383,725
Lease Right to Use Asset	15,699,110	7,188,484	4,348,714	18,538,880
Subscription Right to Use Asset	-	7,468,259	-	7,468,259
Total capital assets, being depreciated or amortized	1,499,091,291	49,722,539	50,071,631	1,498,742,199
Less accumulated depreciation / amortization for:				
Buildings	120,607,738	6,408,764	4,574,027	122,442,475
Improvements	145,452,817	7,157,538	24,070,862	128,539,493
Machinery and equipment	111,471,949	10,057,850	3,903,348	117,626,451
Infrastructure	416,082,740	14,193,076	-	430,275,816
Lease Right to Use Asset	4,266,066	3,043,666	4,348,713	2,961,019
Subscription Right to Use Asset	-	1,405,804	-	1,405,804
Total accumulated depreciation / amortization	797,881,310	42,266,698	36,896,950	803,251,058
Total capital assets being depreciated or amortized, net	701,209,981	7,455,841	13,174,681	695,491,141
Capital assets, net	\$ 892,962,370	70,314,999	37,558,374	925,718,995

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

General government	\$ 3,051,213
Judicial administration	882,194
Public safety	6,204,491
Public works	14,336,439
Health and welfare	1,286,150
Education	4,733,899
Parks, recreation and culture	3,285,039
Community development	2,142,147
Non-departmental	8,486
Internal Service Fund	6,336,640
	<u>\$ 42,266,698</u>

City of Newport News, Virginia
Notes to the Financial Statements
June 30, 2023

Business-type Activities

	Balance July 1, 2022	Increases	Decreases	Balance June 30, 2023
Public utility:				
Capital assets, not being depreciated or amortized:				
Land	\$ 8,727,984	4,460,394	-	13,188,378
Construction in progress	<u>38,760,325</u>	<u>29,852,546</u>	<u>4,317,234</u>	<u>64,295,637</u>
Total capital assets, not being depreciated or amortized	<u>47,488,309</u>	<u>34,312,940</u>	<u>4,317,234</u>	<u>77,484,015</u>
Capital assets, being depreciated or amortized:				
Buildings	149,113,985	-	-	149,113,985
Water system	507,854,258	9,604,036	262,679	517,195,615
Machinery and equipment	48,777,149	1,367,645	927,662	49,217,132
Lease Right to Use Asset	4,492,863	433,943	646,788	4,280,018
Subscription Right to Use Asset	<u>-</u>	<u>1,533,275</u>	<u>-</u>	<u>1,533,275</u>
Total capital assets, being depreciated or amortized	<u>710,238,255</u>	<u>12,938,899</u>	<u>1,837,129</u>	<u>721,340,025</u>
Less accumulated depreciation / amortization for:				
Buildings	75,752,508	3,425,973	-	79,178,481
Water system	210,068,342	7,335,295	230,155	217,173,482
Machinery and equipment	39,310,920	2,832,300	897,924	41,245,296
Lease Right to Use Asset	1,198,560	910,242	646,788	1,462,014
Subscription Right to Use Asset	<u>-</u>	<u>371,902</u>	<u>-</u>	<u>371,902</u>
Total accumulated depreciation / amortization	<u>326,330,330</u>	<u>14,875,712</u>	<u>1,774,867</u>	<u>339,431,175</u>
Total capital assets being depreciated or amortized, net	<u>383,907,925</u>	<u>(1,936,813)</u>	<u>62,262</u>	<u>381,908,850</u>
Capital assets, net	<u>\$ 431,396,234</u>	<u>32,376,127</u>	<u>4,379,496</u>	<u>459,392,865</u>

City of Newport News, Virginia
Notes to the Financial Statements
June 30, 2023

Major Discretely Presented Component Units

	Balance July 1, 2022	Increases	Decreases	Adjustment assets held tenancy in-common	Balance June 30, 2023
Public schools:					
Capital assets, not being depreciated or amortized:					
Land	\$ 2,263,424	-	-	-	2,263,424
Construction in progress	3,183,043	6,743,456	5,386,033	-	4,540,466
Total capital assets, not being depreciated or amortized	5,446,467	6,743,456	5,386,033	-	6,803,890
Capital assets, being depreciated or amortized:					
Buildings	169,232,886	964,701	-	13,524,983	183,722,570
Improvements	95,451,584	7,581,659	-	28,068,012	131,101,255
Machinery and equipment	72,026,715	7,923,410	3,996,441	-	75,953,684
Lease Right to Use - Buildings	5,477,752	-	-	-	5,477,752
Lease Right to Use - Equipment	224,042	214,011	241,441	-	196,612
Subscription Right to Use	-	1,543,111	-	-	1,543,111
Total capital assets, being depreciated or amortized	342,412,979	18,226,892	4,237,882	41,592,995	397,994,984
Less accumulated depreciation / amortization for:					
Buildings	91,432,000	2,819,695	-	4,574,027	98,825,722
Improvements	41,507,906	3,476,914	-	24,070,862	69,055,682
Machinery and equipment	47,227,939	4,218,962	4,191,414	-	47,255,487
Lease Right to Use - Buildings	704,279	704,379	-	-	1,408,658
Lease Right to Use - Equipment	196,242	217,929	241,441	-	172,730
Subscription Right to Use	-	581,777	-	-	581,777
Total accumulated depreciation / amortization	181,068,366	12,019,656	4,432,855	28,644,889	217,300,056
Total capital assets being depreciated or amortized, net	161,344,613	6,207,236	(194,973)	12,948,106	180,694,928
Capital assets, net	<u>\$ 166,791,080</u>	<u>12,950,692</u>	<u>5,191,060</u>	<u>12,948,106</u>	<u>187,498,818</u>

An adjustment to buildings and improvements for Assets Held Tenancy in-Common is recorded for school buildings and improvements 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 transfer the asset(s) 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 \$12,019,656 was charged to the Public School's governmental functions.

City of Newport News, Virginia
Notes to the Financial Statements
June 30, 2023

(5) Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2023, is as follows:

Receivables/payables between other funds:

Receivable fund	Payable fund	Amount
General Fund	Nonmajor Gov. Fund: Animal Shelter	\$ 191,923
General Fund	Nonmajor Gov. Fund: Law Library	2,014
General Fund	Other Federal and State	2,162,463
General Capital Improvements Fund	Capital Projects Other Federal and State	8,044,465

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

Due to/from external parties:

Due from external party	Due to external party	Amount
General Fund	OPEB fund	145,216
Pension Fund	General Fund	568,083

Receivables/payables between Primary Government and component units:

Receivable entity	Payable entity	Amount
Newport News Public Schools	City	\$ 3,777,716

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

	Transfers to:				
	General Fund	Debt Service	General Capital Improvements	Nonmajor Governmental Special Revenue	Total
Transfers from:					
General Fund	\$ -	49,138,134	76,130,076	4,880,234	130,148,444
Nonmajor Gov. - Special Revenue	-	10,370,093	-	-	10,370,093
Public Utility	9,500,000	-	-	-	9,500,000
	<u>\$ 9,500,000</u>	<u>59,508,227</u>	<u>76,130,076</u>	<u>4,880,234</u>	<u>150,018,537</u>

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

City of Newport News, Virginia
Notes to the Financial Statements
June 30, 2023

(6) Lease Agreements and Subscription-Based Information Technology Arrangements

For the year ended June 30, 2022, the financial statements included the adoption of guidance on leases, which is now part of GAAP. The primary objective of this guidance is to enhance the relevance and consistency of information about governments' leasing activities. This guidance establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this guidance, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. For additional information, refer to the disclosures below.

For the year ended June 30, 2023, the financial statements include the adoption of GASB Statement No. 96, Subscription-Based Information Technology Arrangements (SBITAs). The primary objective of this statement is to enhance the relevance and consistency of information about governments' SBITA activities. This statement establishes a single model for SBITA accounting based on the principle that software subscriptions are financings of the right to use an underlying asset. Under this statement, a government end user is required to recognize a subscription liability and an intangible right-to-use subscription asset. For additional information, refer to the disclosures below. Note that, in accordance with the transition guidance provided in GASB 96, all subscription assets and liabilities were measured and recorded using the facts and circumstances as of the date of implementation, which led to equal and offsetting balance sheet items as of July 1, 2022, the date of implementation. Thus, no restatement of fund balances or net position was necessary as of June 30, 2022 based on the implementation of GASB 96.

(a) Governmental Activities

City of Newport News as Lessee

During the Fiscal Year, the City of Newport News was engaged in 136 (one hundred and thirty-six) GAAP leases as the lessee within its governmental activities. These leases ranged from leases of copiers and other small equipment to the leasing of various office space, buildings, and land, and ranged in lease terms from under one month to just over 30 years remaining as of the beginning of the Fiscal Year. In addition, certain leases have extension and/or termination options, for which the City has made determinations as to if those options are reasonably certain to be exercised, and those determinations are reflected in the calculations presented, in accordance with GAAP. Note that information regarding any sublease transactions is included in the following section discussing lessor leases.

Certain of the copier leases that the City engages in as the lessee require variable payments based on the number of black and white and/or color pages printed on said copier. These variable payments are not included in the measurement of the lease liability. During the Fiscal Year, the City had outflows of resources in the amount of \$48,677 for these variable payments not previously included in the measurement of the lease liability on GAAP leases. The City is not aware of further variable payments made or required to be made in relation to its lessee leases which are not included in the measurement of the lease liability.

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

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

City of Newport News, Virginia
Notes to the Financial Statements
June 30, 2023

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

Asset Class	Lease Asset Value	Accumulated Amortization
Buildings	\$ 15,940,174	2,468,827
Equipment	1,651,083	411,920
Land	901,676	57,554
Vehicles	45,947	22,718
Total Leases	<u>\$ 18,538,880</u>	<u>2,961,019</u>

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

Fiscal Year	Principal Payments	Interest Payments	Total Payments
2024	\$ 8,133,455	196,335	8,329,790
2025	1,563,927	140,445	1,704,372
2026	1,586,950	110,640	1,697,590
2027	1,511,544	80,700	1,592,244
2028	520,848	59,147	579,995
2029 - 2033	958,208	195,849	1,154,057
2034 - 2038	639,220	120,328	759,548
2039 - 2043	278,425	60,357	338,782
2044 - 2048	186,469	36,945	223,414
2049 - 2053	171,762	11,233	182,995
Total	<u>\$ 15,550,808</u>	<u>1,011,979</u>	<u>16,562,787</u>

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

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

The City was the lessee in five GAAP leases with related parties during the Fiscal Year, two of which expired during the Fiscal Year (and were replaced with short term, non-GAAP leases). All five of these leases are with either the City's E/IDA or the PAC, both of which are discretely presented component units in this Annual Comprehensive Financial Report. Relevant information on these leases is provided in the following table:

Description of Leased Property	Major Asset Class of Leased Asset	Counterparty to Lease	Lease Expiration*	Right-to-Use Asset, Net of Amortization, at End of FY	Lease Liability at End of FY
Coats and Clark Building - 5849 Jefferson Ave	Buildings	E/IDA	7/31/2039	\$ 1,249,694	1,312,960
Fire Station 11 - 1000 Bland Blvd	Buildings	PAC	6/30/2023	-	-
Rouse Tower - 6060 Jefferson Ave	Buildings	E/IDA	11/30/2022	-	-
Animal Shelter Site - 5843 Jefferson Ave	Land	E/IDA	10/31/2052	844,123	854,164
Sherwood Shopping Center - 13711 Warwick Blvd	Buildings	E/IDA	6/30/2026	18,763	18,944
Total				<u>\$ 2,112,580</u>	<u>2,186,068</u>

*Including reasonably certain options.

City of Newport News, Virginia
Notes to the Financial Statements
June 30, 2023

City of Newport News as Lessor

During the Fiscal Year, the City of Newport News was engaged in 51 (fifty-one) GAAP leases as the lessor within its governmental activities. These leases were for various underlying assets, and ranged from leases of land in the City's Seafood Industrial Park area, to various cell towers and buildings throughout the City, to easements on wells. The remaining lease terms of these leases ranged from 6 months to just under 40 years as of the beginning of the Fiscal Year. In addition, certain leases have extension and/or termination options, for which the City has made determinations as to if those options are reasonably certain to be exercised, and those determinations are reflected in the calculations presented, in accordance with GAAP. Throughout the Fiscal Year, the City was engaged in five sublease transactions of GAAP leases, where the City subleased building space which it was leasing as the lessee from a separate party. In accordance with GAAP, the original lease and the sublease have been reported as two separate transactions, with the lessee side being reported with the lessee disclosures above, and the lessor side being reported with the lessor disclosures below. In no case do the sublease terms extend beyond the term of the original lessee lease.

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

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

	Lease Revenue	Interest Revenue	Other
\$	1,103,939	67,466	-

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

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

Fiscal Year	Principal Payments	Interest Payments	Total Payments
2024	\$ 833,763	82,451	916,214
2025	692,705	67,803	760,508
2026	621,380	53,971	675,351
2027	527,999	40,867	568,866
2028	335,083	29,310	364,393
2029 - 2033	580,519	101,976	682,495
2034 - 2038	533,246	40,465	573,711
2039 - 2043	109,685	5,345	115,030
Total	<u>\$ 4,234,380</u>	<u>422,188</u>	<u>4,656,568</u>

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

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

City of Newport News, Virginia
Notes to the Financial Statements
June 30, 2023

City of Newport News as Government End User

During the Fiscal Year, the City of Newport News was engaged in 31 (thirty-one) GASB 96 Subscription-Based Information Technology Arrangements (SBITAs) within its governmental activities. The software subscribed to via these agreements ranged from legal research and compensation management software to license plate reading software and ranged in subscription terms from just over 13 months to just over 7 years remaining as of the beginning of the Fiscal Year. In addition, certain subscriptions have extension and/or termination options, for which the City has made determinations as to if those options are reasonably certain to be exercised, and those determinations are reflected in the calculations presented, in accordance with GASB 96.

Certain of the SBITAs that the City engages in require variable payments based on future values of indexes (such as the Consumer Price Index) or include agreements to negotiate future price increases with a cap on the percentage increase. These variable payments are included in the measurement of the subscription liability at the current level of the index or the current agreed upon percentage increases at the time of contract inception or SBITA liability remeasurement. During the Fiscal Year, the City had no outflows of resources for variable payments above what was previously included in the measurement of the subscription liability on GASB 96 SBITAs, as none of the adjustments for indexes or other reasons have yet occurred since the adoption of GASB 96. The City is not aware of further variable payments made or required to be made in relation to its SBITAs which are not included in the measurement of the subscription liability.

The City did not have any other outflows of resources in the Fiscal Year for other payments related to its SBITAs, such as termination penalties, not previously included in the measurement of the subscription liability.

As of June 30, 2023, the total amount of right-to-use assets from the City's SBITAs is \$7,468,259 and the associated accumulated amortization is \$1,405,804.

The principal and interest requirements to maturity for the City's GASB 96 SBITAs are presented in the following table:

<u>Fiscal Year</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total Payments</u>
2024	\$ 1,383,646	150,007	1,533,653
2025	1,211,689	115,853	1,327,542
2026	869,921	85,060	954,981
2027	808,011	62,383	870,394
2028	759,667	41,004	800,671
2029 - 2033	<u>779,900</u>	<u>20,771</u>	<u>800,671</u>
Total	<u>\$ 5,812,834</u>	<u>475,078</u>	<u>6,287,912</u>

The City has no material commitments under SBITAs before the commencement of the subscription term as of the end of the Fiscal Year.

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

City of Newport News, Virginia
Notes to the Financial Statements
June 30, 2023

(b) Business-Type Activities

City of Newport News as Lessee

During the Fiscal Year, the City of Newport News was engaged in 21 (twenty-one) GAAP leases as the lessee within its business-type activities. These leases ranged from leases of copiers and other computer equipment to the leasing of various office space, buildings, and land, and ranged in lease terms from just over 2 months to just under 5 years remaining as of the beginning of the Fiscal Year. In addition, certain leases have extension and/or termination options, for which the City has made determinations as to if those options are reasonably certain to be exercised, and those determinations are reflected in the calculations presented, in accordance with GAAP. Note that information regarding any sublease transactions is included in the following section discussing lessor leases.

Certain of the copier leases that the City engages in as the lessee require variable payments based on the number of black and white and/or color pages printed on said copier. These variable payments are not included in the measurement of the lease liability. During the Fiscal Year, the City had outflows of resources in the amount of \$5,679 for these variable payments not previously included in the measurement of the lease liability on GAAP leases. The City is not aware of further variable payments made or required to be made in relation to its lessee leases within its business-type activities which were not previously included in the measurement of the lease liability.

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

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

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

<u>Asset Class</u>	<u>Lease Asset Value</u>	<u>Accumulated Amortization</u>
Buildings	\$ 3,448,031	1,199,314
Infrastructure	325,212	143,123
Equipment	506,775	119,577
Total Leases	<u>\$ 4,280,018</u>	<u>1,462,014</u>

The principal and interest requirements to maturity for the City's GAAP lessee leases are presented below:

<u>Fiscal Year</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total Payments</u>
2024	\$ 780,843	37,104	817,947
2025	801,623	24,731	826,354
2026	738,003	12,070	750,073
2027	487,005	2,508	489,513
Total	<u>\$ 2,807,474</u>	<u>76,413</u>	<u>2,883,887</u>

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

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

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

City of Newport News, Virginia
Notes to the Financial Statements
June 30, 2023

City of Newport News as Lessor

During the Fiscal Year, the City of Newport News was engaged in 5 (five) GAAP leases as the lessor within its business-type activities. These leases were for various underlying assets, and ranged from leases of land in York County and the Richneck Road area to leases of commercial office space in the City Center area. The remaining lease terms of these leases ranged from 9 months to just under 23 years as of the beginning of the Fiscal Year. In addition, certain leases have extension and/or termination options, for which the City has made determinations as to if those options are reasonably certain to be exercised, and those determinations are reflected in the calculations presented, in accordance with GAAP. Throughout the Fiscal Year, the City was engaged in three sublease transactions of GAAP leases, where the City subleased building space which it was leasing as the lessee from a separate party. In accordance with GAAP, the original lease and the sublease have been reported as two separate transactions, with the lessee side being reported with the lessee disclosures above, and the lessor side being reported with the lessor disclosures below. In no case do the sublease terms extend beyond the term of the original lessee lease.

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

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

	Lease Revenue	Interest Revenue	Other
\$	193,682	86,625	-

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

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

Fiscal Year	Principal Payments	Interest Payments	Total Payments
2024	\$ 148,351	86,260	234,611
2025	136,700	83,104	219,804
2026	138,939	79,943	218,882
2027	130,706	76,703	207,409
2028	133,921	73,488	207,409
2029 - 2033	720,672	316,370	1,037,042
2034 - 2038	813,785	223,258	1,037,043
2039 - 2043	918,928	118,115	1,037,043
2044 - 2048	399,997	14,820	414,817
Total	<u>\$ 3,541,999</u>	<u>1,072,061</u>	<u>4,614,060</u>

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

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

City of Newport News, Virginia
Notes to the Financial Statements
June 30, 2023

City of Newport News as Government End User

During the Fiscal Year, the City of Newport News was engaged in 11 (eleven) GASB 96 Subscription-Based Information Technology Arrangements (SBITAs) within its business-type activities. The software subscribed to via these agreements ranged from smart energy water software to vehicle tracking software and ranged in subscription terms from 21 months to 6 years remaining as of the beginning of the Fiscal Year. In addition, certain subscriptions have extension and/or termination options, for which the City has made determinations as to if those options are reasonably certain to be exercised, and those determinations are reflected in the calculations presented, in accordance with GASB 96.

The City is not aware of any variable payments made or required to be made in relation to its SBITAs which are not included in the measurement of the subscription liability.

The City did not have any other outflows of resources in the Fiscal Year for other payments related to its SBITAs, such as termination penalties, not previously included in the measurement of the subscription liability.

As of June 30, 2023, the total amount of right-to-use assets from the City's SBITAs is \$1,533,275 and the associated accumulated amortization is \$371,902.

The principal and interest requirements to maturity for the City's GASB 96 SBITAs are presented in the following table:

<u>Fiscal Year</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total Payments</u>
2024	\$ 329,028	23,690	352,718
2025	336,306	16,622	352,928
2026	339,123	9,397	348,520
2027	96,380	2,119	98,499
Total	<u>\$ 1,100,837</u>	<u>51,828</u>	<u>1,152,665</u>

The City has no material commitments under SBITAs before the commencement of the subscription term as of the end of the Fiscal Year.

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

(c) Component Units

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

City of Newport News, Virginia
Notes to the Financial Statements
June 30, 2023

(7) Long-Term Liabilities

(a) A summary of changes in long-term liabilities for governmental activities for the year ended June 30, 2023 is as follows:

	Balance June 30, 2022	Additions	Reductions	Balance June 30, 2023	Due within one year
Bonds payable:					
General obligation bonds	\$ 361,905,000	-	(33,685,000)	328,220,000	32,515,000
VRA	8,161,315	-	(1,520,137)	6,641,178	1,375,202
Deferred amounts:					
Add bonds premiums	32,178,133	-	(4,876,523)	27,301,610	4,226,697
Total bonds payable	<u>402,244,448</u>	<u>-</u>	<u>(40,081,660)</u>	<u>362,162,788</u>	<u>38,116,899</u>
Literary loan bonds	2,130,886	-	(360,803)	1,770,083	354,018
Lease liability	11,464,856	7,180,983	(3,095,031)	15,550,808	8,133,455
Subscription liability	-	7,465,195	(1,652,361)	5,812,834	1,383,646
Landfill liability	2,138,000	-	(387,000)	1,751,000	406,000
Notes Payable	3,811,680	-	(927,504)	2,884,176	944,246
Accrued vacation	19,781,212	18,687,895	(18,464,829)	20,004,278	18,669,890
Net line of duty obligation	7,431,865	10,663,444	(9,466,152)	8,629,157	-
Net pension liability	185,517,353	154,552,430	(29,276,410)	310,793,373	-
Net OPEB liability	61,449,824	15,382,545	(10,856,419)	65,975,950	-
Net OPEB obligation - GLI	4,605,846	3,921,398	(3,540,197)	4,987,047	-
Workers' comp. and other claims	15,298,592	2,546,116	(3,122,678)	14,722,030	3,486,063
Incurred but not reported medical claims	2,868,000	40,453,115	(39,957,115)	3,364,000	3,364,000
Total long-term liabilities	<u>\$ 718,742,562</u>	<u>260,853,121</u>	<u>(161,188,159)</u>	<u>818,407,524</u>	<u>74,858,217</u>

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

The Commonwealth of Virginia imposes a legal limit of 10% of the assessed valuation of taxable real property on the amount of general obligation borrowing which may be outstanding by the City. The City has independently set a lower debt limit of 3% of the assessed valuation. As of June 30, 2023, the City's aggregate general obligation indebtedness is approximately \$1,688.1 million less than the Commonwealth's limit and \$262.5 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.

General obligation bonds of \$197.4 million are authorized but unissued.

At June 30, 2023, approximately \$28.9 million is considered defeased because refunding trusts have been established to pay for them.

Landfill Liability: The City stopped collecting waste at its Denbigh landfill site on June 30, 1996. It received final closure approval from the Virginia Department of Environmental Quality in January 2001. 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 \$1.8 million liability at June 30, 2023 represents the total estimated cost of closure and postclosure care through fiscal year 2031 and reflects what it would cost to perform all closure/postclosure care in 2023. Actual costs may be higher due to inflation, technology changes or regulation changes.

City of Newport News, Virginia
Notes to the Financial Statements
June 30, 2023

Outstanding general obligation bonds at June 30, 2023, 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, 2023
VRA 03A	06/24/03	06/01/24	3.50%	\$ 199,016
VRA 04A	06/30/04	09/01/25	3.10%	476,895
VRA 05A	08/24/05	09/01/26	3.50%	731,214
VRA 06A	10/20/06	11/01/27	3.10%	758,384
VRA 07A	09/11/07	09/01/28	3.00%	1,049,375
VRA 08	12/12/08	09/01/29	3.50%	1,202,553
VRA 09	12/16/09	09/01/30	3.35%	2,223,741
Series 14A	05/22/14	07/15/34	3.05%	6,750,000
Series 14A-Ref	05/22/14	07/15/27	2.43%	24,400,000
Series 14B	05/22/14	01/15/25	3.08%	1,965,000
Series 15	12/17/15	07/15/35	2.58%	31,775,000
Series 16A	06/21/16	08/01/31	2.01%	26,540,000
Series 17A	06/08/17	08/01/37	2.60%	44,580,000
Series 19A	02/05/19	02/01/40	2.95%	72,190,000
Series 21A	03/10/21	02/01/41	1.79%	69,300,000
Series 21B	03/10/21	02/01/35	1.70%	35,700,000
Series 21C	06/03/21	02/01/33	1.40%	15,020,000
Totals				<u>\$ 334,861,178</u>

City of Newport News, Virginia
Notes to the Financial Statements
June 30, 2023

The following table summarizes future debt service requirements as of June 30, 2023:

Fiscal year ending June 30:	General Obligation Bonds		VRA	
	Principal	Interest	Principal	Interest
2024	\$ 32,515,000	11,908,362	1,375,202	158,379
2025	31,105,000	10,647,685	1,205,966	125,901
2026	27,240,000	9,351,920	1,136,663	95,348
2027	25,185,000	8,373,259	954,803	68,668
2028	23,065,000	7,444,159	779,986	46,165
2029-2033	101,220,000	24,262,406	1,188,558	41,081
2034-2038	68,970,000	8,832,269	-	-
2039-2041	18,920,000	930,394	-	-
Total future debt service	<u>\$ 328,220,000</u>	<u>81,750,454</u>	<u>6,641,178</u>	<u>535,542</u>

Outstanding literary loans at June 30, 2023, 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, 2023
Huntington Middle-2	09/01/02	09/01/22	2%	\$ -
General Stanford	06/30/07	07/15/27	2%	<u>1,770,083</u>
Totals				<u>\$ 1,770,083</u>

The following table summarizes future debt service requirements as of June 30, 2023:

Fiscal year ending June 30:	Literary Loans	
	Principal	Interest
2024	\$ 354,018	35,402
2025	354,018	28,321
2026	354,018	21,241
2027	354,018	14,161
2028	354,011	7,080
Total future debt service	<u>\$ 1,770,083</u>	<u>106,205</u>

City of Newport News, Virginia
Notes to the Financial Statements
June 30, 2023

Business-type Activities

A summary of changes in long-term liabilities for capital-related, business-type activities for the year ended June 30, 2023 is as follows:

	Balance July 1, 2022	Additions	Reductions	Balance June 30, 2023	Due within one year
Bonds payable:					
General obligation bonds	\$ 17,175,000	-	(4,695,000)	12,480,000	3,310,000
Revenue bonds	108,165,000	-	(5,625,000)	102,540,000	5,670,000
Deferred amounts:					
Add bond premiums	13,141,670	-	(1,712,348)	11,429,322	1,562,534
Total bonds payable	138,481,670	-	(12,032,348)	126,449,322	10,542,534
Lease liability	3,249,859	433,943	(876,328)	2,807,474	780,843
Subscription liability	-	1,533,275	(432,438)	1,100,837	329,028
Net pension liability	21,772,741	18,206,430	(3,441,811)	36,537,360	-
Net OPEB liability	8,528,625	2,134,944	(1,506,764)	9,156,805	-
Net OPEB liability-GLI	293,990	250,302	(225,970)	318,322	-
Deposits	5,908,155	2,633,543	(2,192,637)	6,349,061	-
Total long-term liabilities	\$ 178,235,040	25,192,437	(20,708,296)	182,719,181	11,652,405

Outstanding public utility bonds at June 30, 2023 are comprised of the following issues:

Public Utility Bond Series	Issue date	Final maturity date	Interest rate (at issue)	Balance June 30, 2023
2014A	05/22/14	07/15/27	2.5 %	\$ 7,495,000
2016A-IRB	06/02/16	06/30/37	2.7 %	22,230,000
2017A-IRB	05/31/17	06/30/38	2.6 %	21,810,000
2021A	03/23/21	02/01/28	1.2 %	58,500,000
2021B	03/23/21	07/15/41	1.5 %	4,985,000
Totals				<u>\$ 115,020,000</u>

The following table summarizes future debt service requirements of business-type activities as of June 30, 2023:

Fiscal year ending June 30:	Business-type Activities	
	Principal	Interest
2024	\$ 8,980,000	4,184,824
2025	8,450,000	3,775,658
2026	8,650,000	3,352,310
2027	7,625,000	2,997,967
2028	7,710,000	2,687,538
2029-2033	30,655,000	9,018,150
2034-2038	30,650,000	3,304,025
2039-2043	12,300,000	492,000
Totals	<u>\$ 115,020,000</u>	<u>29,812,472</u>

City of Newport News, Virginia
Notes to the Financial Statements
June 30, 2023

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, 2023 is as follows:

	Balance July 1, 2022	Additions	Reductions	Balance June 30, 2023	Due within one year
Compensated absences	\$ 5,802,023	3,004,583	(2,912,461)	5,894,145	2,652,365
Workers' compensation claims	5,721,288	671,368	(1,429,982)	4,962,674	992,535
Leases payable	4,834,839	214,011	(868,465)	4,180,385	712,339
Subscriptions payable	-	1,285,245	(425,895)	859,350	434,491
Capital facility notes payable	12,765,487	-	(1,103,828)	11,661,659	187,292
OPEB NNPS trust fund	47,736,011	-	(2,999,367)	44,736,644	-
OPEB VRS health insurance credit	24,394,874	-	(1,068,056)	23,326,818	-
OPEB VRS group life insurance	10,205,536	212,547	-	10,418,083	-
Incurred but not reported health claims	2,431,000	31,554,070	(31,188,070)	2,797,000	2,797,000
VRS teacher pool pension	148,031,398	30,664,526	-	178,695,924	-
City of Newport News pension (NNERF)	54,643,897	36,173,058	-	90,816,955	-
Totals	\$ 316,566,353	103,779,408	(41,996,124)	378,349,637	7,776,022

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

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

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

E/IDA and PAC - Component Units

Industrial Revenue Bonds and Notes Payable (the “Bonds and Notes”) have been issued in the name of the E/IDA to finance construction projects. The Bonds and Notes, both as to principal and interest, are payable generally from lease proceeds. In the event of default by the lessee, the holders of the Bonds and Notes have no recourse against the E/IDA, but must look to the property and lessee for indemnity. In 2023, approximately \$9.5 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, 2023, the E/IDA has outstanding bonds and notes from direct borrowings in the amount of \$17,474,542. Significant events of default are the presence of falsifying or misleading information in the financing documents, assignment without prior consent, or non-payment. Sherwood A & B notes are payable from revenues pledged and derived from leases related to the properties less the E/IDA expenses plus any payments made to the E/IDA pursuant to a support agreement with the City. Bonds 2012A, 809 Omni Boulevard, and Foundry were paid off during fiscal year 2023. The E/IDA has no lines of credit.

At June 30, 2023, the E/IDA has lease liabilities of approximately \$4.6 million.

City of Newport News, Virginia
Notes to the Financial Statements
June 30, 2023

The E/IDA Bonds, Notes, and lease liabilities at June 30, 2023 are comprised of the following:

	Issue date	Maturity date	Effective interest rates	Balance July 1, 2022	Additions	Reductions	Balance June 30, 2023	Amount due within one year
Lease liability	Various	Various	Various	\$ 5,808,839	-	(1,189,163)	4,619,676	1,204,657
Bonds payable								
Series 2012A	10/12/12	07/01/30	4.00%	2,065,000	-	(2,065,000)	-	-
Series 2012B	10/12/12	07/01/31	0.76%	12,895,000	-	(3,485,000)	9,410,000	-
Series 2015	07/23/15	09/01/27	3.48%	2,520,000	-	-	2,520,000	-
Series 2021B	02/09/21	07/01/30	3.00%	18,320,000	-	(340,000)	17,980,000	2,380,000
Total bonds payable				35,800,000	-	(5,890,000)	29,910,000	2,380,000
Premium on bonds payable - 2012				91,122	-	(91,122)	-	-
Premium on bonds payable - 2015				151,610	-	(20,802)	130,808	20,802
Total bonds payable, net				36,042,732	-	(6,001,924)	30,040,808	2,400,802
Direct borrowings:								
Bonds payable								
Downtown Eng	04/05/00	07/01/31	2.58%	8,360,000	-	(1,060,000)	7,300,000	2,420,000
A-School Garage	07/23/15	09/01/27	3.80%	5,861,531	-	(976,923)	4,884,608	976,924
Foundry Bond	12/18/18	01/15/23	3.40%	750,000	-	(750,000)	-	-
Total direct borrowing bonds payable				14,971,531	-	(2,786,923)	12,184,608	3,396,924
Notes payable:								
809 Omni Blvd	08/31/07	07/01/22	3.49%	749,985	-	(749,985)	-	-
Sherwood note A	11/23/16	01/01/32	3.14%	3,266,663	-	(489,996)	2,776,667	163,333
Sherwood note B	11/23/16	01/01/32	3.14%	2,066,669	-	(310,003)	1,756,666	103,333
Sears Renovation	07/31/20	07/31/28	2.39%	876,933	-	(120,332)	756,601	123,030
CDF COCRF Loan B*	03/01/16	03/01/23	1.00%	1,160,250	-	(1,160,250)	-	-
CDF Loan B*	03/01/16	03/01/23	1.00%	959,919	-	(959,919)	-	-
Total direct borrowing notes payable				9,080,419	-	(3,790,485)	5,289,934	389,696
Total direct borrowings				24,051,950	-	(6,577,408)	17,474,542	3,786,620
Total bonds payable, notes payable, and lease liabilities				\$ 65,903,521	-	(13,768,495)	52,135,026	7,392,079

*The CDF COCRF Loan B and the CDF Loan B were conveyed to the Authorities due to a government merger, which is further discussed on the E/IDA's separately issued financial statements. The debt was related to New Markets Tax Credits and was forgiven at the end of the New Markets Tax Credits compliance period.

Conduit Debt Obligations: From time to time, the E/IDA has issued Industrial Revenue Bonds (the "Bonds") to provide financial assistance to private sector and nonprofit entities for the acquisition and construction of industrial, commercial and residential facilities deemed to be in the public interest. The Bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the Bonds, ownership of the acquired facilities transfers to the private sector entity served by the bond issuance. Neither the City, the Commonwealth, nor any political subdivision thereof is obligated in any manner for repayment of the Bonds. Furthermore, in the event of default by the lessee, the holders of the Bonds have no recourse to the E/IDA, but must look to the property and lessee for indemnity. Accordingly, the Bonds are not reported as liabilities in the accompanying basic financial statements. At June 30, 2023, there were twelve bonds outstanding and at June 30, 2022, there were twelve bonds outstanding with an aggregate principal balance of \$370,772,938 and \$370,668,964, respectively.

City of Newport News, Virginia
Notes to the Financial Statements
June 30, 2023

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

Fiscal year ending June 30:	Lessee Leases		Bonds		Direct Borrowings		Total Leases, Bonds, and Notes	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$ 1,204,657	32,497	2,380,000	664,710	3,786,621	579,403	7,371,278	1,276,610
2025	1,220,409	23,288	4,025,000	604,108	2,536,338	429,532	7,781,747	1,056,928
2026	1,236,425	13,946	3,935,000	533,510	2,539,418	340,476	7,710,843	887,932
2027	339,771	7,407	3,915,000	441,158	2,788,586	251,189	7,043,357	699,754
2028	349,890	4,232	3,555,000	357,370	2,410,245	158,434	6,315,135	520,036
2029-2032	268,524	1,033	12,100,000	659,894	3,413,334	183,076	15,781,858	844,003
Totals	<u>\$ 4,619,676</u>	<u>82,403</u>	<u>29,910,000</u>	<u>3,260,750</u>	<u>17,474,542</u>	<u>1,942,110</u>	<u>52,004,218</u>	<u>5,285,263</u>

The PAC Airport Improvement Bonds at June 30, 2023, are comprised of the following:

Series	Issue date	Maturity date	Eff. int. rate (%)	Balance July 1, 2022	Reductions	Balance June 30, 2023	Amt due in one year
2002	07/03/02	05/01/27	2.8	\$ 696,006	696,006	-	-
2005A	12/15/05	01/15/32	4.3	3,585,264	309,206	3,276,058	322,762
2005B	12/15/05	01/15/32	4.0	1,623,621	142,172	1,481,449	147,896
Totals				<u>\$ 5,904,891</u>	<u>1,147,384</u>	<u>4,757,507</u>	<u>470,658</u>

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

Fiscal year ending June 30:	PAC	
	Principal	Interest
2024	\$ 470,658	190,544
2025	490,784	170,440
2026	511,757	149,476
2027	533,621	127,614
2028	556,372	104,817
2029-2033	2,194,315	173,065
Totals	<u>\$ 4,757,507</u>	<u>915,956</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), considered a trust fund of the City and is included as a fiduciary trust fund. The nine voting members of the Retirement Board oversee the operation of the Pension and OPEB Funds. The City issues a publicly available ACFR that includes financial statements and required information for the Plan. The report may be obtained by writing to the City of Newport News Finance Department, 2400 Washington Avenue, Newport News, VA 23607 or online at www.nnva.gov/2357/NNERF.

Benefits Provided

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

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

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

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

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

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

	July 1, 2021
	Participant counts
Active members	1,497
Retirees and beneficiaries	6,738
Terminated vested members	3,839
Total	<u>12,074</u>

Contributions Required and Contributions Made

The Plan engages an actuary to determine the Actuarially Determined Contribution (ADC) in accordance with GAAP. The total contributions as a percentage of the ADC were 100% for fiscal year 2021, 2022, and 2023, in accordance with the funding program established by the City in 2010.

Effective January 1, 2013, employee contributions to the Pension were made mandatory. Contributions totaling \$37,558,257 and \$4,601,045 were made by employers and employees, respectively, to the Pension Fund during the year ended June 30, 2023. The percentage of contributions to covered payroll for fiscal year 2023 was 45.7%.

Net Pension Liability

The City's net pension liability was measured as of June 30, 2022. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of July 1, 2021, using an updated actuarial assumption, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022.

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, 2021
Actuarial cost method	Entry Age Normal
Amortization method	Closed
Remaining amortization period for annual required contribution	19 years level dollar from July 1, 2021
Asset valuation method	20-year layers for future gains and losses
	Five-year smoothed market
Actuarial assumptions:	
Investment rate of return	7.00%
Rate of salary increases	4.50%
Cost of living adjustment	1.225%
Inflation	2.50%
Rate of mortality	For Public Safety, Pub-2010 Safety Employees Amount-Weighted Mortality Table. For VRS Schools, Pub-2010 Teachers Employees Amount-Weighted Mortality Table. For all other members, Pub-2010 General Employees Amount-Weighted Mortality Table. All rates are projected from the 2010 base rates using the MP-2020 improvement scale.

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 2023 was 10.40%. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2023 are summarized in the following table:

Asset class	Long-term expected real rate of return	Target allocation
Large cap equities	6.1%	27.0%
Mid cap equities	6.4%	9.0%
Small cap equities	6.7%	2.0%
International equities	7.2%	11.0%
Emerging markets	7.4%	7.0%
Real estate	5.2%	7.0%
Private equities	8.4%	9.0%
Natural resources	7.2%	2.5%
Infrastructure	5.7%	2.5%
Fixed income (bonds)	2.1%	11.0%
TIPS	1.9%	3.0%
Short term fixed income	0.9%	8.0%
Cash	0.3%	1.0%
Total		<u>100.0%</u>

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

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

In developing the projection of cash flows used to determine the discount rate, the actuaries have assumed that the employer contributions will continue to follow the written contribution policy. The City's contribution rate is the sum of the normal cost rate plus an amortization of the Plan's unfunded liability (UAL rate) plus a provision for expenses. The normal cost rate is determined under the entry age actuarial cost method while the UAL rate is that necessary to pay down the UAL with a thirty-year closed amortization with level dollar payments as of July 1, 2011. Effective with the July 1, 2021 actuarial valuation, changes in the UAL due to actuarial gains and losses and actuarial assumption changes will be amortized over separate layered twenty-year periods with level dollar payments. The actuaries also assume that member contributions will continue to be made at the rates specified in the Plan.

Based on these assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments for current members until the last payment for the current covered population is made as of the June 30, 2022 measurement date. Consequently, the single equivalent rate used to determine the total pension liability as of June 30, 2022 is 7.00%, the long-term expected rate-of-return as defined by GASB as of that date.

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

	1% Decrease 6.00%	Discount rate 7.00%	1% Increase 8.00%
Total pension liability	\$ 1,581,811,012	1,431,358,757	1,303,716,175
Plan fiduciary net position	993,211,071	993,211,071	993,211,071
Net pension liability	<u>\$ 588,599,941</u>	<u>438,147,686</u>	<u>310,505,104</u>
Plan fiduciary net position as a percentage of the total pension liability	62.8 %	69.4 %	76.2 %

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

Changes in the Net Pension Liability

The City's change in net pension liability of the Pension Fund for 2022 was as follows:

	Total pension liability (a)	Fiduciary net position				Net position liability (a)-(b)-(c)-(d)
		City's (b)	Proprietary's (c)	Primary government (b)+(c)	School's (d)	
Balances at June 30, 2021	\$ 1,414,075,150	806,829,629	91,030,410	897,860,039	254,281,153	261,933,958
Changes for the year:						
Service cost	8,176,487	-	-	-	-	8,176,487
Interest	96,335,593	-	-	-	-	96,335,593
Changes of benefits	5,372,375	-	-	-	-	5,372,375
Differences between expected and actual experience	1,040,685	-	-	-	-	1,040,685
Contributions - employer	-	29,276,410	3,441,781	32,718,191	8,554,862	(41,273,053)
Contributions - member	-	3,289,713	386,746	3,676,459	961,288	(4,637,747)
Net investment income	-	(77,991,159)	(9,168,814)	(87,159,973)	(22,789,821)	109,949,794
Benefit payments	(93,641,533)	(66,423,151)	(7,808,853)	(74,232,004)	(19,409,529)	-
Administrative expenses	-	(886,380)	(104,205)	(990,585)	(259,009)	1,249,594
Net changes	<u>17,283,607</u>	<u>(112,734,567)</u>	<u>(13,253,345)</u>	<u>(125,987,912)</u>	<u>(32,942,209)</u>	<u>176,213,728</u>
Balances at June 30, 2022	<u>\$ 1,431,358,757</u>	<u>694,095,062</u>	<u>77,777,065</u>	<u>771,872,127</u>	<u>221,338,944</u>	<u>438,147,686</u>

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

Activities	Contributions	Net pension liability	Proportionate share
Governmental activities	\$ 29,276,410	310,793,373	70.93 %
Business-type activities	3,441,781	36,537,360	8.34 %
Component unit - Schools	8,554,862	90,816,953	20.73 %
Total	<u>\$ 41,273,053</u>	<u>438,147,686</u>	<u>100.00 %</u>

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

For the year ended June 30, 2023, the City and Schools recognized pension expense of \$30,061,111 and \$7,860,112, respectively. At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Governmental activities		Business-type activities		Total activities - Primary Government		Component unit - Schools	
	Deferred outflows of resources	Deferred inflows of resources	Deferred outflows of resources	Deferred inflows of resources	Deferred outflows of resources	Deferred inflows of resources	Deferred outflows of resources	Deferred inflows of resources
Employer contributions subsequent to measurement date	\$ 26,369,389	-	3,250,684	-	29,620,073	-	7,938,184	-
Net difference between projected and actual earnings on pension plan investments	\$ 39,200,251	-	4,608,443	-	43,808,694	-	11,454,708	-

\$29,620,073 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, 2024.

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

	Primary Government	Schools
Year ended June 30:		
2024	\$ 11,473,132	2,999,893
2025	6,429,423	1,681,108
2026	(4,045,297)	(1,057,728)
2027	29,951,436	7,831,435
	<u>\$ 43,808,694</u>	<u>11,454,708</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, 2023, the City did not have a payable to the pension plan.

City of Newport News, Virginia
Notes to the Financial Statements
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(b) Virginia Retirement System

Plan Description

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

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

Benefits Provided

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

VRS issues a publicly available Annual Comprehensive Financial Report that includes financial statements and required supplementary information for the plans administered by VRS. A copy of the report may be obtained from the VRS Web site at <http://www.varetire.org/Pdf/Publications/2022-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

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

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RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, service credit and average final compensation at retirement using a formula.</p>	<p>About Plan 2 Same as Plan 1.</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, service credit 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.

City of Newport News, Virginia
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PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<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><i>Hybrid Opt-In Election</i> 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. 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>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><i>Hybrid Opt-In Election</i> 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. 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>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><i>* Non-Eligible Members</i> 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>

City of Newport News, Virginia
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PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pretax 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 Same as Plan 1.</p>	<p>Retirement Contributions 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>Service Credit Service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit 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>Service Credit Same as Plan 1.</p>	<p>Service Credit <i>Defined Benefit Component:</i> Under the defined benefit component of the plan, service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit 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><i>Defined Contributions Component:</i> Under the defined contribution component, service credit is used to determine vesting for the employer contribution portion of the plan.</p>

City of Newport News, Virginia
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PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<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 service credit. 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>Members are always 100% vested in the contributions that they make.</p>	<p>Vesting Same as Plan 1.</p>	<p>Vesting <i>Defined Benefit Component:</i> 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 service credit. Plan 1 or Plan 2 members with at least five years (60 months) of service credit who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p> <p><i>Defined Contributions Component:</i> 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>Distributions not required, except as governed by law.</p>

City of Newport News, Virginia
Notes to the Financial Statements
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PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Calculating the Benefit The basic benefit is determined using the average final compensation, service credit and plan multiplier. An early retirement reduction is applied to this amount if the member is retiring with a reduced benefit. In cases where the member has elected an optional form of retirement payment, an option factor specific to the option chosen is then applied.	Calculating the Benefit See definition under Plan 1.	Calculating the Benefit <i>Defined Benefit Component:</i> See definition under Plan 1. <i>Defined Contribution Component:</i> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.
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 the 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.

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PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Service Retirement Multiplier VRS: The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.</p> <p>Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.</p> <p>Political subdivision hazardous duty employees: The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.</p>	<p>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 service credit earned, purchased or granted on or after January 1, 2013.</p> <p>Sheriffs and regional jail superintendents: Same as Plan 1.</p> <p>Political subdivision hazardous duty employees: Same as Plan 1.</p>	<p>Service Retirement Multiplier <i>Defined Benefit Component:</i> VRS: The retirement multiplier for the defined benefit component is 1.00%.</p> <p>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.</p> <p>Sheriffs and regional jail superintendents: Not applicable.</p> <p>Political subdivision hazardous duty employees: Not applicable.</p> <p><i>Defined Contribution Component:</i> Not applicable.</p>
<p>Normal Retirement Age VRS: Age 65.</p> <p>Political subdivision hazardous duty employees: Age 60.</p>	<p>Normal Retirement Age VRS: Normal Social Security retirement age.</p> <p>Political subdivision hazardous duty employees: Same as Plan 1.</p>	<p>Normal Retirement Age <i>Defined Benefit Component:</i> VRS: Same as Plan 2.</p> <p>Political subdivision hazardous duty employees: Not applicable.</p> <p><i>Defined Contribution Component:</i> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>

City of Newport News, Virginia
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PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Earliest Unreduced Retirement Eligibility VRS: Age 65 with at least five years (60 months) of service credit or at age 50 with at least 30 years of service credit.</p> <p>Political subdivision hazardous duty employees: Age 60 with at least five years of service credit or age 50 with at least 25 years of service credit.</p>	<p>Earliest Unreduced Retirement Eligibility VRS: Normal Social Security retirement age with at least five years (60 months) of service credit or when their age plus service credit equals 90.</p> <p>Political subdivision hazardous duty employees: Same as Plan 1.</p>	<p>Earliest Unreduced Retirement Eligibility <i>Defined Benefit Component:</i> VRS: Normal Social Security retirement age and have at least five years (60 months) of service credit or when their age plus service credit equals 90.</p> <p>Political subdivision hazardous duty employees: Not applicable.</p> <p><i>Defined Contribution Component:</i> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Earliest Reduced Retirement Eligibility VRS: Age 55 with at least five years (60 months) of service credit or age 50 with at least 10 years of service credit.</p> <p>Political subdivision hazardous duty employees: Age 50 with at least five years of service credit.</p>	<p>Earliest Reduced Retirement Eligibility VRS: Age 60 with at least five years (60 months) of service credit.</p> <p>Political subdivision hazardous duty employees: Same as Plan 1.</p>	<p>Earliest Reduced Retirement Eligibility <i>Defined Benefit Component:</i> VRS: Age 60 with at least five years (60 months) of service credit.</p> <p>Political subdivision hazardous duty employees: Not applicable.</p> <p><i>Defined Contribution Component:</i> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>

City of Newport News, Virginia
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June 30, 2023

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Cost-of-Living Adjustment (COLA) in Retirement</p> <p>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><i>Eligibility:</i> For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of service credit, 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 service credit, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p> <p><i>Exceptions to COLA Effective Dates:</i> 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. • 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>Cost-of-Living Adjustment (COLA) in Retirement</p> <p>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><i>Eligibility:</i> Same as Plan 1.</p> <p><i>Exceptions to COLA Effective Dates:</i> Same as Plan 1.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement</p> <p><i>Defined Benefit Component:</i> Same as Plan 2.</p> <p><i>Defined Contribution Component:</i> Not applicable.</p> <p><i>Eligibility:</i> Same as Plan 1 and Plan 2.</p> <p><i>Exceptions to COLA Effective Dates:</i> Same as Plan 1 and Plan 2.</p>

City of Newport News, Virginia
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PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.70% 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 an employer-paid comparable program for its members.</p> <p>Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>
<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 service credit in their plan. Prior service credit 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 <i>Defined Benefit Component:</i> Same as Plan 1, with the following exception:</p> <ul style="list-style-type: none"> Hybrid Retirement Plan members are ineligible for ported service. <p><i>Defined Contribution Component:</i> Not applicable.</p>

City of Newport News, Virginia
Notes to the Financial Statements
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Number of Employees by Class

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

	June 30, 2021
	Retirees and beneficiaries
Inactive members or their beneficiaries currently receiving benefits	53
Inactive members	
Vested	167
Non-vested	700
Active elsewhere in VRS	393
Total inactive members	1,260
Active members	1,871
Total	3,184

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, 2023 was 7.58% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. 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 \$7,064,820 and \$5,172,911 for the years ended June 30, 2023 and June 30, 2022, respectively.

Net Pension Asset

The City's net pension asset was measured as of June 30, 2022. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation performed as of June 30, 2021, rolled forward to the measurement date of June 30, 2022.

City of Newport News, Virginia
Notes to the Financial Statements
June 30, 2023

Actuarial Assumptions

The total pension liability for General Employees was based on an actuarial valuation as of June 30, 2021, 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, 2022.

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement:

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

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality rates (pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020.
Retirement rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age
Withdrawal rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability rates	No change
Salary scale	No change
Line of duty disability	No change
Discount rate	No change

City of Newport News, Virginia
Notes to the Financial Statements
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Mortality Rates - All Others (Non 10 Largest) – Non-Hazardous Duty: 15% of deaths are assumed to be service related

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement:

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

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality rates (pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020.
Retirement rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age
Withdrawal rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability rates	No change
Salary scale	No change
Line of duty disability	No change
Discount rate	No change

Long-term Expected Rate of Return

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

City of Newport News, Virginia
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Asset class (strategy)	Long-term target asset allocation	Arithmetic long-term expected rate of return	Weighted avg long-term expected rate of return*
Public equity	34.00%	5.71%	1.94%
Fixed income	15.00%	2.04%	0.31%
Credit strategies	14.00%	4.78%	0.67%
Real assets	14.00%	4.47%	0.63%
Private equity	14.00%	9.73%	1.36%
MAPS - Multi-asset public strategies	6.00%	3.73%	0.22%
PIP - Private investment partnership	3.00%	6.55%	0.20%
Total	<u>100.00%</u>		<u>5.33%</u>
Inflation			<u>2.50%</u>
Expected arithmetic nominal return **			<u>7.83%</u>

* The above allocation provides a one-year return of 7.83%. 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 6.72%, including expected inflation of 2.50%.

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

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

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

The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions, political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2023, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2021 actuarial valuations, whichever was greater. From July 1, 2022 on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease 5.75%	Discount rate 6.75%	1% Increase 7.75%
Plan's net pension (asset)/liability	\$ 764,241	(15,396,159)	(27,834,644)

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

City of Newport News, Virginia
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Changes in the Net Pension Asset

The City's change in net pension asset of the VRS Plan for 2022 was as follows:

	Total pension liability (a)	City's fiduciary net position (b)	Proprietary's fiduciary net position (c)	Primary government's fiduciary net position (b)+(c)	Net pension (asset)/liability (a)-(b)-(c)
Balances at June 30, 2021	\$ 64,826,893	77,987,978	5,288,254	83,276,232	(18,449,339)
Changes for the year:					
Service cost	9,770,319	-	-	-	9,770,319
Interest	4,998,130	-	-	-	4,998,130
Differences between expected and actual experience	(2,567,678)	-	-	-	(2,567,678)
Contributions - employer	-	4,850,382	309,599	5,159,981	(5,159,981)
Contributions - member	-	4,090,058	261,068	4,351,126	(4,351,126)
Net investment income	-	(298,886)	(19,078)	(317,964)	317,964
Benefit payments	(1,101,676)	(1,035,575)	(66,101)	(1,101,676)	-
Administrative expenses	-	(44,837)	(2,862)	(47,699)	47,699
Other changes	-	2,018	129	2,147	(2,147)
Net changes	11,099,095	7,563,160	482,755	8,045,915	3,053,180
Balances at June 30, 2022	<u>\$ 75,925,988</u>	<u>85,551,138</u>	<u>5,771,009</u>	<u>91,322,147</u>	<u>(15,396,159)</u>

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

For the year ended June 30, 2023, the City recognized VRS pension expense of \$3,505,094. At June 30, 2023, 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	<u>\$ 6,640,930</u>	<u>-</u>	<u>423,889</u>	<u>-</u>	<u>7,064,819</u>	<u>-</u>
Differences between expected and actual experience	<u>\$ 127,425</u>	<u>2,894,687</u>	<u>8,134</u>	<u>184,767</u>	<u>135,559</u>	<u>3,079,454</u>
Changes of assumptions	<u>\$ 1,868,769</u>	<u>53,726</u>	<u>119,283</u>	<u>3,429</u>	<u>1,988,052</u>	<u>57,155</u>
Net difference between projected and actual earnings on plan investments	<u>\$ -</u>	<u>1,654,030</u>	<u>-</u>	<u>105,576</u>	<u>-</u>	<u>1,759,606</u>

\$7,064,819 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, 2024.

City of Newport News, Virginia
Notes to the Financial Statements
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Other amounts reported as deferred outflows of resources and deferred inflows of resources related to VRS will be recognized in pension expense in future reporting periods as follows:

Year ended June 30:	
2024	\$ (834,428)
2025	(887,485)
2026	(1,679,917)
2027	849,849
2028	(220,623)
Total	<u>\$ (2,772,604)</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, 2023, the City did not have a payable to the VRS plan.

(c) Aggregate Pension Expense

The aggregate pension expense for the City for the year ended June 30, 2023, for both Newport News Employees Retirement Fund and VRS, was \$33,566,205.

City of Newport News, Virginia
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(9) Other Postemployment Benefits

(a) City of Newport News Other Postemployment Fund

Plan Description

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

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

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

Benefits Provided

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

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

Employees Covered by Benefit Terms

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

	July 1, 2021
Active employees	
Count	1,198
Retirees with medical, dental, and/or life coverage	
With medical coverage	1,782
With dental coverage	2,461
With life insurance coverage	2,015
Total	6,258

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

City of Newport News, Virginia
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Contribution Required and Contributions Made

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

Contributions by the City to the OPEB Fund during the year ended June 30, 2023 totaled \$8,240,000. The percentage of contributions to covered payroll for fiscal year 2023 was 11.4%.

Net OPEB Liability

The City's net OPEB liability was measured as of June 30, 2022. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation performed as of June 30, 2021, using an updated actuarial assumption, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022.

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, 2021
Actuarial cost method	Entry Age Normal
Amortization method	Level Dollar Closed
Remaining amortization period	19 years
Asset valuation method	Market Value
Actuarial assumptions:	
Investment rate of return	7.00%
Rate of salary increases	4.50%
Ultimate rate of medical inflation (capped by employer policy)	1.225%
Inflation	2.50%

Rate of mortality:

Non-retired members:

For Public Safety, Pub-2010 Safety Employees Amount-Weighted Mortality Tables. For all other members, Pub-2010 General Employees Amount-Weighted Mortality Table. All rates are projected from the 2010 base rates using the MP-2020 improvement scale.

Retired members:

For Public Safety, rates are based on 135% and 145% of the Pub-2010 Safety Retiree Amount-Weighted Mortality Table, respectively, for males and females. For all other members, rates are based on 135% and 145% of the Pub-2010 General Retiree Amount-Weighted Mortality Table, respectively, for males and females. All rates are projected from the 2010 base rates using the MP-2020 improvement scale.

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

The long-term expected rate of return on NNERF OPEB investments was determined using best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation), developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The annual money-weighted rate of return net of investment fees for fiscal year 2022 was (15.30)%. 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, 2022 are summarized in the following table:

Asset class	Long-term expected real rate of return	Target allocation
Large cap equities	4.1%	36.0%
SMid cap equities	4.6%	16.0%
International equities	4.8%	14.0%
Emerging markets	5.7%	9.0%
Fixed income (bonds)	(0.2)%	20.0%
Cash	(0.9)%	5.0%

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

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

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

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

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

	1% Decrease 6.00%	Discount rate 7.00%	1% Increase 8.00%
Total OPEB liability	\$ 127,764,795	115,767,416	105,683,499
Plan fiduciary net position	40,634,661	40,634,661	40,634,661
Net OPEB liability	<u>\$ 87,130,134</u>	<u>75,132,755</u>	<u>65,048,838</u>
Plan fiduciary net position as a percentage of the total OPEB liability	31.8 %	35.1 %	38.4 %

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

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

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

	1% Decrease	Healthcare trend	1% Increase
Total OPEB liability	\$ 106,119,422	115,767,416	127,149,202
Plan fiduciary net position	40,634,661	40,634,661	40,634,661
Net OPEB liability	<u>\$ 65,484,761</u>	<u>75,132,755</u>	<u>86,514,541</u>
Plan fiduciary net position as a percentage of the total OPEB liability	38.3 %	35.1 %	32.0 %

A one percent decrease in the healthcare trends decreases the TOL by approximately 8% and decreases the collective NOL by approximately 13%. A one percent increase in the healthcare trends increases the TOL by approximately 10% and increases the collective NOL by approximately 15%.

Changes in the Net OPEB Liability

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

	Total OPEB liability (a)	City's fiduciary net position (b)	Proprietary's fiduciary net position (c)	Primary government's fiduciary net position (b)+(c)	Net OPEB liability (a)-(b)-(c)
Balances at June 30, 2021	\$ 118,141,810	42,293,452	5,869,911	48,163,363	69,978,447
Changes for the year:					
Service cost	658,468	-	-	-	658,468
Interest	8,030,681	-	-	-	8,030,681
Differences between expected and actual experience	(2,770,763)	-	-	-	(2,770,763)
Contributions - employer	-	7,235,750	1,004,250	8,240,000	(8,240,000)
Contributions - member	-	-	-	-	-
Net investment income	-	(6,527,835)	(905,999)	(7,433,834)	7,433,834
Benefit payments	(8,292,780)	(7,282,097)	(1,010,683)	(8,292,780)	-
Administrative expenses	-	(36,959)	(5,129)	(42,088)	42,088
Net changes	<u>(2,374,394)</u>	<u>(6,611,141)</u>	<u>(917,561)</u>	<u>(7,528,702)</u>	<u>5,154,308</u>
Balances at June 30, 2022	<u>\$ 115,767,416</u>	<u>35,682,311</u>	<u>4,952,350</u>	<u>40,634,661</u>	<u>75,132,755</u>

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

Activities	Contributions	Net pension liability	Proportionate share
Governmental activities	\$ 7,235,750	65,975,950	87.81 %
Business-type activities	1,004,250	9,156,805	12.19 %
Total	<u>\$ 8,240,000</u>	<u>75,132,755</u>	<u>100.00 %</u>

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

For the year ended June 30, 2023 the City recognized OPEB expense of \$3,916,608. At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Governmental activities		Business-type activities		Total activities	
	Deferred outflows of resources	Deferred inflows of resources	Deferred outflows of resources	Deferred inflows of resources	Deferred outflows of resources	Deferred inflows of resources
Employer contributions subsequent to measurement date	\$ 7,235,750	-	1,004,250	-	8,240,000	-
Differences between expected and actual experience	\$ -	2,364,257	-	328,135	-	2,692,392
Changes in assumptions	\$ 628,205	-	87,189	-	715,394	-
Net difference between projected and actual earnings on OPEB plan investments	\$ 3,248,104	-	450,805	-	3,698,909	-

\$8,240,000 reported as deferred outflows of resources related to OPEB resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the Net OPEB Liability in the Fiscal Year ending June 30, 2024.

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:	
2024	\$ (275,159)
2025	(397,926)
2026	234,595
2027	2,160,401
	<u>\$ 1,721,911</u>

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

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

Plan Description

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

Effective July 1, 2017, the Virginia Department of Human Resource Management (DHRM) became responsible for administration of the premium-free health benefits provided to eligible LOD recipients. All LOD 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 LOD Plan.

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

Benefits Provided

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

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

Employees Covered by Benefit Terms

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

	July 1, 2021
Active employees	
Count	1,232
Retirees and spouses - with medical coverage	
Non medicare eligible	16
Medicare eligible	13
Total	29

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 \$363,971 for the year ending June 30, 2023.

Net OPEB Liability

The City's net OPEB liability was measured as of June 30, 2022. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation performed as of June 30, 2021, using an updated actuarial assumption, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022.

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Actuarial Methods and Assumptions

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

Actuarial valuation date	July 1, 2021
Actuarial cost method	Entry Age Normal
Asset valuation method	Market Value
Actuarial assumptions:	
Discount rate	2.16 %
Investment rate of return	7.00 %
Rate of salary increases	4.50 %
Ultimate rate of medical inflation	4.75 %
Inflation	2.50 %

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 3.66%.

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

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

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

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Sensitivity of the Net OPEB Liability to Changes in Trend Rates

Changes in the healthcare trends affect the measurement of the TOL. Lower healthcare trends produce a lower TOL and higher healthcare trends produce a higher TOL. The table below shows the sensitivity of the collective NOL of the City as of June 30, 2022 to the healthcare trends. Note that the healthcare trend is limited by the City's cost of living formula, which is related to the inflation assumption.

	Trend minus 1%	Baseline trends	Trend plus 1%
Total OPEB liability	\$ 9,371,858	11,423,633	14,132,620
Plan fiduciary net position	2,794,476	2,794,476	2,794,476
Net OPEB liability	<u>\$ 6,577,382</u>	<u>8,629,157</u>	<u>11,338,144</u>
Plan fiduciary net position as a percentage of the total OPEB liability	29.8 %	24.5 %	19.8 %

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

Changes in the Net OPEB Liability

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

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

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

For the year ended June 30, 2023, the City recognized OPEB expense of \$570,276. At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
Employer contributions subsequent to measurement date	\$ 250,000	-
Differences between expected and actual experience	\$ 2,823,563	1,477,336
Changes in assumptions	\$ 1,542,824	5,709,232
Net difference between projected and actual earnings on OPEB plan investments	\$ 195,559	-

\$250,000 reported as deferred outflows of resources related to OPEB resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the Net OPEB Liability in the Fiscal Year ending June 30, 2024. Amounts reported as deferred outflows and deferred inflows of resources will be recognized in OPEB expense as follows:

Year ended June 30:	
2024	\$ (597,513)
2025	(620,022)
2026	(459,576)
2027	(346,848)
2028	(183,005)
Thereafter	(417,658)
Total	\$ (2,624,622)

Changes in Net OPEB Liability

The change in the LOD Fund's net OPEB liability for 2023 was as follows:

	Total OPEB liability (a)	Plan fiduciary net position (b)	Net OPEB liability (a)-(b)
Balances at June 30, 2022	\$ 11,423,633	2,794,476	8,629,157
Changes for the year:			
Service cost	794,242	-	794,242
Interest	440,698	-	440,698
Differences between expected and actual experience	(793,374)	-	(793,374)
Changes of assumptions	(392,556)	-	(392,556)
Contributions - employer	-	350,000	(350,000)
Net investment income	-	314,838	(314,838)
Benefit payments	(357,167)	(357,167)	-
Administrative expenses	-	(6,804)	6,804
Net changes	(308,157)	300,867	(609,024)
Balances at June 30, 2023	\$ 11,115,476	3,095,343	8,020,133

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

The discount rate used to measure the Total OPEB Liability of the LOD Fund was 3.75% for June 30, 2023.

The June 30, 2023 economic assumptions were based on the City's funding discount rate and the Bond Buyer GO 20-year Bond Municipal Bond Index as of June 30, 2023. Since the City has adopted a partial funding approach, the discount rate used for the June 30, 2023 measurement date reporting under GASB 74/75 was based on a blending of these two rates. The assumed funding rate was 7.00%. The Bond Buyer GO 20-year Bond Municipal Bond Index as of June 30, 2023 was 3.65%.

The assets accumulated in the Trust as of the measurement date plus future assumed employer contributions are not sufficient to pay all future benefit payments for current plan participants past 2031. In accordance with paragraph 48 of GASB 74, the depletion test of the expected benefit payments resulted in a blended rate of 3.75%.

The following presents the net OPEB liability of the LOD Fund, calculated using the discount rate of 3.75%, as well as what the LOD Fund's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.75%) or one percentage point higher (4.75%) than the current rate:

	1% Decrease 2.75%	Discount Rate 3.75%	1% Increase 4.75%
Total OPEB liability	\$ 13,055,179	11,115,476	9,571,296
Plan fiduciary net position	3,095,343	3,095,343	3,095,343
Net OPEB liability	<u>\$ 9,959,836</u>	<u>8,020,133</u>	<u>6,475,953</u>
Plan fiduciary net position as a percentage of the total OPEB liability	23.7 %	27.8 %	32.3 %

Sensitivity of the Net OPEB Liability to Change in Trend Rates

Changes in healthcare trends affect the measurement of the TOL. Lower healthcare trends produce a lower TOL and higher healthcare trends produce a higher TOL. The table below shows the sensitivity of the NOL of the LOD Fund as of June 30, 2023 to the healthcare trends. Note that the healthcare trend is limited by the City's cost of living formula, which is related to the inflation assumption.

	Trend minus 1%	Baseline trends	Trend plus 1%
Total OPEB liability	\$ 9,018,101	11,115,476	13,926,995
Plan fiduciary net position	3,095,343	3,095,343	3,095,343
Net OPEB liability	<u>\$ 5,922,758</u>	<u>8,020,133</u>	<u>10,831,652</u>
Plan fiduciary net position as a percentage of the total OPEB liability	34.3 %	27.8 %	22.2 %

A one percent decrease in healthcare trends decreases the TOL by approximately 19% and decreases the NOL by approximately 26%. A one percent increase in the healthcare trend increases the TOL by approximately 25% and increases the NOL by approximately 35%.

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LOD Fiduciary Net Position and Changes in Net Position for the Year Ended June 30, 2023

Assets	
Cash and cash equivalents	\$ 597,944
Investments, at fair value	2,713,512
Sales receivable	<u>2,112</u>
Total assets	3,313,568
Liabilities	
Accounts payable	<u>218,225</u>
Total liabilities	<u>218,225</u>
Fiduciary Net Position	
Restricted for LOD benefits	<u><u>\$ 3,095,343</u></u>
Additions:	
Contributions	\$ 350,000
Investment earnings	<u>314,838</u>
Total additions	664,838
Deductions:	
Benefit payments	357,167
Administrative expenses	<u>6,804</u>
Total deductions	<u>363,971</u>
Change in fiduciary net position	300,867
Fiduciary net position - June 30, 2022	<u>2,794,476</u>
Fiduciary net position - June 30, 2023	<u><u>\$ 3,095,343</u></u>

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(c) VRS Group Life Insurance Program

Plan Description

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

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

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

Benefits Provided

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

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

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Reduction in Benefit Amounts

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

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

For covered members with at least 30 years of service credit, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at \$8,000 by statute. This amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and was increased to \$8,984 effective June 30, 2023.

Contributions Required and Contributions Made

The contribution requirements for the GLI Program are governed by §51.1-506 and §51.1-508 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Program was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% X 60%) and the employer component was 0.54% (1.34% X 40%). Employers may elect to pay all or part of the employee contribution, however the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2023 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. 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 \$580,681 and \$517,554 for the years ended June 30, 2023 and June 30, 2022, respectively.

In June 2022, the Commonwealth made a special contribution of approximately \$30.4 million to the GLI Program. This special payment was authorized by a Budget Amendment included in Chapter 1 of the 2022 Appropriation Act.

Net GLI OPEB Liability

The net OPEB liability (NOL) for the GLI Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2022, NOL amounts for the GLI Program are as follows (amounts expressed in thousands):

	Group life insurance OPEB program
Total GLI OPEB liability	\$ 3,672,085
Plan fiduciary net position	2,467,989
GLI net OPEB liability	<u>\$ 1,204,096</u>

Plan fiduciary net position as a percentage of the total GLI OPEB liability	67.21 %
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The total GLI OPEB liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net GLI OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System's notes to the financial statements and required supplementary information.

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Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2021, 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, 2022.

Inflation	2.50%
Salary increases, including inflation -	
General state employees	3.50% - 5.35%
Teachers	3.50% - 5.95%
SPORS employees	3.50% - 4.75%
VaLORS employees	3.50% - 4.75%
JRS employees	4.00%
Locality - general employees	3.50% - 5.35%
Locality - hazardous duty employees	3.50% - 4.75%
Investment rate of return	6.75% net of plan investment expenses, including inflation

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement Scale:

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

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on the VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality rates (pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability rates	No change
Salary scale	No change
Line of Duty Disability	No change
Discount rate	No change

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement Scale:

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

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality rates (pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty
Disability rates	No change
Salary scale	No change
Line of Duty Disability	No change
Discount rate	No change

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Long-Term Expected Rate of Return

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

Asset class (strategy)	Target allocation	Arithmetic long-term expected rate of return	Weighted avg long-term expected rate of return*
Public equity	34.00 %	5.71 %	1.94 %
Fixed income	15.00 %	2.04 %	0.31 %
Credit strategies	14.00 %	4.78 %	0.67 %
Real assets	14.00 %	4.47 %	0.63 %
Private equity	14.00 %	9.73 %	1.36 %
MAPS - Multi-asset public strategies	6.00 %	3.73 %	0.22 %
PIP - Private investment partnership	3.00 %	6.55 %	0.20 %
Total	<u>100.00 %</u>		<u>5.33 %</u>
Inflation			<u>2.50 %</u>
Expected arithmetic nominal return*			<u>7.83 %</u>

*The above allocation provides a one-year return of 7.83%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 6.72%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of return of 6.75% which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

Discount Rate

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

The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2022, the rate contributed by employers for the VRS GLI OPEB plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2022 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates.

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

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

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

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	1% Decrease 5.75%	Current discount rate 6.75%	1% Increase 7.75%
Employer's proportionate share of the GLI program net OPEB liability	\$ 7,719,933	5,305,369	3,354,071

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

	Contributions	June 30, 2021 Net pension liability	Proportionate share
Governmental activities	\$ 486,501	4,987,047	94.00 %
Business-type activities	31,053	318,322	6.00 %
Total	\$ 517,554	5,305,369	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, 2023, the City reported a liability of \$5,305,369 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2022 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, 2022 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2022, the City's proportion was 0.44061% as compared to 0.42085% at June 30, 2021.

For the year ended June 30, 2023, the City recognized GLI OPEB expense of \$613,127. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2023, 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	\$ 545,840	-	34,841	-	580,681	-
Differences between expected and actual experience	\$ 394,911	200,069	25,207	12,770	420,118	212,839
Changes in assumptions	\$ 186,009	485,758	11,873	31,006	197,882	516,764
Changes in proportion	\$ 999,550	692	63,801	44	1,063,351	736
Investment Experience	\$ -	311,617	-	19,890	-	331,507

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\$580,681 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, 2024. 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:	
2024	\$ 297,313
2025	196,926
2026	(58,696)
2027	177,834
2028	6,128
Total	<u>\$ 619,505</u>

GLI Program Fiduciary Net Position

Detailed information about the GLI Program's Fiduciary Net Position is available in the separately issued VRS 2022 Annual Comprehensive Financial Report. A copy of the 2022 VRS Annual Comprehensive Financial Report may be downloaded from the VRS website at <https://www.varetire.org/pdf/publications/2022-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, 2023, the City did not have a payable to the VRS GLI OPEB plan.

(d) Aggregate Other Postemployment Benefits Expense

The aggregate other postemployment benefits expense for the City for the year ended June 30, 2023 for the City of Newport News Other Postemployment Fund, the City of Newport News Line of Duty Plan, and the VRS Group Life Insurance Program was \$5,100,011.

(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.

City of Newport News, Virginia
Notes to the Financial Statements
June 30, 2023

(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 2023, based on an average City salary of \$56,794, the City contributed \$1,704 per participant for a total of \$3,428,468 to the HRA accounts. The accumulated amounts are available to participants at retirement or at age 55, if terminated prior to reaching retirement eligibility. The Plan reimburses the participant, the participant's spouse, and dependents for insurance premiums or other medical payments expended for permissible benefits described under the plan. HRA participants cannot be members of the City's OPEB Fund.

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

(11) Self Insurance

(a) Medical Benefits

The School Board is self-insured for medical benefits through funding from the General Fund for employees up to \$250,000, per employee per year. The City self-insures its active employees for medical, dental 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 \$325,000, whichever is less. Claims in excess of the limitation are covered by third-party insurance. Expenditures are charged to the fund to which the employees' payroll expenditure is charged at amounts that approximate what third-party insurers would have charged.

Changes in the medical incurred but not reported amount during the fiscal years ended June 30, 2023 and 2022 for the City and the Public Schools were as follows:

	City		Public schools	
	2023	2022	2023	2022
Claims payable at beginning of year	\$ 2,868,000	2,759,000	2,431,000	2,754,000
Claims and changes in estimates	40,453,115	37,843,622	31,554,070	30,034,707
Claim payments	(39,957,115)	(37,734,622)	(31,188,070)	(30,357,707)
Claims payable at end of year	<u>\$ 3,364,000</u>	<u>2,868,000</u>	<u>2,797,000</u>	<u>2,431,000</u>

(b) Workers' Compensation

The City self-insures for workers' compensation through the General Fund up to \$2,000,000 per claim. The School Board discontinued excess insurance coverage, effective July 1, 2006. Expenditures are charged to the various departments at amounts that approximate what third-party insurers would have charged. Amounts due in future years on claims made as of June 30, 2023 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, 2023 and 2022 for the City and the Schools.

	City		Public schools	
	2023	2022	2023	2022
Claims payable at beginning of year	\$ 12,930,347	13,329,343	5,721,288	6,061,622
Claims and changes in estimates	1,301,219	2,375,250	671,368	889,054
Claim payments	(1,927,896)	(2,774,246)	(1,429,982)	(1,229,388)
Claims payable at end of year	<u>\$ 12,303,670</u>	<u>12,930,347</u>	<u>4,962,674</u>	<u>5,721,288</u>

A loss analysis was conducted by Oliver Wyman Actuarial Consulting, Inc. on this fund. The total actuarially computed liability as of June 30, 2023 for the City and School Board was determined to be approximately \$12.3 million and \$5.0 million, respectively.

City of Newport News, Virginia
Notes to the Financial Statements
June 30, 2023

(c) Other

The City self-insures for automotive and general liability through the General Fund up to \$1 million per occurrence, up to \$100,000 for each property or fire claim and up to \$250,000 for each windstorm claim. The School Board insures for property losses with self-insured retention per occurrence of \$50,000 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	
	2023	2022
Auto & General Liability		
Claims payable at beginning of year	\$ 2,368,245	2,278,558
Claims and changes in estimates	1,244,897	1,164,888
Claim payments	(1,194,782)	(1,075,201)
Claims payable at end of year	<u>\$ 2,418,360</u>	<u>2,368,245</u>

The auto and general liability claims increased from \$2.37 million to \$2.42 million.

(12) Contingent Liabilities

(a) Grants

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

(b) Litigation

The City is involved in several lawsuits arising in the ordinary course of operations. The City is self-insured with respect to automotive liability, general liability, and property damage and workers' compensation. It is the opinion of City management, based on the advice of the City Attorney, that any losses incurred as a result of claims not included in accrued liabilities as of June 30, 2023, will not be material to the financial statements.

City of Newport News, Virginia
Notes to the Financial Statements
June 30, 2023

(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, 2023, the City had outstanding encumbrances as follows:

General Fund	
General Government	\$ 914,902
Public Safety	778,633
Public Works	6,551,047
Health and Welfare	13,339
Parks, Recreation and Cultural	481,252
Community Development	63,534
Total General Fund	<u>8,802,707</u>
Bond Fund	
Public Safety	727,344
Public Works	9,194,641
Health and Welfare	55,112
Parks, Recreation and Cultural	472,631
Community Development	13,077,389
Total Bond Fund	<u>23,527,117</u>
Capital Projects Other Federal and State Fund	
Public Works	<u>12,206,051</u>
Total Capital Projects Other Federal and State Fund	<u>12,206,051</u>
General Capital Improvements	
General Government	2,077,580
Public Safety	1,106,446
Public Works	5,102,052
Parks, Recreation and Cultural	1,877,029
Community Development	29,008,812
Total General Capital Improvements	<u>39,171,919</u>
Other Federal and State	
General Government	65,027
Public Safety	976,242
Community Development	217,510
Total Other Federal and State	<u>1,258,779</u>
Nonmajor Governmental Funds	
General Government	144,147
Public Works	2,699,252
Parks, Recreation and Cultural	2,595
Community Development	176,754
Total Nonmajor Governmental Funds	<u>3,022,748</u>
Total	<u><u>\$ 87,989,321</u></u>

City of Newport News, Virginia
Notes to the Financial Statements
June 30, 2023

(13) Jointly Governed Organizations and Joint Ventures

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

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

(b) Hampton Roads Regional Jail Authority (HRRJA)

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

(c) Hampton Roads Economic Development Alliance (HREDA)

The HREDA is a non-profit, public-private partnership that aggressively markets Virginia's Hampton Roads region as the primary region of choice for economic investment and business expansion. All HREDA business attraction initiatives and activities are designed to promote the jurisdictions of Chesapeake, Franklin, Gloucester County, Hampton, Isle of Wight County, James City County, Newport News, Norfolk, Poquoson, Portsmouth, Southampton County, Suffolk, Virginia Beach, Williamsburg and York County, Virginia. The business affairs are managed by a Board of not less than 50 or more than 300 Directors. The City's Mayor and the Director of E/IDA are board members. HREDA receives funding from both private and public entities. Newport News contributed \$206,109 in FY23. 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, 2023 of \$268,392 for the Animal Shelter fund. The Animal Shelter fund deficit is the result of operating expenditures exceeding budgeted amounts in fiscal year 2023. As a result, budgeted amounts were inadequate to cover unforeseen operating overages. This deficit does not indicate the Animal Shelter is facing financial difficulty.

(15) Tax Abatements

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

Fiscal year ended	Amount of taxes abated
June 30, 2023	\$ 228,942
June 30, 2022	230,518
June 30, 2021	186,298
June 30, 2020	157,923
June 30, 2019	225,185
June 30, 2018	103,592
June 30, 2017	51,956
June 30, 2016	48,929
June 30, 2015	48,759
June 30, 2014	20,337

City of Newport News, Virginia
Notes to the Financial Statements
June 30, 2023

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

Fiscal Year Ended	Amount of Incentive Provided
June 30, 2023	\$ 2,893,342
June 30, 2022	2,506,307

The EDA administers an Expansion/Relocation Cost Reduction (ERCR) Incentive program within the City of Newport News. The program is a customized incentive available to companies in targeted industries investing \$2.5 million or more in capital investment, machinery and tools and/or business personal property. The company must also create at least twenty-five (25) new full-time jobs meeting a minimum salary requirement. The City has tax abatement agreements with eight entities as of June 30, 2023.

Industry	2015	2016	2017	2018	2019	2020	2021	2022	2023
Automotive manufacturer	\$ 55,136	186,438	472,906	632,945	781,022	-	1,548,047	499,879	-
Industrial digital imaging	1,515,016	1,092,673	893,688	697,173	653,200	468,268	332,498	329,779	163,530
Food processor and distributor	34,365	46,983	65,053	97,790	124,065	-	-	-	-
Manufacturer of flavors and related specialties	-	-	-	-	3,535	8,023	9,615	11,421	7,558
Plumbing, HVAC, and building supply distributor	-	-	-	-	-	-	18,359	9,180	(27,539)
Distillery	-	-	-	-	-	-	4,160	-	-
	<u>\$ 1,604,517</u>	<u>1,326,094</u>	<u>1,431,647</u>	<u>1,427,908</u>	<u>1,561,822</u>	<u>476,291</u>	<u>1,912,679</u>	<u>850,259</u>	<u>143,549</u>

City of Newport News, Virginia
Notes to the Financial Statements
June 30, 2023

(16) Subsequent Events

Subsequent events have been analyzed through December 8, 2023 noting the following:

On July 25, 2023, the City issued \$99,915,000 principal amount of General Obligation General Improvement Bonds Series 2023A with a true interest cost of 3.4280%. The net proceeds of \$110,494,666 (after an original issue premium of \$10,794,721 and a payment of \$215,055 for underwriting fees and other issuance costs) were used to finance the costs of various capital improvement projects.

In October 2023, the Board of the Hampton Roads Regional Jail Authority (the HRRJA) formally voted to close the HRRJA by April 1, 2024. The motion to wind down HRRJA operations provides for all inmates to be transferred to member jurisdictions by April 1, 2024.

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, 2023

	Original Budget	Amended Budget	Actual	Variance
Revenues:				
Revenue from Local Sources:				
General Property Taxes:				
Real Property Taxes	\$ 235,864,600	236,864,600	238,119,562	1,254,962
Real and Personal Public Service Corporation Property Taxes	6,949,353	6,949,353	7,161,124	211,771
Personal Property Taxes	64,903,000	69,903,000	74,227,192	4,324,192
Machinery and Tools Taxes	28,950,000	28,950,000	26,152,849	(2,797,151)
Penalties and Interest	1,650,000	1,650,000	3,098,502	1,448,502
Total General Property Taxes	<u>338,316,953</u>	<u>344,316,953</u>	<u>348,759,229</u>	<u>4,442,276</u>
Other Local Taxes:				
Local Sales and Use Taxes	32,804,200	34,804,200	34,195,284	(608,916)
Restaurant Food Taxes	31,250,000	32,250,000	34,032,909	1,782,909
Business License Taxes	18,655,000	18,655,000	22,000,132	3,345,132
Telecom Sales Taxes	8,100,000	8,100,000	8,097,874	(2,126)
Consumers' Utility Taxes	6,300,000	6,300,000	5,661,860	(638,140)
Hotel and Motel Room Taxes	4,835,000	4,835,000	5,650,032	815,032
Tobacco Taxes	4,300,000	4,300,000	4,035,487	(264,513)
Motor Vehicle License	4,400,000	4,400,000	4,555,068	155,068
Taxes on Recordation and Wills	2,750,000	2,750,000	2,147,148	(602,852)
Bank Stock Taxes	1,100,000	1,100,000	1,383,253	283,253
Rental Car Taxes	1,100,000	1,100,000	1,367,513	267,513
E-911 Service Revenue	1,000,000	1,000,000	925,290	(74,710)
Amusement Taxes	700,000	700,000	848,325	148,325
Consumption Tax	675,000	675,000	608,728	(66,272)
Tourism Zone Taxes	32,000	32,000	58,209	26,209
Total Other Local Taxes	<u>118,001,200</u>	<u>121,001,200</u>	<u>125,567,112</u>	<u>4,565,912</u>
Permits, Privilege Fees, and Regulatory Licenses	2,987,826	2,987,826	4,338,340	1,350,514
Fines and Forfeitures	1,372,958	1,372,958	1,135,010	(237,948)
Revenue from Use of Money and Property	2,559,117	3,559,117	12,386,822	8,827,705
Charges for Services	15,936,577	15,936,577	16,726,428	789,851
Recovered Costs	14,121,122	14,121,122	14,724,385	603,263
Miscellaneous Revenue	3,495,374	3,495,374	4,714,957	1,219,583
Total Revenue from Local Sources	<u>496,791,127</u>	<u>506,791,127</u>	<u>528,352,283</u>	<u>21,561,156</u>
Revenue from the Commonwealth:				
Noncategorical Aid	948,000	948,000	745,199	(202,801)
Shared Expenses	10,066,852	10,066,852	12,316,684	2,249,832
Categorical Aid	38,234,882	38,313,075	41,000,770	2,687,695
Total Revenue from the Commonwealth	<u>49,249,734</u>	<u>49,327,927</u>	<u>54,062,653</u>	<u>4,734,726</u>
Other Financing Sources:				
Transfers from Other Funds	9,500,000	9,500,000	9,500,000	-
Leases/Subscriptions Issued	-	-	9,173,294	9,173,294
Total Other Financing Sources	<u>9,500,000</u>	<u>9,500,000</u>	<u>18,673,294</u>	<u>9,173,294</u>
Total Revenues and Other Financing Sources	<u>\$ 555,540,861</u>	<u>565,619,054</u>	<u>601,088,230</u>	<u>35,469,176</u>

(continued)

City of Newport News, Virginia
Required Supplementary Information
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Budget Basis)
Year ended June 30, 2023

	Original Budget	Amended Budget	Actual	Variance
Expenditures:				
General Government Administration				
City Council	\$ 363,946	364,130	359,220	4,910
City Clerk	410,614	445,813	445,810	3
City Manager	2,354,974	2,357,449	2,115,974	241,475
Human Resources	2,487,753	2,489,048	2,250,649	238,399
City Attorney	2,449,153	2,566,770	2,566,714	56
Internal Auditor	604,469	604,757	509,267	95,490
Commissioner of the Revenue	2,790,197	2,791,598	2,728,377	63,221
Real Estate Assessor	1,711,046	1,834,746	1,775,379	59,367
City Treasurer	2,581,096	2,658,896	2,651,904	6,992
Finance	3,857,937	3,889,954	3,853,161	36,793
Budget and Evaluation	980,192	980,600	664,208	316,392
Auto and General Liability Insurance	3,752,800	3,752,800	4,268,110	(515,310)
Workers' Compensation	3,390,000	3,390,000	2,332,701	1,057,299
Information Technology	12,659,498	12,702,927	12,036,254	666,673
Registrar	656,023	656,285	612,621	43,664
Nondepartmental				
Appointed Boards	109,386	109,386	70,293	39,093
Community Support Agencies	2,474,323	2,474,323	2,871,832	(397,509)
Regional Organizations Support	9,231,375	9,231,375	9,026,387	204,988
Retirement and Other Postemployment Benefits	38,097,310	38,097,310	38,301,976	(204,666)
Contractual Services	2,730,046	2,781,896	2,877,430	(95,534)
Internal Services	1,297,122	1,214,989	1,166,466	48,523
Machinery and Equipment	1,140,000	1,310,635	752,534	558,101
Security Services	2,311,340	2,374,613	2,342,553	32,060
Strategic Priorities	1,705,500	1,705,500	454,477	1,251,023
Street Lighting	908,829	930,796	184,251	746,545
Other	19,489,213	20,434,229	(24,143,718)	44,577,947
Total General Government Administration	<u>120,544,142</u>	<u>122,150,825</u>	<u>73,074,830</u>	<u>49,075,995</u>
Judicial Administration				
Circuit Courts	1,090,685	1,174,706	1,174,706	-
District Courts	997,302	997,302	810,615	186,687
Office of the Magistrate	26,344	26,344	23,642	2,702
Juvenile/Domestic Relations Court	254,336	254,336	240,707	13,629
Clerk of the Circuit Court	1,951,827	2,083,315	2,083,315	-
Court Services	489,876	546,329	546,329	-
Commonwealth's Attorney	5,441,848	5,477,674	5,477,674	-
Total Judicial Administration	<u>\$ 10,252,218</u>	<u>10,560,006</u>	<u>10,356,988</u>	<u>203,018</u>

(continued)

City of Newport News, Virginia
Required Supplementary Information
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Budget Basis)
Year ended June 30, 2023

	Original Budget	Amended Budget	Actual	Variance
Public Safety				
Police Department	\$ 59,382,771	61,790,022	61,745,004	45,018
Fire Department	42,339,432	43,567,027	42,850,465	716,562
Sheriff	26,366,909	26,367,956	26,175,184	192,772
Juvenile Detention	9,356,075	9,405,964	8,307,741	1,098,223
Codes Compliance	3,386,173	3,389,475	3,298,680	90,795
Total Public Safety	<u>140,831,360</u>	<u>144,520,444</u>	<u>142,377,074</u>	<u>2,143,370</u>
Public Works				
Engineering	5,284,846	5,227,705	4,935,170	292,535
Public Works	2,490,812	2,601,167	913,220	1,687,947
Total Public Works	<u>7,775,658</u>	<u>7,828,872</u>	<u>5,848,390</u>	<u>1,980,482</u>
Health and Welfare				
Health Department	4,406,949	4,406,949	4,230,950	175,999
Human Services	40,228,845	40,250,638	38,479,261	1,771,377
Total Health and Welfare	<u>44,635,794</u>	<u>44,657,587</u>	<u>42,710,211</u>	<u>1,947,376</u>
Parks, Recreation, and Cultural				
Parks and Recreation	25,878,991	26,748,889	24,983,304	1,765,585
Library	5,829,328	5,856,274	5,509,048	347,226
Total Parks, Recreation, and Cultural	<u>31,708,319</u>	<u>32,605,163</u>	<u>30,492,352</u>	<u>2,112,811</u>
Community Development				
Development	7,284,419	7,286,200	6,617,367	668,833
Planning	1,757,640	1,758,135	1,560,917	197,218
Communications	3,791,416	3,809,557	3,369,738	439,819
Total Community Development	<u>12,833,475</u>	<u>12,853,892</u>	<u>11,548,022</u>	<u>1,305,870</u>
Leasing/Subscription Activities				
Lease/Subscription Expenditure	-	-	9,176,294	(9,176,294)
Total Leasing/Subscription Activities	-	-	9,176,294	(9,176,294)
General Fund Transfer to Public Schools	116,189,307	116,189,307	116,189,307	-
Transfer to Other Funds				
Debt Service	41,835,008	41,835,008	41,835,008	-
Debt Service - Public Schools	7,303,126	7,303,126	7,303,126	-
Capital Projects	16,422,220	26,422,220	76,130,076	(49,707,856)
Other Transfers	5,210,234	5,210,234	4,880,234	330,000
Total Transfer to Other Funds	<u>70,770,588</u>	<u>80,770,588</u>	<u>130,148,444</u>	<u>(49,377,856)</u>
Total Expenditures and Transfers to Other Funds	<u>\$ 555,540,861</u>	<u>572,136,684</u>	<u>571,921,912</u>	<u>214,772</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

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability									
Service Costs	\$ 8,176,487	7,786,525	8,411,753	8,907,722	8,497,193	9,045,434	9,467,439	9,926,558	10,534,763
Interest	96,335,593	98,658,763	97,575,492	96,464,296	95,861,994	93,983,070	91,489,549	88,917,067	86,803,765
Changes of Benefit Terms	5,372,375	-	-	-	-	-	-	-	-
Differences between Expected and Actual Experience	1,040,685	(12,357,135)	(2,115,300)	(5,048,122)	17,695,138	(185,230)	6,473,172	6,665,024	-
Changes of Assumptions	-	31,531,428	-	-	(7,267,035)	-	-	-	-
Benefit Payments, Including Refunds of Member Contributions	(93,641,533)	(90,503,440)	(86,582,746)	(82,901,749)	(78,976,935)	(75,570,088)	(72,016,569)	(69,527,978)	(67,393,918)
Net Change in Total Pension Liability	17,283,607	35,116,141	17,289,199	17,422,147	35,810,355	27,273,186	35,413,591	35,980,671	29,944,610
Total Pension Liability - Beginning	1,414,075,150	1,378,959,009	1,361,669,810	1,344,247,663	1,308,437,308	1,281,164,122	1,245,750,531	1,209,769,860	1,179,825,250
Total Pension Liability - Ending	<u>\$ 1,431,358,757</u>	<u>1,414,075,150</u>	<u>1,378,959,009</u>	<u>1,361,669,810</u>	<u>1,344,247,663</u>	<u>1,308,437,308</u>	<u>1,281,164,122</u>	<u>1,245,750,531</u>	<u>1,209,769,860</u>
Plan Fiduciary Net Position									
Contributions - Employer	\$ 41,273,053	40,674,039	40,179,618	40,853,742	40,700,786	39,135,864	39,005,899	33,258,275	29,364,826
Contributions - Member	4,637,747	4,786,658	5,278,135	5,530,796	5,779,158	5,987,851	6,416,136	6,738,148	6,558,611
Net Investment Income	(109,949,794)	280,242,054	2,784,859	37,228,451	91,844,066	115,173,724	(7,465,822)	26,194,662	113,205,029
Benefit Payments, Including Refunds of Member Contributions	(93,641,533)	(90,503,440)	(86,582,746)	(82,901,749)	(78,976,935)	(75,570,088)	(72,016,569)	(69,527,978)	(67,393,918)
Administrative Expense	(1,249,594)	(1,158,084)	(1,038,363)	(982,680)	(1,030,662)	(952,560)	(921,181)	(1,003,673)	(866,517)
Net Change in Plan Fiduciary Net Position	\$ (158,930,121)	234,041,227	(39,378,497)	(271,440)	58,316,413	83,774,791	(34,981,537)	(4,340,566)	80,868,031
Plan Fiduciary Net Position - Beginning	1,152,141,192	918,099,965	957,478,462	957,749,902	899,433,489	815,658,698	850,640,235	854,980,801	774,112,770
Plan Fiduciary Net Position -Ending	<u>\$ 993,211,071</u>	<u>1,152,141,192</u>	<u>918,099,965</u>	<u>957,478,462</u>	<u>957,749,902</u>	<u>899,433,489</u>	<u>815,658,698</u>	<u>850,640,235</u>	<u>854,980,801</u>
Net Pension Liability Ending	<u>\$ 438,147,686</u>	<u>261,933,958</u>	<u>460,859,044</u>	<u>404,191,348</u>	<u>386,497,761</u>	<u>409,003,819</u>	<u>465,505,424</u>	<u>395,110,296</u>	<u>354,789,059</u>
Plan fiduciary net position as a percentage of the total pension liability	69.39 %	81.48 %	66.58 %	70.32 %	71.25 %	68.74 %	63.67 %	68.28 %	240.98 %
Covered Payroll	\$ 86,432,693	92,036,126	98,821,339	103,823,307	108,187,035	113,302,877	118,639,692	123,619,906	129,912,288
Net Position Liability as a Percentage of Covered Payroll	506.92 %	284.60 %	466.36 %	389.31 %	357.25 %	360.98 %	392.37 %	319.62 %	273.10 %

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

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

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability									
Service Costs	\$ 9,770,319	8,637,628	7,687,590	6,513,447	5,810,589	5,556,353	4,831,751	4,219,577	3,376,352
Interest	4,998,130	3,527,510	2,869,418	2,274,606	1,732,518	1,382,295	1,000,116	702,834	441,527
Differences between Expected and Actual Experience	(2,567,678)	(1,346,955)	(135,801)	(124,261)	746,189	(271,408)	(127,774)	(522,034)	-
Changes of Assumptions	-	2,171,721	-	1,868,651	-	(1,239,629)	-	-	-
Benefit Payments, Including Refunds of Member Contributions	(1,101,676)	(844,836)	(498,558)	(535,285)	(555,062)	(293,811)	(194,963)	(112,015)	(57,843)
Net Change in Total Pension Liability	11,099,095	12,145,068	9,922,649	9,997,158	7,734,234	5,133,800	5,509,130	4,288,362	3,760,036
Total Pension Liability - Beginning	64,826,893	52,681,825	42,759,176	32,762,018	25,027,784	19,893,984	14,384,854	10,096,492	6,336,456
Total Pension Liability - Ending	\$ 75,925,988	64,826,893	52,681,825	42,759,176	32,762,018	25,027,784	19,893,984	14,384,854	10,096,492
Plan Fiduciary Net Position									
Contributions - Employer	\$ 5,159,981	4,688,418	3,833,305	3,473,179	3,074,885	2,766,138	2,754,620	2,346,626	3,039,422
Contributions - Member	4,351,126	3,957,331	3,674,325	3,285,577	3,052,031	2,685,841	2,326,164	2,054,662	1,685,840
Net Investment Income	(317,964)	17,151,124	1,046,082	3,096,851	2,575,005	3,322,147	485,326	760,402	1,589,581
Benefit Payments, Including Refunds of Member Contributions	(1,101,676)	(844,836)	(498,558)	(535,285)	(555,062)	(293,811)	(194,963)	(112,015)	(57,843)
Administrative Expense	(47,699)	(33,981)	(27,186)	(22,225)	(17,042)	(13,687)	(8,716)	(5,937)	(4,461)
Other	2,147	1,711	(1,315)	(2,007)	(2,546)	(3,225)	(153)	(177)	(83)
Net Change in Plan Fiduciary Net Position	\$ 8,045,915	24,919,767	8,026,653	9,296,090	8,127,271	8,463,403	5,362,278	5,043,561	6,252,456
Plan Fiduciary Net Position - Beginning	83,276,232	58,356,465	50,329,812	41,033,722	32,906,451	24,443,048	19,080,770	14,037,209	7,784,753
Plan Fiduciary Net Position - Ending	\$ 91,322,147	83,276,232	58,356,465	50,329,812	41,033,722	32,906,451	24,443,048	19,080,770	14,037,209
Net Pension Liability/(Asset) Ending	\$ (15,396,159)	(18,449,339)	(5,674,640)	(7,570,636)	(8,271,704)	(7,878,667)	(4,549,064)	(4,695,916)	(3,940,717)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	120.28 %	128.46 %	110.77 %	117.71 %	125.25 %	131.48 %	122.87 %	132.64 %	139.03 %
Covered Payroll	\$ 88,193,874	83,612,727	79,640,771	70,555,593	64,320,834	55,753,786	47,926,329	36,397,255	33,287,071
Net Pension Asset as a Percentage of Covered Payroll	17.46 %	22.07 %	7.13 %	10.73 %	12.86 %	14.13 %	9.49 %	12.90 %	11.84 %

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

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

	2022	2021	2020	2019	2018	2017
Total OPEB liability						
Service Costs	\$ 658,468	606,165	649,243	950,809	519,381	811,867
Interest	8,030,681	8,399,739	8,545,222	8,259,776	8,847,501	8,837,567
Differences between Expected and Actual Experience	(2,770,763)	(2,535,651)	(2,896,477)	298,749	1,053,023	-
Changes of Assumptions	-	2,146,184	-	2,544,266	(7,399,952)	-
Benefit Payments, Including Refunds of Member Contributions	(8,292,780)	(8,156,651)	(8,309,164)	(8,393,848)	(9,229,514)	(9,512,163)
Net Change in Total OPEB Liability	(2,374,394)	459,786	(2,011,176)	3,659,752	(6,209,561)	137,271
Total OPEB Liability - Beginning	118,141,810	117,682,024	119,693,200	116,033,448	122,243,009	122,105,738
Total OPEB Liability - Ending	<u>\$ 115,767,416</u>	<u>118,141,810</u>	<u>117,682,024</u>	<u>119,693,200</u>	<u>116,033,448</u>	<u>122,243,009</u>
Plan Fiduciary Net Position						
Contributions - Employer	\$ 8,240,000	8,240,000	8,240,000	8,240,000	8,240,000	8,240,000
Net Investment Income	(7,433,834)	12,266,250	1,103,788	1,218,136	3,355,846	5,402,335
Benefit Payments, Including Refunds of Member Contributions	(8,292,780)	(8,156,651)	(8,309,164)	(8,393,848)	(9,229,514)	(9,512,163)
Administrative Expense	(42,088)	(50,800)	(43,259)	(44,934)	(44,013)	(60,497)
Net Change in Plan Fiduciary Net Position	\$ (7,528,702)	12,298,799	991,365	1,019,354	2,322,319	4,069,675
Plan Fiduciary Net Position - Beginning	48,163,363	35,864,564	34,873,199	33,853,845	31,531,526	27,461,851
Plan Fiduciary Net Position - Ending	<u>\$ 40,634,661</u>	<u>48,163,363</u>	<u>35,864,564</u>	<u>34,873,199</u>	<u>33,853,845</u>	<u>31,531,526</u>
Net OPEB Liability Ending	<u>\$ 75,132,755</u>	<u>69,978,447</u>	<u>81,817,460</u>	<u>84,820,001</u>	<u>82,179,603</u>	<u>90,711,483</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	35.10 %	40.77 %	30.48 %	29.14 %	29.18 %	25.79 %
Covered Payroll	\$ 76,921,640	81,575,862	87,622,682	92,290,402	95,734,439	100,618,959
Net OPEB Liability as a Percentage of Covered Payroll	97.67 %	85.78 %	93.37 %	91.91 %	85.84 %	90.15 %

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

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

	2022	2021	2020	2019	2018	2017
Total OPEB Liability						
Service Costs	\$ 1,119,261	1,154,837	768,377	669,808	1,148,034	1,130,417
Interest	251,569	289,605	370,093	342,729	383,248	311,181
Changes of Benefit Terms	-	-	-	-	905,453	-
Differences between Expected and Actual Experience	3,029,301	(996,420)	(679,680)	261,699	(686,746)	-
Changes of Assumptions	(3,342,375)	(1,509,952)	2,000,282	585,295	(2,835,907)	(1,381,476)
Benefit Payments, Including Refunds of Member Contributions	(321,367)	(398,312)	(232,550)	(247,202)	(322,421)	(260,856)
Net Change in Total OPEB Liability	736,389	(1,460,242)	2,226,522	1,612,329	(1,408,339)	(200,734)
Total OPEB Liability - Beginning	10,687,244	12,147,486	9,920,964	8,308,635	9,716,974	9,917,708
Total OPEB Liability - Ending	<u>\$ 11,423,633</u>	<u>10,687,244</u>	<u>12,147,486</u>	<u>9,920,964</u>	<u>8,308,635</u>	<u>9,716,974</u>
Plan Fiduciary Net Position						
Contributions - Employer	\$ 250,000	250,000	250,000	300,000	300,000	256,300
Net Investment Income	(383,235)	744,850	30,817	(11,588)	104,072	19,499
Benefit Payments, Including Refunds of Member Contributions	(321,367)	(398,312)	(232,550)	(247,202)	(322,421)	(260,856)
Administrative Expense	(6,301)	(6,000)	(5,904)	(3,786)	(5,095)	(46,909)
Net Change in Plan Fiduciary Net Position	\$ (460,903)	590,538	42,363	37,424	76,556	(31,966)
Plan Fiduciary Net Position - Beginning	3,255,379	2,664,841	2,622,478	2,585,054	2,508,498	2,540,464
Plan Fiduciary Net Position - Ending	<u>\$ 2,794,476</u>	<u>3,255,379</u>	<u>2,664,841</u>	<u>2,622,478</u>	<u>2,585,054</u>	<u>2,508,498</u>
Net OPEB Liability Ending	<u>\$ 8,629,157</u>	<u>7,431,865</u>	<u>9,482,645</u>	<u>7,298,486</u>	<u>5,723,581</u>	<u>7,208,476</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	24.46 %	30.46 %	21.94 %	26.43 %	31.11 %	25.82 %
Covered Payroll	\$ 66,498,922	64,491,596	62,113,806	60,568,373	59,928,556	59,195,883
Net OPEB Liability as a Percentage of Covered Payroll	12.98 %	11.52 %	15.27 %	12.05 %	9.55 %	12.18 %

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

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially Determined Contribution	\$ 37,558	41,273	40,674	40,180	40,854	40,701	39,262	39,154	40,394	40,628
Contributions in Relation to the Actuarially Determined Contribution	37,558	41,273	40,674	40,180	40,854	40,701	39,136	39,006	33,258	29,365
Contribution Deficiency	\$ -	-	-	-	-	-	126	148	7,136	11,263
Covered Payroll	\$ 82,134	86,433	92,036	98,821	103,823	108,187	113,303	118,640	123,620	129,912
Contributions as a Percentage of Covered Payroll	45.73 %	47.75 %	44.19 %	40.66 %	39.35 %	37.62 %	34.54 %	32.88 %	26.90 %	22.60 %

Schedule of City Contributions VRS
(Dollar amounts in thousands)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually Required Contribution	\$ 7,065	5,173	4,694	3,856	3,470	3,075	2,766	2,755	2,347	3,039
Contributions in Relation to the Contractually Required Contribution	7,065	5,173	4,694	3,856	3,470	3,075	2,766	2,755	2,347	3,039
Contribution Excess	\$ -	-	-	-	-	-	-	-	-	-
Covered Payroll	\$ 97,797	88,194	83,613	79,641	70,556	64,321	55,754	47,926	36,397	33,287
Contributions as a Percentage of Covered Payroll	7.22 %	5.87 %	5.61 %	4.84 %	4.92 %	4.78 %	4.96 %	5.75 %	6.45 %	9.13 %

Schedule of City Contributions OPEB
(Dollar amounts in thousands)

	2023	2022	2021	2020	2019	2018	2017
Actuarially Determined Contribution	\$ 8,240	8,240	8,240	8,240	8,240	8,240	8,240
Contributions in Relation to the Actuarially Determined Contribution	8,240	8,240	8,240	8,240	8,240	8,240	8,240
Contribution Deficiency	\$ -	-	-	-	-	-	-
Covered Payroll	\$ 72,226	76,922	81,576	87,623	92,290	95,734	100,619
Contributions as a Percentage of Covered Payroll	11.41 %	10.71 %	10.10 %	9.40 %	8.93 %	8.61 %	8.19 %

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

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

	2023	2022	2021	2020	2019	2018
Actuarially Determined Contribution	\$ 350	250	250	250	300	300
Contributions in Relation to the Actuarially Determined Contribution	350	250	250	250	300	300
Contribution Deficiency	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Covered Payroll	\$ 68,517	66,499	64,492	62,114	60,568	59,929
Contributions as a Percentage of Covered Payroll	0.51 %	0.38 %	0.39 %	0.40 %	0.50 %	0.50 %

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

	2023	2022	2021	2020	2019	2018
Contractually Required Contribution	\$ 581	519	469	416	371	336
Contributions in Relation to the Contractually Required Contribution	581	519	469	416	371	336
Contribution Excess	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Covered Payroll	\$ 97,797	88,194	83,613	79,641	70,556	64,321
Contributions as a Percentage of Covered Payroll	0.59 %	0.59 %	0.56 %	0.52 %	0.53 %	0.52 %

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

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual Money - Weighted Rate of Return, Net of Investment Fees	10.60%	(9.90)%	31.40%	(2.00)%	3.30%	9.92%	14.83%	(1.05)%	2.92%	15.08%

Schedule of Investment Returns OPEB
Years ended June 30

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Annual Money - Weighted Rate of Return, Net of Investment Fees	10.90%	(15.30)%	33.90%	3.20%	3.60%	11.29%	21.23%

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

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

	2022	2021	2020	2019	2018	2017
Employer's Proportion of the Net GLI OPEB Liability	0.44061%	0.42085%	0.38899%	0.36254%	0.33971%	0.30329%
Employer's Proportionate Share of the Net GLI OPEB Liability	\$ 5,305,369	4,899,836	6,491,607	5,899,490	5,159,000	4,564,000
Employer's Covered Payroll	\$ 88,193,874	83,612,727	79,640,771	70,555,593	64,320,834	55,753,786
Employer's Proportionate Share of the Net GLI OPEB Liability as a Percentage of its Covered Payroll	6.02%	5.86%	8.15%	8.36%	8.02%	8.19%
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	67.21%	67.45%	52.64%	52.00%	51.22%	48.86%

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

City of Newport News, Virginia
Notes to Required Supplementary Information
Year ended June 30, 2023

(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 2023 for the following reasons: (1) grant matching, (2) funding to meet the increase in operating expenses and revenues.

(2) Legally Adopted Budgets

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

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

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

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

(3) Encumbrances

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

City of Newport News, Virginia
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2023

	Special Revenue						
	Community Development	Street Maintenance	Economic Development	Law Library	Stormwater	Solid Waste	Wastewater
Assets							
Cash and Cash Equivalents	\$ 31,921	-	1,212,745	25	29,113,240	9,967,793	21,690,647
Accounts Receivable, Net	-	-	39,401	8,723	797,189	1,808,747	1,142,822
Lease Receivable	-	-	1,800,971	-	-	-	-
Receivables from Other Governments:							
Virginia	24,943	-	-	-	-	-	-
Inventory, At Cost	-	-	-	-	-	-	-
Total Assets	<u>\$ 56,864</u>	<u>-</u>	<u>3,053,117</u>	<u>8,748</u>	<u>29,910,429</u>	<u>11,776,540</u>	<u>22,833,469</u>
Liabilities							
Accounts Payable	\$ 56,201	-	31,441	3,008	882,076	503,772	553,823
Accrued Liabilities	663	-	-	1,465	187,548	91,786	134,413
Payable to Major Governmental Funds	-	-	-	2,014	-	-	-
Total Liabilities	<u>56,864</u>	<u>-</u>	<u>31,441</u>	<u>6,487</u>	<u>1,069,624</u>	<u>595,558</u>	<u>688,236</u>
Deferred Inflows of Resources							
Lease Related	-	-	1,804,574	-	-	-	-
Unavailable Revenue - Stormwater Fees	-	-	-	-	597,199	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>1,804,574</u>	<u>-</u>	<u>597,199</u>	<u>-</u>	<u>-</u>
Fund Balances							
Nonspendable	-	-	-	-	-	-	-
Restricted	-	-	-	25	28,243,606	11,180,982	22,145,233
Committed	-	-	1,217,102	2,236	-	-	-
Unassigned	-	-	-	-	-	-	-
Total Fund Balances	<u>-</u>	<u>-</u>	<u>1,217,102</u>	<u>2,261</u>	<u>28,243,606</u>	<u>11,180,982</u>	<u>22,145,233</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 56,864</u>	<u>-</u>	<u>3,053,117</u>	<u>8,748</u>	<u>29,910,429</u>	<u>11,776,540</u>	<u>22,833,469</u>

(continued)

City of Newport News, Virginia
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2023

	Special Revenue					Total Nonmajor Governmental Funds
	Comprehensive Services Act	Criminal Justice Academy	Animal Shelter	Special Events	Canteen	
Assets						
Cash and Cash Equivalents	\$ 2,374,437	250,922	300	384,684	1,480,481	66,507,195
Accounts Receivable, Net	-	-	-	-	-	3,796,882
Lease Receivable	-	-	-	-	-	1,800,971
Receivables from Other Governments:						
Virginia	1,790,210	-	-	-	-	1,815,153
Inventory, At Cost	-	-	13,427	4,520	-	17,947
Total Assets	<u>\$ 4,164,647</u>	<u>250,922</u>	<u>13,727</u>	<u>389,204</u>	<u>1,480,481</u>	<u>73,938,148</u>
Liabilities						
Accounts Payable	\$ 1,107,443	3,582	58,469	92,416	36,630	3,328,861
Accrued Liabilities	-	-	31,727	-	200	447,802
Payable to Major Governmental Funds	-	-	191,923	-	-	193,937
Total Liabilities	<u>1,107,443</u>	<u>3,582</u>	<u>282,119</u>	<u>92,416</u>	<u>36,830</u>	<u>3,970,600</u>
Deferred Inflows of Resources						
Lease Related	-	-	-	-	-	1,804,574
Unavailable Revenue - Stormwater Fees	-	-	-	-	-	597,199
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,401,773</u>
Fund Balances						
Nonspendable	-	-	13,427	4,520	-	17,947
Restricted	-	-	-	-	1,443,651	63,013,497
Committed	3,057,204	247,340	11,192	292,268	-	4,827,342
Unassigned	-	-	(293,011)	-	-	(293,011)
Total Fund Balances	<u>3,057,204</u>	<u>247,340</u>	<u>(268,392)</u>	<u>296,788</u>	<u>1,443,651</u>	<u>67,565,775</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 4,164,647</u>	<u>250,922</u>	<u>13,727</u>	<u>389,204</u>	<u>1,480,481</u>	<u>73,938,148</u>

City of Newport News, Virginia
Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Governmental Funds
Year ended June 30, 2023

	Special Revenue						
	Community Development	Street Maintenance	Economic Development	Law Library	Stormwater	Solid Waste	Wastewater
Revenues:							
Intergovernmental:							
Local	\$ -	-	-	-	-	-	-
Virginia	-	21,189,369	-	-	-	47,728	-
Federal	1,637,714	-	-	-	-	-	-
Charges for Services	-	-	-	101,445	23,172,718	15,178,387	23,487,160
Interest and Rent	-	-	559,334	-	979,772	289,818	626,007
Sale of property	-	-	106,570	-	-	-	-
Local Fees and Contributions	-	-	-	-	-	-	-
Miscellaneous	-	-	150	-	101,872	40,305	-
Total Revenues	1,637,714	21,189,369	666,054	101,445	24,254,362	15,556,238	24,113,167
Expenditures:							
Current Operating:							
General Government	-	-	-	151,645	-	-	-
Judicial Administration	-	-	-	-	-	-	-
Public Safety	-	-	-	-	-	-	-
Public Works	-	21,189,369	-	-	17,197,508	14,723,277	14,588,268
Health and Welfare	-	-	-	-	-	-	-
Education	-	-	-	-	-	-	-
Parks, Recreation, and Culture	-	-	-	-	-	-	-
Community Development	1,637,714	-	4,116,124	-	-	-	-
Debt Service:							
Principal	-	-	149,391	1,204	64,874	-	-
Interest and Other Charges	-	-	81,976	102	77	-	-
Total Expenditures	1,637,714	21,189,369	4,347,491	152,951	17,262,459	14,723,277	14,588,268
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	(3,681,437)	(51,506)	6,991,903	832,961	9,524,899
Other Financing Sources (Uses):							
Transfers In	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	(4,308,083)	(236,711)	(5,278,912)
Leases (as Lessee)	-	-	3,788,490	5,801	-	-	-
Subscriptions	-	-	-	-	63,261	-	-
Total Other Financing Sources (Uses), Net	-	-	3,788,490	5,801	(4,244,822)	(236,711)	(5,278,912)
Net Changes in Fund Balances	-	-	107,053	(45,705)	2,747,081	596,250	4,245,987
Fund Balances at June 30, 2022	-	-	1,110,049	47,966	25,496,525	10,584,732	17,899,246
Fund Balances at June 30, 2023	\$ -	-	1,217,102	2,261	28,243,606	11,180,982	22,145,233

(continued)

City of Newport News, Virginia
Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Governmental Funds
Year ended June 30, 2023

	Special Revenue					Total nonmajor governmental funds
	Comprehensive Services Act	Criminal Justice Academy	Animal Shelter	Special Events	Canteen	
Revenues:						
Intergovernmental:						
Local	\$ -	-	1,193,257	-	-	1,193,257
Virginia	6,046,803	-	-	-	-	27,283,900
Federal	141,782	-	-	-	-	1,779,496
Charges for Services	-	50,818	200,102	-	764,817	62,955,447
Interest and Rent	-	-	-	-	44,389	2,499,320
Sale of property	-	-	-	-	-	106,570
Local Fees and Contributions	-	-	-	17,450	-	17,450
Miscellaneous	-	-	8,716	-	-	151,043
Total Revenues	<u>6,188,585</u>	<u>50,818</u>	<u>1,402,075</u>	<u>17,450</u>	<u>809,206</u>	<u>95,986,483</u>
Expenditures:						
Current Operating:						
General Government	-	-	-	-	-	151,645
Judicial Administration	-	-	-	-	-	-
Public Safety	-	85,394	-	-	785,305	870,699
Public Works	-	-	-	-	-	67,698,422
Health and Welfare	7,738,826	-	-	-	-	7,738,826
Education	-	-	-	-	-	-
Parks, Recreation, and Culture	-	-	2,723,324	1,410,362	-	4,133,686
Community Development	-	-	-	-	-	5,753,838
Debt Service:						
Principal	-	-	22,187	15,824	-	253,480
Interest and Other Charges	-	-	22,549	131	-	104,835
Total Expenditures	<u>7,738,826</u>	<u>85,394</u>	<u>2,768,060</u>	<u>1,426,317</u>	<u>785,305</u>	<u>86,705,431</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,550,241)</u>	<u>(34,576)</u>	<u>(1,365,985)</u>	<u>(1,408,867)</u>	<u>23,901</u>	<u>9,281,052</u>
Other Financing Sources (Uses):						
Transfers In	2,290,247	-	1,589,987	1,000,000	-	4,880,234
Transfers Out	-	-	(546,387)	-	-	(10,370,093)
Leases (as Lessee)	-	-	-	-	-	3,794,291
Subscriptions	-	-	-	-	-	63,261
Total Other Financing Sources (Uses), Net	<u>2,290,247</u>	<u>-</u>	<u>1,043,600</u>	<u>1,000,000</u>	<u>-</u>	<u>(1,632,307)</u>
Net Changes in Fund Balances	740,006	(34,576)	(322,385)	(408,867)	23,901	7,648,745
Fund Balances at June 30, 2022	<u>2,317,198</u>	<u>281,916</u>	<u>53,993</u>	<u>705,655</u>	<u>1,419,750</u>	<u>59,917,030</u>
Fund Balances at June 30, 2023	<u>\$ 3,057,204</u>	<u>247,340</u>	<u>(268,392)</u>	<u>296,788</u>	<u>1,443,651</u>	<u>67,565,775</u>

City of Newport News, Virginia
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Street Maintenance
Year ended June 30, 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Intergovernmental:				
Virginia	\$ 18,320,349	21,189,369	21,189,369	-
Total Revenues	<u>18,320,349</u>	<u>21,189,369</u>	<u>21,189,369</u>	<u>-</u>
Expenditures:				
Current:				
Public Works	<u>18,320,349</u>	<u>21,189,369</u>	<u>21,189,369</u>	<u>-</u>
Total Expenditures	<u>18,320,349</u>	<u>21,189,369</u>	<u>21,189,369</u>	<u>-</u>
Excess of Revenues Over Expenditures	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance at June 30, 2022			<u>-</u>	
Fund Balance at June 30, 2023			<u><u>\$ -</u></u>	

City of Newport News, Virginia
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Economic Development
Year ended June 30, 2023

	Original Budget	Final Budget	Actual	Variance
Revenues:				
Interest and Rent	\$ 235,693	235,693	559,334	323,641
Sale of property	5,140	5,140	106,570	101,430
Miscellaneous	67	67	150	83
Total Revenues	<u>240,900</u>	<u>240,900</u>	<u>666,054</u>	<u>425,154</u>
Expenditures:				
Community Development	240,900	240,900	559,001	(318,101)
Leasing Activities				
Lease Expenditure	<u>-</u>	<u>-</u>	<u>3,788,490</u>	<u>(3,788,490)</u>
Total Expenditures	<u>240,900</u>	<u>240,900</u>	<u>4,347,491</u>	<u>(4,106,591)</u>
Deficiency of Revenues under Expenditures	<u>\$ -</u>	<u>-</u>	<u>(3,681,437)</u>	<u>(3,681,437)</u>
Other Financing Sources				
Leases Issued	<u>-</u>	<u>-</u>	<u>3,788,490</u>	<u>3,788,490</u>
Net Change in Fund Balance	<u>-</u>	<u>-</u>	<u>107,053</u>	<u>107,053</u>
Fund Balance at June 30, 2022			<u>1,110,049</u>	
Fund Balance at June 30, 2023			<u>\$ 1,217,102</u>	

City of Newport News, Virginia
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Law Library
Year ended June 30, 2023

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Charges for Services	\$ 150,600	150,600	101,445	(49,155)
Total Revenues	<u>150,600</u>	<u>150,600</u>	<u>101,445</u>	<u>(49,155)</u>
Expenditures:				
General Government	150,600	150,600	147,150	3,450
Leasing Activities	-	-	-	-
General Government - Leases	<u>-</u>	<u>-</u>	<u>5,801</u>	<u>(5,801)</u>
Total Expenditures:	<u>150,600</u>	<u>150,600</u>	<u>152,951</u>	<u>(2,351)</u>
Deficiency of Revenues under Expenditures	\$ -	-	(51,506)	(51,506)
Leases (as Lessee)	<u>-</u>	<u>-</u>	<u>5,801</u>	<u>5,801</u>
Net Change in Fund Balance	<u>-</u>	<u>-</u>	<u>(45,705)</u>	<u>(45,705)</u>
Fund Balance at June 30, 2022			<u>47,966</u>	
Fund Balance at June 30, 2023			<u>\$ 2,261</u>	

City of Newport News, Virginia
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Stormwater
Year ended June 30, 2023

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Charges for Services	\$ 22,005,470	22,005,470	23,172,718	1,167,248
Interest and Rent	97,000	97,000	979,772	882,772
Miscellaneous	5,000	5,000	101,872	96,872
Total revenues	<u>22,107,470</u>	<u>22,107,470</u>	<u>24,254,362</u>	<u>2,146,892</u>
Expenditures:				
Public Works	31,089,398	27,337,669	17,199,198	10,138,471
Leasing/Subscription Activities				
Subscription Expenditure	-	-	63,261	(63,261)
Total expenditures	<u>31,089,398</u>	<u>27,337,669</u>	<u>17,262,459</u>	<u>10,075,210</u>
Deficiency of revenues under expenditures	<u>(8,981,928)</u>	<u>(5,230,199)</u>	<u>6,991,903</u>	<u>(7,928,318)</u>
Other financing sources (uses):				
Subscriptions Issued	-	-	63,261	63,261
Transfers Out	<u>(4,308,083)</u>	<u>(4,308,083)</u>	<u>(4,308,083)</u>	<u>-</u>
Net change in fund balance	<u>\$ (13,290,011)</u>	<u>(9,538,282)</u>	<u>2,747,081</u>	<u>12,285,363</u>
Fund balance at June 30, 2022			<u>25,496,525</u>	
Fund balance at June 30, 2023			<u>\$ 28,243,606</u>	

City of Newport News, Virginia
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Solid Waste
Year ended June 30, 2023

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Intergovernmental:				
Virginia	\$ 23,000	23,000	47,728	24,728
Charges for Services	15,193,000	15,193,000	15,178,387	(14,613)
Interest and Rent	23,000	23,000	289,818	266,818
Miscellaneous	887,800	887,800	40,305	(847,495)
Total revenues	<u>16,126,800</u>	<u>16,126,800</u>	<u>15,556,238</u>	<u>(570,562)</u>
Expenditures:				
Current:				
Public Works	<u>15,890,089</u>	<u>15,936,999</u>	<u>14,723,277</u>	<u>1,213,722</u>
Total expenditures	<u>15,890,089</u>	<u>15,936,999</u>	<u>14,723,277</u>	<u>1,213,722</u>
Excess of revenues over expenditures	<u>236,711</u>	<u>189,801</u>	<u>832,961</u>	<u>643,160</u>
Other financing uses::				
Transfers Out	<u>(236,711)</u>	<u>(236,711)</u>	<u>(236,711)</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>(46,910)</u>	<u>596,250</u>	<u>643,160</u>
Fund balance at June 30, 2022			<u>10,584,732</u>	
Fund balance at June 30, 2023			<u>\$ 11,180,982</u>	

City of Newport News, Virginia
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Wastewater
Year ended June 30, 2023

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Charges for Services	\$ 22,443,700	22,443,700	23,487,160	1,043,460
Interest and Rent	65,000	65,000	626,007	561,007
Total revenues	<u>22,508,700</u>	<u>22,508,700</u>	<u>24,113,167</u>	<u>1,604,467</u>
Expenditures:				
Current:				
Public Works	<u>20,210,476</u>	<u>21,055,788</u>	<u>14,588,268</u>	<u>6,467,520</u>
Total expenditures	<u>20,210,476</u>	<u>21,055,788</u>	<u>14,588,268</u>	<u>6,467,520</u>
Excess of revenues over expenditures	<u>2,298,224</u>	<u>1,452,912</u>	<u>9,524,899</u>	<u>8,071,987</u>
Other financing uses:				
Transfers Out	<u>(5,278,912)</u>	<u>(5,278,912)</u>	<u>(5,278,912)</u>	<u>-</u>
Net change in fund balance	<u><u>\$ (2,980,688)</u></u>	<u><u>(3,826,000)</u></u>	<u>4,245,987</u>	<u><u>8,071,987</u></u>
Fund balance at June 30, 2022			<u>17,899,246</u>	
Fund balance at June 30, 2023			<u><u>\$ 22,145,233</u></u>	

City of Newport News, Virginia
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Animal Shelter
Year ended June 30, 2023

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Intergovernmental:				
Local	\$ 1,193,257	1,193,257	1,193,257	-
Charges for Services	159,271	159,271	200,102	40,831
Miscellaneous	12,585	12,585	8,716	(3,869)
Total revenues	<u>1,365,113</u>	<u>1,365,113</u>	<u>1,402,075</u>	<u>36,962</u>
Expenditures:				
Current:				
Parks, Recreation, and Culture	<u>2,408,713</u>	<u>2,408,713</u>	<u>2,768,060</u>	<u>(359,347)</u>
Total expenditures	<u>2,408,713</u>	<u>2,408,713</u>	<u>2,768,060</u>	<u>(359,347)</u>
Deficiency of revenues under expenditures	<u>(1,043,600)</u>	<u>(1,043,600)</u>	<u>(1,365,985)</u>	<u>(322,385)</u>
Other financing sources (uses):				
Transfers In	1,589,987	1,589,987	1,589,987	-
Transfers Out	<u>(546,387)</u>	<u>(546,387)</u>	<u>(546,387)</u>	<u>-</u>
Total other financing sources (uses), net	<u>1,043,600</u>	<u>1,043,600</u>	<u>1,043,600</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>-</u>	<u>(322,385)</u>	<u>(322,385)</u>
Fund balance at June 30, 2022			53,993	
Fund balance at June 30, 2023			<u>\$ (268,392)</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, 2023

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Intergovernmental:				
Local	\$ 1,074,895	1,074,895	1,074,895	-
Total revenues	<u>1,074,895</u>	<u>1,074,895</u>	<u>1,074,895</u>	<u>-</u>
Expenditures:				
Debt service payments	<u>55,983,122</u>	<u>55,983,122</u>	<u>54,056,720</u>	<u>1,926,402</u>
Total expenditures	<u>55,983,122</u>	<u>55,983,122</u>	<u>54,056,720</u>	<u>1,926,402</u>
Deficiency of revenues under expenditures	<u>(54,908,227)</u>	<u>(54,908,227)</u>	<u>(52,981,825)</u>	<u>1,926,402</u>
Other financing sources:				
Transfers In	<u>54,908,227</u>	<u>54,908,227</u>	<u>59,508,227</u>	<u>4,600,000</u>
Net change in fund balance	<u>\$ -</u>	<u>-</u>	<u>6,526,402</u>	<u>6,526,402</u>
Fund balance at June 30, 2022			<u>7,139,809</u>	
Fund balance at June 30, 2023			<u>\$ 13,666,211</u>	

City of Newport News, Virginia
Combining Statement of Net Position
Nonmajor Component Units
June 30, 2023

	Peninsula Airport Commission	Economic and Industrial Development Authorities	Total Nonmajor Component Units
Assets			
Current Assets:			
Cash and Cash Equivalents	\$ 3,826,774	11,442,413	15,269,187
Restricted Cash	-	17,773,477	17,773,477
Receivables	762,831	2,370,864	3,133,695
Other Current Assets	15,062	-	15,062
Total current assets	4,604,667	31,586,754	36,191,421
Restricted cash and cash equivalents	12,665,597	2,669,472	15,335,069
Deposits with Management Company	-	616,221	616,221
Net Pension Asset	762,213	-	762,213
Receivables	452,381	16,734,597	17,186,978
Land held for lease or resale	-	36,557,286	36,557,286
Property, plant and equipment:			
Land	7,354,949	-	7,354,949
Construction in Progress	1,826,068	2,125,433	3,951,501
Infrastructure	-	2,543,500	2,543,500
Buildings	-	203,519,114	203,519,114
Improvements	-	21,868,846	21,868,846
Airfield	99,940,623	-	99,940,623
Terminal	90,805,249	-	90,805,249
Trailer park and rental units	1,548,885	-	1,548,885
Machinery and Equipment	7,379,724	2,464,831	9,844,555
Lease Right to Use Asset	-	8,144,259	8,144,259
Subscription Right to Use Asset	128,795	-	128,795
Less Accumulated Depreciation / Amortization	(137,833,800)	(100,253,507)	(238,087,307)
Total assets	89,635,351	228,576,806	318,212,157
Deferred Outflows of Resources			
Pension deferrals	780,113	-	780,113
OPEB deferrals	368,904	-	368,904
Deferred amount on refunding	-	2,075,914	2,075,914
Total deferred outflows of resources	1,149,017	2,075,914	3,224,931
Liabilities			
Current Liabilities:			
Accounts Payable	238,854	5,086,433	5,325,287
Accrued Liabilities	471,315	29,335	500,650
Leases (as Lessee)	-	1,204,657	1,204,657
Subscription Liability	38,921	-	38,921
Bonds and notes payable	470,658	6,187,422	6,658,080
Total current liabilities	1,219,748	12,507,847	13,727,595
Notes Payable	-	4,900,238	4,900,238
Bonds payable	4,286,849	36,427,690	40,714,539
Leases (as lessee)	-	3,415,019	3,415,019
Subscription Liability	23,031	-	23,031
Net OPEB Liability	3,815,171	-	3,815,171
Total liabilities	9,344,799	57,250,794	66,595,593
Deferred Inflows of Resources			
Pension deferrals	1,024,134	-	1,024,134
OPEB deferrals	2,587,842	-	2,587,842
Lease Related	541,077	16,414,088	16,955,165
Total deferred inflows of resources	4,153,053	16,414,088	20,567,141
Net Position			
Net Investment in Capital Assets	66,331,034	90,353,365	156,684,399
Restricted for:			
Capital projects	18,565,098	18,721,876	37,286,974
Capital loans	-	1,691,738	1,691,738
Unrestricted	(7,609,616)	46,220,859	38,611,243
Total net position	\$ 77,286,516	156,987,838	234,274,354

City of Newport News, Virginia
Statement of Revenues, Expenses and Changes in Net Position
Nonmajor Component Units
Year ended June 30, 2023

	Peninsula Airport Commission	Economic and Industrial Development Authorities	Total Nonmajor Component Units
Operating revenues:			
Charges for Services	\$ 5,292,408	-	5,292,408
Property rentals	-	6,173,593	6,173,593
Parking contributions	-	199,708	199,708
Land sales	-	495,255	495,255
Parking Authority revenues	-	1,176,518	1,176,518
Intergovernmental - Primary Government	-	15,659,088	15,659,088
Total operating revenues	<u>5,292,408</u>	<u>23,704,162</u>	<u>28,996,570</u>
Operating expenses:			
Cost of land sold	-	665,302	665,302
Personal services	3,390,976	655,366	4,046,342
Contractual services	2,404,240	11,347,664	13,751,904
Materials and supplies	2,278,378	533,970	2,812,348
Depreciation and amortization	7,949,330	7,196,059	15,145,389
Rental expenses	-	203,255	203,255
Miscellaneous	13,534	759,535	773,069
Total operating expenses	<u>16,036,458</u>	<u>21,361,151</u>	<u>37,397,609</u>
Operating income (loss)	<u>(10,744,050)</u>	<u>2,343,011</u>	<u>(8,401,039)</u>
Nonoperating revenues (expenses):			
Federal grants	705,129	-	705,129
Interest revenue	3,520	1,645,343	1,648,863
Bond and admin fee income	-	268,873	268,873
Interest expense	(227,072)	(1,962,535)	(2,189,607)
Letter of credit and trustee fees	-	(65,200)	(65,200)
Gain (loss) on disposal	4,212,197	-	4,212,197
Other revenues	405	85,848	86,253
e-Commerce Grant	-	15,000	15,000
Debt forgiveness-BCGS	-	2,120,169	2,120,169
Micro Enterprise Grants	-	55,500	55,500
Total non-operating revenues (expenses), net	<u>4,694,179</u>	<u>2,162,998</u>	<u>6,857,177</u>
Gain (loss) before capital contributions	<u>(6,049,871)</u>	<u>4,506,009</u>	<u>(1,543,862)</u>
Capital contributions, net	<u>2,819,985</u>	<u>-</u>	<u>2,819,985</u>
Change in net position	<u>(3,229,886)</u>	<u>4,506,009</u>	<u>1,276,123</u>
Net position at June 30, 2022, as restated*	<u>80,516,402</u>	<u>152,481,829</u>	<u>232,998,231</u>
Net position at June 30, 2023	<u>\$ 77,286,516</u>	<u>156,987,838</u>	<u>234,274,354</u>

*Net position at June 30, 2022 for the E/IDA has been adjusted downward by \$2,371,959 due to a government merger. Please see the separate financial statements issued by the E/IDA for further detail.

City of Newport News, Virginia
Statement of Cash Flows
Nonmajor Component Units
Year ended June 30, 2023

	Peninsula Airport Commission	Economic and Industrial Development Authorities	Total Nonmajor Component Units
Cash flows from operating activities:			
Receipts from customers	\$ 5,273,225	21,410,586	26,683,811
Payments to suppliers	(3,852,709)	(12,854,292)	(16,707,001)
Payments to employees	(5,303,411)	(655,366)	(5,958,777)
Receipts from land sales and net loans (made)/collected, net of settlement charges	-	349,563	349,563
Net cash provided by operating activities	(3,882,895)	8,250,491	4,367,596
Cash flows used in noncapital financing activities:			
Noncapital contributions from federal grants	487,689	-	487,689
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(2,031,893)	(1,019,255)	(3,051,148)
Contributed capital	2,819,985	-	2,819,985
Net proceeds from sale of capital assets	4,212,197	-	4,212,197
Repayment and retirement of long-term debt, net	(1,108,463)	(10,459,162)	(11,567,625)
Interest paid	(227,072)	(1,509,852)	(1,736,924)
Other revenue and expenses	(23,736)	360,020	336,284
Lease liability principal payments made	-	(1,189,163)	(1,189,163)
Net cash provided by (used in) capital and related financing activities	3,641,018	(13,817,412)	(10,176,394)
Cash flows from investing activities:			
Interest received	3,925	1,647,402	1,651,327
Loans issued	-	(312,197)	(312,197)
Change in restricted investments	365,307	-	365,307
Lease receivable payments received	-	3,035,666	3,035,666
Net cash provided (used) by investing activities	369,232	4,370,871	4,740,103
Increase (decrease) in cash and cash equivalents	615,044	(1,196,050)	(581,006)
Cash, cash equivalents and restricted cash at beginning of year*	3,211,730	33,081,412	36,293,142
Cash, cash equivalents and restricted cash at end of year	3,826,774	31,885,362	35,712,136
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating Income (Loss)	(10,744,050)	2,343,011	(8,401,039)
Adjustment to reconcile operating income (loss) to cash provided by operating activities:			
Depreciation and amortization	7,949,330	7,196,059	15,145,389
Deferred lease revenue recognized	-	(3,021,646)	(3,021,646)
Noncash intergovernmental - City of Newport News	-	1,671,182	1,671,182
Changes in assets and liabilities:			
Accounts receivable	(19,183)	-	(19,183)
Accounts payable, accrued liabilities, leases payable and subscriptions payable	(416,915)	332,666	(84,249)
Deferred/Unearned revenues	-	(650)	(650)
Net pension liability (asset) and related deferred inflows/outflows of resources	(303,833)	-	(303,833)
Net GLI OPEB liability (asset) and related deferred inflows/outflows of resources	(621,861)	-	(621,861)
Other receivables	67,259	547,538	614,797
Prepaid assets	206,358	-	206,358
Changes in land inventory	-	(682,012)	(682,012)
Mortgages receivable	-	(135,657)	(135,657)
Net cash provided by operating activities	\$ (3,882,895)	8,250,491	4,367,596
Supplemental disclosure:			
Noncash investing and financing activities:			
Contributed capital funded by accounts receivable - FAA	\$ 418,167	-	418,167

*Cash, cash equivalents and restricted cash at beginning of year for the E/IDA has been adjusted upward by \$43,817 due to a government merger. Please see the separate financial statements issued by the E/IDA for further detail.

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City of Newport News, Virginia
Combining Statement of Fiduciary Net Position
Trust Funds
June 30, 2023

	Pension Fund	OPEB Fund	Line of Duty Act Benefit Fund	Total
Assets				
Cash and cash equivalents	\$ 3,265,351	1,174,565	87,044	4,526,960
Cash and cash equivalents with trustee	3,843,393	182,122	510,900	4,536,415
Investments, at fair value:				
Debt securities	68,099,390	4,323,488	562,203	72,985,081
Equity investments	275,518,322	30,537,296	1,176,428	307,232,046
Private equities	45,977,556	-	-	45,977,556
Bond mutual fund	116,121,068	6,507,037	-	122,628,105
Commingled equity fund	407,316,891	3,368,285	974,881	411,660,057
Real assets	103,551,255	-	-	103,551,255
Due from other components	1,292,893	-	-	1,292,893
Sales receivable	656,455	718	2,112	659,285
Total assets	<u>1,025,642,574</u>	<u>46,093,511</u>	<u>3,313,568</u>	<u>1,075,049,653</u>
Liabilities				
Accounts payable	36,470	897,285	218,225	1,151,980
Due to City	-	145,216	-	145,216
Purchases payable	64,646	-	-	64,646
Total liabilities	<u>101,116</u>	<u>1,042,501</u>	<u>218,225</u>	<u>1,361,842</u>
Net Position				
Assets held in trust				
Restricted for pension and OPEB benefits	1,025,541,458	45,051,010	-	1,070,592,468
Restricted for LOD benefits	-	-	3,095,343	3,095,343
Total net position	<u>\$ 1,025,541,458</u>	<u>45,051,010</u>	<u>3,095,343</u>	<u>1,073,687,811</u>

City of Newport News, Virginia
Combining Statement of Changes in Fiduciary Net Position
Trust Funds
Year ended June 30, 2023

	Pension Fund	OPEB Fund	Line of Duty Act Benefit Fund	Total
Additions:				
Employer contributions:				
City General Fund	\$ 26,369,389	7,235,750	350,000	33,955,139
Waterworks Fund	3,250,684	1,004,250	-	4,254,934
School Operating Fund	7,938,184	-	-	7,938,184
Employee contributions:				
City General Fund	3,458,094	-	-	3,458,094
Waterworks Fund	459,449	-	-	459,449
School Operating Fund	570,684	-	-	570,684
Other contributions:				
Income from leave exchange	112,818	-	-	112,818
Total contributions	<u>42,159,302</u>	<u>8,240,000</u>	<u>350,000</u>	<u>50,749,302</u>
Investment income/(loss):				
Net appreciation/(depreciation) - bonds	(1,028,145)	(348,029)	(11,313)	(1,387,487)
Net appreciation/(depreciation) - stocks	92,675,112	3,778,893	244,724	96,698,729
Interest	2,298,667	675	6,702	2,306,044
Dividends	4,576,282	968,547	74,725	5,619,554
Real estate operating income/(loss)	(1,645,682)	-	-	(1,645,682)
Commission recapture	4,943	-	-	4,943
Other investment income/(loss)	9,692	-	-	9,692
Total investment income/(loss)	<u>96,890,869</u>	<u>4,400,086</u>	<u>314,838</u>	<u>101,605,793</u>
Less investment expenses	<u>(1,923,327)</u>	<u>(16,738)</u>	<u>-</u>	<u>(1,940,065)</u>
Net investment income/(loss)	<u>94,967,542</u>	<u>4,383,348</u>	<u>314,838</u>	<u>99,665,728</u>
Total additions	<u>137,126,844</u>	<u>12,623,348</u>	<u>664,838</u>	<u>150,415,030</u>
Deductions:				
Benefits paid to participants	103,296,462	8,155,330	357,167	111,808,959
Refunds of member contributions	225,741	-	-	225,741
Administrative expenses	1,274,254	51,669	6,804	1,332,727
Total deductions	<u>104,796,457</u>	<u>8,206,999</u>	<u>363,971</u>	<u>113,367,427</u>
Change in net position	32,330,387	4,416,349	300,867	37,047,603
Net position held in trust for retirement benefits at June 30, 2022	<u>993,211,071</u>	<u>40,634,661</u>	<u>2,794,476</u>	<u>1,036,640,208</u>
Net position held in trust for retirement benefits at June 30, 2023	<u>\$ 1,025,541,458</u>	<u>45,051,010</u>	<u>3,095,343</u>	<u>1,073,687,811</u>

City of Newport News, Virginia
Combining Statement of Fiduciary Net Position
Custodial Funds
June 30, 2023

	Regional Homeless Commission	Hampton User Fee	Special Welfare Foster Care	Total
Assets				
Cash and cash equivalents	\$ 81,622	10,385,466	1,832	10,468,920
Accounts receivable	2,781	3,484,517	-	3,487,298
Total assets	84,403	13,869,983	1,832	13,956,218
Liabilities				
Accounts payable	81,956	2,151,799	-	2,233,755
Deposits	-	-	1,832	1,832
Total liabilities	81,956	2,151,799	1,832	2,235,587
Net Position				
Restricted for custodial funds	2,447	11,718,184	-	11,720,631
Total net position	\$ 2,447	11,718,184	-	11,720,631

City of Newport News, Virginia
Combining Statement of Changes in Fiduciary Net Position
Custodial Funds
Year ended June 30, 2023

	Regional Homeless Commission	Hampton User Fee	Special Welfare Foster Care	Total
Additions:				
Contributions				
Local	\$ 109,505	-	-	109,505
Other Additions:				
Payments collected for other localities	-	26,081,253	-	26,081,253
Total additions	109,505	26,081,253	-	26,190,758
Deductions				
Contractual services	109,275	-	-	109,275
Payments collected for other localities	-	25,490,534	-	25,490,534
Total deductions	109,275	25,490,534	-	25,599,809
Change in net position	230	590,719	-	590,949
Fiduciary net position at June 30, 2022	2,217	11,127,465	-	11,129,682
Fiduciary net position at June 30, 2023	\$ 2,447	11,718,184	-	11,720,631

Statistical Section

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

<u>Contents</u>	<u>Page</u>
Financial Trends	143
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	
Revenue Capacity	149
These schedules contain information to help the reader assess the factors affecting the City's ability to generate its property and sales taxes.	
Debt Capacity	154
These schedules present information to help the reader assess the affordability of the City's current level of outstanding debt and the City's ability to issue additional debt in the future.	
Demographic and Economic Information	159
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with other governments.	
Operating Information	161
These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.	

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

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

	Fiscal Year									
	2023***	2022**	2021	2020	2019	2018	2017	2016	2015*	2014
Governmental Activities:										
Net Investment in Capital Assets	\$ 545,763,007	\$ 516,292,786	\$ 492,496,633	\$ 488,226,033	\$ 473,716,004	\$ 434,506,011	\$ 403,502,237	\$ 384,685,456	\$ 362,541,053	\$ 344,253,405
Restricted	84,929,925	60,501,909	52,189,356	47,211,010	34,772,461	28,002,362	19,682,760	19,333,167	15,441,843	11,105,034
Unrestricted (Deficit)	(16,722,451)	(88,140,147)	(174,161,943)	(241,498,691)	(250,348,726)	(263,060,889)	(226,610,632)	(202,853,172)	(201,104,209)	(169,541,405)
Total Governmental Activities Net Position	\$ 613,970,481	\$ 488,654,548	\$ 370,524,046	\$ 293,938,352	\$ 258,139,739	\$ 199,447,484	\$ 196,574,365	\$ 201,165,451	\$ 176,878,687	\$ 185,817,034
Business-Type Activities:										
Net Investment in Capital Assets	\$ 378,381,418	\$ 361,347,024	\$ 354,046,458	\$ 342,269,437	\$ 332,048,472	\$ 321,533,379	\$ 312,211,263	\$ 299,063,108	\$ 284,602,082	\$ 243,541,418
Restricted	-	-	-	-	-	-	-	-	-	28,007,541
Unrestricted	66,435,841	61,558,578	44,316,246	34,608,100	19,864,260	11,132,237	9,195,280	3,558,442	1,951,106	27,165,354
Total Business-Type Activities Net Position	\$ 444,817,259	\$ 422,905,602	\$ 398,362,704	\$ 376,877,537	\$ 351,912,732	\$ 332,665,616	\$ 321,406,543	\$ 302,621,550	\$ 286,553,188	\$ 298,714,313
Primary Government:										
Net Investment in Capital Assets	\$ 924,144,425	\$ 877,639,810	\$ 846,543,091	\$ 830,495,470	\$ 805,764,476	\$ 756,039,390	\$ 715,713,500	\$ 683,748,564	\$ 647,143,135	\$ 587,794,823
Restricted	84,929,925	60,501,909	52,189,356	47,211,010	34,772,461	28,002,362	19,682,760	19,333,167	15,441,843	39,112,575
Unrestricted (Deficit)	49,713,390	(26,581,569)	(129,845,697)	(206,890,591)	(230,484,466)	(251,928,652)	(217,415,352)	(199,294,730)	(199,153,103)	(142,376,051)
Total Primary Government Net Position	\$ 1,058,787,740	\$ 911,560,150	\$ 768,886,750	\$ 670,815,889	\$ 610,052,471	\$ 532,113,100	\$ 517,980,908	\$ 503,787,001	\$ 463,431,875	\$ 484,531,347

Note: * Implementation of GASB 68

** Implementation of GASB 87

*** Implementation of GASB 96

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

	Fiscal Year									
	2023 ^(f)	2022 ^(e)	2021 ^(d)	2020	2019	2018 ^(c)	2017	2016	2015 ^(b)	2014 ^(a)
Program Revenues										
Governmental Activities:										
Charges for Services:										
Public works	\$ 61,577,330	\$ 61,335,547	\$ 59,878,417	\$ 57,827,597	\$ 60,027,815	\$ 57,160,432	\$ 55,846,420	\$ 54,559,279	\$ 52,316,287	\$ 45,729,958
All Others	33,790,791	31,407,135	29,236,669	30,154,634	31,176,856	30,035,422	29,954,030	28,819,222	29,469,594	27,341,075
Operating Grants and Contributions	76,230,567	74,871,967	66,472,506	37,789,099	30,452,406	39,075,745	40,933,661	41,835,794	41,537,105	41,230,144
Capital Grants and Contributions	23,305,851	31,689,365	25,828,575	20,198,403	38,072,400	30,410,059	16,980,158	9,891,763	9,852,965	8,261,793
Total Governmental Activities Program Revenues	194,904,539	199,304,014	181,416,167	145,969,733	159,729,477	156,681,658	143,714,269	135,106,058	133,175,951	122,562,970
Business-Type Activities:										
Charges for Services	97,877,754	96,838,384	98,809,975	96,293,903	95,343,639	99,350,705	91,990,145	89,992,744	88,819,826	85,580,834
Operating/Capital Grants and Contributions	4,413,295	5,557,862	2,411,869	3,296,665	2,396,486	3,986,319	2,263,856	3,352,599	2,434,032	2,327,993
Total Business-Type Activities Program Revenues	102,291,049	102,396,246	101,221,844	99,590,568	97,740,125	103,337,024	94,254,001	93,345,343	91,253,858	87,908,827
Total Primary Government Program Revenues	297,195,588	301,700,260	282,638,011	245,560,301	257,469,602	260,018,682	237,968,270	228,451,401	224,429,809	210,471,797
Expenses										
Governmental Activities:										
General Government	106,892,584	93,316,639	105,028,091	97,951,315	104,489,210	99,745,558	110,180,530	105,287,988	95,389,412	98,295,537
Judicial Administration	11,329,035	9,581,237	8,327,279	7,986,323	8,087,466	7,996,313	8,150,550	7,000,968	6,705,580	6,801,427
Public Safety	151,192,716	140,316,842	143,534,390	131,166,279	126,206,588	123,683,767	128,952,047	117,228,275	112,771,624	116,029,097
Public Works	86,099,939	73,999,363	77,355,328	76,409,250	78,239,758	76,410,545	85,577,272	77,766,098	70,465,462	72,201,809
Health and Welfare	50,966,208	49,080,652	55,695,474	46,638,368	46,245,011	45,434,568	44,848,871	41,363,323	39,218,507	40,894,433
Education	157,651,873	169,978,313	135,102,119	148,705,527	122,254,884	132,474,462	138,929,299	121,829,209	147,634,659	119,743,781
Parks, Recreation and Culture	38,719,311	34,364,625	32,861,435	33,639,682	33,704,442	33,766,228	35,237,952	32,294,586	31,522,216	32,804,044
Community Development	17,566,231	16,701,864	15,491,592	13,479,394	11,669,637	11,298,553	11,180,081	11,490,635	7,371,121	9,764,564
Interest and Other Fiscal Charges	18,277,283	20,124,814	21,713,471	22,116,492	20,959,483	20,083,955	19,860,527	20,545,591	20,497,054	20,607,931
Total Governmental Activities Expenses	638,695,180	607,464,349	595,109,179	578,092,630	551,856,479	550,893,949	582,917,129	534,806,673	531,575,635	517,142,623
Business-Type Activities:										
Public Utilities	78,538,324	70,427,441	71,951,302	67,808,624	72,132,481	74,291,178	67,605,709	69,011,682	64,775,097	63,629,010
Total Business-Type Activities Expenses	78,538,324	70,427,441	71,951,302	67,808,624	72,132,481	74,291,178	67,605,709	69,011,682	64,775,097	63,629,010
Total Primary Government Expenses	717,233,504	677,891,790	667,060,481	645,901,254	623,988,960	625,185,127	650,522,838	603,818,355	596,350,732	580,771,633
Net Revenue/(Expenses)										
Governmental Activities	(443,790,641)	(408,160,335)	(413,693,012)	(432,122,897)	(392,127,002)	(394,212,291)	(439,202,860)	(399,700,615)	(398,399,684)	(394,579,653)
Business-Type Activities	23,752,725	31,968,805	29,270,542	31,781,944	25,607,644	29,045,846	26,648,292	24,333,661	26,478,761	24,279,817
Total Primary Government	\$ (420,037,916)\$	(376,191,530)\$	(384,422,470)\$	(400,340,953)\$	(366,519,358)\$	(365,166,445)\$	(412,554,568)\$	(375,366,954)\$	(371,920,923)\$	(370,299,836)

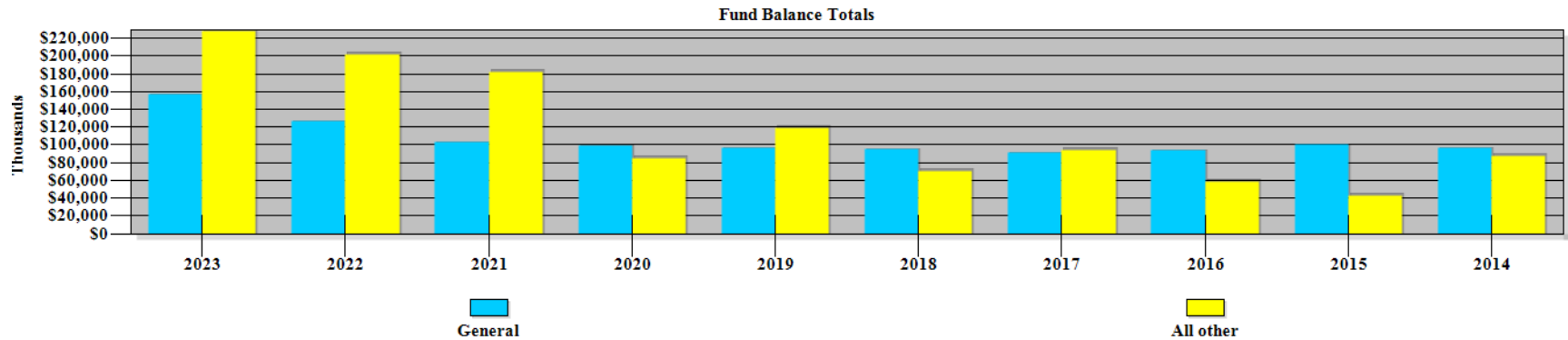
City of Newport News, Virginia
Changes in Net Position
Last Ten Fiscal Years
(Accrual basis of accounting)

	Fiscal Year									
	2023 ^(f)	2022 ^(e)	2021 ^(d)	2020	2019	2018 ^(c)	2017	2016	2015 ^(b)	2014 ^(a)
General Revenues and Other Changes in Net Assets										
Governmental Activities:										
General Property Taxes	\$ 349,485,472	\$ 316,462,329	\$ 300,491,142	\$ 285,824,042	\$ 277,522,739	\$ 265,622,961	\$ 261,245,586	\$ 256,787,386	\$ 250,847,834	\$ 246,119,180
Other Taxes	125,567,112	122,392,561	112,282,967	105,856,537	107,764,452	105,492,219	103,889,921	102,082,792	100,362,448	96,418,092
Grants and Contributions not Restricted to Specific Programs	54,062,653	49,544,132	47,820,669	48,196,050	47,239,111	46,117,575	44,482,705	43,217,511	43,235,474	42,216,776
Investment Earnings	16,164,392	3,471,193	3,144,359	5,717,414	6,240,402	4,345,961	3,102,177	2,688,086	2,438,265	2,293,272
Special Item: Loss on Extinguishment	-	-	-	-	(10,155,757)	-	-	-	-	-
Miscellaneous	14,326,945	24,920,622	16,026,872	12,827,467	12,708,310	14,270,016	12,391,385	9,711,606	10,542,858	9,358,360
Transfers	9,500,000	9,500,000	9,500,000	9,500,000	9,500,000	9,500,000	9,500,000	9,500,000	9,500,000	9,391,000
Total Governmental Activities	569,106,574	526,290,837	489,266,009	467,921,510	450,819,257	445,348,732	434,611,774	423,987,381	416,926,879	405,796,680
Business-Type Activities:										
Investment Earnings	5,946,581	499,991	283,132	1,352,718	1,684,370	1,033,077	454,799	276,491	167,947	153,241
Miscellaneous	1,712,351	1,574,102	1,431,493	1,330,144	1,455,102	1,474,323	1,181,902	958,210	962,131	717,187
Transfers	(9,500,000)	(9,500,000)	(9,500,000)	(9,500,000)	(9,500,000)	(9,500,000)	(9,500,000)	(9,500,000)	(9,500,000)	(9,391,000)
Total Business-Type Activities	(1,841,068)	(7,425,907)	(7,785,375)	(6,817,138)	(6,360,528)	(6,992,600)	(7,863,299)	(8,265,299)	(8,369,922)	(8,520,572)
Total Primary Government	567,265,506	518,864,930	481,480,634	461,104,372	444,458,729	438,356,132	426,748,475	415,722,082	408,556,957	397,276,108
Change in Net Position										
Governmental Activities	125,315,933	118,130,502	75,572,997	35,798,613	58,692,255	51,136,441	(4,591,086)	24,286,766	18,527,195	11,217,027
Business-Type Activities	21,911,657	24,542,898	21,485,167	24,964,806	19,247,116	22,053,246	18,784,993	16,068,362	18,108,839	15,759,245
Total Primary Government	\$ 147,227,590	\$ 142,673,400	\$ 97,058,164	\$ 60,763,419	\$ 77,939,371	\$ 73,189,687	\$ 14,193,907	\$ 40,355,128	\$ 36,636,034	\$ 26,976,272

Note: (a) - Implementation of GASB 65
(b) - Implementation of GASB 68
(c) - Implementation of GASB 75
(d) - Implementation of GASB 84
(e) - Implementation of GASB 87
(f) - Implementation of GASB 96

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

	Fiscal Year									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
General Fund										
Nonspendable	\$ 2,200,291	1,822,011	1,527,891	1,302,189	1,177,088	11,427,627	11,519,118	11,436,689	11,541,956	11,370,286
Restricted	613,622	613,622	613,622	596,452	596,452	437,862	322,798	224,814	133,554	90,649
Assigned	64,441,711	47,167,360	29,818,238	26,709,811	27,739,746	25,939,296	28,279,733	31,855,250	39,089,271	38,415,687
Unassigned	89,326,655	77,812,968	71,376,473	70,612,462	66,498,760	56,876,979	51,711,616	51,054,853	49,692,460	47,366,583
Total General Fund	\$ 156,582,279	127,415,961	103,336,224	99,220,914	96,012,046	94,681,764	91,833,265	94,571,606	100,457,241	97,243,205
All Other Governmental Funds										
Unreserved, Reported in:										
Nonspendable	\$ 17,947	6,939	6,593	6,108	6,869	4,708	-	-	-	-
Restricted	91,016,339	88,925,063	115,660,611	65,830,651	94,628,279	48,257,170	74,987,521	37,764,123	30,414,816	56,269,407
Committed	155,866,887	112,327,677	66,176,448	34,144,958	24,654,169	22,255,786	19,575,222	20,806,270	32,354,805	30,841,880
Assigned	-	-	-	-	53,698	-	15,223	-	-	-
Unassigned	(19,505,045)	-	(47,514)	(14,650,258)	(220,636)	(497,643)	(368,067)	(429,701)	(20,674,947)	-
Total All Other Governmental Funds	\$ 227,396,128	201,259,679	181,796,138	85,331,459	119,122,379	70,020,021	94,209,899	58,140,692	42,094,674	87,111,287



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									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Revenues										
General Property Taxes	\$ 348,759	\$ 314,580	\$ 297,407	\$ 284,634	\$ 276,236	\$ 266,110	\$ 261,130	\$ 256,442	\$ 248,297	\$ 245,531
Other Local Taxes	125,567	122,393	112,283	105,857	107,764	105,492	103,890	102,083	100,362	96,418
Licenses and Permits	4,338	3,608	2,820	3,225	4,019	4,006	3,724	3,413	3,866	3,433
Fines and Forfeitures	1,135	1,034	1,243	1,400	1,834	1,741	1,727	1,517	2,247	2,599
Intergovernmental	148,994	151,472	138,915	105,190	111,959	113,955	99,943	92,433	92,649	90,606
Charges for Services	79,682	77,608	82,823	80,240	82,630	79,547	78,390	76,208	73,593	64,421
Interest and Rent	15,818	3,441	3,114	5,591	6,108	4,280	3,065	2,669	2,425	2,285
Recovered Costs	14,831	14,100	5,049	6,342	6,741	5,908	5,683	5,654	5,946	6,051
Miscellaneous	5,284	15,181	9,434	6,100	5,703	7,296	6,000	4,211	4,348	3,596
Total Revenues	744,408	703,417	653,088	598,579	602,994	588,335	563,552	544,630	533,733	514,940
Expenditures										
General Government	108,234	101,786	102,226	96,280	93,951	92,769	91,034	94,516	83,730	77,930
Judicial Administration	12,020	9,135	7,770	7,551	7,588	7,436	7,225	6,442	6,383	6,129
Public Safety	153,023	142,383	139,354	128,755	122,534	119,923	118,558	113,199	111,415	107,104
Public Works	72,692	62,711	64,381	65,822	67,468	65,966	71,256	67,487	61,926	59,511
Health and Welfare	50,407	48,642	55,646	47,379	46,597	45,825	42,722	41,461	40,244	39,113
Education	119,687	126,076	118,752	130,104	116,183	128,632	130,697	120,300	140,727	117,890
Parks, Recreation, and Culture	35,893	32,497	29,616	30,878	30,394	30,170	30,047	28,396	27,984	26,637
Community Development	19,504	18,733	14,301	12,572	10,650	10,315	9,895	10,974	6,990	8,811
Debt service:										
Principal	41,108	42,737	33,303	33,267	34,662	33,690	40,085	38,000	38,687	38,295
Interest and Other Charges	18,780	20,154	22,166	22,685	20,046	19,683	19,995	20,670	19,499	21,690
Capital Outlay	80,465	72,350	66,533	63,367	95,284	64,767	45,078	56,311	47,865	45,878
Total Expenditures	711,813	677,204	654,048	638,660	645,357	619,176	606,592	597,756	585,450	548,988
Excess (Deficiency) of Revenues over (under) Expenditures	32,595	26,213	(960)	(40,081)	(42,363)	(30,841)	(43,040)	(53,126)	(51,717)	(34,048)

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									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Other Financing Sources (Uses)										
Transfers In	\$ 150,019	\$ 135,031	\$ 104,662	\$ 90,511	\$ 80,999	\$ 70,054	\$ 71,696	\$ 70,403	\$ 73,313	\$ 69,806
Transfers Out	(140,519)	(125,531)	(95,162)	(81,011)	(71,499)	(60,554)	(62,196)	(60,903)	(63,398)	(60,415)
Payment to Refund Bonds	-	-	(56,912)	-	-	-	-	(39,614)	-	(64,867)
Premium on Refunded Bonds	-	-	2,459	-	-	-	-	6,728	-	8,897
Refund Bonds Proceeds	-	-	54,785	-	-	-	-	33,190	-	56,115
Bond and Note Proceeds	-	4,801	77,000	-	85,795	-	59,455	48,890	-	45,000
Premium on Bonds Issuance	-	-	13,695	-	7,657	-	7,416	4,592	-	7,464
Leases (as Lessee)	7,181	3,030	-	-	-	-	-	-	-	-
Subscriptions	6,027	-	-	-	-	-	-	-	-	-
Total Other Financing Sources, Net	22,708	17,331	100,527	9,500	102,952	9,500	76,371	63,286	9,915	62,000
Special Item										
Loss on Extinguishment	-	-	-	-	(10,156)	-	-	-	-	-
Net Change in Fund Balance	\$ 55,303	\$ 43,544	\$ 99,567	\$ (30,581)	\$ 50,433	\$ (21,341)	\$ 33,331	\$ 10,160	\$ (41,802)	\$ 27,952
Debt Service as a Percentage of Noncapital Expenditures	9.7 %	10.5 %	9.3 %	9.7 %	9.7 %	9.5 %	10.4 %	10.6 %	10.6 %	11.5 %

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

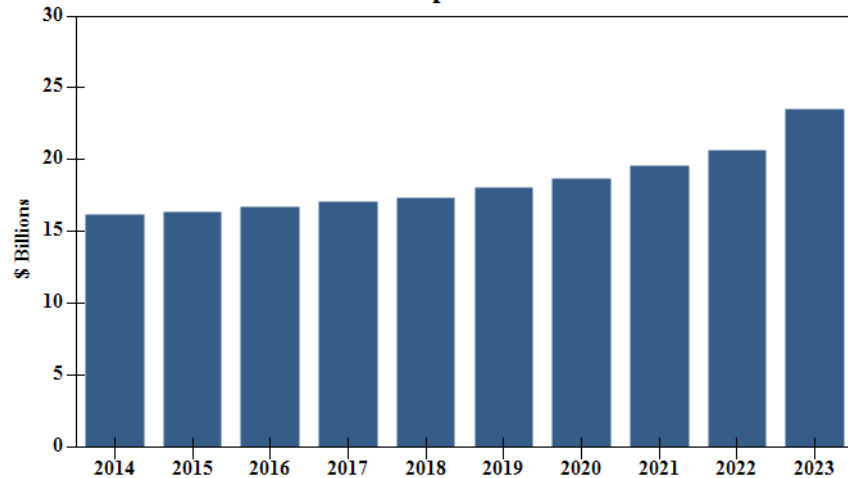
	Fiscal Year										% Change 2014-2023
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014	
Revenues											
General Property Taxes	\$ 349,485,472	\$ 316,462,329	\$ 300,491,142	\$ 285,824,042	\$ 277,522,739	\$ 265,622,961	\$ 261,245,586	\$ 256,787,386	\$ 250,847,834	\$ 246,119,180	42.0 %
E-911 Service	925,290	1,041,652	931,808	826,797	789,725	746,818	722,114	701,894	722,381	637,060	45.2 %
Telecom Sales	8,097,874	8,310,146	8,738,029	9,613,963	9,982,359	10,685,005	11,012,699	11,289,782	11,679,829	11,697,528	(30.8)%
Sales Tax	34,195,284	32,707,526	30,890,502	27,473,290	26,197,558	25,693,286	24,553,589	23,601,270	23,390,029	22,426,753	52.5 %
Utility Tax	5,661,860	6,280,524	6,293,046	6,327,322	6,341,872	6,428,968	6,043,252	6,262,091	6,312,731	6,279,595	(9.8)%
Consumption Tax	608,728	688,172	690,110	663,636	696,656	554,807	904,868	669,850	714,814	709,174	(14.2)%
Business License Tax	22,000,132	20,900,524	19,472,960	18,397,725	18,015,385	17,239,148	16,762,176	16,383,239	16,360,314	15,750,751	39.7 %
Rental Car Tax	1,367,513	1,277,286	936,211	1,104,357	1,157,389	1,110,324	1,144,248	1,115,643	1,119,583	1,041,657	31.3 %
Motor Vehicle License Tax	4,555,068	4,219,377	4,395,285	4,144,869	4,286,075	4,273,220	4,131,204	4,096,782	4,009,795	4,103,933	11.0 %
Bank Stock Tax	1,383,253	1,282,753	1,137,056	1,099,434	1,140,972	1,018,617	1,012,668	804,718	642,977	675,657	104.7 %
Recordation and Wills Tax	2,147,148	3,013,965	2,447,772	1,858,373	1,389,607	1,477,452	1,598,418	1,490,565	1,340,624	1,265,779	69.6 %
Tobacco Tax	4,035,487	4,111,000	4,213,953	4,417,232	4,761,217	4,576,884	4,925,919	4,808,217	4,949,954	5,102,091	(20.9)%
Hotel and Motel Room Tax	5,650,032	5,411,355	3,807,496	3,939,267	4,634,839	4,345,781	4,278,009	4,297,160	4,013,332	3,178,730	77.7 %
Restaurant Food Tax	34,032,909	32,341,996	27,936,394	25,233,838	27,364,800	26,263,697	25,757,894	25,551,404	24,136,927	22,873,051	48.8 %
Amusement Tax	848,325	767,921	371,020	716,266	961,140	984,277	980,953	929,005	872,557	665,301	27.5 %
Tourism Zone Tax	58,209	38,364	21,325	40,168	44,858	93,935	61,910	81,172	96,601	11,032	427.6 %
Total Taxes	\$ 475,052,584	\$ 438,854,890	\$ 412,774,109	\$ 391,680,579	\$ 385,287,191	\$ 371,115,180	\$ 365,135,507	\$ 358,870,178	\$ 351,210,282	\$ 342,537,272	38.7 %

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

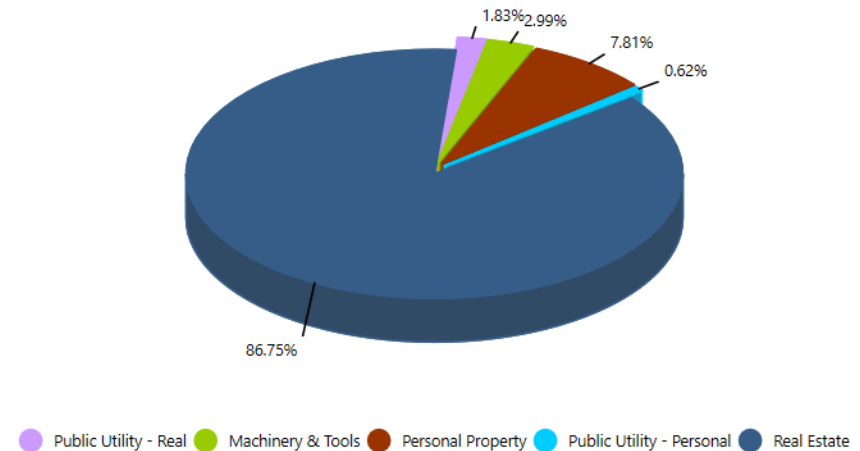
Fiscal Year	Real Property		Personal Property		Machinery and Tools		Public Utility		Less: Tax-Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value
							Real Estate	Personal Property				
2014	\$	17,768,798	\$	1,248,199	\$	507,497	\$ 353,179	\$ 156,714	\$ (3,826,649)	\$ 16,207,738	\$ 1.41	\$ 20,034,387
2015		17,979,237		1,263,012		531,235	352,226	155,737	(3,962,290)	16,319,157	1.40	20,281,447
2016		18,396,884		1,322,984		543,091	349,931	157,772	(4,053,925)	16,716,737	1.42	20,770,662
2017		18,782,332		1,365,979		554,965	355,023	167,828	(4,143,466)	17,082,661	1.53	21,226,127
2018		21,798,305		1,371,461		587,738	379,115	158,661	(6,922,307)	17,372,973	1.53	24,295,280
2019		22,673,480		1,413,676		632,389	384,420	161,155	(7,208,716)	18,056,404	1.53	25,265,120
2020		23,354,976		1,469,804		676,110	382,243	174,906	(7,345,279)	18,712,760	1.53	26,058,039
2021		24,142,302		1,569,497		722,720	398,819	163,128	(7,402,271)	19,594,195	1.54	26,996,466
2022		25,135,195		1,752,332		729,749	408,365	150,158	(7,502,156)	20,673,643	1.56	28,175,799
2023		28,144,064		1,907,734		701,454	430,536	145,148	(7,853,221)	23,475,715	1.52	31,328,936

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 2023



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

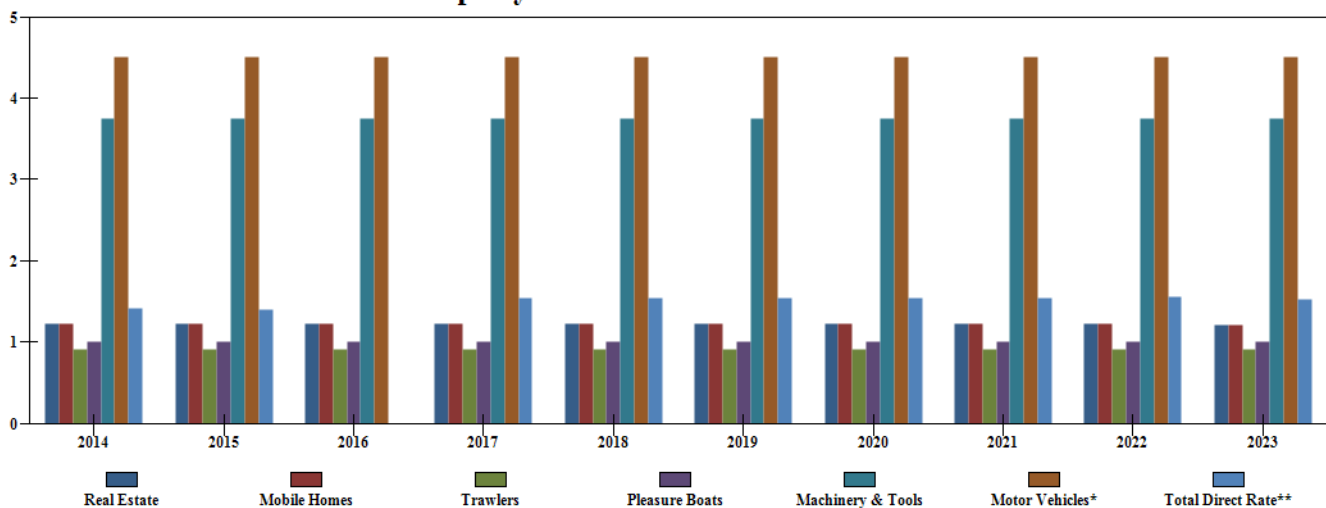
City Direct Rates							
Fiscal Year	Real Estate	Mobile Homes	Trawlers	Pleasure Boats	Machinery & Tools	Motor Vehicles*	Total Direct Rate**
2014	\$ 1.22	\$ 1.22	\$ 0.90	\$ 1.00	\$ 3.75	\$ 4.50	\$ 1.41
2015	1.22	1.22	0.90	1.00	3.75	4.50	1.40
2016	1.22	1.22	0.90	1.00	3.75	4.50	1.42
2017	1.22	1.22	0.90	1.00	3.75	4.50	1.53
2018	1.22	1.22	0.90	1.00	3.75	4.50	1.53
2019	1.22	1.22	0.90	1.00	3.75	4.50	1.53
2020	1.22	1.22	0.90	1.00	3.75	4.50	1.53
2021	1.22	1.22	0.90	1.00	3.75	4.50	1.54
2022	1.22	1.22	0.90	1.00	3.75	4.50	1.56
2023	1.20	1.20	0.90	1.00	3.75	4.50	1.52

Source: City of Newport News FY23 Adopted Operating Budget

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

**Note the 75% assessment ratio for calendar year 2022 was not taken into consideration in calculating the Total Direct Tax Rate reported here for FY22 or FY23.

Property Tax Rates - Last Ten Years



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

	2023		2014	
	Taxes Due based on Assessed Value	Percentage of Taxes Due	Taxes Due based on Assessed Value	Percentage of Taxes Due
Huntington Ingalls Incorporated	\$31,946	9.18%	\$19,363	7.78%
Canon Virginia Inc	5,162	1.48%	4,505	1.81%
The Mariners Museum	4,020	1.16%	2,712	1.09%
Virginia Electric & Power Company	3,663	1.05%	2,476	0.99%
Vitesco Technologies USA LLC	2,102	0.60%	-	-
Oyster Point Residential LLC	1,800	0.52%	471	0.19%
Ferguson Enterprises Corp	1,747	0.50%	-	-
Virginia Natural Gas Inc	1,606	0.46%	929	0.37%
PR Patrick Henry LLC	1,585	0.46%	1,590	0.64%
Liebherr America Inc	1,203	0.35%	-	-
CCOP LLC	1,168	0.34%	-	-
Dominion Terminal Associates	1,131	0.32%	1,212	0.49%
Kinder Morgan Operating LP "C"	1,130	0.32%	1,016	0.41%
Verizon Virginia LLC	891	0.26%	1,305	0.52%
IREIT Newport News Tech Center LLC	849	0.24%	-	-
Compass at City Center LLC	841	0.24%	-	-
Cox Communications Hampton Roads Inc	830	0.24%	454	0.18%
Venture Newport News LLC	822	0.24%	-	-
Mid America Apartments LP	749	0.22%	-	-
BH L5 Springhouse Owner LLC	730	0.21%	373	0.15%
Continental Automotive Systems US Inc	-	-	1,819	0.73%
Inland Western Newport News	-	-	794	0.32%
Bottling Group LLC	-	-	591	0.24%
Patrick Henry Hospital	-	-	550	0.22%
DCO Realty Inc	-	-	515	0.21%
Meridian Parkside Apartments LLC	-	-	456	0.18%
CSX Transportation Inc	-	-	411	0.17%
Radius Apartments	-	-	393	0.16%
Total	\$63,975	18.39%	\$41,935	16.85%

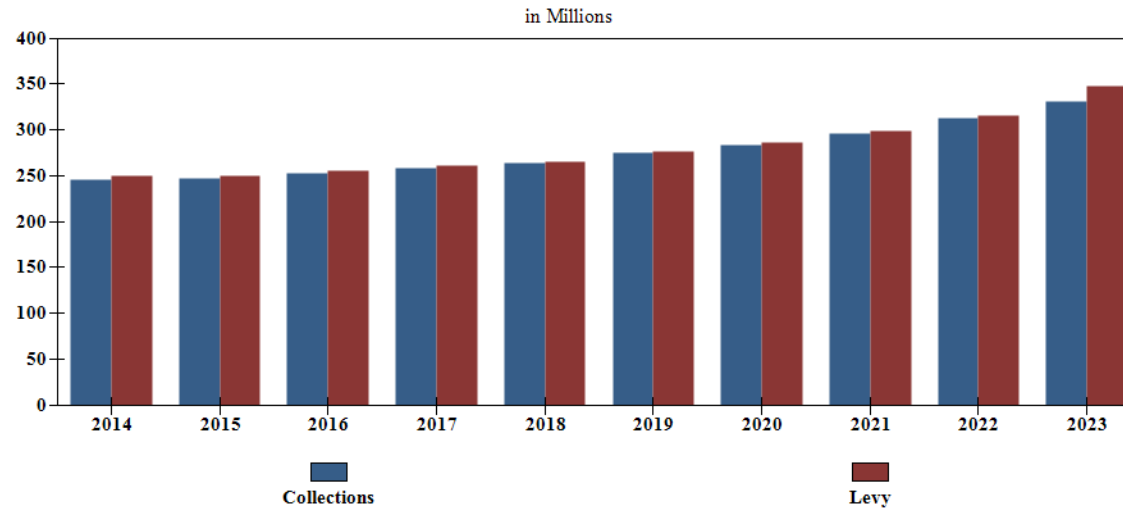
Note: Figures include both personal property and real estate tax assessments for these taxpayers

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		Collections in Subsequent Years	Total Collections for Year	
		Amount	% of Levy		Amount	% of Levy
2014	\$ 248,820	\$ 236,734	95.1%	\$ 8,340	\$ 245,074	98.5%
2015	248,645	238,149	95.8%	9,199	247,348	99.5%
2016	255,057	245,186	96.1%	7,917	253,103	99.2%
2017	260,913	250,535	96.0%	7,873	258,408	99.0%
2018	265,381	255,657	96.3%	7,626	263,283	99.2%
2019	276,004	265,894	96.3%	9,432	275,326	99.8%
2020	285,568	272,988	95.6%	10,061	283,049	99.1%
2021	298,897	284,746	95.3%	11,090	295,836	99.0%
2022	315,260	300,079	95.2%	13,120	313,199	99.3%
2023	348,044	331,467	95.2%	Not Available	331,467	95.2%

Property Tax Levy and Collections



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

	Fiscal Year									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Population	N/A	184,306	184,587	186,247	178,626	179,388	181,825	182,385	182,965	182,020
Personal Income	N/A	N/A	\$ 8,758,253	\$ 8,197,632	\$ 7,969,244	\$ 7,770,354	\$ 7,470,774	\$ 7,448,898	\$ 7,377,992	\$ 7,045,829
Governmental Activities:										
General Obligation Bonds*	\$ 362,163	\$ 402,244	\$ 444,759	\$ 390,384	\$ 414,072	\$ 357,301	\$ 393,024	\$ 367,747	\$ 349,364	\$ 388,106
VRA*	-	-	-	-	13,393	15,270	17,282	19,530	22,129	24,728
VPSA*	-	-	-	-	728	1,075	1,413	1,741	2,430	3,099
Literary Fund	1,770	2,131	2,529	2,940	3,359	3,779	4,199	4,619	5,038	5,458
Capital Leases	-	-	-	-	-	99	211	320	434	571
Land Lease Payable	-	-	-	-	-	-	262	509	742	961
Land Purchase Payable	-	-	-	-	-	-	-	-	-	142
Lease Liability**	15,551	11,465	-	-	-	-	-	-	-	-
Subscription Liability***	5,813	-	-	-	-	-	-	-	-	-
Note Payable	2,884	3,812	-	-	-	-	-	-	-	-
Business-Type Activities:										
Public Utility Bonds	126,449	138,482	149,696	90,357	103,138	116,600	129,367	113,508	127,043	141,464
Lease Liability**	2,807	3,250	-	-	-	-	-	-	-	-
Subscription Liability***	1,101	-	-	-	-	-	-	-	-	-
Total business-type activities	130,357	141,732	149,696	90,357	103,138	116,600	129,367	113,508	127,043	141,464
Total Primary Government	\$ 518,538	\$ 561,384	\$ 596,984	\$ 483,681	\$ 534,690	\$ 494,124	\$ 545,758	\$ 507,974	\$ 507,180	\$ 564,529
Percentage of Personal Income	N/A	N/A	6.8 %	5.9 %	6.7 %	6.4 %	7.3 %	6.8 %	6.9 %	8.0 %
Net Bonded Debt per Capita	N/A	\$ 3,046	\$ 3,234	\$ 2,597	\$ 2,993	\$ 2,754	\$ 3,002	\$ 2,785	\$ 2,772	\$ 3,101

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

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

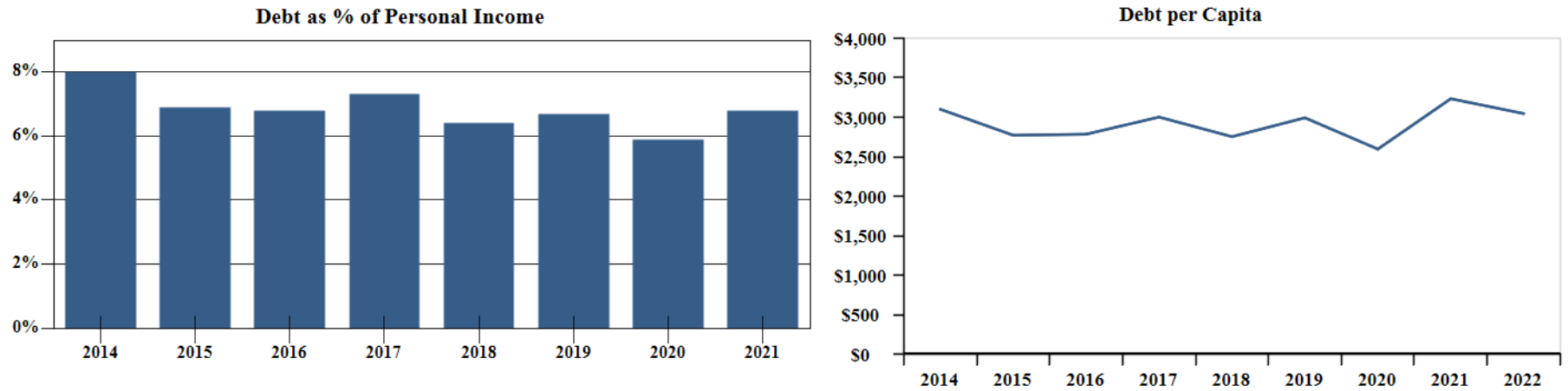
** Balances were added to reflect implementation of GASB 87 in FY2022.

*** Balances were added to reflect implementation of GASB 96 in FY2023.

Source: Population figures are derived as follows: 2014 - 2022 Census Bureau estimates.

N/A: Data currently not available.

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



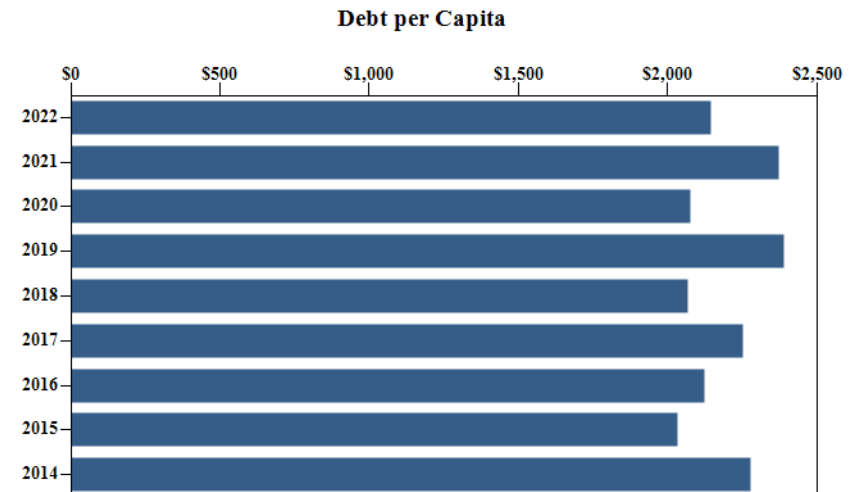
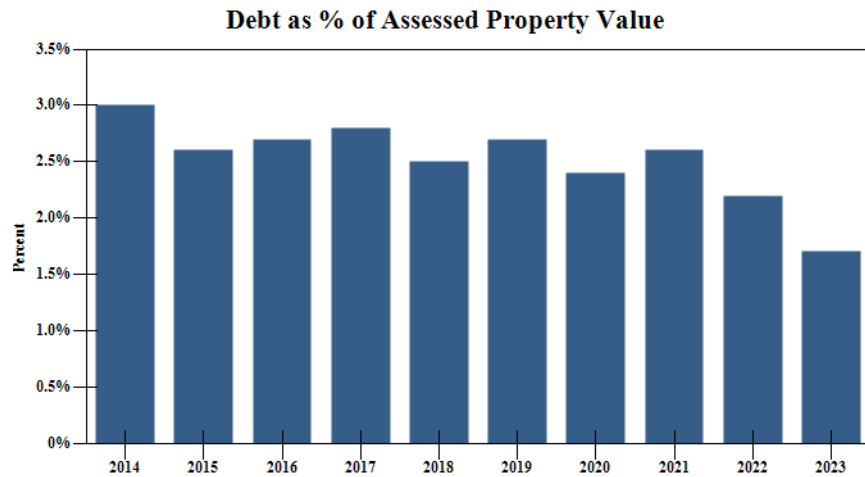
City of Newport News, Virginia
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years
(in thousands of dollars)

Fiscal Year	Population	Assessed Value of Real Property	General Obligation Bonds	Less Debt Service	Net Bonded Debt	Net Bonded Debt as % of Assessed Valuation	Net Bonded Debt per Capita
2014	182,020	\$ 13,996,117	\$ 415,933	\$ 1,560	\$ 414,373	3.0%	\$ 2,277
2015	182,965	14,072,307	373,923	1,739	372,184	2.6%	2,034
2016	182,385	14,393,093	389,018	1,924	387,094	2.7%	2,122
2017	181,825	14,702,701	411,719	2,096	409,623	2.8%	2,253
2018	179,388	14,939,690	373,646	2,277	371,369	2.5%	2,070
2019	178,626	15,521,734	428,193	1,461	426,732	2.7%	2,389
2020	186,247	16,068,910	390,384	3,309	387,075	2.4%	2,078
2021	184,587	16,805,965	444,759	6,667	438,092	2.6%	2,373
2022	184,306	17,706,249	402,244	7,140	395,104	2.2%	2,144
2023	N/A	20,365,803	362,163	13,666	348,497	1.7%	N/A

Source: Population figures are Census Bureau estimates for 2014-2022.

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

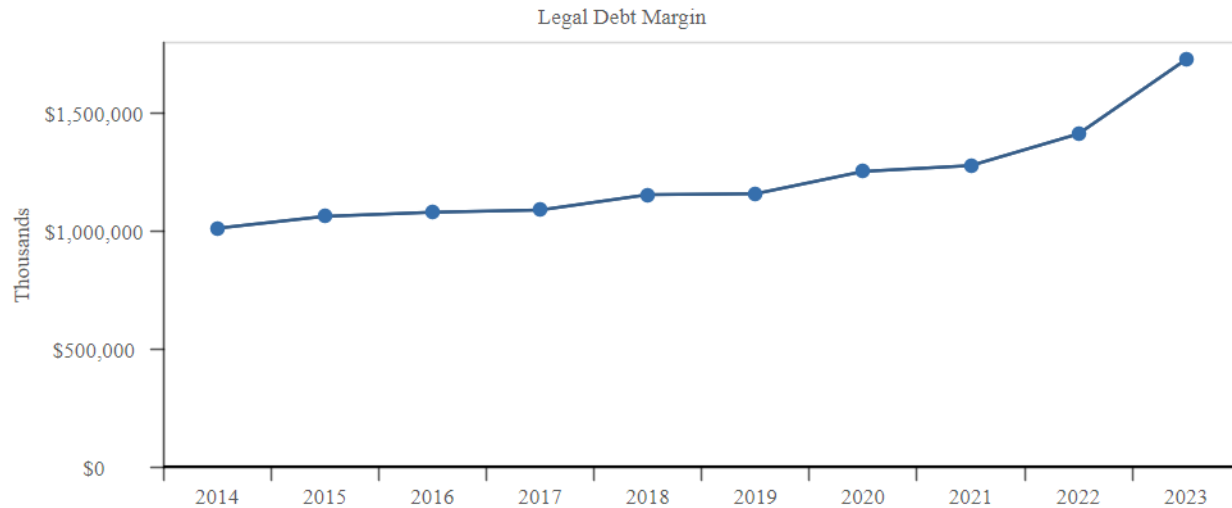
N/A: Data currently not available.



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

	Fiscal Year									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Assessed Value of Real Estate:										
General	\$ 20,365,803,400	\$ 17,706,249,400	\$ 16,805,964,700	\$ 16,068,909,800	\$ 15,521,734,200	\$ 14,939,690,000	\$ 14,702,700,500	\$ 14,393,093,200	\$ 14,072,307,152	\$ 13,996,117,386
Public Service Corporations	430,536,329	408,364,646	398,818,857	382,242,766	384,420,678	379,115,133	355,023,068	349,931,124	352,225,787	352,225,787
Total Assessed Value	20,796,339,729	18,114,614,046	17,204,783,557	16,451,152,566	15,906,154,878	15,318,805,133	15,057,723,568	14,743,024,324	14,424,532,939	14,348,343,173
Total Debt Limit (10% of Total Assessed Value)	2,079,633,973	1,811,461,405	1,720,478,356	1,645,115,257	1,590,615,488	1,531,880,513	1,505,772,357	1,474,302,432	1,442,453,294	1,434,834,317
Bond Outstanding:										
General Obligation, Net of Unamortized Premiums*	355,521,610	394,083,134	434,972,738	378,450,376	414,072,631	354,858,254	390,581,276	365,304,713	346,758,457	384,926,642
General Obligation: Virginia Public School Authority (VPSA)	-	-	-	369,332	727,610	1,075,384	1,413,176	1,741,482	2,430,106	3,099,111
General Obligation: Virginia Resources Authority (VRA) Loan Fund	6,641,178	8,161,314	9,785,786	11,564,302	13,392,767	15,270,245	17,282,464	19,529,503	22,128,990	24,727,534
General Obligation: Virginia Municipal Pool Loans (VMPL)	-	-	-	-	-	-	-	-	162,564	737,565
Literary Fund	1,770,083	2,130,886	2,528,952	2,939,519	3,359,286	3,779,053	4,198,821	4,618,588	5,038,355	5,458,122
Qualified Zone Academy Bonds (QZAB)	-	-	-	-	-	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	(13,666,211)	(7,139,809)	(6,666,898)	(3,308,551)	(1,461,022)	(2,277,296)	(2,096,466)	(1,923,785)	(1,738,973)	(1,559,619)
Total Debt Outstanding	350,266,660	397,235,525	440,620,578	390,014,978	430,091,272	375,246,935	414,032,566	392,033,413	377,655,740	420,402,550
Legal Debt Margin	\$ 1,729,367,313	\$ 1,414,225,880	\$ 1,279,857,778	\$ 1,255,100,279	\$ 1,160,524,216	\$ 1,156,633,578	\$ 1,091,739,791	\$ 1,082,269,019	\$ 1,064,797,554	\$ 1,014,431,767
Total Net Debt Applicable to the Limit as a % of Debt Limit	16.84 %	21.93 %	25.61 %	23.71 %	27.04 %	24.50 %	27.50 %	26.59 %	26.18 %	29.30 %

* Corrected general obligation amounts for 2014-2016 to include unamortized premiums that were previously omitted from schedule.



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

	Fiscal Year									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Revenues	\$ 97,877,754	\$ 96,838,384	\$ 98,809,975	\$ 96,293,903	\$ 95,343,639	\$ 99,350,705	\$ 91,990,145	\$ 89,992,744	\$ 88,819,826	\$ 85,580,834
Less the Sum of:										
Operating Expenses	57,203,018	49,506,315	54,345,807	49,436,821	52,954,934	54,389,582	47,780,964	48,435,441	43,199,329	43,866,179
120% of Max Debt Service on Revenue Bonds	11,635,890	11,635,890	11,635,890	5,620,080	5,707,170	4,145,564	2,788,351	2,213,227	3,129,200	3,129,200
100% of Max Debt Service on General Obligation Water Bonds	5,233,484	7,943,797	7,943,797	7,938,869	10,687,909	12,754,595	15,703,580	15,886,779	15,935,112	16,006,224
	74,072,392	69,086,002	73,925,494	62,995,770	69,350,013	71,289,741	66,272,895	66,535,447	62,263,641	63,001,603
Equals (1)	<u>\$ 23,805,362</u>	<u>\$ 27,752,382</u>	<u>\$ 24,884,481</u>	<u>\$ 33,298,133</u>	<u>\$ 25,993,626</u>	<u>\$ 28,060,964</u>	<u>\$ 25,717,250</u>	<u>\$ 23,457,297</u>	<u>\$ 26,556,185</u>	<u>\$ 22,579,231</u>

(1) Must be positive to meet subsection (i) of the additional bonds test.

Note: Operating expenses exclude depreciation and amortization.

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
2014	182,020	\$	7,045,829	\$ 38,509	32	29,268	6.4%
2015	182,965		7,377,992	40,453	33	29,118	6.0%
2016	182,385		7,448,898	40,967	33	28,865	5.0%
2017	181,825		7,470,774	41,646	33	28,240	4.9%
2018	179,388		7,770,354	43,501	33	28,401	4.2%
2019	178,626		7,969,244	44,465	33	28,381	3.5%
2020	186,247		8,197,632	45,781	33	28,282	5.8%
2021	184,587		8,758,253	47,448	33	27,113	8.0%
2022	184,306		N/A	N/A	34	23,933	4.4%
2023	N/A		N/A	N/A	34	26,162	3.6%

Sources:

Population figures are Census Bureau estimates for 2014-2022.

Personal income: 2014-2021 Bureau of Economic Analysis.

Per capita income: 2014-2021 Bureau of Economic Analysis.

Unemployment rate: 2014 Virginia Workforce Connection; 2015-2023 Virginia Labor Market Information.

Median Age: U.S. Census Bureau.

N/A: Data currently not available.

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

	2023		2014	
	Approximate Number of Employees	Approximate Percentage of Total City Employment	Approximate Number of Employees	Approximate Percentage of Total City Employment
Huntington Ingalls Industries, Inc.	23,000	26.95%	23,000	26.93%
Riverside Regional Medical Center	5,600	6.56%	5,000	5.85%
Newport News Public Schools	4,600	5.39%	5,200	6.09%
City of Newport News	3,500	4.10%	3,900	4.57%
Ferguson Enterprises Inc.	1,500	1.76%	1,500	1.76%
Christopher Newport University	1,300	1.52%	1,200	1.41%
U.S. Department of Army and Air Force	1,000	1.17%	900	1.05%
Canon	1,000	1.17%	1,200	1.41%
Walmart	900	1.05%	1,000	1.17%
Power Solutions LLC	800	0.94%	N/A	N/A
Mary Immaculate Hospital	N/A	N/A	900	1.05%
Total	43,200	50.61%	43,800	51.29%
Approximate Total City Employment	85,347		85,403	

Source: Virginia Employment Commission (VEC). Note 2023 data is most recent data available from the VEC, which may be up to a year in arrears.

N/A: Data currently not available.

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									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Fund, Function, Activity and Elements										
General Fund:										
General Government Administration:										
Legislative:										
City Council	7	7	7	7	7	7	7	7	7	7
City Clerk	4	4	4	4	4	4	4	4	4	4
General and Financial Administration:										
City Manager	18	17	16	12	10	10	10	10	18	18
Human Resources	28	25	23	21	20	20	20	16	15	15
City Attorney	19	19	18	18	18	18	18	18	18	18
Internal Auditor	6	6	6	6	6	6	6	6	6	6
Commissioner of the Revenue	41	42	42	42	42	42	42	42	40	40
Real Estate Assessor	19	19	19	19	19	20	20	21	21	22
City Treasurer	34	34	34	34	34	34	34	34	33	33
Finance	41	41	41	41	41	41	22	18	18	18
Budget and Evaluation	8	8	8	8	7	7	7	7	7	7
Office of Self-Insurance (General Liability Insurance Fund)	5	5	6	6	6	6	6	6	6	6
Purchasing***	-	-	-	-	-	-	18	19	21	20
Information Technology	68	67	68	68	62	64	58	57	57	56
Customer Service - 311 Call Center*	-	-	-	-	-	-	-	-	10	10
Communications*	38	28	28	26	25	25	25	24	-	-
Non-departmental - Security Services****	26	26	41	26	22	-	-	-	-	-
Board of Elections:										
Registrar	5	5	5	5	5	5	5	5	5	5
Total General Government Administration	367	353	366	343	328	309	302	294	286	285
Judicial Administration:										
Courts:										
Circuit Courts	7	7	7	7	7	7	7	7	6	6
Office of the Magistrate	-	-	-	-	-	-	6	6	6	6
Clerk of the Circuit Court	26	25	24	24	24	24	24	24	24	23
Court Services	3	2	2	2	2	2	2	2	2	2
Commonwealth's Attorney	63	62	56	56	54	54	52	49	49	49
Total Judicial Administration	99	96	89	89	87	87	91	88	87	86
Public Safety:										
Law Enforcement and Traffic Control:										
Police Department	635	628	619	607	602	601	594	588	586	586
Fire and Rescue Services:										
Fire Department	395	393	386	386	383	382	381	380	379	380
Correction and Detention:										
Sheriff	222	221	221	221	219	219	219	219	215	215
Adult Corrections**	-	-	-	-	-	-	-	-	60	60
Juvenile Detention	134	134	134	145	145	141	138	130	126	126
Inspections:										
Codes Compliance	40	40	40	40	39	39	39	38	38	38
Total Public Safety	1,426	1,416	1,400	1,399	1,388	1,382	1,371	1,355	1,404	1,405

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										
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Public Works:										
Engineering	64	63	63	63	62	68	70	68	69	78
Public Works Administration*****	85	85	136	139	164	186	185	185	156	152
Total Public Works	149	148	199	202	226	254	255	253	225	230
Welfare:										
Human Services	413	407	396	396	395	387	382	377	377	387
Total Welfare	413	407	396	396	395	387	382	377	377	387
Parks and Library:										
Parks and Recreation*****	137	116	112	109	108	108	108	108	106	108
Parks and Recreation Revolving Fund*****	57	82	82	82	82	80	80	80	83	93
Library	56	55	55	54	53	52	51	52	52	53
Total Parks, Recreation and Library	250	253	249	245	243	240	239	240	241	254
Community Development:										
Planning and Community Development:										
Development	20	20	20	20	20	20	20	19	17	17
Planning	19	19	19	19	19	14	13	13	12	12
Total Community Development	39	39	39	39	39	34	33	32	29	29
Total General Fund	2,743	2,712	2,738	2,713	2,706	2,693	2,673	2,639	2,649	2,676
Other Operating Funds:										
General Services Fund*****	97	94	-	-	-	-	-	-	-	-
Public Utilities Fund	352	352	352	352	352	352	352	352	353	353
Vehicle & Equipment Services Fund*****	-	-	40	40	40	40	40	41	39	39
Solid Waste Revolving Fund	74	74	77	77	77	71	71	66	64	64
Wastewater Fund	112	110	110	110	110	109	108	104	100	99
Stormwater Management Fund	105	104	104	104	104	105	105	98	90	88
Pension Fund	-	-	-	-	-	-	-	6	6	6
Economic and Industrial Authority	5	5	5	5	5	5	5	5	5	5
Parking Authority Fund	2	2	2	2	2	2	2	2	2	2
Law Library	1	1	1	1	1	1	1	1	1	1
Schools	3,862	3,870	3,861	3,884	3,884	3,901	3,934	3,904	3,921	3,937
Peninsula Regional Animal Shelter	17	15	14	13	13	11	11	11	11	11
Total Other Operating Funds	4,627	4,627	4,566	4,588	4,588	4,597	4,629	4,590	4,592	4,605
Total City Employees	7,370	7,339	7,304	7,301	7,294	7,290	7,302	7,229	7,241	7,281

Source: City Adopted Budget.

*The Communications Department was created in FY 2015 and includes the existing 311 Call Center, Video Productions Services from the City Manager's Office and the Graphics division transferred from Purchasing. In addition, in FY 2023, the Tourism portion of the Parks and Recreation Revolving Fund was transferred into the Communications Department.

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

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

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

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

*****In FY 2023, the Historical Services portion of the Parks and Recreation Revolving Fund was transferred into the regular Parks and Recreation Department.

*****In FY 2023, the Historical Services and Tourism portions of the Parks and Recreation Revolving Fund were transferred into the regular Parks and Recreation Department and Communications Department, respectively.

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

	Fiscal Year									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Function/Program										
General Government:										
Retail Sales (Millions)	4,016	3,843	3,352	3,112	2,665	2,146	2,329	2,278	2,212	2,242
Police:										
Calls for Service	232,539	165,712	165,480	176,998	177,649	181,522	148,561	75,150	154,111	170,317
Number of Offenses	16,543	16,623	16,486	18,075	20,015	19,737	20,236	9,855	19,291	20,601
Adult Arrests	14,051	12,518	14,174	15,210	9,712	12,024	12,716	4,997	13,156	15,182
Traffic Summonses	19,364	16,503	19,668	18,183	23,652	23,171	17,828	17,011	22,700	29,974
Traffic Accidents	2,888	2,803	2,720	2,749	3,142	2,909	3,020	1,490	2,924	2,756
Fire:										
Emergency Medical Service/Rescue	26,024	25,191	23,474	21,680	20,142	21,508	19,520	22,938	22,728	27,574
Public Assistance	3,983	3,475	3,064	2,982	1,633	2,579	1,120	1,045	1,939	1,660
Good Intent Calls	3,534	3,149	3,322	2,855	2,535	2,720	2,225	1,817	1,817	150
False/Alarm/Alarm Malfunction	1,904	1,735	1,612	1,542	1,555	1,577	1,488	1,381	1,436	778
Hazardous Conditions	588	579	692	546	692	577	2,093	109	564	572
All Fires	500	533	544	559	490	577	622	543	578	610
Explosions	7	12	12	8	10	15	5	7	7	7
Weather Event/Other	15	23	14	15	23	4	23	9	10	4
Sheriff:										
City Jail Capacity	300	300	300	300	300	300	300	300	300	300
Codes Compliance:										
Building Permits Issued	1,833	1,607	1,624	1,337	1,464	1,475	1,363	1,372	1,545	1,589
Residential Construction	151	128	130	142	137	135	195	222	219	230
Commercial Construction	53	29	14	27	21	18	72	55	76	69
Waterworks:										
Gallons Delivered per Day (Millions)	34	34	33	33	33	33	33	34	35	35
Meters Connected	138,140	134,914	132,100	133,031	130,381	137,754	136,914	134,191	133,722	133,380
Public Works:										
Potholes Repaired	14,390	12,904	13,718	16,626	19,951	20,037	18,494	23,208	19,148	18,148
Streets Resurfaced (Miles)	12	12	11	14	14	3	11	10	12	8
Recyclables Collected (Tons)	5,951	6,333	8,738	7,299	6,447	6,101	6,151	6,300	6,901	7,325
Parks and Recreation:										
Park Visitors (Millions) (All Parks)	4	4	4	4	4	4	4	4	4	4
Celebration of Lights Visitors	125,048	132,694	151,819	100,467	105,149	119,638	111,097	110,679	104,617	103,491
Tourism Visitor Inquiries	156,786	222,917	212,285	140,335	87,747	78,605	241,311	152,252	78,795	77,224
Tourism Website Visits*	248,514	594,759	636,948	545,487	331,643	235,698	380,233	241,722	200,132	198,520
Visitor Guides Distributed	145,000	130,000	162,000	81,000	175,000	175,000	200,000	200,000	200,000	200,000
Library:										
Circulation Transactions	514,240	558,361	468,097	602,383	702,676	692,774	777,457	788,356	887,044	951,241
Reference	66,495	67,329	38,482	57,557	88,967	77,570	85,349	106,329	152,153	321,102
Computer Use/WiFi Sessions	441,541	285,618	152,006	138,437	188,337	249,743	241,301	236,361	302,465	256,929
Program Attendance	14,868	15,336	2,724	37,582	22,264	31,800	20,848	22,442	14,985	16,272
Visitor Count	317,668	236,265	152,962	421,737	567,747	678,439	737,748	890,717	890,717	829,290
Meeting Room Use**	521	1,255	-	515	1,134	1,397	1,228	1,294	1,872	916
Human Services***:										
Individuals Served by TANF, SNAP, and/or Medicaid	84,539	-	-	-	-	-	-	-	-	-
Individuals Housed	208	-	-	-	-	-	-	-	-	-
Foster Children Placed with Forever Families	36	-	-	-	-	-	-	-	-	-
Families Provided Child Care Assistance	664	-	-	-	-	-	-	-	-	-
Schools:										
Average Daily Students	26,162	23,933	27,113	28,282	28,381	28,401	28,240	28,865	29,118	29,268

Source: Various city departments.

* Starting in FY 2017 this includes tablet website visits.

** Due to the COVID-19 Pandemic, Library meeting rooms were closed for public use for all of FY 2021.

*** Operating indicators for the Department of Human Services are being reported beginning in FY 2023.

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

Function/Program	Fiscal Year									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Police:										
Patrol Units	222	239	244	259	243	251	247	242	238	238
Boats	3	4	3	3	3	3	3	3	3	2
Fire:										
Stations	11	11	11	11	11	11	11	11	11	11
Fire Trucks	24	24	24	24	18	18	25	25	25	25
Ambulances	21	19	19	19	12	12	18	18	17	17
Boats	4	2	2	3	2	1	2	2	2	2
Engineering:										
Streetlights	22,750	21,789	21,026	20,811	20,790	20,756	20,424	20,586	21,387	20,308
Traffic Lights	272	272	273	270	268	263	263	261	261	257
Parks and Recreation:										
Parks	36	36	36	36	36	37	37	37	37	36
Acreage	8,920	8,696	8,696	8,696	8,696	8,697	8,697	8,697	8,697	8,697
Athletic Fields	154	154	154	154	154	154	154	154	154	154
Mini-parks	3	3	3	3	3	3	3	3	3	3
Beach/Waterfront Areas	8	8	8	8	8	8	8	8	8	8
Boat Ramps	8	8	8	9	7	7	7	7	7	7
Golf Courses	2	2	2	2	2	2	2	2	2	2
Swimming Pools	3	3	3	3	3	3	3	3	3	3
Tennis Courts (Free)	57	57	57	57	57	57	57	57	57	57
Tennis Courts (Pay)	24	24	24	24	24	24	24	24	24	24
Squares	3	3	3	3	3	3	3	3	3	3
Library:										
Libraries	3	3	3	4	5	5	5	5	5	5
Law Libraries	1	1	1	1	1	1	1	1	1	1
Waterworks:										
Miles of Pipe	1,776	1,769	1,772	1,769	1,762	1,762	1,758	1,754	1,754	1,746
Fire Hydrants	11,481	11,585	11,472	11,357	11,363	11,286	11,122	11,069	11,113	10,987
Public Works:										
Refuse Carts	82,894	82,457	84,647	82,548	81,808	80,674	82,251	76,654	76,654	77,619
Streets (Miles)	508	508	506	507	506	506	505	510	505	505
Lanes (Miles)*	1,197	1,197	1,189	1,187	1,186	1,185	1,184	1,203	1,193	1,193
Sanitary Sewers (Miles)**	714	595	587	587	587	585	583	584	584	699
Storm Sewers (Miles)	672	680	680	680	681	677	651	599	607	717
Pump Stations	188	188	188	187	187	185	183	183	183	182
Schools:										
Early Childhood Centers	3	3	4	4	4	4	4	4	4	4
Elementary Schools	24	24	24	24	24	24	24	24	24	24
Middle Schools	7	7	7	7	7	7	7	7	7	7
High Schools	5	5	5	5	5	5	5	5	5	5
Middle-High Combo Schools	1	1	1	1	1	1	1	1	1	1

Source: Various city departments.

*For previous years beginning in 2012, Non-VDOT eligible roads were included in Lane Miles. The correct totals have been provided for FY16 - FY23 and totals were corrected for FY14 and FY15.

**In FY23, the method of calculating the number of sanitary sewers miles changed to more accurately include lateral lines.

**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, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 8, 2023.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and one (1) instance of noncompliance required to be reported under the *Specifications for Audits of Cities, Counties, and Towns*, which is described in the accompanying Schedule of Findings and Questioned Costs as item 2023-002.

City's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs.

The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cherry Bekaert LLP

Tysons Corner, Virginia
December 8, 2023

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

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

Report on Compliance for Each Major Federal Program

Qualified and Unmodified Opinions

We have audited the City of Newport News, Virginia's (the "City") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2023. The City's major federal programs are identified in the *Summary of Auditor's Results* section of the accompanying schedule of findings and questioned costs.

Qualified Opinion on Medical Assistance Program (ALN 93.778)

In our opinion, except for the noncompliance described in the *Basis for Qualified and Unmodified Opinions* section of our report, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Medical Assistance Program for the year ended June 30, 2023.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the *Summary of Auditor's Results* section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2023.

Basis for Qualified and Unmodified Opinions

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

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

Matter Giving Rise to Qualified Opinion on Medical Assistance Program

As described in the accompanying schedule of findings and questioned costs, the City did not comply with requirements regarding Medical Assistance Program's (ALN 93.778) as described in finding number 2023-001 for Eligibility.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Other Matters

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

Report on Internal Control over Compliance

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

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2023-001 to be a material weakness.

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

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

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

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

Cherry Bekaert LLP

Tysons Corner, Virginia
December 8, 2023

City of Newport News, Virginia
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

<u>Federal Granting Agency/Recipient State Agency</u>	<u>Assistance Listing</u>	<u>Federal Expenditures</u>	<u>Passed Through to Sub-Recipients</u>
DEPARTMENT OF AGRICULTURE			
Pass-through Payments:			
Department of Social Services:			
State Administrative Matching Grants for Food Stamp Program (765-460-03; 765-452-13)	10.561	\$ 6,500,131	
Department of Agriculture:			
School Lunch Program-Commodities	10.555	\$ 9,598	
Department of Education:			
School Breakfast Program (777-360-01; 777-360-03)	10.553	89,805	
Total Child Nutrition Cluster		99,403	
DEPARTMENT OF HOUSING & URBAN DEVELOPMENT			
Direct Payments:			
Community Development Block Grants	14.218	1,348,220	
Community Development Block Grants	14.218	436,762	
Total Community Development Block Grants		1,784,982	\$ 1,784,982
Pass-through Payments:			
Department of Housing & Community Development:			
Neighborhood Stabilization Program (08-NSP-05)	14.239	289,494	289,494
Economic Development Initiative Special Projects (B08-SP-VA-0709)	14.889	50,823	
VA COVID Homelessness Emergency Response Program Grant			
CHERP partnership with the City of Hampton	14.231	74,713	
DEPARTMENT OF JUSTICE			
Direct Payments -			
Office of Justice Programs:			
Edward Byrne Memorial Justice Assistance Grants	16.738	75,550	
Law Enforcement based Victim Specialist Program	16.582	32,389	
Pass-through Payments:			
Department of Criminal Justice Service:			
Victims of Crime Act (VOCA)	16.575	340,205	
Equitable Sharing Program	16.579	52,846	
Juvenile Accountability Block Grants	16.540	70,615	
Residential Substance Abuse Treatment	16.593	122,919	
DEPARTMENT OF TRANSPORTATION			
Pass-through Payments:			
Va Department of Transportation:			
Highway Planning & Construction	20.205	6,275,753	
Highway Planning & Construction--Safe Routes	20.205	4,416	
Total Highway Planning & Construction		6,280,169	
Va Department of Motor Vehicles:			
DMV Select Enforcement	20.607	55,910	
Totals, page 1		\$ 15,830,149	\$ 2,074,476

City of Newport News, Virginia
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

<u>Federal Granting Agency/Recipient State Agency</u>	<u>Assistance Listing</u>	<u>Federal Expenditures</u>	<u>Passed Through to Sub-Recipients</u>
DEPARTMENT OF THE TREASURY			
Pass-through Payments:			
Virginia Department of Accounts:			
Virginia Department of Finance-ARPA	21.027	\$ 34,207,856	
Virginia Department of Housing and Community Development (ARPA-SLFRF-MUAP)	21.027	245,288	
Virginia's Attorney General's Office	21.027	300,000	
Virginia Department of Criminal Justice Service-ARPA	21.027	293,318	
Total ARPA		\$ 35,046,462	
INSTITUTE OF MUSEUM AND LIBRARY SERVICES			
Library of Virginia - ARPA	45.310		2,196
DEPARTMENT OF HEALTH & HUMAN SERVICES			
Pass-through Payments:			
Virginia Department of Education			
ARPA - Child Care Stabilization	93.575		1,249,368
Department of Social Services:			
Foster Care - Title IV-E Guardianship	93.090		1,420
Maternal, Infant and Early Childhood Home (MIECH) Visiting Program	93.870		462,864
Youth & Family Services Grant	93.472		51,918
Promoting Safe and Stable Families (765-469-01)	93.556		365,901
Temporary Assistance for Needy Families(765-452-01; 765-460-03)	93.558	2,504,209	-
Healthy Families	93.558	275,425	-
Virginia First Cities TANF Grant	93.558	597,868	
Total TANF Cluster			3,377,502
Refugee and Entrant Assistance (765-460-03; 765-491-02)	93.566		223,687
Low-Income Home Energy Assistance (765-460-03)	93.568		444,721
Child Care and Development Block Grant Act of 1990 (765-452-15)	93.575	(9,507)	
Child Care and Development Mandatory Matching Funds (765-460-03)	93.596	549,039	
Total Child Care Cluster			539,532
Chafee Education and Training Vouchers Program (765-469-01)	93.599		10,819
Adoptive Incentive	93.603		5,000
Child Welfare Services State Grants (765-460-06)	93.645		4,360
Foster Care - Title IV-E (765-460-03; 765-460-06; 765-469-01)	93.658		2,024,705
Adoption Assistance (765-460-03; 765-469-03)	93.659		2,534,728
Social Services Block Grant (765-460-03; 765-468-02; 765-469-01)	93.667	1,919,212	
Social Services Block Grant (765-460-03; 765-468-02; 765-469-01)	93.667	141,782	
Total Social Services Block Grant			2,060,994
Independent Living (765-460-03; 765-469-01)	93.674		50,604
APS COVID-19 Relief (CRRSA Funds)	93.747		13,248
State Children's Insurance Program (765-460-03)	93.767		27,297
Medical Assistance Program - Title XIX (765-460-03;)	93.778		3,383,788
SOCIAL SECURITY ADMINISTRATION			
Direct Payments:			
Social Security Incentive Program	96.006		20,400
DEPARTMENT OF HOMELAND SECURITY (FEMA)			
Direct Payments:			
Port Security Grant Program	97.056		607,345
FEMA Dept of Homeland Security	97.044		47,182
Pass-through Payments:			
Department of Emergency Management:			
Emergency Management Performance Grants (127-775-01)	97.042		112,508
Homeland Security Grant Program	97.067		92,000
Totals, page 2		52,760,549	-
Grand Totals		\$ 68,590,698	\$ 2,074,476

City of Newport News, Virginia
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

(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 \$1,348,220 and \$436,762 respectively.

(2) Relationship to Basic Financial Statements

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

	Federal expenditures
General Fund	\$ 20,910,703
Special Revenue Funds Capital Projects	6,275,753
Special Revenue Funds	41,404,239
	<hr/>
Total expenditures	\$ 68,590,695
	<hr/>

(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, 2023

A. Summary of Auditor's Results

1. The type of report issued on the basic financial statements: **Unmodified opinion.**
2. Significant deficiencies in internal control disclosed by the audit of the financial statements: **None reported.**
3. Material weaknesses in internal control disclosed by the audit of financial statements: **No.**
4. Noncompliance, which is material to the financial statements: **No.**
5. Significant deficiencies in internal control over major programs: **None reported.**
6. Material weaknesses in internal control over major programs: **Yes, Finding 2023-001.**
7. The type of report issued on compliance for major programs:
Qualified for Medical Assistance Program (ALN 93.778).
Unmodified for all other major programs.
8. Any audit findings which are required to be reported in accordance with 200.516(a) of the Uniform Guidance: **Yes.**
9. The programs tested as major programs were:

<u>Assistance Listing</u>	<u>Name of Federal Program or Cluster</u>
93.778	Medical Assistance Program - Medicaid Cluster
10.551	Supplemental Nutrition Assistance Program
20.205	Highway Planning and Construction
21.027	Coronavirus State and Local Fiscal Recovery Funds

10. Dollar threshold used to distinguish between type A and type B programs: **\$2,057,721.**
11. City of Newport News qualified as a low-risk auditee under in accordance with 200.516(a) of the Uniform Guidance: **No.**

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

No.

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

YEAR ENDED JUNE 30, 2023

C. Findings and Questioned Costs Relating to Federal Awards

2023-001: Compliance Qualification and Material Weakness – Eligibility for Medical Assistance Program – Medicaid Cluster (AL Number 93.778) – U.S. Department of Health and Human Services – Virginia Department of Social Services (Repeat finding 2021-001).

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

Condition: Of the sixty (60) participants selected for testing, one (1) participant did not have either a renewal or an original application located in the physical participant case file or in the electronic Medicaid system. Consequently, the initial or required re-determination of the participants eligibility could not be verified through our testwork.

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

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

Questioned Cost: Undeterminable.

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

Views of Responsible Officials and Planned Corrective Actions: The Department of Human Services is in agreement with the findings related to missing application/renewal forms for the noted cases. Refer to the City's corrective action plan for further details.

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

YEAR ENDED JUNE 30, 2023

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

2023-002: Information Security System Controls

Criteria: In accordance with Section 3-15 of the *Specifications for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia (the "Specifications"), users separated from employment with access to local department of social services information systems, should have their privileged access to all systems removed immediately (defined as within 3 working days).

Condition: Of the five (5) terminated employees, terminated in fiscal year 2023, of the local department of social services subjected to testing, one (1) employee's access was not terminated within three working days.

Cause: Human Resources failed to report the separation to the Information Technology (IT) department in a timely manner resulting in a delay in access removal.

Effect: The City of Newport News, Virginia (the "City") is not in compliance with Section 3-15 of the Specifications and non-compliance may result in action by the Commonwealth.

Recommendation: The City should train and reinforce the importance of a timely communication between human resources and the IT department in order to prevent unauthorized access.

Views of Responsible Officials: The City concurs with the auditor's finding and recommendation. Refer to the City's corrective action plan for further details.

E. Status of Prior Year Findings

2022-001 – Medicaid Program Assistance – Finding repeated as 2023-001.

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2023 Annual Comprehensive Financial Report

CITY OF NEWPORT NEWS, VA