PRELIMINARY OFFICIAL STATEMENT DATED SEPTEMBER 23, 2026
ELECTRONIC BIDS TO BE RECEIVED THROUGH MUNIAUCTION
ON SEPTEMBER 29, 2026

NEW ISSUE
BOOK-ENTRY ONLY

Ratings: Moody's " Aa1"
S&P's "AAA"
(See "Ratings" herein)

In the opinion of Hawkins Delafield & Wood, LLP, New York, New York, Bond Counsel to the City, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, interest on the Series 2026 Bonds (i) is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986 (the "Code") and (ii) is not treated as a preference item in calculating the federal alternative minimum tax imposed under the Code, however interest on the Series 2026 Bonds is included in the "adjusted financial statement income" of certain corporations that are subject to the alternative minimum tax under Section 55 of the Code. See "TAX MATTERS".

In addition, in the opinion of Bond Counsel to the City, under the existing statutes of the Commonwealth of Virginia, interest on the Series 2026 Bonds is not includable in computing the Virginia income tax.

$15,930,000*
City of Newport News, Virginia
Water Revenue Refunding Bonds,
Series 2026

Dated: Date of Delivery **Due: As shown on the inside cover page**

The Series 2026 Bonds will be issued as fully registered bonds in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Series 2026 Bonds under a book-entry only system. Individual purchases of beneficial ownership interests in the Series 2026 Bonds may be made in denominations of $5,000 or integral multiples thereof. Purchasers will not receive certificates representing their interests in the Bonds purchased. Payments of principal and interest will be made by wire transfer to DTC or its nominee, Cede & Co., which will then remit such payments to the DTC Participants, for subsequent disbursement to the Beneficial Owners of the Bonds, as described in APPENDIX F "THE DEPOSITORY TRUST COMPANY AND THE BOOK-ENTRY SYSTEM."

The Series 2026 Bonds are limited obligations of the City payable solely from Revenues derived from the City's water system and other funds pledged for their payment under the terms of the Resolution, as herein defined, adopted by the Council of the City and under which U.S. Bank Trust Company, National Association is appointed Trustee, Registrar and Paying Agent for the benefit of the registered owners of the Series 2026 Bonds. **Neither the faith and credit of the Commonwealth of Virginia nor the faith and credit of any county, city, town or other subdivision of the Commonwealth of Virginia, including the City, is pledged to the payment of principal of, premium, if any, or interest on the Series 2026 Bonds.**

The Bonds will be dated the date of their delivery and will mature in each of the years and in the principal amounts set forth on the inside cover of this Official Statement. The Series 2026 Bonds will bear interest from their date of delivery, payable semi-annually on July 15 and January 15, commencing January 15, 2027. The Series 2026 Bonds will not be subject to redemption prior to their stated maturities.

Electronic bids for the Series 2026 Bonds will be received by the City on September 29, 2026, as described in the Official Notice of Sale, dated September 23, 2026, set forth in Appendix G to this Official Statement. The Series 2026 Bonds are offered when, as and if issued, and received by the Underwriters and subject to the approval of validity by Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel to the City, and certain other conditions. Certain legal matters will be passed upon for the City by the City Attorney. It is expected that the Series 2026 Bonds will be available through the facilities of The Depository Trust Company for delivery in New York, New York, on or about October 15, 2026.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors should read the entire Official Statement to obtain information essential to making an informed investment decision.

Dated: _________, 2026

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* Preliminary, subject to adjustment in accordance with the provisions of the Official Notice of Sale.

$15,930,000*
City of Newport News, Virginia
Water Revenue Refunding Bonds,
Series 2026

MATURITIES, AMOUNTS, INTEREST RATES, YIELDS AND CUSIP NUMBERS

Year (July 15)*	Principal Amount*	Interest Rate	Yield	CUSIP Numbers**
2027	$1,260,000	%	%	
2028	1,325,000			
2029	1,390,000			
2030	1,460,000			
2031	1,540,000			
2032	1,615,000			
2033	1,700,000			
2034	1,790,000			
2035	1,880,000			
2036	1,970,000			

* Preliminary, subject to adjustment in accordance with the provisions of the Official Notice of Sale.

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City of Newport News, Virginia

CITY COUNCIL

PHILLIP D. JONES, Mayor
CURTIS D. BETHANY, III, Vice Mayor
ROBERT COLEMAN
JOHN R. ELEY, III
MARCELLUS L. HARRIS, III
CLEON M. LONG, P.E.
TINA L. VICK

ALAN K. ARCHER, City Manager
SABRINA JOY-HOGG, Senior Deputy City Manager
EOGHAN MILLER, Deputy City Manager
GINGER BLOUNT-MOORE, Deputy City Manager
ROBERT PEALO, City Attorney
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The information contained in this Official Statement (which term shall be deemed to include all Appendices to this Official Statement and all documents incorporated herein by reference) has been obtained from the City and other sources deemed reliable. The information concerning DTC has been obtained from DTC. No representation is made, however, as to the accuracy or completeness of the information contained in this Official Statement, and nothing contained in this Official Statement is, or shall be relied upon as, a promise or representation by the City. This Official Statement is submitted in connection with the sale of the securities described in it and may not be reproduced or used, in whole or in part, for any other purpose. The information contained in this Official Statement is subject to change without notice and neither the delivery of this Official Statement nor any sale made by means of it shall, under any circumstances, create any implication that there have not been changes in the affairs of the City since the date of this Official Statement. This Official Statement is not to be construed as a contract or agreement between the City and the purchasers of any of the Series 2026 Bonds.

No broker, dealer, sales representative or any other person has been authorized by the City to give any information or to make any representation other than as contained in this Official Statement in connection with the offering described in it and, if given or made, such other information or representation must not be relied upon as having been authorized by the City. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy any securities other than those described on the cover page and inside cover page hereof, nor shall there be any offer to sell, solicitation of an offer to buy or sale of such securities by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The Series 2026 Bonds will be exempt from registration under the Securities Act of 1933, as obligations of a political subdivision of the Commonwealth of Virginia. The Series 2026 Bonds also will be exempt from registration under the securities laws of the Commonwealth of Virginia.

The electronic distribution of this Official Statement does not constitute an offer to sell or the solicitation of an offer to buy the Series 2026 Bonds described herein to the residents of any particular state and is not specifically directed to the residents of any particular state. The Series 2026 Bonds will not be offered or sold in any state unless and until they are either registered pursuant to the laws of such state, or qualified pursuant to an appropriate exemption from registration in such state.

In making an investment decision investors must rely on their own examination of the terms of the offering, including the merits and risks involved. These securities have not been recommended by any federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this document. Any representation to the contrary is a criminal offense.

All quotations from and summaries and explanations of laws and documents herein do not purport to be complete, and reference is made to such laws and documents for full and complete statements of their provisions. Any statements made in this Official Statement involving estimates or matters of opinion, whether or not expressly so stated, are intended merely as estimates or opinions and not as representations of fact.

Any References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this offering document for purposes of, and as that term is defined in, Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934.

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements." Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "budget," "intend," "projection" or other similar words. Such forward-looking statements include, but are not limited to, certain statements contained herein under the heading "CITY OF NEWPORT NEWS WATERWORKS AND WATER SYSTEM" and the information in APPENDIX A to this Official Statement. The achievement of certain results or other expectations contained in such forward-looking statements involves known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The City does not plan to issue any updates or revisions to those forward-looking statements.

IN CONNECTION WITH THE OFFERING OF THE SERIES 2026 BONDS, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICES OF THE SERIES 2026 BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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OFFICIAL STATEMENT

Relating to the Issuance of

$15,930,000*
City of Newport News, Virginia
Water Revenue Refunding Bonds,
Series 2026

INTRODUCTORY STATEMENT

The purpose of this Official Statement, including the information contained in the Appendices, is to furnish information relating to the City of Newport News, Virginia (the "City"), its water system and its Water Revenue Refunding Bonds, Series 2026 (the "Series 2026 Bonds") to be issued in the aggregate principal amount of $15,930,000*. This Official Statement has been authorized by the City for use in connection with the sale of the Series 2026 Bonds.

The Series 2026 Bonds will be issued pursuant to the Public Finance Act of 1991, Chapter 26 of Title 15.2 of the Code of Virginia, as amended (the "Act"). The Series 2026 Bonds are being issued under the provisions of a Bond Resolution adopted by the Council of the City on January 23, 2007, as amended and supplemented (the "Bond Resolution"), including a Supplemental Resolution adopted by the Council of the City on September 22, 2026 (the "Supplemental Resolution"). The Bond Resolution, as amended and supplemented, including as supplemented by the Supplemental Resolution, is referred to herein as the "Resolution."

The Bonds are to be sold at competitive sale on September 29, 2026, in accordance with the terms, conditions and provisions of the Official Notice of Sale attached hereto as Appendix G. See "SALE AT COMPETITIVE BIDDING" herein.

The Series 2026 Bonds are being issued to refund and redeem all or a portion of the City's Water Revenue Refunding Bonds, Series 2016 (the "Series 2016 Bonds") the proceeds of which were used to refinance capital improvements to, the renewal and replacement of capital assets of, and the purchasing and installing of new equipment for, the City's water system (the "System"). For a more detailed description of the System and the City's Waterworks Department, see "CITY OF NEWPORT NEWS WATERWORKS AND WATER SYSTEM" herein.

The City is the fourth largest city in the Commonwealth of Virginia and is a major shipbuilding center and port. The City's population is approximately 183,230, based on 2025 U.S. Census Bureau. For a more detailed description of the City, including certain demographic, financial and operating information relating to the City, see APPENDIX A attached hereto.

The City has previously issued its Water Revenue Refunding Bonds, Series 2016 (the "Series 2016 Bonds"), Water Revenue Bonds, Series 2017 (the "Series 2017 Bonds") and Water Revenue Bonds, Series 2021 (the "Series 2021 Bonds") under the Resolution. The Series 2026 Bonds are being issued to refund and redeem all or a portion of the Outstanding Series 2016 Bonds, as described herein under the heading "PLAN OF REFUNDING". Upon the issuance of the Series 2026 Bonds, in addition to the Series 2026 Bonds, there shall be outstanding under the Resolution $15,990,000 aggregate principal amount of the Series 2017 Bonds and $46,180,000 aggregate principal amount of the Series 2021 Bonds. The Resolution provides for the issuance from time to time of Additional Bonds thereunder. The Series 2017 Bonds, the Series 2021 Bonds, the Series 2026 Bonds and any Additional Bonds issued under the Resolution are hereinafter referred to collectively as the "Bonds". All Bonds issued under the Resolution shall be equally and ratably secured under the Resolution,

* Preliminary, subject to adjustment in accordance with the provisions of the Official Notice of Sale.

without preference, priority or distinction over any other, except as expressly provided in the Resolution. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" herein.

The Series 2026 Bonds will be limited obligations of the City, payable solely from Revenues derived from the System and other funds pledged for their payment under the terms of the Resolution. Neither the faith and credit of the Commonwealth of Virginia nor the faith and credit of any county, city, town or other subdivision of the Commonwealth of Virginia, including the City, is pledged to the payment of the principal of, premium, if any, or interest on the Series 2026 Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS."

The Series 2026 Bonds will be issued in authorized denominations of $5,000, or integral multiples thereof, and held in book-entry only form by The Depository Trust Company ("DTC"), or its nominee, as securities depository. See APPENDIX F hereto. The Series 2026 Bonds are not subject to optional redemption prior to their stated maturities.

U.S. Bank Trust Company, National Association (hereinafter also referred to as the "Trustee") has been appointed and is serving as Trustee, Registrar and Paying Agent for the Bonds under the Resolution. The Trustee has neither reviewed nor participated in the preparation of this Official Statement.

Certain capitalized terms not otherwise defined herein shall have the meanings set forth in the Resolution. See "DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION" included as APPENDIX C to this Official Statement.

PLAN OF REFUNDING*

The City is issuing the Series 2026 Bonds to refund and defease $17,340,000* aggregate principal amount of the City of Newport News Water Revenue Refunding Bonds, Series 2016 (the "Refunded Bonds"). The Refunded Bonds are more particularly described below*.

City of Newport News, Virginia,
Water Revenue Refunding Bonds, Series 2016, Dated June 2, 2016

Year of Maturity (July 15)	Principal Amount	Interest Rate	Redemption Date	Redemption Price	CUSIP Number
2027	$1,370,000	5.00%	11/16/2026	100%	652282BQ6
2028	1,440,000	5.00	11/16/2026	100	652282BR4
2029	1,515,000	5.00	11/16/2026	100	652282BS2
2030	1,590,000	5.00	11/16/2026	100	652282BT0
2031	1,675,000	5.00	11/16/2026	100	652282BU7
2032	1,760,000	5.00	11/16/2026	100	652282BV5
2033	1,850,000	5.00	11/16/2026	100	652282BW3
2034	1,950,000	5.00	11/16/2026	100	652282BX1
2035	2,045,000	5.00	11/16/2026	100	652282BY9
2036	2,145,000	5.00	11/16/2026	100	652282BZ6

A portion of the proceeds of the sale of the Series 2026 Bonds will be deposited with the Trustee, as Escrow Agent, under an Escrow Deposit Agreement, dated the date of issuance of the Bonds (the "Escrow Deposit Agreement"), which will create an irrevocable escrow fund to be applied solely to the payment of the Refunded Bonds on and to their redemption date. Such proceeds will be invested in Government Securities (as defined in the Escrow Deposit Agreement). The Government Securities will mature and bear interest payable at

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* Preliminary, subject to adjustment in accordance with the provisions of the Official Notice of Sale.

the times and in the amounts sufficient to pay interest when due on the Refunded Bonds to their redemption date and to pay the redemption price of the Refunded Bonds on such redemption date. Upon such deposit to the escrow fund under the Escrow Deposit Agreement, the Refunded Bonds will be deemed paid and no longer Outstanding under the Resolution. The sufficiency of the escrow fund to pay the Refunded Bonds up to and on their redemption date will be independently verified in connection with the issuance, issued prior to delivery of, the Series 2026 Bonds. See "VERIFICATION" herein.

SOURCES AND USES OF FUNDS

The estimated sources and uses of funds for the Series 2026 Bonds are as follows:

Sources of Funds:	
Par Amount of the Series 2026 Bonds	$_______________
[Net] Original Issue [Premium/Discount]	_______________
[Funds of the City]	_______________
Total Sources of Funds	$_______________
Uses of Funds:	
Refunding of the Refunded Bonds	$_______________
Underwriter's Discount	_______________
Costs of Issuance	_______________
Total Uses of Funds	$_______________

DESCRIPTION OF THE SERIES 2026 BONDS

General

The Series 2026 Bonds will be dated the date of their delivery and will mature on July 15 in the years and amounts and bear interest at the rates set forth on the inside cover page of this Official Statement. Interest on the Series 2026 Bonds will be payable semi-annually on July 15 and January 15, commencing January 15, 2027. The record date for the Series 2026 Bonds will be each June 30 and December 31, commencing December 31, 2026. The Trustee will act as Registrar and Paying Agent for the Series 2026 Bonds under the Resolution. The Series 2026 Bonds will not be subject to optional redemption prior to their stated maturities.

The Series 2026 Bonds will be issued in fully registered form in the denominations of $5,000 or integral multiples thereof and will be held by The Depository Trust Company ("DTC"), or its nominee, as securities depository with respect to the Bonds. See APPENDIX F "THE DEPOSITORY TRUST COMPANY AND THE BOOK-ENTRY SYSTEM." Purchases of beneficial ownership interest in the Series 2026 Bonds will be made only in book-entry form and individual purchasers will not receive physical delivery of Series 2026 Bond certificates.

No Redemption

The Series 2026 Bonds are not subject to redemption prior to their stated maturities.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

Pledge Under the Resolution

The Series 2026 Bonds, together with the Series 2017 Bonds, the Series 2021 Bonds and any Additional Bonds issued from time to time under the Resolution (collectively, the "Bonds"), are limited obligations of the City payable solely from the Revenues pledged under the Resolution and, except as otherwise specified, from the Funds and Accounts established under the Resolution. In the Resolution, the City has pledged the Revenues to secure payment of all Bonds issued thereunder, equally and ratably without preference, priority or distinction. As defined in the Resolution, "Revenues" means all rates, fees, rentals, connection fees or other charges or other income received or accrued by the City (including System development fees and moneys received from other political subdivisions within the service area of the System), in connection with the management and operation of the System, and all parts thereof, including all amounts received or accrued from the investment or deposit of moneys in the Funds or Accounts created and established under the Resolution which are required by the Resolution to be deposited in the Revenue Fund, all as calculated in accordance with generally accepted accounting principles, but shall not include customer deposits, the proceeds of any special assessments for water improvements, restricted proceeds from the sale of land and any amounts collected by the City representing the Commonwealth of Virginia sales taxes or Commonwealth of Virginia user fees which are required by law or agreement to be paid to the Commonwealth of Virginia.

Neither the faith and credit of the Commonwealth of Virginia nor the faith and credit of any county, city, town or other subdivision of the Commonwealth of Virginia, including the City, is pledged to the payment of the principal of, premium, if any, or interest on the Bonds.

Rate Covenant

The Resolution provides that prior to the commencement of each Fiscal Year, the City shall fix, establish and maintain or cause to be fixed, established and maintained such rates and charges for the provision and sale of services provided by the System, and revise or cause to be revised the same from time to time whenever necessary (including without limitation upon any amendment of the Operating Budget), as will produce Revenues (including Revenues to be derived from interest or other investment income earned in any Fund or Account which is required to be deposited into the Revenue Fund) in such Fiscal Year of not less than the total of (i) the Operating Expenses budgeted for such Fiscal Year (as revised upon any amendment of the Operating Budget), (ii) 120% of (1.20 times) the Debt Service to become due during such Fiscal Year and (iii) 100% of (1 times) the debt service on the City's Subordinate Obligations and general obligation water bonds (the "Rate Covenant").

In satisfying the Rate Covenant there shall be deducted from the calculation of Debt Service any interest payments on the Bonds for which moneys have been deposited in the Debt Service Fund from the proceeds of such Bonds as accrued interest or deposited in the Capitalized Interest Account in the Construction Fund as capitalized interest.

If it shall be determined that the actual Revenues for the immediately preceding Fiscal Year shall be less than the total of (i) the actual Operating Expenses for such Fiscal Year, (ii) 120% of (1.20 times) the actual Debt Service for such Fiscal Year and (iii) 100% of (1 times) the debt service on the City's Subordinate Obligations and general obligation water bonds, the City shall immediately cause to be prepared a special report that recommends the actions, including rate increases, necessary to comply with the Rate Covenant and, within sixty (60) days after the special report is prepared, the City shall file or cause to be filed with the Trustee a copy of such special report accompanied by a statement as to the actions being taken by the City to cure its failure to comply with the Rate Covenant.

No free service shall be provided from the System for any period during which the City is not in compliance with the Rate Covenant.

See APPENDIX C – DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION for definitions of: "Operating Budget"; "Operating Expenses"; "Fiscal Year"; "Funds"; "Accounts"; "Debt Service"; "Subordinate Obligations"; "Debt Service Fund"; "Revenue Fund"; "Capitalized Interest Account"; and "Construction Fund".

Additional Bonds

The City will not issue any other obligations payable from the Revenues derived from the operation of the System having priority to or being on a parity with the lien of the Bonds issued pursuant to the Resolution, nor voluntarily create or cause to be created any debt, lien, pledge, assignment, encumbrance or any other charge having priority to or being on a parity with the lien of the Bonds issued pursuant to the Resolution, except upon the conditions and in the manner provided in the Resolution. Notwithstanding the foregoing, as hereinafter more fully described, the City may from time to time issue Subordinate Obligations having a lien on the Revenues of the System inferior to the lien of the Bonds.

Except as otherwise provided in the Resolution with respect to the issuance of Refunding Bonds, no Bonds shall be issued under the Resolution unless either:

(i) the Revenues for any twelve (12) consecutive calendar months in the eighteen (18) calendar months immediately preceding the delivery of the series of Bonds to be issued, adjusted in the manner hereinafter provided, are at least equal to the sum of (A) the Operating Expenses for such twelve (12) month period, (B) 120% of (1.20 times) the maximum Debt Service to occur in any future Fiscal Year and (C) 100% of (1 times) the maximum debt service on the City's Subordinate Obligations and general obligation water bonds to occur in any future Fiscal Year, as set forth in a certificate of the City. If the City has caused to be increased rates and charges for the provision and sale of water services, or other services of the System, a firm of engineers, accountants or consultants selected by the City may be instructed to prepare a *pro forma* analysis of Revenues for the preceding eighteen (18) calendar months giving effect to the increases, and such analysis may be used for purposes of satisfying the Additional Bonds test set forth in clause (i); or

(ii) (A) the Revenues for the Fiscal Year immediately preceding the delivery of the series of Bonds to be issued shall have been at least equal for such Fiscal Year to the sum of (I) the Operating Expenses, (II) 120% of (1.20 times) the Debt Service for such Fiscal Year and (III) 100% of (1 times) the debt service on the City's Subordinate Obligations and general obligation water bonds for such Fiscal Year; and

(B) the Revenues, as projected by a recognized feasibility consultant in the field of water financing, during the first full Fiscal Year following completion of the improvements financed by the series of Bonds then to be issued shall be at least equal to the sum of (I) the Operating Expenses projected for such Fiscal Year, (II) 125% of (1.25 times) the maximum Debt Service projected to occur in any future Fiscal Year and (III) 100% of (1 times) the maximum debt service on the City's Subordinate Obligations and general obligation water bonds projected to occur in any future Fiscal Year.

Subordinate Obligations

Pursuant to the Resolution, the City may issue Subordinate Obligations payable out of, and which may be secured by a pledge of, such amounts in the Subordinate Obligation Fund established by the Resolution as may from time to time be available for the purpose of payment thereof. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Flow of Funds." The City may, by resolution of the Council of the City, provide for the issuance thereof and security therefor. Any issue of Subordinate Obligations shall be subordinate to the Bonds as to payment and as to the pledge of Revenues, and may have such rank or priority with respect to any other issue of Subordinate Obligations as may be provided in the resolution providing for such issue of Subordinate Obligations and may contain such other provisions as are not in conflict with the provisions of the Resolution. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Other Debts" for a discussion of the treatment of the City's general obligation water bonds under the Resolution.

No Debt Service Reserve Fund for Series 2026 Bonds

The Series 2026 Bonds are <u>not</u> secured by any Debt Service Reserve Fund account under the Resolution. The Resolution allows for Bonds of any other Series issued thereunder to be secured by a Debt Service Reserve Fund account for such Series of Bonds within the Debt Service Reserve Fund established under the Resolution. In the event that any Additional Bonds are secured by a Debt Service Reserve Fund, any such Debt Service Reserve Fund will <u>not</u> be available for, and will not secure, the Series 2026 Bonds.

Other Debts

The City has issued general obligation bonds from time to time to pay for improvements to the System. The City anticipates that transfers described in the following section will be made from the Revenue Fund to the City's General Fund to pay the debt service on such general obligation bonds. The City expects that future capital costs for the System which are financed with debt will be paid from proceeds of Bonds issued pursuant to the Resolution and general obligation water bonds of the City. As of the date of issuance of the Series 2026 Bonds, $3,585,000 of general obligation bonds attributable to the System will be outstanding. The final payment on such general obligation bonds is due in Fiscal Year 2028. See "FINANCIAL MANAGEMENT-Results of Operations – Table 10 – Water Bonds and Debt Service Requirements." The provisions of the Resolution providing for the application of Revenues derived from the operation of the System provides for the payment of debt service on all outstanding Bonds and Subordinate Obligations prior to the application of Revenues to the payment of outstanding general obligation water bonds of the City. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Flow of Funds."

On May 26, 2026, City Council adopted Ordinance No. 8172-26, authorizing the incurrence of indebtedness in the form of a subordinate obligation water revenue note to evidence and secure a revolving line of credit in a maximum principal amount not to exceed $35,000,000 outstanding at any one time (the "Subordinate Revolving Credit Note"), for the purpose of financing the costs of capital improvements and other authorized purposes for the System. The City anticipates that the Subordinate Revolving Credit Note will be issued in October 2026.

Flow of Funds

The Bond Resolution establishes the following Funds as special trust funds which may be subdivided by the City's Director of Budget and Evaluation or the Trustee into Accounts with appropriate identification:

(1) Construction Fund;
(2) Revenue Fund;
(3) Debt Service Fund;
(4) Debt Service Reserve Fund (solely with respect to any Series of Bonds secured thereby);
(5) Subordinate Obligations Fund;
(6) Renewal and Replacement Fund; and
(7) Rate Stabilization Fund.

The Debt Service Fund and the Debt Service Reserve Fund (if any) will be held by the Trustee. The Construction Fund, the Revenue Fund, the Subordinate Obligations Fund, the Renewal and Replacement Fund and the Rate Stabilization Fund will be held by the City Treasurer. All moneys or securities held by the Trustee, the City Treasurer or any Depositary pursuant to the Bond Resolution shall be held in trust and applied only in accordance with the provisions of the Resolution. **The Series 2026 Bonds are not secured by the Debt Service Reserve Fund.**

The Bond Resolution provides that the City will collect and deposit in the Revenue Fund as received all Revenues derived from the ownership or operation of the System, together with any other amounts required to be deposited in the Revenue Fund. The City will make transfers from the Revenue Fund in the following order of priority:

(i) FIRST: To pay Operating Expenses of the System.

(ii) SECOND: On or before and as of the first day of each month of each Fiscal Year (but only after the payment of Operating Expenses required by clause (i) above shall have been made), there shall be paid to the Trustee for deposit in the Debt Service Fund an amount such that (after taking into consideration amounts then on deposit in the Debt Service Fund), if the same amount is transferred thereto on the first day of each succeeding month of such Fiscal Year, there will be in the Debt Service Fund an amount equal to the interest to become due on all Outstanding Bonds of each Series of Bonds on the next succeeding Interest Payment Date for the Bonds of each such Series of Bonds.

(iii) THIRD: Unless otherwise provided in a Supplemental Resolution authorizing the Bonds of any Series, on or before and as of the first day of each month of any Fiscal Year in which a Principal Installment is to become due (but only after the payments required by clauses (i) and (ii) above shall have been made), there shall be paid to the Trustee for deposit in the Debt Service Fund an amount such that (after taking into consideration amounts then on deposit in the Debt Service Fund), if the same amount is transferred thereto on the first day of each succeeding month of such Fiscal Year, there will be in the Debt Service Fund an amount equal to the Principal Installment to become due on all Outstanding Bonds of each Series of Bonds on the next succeeding Principal Payment Date for the Bonds of each such Series of Bonds.

(iv) FOURTH: On or before and as of the first day of each month of any Fiscal Year in which such a payment is due (but only after the payments required by clauses (i), (ii) and (iii) above shall have been made), there shall be paid to the Bank the amount, if any, then due and payable.

(v) FIFTH: On or before and as of the first day of each month of each Fiscal Year (but only after the payments required by clauses (i), (ii), (iii) and (iv) above shall have been made), there shall be paid to the Trustee for deposit in the Debt Service Reserve Fund and the accounts therein, if any, created for the respective Series of Bonds secured thereby, the amount of any deficiencies therein.

(vi) SIXTH: On or before and as of the first day of each month of each Fiscal Year (but only after the payments required by clauses (i), (ii), (iii), (iv) and (v) above shall have been made), there shall be transferred to and deposited in the Subordinate Obligations Fund any amounts required to be set aside to pay debt service on the Subordinate Revolving Credit Note and any additional Subordinate Obligations outstanding from time to time.

(vii) SEVENTH: On and as of the first day of each month of each Fiscal Year (but only after the payments required by clauses (i), (ii), (iii), (iv), (v) and (vi) above shall have been made), there shall be transferred to and deposited in the Renewal and Replacement Fund any amounts required to make up any deficiency therein.

(viii) EIGHTH: On and as of the first day of each month and each Fiscal Year (but only after the payments approved by clauses (i), (ii), (iii), (iv), (v), (vi) and (vii) above shall have been made), there shall be transferred to and deposited in the Rate Stabilization Fund such amount as shall be determined by the City from time to time.

(ix) NINTH: On and as of the first day of each month of each Fiscal Year (but any after the payments required by clauses (i), (ii), (iii), (iv), (v), (vi), (vii) and (viii) above shall have been made), there may be applied any remaining moneys in the Revenue Fund to the payment of outstanding general obligation water bonds of the City or to make such transfers to the City's General Fund as a return on investment as shall be determined by the Director of Budget and Evaluation.

(x) TENTH: On and as of the first day of each month of each Fiscal Year (but only after the payments required by clauses (i), (ii), (iii), (iv), (v), (vi), (vii), (viii) and (ix) above shall have been made), any remaining moneys in the Revenue Fund shall be transferred to the Renewal and Replacement Fund and applied as are other moneys on deposit in the Renewal and Replacement Fund from time to time.

Limits on Enforceability

The enforceability of the Resolution and the Series 2026 Bonds is subject to bankruptcy, insolvency, moratorium, reorganization and other state and federal laws affecting the enforcement of creditors' rights and to the extent that certain remedies under such agreements or instruments require, or may require, enforcement by a court, such principles of equity as the court having jurisdiction may impose. See "DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION – Defaults and Remedies" included in APPENDIX C to this Official Statement.

Chapter 9 of the United States Bankruptcy Code (the "Bankruptcy Code") permits a municipality such as the City, if insolvent or otherwise unable to pay its debts as they become due, to file a voluntary petition for the adjustment of debts provided that such municipality is "specifically authorized, in its capacity as a municipality or by name, to be a debtor..." Bankruptcy Code, §109(c)(2). Current Virginia statutes do not expressly authorize the City or municipalities generally to file under Chapter 9. Chapter 9 does not authorize the filing of involuntary petitions against municipalities such as the City.

Bankruptcy proceedings by the City could have adverse effects on holders of the Series 2026 Bonds, including (i) delay in the enforcement of their remedies, (ii) subordination of their claims to claims of those supplying goods and services to the City after the initiation of bankruptcy proceedings and to the administrative expenses of bankruptcy proceedings and (iii) imposition without their consent of a plan of reorganization reducing or delaying payment of the Series 2026 Bonds. The Bankruptcy Code contains provisions intended to ensure that, in any plan of reorganization not accepted by at least a majority of any class of creditors such as the holders of the Series 2026 Bonds, such class of creditors will have the benefit of their original claim or its "indubitable equivalent," although such "equivalent" may not provide for payment of the Series 2026 Bonds in full. The effect of these and other provisions of the Bankruptcy Code cannot be predicted and may be significantly affected by judicial interpretation.

CITY OF NEWPORT NEWS WATERWORKS AND WATER SYSTEM

Overview and Organizational Structure of Waterworks Department

The Waterworks Department (sometimes referred to herein as "Waterworks" or the "Department") is governed by the seven-member City Council of the City ("City Council"). Waterworks is accountable to the City Council through the City Manager. The City Council has the power to establish, change, and collect water rates, fees, and charges. For additional information on the City, see APPENDIX A "THE CITY OF NEWPORT NEWS."

Certain City Waterworks Officials

Yann Le Gouellec, PhD, PE, BCEE, was appointed Director of Waterworks in January 2021. He joined Newport News Waterworks as Assistant Director in July 2018, where he has supported overall management of assigned divisions and functional areas. Previously, he held senior management positions at Greater Cincinnati Waterworks (OH). Dr. Le Gouellec has 30 years of experience in the civil and environmental engineering field, and is a licensed professional engineer in Virginia, Ohio, and Arizona. He received his PhD in Civil Engineering from UCLA in 1998.

K. Jennifer Cobb, PE, was appointed Assistant Director of Waterworks in April 2022. Ms. Cobb formerly served as the Engineering & Environmental Services Division Director from 2015-2022 and a Utilities Engineer II from 2012-2015 with Henrico County and a Utilities Engineer with Goochland County from 2011 to 2012. Prior to joining the public sector, she was employed in the private development design industry since 2000. Ms. Cobb has a B.S. in Biological Systems Engineering and a Graduate Certificate in Local Government Management, both from Virginia Tech, and is a graduate of UNC's Water and Wastewater Leadership Center.

She is a member of American Water Works Association and Water Environment Federation and has held multiple leadership roles in their state chapters.

Jonathon Sprague, PE, MBA, joined the City in June 2025 as Assistant Director of Waterworks. Mr. Sprague is responsible for the oversight of Business Services, Data Governance and Strategic Governance within Waterworks. His previous experience includes over 25 years of executive leadership within the water and wastewater industry, with 14 years as Director of Operations at St. Louis MSD and an additional 4 years as IT Director. Prior to that he held various leadership roles at Henrico County, Hanover County, and the City of Richmond utilities departments. Mr. Sprague is a licensed professional engineer in Missouri and Florida. He received his Bachelor of Science in electrical engineering from the University of Akron and his MBA from the College of William and Mary.

Bruce Utne was appointed Production Administrator of Waterworks in 2022. Mr. Utne formerly served as Waterworks' Chief of Operations from 2008 to 2022. He also has experience in consulting engineering from 1993 to 2000, including the design and construction of one of Waterworks' two surface water treatment plants. Mr. Utne has a B.S. in Civil Engineering from Virginia Polytechnic Institute and State University. Mr. Utne is a member of the American Water Works Association.

Ronald E. Harris, PG, CPG, was appointed Asset Sustainability Administrator in 2022. From 1998 to 2022, Mr. Harris served Waterworks as the Chief of Water Resources and as a Project Manager from 1993 to 1998. Prior to coming to the City, he was employed in the energy exploration and environmental consulting industries from 1981 to 1993. Mr. Harris has a B.S. in Geology from Virginia Polytechnic Institute and State University and completed the AWWA Advanced Water Management Institute program in 1997. Mr. Harris is a member of the American Water Works Association and the American Institute of Professional Geologists. He is a past member of the Virginia Water Monitoring Council Steering Committee and former board member of the American Membrane Technology Association.

Melody L. Sprague has served as the Business Services Administrator for Waterworks since November 2022. Prior to coming to Waterworks, Ms. Sprague served as the Chief of Fiscal Operations for the City's Department of Human Services from 2015 to 2022 and as the Operations Controller for the City of Norfolk Department of Human Services from December 2008 to 2015. She is a past member of the Virginia League of Social Service Executives (VLSSE) and served on the organization's Administration committee. In addition to her local government experience, she has over 12 years of experience in accounting management roles in banking and finance, e-learning, and electric utility industries, and separately over 7 years of experience working as an Accountant/Auditor in public accounting firms. Ms. Sprague has a B.S. degree in Accounting from Indiana University of Pennsylvania and a Master of Business Administration from the University of Pittsburgh. She is a graduate of the Leadership Institute at the Weldon Cooper Center for Public Service at the University of Virginia. Ms. Sprague is a member of the Virginia Government Finance Officers' Association (VGFOA) and she has been awarded their Virginia government finance officers' certificate. Ms. Sprague is a member of the American Water Works Association.

Kelsey S. Tice has served as the Acting Chief of Fiscal Operations for Waterworks since May 2026. Prior to assuming this role, she served as a Senior Accountant for Waterworks. Before joining Waterworks, Ms. Tice served the City's Finance Department from August 2016 through August 2025, most recently as Controller, where she oversaw the City's financial reporting, payroll, and general accounting functions. Ms. Tice holds a Bachelor of Science in Business Administration from Christopher Newport University in Newport News, Virginia, with concentrations in Accounting and Business Management, and a Master of Business Administration from Old Dominion University.

History and Overview of the System

The City's Waterworks Department operates one of the largest water utility systems in the Commonwealth of Virginia. Waterworks supplies treated water to the residents of the City, the cities of Hampton and Poquoson, York County and portions of James City County, as well as several major federal installations. The City is the largest provider of treated water on Virginia's Lower Peninsula with an average daily output of 36.0 million gallons per day ("MGD"). The City's water system supplies approximately 127,000 active accounts representing a population of over 410,000 people.

Waterworks is responsible for the operation and maintenance of a regional water supply treatment and distribution system. As of July 1, 2026, the number of authorized full-time positions in the Department was 352. Water rates for the System (including areas outside of the City's boundaries) are established by the City Council and are not subject to mandatory review, regulation or approval by any other governmental entity. See "Volume Charges" herein.

The original water system physical plant properties and distribution facilities were acquired by the City in 1926 from a private water company. Since that time, the Waterworks Fund, which is an enterprise fund, has been financially self-sustaining, with its revenues sufficient to fund the System's operation and maintenance expenses, capital expenditures, debt service requirements and contributions to the City's General Fund. In addition, the City pays ad valorem taxes from the Waterworks Fund to other jurisdictions for water infrastructure located outside of the City's boundaries.

Customer Base and Service Area

The System provides treated water to residential, commercial and industrial customers in its service area, which contains a population of approximately 410,000. In 2009, Waterworks took over the York County Lightfoot groundwater system, which includes the wellfield, the treatment system, and nearly 500 retail accounts.

The System has approximately 127,000 active accounts, a level that has remained stable over the last decade after a steady growth since World War II. The average annual daily amount of finished water consumed for Fiscal Year 2025 was approximately 36.0 MGD, nearly level with the prior year consumption.

Source Water

Waterworks uses several sources of raw water with the following capacities: Chickahominy River (40 MGD), Diascund Creek Reservoir (3.1 billion gallon storage), Little Creek Reservoir (6.9 billion gallon storage), Lee Hall Reservoir (726 million gallon storage), Harwood's Mill Reservoir (587 million gallon storage), Skiffe's Creek Reservoir (168 million gallon storage) and several brackish groundwater wells (7 MGD).

Water Treatment Facilities

Waterworks maintains two water treatment facilities, with a combined rated treatment capacity of 85 MGD. The Lee Hall Water Treatment Plant ("Lee Hall WTP"), built in 2005, has a rated capacity of 54.0 MGD while the Harwood's Mill Water Treatment Plant ("Harwood's Mill WTP") has a rated capacity of 31.0 MGD. Waterworks continues improving water treatment processes, replacing aging equipment and filter media, and increasing plant efficiencies to meet all current and anticipated water treatment regulatory requirements.

Water Distribution Facilities

Waterworks' storage system includes 3 elevated tanks and 2 ground-level tanks. The water transmission and distribution systems include approximately 1,800 miles of pipeline. The water distribution system includes approximately 11,500 fire suppression hydrants, 32,500 valves and approximately 134,000 water meters.

Governmental Regulation

Waterworks is regulated by the U.S. Environmental Protection Agency, the Virginia Water Control Board, the Virginia Department of Health and the Virginia Department of Environmental Quality. The water projects identified in the Capital Improvements Program have been designed by Waterworks to comply with all appropriate regulations, and to address the water requirements of the System's service area. The City believes that Waterworks currently complies with or exceeds all applicable federal and state environmental legislation and regulations. Plant and system improvements made over the last decade have positioned Waterworks to meet projected regulatory requirements for the foreseeable future.

The U.S. Environmental Protection Agency has adopted federal drinking water standards for certain per- and polyfluoroalkyl substances ("PFAS"), with compliance required by 2029. Based on current monitoring, PFAS levels in the System's water remain below applicable regulatory limits, although levels of one regulated substance, perfluorooctane sulfonic acid ("PFOS"), have been measured close to, or slightly above, the regulatory limit. Waterworks has initiated treatment for PFOS by replacing filter media with granular activated carbon, and has committed $3.0 million in its Fiscal Year 2027-2031 Capital Improvement Program for design, permitting and pilot testing at the Lee Hall WTP. The City believes that Waterworks is on a compliant path to meet the 2029 PFAS limits.

In accordance with the federal Revised Lead and Copper Rule, Waterworks has published an inventory map identifying the materials of all public and private water service lines within the System. All lead identified on the public side of the System has been replaced, and the System has had no lead exceedances since 1991.

Ten Largest Water System Customers

Table 1 provides data on the System's ten largest customers for the Fiscal Year ended June 30, 2025.

Table 1

Ten Largest Water System Customers
June 30, 2025

	Consumption (HCF)		Revenue ($)	
Anheuser Busch Inc	639,082	3.9%	$2,302,059	3.8%
Huntington Ingalls Incorporated	539,390	3.3%	2,079,557	3.5%
Joint Base Langley-Eustis	318,556	1.9%	1,195,063	2.0%
733rd Mission Support Group	205,685	1.3%	766,775	1.3%
Busch Gardens	174,795	1.1%	659,967	1.1%
Dept of Navy	163,069	1.0%	619,930	1.0%
BLB Privatized Housing, LLC	155,822	1.0%	584,434	1.0%
Pepsi Cola Bottling Group	155,605	0.9%	581,579	1.0%
Newport News RHA	149,741	0.9%	638,246	1.1%
Christopher Newport University	133,211	0.8%	535,373	0.9%
TOTAL	2,634,956	16.1%	$9,962,983	16.7%

Note: All other users consumed approximately 13.2 million hcf of water producing revenue of $49.9 million. Total System of nearly 15.9 million hcf of water consumed and approximately $60.6 million in water sales revenue.
Source: Waterworks Department

The ten largest customers together represent approximately 16.1% of total water consumption and no single customer represents more than 3.9% of total consumption.

Intergovernmental Agreements

The City has a wholesale treated water intergovernmental agreement with the James City County Service Authority (up to 2.0 MGD), and a wholesale raw or treated water intergovernmental agreement with the City of Williamsburg, Virginia (up to 2.0 MGD); both agreements extend through 2050. Neither agreement requires the purchase of water, nor is any water being purchased currently under either agreement. Any payments to the City under these agreements constitute revenues of the System.

Water Consumption

Table 2 summarizes the percentage of water consumption by jurisdiction for the fiscal year ended June 30, 2025.

Table 2
Percentage of Water Consumption

Jurisdiction	FY 2025 Percentage of Consumption
Newport News	46%
Hampton	29%
Poquoson	2%
York County	15%
James City County	8%

Source: Waterworks Department

Waterworks Capital Financing and Debt Management

The City Code requires the City Manager to submit to City Council, no later than November 1 of each year, a multi-year Capital Improvement Plan (CIP). On March 10, 2026, the City Council approved a CIP for Fiscal Year 2027 to Fiscal Year 2031.

On January 23, 2007, the City Council approved a resolution establishing policies to guide the City government in its capital financing and debt management activities. One such policy requires the City Manager to provide City Council with a thorough debt impact analysis on any proposed undertaking that requires financing through the issuance of short or long-term debt obligations, capital leases, or debt guarantees. Such impact analysis shall be provided to City Council for review and consideration prior to making a commitment to projects for which the City is guaranteeing debt payments. Recently these policies were reviewed and revised, with the guiding principles of the review were to ensure that resulting recommended policies continued to promote fiscal stability and resilience, supported transparent and accountable governance, continued as a guide to strategic decision-making, and allowed for periodical review and updates to reflect strong financial management and practices. On March 10, 2026, City Council adopted revised financial policies, that reduced the existing number of financial management policies from thirteen (13) to nine (9). The adopted changes include creating a General Fund Reserve to protect Fund Reserves from General emergencies, or economic downturn; formalizes and codifies current surplus practices; sets an achievable unforeseen timeframe goal for long events, term pension liability status; streamlines the debt management policies; and included the revised Waterworks debt service coverage ratios to maintain the current credit rating. Taken as a whole, these changes create clear, strong, and streamlined policies, with the revised policy guidelines as updated formal measures that demonstrate the City's continued commitment to prudent long-term financial management.

On March 8, 2016, the City Council approved a resolution establishing policies to guide the Waterworks Department in its capital financing and debt management activities. On January 13, 2026, the City Council approved a resolution strengthening its financial policies, including implementing a higher debt service coverage ratio minimum for Waterworks. The Waterworks Department is in compliance with each of these policies, which are as follows:

1. The Waterworks Department Fund will be self-supporting.

2. The Waterworks Department Fund will maintain revenues available annually to pay debt service, net of transfers, of at least 1.50 times annual debt service (the "Waterworks Department Debt Service Coverage Ratio"). See Table 9 herein for the Waterworks Department Debt Service Coverage Ratio for the past ten Fiscal Years.

3. In order to cover emergencies and revenue shortfalls within the Waterworks Department Fund, at the end of each fiscal year, the Waterworks Department Fund will maintain a Revenue Fund with unrestricted cash and short-term investments equal to a minimum of 90 days of operating expenses and transfers.

4. The Waterworks Department Fund will maintain a Renewal and Replacement Fund (in accordance with its bond requirements) with a targeted balance equal to a minimum of 25% of average 5-year CIP.

5. The Waterworks Department Fund will maintain a Rate Stabilization Fund (in accordance with its bond requirements) with a targeted balance equal to 30 days of annual operating expenses and transfers.

6. If the Waterworks Department Fund uses balances in the Revenue Fund, Renewal and Replacement Fund or the Rate Stabilization Fund such that the funds fall below the minimum, the City will develop a plan to replenish such funds over a period not to exceed three years.

7. The Waterworks Department Fund will fund at least 25% of its 5-year CIP in cash.

System Projects

The Capital Improvement Program ("CIP") for the System for Fiscal Years 2027 through 2031 includes projects which are estimated to cost $131,250,000 with an estimated additional $60,000,000 in projects coming out from the Planning Fund. The most significant initiatives are the System's distribution system improvement (pipe replacement) programs, which together account for approximately 24% of the System's 5-year CIP. A summary of significant projects included in the CIP for the System for Fiscal Years 2027 through 2031 is provided below.

Distribution System Improvements (DSI) – Neighborhood Program. This program, estimated to cost approximately $15,000,000 over the five-year period, identifies and prioritizes the repair and replacement of pipe that has exceeded its life expectancy and shows a history of breaks, repairs, or flow or quality issues. Most of the pipe being replaced is older 2-inch galvanized pipe and cast iron pipe of less than 8-inch diameter that is more than 50 years old. The program helps maintain the System's main break rate within industry guidelines for a utility of its age and size.

Distribution System Improvements (DSI) – Street Scale Program. Waterworks has identified a limited number of lead services (goosenecks) within the distribution system. This program, estimated to cost approximately $10,500,000, focuses on the removal and replacement of those limited goosenecks, specifically targeting those pipes and services for accelerated replacement. In addition to removing lead from the System, the program reduces the overall age of the distribution system, improves the leak rate, and lowers maintenance and emergency repair costs.

Copeland Park Pump Station Rehabilitation (currently in the Planning Fund). This project, estimated to cost approximately $15,000,000, provides upgrades to the electrical power systems (including the motor control center and high- and low-voltage backup power generators), mechanical systems (including the vacuum priming system and finished water booster pumps), and instrumentation at the Copeland Park Pumping Station, together with structural rehabilitation of the facility. The station's systems and equipment have reached the end of their useful life, and the rehabilitation will increase efficiency and lower maintenance costs.

Harwood's Mill Facility Improvements. This project, estimated to cost approximately $7,650,000, funds upgrades and rehabilitations to various systems and facilities at the Harwood's Mill Water Treatment Plant and the Maintenance Operations Center, including ozone generator upgrades, alkalinity and pH control, filter effluent piping modifications, PFAS laboratory instrumentation, flood resiliency improvements, and sodium permanganate system replacement. These rehabilitations extend asset life and enhance efficiency, productivity, and safety.

Dam Improvements. The CIP includes approximately $6,350,000 for improvements to the System's dams. The Little Creek Dam Improvements project ($2,250,000) addresses seepage and erosion at Little Creek Dam, a vital source of raw water that would be relied upon in the event of a drought and that is classified as High Hazard by the Virginia Department of Conservation and Recreation. A broader Dam Rehabilitations program ($4,100,000) addresses structural issues across the System's six dams, including new spillway infrastructure and crest wall construction, to ensure dam safety, regulatory compliance, and longevity.

Funding

Waterworks will fund its capital improvement program through a mix of debt funding and revenues generated internally from rates. As shown in the table below, projects will be funded through a combination of rate and fee funded capital and proceeds from Bonds to be issued under the Resolution. On May 26, 2026, City Council adopted Ordinance No. 8173-26, authorizing the incurrence of indebtedness in the form of subordinate obligation water revenue notes to evidence and secure a revolving line of credit in a maximum principal amount not to exceed $35,000,000 outstanding at any one time, for the purpose of financing the costs of capital improvements and other authorized purposes for the System. The City has selected a facility provider and expects to close the line of credit in October 2026. The City intends to use this line of credit as an interim source of funding for projects and other system expenses. The estimated total project costs indicated above under the subheading "System Projects" and shown in the table below are based upon Waterworks' assumptions of future events and existing practices which are subject to revision as actual water utility operating results, regulatory requirements and City policy changes dictate.

Waterworks Capital Improvement Program Project Spending

The anticipated timing of project costs associated with the current CIP for the System is shown in Table 3 below.

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Table 3
Waterworks Capital Improvement Program Project Spending (5 Year) (Fiscal Year Ending June 30)

	2027	2028	2029	2030	2031
Funding Uses					
Water Supply	$2,500,000	$250,000	$1,150,000	$3,600,000	$400,000
Water Facilities	24,800,000	10,875,000	7,350,000	5,625,000	3,500,000
Water Transmission and Distribution	7,350,000	8,350,000	10,800,000	12,550,000	12,250,000
Equipment and IT	7,100,000	4,950,000	2,450,000	2,700,000	2,700,000
Total Capital Projects Spending	$41,750,000	$24,425,000	$21,750,000	$24,475,000	$18,850,000
Funding Sources					
Cash Capital (Rate Funded) (1)	$30,500,000	$16,425,000	$14,750,000	$17,475,000	$13,850,000
General Obligation Bonds	0	0	0	0	0
Additional Revenue Bonds	11,250,000	8,000,000	7,000,000	7,000,000	5,000,000
Total Funding Sources	$41,750,000	$24,425,000	$21,750,000	$24,475,000	$18,850,000
Percentage Allocation of Funding Sources					
Cash Capital (Rate Funded) (1)	73.1%	67.2%	67.8%	71.4%	73.5%
General Obligation Bonds	0.0%	0.0%	0.0%	0.0%	0.0%
Additional Revenue Bonds	26.9%	32.8%	32.2%	28.6%	26.5%
Total Funding Sources	100.0%	100.0%	100.0%	100.0%	100.0%

(1) Represents revenues generated annually from rates that are designated for funding capital improvements.
Source: Waterworks Department

Financial Management Overview

Since 1958, when the City Council established the Public Utility Fund, now known as the Waterworks Department Fund, as a distinct enterprise fund to account for all the financial activity related to providing water services to its water customers, the Waterworks Department Fund has been operated on a self-supporting basis. Since its inception, regular transfers have been made from the Waterworks Department Fund to the City's General Fund for payments in lieu of taxes and as a return on the City's investment in the System.

Additionally, transfers have been made to pay all debt service on general obligation bonds issued by the City to pay for System improvements. The City currently intends to pay for all future capital costs from Revenues, which are pledged under the Resolution to secure payment of the Bonds issued thereunder, and proceeds of additional Revenue Bonds to be issued under the Resolution and previously authorized and issued general obligation water bonds. The Waterworks Department Fund is reported on an accrual basis of accounting. Included in APPENDIX B to this Official Statement are the audited financial statements for the City for the Fiscal Year ended June 30, 2025, which include the financial results of the Waterworks Department Fund during such period.

Rate Regulation

The power of the City to fix, charge and collect rates, fees and other charges for the use of and for the services furnished by the System is not subject to the regulatory jurisdiction of the State Corporation Commission of Virginia or any other federal, regional, state or local regulatory body. The City has sole and exclusive authority over such rates, fees and other charges, subject only to its water supply agreements with the James City County Service Authority and the City of Williamsburg described in the subheading above entitled "Intergovernmental Agreements."

Water Rates

Rate Methodology and Rates

As an enterprise fund within the City, water operations are financed and operated as a distinct business enterprise. Fees and charges are established to ensure that the water operations can operate on a self-sustaining basis. Waterworks' current fee structure for water service consists primarily of the following:

- Multi-tiered volumetric rate structure based on customer type (see below);
- Monthly meter service fee per customer; and
- Water system development fees based on meter size.

One of the key objectives of Waterworks is to maintain rates and charges at a level sufficient to provide revenues to recover existing operating costs and capital costs associated with Waterworks' proportional share of the City's outstanding general obligation water bonds, the outstanding Bonds issued under the Resolution, and any Additional Bonds issued under the Resolution or future general obligation bonds issued for the System. See "FINANCIAL MANAGEMENT-Results of Operations."

Volume Charges

Water volume charges are determined by estimating total net revenue requirements based on the cash-needs approach. In general, revenue requirements include all direct and indirect operating and maintenance costs, plus any revenue-financed capital outlays, debt service costs, transfers to reserves, and contributions to the General Fund. Total revenue requirements are adjusted for offsets, such as revenues from miscellaneous fees and charges and interest earnings, to calculate net revenue requirements.

Residential water customers are subject to a three-tier increasing rate. The lowest level or "lifeline" rate is $4.01 per hundred cubic feet (hcf) for up to 2 hcf per month. For usage over 2 hcf and up to 25 hcf per month, the rate is $4.61 per hcf. For usage above 25 hcf, the water rate is $9.23 per hcf. Heavy industrial customers are charged a two-tier declining rate, which recognizes the lower cost to serve them on a per unit basis. The initial industrial rate for up to 40,000 hcf is $4.61 per hcf. All water sold above 40,000 hcf is $4.01 per hcf. All other customer groups are charged a general uniform rate of $4.61 per hcf. These rates became effective on July 1, 2026 with additional annual 5% increases approved through 2031, unless a different percent is approved. Rates are set annually by the City Council and become effective on each July 1.

Service Fee

In addition to the volume charge, Waterworks' rate structure includes a service fee to recover the administrative costs associated with billing, collection, and customer service, plus other costs for meter reading and meter maintenance. The service fee includes two components. The first component, the meters and service cost component, is designed to recover the costs associated with customer pipeline maintenance and any capital costs related to customer meters and usages. The second component, the customer cost component, is designed to recover costs associated with meter reading, customer service functions, postage, and other related costs. The service fee is billed monthly to all active accounts, regardless of consumption.

The monthly service fee for a 5/8" meter is $16.25. Other meter sizes are billed in proportion to the size and fee of the 5/8" meter. These charges, and all other fixed charges, are reviewed annually.

System Development Fees

Waterworks collects a system development fee for each new water connection to the System. The system development fee is escalated proportionately according to meter size. Revenues from system development fees are used primarily as a funding source for debt service associated with growth-related capital improvement projects.

Waterworks established the system development fee in 1988. The current fee for a 5/8" water service is $2,520. The fee scales with meter size, ranging from $3,780 for a 3/4-inch service to $873,684 for a 10-inch service.

Rate and Fee Comparisons

As shown in the Tables below, Waterworks' rates and fees are competitive with other utilities in surrounding jurisdictions and other selected jurisdictions in the Commonwealth of Virginia.

Table 4
Residential Water Bill Comparison
As of July 1, 2026

Utility	Water Bill(1)
Suffolk	$99.67
Isle of Wight	$94.50
Gloucester	$64.64
Portsmouth	$59.35
Chesapeake	$51.46
Smithfield	$50.74
Norfolk	$50.67
Newport News(2)	$47.47
Virginia Beach	$45.85
Williamsburg(3)	$36.85

(1) Assumes 5,000 gallons per month usage.
(2) Includes $1.60 fire protection fee.
(3) Williamsburg reflects the in-city residential rate.
Source: Publicly available adopted FY 2027 budgets of each locality.

Table 5
Residential Water System Development Fee Comparison
As of July 1, 2026

Utility	Water SDF(1)
Newport News	$2,520
Virginia Beach	$2,900
Chesapeake	$3,108
Suffolk	$5,520
Norfolk	N/A
Portsmouth	N/A

(1) Assumes a residential 5/8" meter connection.
Source: Publicly available adopted FY 2027 budgets of each locality.

Billing, Collections and Enforcement Procedures

The Department bills for water monthly by a computerized billing and account tracking system. There are approximately 137,000 water meter service locations and 134,000 active meters in the System. Meters are read on a monthly basis. Bills are generally generated on these accounts the day following the reading. It is the practice of the Department to use estimated billing only in extraordinary circumstances.

The Department has its own collection staff which coordinates its efforts with the City's Legal Department. Water customers are subject to having their water service discontinued if payments are delinquent by more than 60 days. Water service will only be restored if full payment is received or an acceptable payment plan is arranged. The Department also partners with *PromisePay*, an online service that offers eligible customers interest-free, no-fee payment plans for account balances of $50 or more. Accounts are written off after they have been inactive for three years and collection efforts have not been successful. The Department also takes part in the Commonwealth debt set-off program, through which the Department can have the delinquent amount due from a customer withheld from the customer's Virginia State Income Tax refund, if his or her Social Security number is available. Write-offs must be approved by the City Council. Historical write-offs of bad debt and the percentage of delinquent accounts for Fiscal Years 2021 through 2025 are shown in Table 6.

Table 6
Waterworks Department Fund
Bad Debt Write-off

Fiscal Year	Amount	% of Water Sales
2021	$1,031,999	1.19%
2022	$954,192	1.07%
2023	$677,740	0.76%
2024	$251,933	0.28%
2025	$1,212,578	1.39%

Source: Waterworks Department

Table 6 (cont.)
Waterworks Department Fund
Percentage of Delinquent Accounts (Over 30 Days*)

Fiscal Year	Delinquent Accounts
2021	5.4%
2022	5.5%
2023	4.1%
2024	4.6%
2025	4.4%

*By policy and State/City Code, water is not shut off for non-payment until 60 days past due.
Source: Waterworks Department

Budget Process

The City's Charter requires the City Manager to submit a balanced budget to the City Council at least sixty (60) days prior to the beginning of each Fiscal Year (July 1). The City Council is required to convene a public hearing regarding the City Manager's proposed budget. The proposed budget, which may be modified by the City Council, is required to be adopted by a majority vote of the City Council members at least fifteen (15) days prior to the beginning of the Fiscal Year. On the basis of the budget, the City Council appropriates funds for expenditures and establishes tax rates sufficient to produce the revenues estimated to be received.

The annual budget process for a Fiscal Year begins during the second quarter of the previous Fiscal Year with the submission by department or agency heads of budget requests to the City Manager. Budget requests are then reviewed by the City Manager and meetings between the City Manager and the department heads are scheduled to discuss agency requests. The table below details the Waterworks Department Fund Annual Budget for Fiscal Years 2026 and 2027.

Table 7
Waterworks Department Fund Annual Budget
Fiscal Years 2026 and 2027
(Cash Basis)

	2026	2027
Operating Revenue		
Water Sales	$61,914,634	$76,164,634
Charges for Services	27,323,167	33,953,959
Miscellaneous†	8,211,000	6,874,421
Total Operating Revenues	$97,448,801	$116,993,014
Non-Operating Revenue		
Interest Income	$6,000,000	$5,500,000
Operating Expenses		
Personnel Services	$35,193,278	$35,168,193
Contractual Services	22,454,975	27,397,963
Internal Services	1,234,422	1,249,968
Material and Supplies	19,664,480	18,816,902
Fixed Assets	3,645,960	3,665,996
Other	3,140,858	3,101,250
Total Operating Expenses	$85,333,973	$89,400,272
Non-Operating Expenses		
Debt Service	$12,217,914	$11,888,571
Return on Investment	9,500,000	9,500,000
Non-Operating Expense Total	$21,717,914	$21,388,571

Source: Waterworks Department Operating Budgets for the Fiscal Years ending June 30, 2026 and 2027. Budgeted debt service amounts may differ from the actual debt service made as reflected in Table 9 and Table 10.

† Includes miscellaneous fees and revenues, reconnection charges, new account fees, late payment fees, laboratory fees, return check charges, and administrative cost charges.

Results of Operations

The financial results of Waterworks are accounted for in an enterprise fund, designated the "Waterworks Department Fund," which is included in the City's comprehensive annual financial report. The following data summarizes the financial operations of the Waterworks Department Fund for the Fiscal Years 2021 through 2025. For further detail, reference is made to the City's general purpose financial statements for the Fiscal Year ended June 30, 2025, which are included herein as APPENDIX B.

Table 8
Waterworks Department Fund
Summary of Income and Expenditures

	Fiscal Year Ended June 30				
	2021	**2022**	**2023**	**2024**	**2025**
INCOME					
Sales of Water	$60,194,110	$61,590,420	$61,715,676	$60,785,204	$60,617,122
Other operating income	38,615,865	35,247,964	36,162,078	36,032,666	35,911,268
Non-operating Income [(1)]	2,906,248	6,057,853	12,072,227	11,311,050	16,648,001
Total Income	$101,716,223	$102,896,237	$109,949,981	$108,128,920	$113,176,391
EXPENSES					
Depreciation expense	$13,756,021	$15,303,543	$14,875,712	$14,491,752	$14,969,195
Other operating expenses	54,345,807	49,506,316	57,203,018	64,185,160	67,513,503
Interest expense (net)	2,629,228	4,043,480	4,579,157	2,625,321	4,020,575
Loss on Sale of Fixed Assets			1,880,437		347,062
Payment to City (return on investment)	9,500,000	9,500,000	9,500,000	9,500,000	9,500,000
Total expense	$80,231,056	$78,353,339	$88,038,324	$90,802,233	$96,350,335
Net Income	$21,485,167	$24,542,898	$21,911,657	$17,326,687	$16,826,056
Principal Amount of Bonds Retired	$9,065,000	$9,640,000	$10,320,000	$8,980,000	$8,450,000

(1) Non-operating income includes Interest Income, capital contributions to the Waterworks Enterprise Fund (see Meter and Service Connection Fees in Table 13) and Gain on Disposal of Capital Assets, also shown on Table 13.

Source: Waterworks Department, compiled from Audited Financial Statements of the City

Unaudited, preliminary results for the Fiscal Year ended June 30, 2026 indicate operating revenues totaling $105,422,010 and operating expenditures totaling $69,651,567.

The table below shows the Waterworks Department Debt Service Coverage Ratio for the past ten Fiscal Years. On March 8, 2016, the City Council adopted a policy establishing a minimum Waterworks Debt Service Coverage Ratio of income available for debt service, net of transfers to the General Fund, to annual debt service of at least 1.20x. On January 13, 2026, the City Council approved a resolution strengthening its financial policies, which continue to require a minimum Waterworks Debt Service Coverage Ratio of at least 1.50x.

Table 9
Waterworks Department Debt Service Coverage

Fiscal Year Ended June 30	Net Income Available For Debt Service[(1)]	Total Debt Service[(2)]	Debt Service Coverage[(3)]
2016	$33,292,003	$18,527,000	1.80 times
2017	36,345,882	17,744,000	2.05
2018	37,968,523	16,209,000	2.34
2019	36,028,177	16,294,000	2.21
2020	39,951,054	15,540,000	2.57
2021	36,890,040	12,457,000	2.96
2022	39,533,355	14,515,000	2.72
2023	38,833,668	14,578,000	2.66
2024	30,839,462	13,164,824	2.34
2025	25,783,497	12,225,658	2.11

(1) Revenues minus transfers out to the General Fund and operating expenses less depreciation.
(2) Total annual scheduled debt service coming due on Bonds issued under the Bond Resolution and general obligation water bonds.
(3) Debt Service Coverage shown in Table 9 differs from the Rate Covenant required by the Resolution. The rate covenant required by the Bond Resolution is described hereinbelow.

Source: Waterworks Department

Unaudited preliminary results for Fiscal Year 2026 indicate estimated net income available for debt service of $32,098,374 with a projected debt service coverage of 2.68.

Pursuant to the Resolution, the City is required to maintain a ratio of Revenues of the System to the sum of (i) Operating Expenses, plus (ii) 120% of annual Debt Service on Bonds issued under the Resolution, plus (iii) 100% of annual debt service on Subordinate Obligations and general obligation water bonds of at least 1.0x (the "Rate Covenant"). The City has been in compliance with the Rate Covenant under the Resolution in each Fiscal Year following the issuance of the initial series of Bonds issued under the Resolution.

Table 10
Water Bonds Debt Service Requirements

Annual debt service requirements on the City's currently outstanding water bonds (including general obligation water bonds) are shown in the table below. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Flow of Funds" herein for a summary of the provisions relating to the application of the Revenues of the System to pay debt service on the Bonds and the City's general obligation water bonds.

Water Bonds
(General Obligation Water Bonds
and Water Revenue Bonds)[(1)]

Fiscal Year	Principal	Interest	Total
2027	$7,625,000	$2,997,967	$10,622,967
2028	7,710,000	2,687,538	10,397,538
2029	5,975,000	2,371,550	8,346,550
2030	6,050,000	2,085,475	8,135,475
2031	6,125,000	1,795,650	7,920,650
2032	6,210,000	1,509,100	7,719,100
2033	6,295,000	1,256,375	7,551,375
2034	6,385,000	1,045,475	7,430,475
2035	6,485,000	851,000	7,336,000
2036	6,575,000	655,575	7,230,575
2037	6,675,000	453,425	7,128,425
2038	4,530,000	298,550	4,828,550
2039	3,075,000	215,250	3,290,250
2040	3,075,000	153,750	3,228,750
2041	3,075,000	92,250	3,167,250
2042	3,075,000	30,750	3,105,750
Total	$88,940,000	$18,499,680	$107,439,680

Source: Department of Budget and Evaluation, City of Newport News

(1) Totals may not add due to rounding. Debt service as of July 1, 2026 includes Series 2016 Bonds to be refunded with the Series 2026 Bonds. Excludes Series 2026 Bonds.

The table below shows the transfer of funds from the Waterworks Department Fund to the City's General Fund for the past five Fiscal Years and the amount budgeted to be transferred for the current Fiscal Year. The Resolution permits transfers to the General Fund only after all deposits to the funds established by the Resolution have been made in accordance with the Resolution. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Flow of Funds.”

Table 11
Waterworks Department Fund
Return on Investment Transfers to General Fund

Fiscal Year	Amount of Transfer
2022	$9,500,000
2023	$9,500,000
2024	$9,500,000
2025	$9,500,000
2026	$9,500,000
2027 (Budget)	$9,500,000

Source: Waterworks Department

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Table 12
Waterworks Department Fund – Statement of Net Position
(June 30)

	2021	2022	2023	2024	2025
Assets					
Cash and cash equivalents	$96,363,280	$107,485,452	$115,029,932	$110,604,729	$98,479,605
Restricted cash	87,964,431	70,397,707	48,378,247	33,529,768	27,330,357
Accounts receivable, net	12,856,466	12,613,905	10,784,036	12,635,533	11,444,348
Receivables from Other Governments	—	—	—	—	2,516,096
Inventory	4,284,956	4,169,106	5,927,564	7,583,300	8,941,649
Lease Receivable	—	—	148,351	170,827	143,318
Prepaid Bond Principal	2,438,256	5,553,256	5,598,256	—	—
Total current assets	$203,907,389	$200,219,426	$185,866,386	$164,524,157	$148,855,373
Lease Receivable	—	3,691,553	3,393,648	3,262,874	3,119,556
Land held for resale	7,102,444	6,285,998	1,187,363	1,187,363	—
Wetlands credits	5,530,135	5,530,135	5,530,135	5,530,135	6,934,385
Land	8,336,904	8,727,984	13,188,378	13,555,991	13,555,991
Construction in progress	23,628,836	38,760,325	64,295,637	89,111,217	105,691,108
Depreciable capital assets:					
Buildings	149,126,375	149,113,985	149,113,985	149,113,985	149,097,704
Water system	498,611,452	507,854,258	517,195,615	525,462,549	544,614,522
Machinery and equipment	47,218,223	48,777,148	49,217,132	51,911,916	53,016,829
Lease Right to Use Asset	—	4,492,863	4,280,018	4,606,703	5,552,364
Subscription Right to Use Asset	—	—	1,533,275	1,610,553	1,910,626
Total capital assets	$732,451,925	$763,256,698	$804,354,175	$840,903,049	$880,373,529
Less accumulated depreciation	(312,794,210)	(326,330,329)	(339,431,175)	(351,805,160)	(363,986,700)
Capital assets, net	$419,657,715	$436,926,369	$464,923,000	$489,097,889	$516,386,829
Other assets	—	—	—	—	—
Net pension asset	387,910	1,154,391	971,201	1,167,473	1,407,620
Total noncurrent assets	$427,148,069	$448,058,311	$470,475,212	$494,715,599	$520,914,005
Total assets	**$631,055,458**	**$648,277,737**	**$656,341,598**	**$659,239,756**	**$669,769,378**
Deferred Outflows of Resources					
Deferred pension experience loss	—	—	—	—	—
Deferred pension contributions	—	—	—	—	—
Deferred VRS experience loss	—	—			
Deferred VRS contributions	—	—	—	—	—
Employer contributions subsequent to the measurement date	4,695,016	4,787,559	4,713,664	5,618,320	6,045,879
Net difference between projected and actual earnings on plan investments	4,609,569	—	5,059,248	1,812,312	—
Difference between expected and actual experience	91,993	48,992	33,341	33,602	110,525
Difference in proportion and difference between employer contributions and proportionate share of contributions	68,742	73,421	63,801	50,866	39,748
Change in assumptions	197,081	352,499	218,345	83,672	804,938
Investment Experience	11,700	—	—	—	—
Debt refundings resulting in loss transactions	1,650,241	1,329,059	1,007,877	807,274	606,671
Total deferred outflows	**$11,324,342**	**$6,591,530**	**$11,096,276**	**$8,406,046**	**$7,607,761**

Source: Waterworks Department, compiled from Audited Financial Statements of the City.

Table 12 (cont.)
Waterworks Department Fund – Statement of Net Position
(June 30)

Liabilities					
Current liabilities:					
Accounts payable	$6,140,586	$6,344,955	$6,933,646	$6,341,027	$9,285,750
Accrued liabilities	4,932,199	5,605,877	3,828,489	771,151	1,228,323
Compensated Absences	—	—	—	1,991,379	1,703,919
Unearned revenues	26,790,154	25,850,520	24,910,886	23,971,337	23,031,762
General obligation bonds payable, net	7,670,575	4,836,298	3,403,755	2,784,288	2,880,090
Leases (as Lessee)	—	764,854	780,843	911,540	1,000,639
Subscription Liability	—	—	329,028	387,354	394,935
Revenue bonds payable, net	3,968,734	7,196,052	7,138,779	1,908,286	1,320,759
Arbitrage Rebate Liability	—	—	—	—	3,014,807
Total current liabilities	$49,502,248	$50,598,556	$47,325,426	$39,066,362	$43,860,984
Noncurrent liabilities:					
Deposits	$5,516,478	$5,908,154	$6,349,061	$6,474,075	$6,285,200
Compensated Absences	—	—	—	92,046	1,938,594
General obligation bonds payable, net	17,064,244	12,653,133	9,249,378	6,465,090	3,585,000
Revenue bonds payable, net	120,992,241	113,796,189	106,657,410	99,572,952	92,533,937
Arbitrage Rebate Liability	—	—	—	1,919,992	—
Leases (as lessee)	—	2,485,005	2,026,631	1,396,588	1,153,333
Subscription Liability	—	—	771,809	488,006	99,782
Net pension liability	40,055,520	21,772,741	36,537,360	37,683,609	36,395,563
Net OPEB Liability	10,361,000	8,822,614	9,475,127	7,988,615	8,443,655
Total noncurrent liabilities	193,989,483	165,437,836	171,066,776	162,080,973	150,435,064
Total liabilities	**$243,491,731**	**$216,036,392**	**$218,392,202**	**$201,147,335**	**$194,296,048**
Deferred Inflows of Resources					
Deferred pension investment gain	$—	$—	$—	$—	$—
Deferred VRS investment gain	—	—	—	—	—
Net difference between projected and actual earnings on plan investments	—	11,657,835	105,576	51,884	2,060,510
Difference between expected and actual experience	264,686	407,315	525,674	524,375	327,923
Changes in assumptions	260,679	55,478	34,435	374,187	15,575
Lease Related	—	3,736,476	3,542,794	3,390,792	3,185,266
Investment Experience	—	70,169	19,890	13,196	26,492
Changes in Proportionate Share	—	—	44	87	232
Total deferred inflows	$525,365	$15,927,273	$4,228,413	$4,354,521	$5,615,998
Net Position					
Net investment in capital assets	$354,046,458	$361,347,024	$378,381,418	$403,746,738	$434,941,361
Restricted for bond construction	—	—	—	—	—
Restricted for Net Pension Asset	—	—	—	1,167,472	1,407,620
Unrestricted	44,316,246	61,558,578	66,435,841	57,229,736	41,116,112
Total net position	$398,362,704	$422,905,602	$444,817,259	$462,143,946	$477,465,093

Source: Waterworks Department, compiled from Audited Financial Statements of the City.

Table 13
Waterworks Department Fund – Statement of Revenues and Expenses
(000's Omitted)

	Fiscal Year Ended June 30				
	2021	**2022**	**2023**	**2024**	**2025**
Operating Revenues:					
Water Sales	$60,194	$61,590	$61,716	$60,785	$60,617
Charges for Services	28,560	27,591	28,428	28,528	28,261
Miscellaneous	10,056	7,657	7,734	7,505	7,650
Total Operating Revenues	$98,810	$96,838	$97,878	$96,818	$96,528
Operating Expenses:					
Personal Services	$26,257	$21,777	$26,338	$31,399	$32,030
Contractual Services	12,113	12,791	13,486	14,515	15,758
Internal Services	1,141	1,174	1,266	1,383	1,390
Materials and Supplies	12,124	11,076	13,339	14,145	15,689
Depreciation	13,756	15,304	14,876	14,492	14,969
Other	2,711	2,688	2,775	2,743	2,647
Total Operating Expenses	$68,102	$64,810	$72,079	$78,677	$82,483
Operating Income (loss)	$30,708	$32,029	$25,799	$18,141	$14,046
Nonoperating Revenues (expenses):					
Bond Issuance Cost	$ –	$ –	$ –	$ –	$ –
Interest Revenue	283	500	5,947	5,939	5,197
Gain (loss) on Disposal of Assets	211	(373)	(1,880)	206	(347)
Amortization on Bond Premium	1,431	1,574	1,712	1,563	1,419
Loss on Long-Term Debt	(321)	(321)	(321)	(201)	(201)
Interest Expense	(3,740)	(4,924)	(4,258)	(2,425)	(3,820)
Hazard Mitigation Program Grant	–	–	–	–	2,510
Stormwater Local Assistance Fund Grant	–	–	–	–	1,081
Defense Community Infrastructure Grant	–	–	–	–	3,900
Virginia Military Community Infrastructure Grant	–	–	–	1,226	–
Total Non-operating revenues (expenses), net	$(2,135)	$(3,543)	$1,199	$6,307	$9,739
Income (loss) Before Capital Contributions and Transfers Out	$28,573	$28,485	$26,998	$24,448	$23,785
Capital contributions for capital assets	$2,412	$5,558	$4,413	$2,379	$2,541
Transfers Out	$(9,500)	$(9,500)	$(9,500)	$(9,500)	$(9,500)

Source: Annual Comprehensive Financial Reports 2021–2025

CERTIFICATE CONCERNING OFFICIAL STATEMENT

The City will furnish a certificate dated as of the date of delivery of the Bonds, signed by the City Manager and the Director of Budget and Evaluation, stating that the descriptions and statements contained in the Official Statement on the date of sale and on the date of delivery of the Bonds were and are, to the best of their knowledge, true and correct in all material respects and did not and do not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading. In such certificate the City Manager and the Director of Budget and Evaluation may state that they did not independently verify the information indicated in the Official Statement as having been obtained or derived from sources other than the City but that they have no reason to believe such information is not accurate. Such certificate will also state that from the date of sale of the Bonds to the date of delivery of the Bonds there has been no material adverse change in the condition of the City or the System (financial or otherwise) which affects the City's ability to pay principal of and interest on the Bonds.

LEGAL MATTERS

Certain legal matters relating to the authorization and validity of the Series 2026 Bonds are subject to the approving opinion of Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel to the City, which will be in substantially the form of APPENDIX D to this Official Statement. Such opinion will be furnished at the expense of the City upon delivery of the Series 2026 Bonds. Bond Counsel has not verified the accuracy, completeness or fairness of this Official Statement. Accordingly, Bond Counsel will express no opinion of any kind as to this Official Statement, and its opinions will be limited to matters relating to the authorization and validity of the Bonds and to the exclusion of interest on the Bonds from gross income for purposes of federal and Virginia income taxation as described herein. Certain legal matters will be passed upon for the City by Robert Pealo, City Attorney.

TAX MATTERS

Opinion of Bond Counsel

In the opinion of Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel to the City, under existing statutes and court decisions and assuming compliance with certain tax covenants described herein, interest on the Series 2026 Bonds (i) is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986 (the "Code") and (ii) is not treated as a preference item in calculating the alternative minimum tax imposed under the Code, however, interest on the Series 2026 Bonds is included in the "adjusted financial statement income" of certain corporations that are subject to the alternative minimum tax under Section 55 of the Code. In rendering its opinions, Bond Counsel has relied on certain representations, certifications of fact and statements of reasonable expectations made by the City in connection with the Series 2026 Bonds, and Bond Counsel has assumed compliance by the City with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Series 2026 Bonds from gross income under Section 103 of the Code.

In addition, in the opinion of Bond Counsel to the City, under existing statutes of the Commonwealth of Virginia, interest on the Series 2026 Bonds is not includable in computing the Virginia income tax.

Bond Counsel expresses no opinion regarding any other federal or state tax consequences with respect to the Series 2026 Bonds. Bond Counsel renders its opinions under existing statutes and court decisions as of the issue date, and assumes no obligation to update, revise or supplement its opinions to reflect any action thereafter taken or not taken, or any facts or circumstances that may thereafter come to its attention, or changes in law or in interpretations thereof that may thereafter occur, or for any other reason. Bond Counsel expresses no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for federal income tax purposes of interest on the Series 2026 Bonds, or under state and local tax law.

Certain Ongoing Federal Tax Requirements and Covenants

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Series 2026 Bonds in order that interest on the Series 2026 Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Series 2026 Bonds, yield and other restrictions on investments of gross proceeds and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the federal government. Noncompliance with such requirements may cause interest on the Series 2026 Bonds to become included in gross income for federal income tax purposes retroactive to their issue date, without regard to the date on which such noncompliance occurs or is discovered. The City has covenanted to comply with certain applicable requirements of the Code to assure the exclusion of interest on the Series 2026 Bonds from gross income under Section 103 of the Code.

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral federal income tax matters with respect to the Series 2026 Bonds. It does not purport to address all aspects of federal taxation that may be relevant to a particular owner of a Bond. Prospective owners of the Series 2026 Bonds, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Series 2026 Bonds.

Prospective owners of the Series 2026 Bonds should be aware that the ownership of such obligations may result in collateral federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is not included in gross income for federal income tax purposes. Interest on the Series 2026 Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Original Issue Discount

"Original issue discount" ("OID") is the excess of the sum of all amounts payable at the stated maturity of a Series 2026 Bond (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates) over the issue price of that maturity. In general, the "issue price" of a maturity means the first price at which a substantial amount of the Series 2026 Bonds of that maturity was sold (excluding sales to bond houses, brokers or similar persons acting in the capacity as underwriters, placement agents or wholesalers). In general, the issue price for each maturity of the Series 2026 Bonds is expected to be the initial public offering price set forth on the inside cover page of this Official Statement. Bond Counsel further is of the opinion that, for any Series 2026 Bonds having OID (a "Discount Bond"), OID that has accrued and is properly allocable to the owners of the Discount Bonds under Section 1288 of the Code is excludable from gross income for federal income tax purposes to the same extent as other interest on the Series 2026 Bonds.

In general, under Section 1288 of the Code, OID on a Discount Bond accrues under a constant yield method, based on periodic compounding of interest over prescribed accrual periods using a compounding rate determined by reference to the yield on that Discount Bond. An owner's adjusted basis in a Discount Bond is increased by accrued OID for purposes of determining gain or loss on sale, exchange or other disposition of such Discount Bond. Accrued OID may be taken into account as an increase in the amount of tax-exempt income received or deemed to have been received for purposes of determining various other tax consequences of owning a Discount Bond even though there will not be a corresponding cash payment.

Owners of Discount Bonds should consult their own tax advisors with respect to the treatment of OID for federal income tax purposes, including various special rules relating thereto, and the State and local tax consequences of acquiring, holding and disposing of Discount Bonds.

Original Issue Premium

In general, if an owner acquires a Series 2026 Bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the Bond after the acquisition date (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates), that premium constitutes "premium" on that Bond (a "Premium Bond"). In general, under Section 171 of the Code, an owner of a Premium Bond must amortize the premium over the remaining term of the Premium Bond, based on the owner's yield over the remaining term of the Premium Bond, determined based on constant yield principles (in certain cases involving a Premium Bond callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such Bond). An owner of a Premium Bond must amortize the premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner's regular method of accounting against the premium allocable to that period. In the case of a tax-exempt Premium Bond, if the premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Bond may realize a taxable gain upon disposition of the Premium Bond even though it is sold or redeemed for an amount less than or equal to the owner's original acquisition cost. Owners of any Premium Series 2026 Bonds should consult their own tax advisors regarding the treatment of premium for federal income tax purposes, including various special rules relating thereto, and State and local tax consequences, in connection with the acquisition, ownership, amortization of premium on, sale, exchange or other disposition of Premium Series 2026 Bonds.

Information Reporting and Backup Withholding

Information reporting requirements apply to interest on tax-exempt obligations, including the Series 2026 Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, "Request for Taxpayer Identification Number and Certification", or if the recipient is one of a limited class of exempt recipients. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding", which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payor" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally may be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Series 2026 Bonds from gross income for federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's federal income tax once the required information is furnished to the Internal Revenue Service.

Miscellaneous

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of interest on the Series 2026 Bonds under federal or state law or otherwise prevent beneficial owners of the Series 2026 Bonds from realizing the full current benefit of the tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) and such decisions could affect the market price or marketability of the Series 2026 Bonds.

Prospective purchasers of the Series 2026 Bonds should consult their own tax advisors regarding the foregoing matters.

SALE AT COMPETITIVE BIDDING

The Series 2026 Bonds are to be sold at competitive sale on September 29, 2026.

To be completed after competitive sale: The Series 2026 Bonds were awarded to ________________ (the "Underwriter") at a price to the City that results in underwriting compensation in the amount of $__________ from the initial public offering prices derived from the yields for the Series 2026 Bonds shown on the inside cover page of this Official Statement. The Underwriter supplied the information as to the initial public offering yields for the Series 2026 Bonds shown on such inside cover page. The Underwriter may offer to sell the Bonds to certain dealers and others at prices lower than the initial public offering prices, or prices derived from the yields, shown on such inside cover page.

VERIFICATION

Bingham Arbitrage Rebate Services, Inc., as Verification Agent (the "Verification Agent"), will verify certain mathematical computations (a) as to the sufficiency of the moneys and investments deposited under the applicable Escrow Deposit Agreement (i) to pay, when due, the interest on the Refunded Bonds from the date the Refunding Bonds are issued to the respective dates fixed for the redemption of the Refunded Bonds and (ii) to pay the redemption prices of the Refunded Bonds on the dates fixed for the redemption of the Refunded Bonds and (b) as to the yield on the government securities to be purchased with the proceeds of sale of the Series 2026 Bonds and deposited in escrow pursuant to the terms of the applicable Escrow Deposit Agreement. See "PLAN OF FINANCE AND REFUNDING PROGRAM" above.

LITIGATION

The City is involved from time to time in various legal actions, some of which affect the System. According to the City, there is no litigation now pending or, to its knowledge and belief, threatened, to restrain or enjoin the issuance, sale, execution or delivery of the Series 2026 Bonds, or in any way contesting or affecting the validity of the Series 2026 Bonds, any proceeding of the City taken with respect to their issuance or sale, or the powers of the City with respect to the operation of the System including the City's ability to collect and apply Revenues of the System as set forth in the Resolution, or which would have a material adverse effect on the operations or financial condition of the System.

RATINGS

Moody's Ratings and S&P Global Ratings have assigned the Series 2026 Bonds the initial ratings set forth on the cover page of this Official Statement. An explanation of the significance of such ratings may only be obtained from the rating agency furnishing the same. The City furnished to such rating agencies the information contained in this Official Statement and certain publicly available materials and information about the City and the System. Generally, rating agencies base their ratings on such materials and information, as well as investigations, studies and assumptions of the rating agencies. Such ratings may be changed at any time, and no assurance can be given that they will not be revised downward or withdrawn entirely by any or all of such rating agencies if, in the judgment of any or all of such rating agencies, circumstances so warrant. Such circumstances may include, without limitation, changes in or unavailability of information relating to the City or the System. Any such downward revision or withdrawal of any or all of such ratings may have an adverse effect on the market price of the Bonds.

INDEPENDENT AUDITORS

The City's financial statements as and for the Fiscal Year ended June 30, 2025, have been audited by Cherry Bekaert, L.L.P., Independent Auditors, as set forth in their report, dated November 26, 2025, which is included in Appendix B. The City's financial statements and the accountants' reports thereon are available for inspection at the office of the Director of Finance, City Hall, 2400 Washington Avenue, Newport News, Virginia, 23607.

Sections of the Annual Comprehensive Financial Report of the City of Newport News, Virginia, for the Fiscal Year ended June 30, 2025, are presented herein as Appendix B. These financial statements, including the related Notes to Financial Statements, are intended to provide a broad overview of the financial position and operating results of the City's various funds and activities.

FINANCIAL ADVISOR

The City has retained PFM Financial Advisors LLC, Arlington, Virginia, as financial advisor (the "Financial Advisor"), in connection with the issuance of the Bonds. Although the Financial Advisor assisted in the preparation and review of this Official Statement, the Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in the Official Statement. The Financial Advisor is a financial advisory, investment management and consulting organization and is not engaged in the business of underwriting municipal securities.

CONTINUING DISCLOSURE

The City will execute and deliver to the purchasers of the Bonds a Continuing Disclosure Certificate, the form of which as Appendix F to this Official Statement, pursuant to which the City will covenant and agree, for the benefit of the holders of the Series 2026 Bonds, consistent with the Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, to provide to the Municipal Securities Rulemaking Board the City's Comprehensive Annual Financial Report, which includes audited annual financial statements and certain operating data for the City, within nine (9) months after the end of each fiscal year, beginning with the fiscal year ending June 30, 2026, and, in a timely manner not in excess of ten (10) business days after the occurrence thereof, notices of certain events with respect to the Bonds, whether relating to the City or otherwise, including (i) principal and interest payment delinquencies, (ii) non-payment related defaults, if material, (iii) unscheduled draws on debt service reserves reflecting financial difficulties, (iv) unscheduled draws on credit enhancements reflecting financial difficulties, (v) substitution of credit or liquidity providers, or their failure to perform, (vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices of determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds, (vii) modifications to rights of Bondholders, if material, (viii) Bond calls, if material, and tender offers, (ix) defeasances, (x) release, substitution or sale of property securing repayment of the Bonds, if material, (xi) rating changes, (xii) bankruptcy, insolvency, receivership or similar event of the City, (xiii) the consummation of a merger, consolidation or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material, and (xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material; and, in a timely manner, notice to the Municipal Securities Rulemaking Board of any failure of the City to provide required annual financial information referred to above to the Municipal Securities Rulemaking Board. The continuing obligation of the City to provide annual financial information and notices referred to above will terminate with respect to the Bonds when the Bonds are no longer outstanding. Any failure by the City to comply with the foregoing will not constitute a default with respect to the Series 2026 Bonds.

The City has agreed in certain existing continuing disclosure undertakings to provide annual information relating to its capital improvement plan. The City did not timely post such information with its annual disclosure filings for the fiscal year ended June 30, 2021. The City filed a notice of failure to file and made a supplemental late filing of such capital improvement program information on the MSRB's Electronic Municipal Markets Access system (EMMA) for fiscal year 2021 on March 23, 2022.

MISCELLANEOUS

The references in this Official Statement to and summaries of Federal, Commonwealth and City laws, including but not limited to the Constitution of the Commonwealth, the Code of Virginia, the City Charter, the Resolution and other documents, agreements and court decisions are summaries of certain of their provisions. Such summaries do not purport to be complete and are qualified in their entirety by reference to such acts, laws, documents, agreements or decisions, copies of which are available for inspection during normal business hours at the office of the City Attorney.

This Preliminary Official Statement is “deemed final” as of its date by the City for purposes of Rule 15c2 12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, but is subject to revision, amendment and completion. The distribution of this Preliminary Official Statement has been duly authorized by the City Council.

CITY OF NEWPORT NEWS, VIRGINIA

____

PHILLIP D. JONES
Mayor

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APPENDIX A

THE CITY OF NEWPORT NEWS

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APPENDIX A

THE CITY OF NEWPORT NEWS

Location

The City of Newport News (the "City" or "Newport News") is the fifth largest city in the Commonwealth of Virginia based on population and is recognized as a major shipbuilding center and one of the finest deep-water ports on the Atlantic Coast. The City covers approximately 69 square miles and lies at the southeastern tip of a peninsula bounded on the north by the York River and on the south by the James River (the "Lower Peninsula"), approximately seven miles southeast of the City of Williamsburg and approximately five miles north of the City of Norfolk.

First settled in 1607 by English colonists, the City became a self-governing entity in 1880. In 1896, Newport News became an independent city and, as such according to Virginia law, is not subject to taxation by, or liable for indebtedness of, any county, school district or other political subdivision. The City was consolidated with the County of Warwick in 1958, and its population is approximately 183,230 based on the U.S. Census Bureau estimates for 2025.

Government

The City government has been organized according to the Council-Manager form of government since 1920. The City Council, which formulates policy for the administration of the City, is the governing body and consists of seven members. The Mayor of the City is elected on an at-large basis. City residents elect the six other members of City Council by district with two City Council members elected from each of the City's three districts. The members of the City Council elect the Vice-Mayor to serve a two-year term.

The Council appoints a City Manager to act as Chief Executive and Administrative Officer of the City. The City Manager serves at the pleasure of the City Council, carries out its policies, directs business procedures and has the power of appointment and removal of the heads of all administrative departments, as well as other officers and employees of the administration.

The City Council also appoints the City Attorney, who is the legal adviser to the City Council, the City Clerk and members of various boards and commissions established by the City's Code of Ordinances (the "City Code").

The operation of the public school system in the City is the responsibility of the City School Board (the "School Board"). The members of the School Board are elected by districts to serve four-year staggered terms of office. The Superintendent of Schools is appointed by the School Board. The local share of funds for operating public schools in the City is provided by an appropriation from the City's General Fund. The School Board, however, is an autonomous policy-making body in matters governing education and, therefore, is independent of City Council.

The Treasurer and the Commissioner of Revenue are local constitutional officers of the Commonwealth elected by the residents of the City. The Treasurer is responsible for the collection, investment and management of all monies payable to the City. The Commissioner of Revenue prepares the assessments of personal property and processes the Commonwealth of Virginia Income Tax returns of City residents. The Sheriff, the Commonwealth's Attorney and the Clerk of the Circuit Court are also constitutional officers elected by the residents of the City.

Certain City Officials

Alan K. Archer was appointed City Manager on December 18, 2023. Mr. Archer is responsible for leading and managing City operations, as well as providing recommendations to the City Council on the City Budget and financial matters and all other policy issues. He has served the City of Newport News for almost 20 years, first joining the City in 2006 as an Assistant City Manager. Overall, Mr. Archer has more than 35 years of experience in local government. Prior to joining the City of Newport News, he served in several capacities with the cities of Hopewell and Petersburg, including as City Manager, Assistant City Manager, and Assistant to the City Manager.

While at Newport News, he has served previously as Acting City Manager. Mr. Archer holds a Bachelor of Science in Public Administration degree from James Madison University and a Master of Public Administration degree from Virginia Commonwealth University. Additionally, he is a graduate of the Senior Executive Institute at the University of Virginia.

Robert E. Pealo was appointed City Attorney effective February 1, 2024. From 2007 until his appointment as City Attorney, Mr. Pealo served as Assistant City Attorney, Senior Assistant City Attorney, Deputy City Attorney and Chief Deputy City Attorney for the City. Mr. Pealo earned a Bachelor of Science degree from Cornell University in 2003 and a Doctor of Jurisprudence from the Marshall-Wythe School of Law of the College of William and Mary in Virginia in 2006. He is licensed to practice law in all Virginia state courts and before all Virginia administrative agencies.

Sabrina B. Joy-Hogg was appointed Senior Deputy City Manager effective June 16, 2025. Mrs. Joy-Hogg is responsible for the Finance and Administration operations of the City, which includes direct oversight of the departments of Budget and Evaluation, City Assessor, Finance, Human Resources, Information Technology, and the Office of Innovation. Her prior experiences include more than 25 years of executive leadership experience in state and local government. Her previous roles include serving as Interim Chief Administrative Officer and Chief Deputy City Administrative Officer in the City of Richmond, VA, Deputy City Manager in Charlotte, NC, Chief Deputy City Manager in Norfolk, VA, and a member of the Governor's Budget Team for the Commonwealth of Virginia. She also served as a resident advisor for the Republic of Uganda on government financial accountability as part of a U.S. Treasury mission. She holds a Bachelor of Arts degree and a Master's degree in Social Welfare with a concentration in Planning, Administration, and Research and a minor in International Studies from the State University of New York at Stony Brook.

Lisa J. Cipriano was appointed Interim Director of Budget and Evaluation on June 1, 2009 and appointed Director on October 1, 2009. Ms. Cipriano obtained her Bachelor of Arts degree in Political Science in 1981 from Christopher Newport University, and in 1982 received a Bachelor of Arts degree in Economics from the same school. After beginning her public service career in the state offices of the Secretary of Commerce and Resources and in the Department of Planning and Budget, she began working for the City Department of Budget and Evaluation in 1986. She has worked as a Budget Analyst I, Budget Manager and as departmental Director, with continuous development and focus on the City's operating budget, capital improvement plan and debt management, as well as other program development and operational assignments for the City.

Derek E. Perry was appointed Interim Director of Development effective August 3, 2026. He holds a Master of Public Administration and a Master of Urban and Regional Planning from Virginia Tech and holds the American Institute of Certified Planners (AICP) credential. He joined the City of Newport News Department of Development in December 2013 and has served as Project Development Coordinator II, Senior Economic Analyst, Economic Development Manager and Assistant Director. Throughout his tenure, he has played a key role in advancing a broad range of economic development, redevelopment, real estate and capital investment initiatives across the City.

Sheila White joined the City as Director of Finance on January 26, 2026. Ms. White is a certified public accountant with more than 25 years of experience across the municipal government, public housing authorities, financial services, and corporate accounting sectors. Prior to joining the City as Director of Finance, Ms. White most recently served as Chief Financial Officer for the Alexandria Redevelopment and Housing Authority, where she led financial strategy, compliance with the U.S. Department of Housing and Urban Development (HUD) and programmatic funding requirements, budgeting, cash flow management, procurement oversight, and strengthening internal financial controls. Prior to that role, she spent five years with the City of Richmond, serving as Senior Director of Finance and previously as Deputy Director of Finance, overseeing all municipal financial operations. During her tenure with the City of Richmond, she led initiatives to improve tax collection rates, automate and modernize revenue and accounting systems, expand tax relief programs for older adults, enhance payment flexibility for residents and businesses, and deliver on-time audits with continuous improvement in audit outcomes. Earlier in her career, Ms. White held senior leadership roles with Capital One, Bell Partners Inc., Greensboro Housing Authority, Lincoln Financial Group, and Ernst & Young LLP. Ms. White holds a Master of Business Administration from the University of North Carolina at Greensboro and a Bachelor of Science in Accounting from North Carolina Agricultural & Technical State University.

LOCAL GOVERNMENT SERVICES

In Virginia, cities and counties are independent units of government. Each city and county is a distinct political entity that provides services for the population within its jurisdiction. There are no combined city-county governmental services unless provided for by contractual agreement. The City is therefore responsible for the provision of all local governmental services to its residents.

The City provides a wide variety of governmental services to its residents. For budgetary purposes, the City organizes these services into the major program classifications discussed below.

Public Education

The City's school system is directed by a seven-member School Board, with the members elected for four-year terms. The local costs of operating the school system are provided by transfers from the City's General Fund to the School Operating Fund. The School Board is responsible for the presentation of an annual budget request to the City Council. As the School Board is not empowered to levy taxes or to incur indebtedness, school facilities are provided by appropriations from the General Fund and the issuance of general obligation bonds of the City. The City's FY 2027 Operating Budget includes General Fund appropriations for School Operations ($128,489,307) and Debt Service ($10,366,969) totaling $138,856,276. A portion of the City's Cash Capital support in the FY 2027 Operating Budget includes $2,000,000 for the purchase of school buses and $2,000,000 for the 1:1 Technology Program (one computing device for each student). The City also provides financial support for a portion of the operating costs of the New Horizons Regional Education Center. The New Horizons Regional Education Center has two campuses, one of which is located in Newport News and one of which is located in Hampton.

The public school system consists of 37 schools as follows: 24 elementary, seven middle, one middle/high school combination, and five high schools. The school system also operates three early childhood centers with an enrollment of 982. In addition, the school system provides alternative education at six additional sites and adult education services at two other sites. The system employs approximately 3,896 teachers, administrators, and support staff. Kindergarten through twelfth grade enrollment for the last ten years is presented below:

PUBLIC SCHOOL ENROLLMENT
(As of March 31)

Year	Enrollment
2016	27,253
2017	26,993
2018	26,873
2019	26,916
2020	26,836
2021	25,664
2022	23,933
2023	25,337
2024	26,219
2025	25,559

Source: Newport News Public Schools 2025 Annual Comprehensive Financial Report

Human Services

The mission of the Department of Human Services is to contribute to the quality of life in Newport News by promoting empowerment and independence through human services and community partnerships. The information and services provided include, but are not limited to, adult and family services, child welfare and protective services, employment services, financial services, and prevention services. Through the Department of Human Services' Cooperative Extension Division, educational programs are offered in agriculture and natural resources, family and consumer sciences, 4-H youth development, and community viability.

Public Safety

The City provides a number of programs and activities designed to safeguard and protect the life and property of its residents. The Police Department is a nationally accredited Tri-Arc law enforcement agency, receiving CALEA (Commission on Accreditation for Law Enforcement Agencies) accreditation in three areas: police training academy, the communications (911) department, and the Police Department as a whole. With an authorized complement of 465 sworn officers and 172 non-sworn personnel, it is the fourth largest municipal police department in Virginia. The Fire Department is one of less than 40 fire departments nationwide to hold both International Accreditation and a Class 1 ISO rating. The Fire Department has an authorized complement of 421 firefighters and civilian personnel who staff eleven fire stations and three bureaus – Command, Prevention and Public Education, and Logistics and Training. The responding crews typically handle in excess of 39,000 emergency and non-emergency responses annually. The City also operates a jail and a juvenile detention facility.

Leisure Services

The Department of Libraries and Information Services' mission is to provide access to information and materials and programs that connect, inspire, enrich and empower the community. The City's public library system provides programs and services for all ages at three full-service libraries and a public law library.

The Department of Parks and Recreation provides and preserves quality of life assets for residents of all ages, abilities and interests. These assets include 36 parks located throughout the City ranging in size from 0.3 acres to over 7,000 acres. At 7,711 acres, Newport News Park is not only the largest in the City but is also one of the largest municipal parks east of the Mississippi River. It includes 188 campsites and two 18-hole golf courses. The Department of Parks and Recreation also manages six multi-use community and recreation centers and maintains numerous athletic fields and playgrounds. Recreation facilities include a 50-meter aquatic complex, a 5-field athletic complex, and a tennis center with lighted courts. With senior centers, historical sites and museums, and a variety of annual festivals and special events, the Department also offers a wide range of multigenerational facilities and programs.

Community Support

The fiscal year 2027 Operating Budget provides financial support of $15,814,607 to a variety of agencies, both local and regional, that provide services to Newport News residents. These services are broken down into the following ten categories:

	Category	Amount	Percentage
1.	Regional Support	$11,271,188	71.3%
2.	Education	1,554,654	9.8
3.	Health	1,473,316	9.3
4.	Personal Safety	439,938	2.8
5.	Fun, Entertainment, Art & Culture	422,800	2.7
6.	Community Engagement & Citizen-Driven Change	209,052	1.3
7.	Employment & Career Opportunity	190,830	1.2
8.	Economic Development & Business Vitality	164,802	1.0
9.	Neighborhoods, Communities & Housing	64,295	0.4
10.	Wealth Building & Financial Empowerment	23,733	0.2
		$15,814,607	**100.0%**

Public Health

To promote the health of its residents, the City provides financial support to the Peninsula Health Department and the Hampton-Newport News Community Services Board. The Health Department provides comprehensive medical and dental care at the Peninsula Health Center. In addition, the Health Department performs sanitation and health inspections and provides home health services for home-bound residents who need specialized nursing care. The Hampton-Newport News Community Services Board offers a variety of mental health, intellectual and development disability, and substance abuse programs to all City residents.

Development, Planning, Public Works, Engineering, and General Services

The Departments of Planning and Development are charged with leading efforts to enhance the City's economic base through the expansion of private employment opportunities, broadening the real estate tax base, revitalizing neighborhoods and preparing and implementing the City's overall Economic Development Plan. The Development Department also manages the Seafood Industrial Park. The Planning Department is responsible for generating and administering policy recommendations and procedures for the efficient and strategically planned development of the City, including the preparation of the City's Comprehensive Plan. In addition to their primary roles as a management resource, these Departments serve as staff to the City Planning Commission, the Newport News Industrial Development Authority, and the Newport News Economic Development Authority.

The Department of Public Works provides for the maintenance of all public streets and highways, bridges, sanitary sewers, storm sewers, and solid waste collection and disposal facilities. The Department of Engineering provides design and construction inspection oversight of all municipal construction projects. The Department of General Services operates as an Internal Service Fund and provides centralized maintenance and repair of the City's vehicle and building assets, coordinates vehicle and fleet equipment procurement, disposes of surplus vehicles, and manages the operation of the City motor pool, City building maintenance, and custodial services.

General Government and Administration

General Government and Administration encompasses the broad range of managerial, legal, judicial, and other basic government services required under the City Charter and State law. Support services offered by these various City departments include financial management, assessments, purchasing, personnel, and information technology.

Public Utility System (Waterworks)

The City's Waterworks Department ("Waterworks") operates one of the largest water utility systems in the Commonwealth of Virginia (the "System"). Waterworks supplies treated water to the residents of the City, the cities of Hampton and Poquoson, York County and portions of James City County, as well as several major federal installations. The City is the largest provider of treated water on Virginia's Lower Peninsula with an average daily output of 34.4 million gallons per day (MGD). The City's water system supplies nearly 127,000 active accounts representing a population of over 410,000 people.

Waterworks is responsible for the operation and maintenance of a regional water supply treatment and distribution system. As of July 1, 2026, the number of authorized full-time positions in the Waterworks Department was 352. Water rates for the System (including areas outside of the City's boundaries) are established by the City Council and are not subject to mandatory review, regulation, or approval by any other governmental entity. Residential water customers are subject to a three-tier increasing rate. The lowest level or "lifeline" rate is $4.01 per hundred cubic feet (hcf) for up to 2 hcf per month. For usage over 2 hcf and up to 25 hcf per month, the rate is $4.61 per hcf. For usage above 25 hcf, the water rate is $9.23 per hcf. Heavy industrial customers are charged a two-tier declining rate, which recognizes the lower cost to serve them on a per unit basis. The initial industrial rate for up to 40,000 hcf is $4.61 per hcf. All water sold above 40,000 hcf is $4.01 per hcf. All other customer groups are charged a general uniform rate of $4.61 per hcf. These rates became effective on July 1, 2026 with additional annual 5% increases approved through 2031, unless a different percent is approved. Rates are set annually by the City Council and become effective on each July 1.

The original water system physical plant properties and distribution facilities were acquired by the City in 1926 from a private water company. Since that time, the Waterworks Fund (also known as The Public Utility Fund), which is an enterprise fund, has been financially self-sustaining with its revenues sufficient to fund the System's operation and maintenance expenses, capital expenditures, debt service requirements and contributions to the City's General Fund. In addition, the City pays ad valorem taxes from the Waterworks Fund to other jurisdictions for water infrastructure located outside of the City's boundaries.

CERTAIN FINANCIAL PROCEDURES

Description of Funds

Funds are accounting mechanisms that are used 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 other funds are established to control and manage money for particular purposes or to show that the City is properly using certain taxes, fees or grants. The following is a description of the funds from the City's annual financial statements.

- **Governmental Funds.** Most basic services are included in governmental funds and the City reports six major governmental funds. The General Fund is the primary operating fund of the City. The Debt Service Fund accounts for the accumulation of resources for the payment of principal, interest, and related costs on long-term debt. The Bond Fund is a capital projects fund to account for the proceeds of general obligation bond issues that are used for various capital outlays in accordance with the respective bond ordinances. The Capital Projects 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 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.

- **Proprietary Funds.** The City maintains two different types of proprietary funds: enterprise funds and internal service funds. The Public Utility Fund accounts for the water utility that provides water service to the City and various surrounding localities. It is self-supporting through user charges, services its own debt and construction projects, and records the acquisition of its depreciable assets and land. The City uses an internal service fund to account 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.

- **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 only be used for the trust beneficiaries. Fiduciary funds include the Pension and Other Post-Employment Benefits Trust Funds, Custodial Funds, and the Line of Duty Act Fund.

- **Non-major Governmental Funds.** Special Revenue Funds account for revenues and expenditures related to programs that are restricted in nature for specific purposes. Examples include the Stormwater and Solid Waste Funds and the housing activities of the Community Development Block Grant Program.

Component Units

The City includes three other separate legal entities in its annual financial reports – the Peninsula Airport Commission, the Economic and Industrial Development Authorities, and the Newport News Public Schools. Although legally separate, these component units are included as the City provides a significant portion of their operating funding or, in the case of the Peninsula Airport Commission, the City Council appoints four of their six commission members.

Annual Financial Statements

Since 1974, the City's financial statements have been examined annually by independent certified public accountants. The most recently completed examination, which was for the fiscal year ended June 30, 2025, was performed by Cherry Bekaert, L.L.P., Certified Public Accountants.

The accounting policies and procedures utilized by the City are in accordance with generally accepted accounting principles. The City's accounting records are maintained on a modified accrual basis for all governmental fund types and on a full accrual basis for proprietary and fiduciary funds. The Government Finance Officers Association of the United States and Canada ("GFOA") awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Annual Comprehensive Financial Report for the fiscal year ended June 30, 2024, the forty-sixth consecutive year in which the City received the GFOA Certificate. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

The City's annual financial reports are available for inspection at the office of the Director of Finance, City Hall, 2400 Washington Avenue, Newport News, Virginia 23607, and are also available online at www.nnva.gov. See Appendix B for the financial statements of the City for the fiscal year ended June 30, 2025.

Budgetary Procedure

The City's Charter requires the City Manager to submit a balanced budget to the City Council at least sixty (60) days prior to the beginning of each fiscal year (July 1). The City Council is required to convene a public hearing regarding the City Manager's proposed budget. The proposed budget, which may be modified by the City Council, is required to be adopted by a majority vote of the City Council members at least fifteen (15) days prior to the beginning of the fiscal year. On the basis of the budget, the City Council appropriates funds for expenditures and establishes tax rates sufficient to produce the revenues estimated to be received.

The annual budget process for a fiscal year begins during the second quarter of the previous fiscal year with the submission by department or agency heads of budget requests to the City Manager. Budget requests are then reviewed by the City Manager and meetings between the City Manager and the department heads are scheduled to discuss agency requests.

The proposed budget of the School Board is submitted to the City Manager for presentation to the City Council. The City Manager may make recommendations in the City Manager's proposed budget regarding the total appropriation for the school system; however, the City Manager may not alter the School Board's request. The City Council makes an annual appropriation to the School Board and authorizes capital projects for the school system but is prohibited from exercising any control regarding how funds are expended.

Upon receipt of the proposed budget of the School Board, the City Manager prepares an initial budget for submission to the City Council and proposes tax rates sufficient to produce revenues needed to meet expenditures contemplated in the initial budget. After work sessions with the City Council and public hearings, the budget is amended and adopted in final form. Tax rates are established prior to the beginning of the fiscal year for which the budget is prepared. During the fiscal year, quarterly reviews of revenues and expenditures are undertaken by the Department of Budget and Evaluation for presentation by the City Manager to the City Council.

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 Reconstruction 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 Virginia (Local Government Investment Pool) LGIP, the VA SNAP (State Non-Arbitrage Program) or similar fund, open-end mutual funds (provided the funds are registered under the Securities Act of Virginia or the Federal Investment Act of 1940), and negotiable certificates of deposit 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 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 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.

GOVERNMENTAL FUNDS REVENUES AND EXPENDITURES

The General Fund is the primary operating fund maintained by the City to account for revenue derived from City property taxes, other local taxes, fines, forfeitures, licenses, fees, permits, reimbursement of certain City expenses shared by the Commonwealth, certain Commonwealth-collected revenue, and transfers from the Enterprise Fund. General Governmental expenditures include the costs of general City government, transfers to the School Operating Fund to pay the local share of operating the City's public school system, certain capital expenditures, and transfers to the Debt Service Fund to provide for the payment of debt service on the City's general obligation general improvement bonds.

The following is a discussion of the City's General Governmental revenue structure and major classifications of General Governmental expenditures. See Appendix B for the financial statements of the City relating to the General Fund for the fiscal year ended June 30, 2025.

Revenues for the Fiscal Year Ended June 30, 2025

General Property Taxes – An annual *ad valorem* tax is levied by the City Council on the assessed value of real and personal property located within the City as of July 1 and January 1, respectively, in the fiscal year in which the tax is due. The ratio of the assessed value of real property to its estimated market value is 100%. Real property taxes and personal property taxes are payable in two installments on December 5 and June 5 of the fiscal year in which they are levied. The penalty for late payment is 10% of the amount of taxes due. Interest on delinquent taxes and penalties accrues at a rate of 10% per annum. General property taxes (including penalties for late payment of prior years' taxes) represented 47.2% of total Governmental Funds revenue.

Other Local Taxes – The City levies various other local taxes including sales and use tax, business, professional and occupational license taxes, motor vehicle license taxes, meal taxes, a recordation tax, and a tax on consumer utility bills. Other local taxes represented 16.6% of total Governmental Funds revenues.

Licenses and Permits – The City collects fees for a variety of building and zoning permits, certificates of occupancy, and for the performance of certain activities in the City. In addition, various fees must be paid for services provided by certain City departments. These receipts represented 0.42% of total Governmental Funds revenues.

Intergovernmental Revenue and Recovered Costs – The City receives revenue from the Commonwealth of Virginia for a portion of shared categorical expenses including certain expenditures for social services and the operation of constitutional offices. The City also receives a significant amount of aid from the Commonwealth in support of the public school system; however, such revenues are credited directly to the School Operating Fund and are not reflected in the Governmental Funds revenues. Recovered Costs and Intergovernmental Revenues represented 18.7% of total Governmental Funds revenues.

Other Revenues – Other sources of revenue represent 17.1% of total Governmental Funds revenues and include fines and forfeitures, interest and rents, certain charges for services rendered, employee benefit premiums, and miscellaneous.

Expenditures for the Fiscal Year Ended June 30, 2025

Costs of General City Government – Payments for the costs of the operation of the City government include expenditures for public safety, public works, general and judicial administration, health and welfare, community development and parks, recreation, and culture. This classification represented 60.4% of total Governmental Funds expenditures.

Transfer to Newport News School Board – The City transfers money from the General Fund to the Newport News School Board to pay the City's share of the cost of operating the public school system. Education represented 16.4% of the Governmental Funds expenditures.

Debt Service Payments – Debt service requirements on City general government and school bonds are paid by transfers from the General Fund and other funds to the Debt Service Fund. In addition, notes, lease, and subscription liabilities are paid out of various funds of the City. Such debt service payments represented 8.0% of total Governmental Funds expenditures.

Capital Outlay – The City continues to invest in its long-lived assets through capital projects, the expenditures of which get reported as capital outlay. These costs were 15.2% of the total Governmental Funds expenditures.

Statements Of Revenues, Expenditures And Changes In Fund Balance General Fund (000's Omitted)

The following table was compiled from the City's audited financial statements.

	Fiscal Years Ended June 30				
	2021	2022	2023	2024	2025
Revenues:					
General Property Taxes	$297,407	$314,580	$348,759	$363,037	$371,307
Other Local Taxes	112,283	122,392	125,567	128,979	130,365
Licenses and Permits	2,820	3,608	4,338	3,393	3,309
Fines and Forfeitures	1,243	1,034	1,135	1,231	1,183
Intergovernmental	47,821	49,544	54,063	55,905	58,417
Charges for Services	21,764	15,195	16,726	16,983	18,049
Interests and Rent	2,593	2,823	12,387	23,992	21,811
Recovered Costs	5,043	14,051	14,724	19,813	17,394
Miscellaneous	5,103	14,924	4,714	5,352	22,521
Total Revenues	$496,077	$538,152	$582,415	$618,685	$649,052
Expenditures:					
General Government	$98,980	$101,170	107,641	120,750	$119,865
Judicial Administration	7,212	8,625	11,477	10,613	10,945
Public Safety	118,551	109,953	119,082	150,545	167,436
Public Works	6,614	694	4,989	7,297	9,687
Health and Welfare	36,991	37,058	41,530	44,481	44,149
Education	113,389	113,389	116,189	119,589	123,089
Parks Recreation and Culture	25,690	23,850	26,086	33,378	36,145
Community Development	9,569	9,696	10,391	11,668	16,022
Principal	-	4,120	4,270	5,882	7,358
Interest and Other Charges	-	98	115	526	753
Capital Outlay	-	-	-	10,043	2,547
Total Expenditures	$416,997	$408,654	$441,773	$514,772	$537,996
Excess (Deficiency) of Revenues Over (Under) Expenditures	$79,080	$129,497	$140,641	$103,913	$111,056
Other Financing Sources (Uses):					
Transfers In	9,500	9,500	9,500	9,500	9,500
Transfers Out	(84,465)	(115,154)	(130,148)	(107,333)	(112,711)
Leases (as Lessee)	-	237	3,225	14,394	696
Subscriptions	-	-	5,948	4,275	1,851
Total Other Financing Sources (Uses)	($74,965)	($105,418)	($111,475)	($79,164)	($100,664)
Net Changes in Fund Balance	4,115	24,079	29,166	$24,749	10,393
Restatement – GASB 101 Implementation	-	-	-	-	16,112
Fund Balance at June 30	$103,336	$127,416	$156,582	$181,331	$207,835

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

	2025	2024, as restated*	2023	2022	2021	2020	2019	2018	2017	2016
Revenues										
General property taxes	$371,307	$363,037	$348,759	$314,580	$297,407	$284,634	$276,236	$266,110	$261,130	$256,442
Other local taxes	130,365	128,979	125,567	122,393	112,283	105,857	107,764	105,492	103,890	102,083
Licenses and permits	3,309	3,393	4,338	3,608	2,820	3,225	4,019	4,006	3,724	3413
Fines and forfeitures	1,183	1,231	1,135	1,034	1,243	1,400	1,834	1,741	1,727	1,517
Intergovernmental	129,589	113,617	148,994	151,472	138,915	105,190	111,959	113,955	99,943	92,433
Charges for services	79,049	80,101	79,682	77,608	82,823	80,240	82,630	79,547	78,390	76,208
Interest and rents	226,298	28,576	15,818	3,441	3,114	5,591	6,108	4,280	3,065	2,669
Recovered costs	17,394	29,304	14,831	14,101	5,049	6,342	6,741	5,908	5,683	5,654
Employee benefit premiums	4,696	4,589	-	-	-	-	-	-	-	-
Miscellaneous	23,493	6,370	5,284	15,181	9,434	6,100	5,703	7,296	6,000	4,211
Total revenues	$786,683	$759,197	$744,408	$703,417	$653,087	$598,579	$602,994	$588,335	$563,552	$544,630
Expenditures										
General government	120,012	121,173	108,234	$101,785	$102,226	$96,280	$93,951	$92,769	$91,034	$94,516
Judicial administration	11,649	11,193	12,020	9,135	7,770	7,551	7,588	7,436	7,225	6,442
Public safety	173,149	158,107	153,023	142,383	139,354	128,755	122,534	119,923	118,558	113,199
Public works	86,703	84,622	72,692	62,711	64,381	65,822	67,468	65,966	71,256	67,487
Health and welfare	55,502	54,303	50,407	48,642	55,646	47,379	46,597	45,825	42,722	41,461
Education	138,358	127,383	119,687	126,076	118,752	130,104	116,183	128,632	130,697	120,300
Parks recreation and culture	42,298	38,570	35,893	32,497	29,616	30,878	30,394	30,170	30,047	28,396
Community development	21,366	18,458	19,504	18,733	14,301	12,572	10,650	10,315	9,895	10,974
Debt service										
Principal	46,300	52,706	52,706	42,737	33,303	33,267	34,662	33,690	40,085	38,000
Interest	21,451	19,388	19,388	20,154	22,166	22,685	20,046	19,683	19,995	20,670
Capital outlay	128,163	105,116	80,465	72,350	66,533	63,367	95,284	64,767	45,078	56,311
Total Expenditures	$844,951	$791,019	$711,813	$677,204	$654,048	$638,660	$645,357	$619,176	$606,592	$597,756
Deficiency of revenues Under expenditures	($58,268)	($31,822)	$32,595	$26,213	($959)	($40,081)	($42,363)	($30,841)	($43,040)	($53,126)
Other Financing Sources (Uses)										
Transfers In	$133,125	$128,135	$150,019	$135,031	$104,662	$90,511	$80,999	$70,054	$71,696	$70,403
Transfers Out	(123,625)	(118,635)	(140,5119)	(125,531)	(95,162)	(81,011)	(71,499)	(60,554)	(62,196)	(60,903)
Payment to refund bonds	-	-	-	-	(56,912)	-	-	-	-	(39,614)
Premium on refunded bonds	-	-	-	-	2,459	-	-	-	-	6,728
Refund bonds proceeds	-	-	-	-	54,785	-	-	-	-	33,190
Bond and note proceeds	-	99,915	-	4,801	77,000	-	85,795	-	59,455	48,890
Premium on bonds issuance	-	10,795	-	-	13,695	-	7,657	-	7,416	4,592
Leases (as Lessee)	823	18,278	7,181	3,030	-	-	-	-	-	-
Subscriptions	2,422	4,587	6,027	-	-	-	-	-	-	-
Total other finances sources (uses), net	$12,745	$143,075	$22,708	$17,331	$100,527	$9,500	$102,952	$9,500	$76,371	$63,286
Special Item										
Loss on Extinguishment	-	-	-	-	-	-	(10,156)	-	-	-
Net change in fund balance	($45,523)	$111,253	$55,303	$43,543	$99,567	($30,581)	$50,433	($21,341)	$33,331	$10,160
Debt service as a percentage of noncapital expenditures**	8.9%	10.5%	9.7%	10.5%	9.3%	9.9%	10.0%	9.8%	10.8%	11.0%

*During the year ended June 30, 2025, the City identified an error in prior years' financial statements related to the estimation of claims liability for self-insured employee benefits. Specifically, the City over-accrued claims liability, which resulted in an overstatement of liabilities and an overstatement of expenditures in prior years. The Fiscal Year 2024 numbers have been restated to correct this error.

**Reflects corrected capitalized expenditure amounts that are used to determine debt service as a percentage of noncapital expenditures for fiscal years 2016 thru 2020. Source: Annual Comprehensive Financial Report 2025 (S-4).

RECENT GENERAL FUND BUDGETS

Based on preliminary, unaudited numbers for fiscal year 2026, the City anticipates General Fund revenues will exceed the budget of $643.6 million and General Fund expenditures will be below the budget.

The City's fiscal year 2027 adopted General Fund Budget was $679.3 million, an increase of approximately $35.7 million, or 5.5% above the fiscal year 2026 adopted General Fund Budget of $643.6 million.

The General Fund is the principal fund of the City, and its revenues are derived from a variety of sources. General Property Taxes and Other Local Taxes make up $522.7 million, or 76.9%, of the $679.3 million budgeted for fiscal year 2027. A summary of budgeted General Fund Revenues for fiscal years 2025 - 2027 is shown on the table below.

General Fund Expenditures include most of the City's basic services including public safety, public works, health and welfare, parks, recreation and culture and general administration. The General Fund also makes significant transfers to the Public Schools and Debt Service Funds. Public education, public safety, health and welfare, corrections and detention, and non-user fee supported public works functions make up $363.5 million or 53.5% of General Fund Expenditures. A summary of budgeted General Fund Expenditures for fiscal years 2025 - 2027 is shown below. Also shown below is a budget comparison of the City's major operating funds for fiscal years 2025 - 2027.

BUDGETED GENERAL FUND REVENUES BY SOURCE
Adopted Budgets (000's Omitted)

	FY 2025	FY 2026	FY 2027	Difference 2026-2027
General Property Taxes	$366,978	$370,671	$389,714	$19,043
Other Local Taxes	123,355	127,756	133,036	5,280
Permits, Fees and Regulatory Licenses	3,335	3,075	3,434	359
Fines and Forfeitures	1,218	1,122	1,168	46
Use of Money and Property	8,368	13,643	18,015	4,372
Charges for Services	7,927	7,960	8,705	745
Miscellaneous	27,135	27,670	28,755	1,086
Recovered Costs	16,277	19,491	19,534	43
Non-Categorical Aid	693	852	792	(60)
Shared Expenses	11,974	12,409	13,946	1,537
Categorical Aid	42,386	43,690	41,459	(2,231)
Non-Revenue Receipts	10,084	10,084	15,584	5,500
Federal and State Grants	5,200	5,200	5,200	-
Total	**$624,929**	**$643,624**	**$679,342**	**$35,718**

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BUDGETED GENERAL FUND EXPENDITURES BY FUNCTION
Adopted Budgets (000's Omitted)

	FY 2025	FY 2026	FY 2027	Difference 2026-2027
Legislative	$1,319	$1,977	$1,977	$0
General Administration	9,315	10,876	10,657	(219)
Financial	13,886	14,778	15,599	821
Information Technology	14,225	14,319	16,079	1,760
Board of Elections	680	816	863	47
Judicial Administration	4,701	5,022	6,342	1,320
Commonwealth Attorney	6,279	6,578	7,371	793
Public Safety	118,331	128,520	135,199	6,679
Corrections and Detention	36,405	38,697	39,239	542
Codes Compliance	3,378	3,634	3,953	319
Engineering	6,972	7,017	7,691	674
Public Works	8,961	8,603	9,094	491
Health and Welfare	50,135	50,604	51,525	921
Parks, Recreation and Cultural	29,141	29,724	30,880	1,156
Community Development	8,727	9,100	10,534	1,434
Non-Departmental	125,010	124,849	135,927	11,078
Community Support	3,232	4,667	4,543	(124)
Regional Organizations	10,503	10,601	11,271	670
Public Schools – Local	123,089	125,489	128,489	3,000
Debt Service	45,440	42,550	46,908	4,358
Federal and State Grants	5,200	5,200	5,200	
Total	**$624,929**	**$643,624**	**$679,342**	**$35,718**

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BUDGET COMPARISON OF SELECTED MAJOR FUNDS
Adopted Budgets (000's Omitted)

	FY 2025	FY 2026	FY 2027	Difference 2026-2027
Public Schools	$399,867	$411,371	$423,989	$12,618
Public Utility Fund - Waterworks Department	117,243	122,224	128,605	6,381
General Services	33,184	33,623	35,597	1,974
Pension Trust	108,499	109,459	110,095	636
Debt Service	58,281	51,210	62,162	10,952
Economic/Industrial Development	24,688	25,459	25,559	100
Wastewater	26,664	26,344	27,708	1,364
Stormwater Management	25,910	25,648	27,216	1,568
Street Highway Maintenance	23,695	23,695	24,481	786
Solid Waste	17,971	19,446	19,066	(380)
Post-Retirement Health	8,320	8,243	8,240	(3)
Self-Insurance	1,763	1,922	2,858	936
Recreation Revolving	5,102	5,199	5,848	649
Peninsula Regional Animal Shelter	3,628	3,961	4,142	181
Golf Course	2,085	2,125	2,284	159
Total	**$856,900**	**$869,929**	**$907,850**	**$37,921**

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WATERWORKS DEPARTMENT

The financial results of the City's Waterworks Department are accounted for in an enterprise fund, which is included in the City's Annual Comprehensive Financial Report. The following data summarizes the financial operations of the Waterworks Department for the fiscal years 2021 through 2025. For further detail, reference is made to the City's general purpose financial statements for the fiscal year ended June 30, 2025, which are included in this Official Statement as Appendix B. See also "CITY OF NEWPORT NEWS WATERWORKS SYSTEM" in the forepart to this Official Statement for additional information relating to the Waterworks Department.

City of Newport News, Virginia
Waterworks Department
Summary of Revenues and Expenses
(000's Omitted)

	Fiscal Year Ended June 30				
	2021	**2022**	**2023**	**2024**	**2025**
Operating Revenues:					
Water Sales	$60,194	$58,305	$61,716	$60,785	$60,617
Charges for Services	28,560	28,529	28,428	28,528	28,261
Miscellaneous	10,056	9,460	7,734	7,505	7,650
Total Operating Revenues	$98,810	$96,294	$97,878	$96,818	$96,528
Operating Expenses:					
Personal Services	$26,257	$24,289	$26,338	$31,399	$32,029
Contractual Services	12,113	9,824	13,486	14,515	15,758
Internal Services	1,141	1,290	1,266	1,383	1,390
Materials and Supplies	12,124	11,426	13,338	14,145	15,689
Depreciation	13,756	13,858	14,876	14,492	14,969
Other	2,711	2,608	2,775	2,743	2,647
Total Operating Expenses	68,102	63,295	72,079	78,677	82,483
Operating Income (loss):	$30,708	$32,999	$25,799	$18,141	$14,046
Nonoperating Revenues (expenses):					
Interest Revenue	$283	$1,353	$5,947	$5,939	$5,197
Gain (loss) on Disposal of Assets	211	(89)	(1,880)	206	(347)
Amortization on Bond Premium	1,431	1,330	1,712	1,563	1,419
Loss on Long-Term Debt	(320)	(333)	(321)	(201)	(201)
Interest Expense	(3,740)	(4,092)	(4,258)	(2,425)	(3,820)
Virginia Military Community Infrast. Grant	-	-	-	1,226	-
Hazard Mitigation Program Grant	-	-	-	-	2,510
Stormwater Local Assistance Fund Grant	-	-	-	-	1,081
Defense Community Infrastructure Grant	-	-	-	-	3,900
Total Non-operating revenues (expenses), net	(2,135)	(1,831)	1,199	6,307	9,739
Income (loss) Before Capital Contributions and Transfers Out	$28,573	$31,168	$26,998	$24,448	$23,785
Capital contributions for capital assets	$2,412	$3,297	$4,413	$2,379	$2,541
Transfers Out	($9,500)	($9,500)	($9,500)	($9,500)	($9,500)

Source: Annual Comprehensive Financial Report 2025

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Waterworks Department Debt Service Coverage

Fiscal Year Ended June 30	Net Income Available For Debt Service[(1)]	Total Debt Service[(2)]	Debt Service Coverage[(3)]
2016	$33,292,003	$18,527,000	1.80 times
2017	36,345,882	17,744,000	2.05
2018	37,968,523	16,209,000	2.34
2019	36,028,177	16,294,000	2.21
2020	39,951,054	15,540,000	2.57
2021	36,890,040	12,457,000	2.96
2022	39,533,355	14,515,000	2.72
2023	38,833,668	14,578,000	2.66
2024	30,839,462	13,164,824	2.34
2025	25,783,497	12,225,658	2.11

(1) Revenues minus transfers out and operating expenses less depreciation.
(2) Total annual scheduled debt service coming due on Bonds issued under the Bond Resolution and general obligation water bonds.
(3) Debt Service Coverage shown in this table differs from the Rate Covenant required by the Resolution.
Source: Waterworks Department

Unaudited preliminary results for Fiscal Year 2026 indicate estimated net income available for debt service of $32,098,374 with a projected debt service coverage of 2.68.

Pursuant to the City's Master Water Resolution, the City is required to maintain a ratio of Revenues of the Waterworks System to the sum of (i) Operating Expenses (as defined in the Master Water Resolution), plus (ii) 120% of annual Debt Service on Bonds issued under the Master Water Resolution, plus (iii) 100% of annual debt service on general obligation water bonds and Subordinate Obligations (as defined in the Master Water Resolution) of at least 1.0x (the "Rate Covenant"). The City has been in compliance with the Rate Covenant under the Master Water Resolution in each Fiscal Year following the issuance of the initial series of Bonds issued under the Resolution.

DEMOGRAPHIC AND ECONOMIC STATISTICS

The standard metropolitan statistical area that includes the City consists of the cities of Hampton, Virginia Beach, Norfolk, Portsmouth, Chesapeake, Suffolk, Williamsburg, and Poquoson, and the counties of Isle of Wight, James City, Mathews, York, and Gloucester. Recent population, income, median age, school enrollment and unemployment rate statistics for the City are shown below:

Fiscal Year	Population	Personal Income (In thousands)	Per Capita Income	Median Age	School Enrollment	Unemployment Rate
2016	182,385	$7,448,898	$40,842	33	28,865	5.0%
2017	181,825	7,470,774	41,088	33	28,240	4.9
2018	179,388	7,770,354	43,316	33	28,401	4.2
2019	178,626	7,969,244	44,614	33	28,381	3.5
2020	186,033	8,197,632	44,065	33	28,282	5.8
2021	184,764	8,758,253	47,448	33	27,113	8.0
2022	184,306	8,639,040	46,873	34	23,933	4.4
2023	183,118	9,295,869	50,764	34	26,162	3.6
2024	183,056	†	†	35	26,073	3.3
2025	†	†	†	35	25,559	3.8

Sources: Fiscal Year 2025 Annual Comprehensive Financial Report
† Information not available

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Transportation

The following is a brief description of transportation facilities and services that serve the City.

Highways

Interstate 64/664 passes through the 25-mile length of the City with nine exits within the City. Interstate 64 connects Newport News to Richmond, 76 miles northwest, where it meets Interstate 95, and with the Southside of the Norfolk-Virginia Beach-Newport News metropolitan area by means of the Hampton Roads Bridge Tunnel and the Interstate 664 Monitor-Merrimac Memorial Bridge Tunnel. U.S. Route 17 passes through the City on its course along the entire Eastern Seaboard and U.S. Route 60 links the City with Williamsburg providing an alternate route to Interstate 64.

Interstate 664 connects the City's downtown, shipyard and ports, including the Seafood Industrial Park, with Interstate 64 and thus to Norfolk and Richmond (75 minutes travel time). The I-664 bridge/tunnel connects downtown Newport News to Portsmouth and the Suffolk and western Chesapeake regions and provides an alternate route to Norfolk. This bridge/tunnel completes the interstate beltway connecting downtown Newport News with all the cities of Hampton Roads.

The City-administered Atkinson Way project provides an additional four-lane divided east/west connection beginning at the intersection of Warwick Boulevard and Atkinson Boulevard, extending eastward over the CSX railroad, I-64 and intersecting with Jefferson Avenue in the northern section of the City.

The City is also coordinating with the Virginia Department of Transportation (the "VDOT") on the addition of a new interchange at the intersection of Denbigh Boulevard and Interstate 64. The project will be completed in two phases, with the first phase expected to start in 2027, with completion in 2029, and the second phase planned to begin in 2030, with completion in 2034. Once finished, this improved access to the Interstate will support new development in northern Newport News.

Truck and Bus Service

Freight service is provided by five motor freight-trucking firms that serve the Lower Peninsula area. Hampton Roads Transit ("HRT"), a regional partnership for local bus service, serves more than 327,000 Lower Peninsula passengers each month, with 370 buses traveling fifteen routes in the City.

Railroads

The City is the eastern freight terminus for more than 50 CSX trains weekly. The CSX mainline serves the Peninsula through spur lines and transports all the freight carried by rail in the area. The CSX rail system is one of the nation's largest railways, serving the South, Midwest and East with more than 26,000 miles of track.

The CSX rail system offers break-bulk cargo services to Newport News Marine Terminal ("NNMT"). Container cargo is moved to NNMT by the Virginia Port Authority from the nearby Norfolk Southern container terminal. The CSX railroad also serves the City's two coal loading terminals.

Amtrak provides daily passenger service from the City to Richmond, Washington, New York and Boston. Intermediate service to more than a dozen other locations is also provided.

Construction of the Newport News Transportation Center began in 2020 through a partnership between the City of Newport News, the Virginia Department of Rail and Public Transportation ("DRPT"), and the VDOT. Located on Bland Boulevard between Warwick Boulevard and Interstate 64, the facility opened in 2024 and provides modern amenities, full ADA compliance, increased parking, and an improved passenger rail experience. The Center also serves as a multimodal hub that connects Amtrak service with Hampton Roads Transit buses and on-demand service, taxis, and airport shuttles, replacing the former station and strengthening regional mobility. Beginning in 2024, DRPT created the Virginia Breeze, Virginia's intercity bus service connecting communities across the state with major destinations including Washington, D.C., Richmond, and Virginia Beach. Along the way, the service links communities including Blacksburg, Harrisonburg, Charlottesville, Williamsburg, and Bristol, creating convenient connections across the region. The daily Tidewater Current route begins at Virginia Beach, with the Newport News at the Transportation Center, continuing to Richmond, Charlottesville, Staunton, and Harrisonburg. This western route is an additional option for connecting travelers to Richmond International Airport, Union Station, and Dulles International Airport.

Air Transport Service

The City is served by the Newport News/Williamsburg Airport, which is located in Newport News. Air passenger service is provided by American Airlines. The Airport has made approximately $38 million in capital investments since 2016, including taxiway, lighting, terminal and ramp rehabilitation, as well as modernized and improved TSA and baggage handling systems to support future expanded air service.

In addition to the services provided at the Newport News/Williamsburg Airport, City residents are also served by the Norfolk International Airport, which is less than 40 minutes away, and Richmond International Airport, which is an hour away. Norfolk International Airport and Richmond International Airport provide national and international service with approximately ten trunk and commuter airlines.

Local Economy

Newport News has a diverse range of contributors to the local economy—corporate, manufacturing, healthcare, military, and educational institutions. One of the primary goals of the City is to promote an environment which encourages economic growth and job creation and retention. The City's development activities are executed primarily through its Economic and Industrial Development Authorities ("EDA/IDA"). The core mission of the EDA/IDA is to grow and diversify the tax and employment base of the City. This mission is supported by promoting Newport News as an ideal location for business start-up, relocation, expansion, and capital investment. A common thread and strength of the local economy, outlined in each project below, is economic diversification and expansion of long-standing businesses, providing stability and sustainability to the Newport News economy.

Huntington Ingalls Industries and Newport News Shipbuilding

Huntington Ingalls Industries is the largest industrial employer in Virginia, with nearly 26,000 workers employed at Newport News Shipbuilding and its affiliated operations. The Shipyard continues to play a central role in the City's economy through sustained capital investment, major federal contracts and ongoing facility modernization.

Newport News Shipbuilding is advancing construction of the next generation of Ford class aircraft carriers and Virginia class submarines, and, in partnership with Electric Boat, the Columbia class ballistic missile submarines. These programs require significant workforce expansion, including the creation of up to 1,000 new jobs tied to the Columbia class effort. The Shipyard also continues construction on Virginia class submarines and hosted the christening of the Arkansas (SSN 800) in late 2024.

To support production demands, Newport News Shipbuilding has modernized its facilities, including upgrades to the foundry that allow the Shipyard to meet higher Navy component standards. The company has expanded its Joint Manufacturing and Assembly Facility and continues to invest in new tooling, equipment and production capacity. Since 2015, more than four billion dollars have been committed to facility improvements.

Growing activity downtown has also prompted major investments in workforce infrastructure. In 2024, Newport News Shipbuilding and the Navy announced a new parking garage that will provide approximately 3,100 additional spaces on Shipyard property between 37th and 39th Streets. This project will improve daily access for shipbuilders and sailors and strengthen overall support for downtown operations, and is expected to be complete in September 2026.

In 2025, the Navy advanced a significant new housing initiative that will create 750 modern unaccompanied housing units for sailors in downtown Newport News, along with new retail space and Navy support areas. This project represents an approximately $400 million investment that will enhance quality of life for service members and complement ongoing revitalization efforts.

In July 2026, HII announced that the Navy had awarded approximately $76.6 billion in combined contract modifications to Newport News Shipbuilding and General Dynamics Electric Boat for the construction of five additional Columbia-class and nine additional Virginia-class submarines, as well as investments in shipyard infrastructure. Newport News Shipbuilding will serve as the delivery yard for six of the planned Virginia-class submarines and, as a major partner in the Columbia-class program, will construct and deliver six module sections for each submarine.

Through these capital improvements, defense programs and collaborative investments, Newport News Shipbuilding continues to anchor the regional maritime industrial base and remains a prominent contributor to job creation, workforce development and long-term economic stability in the City.

Ferguson

Ferguson plc (formerly known as Ferguson Enterprises), the nation's largest distributor of residential and commercial plumbing supplies, is headquartered in Newport News. In 2021, Ferguson celebrated the completion and occupancy of the company's new headquarters building. The 260,000 square foot building is located in City Center which is the Peninsula's Central Business District. This investment was supported by the City and EDA with construction of the new 1,400-space Pearl Way Parking Garage, which serves Ferguson and the broader City Center development.

Liebherr USA

Liebherr Mining Equipment, a division of Liebherr USA, manufactures large mining excavators and trucks and operates its North American headquarters in Copeland Industrial Park. In 2024, the company announced a $72.3 million investment to expand its manufacturing capabilities and support new product lines, creating 175 new jobs. This investment builds on a previous $45 million expansion completed in 2020 that added three new buildings totaling more than 250,000 square feet. Together, these improvements demonstrate Liebherr's sustained commitment to Newport News and its position as a leading advanced manufacturing employer in the region.

Maola

In 2022, Maola, a dairy company owned by the Maryland & Virginia Milk Producers Cooperative Association, leased a 53,255 square foot industrial building, next to its existing facility in Copeland Industrial Park. Maola is using its leased building to install additional refrigeration to support the distribution of its milk and dairy products.

Canon Virginia, Inc.

Canon Virginia, Inc. serves as Canon's manufacturing, engineering, recycling and technical support center for the Americas and has made more than $45 million in capital improvements at its Newport News facility over the past decade. In 2024, the company announced a new $37 million investment that will diversify its operations by establishing a production line focused on isolating natural silk protein. The project will retrain approximately 30 employees and expand Canon's presence in advanced materials and biotechnology. Canon's continued investment highlights the company's long-term commitment to Newport News and reinforces the City's role as a hub for advanced manufacturing and innovation.

Mühlbauer International

Operating in Newport News for over 25 years, Mühlbauer International ("Muhlbauer") specializes in automation solutions manufacturing and is the U.S. subsidiary of Germany-based Mühlbauer Group. The Newport News location serves as a base for its North American business activities and occupies a 33,115 square-foot office/assembly facility. In May 2022, Governor Youngkin announced Mühlbauer would invest $9 million to again expand operations in Oakland Industrial Park. The company is making upgrades to its facility and is increasing capacity by adding new production equipment while creating 32 new jobs. This expansion positions Mühlbauer's growing entry into emerging technology applications with both new and existing customers.

S23 Holdings

S23 Holdings, LLC, a marine repair and construction company, announced in June 2020 plans to invest $64.4 million to build a corporate and industrial campus, and a training facility, in Southeast Community, creating 332 new jobs for members of the community. With continued investment at 1201 Terminal Avenue, S23 broke ground on the facility at 1550 Terminal Avenue in late 2022. The development represents a significant addition to the maritime industrial base and supports expanded employment opportunities for local residents.

High Liner Foods

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, as well as to restaurants and institutions. In June 2022, Governor Youngkin announced this leading North American value-added frozen seafood company will continue to invest in modernizing its facility in Newport News with new equipment and product lines. The Virginia Economic Development Partnership worked with the City of Newport News, the Hampton Roads Alliance, and The Port of Virginia to secure the investment in Virginia through a $300,000 performance-based grant from the Virginia Investment Performance Grant, an incentive that encourages continued capital investment by existing Virginia companies.

Solo Incorporated

Solo Incorporated ("Solo"), a worldwide leader in the production of backpack, handheld and one-hand compression sprayers, has been located in Copeland Industrial Park since 1983. Solo purchased a 64,000 square-foot facility with adjacent expansion acreage in Oakland Industrial Park in 2020. This expansion has allowed Solo to maximize production and efficiency, while continuing to call Newport News home and maintaining 66 jobs.

Certified Origins

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. The Italian-based company focuses on providing fresh and authentic extra virgin olive oil. In March 2022, Governor Youngkin announced Certified Origins' investment of $25 million to establish its first U.S. production facility in the City of Newport News. The new facility in the Oakland Industrial Park will allow the company to meet increased demand for its branded and private-label products. The company will select and import high-quality extra virgin olive oils through the Port of Virginia, to offer craft blends and tailored packaging solutions for local and global markets.

Aldora Glass

Aldora Glass, a South Florida-based fabricator and distributor of glass and aluminum systems, announced its Spring 2022 purchase of its seventh facility serving the mid-Atlantic and Southeastern United States. Located in Oakland Industrial Park, the 72,000 square-foot structure represents a $10 million investment to support a 150-mile radius including Hampton Roads, Richmond, Baltimore, the District of Columbia, Raleigh-Durham, Roanoke and others. An estimated 40-75 new positions will be created for Outside Sales, Branch and Plant Manager, and glass manufacturing associates. Operations featured at the Newport News plant will be 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

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

Aery Aviation

Founded in 2016 and headquartered in Newport News, Aery Aviation provides aerospace design, engineering, systems integration, modifications, certification, maintenance, and flight operations solutions. These services support critical aviation mission requirements for domestic and foreign governments and select corporations and individuals in the private sector. In the fourth quarter of 2021, Aery Aviation announced investment of $15.3 million and 211 new jobs to expand its global headquarters in Newport News. In 2022 the company completed construction on its new, 60,000-square-foot hangar facility with access to the airport runway and an engineering technology center.

Innovated Machine & Tool Co., Inc.

Innovated Machine & Tool Co., Inc. ("Innovated") is a locally owned precision sheet metal manufacturer specializing in custom casings, enclosures and panels for electronics companies, data centers and other advanced manufacturing customers. The company has operated in Newport News since 1994 and purchased its 60,000-square-foot facility at 250 Pickett's Line in 2007. Most recently, Innovated invested $4.8 million to expand the facility, increase manufacturing capacity and install new production equipment. Completed in October 2025, the expansion will create 25 jobs with an average annual salary of $43,680 and reflects the company's continued commitment to Newport News.

Annandale Millwork and Allied Systems Corporation

Annandale Millwork and Allied Systems Corporation expanded its manufacturing operations into Newport News with the establishment of a new $11.5 million production facility. The company manufactures roof trusses, floor trusses, prefabricated structural wall panels, and custom and stock millwork, including doors, supplying residential and commercial construction projects throughout the region. The investment strengthens Newport News' advanced manufacturing base while supporting Virginia's construction and forestry industries through the production of high-quality building components. The facility will create 154 new jobs and represents a significant investment in the City's industrial sector. Company officials, along with state and local leaders, celebrated the official opening of the facility with a ribbon-cutting ceremony in April 2026.

City Center at Oyster Point

Capital investment in City Center, a public-private partnership, totals more than $400 million, with a little less than 30% from the public sector. City Center currently offers over 1,000,000 square feet of mixed-use space for office, retail, and entertainment uses, more than 600 units of residential development, and a 256-room full-service Marriott hotel and conference center. The addition of Ferguson plc helped to expand the office footprint. The mixed-use nature of City Center provides employees working there with a host of amenities.

In December 2021, CCOP, LLC acquired a nine-building office and retail mixed-use portfolio in City Center at Oyster Point. CCOP, LLC's acquisition includes 574,466 square feet of office and retail space, which was originally developed as a master-planned, public-private partnership between the City of Newport News and nine local founding partners. CCOP, LLC, a Florida-based real estate investment firm owned by the Murphy Property Group, is committed to sustaining the development as the premier mixed-use business and residential center on the Virginia Peninsula.

City Center at Oyster Point falls within the greater Oyster Point area, which includes Jefferson Lab, Tech Center, Jefferson Center for Research and Technology, Canon Virginia, Port Warwick, and the area along the periphery of the business park, is second only to the Shipyard as a center of concentrated employment in Newport News and on the Lower Peninsula. Oyster Point is the center of business activity on the Lower Peninsula. It has the submarket's largest concentration of law firms, accounting firms, banks and mortgage companies, engineering firms, and temporary labor agencies. Oyster Point is also home to several high-tech manufacturers and service providers including Advanced Technologies Inc., AH Environmental, Engineering Development Laboratory, and Calspan Systems Newport News. Oyster Point also boasts the largest concentration of Class A office space on the Lower Peninsula. Altogether, greater Oyster Point now contains more than four million square feet of Class A office, single-story office, retail, flex-space and light industrial buildings. More than 20,000 people work in the Greater Oyster Point area in more than 900 businesses.

Tech Center Research Park & Jefferson Lab

Jefferson Lab remains one of the nation's premier Department of Energy research facilities and a major scientific and economic asset for Newport News. The laboratory continues to expand its capabilities following the $400 million upgrade to the Continuous Electron Beam Accelerator Facility, which doubled its energy and enhanced research capacity for more than 1,800 users from around the world each year. In 2023, the Department of Energy selected Jefferson Lab to lead and host the High Performance Data Facility in partnership with Lawrence Berkeley National Laboratory, representing an estimated investment of $300 million to $500 million that will support major advances in data-intensive research. In June 2026, Jefferson Lab broke ground on the new High Performance Data Facility (Jefferson Lab Data Center).

To support continued investment at Jefferson Lab, the City and EDA finalized the conveyance of the Applied Research Center to the laboratory in 2023. The Applied Research Center will support Jefferson Lab's long-term mission, provide space for a future visitor center and strengthen its educational outreach programs. In June 2026, SURATech – a partnership between the Southeastern Universities Research Association and Virginia Tech – assumed responsibility for managing and operating Jefferson Lab under a new Department of Energy contract, beginning a new chapter for the laboratory's continued growth and scientific leadership.

Adjacent to Jefferson Lab, the $450 million Tech Center Research Park continues to evolve as a leading hub for research, technology and high-wage employment. At full buildout, the park will include approximately 850,000 square feet of office and laboratory space across 10 buildings and is projected to support approximately 5,500 employees. The broader district also includes the 250,000-square-foot Tech Center Marketplace and a residential component that has become one of the Peninsula's most active leasing areas. Most recently, the 81,000-square-foot Building Two was completed in 2024, followed by Virginia Tech's opening of the Secure Energy Future Center in April 2026. The new center connects researchers, industry and public-sector partners to advance energy technologies and strengthen energy resilience.

Together, Jefferson Lab and the Tech Center Research Park represent a shared vision for scientific advancement and technology-based economic development. The High Performance Data Facility, SURATech's new management role and the Secure Energy Future Center further strengthen the district's position as a center for research, innovation and high-wage talent in Newport News.

Choice Neighborhoods Initiative

The City's Choice Neighborhood Initiative ("CNI") is a major redevelopment effort focused on transforming the one square-mile Marshall-Ridley area through coordinated investment in housing, people development and neighborhood amenities. Newport News received a $30 million CNI Implementation Grant in 2019 and an additional $5 million in 2023. These funds are leveraged by more than $128 million in private investment and $146 million in public investment, creating significant momentum for long-term revitalization.

A central goal of the CNI effort is to encourage private investment, support small business growth and improve quality of life throughout the neighborhood. Key activities include rehabilitation of historic commercial structures, a residential façade program that builds wealth equity for homeowners, development of a new seafood market to leverage the waterfront at the Seafood Industrial Park, creation of a health and wellness trail network, new gateway and neighborhood signage and commissioning of public art and murals.

Significant progress has been made across the CNI area. In 2024, the EDA completed the rehabilitation of 2510 Jefferson Avenue, a nearly 100-year-old building in the historic Black business district. Supported by funding from the Department of Housing and Community Development and HUD's CNI program, the building opened in spring 2025 with a café, retail and office tenants and complements the adjacent Offices @ Two Five & J as a new hub for entrepreneurial activity.

Replacement housing is also advancing. Phase I units along Jefferson Avenue were completed in 2023, and redevelopment of the 25-acre Ridley site has transformed the former 259-unit public housing community into a new mixed income neighborhood. Legacy Landing, which includes 155 townhome and apartment units, opened in June 2025 and will be connected to King Lincoln Park by a health and wellness trail scheduled for completion in 2026.

In June 2026, the City, NNRHA and Pennrose broke ground on Choice Neighborhood V - Downtown, the final housing phase, adding 73 apartments and ground-floor commercial space in Downtown Newport News at 2815 Washington Avenue with completion anticipated in August 2027.

Complementing this work, partners have also invested in early childhood education. In 2022, the City, Peake Childhood Center and Virginia Peninsula Community College broke ground on the new Peake Early Childhood Center within the CNI footprint. The center, which opened in 2025, serves approximately 200 children ages six weeks to four years and provides high quality, affordable childcare and early learning programs to families in the community.

Together, these investments reflect substantial progress toward the CNI Transformation Plan and demonstrate continued commitment to creating a vibrant, equitable and economically resilient Marshall Ridley neighborhood.

Downtown/The Yard District

Downtown Newport News is experiencing significant reinvestment as the City advances its Downtown Reimagined vision. Public improvements, including more than $5 million for the James River Strand project, are enhancing the waterfront with new public gathering areas, event space and stronger connections between park and riverfront amenities. These efforts, combined with targeted streetscape and infrastructure upgrades, are reshaping Downtown.

Private investment has accelerated redevelopment along the 23rd Street Corridor. Historic warehouse buildings have been transformed into new offices, restaurants and housing, including Coastal Fermentory, Ironclad Distillery, Benny's Pizza, Gastro at 23rd and Corkscrews and Brews. Additional growth is forthcoming with the future 41 on Harbor restaurant expected to open in 2026. These projects build on the area's federal historic district designation, which enables the use of state and federal historic tax credits and has encouraged further adaptive reuse.

Major residential reinvestment continues throughout Downtown. The new St. Vincent's Apartments and Grace on 29th have added 43 additional market rate apartments. At 2800 Washington Avenue, Monument Companies completed in October 2025 a significant adaptive reuse project that delivered 91 new apartments and ground floor retail space.

Together, these public and private investments, along with major commitments from Newport News Shipbuilding and the Navy to expand workforce infrastructure and new downtown housing for sailors, are strengthening momentum in the urban core and positioning Downtown Newport News as a growing destination for residents, businesses and visitors.

Seafood Industrial Park & Menchville Marina

The City continues to make significant investments in the Seafood Industrial Park and Menchville Marina to support the region's commercial fishing industry and strengthen critical maritime infrastructure. At the Seafood Industrial Park, multiple state and federal partners have provided major funding for dock and pier rehabilitation, capacity improvements and new facility development. Recent awards include $800,000 from the Department of Housing and Community Development for dock and pier demolition and replacement, $342,353 from the Virginia Port Authority's Aid to Local Ports Program for dock improvements, and $1 million in federal community project funding secured in 2024. In 2025, the City received an additional $850,000 from the Virginia Port Authority for restoration of the outer harbor pier and mooring dolphins, further expanding capacity for watermen and maritime users. In March 2026, Seafood Industrial Park was also awarded $480,000 from the Port Host Communities Revitalization Fund to support repairs to the Seafood Industrial Park's outer harbor, further strengthening critical waterfront infrastructure. These improvements enhance offloading capacity for locally harvested seafood, including crabs, clams and oysters, and have contributed to record revenue at the Seafood Industrial Park in recent years.

Menchville Marina has also received substantial investment to support its role as a central offloading point for the Virginia oyster fishery and watermen operating along the lower James River. The City has been awarded more than $1 million in grants from the Port Host Communities Revitalization Fund and the Virginia Port Authority to fund lighting, new docks, shoreline stabilization and new restroom facilities that will also serve the trail system at

Riverview Farm Park. These upgrades complement private investment at the Marina and strengthen its role as a key working waterfront asset.

Endview

The Parkside at Endview development project, situated on the 283-acre tract at 350 Yorktown Road, will take one of the few remaining greenfield sites in the City and use it to address the need for high-quality, high-end housing in Newport News. Along with its development partner, D.R. Horton, the City and EDA successfully rezoned the property to support the new development in 2025. Plans are now underway with groundbreaking expected in 2026 and home sales expected in 2027.

Redevelopment Opportunity

Newport News continues to advance major redevelopment opportunities across the City through strategic planning, site readiness efforts and targeted investment. In 2025, the City and EDA launched the Newport News Economic Development Growth and Expansion Summit to showcase high value development sites to national and regional developers. The Summit highlighted a portfolio of properties positioned for near-term private investment, with opportunity to attract new businesses, housing and commercial activity and reinforce long-term economic growth. Among others, featured properties included:

- The 27-acre Chase Packaging Site, a waterfront property in the Southeast Community acquired by the EDA/IDA in 2017. The City and EDA have completed extensive site remediation, including removal of a 200,000 square foot concrete slab, and the site is now well positioned for redevelopment that complements ongoing Choice Neighborhood Initiative investments.

- The Sherwood Site, a 21-acre, EDA-owned property being master planned by Quinn Evans to create a new community civic hub anchored by a modern Grissom Library. A new North Police Precinct and Police Training Academy have already opened on the site, and additional outparcel opportunities will create future private sector development potential. Construction of the new Grissom Library advanced with a groundbreaking ceremony held in July 2026, marking a significant milestone in the site's continued redevelopment.

- AirCommerce Park at Newport News-Williamsburg Airport, offering significant aviation-related development opportunity. In 2024, Virginia Economic Development Partnership awarded a $327,600 Virginia Business Ready Sites Program grant to accelerate site readiness through a partnership between the EDA and the Peninsula Airport Commission. AirCommerce Park East includes existing businesses, such as Aery Aviation, and more than 50 acres of undeveloped land. AirCommerce Park West offers approximately 280 acres that can accommodate large aviation, logistics and advanced manufacturing projects. In April 2026, the Commonwealth of Virginia announced the award of a $3,061,400 Growth and Opportunity for Virginia (GO Virginia) grant to support the Hampton Roads Mobility Innovation Center (MIC), a transformative initiative advancing the region’s position in next-generation aviation, aerospace, and uncrewed systems.

- The Carleton Advanced Manufacturing Site is a 144-acre greenfield development opportunity in northern Newport News. In April 2024, CSX designated the Carleton Site as a Select Site, one of only two in Virginia, recognizing it as a premier Mid-Atlantic rail-served industrial property. Additionally, in April 2026, the property was successfully rezoned from R9-Mixed Use to M1-Light Industrial, improving its marketability and elevating the site from Tier 2 to Tier 3 status.

These properties will play a central role in shaping future growth and expanding the City’s economic development pipeline.

Workforce Development

Newport News continues to strengthen its workforce development network through training centers, community partnerships and targeted investments that expand access to skilled trades and career advancement opportunities.

Virginia Technical Academy (“VTA”) opened in early 2020 and provides hands-on, fully accredited apprenticeship training for HVAC technicians, electricians, plumbers, appliance technicians and facilities management technicians. The VTA’s instructional team brings more than 65 years of combined industry experience across installation, repair, estimating, training and business operations. VTA serves as a key resource for individuals seeking to enter high-demand trades and supports employers throughout the region.

In the Southeast Community, the Newport News Opportunity Center (“NNOC”) opened in 2019 as a 12,000 square-foot collaborative space focused on STEM education, job readiness, workforce development and entrepreneurship. The center hosts hundreds of visitors each month who come to build job skills, explore career pathways and pursue continuing education opportunities. NNOC plays an important role in connecting residents to training and employment resources in a targeted redevelopment area.

The City is further expanding training capacity through the Newport News Trades Center at 520 21st Street, developed in partnership with Virginia Peninsula Community College and its Educational Foundation. Supported by funding from BlueForge Alliance on behalf of the U.S. Navy’s Maritime Industrial Base Directorate, along with contributions from the City, EDA and Virginia Peninsula Community College, the 16,000 square-foot facility will provide hands-on instruction in welding, marine electrical, structural fitting, coatings, electrical, HVAC, plumbing and facilities maintenance. The Trades Center serves as a dedicated workforce training hub, preparing students and incumbent workers for high-demand careers in the shipbuilding, ship repair and skilled trades industries while helping employers meet critical workforce needs. The facility directly supports the region's maritime industrial base, strengthens the defense supply chain and expands opportunities for residents to access well-paying careers. Following its groundbreaking in August 2025, the facility was completed and officially opened with a ribbon-cutting ceremony in March 2026.

Entrepreneurial Development

The City continues to support small businesses, start-ups and early-stage companies through a range of programs, partnerships and technical assistance efforts. Entrepreneurial development remains a priority for the Southeast Community, where new resources and facilities are helping to build local capacity and support long term business growth.

Start Peninsula serves as the Peninsula’s regional initiative to strengthen the entrepreneurial ecosystem. Supported by a Memorandum of Understanding among the seven Peninsula localities, Start Peninsula hosts pitch training and business development sessions throughout the year and concludes with a final competition each November that provides mentoring, exposure to regional business leaders and opportunities for early-stage ventures to compete for awards.

These regional activities are complemented by local investment in spaces that promote small business formation. Owned by the EDA, The Offices @ Two Five & J opened in 2021 as a first-class coworking and business assistance hub in the Southeast Community. Supported by more than $2 million in investment, including a $480,000 grant from the Department of Housing and Community Development’s Industrial Revitalization Fund, the facility offers private offices, shared workspaces, dedicated desks and virtual office options, and serves as home to over 30 businesses. The center supports the creation and growth of locally owned enterprises and provides an accessible resource for Newport News residents actively establishing or expanding a business.

Lifestyle Amenities

Substantial investment has strengthened the City’s Cultural Corridor, which extends from Oyster Point to Christopher Newport University. Riverside Health System has completed more than $800 million in expansion and renovation to its hospital complex, supporting advanced medical services and regional healthcare access. The Virginia Living Museum has also expanded significantly, doubling the size of its outdoor exhibit space and completing a $21 million building expansion that includes the new Wild Care Center. Christopher Newport University has transformed its campus and surrounding area through more than $600 million in completed and ongoing capital projects, and continues to grow its presence through recent commercial acquisitions by the CNU Foundation. The University remains a respected liberal arts institution that attracts most of its student body from beyond the Hampton Roads region. The Mariners' Museum and Park, founded in 1930, continues to serve as an international cultural and educational anchor with a collection of more than 32,000 artifacts and the largest maritime library in the Western Hemisphere. Congress designated the Museum as America's National Maritime Museum, and its Batten Conservation Complex houses the world's largest conservation project of its kind, preserving over 200 tons of artifacts from the USS MONITOR. The 550-acre Mariners' Park is among the largest privately operated parks in the country that is free and open to the public, and includes the 5-mile Noland Trail, the 167-acre Mariners' Lake and the iconic Lions Bridge. In March 2024, the Museum was named a finalist for the National Medal for Museum and Library Service, a national recognition of innovative public service. Arts and culture have also seen strong growth in the Southeast Community. Public art and historic installations have helped shape a renewed cultural identity. Notable works include Richard Hunt's "Build a Dream" sculpture and "The Unfinished March," a bronze bas-relief honoring Dr. Martin Luther King Jr. and other civil rights leaders. A series of murals featuring Newport News icons such as Ella Fitzgerald, Pearl Bailey and W. Hale Thompson further activate the corridor and have inspired additional murals on community facilities and private properties.

These investments in arts, culture, education and public spaces contributed to Newport News being named a 2024 All-America City by the National Civic League, an honor awarded to only 10 communities nationwide for exceptional civic engagement, innovation and inclusive problem-solving.

Continued Growth and Prosperity

In September 2026, the Department of the Navy announced the execution of a contract among the Navy, the City and Hunt Military Communities for the construction of a military housing development in downtown Newport News. The project, known as HomePort Hampton Roads 2, is expected to consist of a complex of nearly one million square feet containing approximately 750 apartment units providing housing for up to 1,500 sailors, approximately 10,000 square feet of retail space and a parking garage with more than 1,000 spaces, and is expected to replace the existing Huntington Hall housing and recreation sites near Warwick Boulevard. The Navy's commitment to the project is approximately $400 million and is part of a broader $1.7 billion Navy investment to construct or renovate more than 8,000 beds across 16 facilities in the Hampton Roads region. Total investment in the project is estimated at approximately $450 million, which the City has reported would constitute the largest one-time investment in the City's history. The City has committed $10 million toward the project, and the Commonwealth authorized a $40 million treasury loan in 2024, access to which was continued in the budget adopted by the General Assembly in June 2026. The project was originally scheduled for completion in 2029; an updated construction schedule has not been announced. No assurance can be given that the project will be completed as currently contemplated or within any particular time frame.

The increase in household income and professional employment opportunities that the City has experienced in recent years has had a positive effect on the City's retail base. The Patrick Henry Corridor is generally recognized as one of the best performing retail markets in Hampton Roads, with approximately 4,251,252 square-feet and a vacancy rate of less than 3.5%.

Major ongoing development in Newport News includes Huntington Pointe on land bordering York County between Denbigh Boulevard and Fort Eustis Boulevard in the northeast quadrant of the City. Residents have moved in, and 2,550 single family homes, townhouses, condominium apartments and commercial space units are planned for the 220-acre development. Another property with growing interest is the 110-acre Camp Morrison property, which is under contract with a new developer evaluating the property for an over 600-unit development.

The City is more than 95% developed, with most of it built around automobile-dependent forms of development. New urbanism and sustainable development, which seek to recreate more pedestrian-friendly neighborhoods, have been successfully developed in Newport News with such projects as City Center, Tech Center, Port Warwick, Patrick Henry Place, and Huntington Pointe. Continuing to attract new and assist existing businesses, helping to grow small businesses, and redeveloping the City in strategic targeted areas are important factors in the City's mission to enhance quality of life, desirability and community and economic vitality.

Housing and Commercial Activity

The following table presents housing and commercial activity in the City for the last ten calendar years.

Construction Permits Issued by Type of Structure

Calendar Year	Single-Family	Multi-Family/ Dwelling Units	Commercial and Industrial
2016	140	3/112	68
2017	86	16/325	32
2018	129	0/0	23
2019	135	4/96	20
2020	136	0/0	5
2021	92	12/43	13
2022	109	21/293	17
2023	142	8/462	12
2024	73	9/467	10
2025	59	25/109	24

Source: Department of Codes Compliance

Value of Construction Permits
(000's omitted)

Calendar Year	Single-Family	Multi-Family Dwelling Units	Commercial and Industrial	Total
2016	10,810	4,407	21,921	37,138
2017	15,446	28,591	16,563	60,600
2018	23,473	0	64,973	88,446
2019	26,997	5,270	21,556	53,823
2020	19,888	0	18,338	38,226
2021	14,744	27,082	84,565	126,391
2022	22,693	42,635	64,453	129,781
2023	35,571	46,321	108,835	190,727
2024	13,866	48,849	61,710	124,425
2025	8,866	16,197	130,979	156,042

Source: Department of Codes Compliance

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Retail Sales

The following table presents data for taxable retail sales in the City:

Calendar Year	Taxable Retail Sales Retail Sales	Change
2016	$2,398,169,736	3.3%
2017	2,471,372,351	3.0%
2018	2,580,415,357	4.4%
2019	2,684,869,159	4.0%
2020	2,815,329,153	4.9%
2021	3,230,919,775	14.8%
2022	3,333,891,850	3.2%
2023	3,451,177,455	3.5%
2024	3,563,073,275	3.2%
2025	3,565,550,331	0.1%

Source: Department of Budget and Evaluation

TAX BASE DATA

Assessed Valuation of Taxable Property

Local tax revenues are derived primarily from real and personal properties located within the City. Both real and personal property were assessed at 100% of estimated fair market value for the years shown. The following table is presented to illustrate the trends in these values. The numbers include public utility real and personal property.

ASSESSED VALUE OF TAXABLE PROPERTY
(000's Omitted)

Fiscal Year	Real Property	Personal Property	Total
2016	$14,692,890	$2,023,847	$16,716,737
2017	14,993,889	2,088,772	17,082,661
2018	15,255,113	2,117,860	17,372,973
2019	15,849,184	2,207,220	18,056,404
2020	16,391,940	2,320,820	18,712,760
2021	17,138,850	2,455,345	19,594,195
2022	18,041,404	2,632,239	20,673,643
2023	20,721,379	2,754,336	23,475,715
2024	22,758,449	2,815,852	25,574,301
2025	23,230,912	2,778,645	26,009,557

Source: Fiscal Year 2025 Annual Comprehensive Financial Report (S-6)

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PROPERTY TAX RATES
(Per $100 Assessed Value)

	2023	2024	2025	2026	2027
Real Property	$1.20	$1.18	$1.18	$1.18	$1.18
Personal Property					
Mobile Homes	1.22	1.18	1.18	1.18	1.18
Boats	1.00	1.00	1.00	1.00	1.00
Machinery & Tools	3.75	3.75	3.75	3.75	3.75
Motor Vehicles	4.50	4.50	4.50	4.50	4.50
Public Service Corporations					
Personal Property	4.50	4.50	4.50	4.50	4.50
Machinery & Tools	1.20	1.18	1.18	1.18	1.18

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Largest Owners of Real Property

The following table provides a listing of the twenty largest real property taxpayers in the City as of July 1, 2026.

TOP TWENTY REAL ESTATE TAXPAYERS

July 1, 2026

Taxpayer	Assessment	Taxes
Huntington Ingalls Incorporated	$1,424,810,900	$16,812,769
The Mariners Museum	379,388,800	4,476,788
Virginia Electric & Power Company	277,427,942	3,273,650
Canon USA Inc	142,476,900	1,681,227
Virginia Natural Gas Inc	139,064,843	1,640,965
River Mews LLC	100,124,000	1,181,463
PR Patrick Henry LLC	97,925,600	1,155,522
Liebherr-America Inc	92,787,100	1,094,888
NN Shipbuilding & Dry Dock Co	86,122,000	1,016,240
SMP Landing SPE LLC	78,191,000	922,654
CCOP LLC	78,041,600	920,891
Compass Newport Owner LLC	74,681,000	881,236
Venture Newport News LLC	71,740,000	846,532
Ferguson Enterprises Inc	70,664,200	833,838
Oyster Point Residential LLC	68,978,000	813,940
IREIT Newport News Tech Center LLC	66,622,000	786,140
Patrick Henry Hospital	64,025,800	755,504
BRG Meridian Parkside LLC	62,683,000	739,659
Mid America Apartments LP	61,556,000	726,361
BH L5 Springhouse Owner LLC	61,502,000	725,724
Total	**$3,498,812,685**	**$41,285,990**

Source: Real Estate Assessor's Office

Assessed Value of twenty largest owners of real property ($3,498,812,685) as a percentage of real property in the City subject to taxation as of July 1, 2026 ($24,178,331,670) is 14.5%.

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Property Tax Levies and Collections

The following table represents a summary of property tax levies and collections for the last ten fiscal years.

PROPERTY TAX LEVIES AND COLLECTIONS
(000's Omitted)

Fiscal Year	Tax Levy	Current Year Amount	Current Year % of Levy	Collection in Subsequent Years	Total Collections for Amount	Total Collections for % of Levy
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	272,988	95.6
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	12,316	343,783	98.8
2024	369,714	347,710	94.0	14,751	362,461	98.0
2025	369,356	352,411	95.4	Not Available	352,411	95.4

Source: Fiscal Year 2025 Annual Comprehensive Financial Report

DEBT ADMINISTRATION

Pursuant to the Constitution of Virginia and the Public Finance Act of 1991, a city in Virginia is authorized to issue general obligation bonds secured by a pledge of its full faith and credit. For the payment of such bonds the governing body of the City is required to levy, if necessary, an ad valorem tax on all property in the City subject to local taxation. The issuance by cities in Virginia of bonds or other interest-bearing obligations is subject to a limitation of ten percent of the assessed value of real property in the City subject to taxation as shown by the last preceding assessment for taxes. In determining the limitation, certain classes of indebtedness may be excluded, including revenue anticipation notes maturing in one year or less and referendum-approved general obligation bonds payable from a specific revenue-producing undertaking and revenue bonds.

The City had outstanding tax-supported general obligation indebtedness as of June 30, 2025, as shown below. These amounts exclude general obligation water bonds backed by the full faith and credit of the City.

General Improvement Bonds	$354,830,000
Economic/Industrial Development Authority Bonds Secured by Payment Agreements with the City	23,505,000
Virginia Resources Authority	4,060,010
Literary Fund Loans	1,062,047
Amount Available in Debt Service Fund	(14,867,327)
Total	$368,589,730

On February 12, 2026, the City issued an additional $90,675,000 of tax-supported general obligation bonds (the "Series 2026 General Obligation Bonds").

At June 30, 2025, the Newport News Economic Development Authority (NNEDA) and the Newport News Industrial Development Authority (NNIDA) (collectively, the "EDA/IDA") had outstanding bonds and notes payable totaling $40,100,763 to finance economic development located within the City, as described in more detail below. Of this total, as of June 30, 2025, the City Council had outstanding payment agreements in the form of general obligations for EDA/IDA bonds totaling $23,505,000, which includes $6,700,000 of "moral obligations" subject to appropriation payment obligations for EDA/IDA Bonds. The City's requirement to make payments, if necessary, under these moral obligation commitments is subject to appropriation by City Council each year. To date, none of the obligations of the EDA/IDA have required the City to make payments under its moral obligation commitments. The City Council has adopted policies concerning the use of the City's contingent moral obligation which have the effect of limiting the use of this technique.

COMPUTATION OF LEGAL DEBT MARGIN
June 30, 2025*

Assessed Value of Real Property	$23,311,167,554
Total Debt Limit (10% of Total Assessed Value)	2,331,116,755
Bonds Issued and Other Indebtedness Outstanding:	
General Improvement Bonds	354,830,000
Economic/Industrial Development Authority Bonds Secured by Payment Agreements with the City	23,505,000
Virginia Resources Authority	4,060,010
Literary Fund Loans	1,062,047
Amount Available for Debt Service Fund	(14,867,327)
Total Bonds and Other Indebtedness	$368,589,730
Legal Debt Margin	$1,962,527,025

*Article VII, Section 10 of the Constitution of Virginia, 1971, provides that Waterworks' Bonds, authorized by referendum, shall not be considered, as long as the Waterworks is self-supporting. Excludes Series 2026 General Obligation Bonds issued on February 12, 2026.

RATIO OF ANNUAL DEBT SERVICE FOR GENERAL BONDED DEBT
TO GENERAL GOVERNMENTAL EXPENDITURES
(000's Omitted)

Fiscal Year	Principal	Interest	Total Debt Service	General Governmental Expenditures	Debt Service as a % of General Governmental Expenditures
2016	$38,000	$20,670	$58,670	$597,756	9.8%
2017	40,085	19,995	60,080	606,592	9.9
2018	33,690	19,683	53,373	619,176	8.6
2019	34,662	20,046	54,708	645,357	8.5
2020	33,267	22,685	55,952	638,660	8.8
2021	33,303	22,166	55,469	654,048	8.5
2022	42,737	20,154	62,891	677,204	9.3
2023	41,108	18,780	59,888	711,813	8.4
2024	52,706	19,388	72,094	791,019	9.1
2025	46,300	21,451	67,751	844,951	8.0

Source: Fiscal Year 2025 Annual Comprehensive Financial Report (S-4)

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RATIO OF OUTSTANDING DEBT TO ASSESSED VALUE AND OUTSTANDING DEBT PER CAPITA (000's Omitted)

Fiscal Year	Population	Assessed Value of Real Property	Outstanding Debt	Less: Debt Service Fund	Net Outstanding Debt*	Net Outstanding Debt as % of Assessed Value	Net Outstanding Debt Per Capita
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	186,033	16,068,910	390,384	3,309	387,075	2.4	2,078
2021	184,764	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	183,118	20,365,803	362,163	13,666	348,497	1.7	1,903
2024	183,056	22,361,789	429,520	15,954	413,566	1.8	2,259
2025	N/A	22,783,306	387,447	14,867	372,580	1.6	N/A

Source: Fiscal Year 2025 Annual Comprehensive Financial Report

* Article VII, Section 10 of the Constitution of Virginia, 1971, provides that Waterworks' Bonds, authorized by referendum, shall not be considered, as long as Waterworks is self-supporting. The outstanding Public Utility Bonds include General Obligation Water Bonds authorized by referendum and Water Revenue Bonds.

Bond Amortization Requirements

Principal and interest payments on the tax-supported general obligation bonded indebtedness of the City (which excludes general obligation bonds payable from the City's water system) are set forth in the table below entitled "City of Newport News, Virginia, General Obligation Bonded Indebtedness".

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City of Newport News, Virginia,
General Obligation Bonded Indebtedness[1]

Fiscal Year	Principal	Interest	Total
2027	$39,958,822	$17,157,868	$57,116,690
2028	37,308,997	15,772,150	53,081,147
2029	35,162,822	14,265,765	49,428,587
2030	34,943,438	12,796,317	47,739,756
2031	33,152,296	11,419,597	44,571,893
2032	31,390,000	10,063,433	41,453,433
2033	27,630,000	8,838,894	36,468,894
2034	25,485,000	7,766,732	33,251,732
2035	25,475,000	6,789,906	32,264,906
2036	23,475,000	5,804,469	29,279,469
2037	21,100,000	4,894,219	25,994,219
2038	21,160,000	4,058,569	25,218,569
2039	18,285,000	3,229,519	21,514,519
2040	15,865,000	2,471,813	18,336,813
2041	13,390,000	1,792,688	15,182,688
2042	9,540,000	1,283,925	10,823,925
2043	9,540,000	856,975	10,396,975
2044	4,530,000	452,800	4,982,800
2045	4,530,000	271,600	4,801,600
2046	4,525,000	90,500	4,615,500
Total	**$436,446,375**	**$130,077,739**	**$566,524,115**

(1) Debt Service as of July 1, 2026. Excludes general obligation debt in connection with Literary Fund Loans, Virginia Resources Authority loans and Virginia Public School Authority loans and general obligation water bonds. Includes EDA/IDA payment obligations of the City.

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Principal and interest payments on general obligation water bonds and water revenue bonds of the City, which are payable from and secured by the revenues of the City's water system, are set forth in the table below entitled "City of Newport News, Virginia, Water Bonds", below.

City of Newport News, Virginia, Water Bonds

Fiscal Year	Principal	Interest	Total
2027	$7,625,000	$2,997,967	$10,622,967
2028	7,710,000	2,687,538	10,397,538
2029	5,975,000	2,371,550	8,346,550
2030	6,050,000	2,085,475	8,135,475
2031	6,125,000	1,795,650	7,920,650
2032	6,210,000	1,509,100	7,719,100
2033	6,295,000	1,256,375	7,551,375
2034	6,385,000	1,045,475	7,430,475
2035	6,485,000	851,000	7,336,000
2036	6,575,000	655,575	7,230,575
2037	6,675,000	453,425	7,128,425
2038	4,530,000	298,550	4,828,550
2039	3,075,000	215,250	3,290,250
2040	3,075,000	153,750	3,228,750
2041	3,075,000	92,250	3,167,250
2042	3,075,000	30,750	3,105,750
Total	$88,940,000	$18,499,680	$107,439,680

Source: Department of Budget and Evaluation, City of Newport News

(1) Totals may not add due to rounding. Debt service as of July 1, 2026 includes Series 2016 Bonds to be refunded with the Series 2026 Bonds. Excludes Series 2026 Bonds.

CAPITAL IMPROVEMENT PROGRAM

The City Code requires the City Manager to submit to City Council, no later than November 1 of each year, a multi-year Capital Improvement Plan (CIP). On May 12, 2026, the City Council approved a CIP for fiscal year 2027 to fiscal year 2031.

On March 10, 2026, the City Council approved a resolution strengthening its financial policies, including policies that guide the City government in its capital financing and debt management activities. The City is in compliance with each of these policies, which are as follows:

1. The City's intent is to manage its debt burden, which is defined as the ratio of its outstanding debt supported by the General Fund divided by the value of the total taxable real and personal property in any given year, to no more than three percent (3%).

2. It is the goal of City Council to finance no less than twenty percent (20%) of its Capital Improvements Plan spending with cash capital.

3. The City's intent is that the City's ratio of debt service obligations (defined as debt supported by the General Fund) to Total Governmental Revenue shall not exceed nine and one-half percent (9.5%) in any fiscal year.

4. The City's intent is to structure principal payments when issuing debt supported by the General Fund so that no less than sixty percent (60%) is scheduled to be repaid within ten years.

On March 8, 2016, the City Council approved a resolution establishing policies to guide the Waterworks Department in its capital financing and debt management activities. On January 13, 2026, the City Council approved a resolution strengthening its financial policies, including implementing a higher debt service coverage ratio minimum for Waterworks. The Waterworks Department is in compliance with each of these policies, which are as follows:

1. The Waterworks Department Fund will be self-supporting.

2. The Waterworks Department Fund will maintain revenues available annually to pay debt service, net of transfers, of at least 1.5 times annual debt service (the "Waterworks Department Debt Service Coverage Ratio").

3. In order to cover emergencies and revenue shortfalls within the Waterworks Department Fund, at the end of each fiscal year, the Waterworks Department Fund will maintain a Revenue Fund with unrestricted cash and short-term investments equal to a minimum of 90 days of operating expenses and transfers.

4. The Waterworks Department Fund will maintain a Renewal and Replacement Fund (in accordance with its bond requirements) with a targeted balance equal to a minimum of 25% of average 5-year CIP.

5. The Waterworks Department Fund will maintain a Rate Stabilization Fund (in accordance with its bond requirements) with a targeted balance equal to 30 days of annual operating expenses and transfers.

6. If the Waterworks Department Fund uses balances in the Revenue Fund, Renewal and Replacement Fund or the Rate Stabilization Fund such that the funds fall below the minimum, the City will develop a plan to replenish such funds over a period not to exceed three years.

7. The Waterworks Department Fund will fund at least 25% of its 5-year CIP in cash.

The following tables are the estimated sources of funding and a summary of proposed expenditures for the City's Fiscal Year 2027 – Fiscal Year 2031 Capital Improvement Plan.

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PROJECTED SOURCES OF FUNDING

Funding Source	2027	2028	2029	2030	2031	Total
Bonds:						
General Obligation General Fund	$95,420	$47,260	$120,750	$138,120	$61,300	$462,850
General Obligation Stormwater Fund	7,200	7,400	7,600	7,875	7,600	37,675
General Obligation Wastewater Fund	6,430	6,660	6,890	7,130	7,380	34,490
Waterworks Revenue Bonds	11,250	8,000	7,000	7,000	5,000	38,250
Cash Capital - Operating Budget:						
General Fund	50,732	26,739	25,377	22,440	22,600	147,887
Stormwater Drainage	3,400	3,400	3,800	3,800	3,800	18,200
Sewer Rehabilitations	4,000	4,000	4,000	4,000	4,000	20,000
Waterworks	30,500	16,425	14,750	17,475	13,850	93,000
Grant & Other	34,409	23,671	34,129	15,980	22,633	130,823
Total	**$243,340**	**$143,555**	**$224,296**	**$223,820**	**$148,163**	**$983,175**

SUMMARY OF PROPOSED EXPENDITURES
Fiscal Year Ending June 30
(000's omitted)

Category	2027	2028	2029	2030	2031	Total
Community Development	$4,550	$2,550	$4,350	$4,350	$4,850	$20,650
Planning and Design	10,000	-	-	-	-	10,000
Equipment	16,782	13,829	12,752	11,365	11,125	65,853
Parks and Recreation	3,745	8,600	8,650	2,250	6,400	29,645
Public Buildings	50,055	22,760	90,475	89,425	7,925	260,640
Schools	46,000	14,000	16,800	42,000	42,000	160,800
Streets and Bridges	47,179	31,931	43,529	25,400	29,983	178,023
Waterworks	41,750	24,425	21,750	24,475	18,850	131,250
Stormwater Drainage	12,850	14,800	15,100	13,425	15,650	71,825
Sanitary Sewer Rehabilitation	10,430	10,660	10,890	11,130	11,380	54,490
Total	**$243,341**	**$143,555**	**$224,296**	**$223,820**	**$148,163**	**$983,175**

NEWPORT NEWS EMPLOYEES' RETIREMENT FUND (NNERF)

Pension

Newport News Employees' Retirement Fund ("NNERF") is a single employer, defined benefit, public employee retirement system established and administered by the City to provide pension benefits for employees of the local government, including the non-professional employees of the Newport News School System ("Schools"). For those schoolteachers and administrative support personnel employed by Schools, NNERF provides a supplement to the benefits they receive from the Virginia Retirement System ("VRS"). NNERF also provides other post-employment benefits ("OPEB") for City retirees.

All full-time regular employees hired before July 1, 2009 for Schools and before March 1, 2010 for the City are members of NNERF (unless they opted to transfer their credited service to another plan). NNERF closed to new entrants as of July 1, 2009 for Schools and March 1, 2010 for the City. Effective January 1, 2013, the supplemental benefit to Schools' VRS employees was frozen, so that no future benefits accrue after that date. The Pension Fund is a contributory plan, meaning the employees make monthly contributions to the Fund. Effective January 1, 2013, City employees contribute 5% of their salary towards the plan. Effective January 1, 2013 and 2014, School employees who receive full benefits from NNERF contribute 2% and 5% of their salary towards the plan.

NNERF is a separate pension trust fund and is considered part of the City's financial reporting entity. All full-time regular employees hired before July 1, 2009, for the Schools and before March 1, 2010 for the City are members of this fund. Employees hired after the above dates are in the Virginia Retirement System, an agent of multiple employer defined benefits pension plan administered by the Commonwealth of Virginia. For the fiscal year ended June 30, 2025, the total payroll of the City and Schools was approximately $516.9 million, with approximately $75.3 million paid to employees covered by NNERF. At June 30, 2025, NNERF membership consisted of:

At June 30, 2025

	Retirees and Beneficiaries	Vested Terminated Employees	Active Employees Vested	Total
City general	1,717	553	389	2,659
City police and fire	1,183	229	318	1,730
Public utilities	367	69	94	530
School VRS	2,785	2,235	-	5,020
School Non-VRS	969	219	185	1,373
Total	**7,021**	**3,285**	**986**	**11,871**

Benefits and Services Provided

NNERF provides retirement benefits as well as disability and death benefits. All benefits vest after five years of credited service. Employees who retire at or after age 60 (50 for police officers, firefighters and deputy sheriffs) with five years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 2.0% of their average final compensation for each year of credited service worked through February 29, 2010, 1.85% of their average final compensation for each year of credited service from March 1, 2010 through December 31, 2012 and 1.65% after January 1, 2013 (for public safety employees, the multiplier remains at 1.85% for time worked after January 1, 2013). Average final compensation 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 (25 for police officers, firefighters and deputy sheriffs) credited service may retire at any age with full benefits. Employees (other than police officers, firefighters and deputy sheriffs) with 25 years of service may retire prior to age 60 and receive a reduced benefit. Covered employees started contributing to NNERF on January 1, 2013. On July 1 of each year beginning on July 1, 2013, retirement allowances and benefits paid to each recipient are increased by 0.70 percent for each one (1) percent of the first one (1) percent increase in the United States Average Consumer Price Index (Urban) for all items as published by the Bureau of Labor Statistics of the United States Department of Labor for the most recent calendar year over the corresponding annual average for the immediately preceding calendar year and 0.35 percent for each one (1) percent of increase over the first one (1) percent of increase up to a maximum increase of three and one-half (3 1/2) percent. Those retiring after July 1, 2013 are eligible for the increase on July 1 following the first anniversary of their effective date of retirement.

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.

Funding Status

In 2009, the City committed to an eight-year funding plan to gradually begin contributing 100% of the Annual Required Contribution ("ARC") (now referred to as the Actuary Determined Contribution ("ADC")) to the Retirement Fund. This commitment, along with closing the fund to new and rehired employees and decreasing the multiplier, has improved the overall funding status for the fund. The City achieved its goal to begin contributing 100% of the ARC one year early in 2016 and has contributed 100% of the recommended contribution since then.

Schedule of Fund Progress
Year ended June 30, 2025
Newport News Employees' Retirement Fund (in millions)

Actuarial valuation Date	Actuarial value of assets	Actuarial accrued liability (AAL)	Overfunded (underfunded) accrued liability (UAAL)	Funded ratio	Covered payroll
June 30, 2025	$1,116	$1,550	($433)	72%	$75
June 30, 2024	1,067	1,511	(444)	71	76
June 30, 2023	1,044	1,493	(448)	70	79
June 30, 2022	1,048	1,458	(409)	72	82
June 30, 2021	1,028	1,415	(388)	73	86
June 30, 2020	968	1,367	(399)	71	92
June 30, 2019	959	1,360	(401)	70	99
June 30, 2018	939	1,340	(401)	70	104
June 30, 2017	902	1,319	(417)	68	108
June 30, 2016	865	1,281	(415)	68	113

At June 30, 2025, the Net Pension Liability ("NPL") was $387.0 million. The NPL is the measure of the difference between the total pension liability (the present value of projected benefit payments to employees based on their past service) and the assets (mostly investments reported at fair value) set aside to pay current employees, retirees, and beneficiaries. The measure is intended to help interested parties assess plan funding status on a going-concern basis and to assess progress made in accumulating sufficient assets to pay benefits. An assumed net investment return of 7.00%, a 4.50% annual salary increase, a 1.225% cost of living adjustment, and an inflation rate of 2.50% were incorporated into the calculation of the actuarial present value of accumulated plan benefits.

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)	Funded Ratio
Balances at 6/30/2024	$1,498,895,472	$1,087,519,504	$411,375,968	72.6%
Changes for the year:				
Service Cost	7,292,866	-	7,292,866	
Interest	102,668,009	-	102,668,009	
Differences between expected and actual experience	12,464,555	-	12,464,555	
Contributions – employee	-	49,502,814	(49,502,814)	
Contributions – member	-	4,230,725	(4,230,725)	
Net investment income	-	116,526,842	(116,526,842)	
Benefit payments	(105,722,185)	(105,722,185)	-	
Administrative expenses	-	(1,414,558)	1,414,558	
Net Changes	38,725,323	63,123,638	(24,398,315)	
Balances at 6/30/2025	**$1,537,620,795**	**$1,150,643,142**	**$386,977,653**	**74.8%**

The City engages an independent actuary to provide an annual valuation of NNERF on and as of June 30 of each year. The most recent annual valuation was on and as of June 30, 2025 as indicated above. The City also engages an independent actuary to provide an experience analysis of NNERF every five years. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Investments

NNERF's Board of Trustees ("Board of Trustees") has adopted a written Investment Policy that includes the guidelines and objectives for the investments. The Board of Trustees is empowered to invest NNERF assets utilizing the "prudent person" standard and to take appropriate action regarding the investment, management, and custodianship of the assets. The investment responsibilities include establishing reasonable investment objectives, developing investment policy guidelines, selecting investment managers and evaluating performance results to assure adherence to the guidelines and the achievement of objectives.

The Board of Trustees has established long-term goals for the overall investment portfolio consistent with the liabilities of the fund. At a minimum, the fund in aggregate is expected to earn a compound rate of return over the long-term of 7.00%. The Board of Trustees also strives to construct a well-diversified portfolio which will preserve the NNERF assets and maximize the earnings consistent to the projected needs.

The investment managers selected for the portfolio represent a mix of asset classes that the Board of Trustees believes will earn the assumed rate of return with as little risk as possible. Each investment manager must adhere to the guidelines established by the Trustees regarding asset quality, diversification, liquidity and risk and both annual and long-term goals are established for each manager.

An independent investment consultant firm evaluates the performances of the overall portfolio and the investment managers based on several factors, including comparison with assigned benchmarks, ranking against a universe of similar portfolios or managers, and adherence to NNERF's policy and guidelines. Attainment of assigned goals weighs heavily in manager retention decisions and typically, managers who fall below the Board of Trustees' minimum objectives over the long term are replaced. Both portfolio performance and manager performance are evaluated over a time period of at least one market cycle, usually assumed to be five years, or longer. The investment consultant reports their findings to the Committee on Investment on a monthly basis. In addition, NNERF's staff produces a monthly financial report for the Trustees which contains information on monthly and cumulative investment returns.

Professional Services

Professional consultants are appointed by the Board of Trustees to perform services that are essential to the effective and efficient operational/investment activities of the NNERF. An independent auditor, actuary and investment consultant are hired to provide service to the fund.

Administration

The nine voting members of the Board of Trustees govern the operation of the pension fund. Four members appointed by City Council and five members elected by the employees make up the voting members. One employee representative each is elected from general employees, waterworks, fire and police, public works and school employees, all serving five-year staggered terms. The appointed members serve two-year terms and are eligible to be appointed to serve four consecutive two-year terms. The Director of Finance is the ex-officio secretary of the Board of Trustees and the administrative head of the fund. The City Treasurer is the ex-officio treasurer of the fund. A retiree member advisor appointed by City Council, the City Attorney, and City Internal Auditor serve as advisors to the board.

The seven members of the Investment Committee make recommendations to the Board of Trustees for the investment of the reserve or the sale of the securities of the fund. The committee consists of the City Manager/designee and six members nominated by the Board of Trustees and appointed by City Council. Two of the six are members of the Board of Trustees and the remaining four members need not necessarily be board members. The City Manager/designee and two committee members from the Board are appointed annually; the remaining four serve two-year terms.

OTHER POST EMPLOYMENT BENEFITS (OPEB)

The Other Post Employment Benefits ("OPEB") Trust Fund is a single-employer plan administered by the City to provide health, dental and life insurance benefits for City retirees. The Fund was originally established to provide benefits for City and School retirees. Effective July 1, 2009, Newport News School System separated from the City's OPEB Fund. Effective July 1, 2009 and March 1, 2010, the OPEB Trust Fund was closed to new hires and rehires of Schools and the City, respectively.

As of June 30, 2025, the fund was valued at $57.9 million. Benefits and contribution provisions are established by City Ordinance and may be amended only by the City Council. An independent actuarial service is engaged by the City to provide an annual valuation of the OPEB Trust Fund on and as of each June 30, and to advise the City Council and the Retirement Board of the contributions necessary to fund the benefits. The most recent actuarial valuation was on and as of July 1, 2025. The City also engages an independent actuary to provide an experience analysis of the OPEB Trust Fund every four years.

The City currently does not have a formal funding plan in place for the OPEB fund and the fund is currently operating on a pay-as-you-go basis. The City ensures that contributions cover expenditures for the fiscal year. A cap has been placed on the amount of the City contribution provided to retirees which was adopted in July of 2005 and is annually subject to a cost of living increase. The City's premium contributions are determined by length of service. Retirees must have at least 10 years of service to receive a City premium contribution and 25 years or more to receive the maximum contribution. At age 65, the retiree's medical coverage converts to a fully insured Medicare Advantage Plan. A life insurance benefit of 50% of salary is provided for City participants who were retired or eligible to retire before July 1, 2005. For those participants not eligible to retire before July 1, 2005, the life insurance benefit is 50% of salary, reduced 20% per year after retirement but not below $10,000. Life insurance is provided at no cost for retirees.

City contributions to the OPEB fund totaling $8.24 million were made during the fiscal year ended June 30, 2025. The funded status of the plan as of July 1, 2025 is as follows:

(In millions)	
Actuarial Value of Assets	$57.9
Actuarial Accrued Liability	$105.4
Unfunded Actuarial Accrued Liability	$47.5

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

VIRGINIA RETIREMENT SYSTEM (VRS)

The VRS is administered by the Commonwealth. The City and Newport News School System contribute to VRS. As of March 1, 2010, the City closed NNERF to new membership; all full-time employees hired or rehired after February 28, 2010 participate in VRS. VRS administers three defined benefit plans for the City and Schools:

Plan 1

VRS Plan 1 is a defined benefit plan. The retirement benefit is based on age, creditable service and average final compensation at retirement using a formula. Members consist of employees hired before July 1, 2010 and vested as of January 1, 2013. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credits. They may retire with a reduced benefit as early as age 55 with at least 10 years of service credit or age 50 with at least five years of service credit. Hazardous duty members are eligible for an unreduced retirement benefit beginning at age 60 with at least five years of service credit or at age 50 with at least 25 years of service credit. They may retire with a reduced benefit as early as age 50 with at least 5 years of service credit. Members contribute 5% of their compensation each month to the member contribution account through a pre-tax salary reduction. This plan also provides death and disability benefits. Retirees under this plan qualify for an annual cost of living adjustment ("COLA") beginning in their second year of retirement. The COLA is limited to 5% per year.

Plan 2

VRS Plan 2 is a defined benefit plan. The retirement benefit is based on age, creditable service and average final compensation at retirement using a formula. Members consist of employees hired on or after July 1, 2010 or those not vested in Plan 1 by January 1, 2013. Non-hazardous duty members are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years of creditable service or when age and years of service equal at least 90. They may retire with a reduced benefit as early as age 60 with at least five years of creditable service. Hazardous duty members are eligible for an unreduced retirement benefit beginning at age 60 with at least five years of service credit or at age 50 with at least 25 years of service credit. They may retire with a reduced benefit as early as age 50 with at least 5 years of service credit. Members contribute 5% of their compensation each month to the member contribution account through a pre-tax salary reduction. This plan also provides death and disability benefits. Retirees under this plan qualify for a COLA beginning in their second year of retirement. The COLA is limited to 3% per year.

Hybrid

Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. The plan applies to most members hired on or after January 1, 2014 and to VRS Plan 1 and VRS Plan 2 members who opted into the plan during a special election window. The defined benefit is based on age, creditable service and average final compensation at retirement using a formula. The benefit from the defined contribution plan is determined by contributions made to the plan and the investment performance of those contributions. Hazardous duty members are ineligible to participate in the Hybrid Retirement Plan and will only participate in Plan 1 or Plan 2 based on the above information. Under the defined benefit plan, non-hazardous duty members are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years of creditable service or when age and service equal at least 90. They may retire with a reduced benefit as early as age 60 with at least five years of creditable service. For the defined contribution component, one is eligible to receive distributions upon leaving employment, subject to restrictions. Members are not required to receive a distribution until age 72, which is required by law. The retirement benefit is funded through mandatory and voluntary contributions made by the member and the City to both the defined benefit and the defined contribution components of the plan. Members contribute 4% to the defined benefit and 1% to the defined contribution of their compensation each month to the member contribution account through a pre-tax salary reduction. A member may voluntarily contribute to the defined contribution plan an additional percentage up to 4%. This plan provides death benefits. Retirees under this plan qualify for a COLA beginning their second year of retirement for the defined benefit component only. Disability for Hybrid Retirement Plan members is not offered by VRS but through a separate plan administered by a third-party provider selected by the City.

The total contribution of 6.32% of salary to VRS paid by the City does not include the employee's share set at 5% of salary. For 2025, the annual pension cost of $8.38 million for the City was equal to the required and actual contributions.

CYBERSECURITY

The City, like many other municipalities, relies on a technology environment to conduct its operations. As such, it may face multiple cybersecurity threats including, but not limited to, hacking, viruses, malware and other such attacks on computer or other sensitive digital systems and networks. There can be no assurance that any security and operational control measures implemented by the City will be completely successful to guard against and prevent cyber threats and attacks. The result of any such attack could impact operations and/or digital networks and the costs of remedying any such damage could be significant. To transfer and share these risks, the City has purchased a cyber liability insurance policy. The City also has two full-time employees dedicated to cybersecurity functions. The City has also upgraded its software systems and implemented employee training programs to enhance cybersecurity.

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APPENDIX B

CITY OF NEWPORT NEWS AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

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Cherry Bekaert LLP
Your Guide Forward

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, 2025, 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, 2025, 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 the 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 1(q) to the financial statements, the City restated beginning net position and fund balances due to its adoption of Governmental Accounting Standards Board ("GASB") Statement 101, *Compensated Absences,* and a correction of an error. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for one year after 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 GASB 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, is presented for purposes of additional analysis and is 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 is 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 November 26, 2025, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Cherry Bekaert LLP

Tysons Corner, Virginia
November 26, 2025

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, 2025 (FY 2025). This discussion and analysis is intended to serve as an introduction to the City's basic financial statements, which have the following components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements.

FINANCIAL HIGHLIGHTS FOR FY 2025

- At the end of the fiscal year 2025, the total net position of the City on a government-wide basis, excluding component units, was $1,200.0 million. This amount represents an increase of $46.6 million, or 4.0%, over the prior year's restated net position. The net position for governmental activities was $722.5 million, an increase of $31.2 million over the prior year's restated net position. The business-type activities net position was $477.5 million, an increase of $15.4 million over the prior year.
- The real estate tax rate remained steady from the prior year at $1.18 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 1.1% and personal property assessed values decreased by 1.1% from prior year.
- At the close of FY 2025, unassigned fund balance for the General Fund was $125.7 million or 19.0% of FY 2025 total General Fund revenues, transfers in, and other financing sources and an increase of $12.2 million from the prior year, as adjusted for the prior year error correction.
- General Fund revenues and transfers increased by $25.8 million or 4.1% above FY 2024 as adjusted for the prior year error correction, primarily due to an increase in general property tax revenue and an increase in miscellaneous revenue, mainly from the payout related to the City's portion of the proceeds from the sale of the regional jail. Expenditures and transfers out increased $26.2 million, or 4.2% higher than the prior fiscal year as adjusted for the prior year error correction, primarily due to an increase in personnel costs, especially within the Public Safety functions of the City.
- During the fiscal year, the total bonded debt for the City decreased by approximately $37.3 million, which is exclusively due to principal payments made, as no new bonded debt was issued during the fiscal year. The total bonded debt for the Public Utilities similarly decreased by approximately $9.0 million 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.

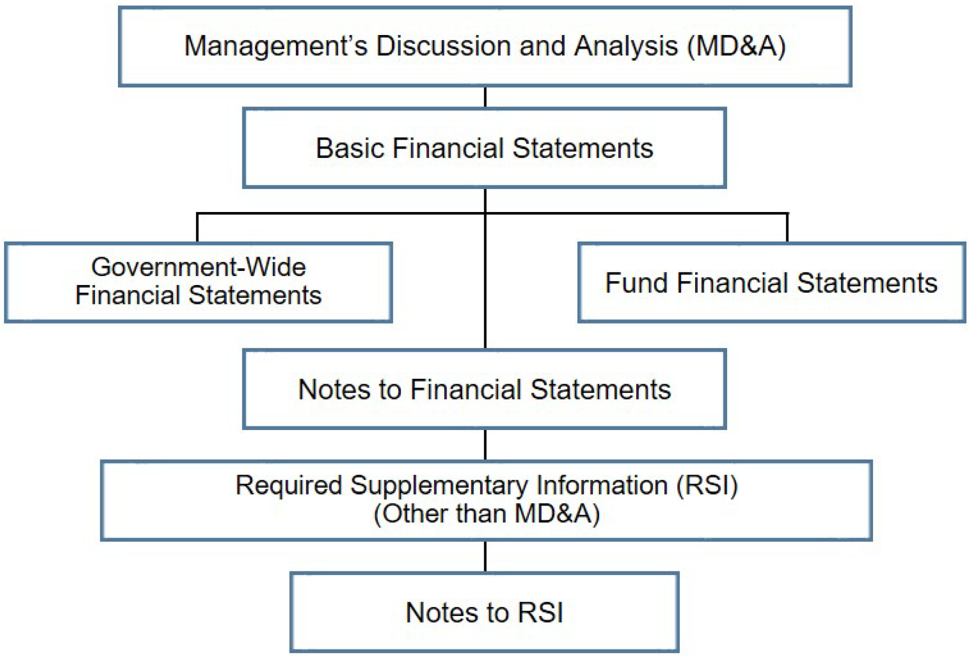
OVERVIEW OF THE FINANCIAL STATEMENTS

The City's basic financial statements are comprised of 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.

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.

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 or other custodial arrangement, can be used only for the trust or other 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	
	2025	2024*	2025	2024	2025	2024*
Current and Other Assets	$ 609.5	628.0	153.4	170.1	762.9	798.1
Capital Assets, Net	1,015.8	959.7	516.4	489.1	1,532.2	1,448.8
Total Assets	1,625.3	1,587.7	669.8	659.2	2,295.1	2,246.9
Deferred Outflows of Resources	63.9	71.7	7.6	8.4	71.5	80.1
Current and Other Liabilities	152.6	130.3	43.9	39.0	196.5	169.3
Long-Term Liabilities	770.9	806.5	150.4	162.1	921.3	968.6
Total Liabilities	923.5	936.8	194.3	201.1	1,117.8	1,137.9
Deferred Inflows of Resources	43.2	31.3	5.6	4.4	48.8	35.7
Net Position:						
Net Investment in Capital Assets	617.3	578.1	435.0	403.7	1,052.3	981.8
Restricted	103.6	94.2	1.4	1.2	105.0	95.4
Unrestricted	1.6	19.0	41.1	57.2	42.7	76.2
Total Net Position	$ 722.5	$ 691.3	$ 477.5	$ 462.1	$ 1,200.0	$ 1,153.4

* As restated

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 $1,200.0 million. This amount represents an increase of $46.6 million, or 4.0%, over the prior year's net position, as restated. The net position for governmental activities increased by $31.2 million and the business-type activities net position increased by $15.4 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 8.8% 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.

Note that the Governmental Activities amounts for fiscal year 2024 above have been restated due to an error correction made for an error discovered during fiscal year 2025 related to an incorrect estimate of claims liability for self-insured employee benefits. In addition, it should be noted that the City adopted GASB 101, Compensated Absences, for its fiscal year 2025 statements, which, as a change in accounting principle as defined by GASB 100, is being applied prospectively, and thus the fiscal year 2024 numbers have not been restated related to that change.

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	
	2025	2024*	2025	2024	2025	2024*
Revenues						
Program Revenues:						
Charges for Services	$ 98.9	112.8	96.5	96.8	195.4	209.6
Operating Grants and Contributions	44.8	45.9	-	-	44.8	45.9
Capital Grants and Contributions	30.4	14.2	10.0	3.6	40.4	17.8
General Revenues:						
General Property Taxes	370.4	366.9	-	-	370.4	366.9
Other Taxes	130.1	129.0	-	-	130.1	129.0
Grants and Contributions not Restricted to Specific Programs	58.4	55.9	-	-	58.4	55.9
Investment Earnings	25.2	26.4	5.2	5.9	30.4	32.3
Miscellaneous	35.4	17.5	1.6	1.8	37.0	19.3
Total Revenues	793.6	768.6	113.3	108.1	906.9	876.7
Expenses						
General Government	128.9	125.9	-	-	128.9	125.9
Judicial Administration	12.6	12.2	-	-	12.6	12.2
Public Safety	183.3	167.1	-	-	183.3	167.1
Public Works	126.4	100.8	-	-	126.4	100.8
Health and Welfare	59.8	56.8	-	-	59.8	56.8
Education	137.4	167.2	-	-	137.4	167.2
Parks, Recreation and Culture	46.9	42.5	-	-	46.9	42.5
Community Development	37.9	21.2	-	-	37.9	21.2
Interest and Other Fiscal Charges	20.8	21.0	-	-	20.8	21.0
Public Utility	-	-	86.9	81.3	86.9	81.3
Total Expenses	754.0	714.7	86.9	81.3	840.9	796.0
Excess before Transfers	39.6	53.9	26.4	26.8	66.0	80.7
Transfers	9.5	9.5	(9.5)	(9.5)	-	-
Change in Net Position	49.1	63.4	16.9	17.3	66.0	80.7
Beginning Net Position	691.3	614.0	462.1	444.8	1,153.4	1,058.8
Restatement - Change in Accounting Principle - GASB 101	(17.9)	-	(1.5)	-	(19.4)	-
Restatement - error correction	-	13.9	-	-	-	13.9
Beginning net position, as restated	673.4	627.9	460.6	444.8	1,134.0	1,072.7
Ending Net Position	$ 722.5	691.3	477.5	462.1	1,200.0	1,153.4

*As restated

Note that the Governmental Activities amounts for fiscal year 2024 above have been restated due to an error correction made for an error discovered during fiscal year 2025 related to an incorrect estimate of claims liability for self-insured employee benefits. In addition, it should be noted that the City adopted GASB 101, Compensated Absences, for its fiscal year 2025 statements, which, as a change in accounting principle as defined by GASB 100, is being applied prospectively, and thus the fiscal year 2024 numbers have not been restated related to that change.

Revenues

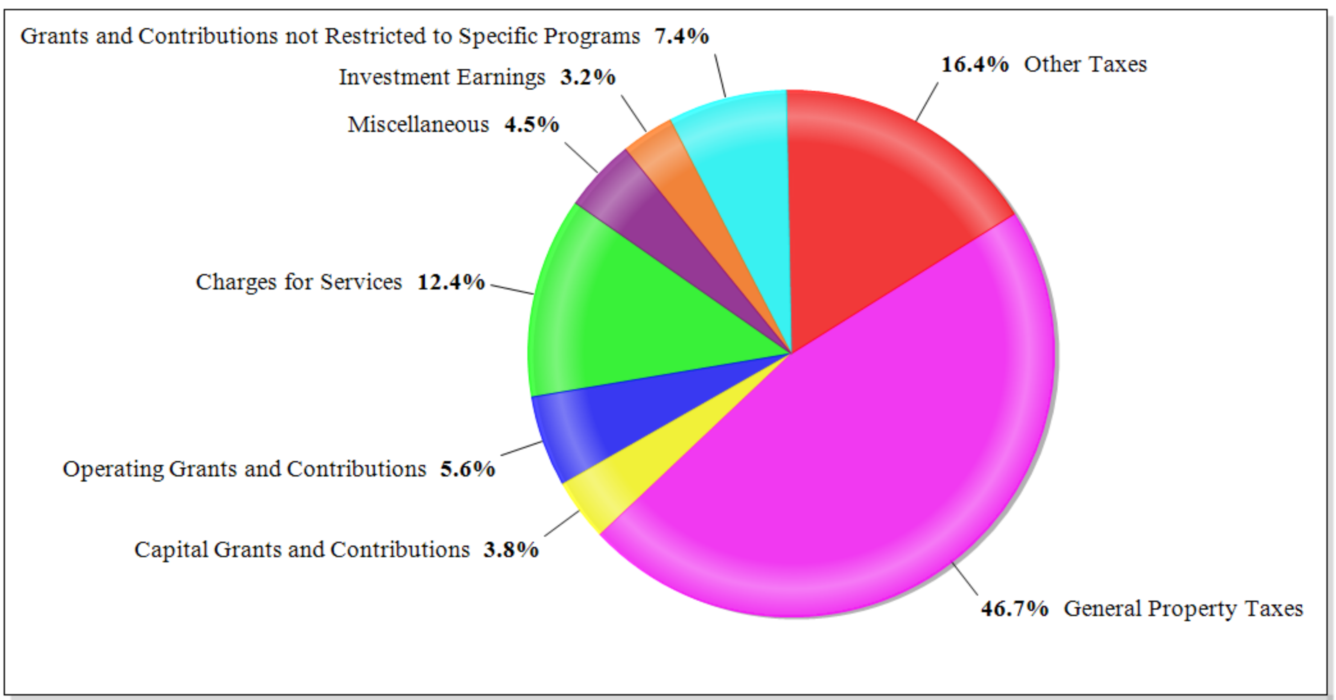
The City's total revenues for the Primary Government, which include governmental and business-type activities, were $906.9 million, a $30.2 million increase over revenues from the prior year, as restated. These revenues consist of program and general revenues. Program revenues are derived from the program 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 $174.1 million, compared to $172.9 million from the prior year, an increase of $1.2 million. This increase is primarily due to an increase of approximately $11.9 million of education-related capital grants and contributions related to the Huntington Middle School project, which the Newport News Public Schools receives grant funding for from the Commonwealth of Virginia and the Schools pass along to the City as the City continues the construction, offset by a decrease of approximately $9.5 million related to sales of property which occurred in fiscal year 2024 which are not recurring and approximately $1.8 million less of direct distributions from opioid settlements accrued in fiscal year 2025 as compared to fiscal year 2024 due to an expected slow-down in remaining opioid cases to be settled.

General revenues totaled $619.5 million. This represents an increase of $23.8 million over the prior year, as restated, due mainly to large one-time payouts from the sale of the regional jail property and related to the termination of the 23rd Street Pier lease (classified as short-term due to a mutual termination clause) where the tenant did not keep up with maintenance costs during the life of the lease, and so instead paid the City the estimated maintenance costs at termination.

Approximately 63% of the City’s revenue from governmental activities comes from various taxes and over 12% comes from fees charged for services. The largest revenue sources for the City are general property taxes at 47% of total revenue.

Revenues by Source – Governmental Activities June 30, 2025



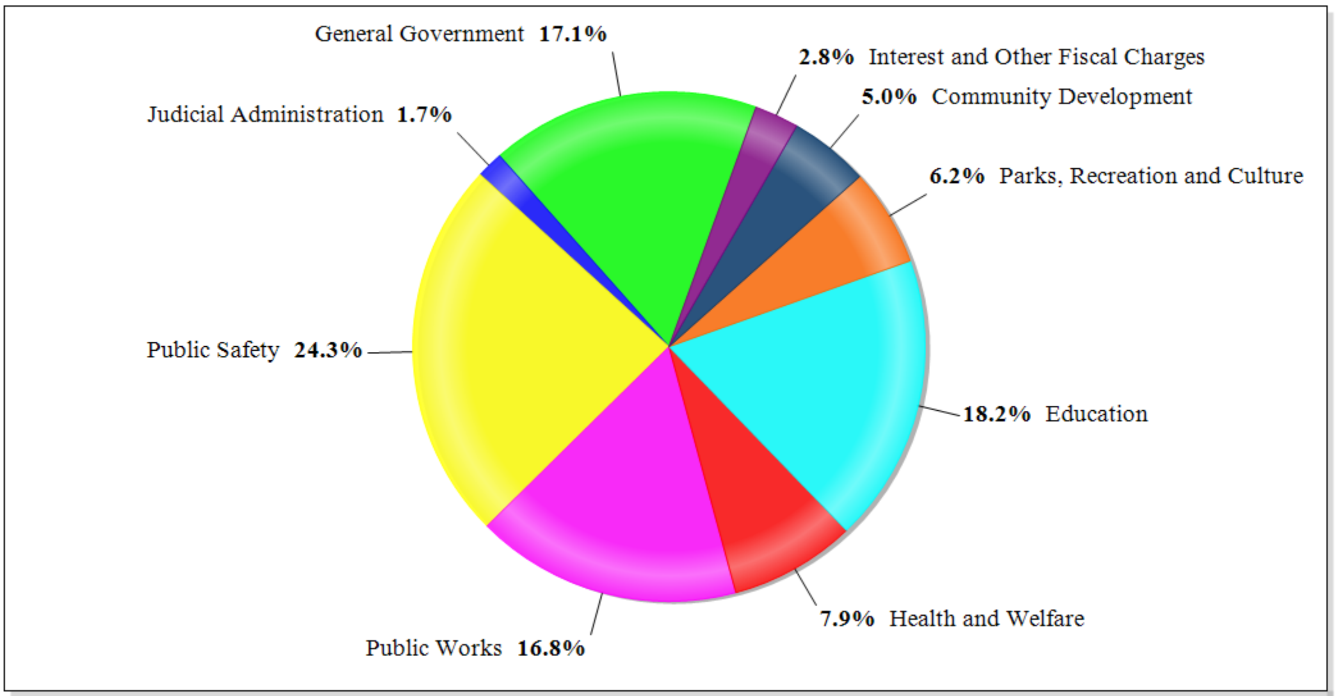
For FY2025 and FY2024, revenues totaling $113.3 million and $108.1 million, respectively, for the *Business-Type Activities* include program and general revenues of Waterworks, the City's Public Utility Fund. The majority of this revenue, 85.2% and 89.5% represents charges for services for FY2025 and FY2024, respectively. The decrease in the percentage related to charges for services in FY2025 is due to the City's Public Utility Fund receiving funding for a couple of large capital projects from state and federal grant sources.

Expenses

The City's total cost to provide all programs and services for the Primary Government was $840.9 million, a $44.9 million increase over expenses from the prior year, as restated.

Expenses for *Governmental Activities* totaled $754.0 million, an increase of $39.3 million from the prior year, as restated, primarily due to increases in personnel costs, especially within the Public Safety function, where a new STEP pay plan was adopted during fiscal year 2025, and increases in contracted costs as medium and longer-term contracts are renewed at higher rates due to general inflationary pressures, offset somewhat by a lower reported Eduction expenditure, which was inflated in fiscal year 2024 due to a large amount of assets held tenancy-in-common with the Schools being transferred from the City's books onto the Schools' books as the debt related to those assets had been paid off. Education and Public Safety continue to be among the City's highest priorities and commitments representing $320.7 million or roughly 43% 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, 2025



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 $86.9 million, a $5.6 million increase from prior year, primarily due to increases in personnel services costs, contractual services, and materials and supplies, as medium to longer-term contracts are renewed at higher rates due to general inflationary pressures.

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 $463.7 million, compared to $509.2 million in the prior fiscal year, as restated, a decrease of $45.5 million. The largest contributors to that change by fund included:

- A $10.4 million increase in the fund balance of the General Fund, mainly driven by larger than originally expected interest and rent revenues from higher interest rates on cash holdings, as well as increased miscellaneous revenues related to the payment received from the sale of the regional jail property.
- A $64.0 million decrease in the fund balance of the Bond Fund, mainly a result of continued use of the most recent bond issuance on capital outlay with no new bonds issued in fiscal year 2025.
- An $8.9 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.

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

- $8.5 million is nonspendable, which consists of inventories in the General Fund and Non-Major Governmental Funds, the principal portion of a permanent fund in the General Fund, and amounts related to prepaid assets, deposits, and long-term receivables in the General Fund and General Capital Improvements Fund, among others.
- $92.6 million is restricted, which can be spent only for the specific purposes stipulated by external providers, such as grantors or restricted through legislation. The largest components of this are (1) in the Bond Fund, where an amount is restricted for capital projects funded by general obligation bonds ($17.6 million), and (2) in the Non-Major Governmental Funds, where an amount is restricted for specific purposes, mainly in the Stormwater, Wastewater, and Solid Waste funds, among others ($64.3 million).
- $160.0 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.
- $77.0 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 a 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.
- $125.5 million is unassigned, which is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications.

GENERAL FUND BUDGETARY HIGHLIGHTS

General Fund (Budget Basis) Fiscal Year 2025

	Original Budget	Final Budget	Actual (Budget Basis)
Revenues and Other Financing Sources :			
General Property Taxes	$ 366,978,099	$ 372,978,099	$ 371,306,737
Other Local Taxes	123,354,500	129,354,500	130,364,708
Other Local Sources	51,150,160	75,729,553	84,197,935
Intergovernmental	55,053,100	57,053,100	58,416,622
Other Financing Sources	9,500,000	9,500,000	9,500,000
Total	606,035,859	644,615,252	653,786,002
Expenditures and Transfers :			
General Government	127,503,479	128,149,378	123,615,227
Judicial	10,883,857	11,218,708	11,000,582
Public Safety	155,394,787	164,211,727	165,372,834
Public Works	7,594,903	7,866,990	7,512,633
Health and Welfare	47,570,152	47,774,829	46,056,074
Parks, Recreation, and Cultural	35,185,053	36,449,322	35,956,974
Community Development	13,095,130	16,662,111	16,029,055
Education	123,089,307	123,089,307	123,089,307
Transfers Out	85,719,191	113,432,476	112,711,064
Total	606,035,859	648,854,848	641,343,750
Reconciliation of Actuals, Budget Basis to GAAP Basis			(2,049,517)
Change in Fund Balance			$ 10,392,735

The following is a brief review of the budgetary changes from the original to the final budget and actual amounts to the final budget, as seen above.

- City Council approved a budget amendment of approximately $38.6 million to reflect additional revenue comprised of (1) about $11 million due to sustained higher interest earnings on bank holdings, (2) about $9.3 million from the City's share of the proceeds from the sale of the regional jail property, (3) $12 million from higher than expected collections from personal property, meals, and sales taxes than originally budgeted due to the continued strength of the local economy, (4) $3 million from the early termination of the 23rd Street Pier contract, (5) $2 million of additional State Compensation Board funding for the Sheriff's Office, and (6) about $1.3 million from a one-time refund from Hampton Roads Transit. The additional revenue budget was offset with additional planned expenditures of (1) about $33.1 million of increased transfers to the General Capital Improvements Fund for current and future capital projects, (2) about $3.5 million for use as part of a development agreement agreed to through the City's E/IDA, and (3) about $2 million of additional expenditures within the Sheriff's Office.

- Final budget amounts for expenditures were often greater than original amounts due to the re-appropriation of prior year encumbrances which were completed in the current fiscal year.

- Total actual revenues were greater than the amended budget by roughly $9.2 million primarily due to an increases in revenue from the use of money and property ($2.4 million), miscellaneous revenue ($4.8 million), recovered costs ($1.1 million), and categorical aid ($1.1 million).

- The majority of operating departments saw some savings on personnel and fringe costs versus budget due to staffing vacancies.

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, 2025, totaled $1,532.2 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	
	2025	2024	2025	2024	2025	2024
Land	$ 85,758,947	90,068,134	13,555,991	13,555,991	99,314,938	103,624,125
Construction in Progress	149,490,376	149,381,336	105,691,108	89,111,217	255,181,484	238,492,553
Wetlands Credit	-	-	6,934,385	5,530,135	6,934,385	5,530,135
Buildings	248,411,025	206,654,395	63,112,501	66,527,432	311,523,526	273,181,827
Water System	-	-	313,665,203	301,353,527	313,665,203	301,353,527
Improvements	80,934,362	83,221,875	-	-	80,934,362	83,221,875
Machinery and Equipment	56,659,206	53,297,167	10,344,468	9,764,995	67,003,674	63,062,162
Infrastructure	367,041,468	344,319,636	-	-	367,041,468	344,319,636
Lease Right to Use	20,496,737	25,060,098	2,280,003	2,313,160	22,776,740	27,373,258
Subscription Right to Use	6,972,547	7,727,880	803,170	941,432	7,775,717	8,669,312
	$ 1,015,764,668	959,730,521	516,386,829	489,097,889	1,532,151,497	1,448,828,410

Major capital asset projects under construction during the fiscal year included the following:

- Choice Neighborhood Initiative Infrastructure Improvements
- Southeast Community Resource Area (SECRA) Recreation Center and Huntington Middle School
- Menchville Marina Lighting and Dock Improvements
- Warwick Boulevard Drainage Improvements

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 $451.8 million, a decrease of 9.4% from last year, as shown below. Lease and subscription liabilities, landfill liability, compensated absences, arbitrage rebate liabilities, 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	
	2025	2024	2025	2024	2025	2024
General Obligation Bonds	$ 358.9	396.2	6.4	9.2	365.3	405.4
Literary Loans	1.1	1.4	-	-	1.1	1.4
Revenue Bonds	-	-	85.4	91.7	85.4	91.7
	$ 360.0	397.6	91.8	100.9	451.8	498.5

The amount of the debt outstanding related to School Board activities is $39.6 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.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Newport News economy remains strong evidenced by a consistently low unemployment rate. Unemployment rates in Newport News continued to average below 4% for FY 2025 and are lower than the national average for the year. Economic growth is further evidenced by a 3.12% increase in assessed values of taxable real property for FY 2026. Consumer sensitive revenues such as sales tax, meals tax, and lodging taxes also remain strong, projecting a slight increase in total in FY 2026.

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 2026 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 $643.6 million, a 3.1% increase over the FY 2025 budget. The real estate tax rate was maintained at $1.18 per $100 of assessed value. Real estate tax remains the single largest revenue source for the City, representing 41.6% of the General Fund revenue in FY 2026. Public safety and education remain the largest expenditure categories for the City, representing 46% of the General Fund expenditures in FY 2026.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

City of Newport News, Virginia
Statement of Net Position
June 30, 2025

	Primary Government			Discretely Presented Component Units	
	Governmental Activities	Business-Type Activities	Total	Public schools	Others
Assets					
Cash and Cash Equivalents	$ 444,894,719	$ 98,479,605	$ 543,374,324	$ 86,320,234	$ 18,772,300
Restricted Cash and Investments	45,622,329	27,330,357	72,952,686	-	38,596,752
Deposits	400,000	-	400,000	-	-
Accounts Receivable, Net	55,760,840	11,444,348	67,205,188	929,153	3,854,680
Receivable from Primary Government	-	-	-	11,901,757	-
Receivables from Other Governments	28,122,708	2,516,096	30,638,804	22,651,605	211,974
Lease Receivable	10,518,928	3,262,874	13,781,802	348,952	35,317,191
Due from OPEB Fund	605,722	-	605,722	-	-
Receivables from Custodial Funds	4,050	-	4,050	-	-
Inventory, at Cost	2,291,461	8,941,649	11,233,110	2,420,425	-
Land Held for Lease or Resale	-	-	-	-	45,893,861
Net Pension Asset	21,262,180	1,407,620	22,669,800	1,917,421	449,038
Capital Assets:					
Non-depreciable / Non-amortizable Capital Assets:					
Land	85,758,947	13,555,991	99,314,938	3,670,179	7,354,949
Construction in Progress	149,490,376	105,691,108	255,181,484	1,496,232	7,841,837
Wetlands Credits	-	6,934,385	6,934,385	-	-
Depreciable / Amortizable Capital Assets:					
Buildings	381,673,052	149,097,704	530,770,756	183,722,570	194,804,091
Improvements	197,025,984	-	197,025,984	226,725,444	23,869,869
Water System	-	544,614,522	544,614,522	-	-
Airport Assets	-	-	-	-	194,157,461
Machinery and Equipment	181,350,359	53,016,829	234,367,188	79,567,932	7,034,516
Infrastructure	827,705,805	-	827,705,805	-	2,543,500
Lease Right to Use	31,314,438	5,552,364	36,866,802	7,482,088	8,203,110
Subscription Right to Use	13,861,181	1,910,626	15,771,807	802,233	190,715
Total Capital Assets	1,868,180,142	880,373,529	2,748,553,671	503,466,678	446,000,048
Less Accumulated Depreciation / Amortization	(852,415,474)	(363,986,700)	(1,216,402,174)	(254,079,672)	(252,135,033)
Capital Assets, Net	1,015,764,668	516,386,829	1,532,151,497	249,387,006	193,865,015
Other assets	4,472	-	4,472	5,050,000	1,493
Total Assets	1,625,252,077	669,769,378	2,295,021,455	380,926,553	336,962,304
Deferred Outflows of Resources					
Employer Contributions Subsequent to the Measurement Date	51,083,309	6,045,879	57,129,188	46,226,616	172,385
Net Difference between Projected and Actual Earnings on Plan Investments	-	-	-	295,723	-
Changes in Proportion and Difference between Employer Contributions and Proportionate Share of Contributions	622,712	39,748	662,460	2,583,762	3,904
Changes in Assumptions	7,011,977	804,938	7,816,915	3,677,844	198,458
Difference between Expected and Actual Experience	3,816,513	110,525	3,927,038	32,835,402	161,350
Debt Refundings Resulting in Loss Transactions	1,410,514	606,671	2,017,185	-	1,267,033
Total Deferred Outflows of Resources	63,945,025	7,607,761	71,552,786	85,619,347	1,803,130
Liabilities					
Accounts Payable	50,795,090	9,285,751	60,080,841	17,903,763	4,051,422
Accrued Liabilities	15,145,037	1,228,323	16,373,360	38,556,998	628,454
Deposits	596,081	-	596,081	-	-
Unearned Revenues	1,487,330	23,031,762	24,519,092	8,773,081	2,766
Payable to Newport News Public Schools	11,901,757	-	11,901,757	-	-
Payable to Pension Fund	581,821	-	581,821	-	-
Long Term Liabilities:					
Due within One Year	72,069,794	10,315,148	82,384,942	19,565,426	8,730,037
Due in More than One Year	770,879,360	150,435,064	921,314,424	347,254,336	38,624,619
Total Liabilities	923,456,270	194,296,048	1,117,752,318	432,053,604	52,037,298
Deferred Inflows of Resources					
Property Taxes Collected in Advance	1,736,829	-	1,736,829	-	-
Net Difference between Projected and Actual Earnings on Plan Investments	17,683,107	2,060,510	19,743,617	30,310,299	284,723
Difference between Expected and Actual Experience	5,909,699	327,923	6,237,622	8,042,263	1,040,633
Changes in Assumptions	5,140,512	15,575	5,156,087	1,719,570	876,381
Changes in Proportionate Share	3,635	232	3,867	2,949,603	36,815
Investment Experience	415,028	26,492	441,520	-	-
Lease Related	12,312,489	3,185,266	15,497,755	369,527	34,472,886
Deferred contribution to City - AHTIC	-	-	-	3,981,383	-
Total Deferred Inflows of Resources	43,201,299	5,615,998	48,817,297	47,372,645	36,711,438
Net Position					
Net Investment in Capital Assets	617,275,609	434,941,361	1,052,216,970	235,619,311	151,260,287
Restricted (Nonexpendable) for Private Donation Restrictions	2,546,504	-	2,546,504	-	-
Restricted (Expendable) for:					
Private Donation Restrictions	537,492	-	537,492	-	-
Capital Projects	4,203,822	-	4,203,822	1,885,702	21,237,583
Debt Service	-	-	-	-	1,744,839
Grants & Awards	8,693,889	-	8,693,889	-	22,926,865
Public Safety	1,729,975	-	1,729,975	-	-
Public Works	62,737,421	-	62,737,421	-	-
Health & Welfare	1,920,087	-	1,920,087	-	-
Net Pension Asset	21,262,180	1,407,620	22,669,800	1,917,421	449,038
Education	-	-	-	24,511,919	-
Unrestricted (deficit)	1,632,554	41,116,112	42,748,666	(276,814,702)	52,398,086
Total Net Position	$ 722,539,533	$ 477,465,093	$ 1,200,004,626	$ (12,880,349)	$ 250,016,698

See accompanying notes to basic financial statements.

City of Newport News, Virginia
Statement of Activities
Year Ended June 30, 2025

		Program revenues			Net (expense) revenue and changes in net position				
					Primary Government				
	Expenses	Charges for services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Public schools	Other component units
Primary Government:									
Governmental Activities:									
General Government	$ 128,871,876	$ 12,863,270	$ -	$ 14,401,781	$ (101,606,825)	$ -	$ (101,606,825)		
Judicial Administration	12,643,897	1,565,339	698,473	-	(10,380,085)	-	(10,380,085)		
Public Safety	183,295,013	15,852,272	3,864,127	-	(163,578,614)	-	(163,578,614)		
Public Works	126,393,056	60,636,640	23,766,963	-	(41,989,453)	-	(41,989,453)		
Health and Welfare	59,842,618	519,399	8,513,318	-	(50,809,901)	-	(50,809,901)		
Education	137,365,978	-	1,096,266	16,012,892	(120,256,820)	-	(120,256,820)		
Parks, Recreation and Culture	46,947,460	7,418,581	2,486,940	-	(37,041,939)	-	(37,041,939)		
Community Development	37,933,408	76	4,325,844	-	(33,607,488)	-	(33,607,488)		
Interest and Other Fiscal Charges	20,849,269	-	-	-	(20,849,269)	-	(20,849,269)		
Total Governmental Activities	754,142,575	98,855,577	44,751,931	30,414,673	(580,120,394)	-	(580,120,394)		
Business-Type Activities:									
Public Utility	86,850,335	96,528,390	-	10,032,329	-	19,710,384	19,710,384		
Total Primary Government	$ 840,992,910	$ 195,383,967	$ 44,751,931	$ 40,447,002	(580,120,394)	19,710,384	(560,410,010)		
Component Units:									
Public Schools	$ 460,108,843	5,546,038	120,056,572	17,957,619				(316,548,614)	-
Peninsula Airport Commission	12,479,503	5,265,409	-	3,298,824				-	(3,915,270)
Economic and Industrial Development Authorities	21,741,122	40,713,243	-	-				-	18,972,121
Total component units	$ 494,329,468	$ 51,524,690	$ 120,056,572	$ 21,256,443				(316,548,614)	15,056,851
General revenues:									
City taxes:									
General Property Taxes					$ 370,426,717	-	370,426,717	-	-
E-911 service					970,808	-	970,808	-	-
Local sales and use					35,493,666	-	35,493,666	-	-
Consumers' utility					5,847,552	-	5,847,552	-	-
Consumption					613,171	-	613,171	-	-
Telecom sales and use					7,541,602	-	7,541,602	-	-
Business license					23,475,631	-	23,475,631	-	-
Rental car					1,308,010	-	1,308,010	-	-
Motor vehicle license					4,252,102	-	4,252,102	-	-
Bank stock taxes					1,421,214	-	1,421,214	-	-
Recordation and wills					2,043,579	-	2,043,579	-	-
Tobacco					2,983,976	-	2,983,976	-	-
Hotel and motel room tax					5,441,655	-	5,441,655	-	-
Restaurant food tax					37,854,668	-	37,854,668	-	-
Tourism zone tax					66,397	-	66,397	-	-
Amusement					1,050,677	-	1,050,677	-	-
Total City taxes					500,791,425	-	500,791,425	-	-
Grants and Contributions not Restricted to Specific Programs					58,416,623	-	58,416,623	229,707,119	-
Payment from the City					-	-	-	138,203,251	-
Investment Earnings					25,208,007	5,196,926	30,404,933	615,093	3,008,454
Miscellaneous					35,370,436	1,418,746	36,789,182	-	57,663
Transfers					9,500,000	(9,500,000)	-	-	-
Total general revenues and transfers					629,286,491	(2,884,328)	626,402,163	368,525,463	3,066,117
Change in net position					49,166,097	16,826,056	65,992,153	51,976,849	18,122,968
Net position beginning of year, as originally presented					675,190,113	462,143,946	1,137,334,059	(52,201,234)	231,938,751
Restatement - change in accounting principle - GASB 101					(17,928,219)	(1,504,909)	(19,433,128)	(12,655,964)	(45,021)
Restatement - error correction					16,111,542	-	16,111,542	-	-
Net position beginning of year, as restated					673,373,436	460,639,037	1,134,012,473	(64,857,198)	231,893,730
Net position end of year					$ 722,539,533	$ 477,465,093	$ 1,200,004,626	$ (12,880,349)	$ 250,016,698

See accompanying notes to basic financial statements.

City of Newport News, Virginia
Balance Sheet
Governmental Funds
June 30, 2025

	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	$ 200,419,268	14,892,052	-	-	146,033,731	6,078,271	68,259,752	435,683,074
Restricted Cash	2,707,800	-	41,713,673	1,200,856	-	-	-	45,622,329
Accounts Receivable, Net	36,002,077	-	-	-	12,613,025	3,339,154	3,720,604	55,674,860
Deposits	400,000	-	-	-	-	-	-	400,000
Other Prepaid Asset	4,472	-	-	-	-	-	-	4,472
Lease Receivable	2,762,020	-	-	-	-	-	7,756,908	10,518,928
Receivables from Other Funds	1,340,167	-	-	-	2,006,211	-	-	3,346,378
Receivables from Other Governments	17,269,239	-	-	4,172,296	-	2,344,850	4,289,724	28,076,109
Due from OPEB Fund	605,722	-	-	-	-	-	-	605,722
Receivables from Custodial Funds	4,050	-	-	-	-	-	-	4,050
Inventory, At Cost	1,000,510	-	-	-	-	-	21,104	1,021,614
Total Assets	$ 262,515,325	14,892,052	41,713,673	5,373,152	160,652,967	11,762,275	84,048,092	580,957,536
Liabilities								
Accounts Payable	$ 17,629,247	24,725	10,966,253	1,720,725	13,535,664	1,670,971	3,554,459	49,102,044
Accrued Liabilities	6,300,249	-	1,294,734	-	502,188	41,009	605,714	8,743,894
Deposits	596,081	-	-	-	-	-	-	596,081
Unearned Revenues	552,756	-	-	-	-	932,574	2,000	1,487,330
Payable to Newport News Public Schools	-	-	11,901,757	-	-	-	-	11,901,757
Payable to Other Funds	-	-	-	2,006,211	-	346,933	993,234	3,346,378
Payable to Pension Fund	581,821	-	-	-	-	-	-	581,821
Total Liabilities	25,660,154	24,725	24,162,744	3,726,936	14,037,852	2,991,487	5,155,407	75,759,305
Deferred Inflows of Resources								
Unavailable Revenue	22,716,325	-	-	-	-	3,236,116	1,540,296	27,492,737
Lease Related	4,566,472	-	-	-	-	-	7,746,017	12,312,489
Property Taxes Collected in Advance	1,736,829	-	-	-	-	-	-	1,736,829
Total Deferred Inflows of Resources	29,019,626	-	-	-	-	3,236,116	9,286,313	41,542,055
Fund Balances								
Nonspendable	4,027,603	-	-	-	4,200,321	76,899	174,079	8,478,902
Restricted	1,074,705	-	17,550,929	1,646,216	2,557,606	5,457,773	64,318,623	92,605,852
Committed	-	14,867,327	-	-	139,857,188	-	5,324,888	160,049,403
Assigned	77,019,152	-	-	-	-	-	-	77,019,152
Unassigned	125,714,085	-	-	-	-	-	(211,218)	125,502,867
Total Fund Balances	207,835,545	14,867,327	17,550,929	1,646,216	146,615,115	5,534,672	69,606,372	463,656,176
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 262,515,325	14,892,052	41,713,673	5,373,152	160,652,967	11,762,275	84,048,092	580,957,536

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, 2025

Fund Balances - Total Governmental Funds		$ 463,656,176
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.		21,262,180
Capital Assets, including Lease and Subscription Assets, used in Governmental Activities are not Financial Resources and, therefore, are not Reported in the Funds:		
Governmental Capital Assets, excluding Lease and Subscription Right to Use Assets	1,716,543,849	
Less Accumulated Depreciation	(772,698,335)	
Governmental Lease Right to Use Asset	29,825,287	
Accumulated Amortization - Leases	(10,521,350)	
Governmental Subscription Right to Use Asset	13,269,768	
Accumulated Amortization - Subscriptions	(6,526,261)	
		969,892,958
Other long-term assets are not available to pay for current period expenditures and, therefore, are unavailable in the funds.		27,492,737
Internal service funds are used by management to charge the costs of certain activities to individual funds.	51,941,367	
Adjustment to add back lease liability included below	1,229,978	
Adjustment to add back subscription liability included below	206,676	
Adjustment to add back compensated absences included below	1,206,635	
		54,584,656
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.		1,410,514
Unmatured interest payable reported in governmental activities will not be paid with current financial resources and, therefore, are not reported in the funds.		(6,193,064)
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	(387,446,521)	
Literary fund bonds	(1,062,047)	
Notes Payable	(978,641)	
Landfill Liability	(1,284,066)	
Compensated Absences	(40,466,171)	
Workers' Compensation and Other Claims	(15,378,889)	
Net Pension Liability	(289,717,504)	
Net OPEB Liability	(63,496,981)	
Net Line of Duty Obligations	(7,381,954)	
Incurred but not Reported Claims	(3,655,000)	
Arbitrage Rebate Liability	(4,118,087)	
Lease Liability	(21,337,039)	
Subscription Liability	(6,626,254)	
		(842,949,154)
Deferred inflows and outflows of resources related to pension plans and OPEB are not due and payable in the current period and therefore, not reported in the governmental funds:		
Deferred Inflows - Difference between Expected and Actual Experience related to Pension and OPEB	(5,909,699)	
Deferred Inflows - Difference between Projected and Actual Earnings on Plan Investments	(17,683,107)	
Deferred Inflows - Changes in Assumptions related to Pension and OPEB	(5,140,512)	
Deferred Inflows - Investment Experience	(415,028)	
Deferred Inflows - Changes in Proportion	(3,635)	
Deferred Outflows - Employer Contributions made Subsequent to the Measurement Date	51,083,309	
Deferred Outflows - Difference between Expected and Actual Experience	3,816,513	
Deferred Outflows - Changes in Proportion and Difference between Employer Contributions and Proportionate Share of Contributions	622,712	
Deferred outflows - Changes in Assumptions	7,011,977	33,382,530
Net position of governmental activities		$ 722,539,533

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, 2025

	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	$ 371,306,737	-	-	-	-	-	-	371,306,737
Other Local Taxes	130,364,708	-	-	-	-	-	-	130,364,708
Licenses and Permits	3,309,232	-	-	-	-	-	-	3,309,232
Fines and Forfeitures	1,183,019	-	-	-	-	-	-	1,183,019
Intergovernmental	58,416,622	1,096,266	-	8,670,521	16,012,892	10,587,429	34,805,615	129,589,345
Charges for Services	18,049,302	-	-	-	-	-	60,999,396	79,048,698
Interest and Rent	21,811,405	-	-	42,678	128,226	234,518	4,081,522	26,298,349
Recovered Costs	17,394,155	-	-	-	-	-	-	17,394,155
Employee Benefit Premiums	4,695,615	-	-	-	-	-	-	4,695,615
Miscellaneous	22,521,522	-	-	-	165,387	186,502	619,412	23,492,823
Total Revenues	649,052,317	1,096,266	-	8,713,199	16,306,505	11,008,449	100,505,945	786,682,681
Expenditures:								
Current Operating:								
General Government	119,865,083	-	-	-	-	-	147,313	120,012,396
Judicial Administration	10,944,820	-	-	-	-	704,413	-	11,649,233
Public Safety	167,436,436	-	-	-	-	4,922,545	789,660	173,148,641
Public Works	9,686,656	-	-	-	-	8,097	77,008,052	86,702,805
Health and Welfare	44,148,799	-	-	-	-	731,737	10,621,875	55,502,411
Education	123,089,307	-	10,168,255	-	5,100,000	-	-	138,357,562
Parks, Recreation, and Culture	36,144,810	-	-	-	-	948,760	5,204,722	42,298,292
Community Development	16,022,104	-	-	-	-	3,181,574	2,162,439	21,366,117
Debt Service:								
Principal	7,357,601	37,684,986	-	-	1,087,774	59,776	109,785	46,299,922
Interest and Other Charges	752,902	20,269,963	-	-	35,016	251	392,321	21,450,453
Capital Outlay	2,547,309	-	53,864,549	8,483,503	63,112,687	148,057	7,236	128,163,341
Total Expenditures	537,995,827	57,954,949	64,032,804	8,483,503	69,335,477	10,705,210	96,443,403	844,951,173
Excess (Deficiency) of Revenues Over (Under) Expenditures	111,056,490	(56,858,683)	(64,032,804)	229,696	(53,028,972)	303,239	4,062,542	(58,268,492)
Other Financing Sources (Uses):								
Transfers In	9,500,000	55,771,976	-	-	61,338,928	-	6,514,509	133,125,413
Transfers Out	(112,711,064)	-	-	-	-	-	(10,914,349)	(123,625,413)
Leases (as Lessee)	695,858	-	-	-	-	119,672	7,236	822,766
Subscriptions	1,851,451	-	-	-	542,685	28,385	-	2,422,521
Total Other Financing Sources (Uses), Net	(100,663,755)	55,771,976	-	-	61,881,613	148,057	(4,392,604)	12,745,287
Net Changes in Fund Balances	10,392,735	(1,086,707)	(64,032,804)	229,696	8,852,641	451,296	(330,062)	(45,523,205)
Fund Balances at June 30, 2024, as originally presented	181,331,268	15,954,034	81,583,733	1,416,520	137,762,474	5,083,376	69,936,434	493,067,839
Restatement - error correction	16,111,542	-	-	-	-	-	-	16,111,542
Fund Balances at June 30, 2024, as restated	197,442,810	15,954,034	81,583,733	1,416,520	137,762,474	5,083,376	69,936,434	509,179,381
Fund Balances at June 30, 2025	$ 207,835,545	14,867,327	17,550,929	1,646,216	146,615,115	5,534,672	69,606,372	463,656,176

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, 2025

Net change in fund balances - total governmental funds		$ (45,523,205)
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 and amortization 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	128,163,341	
Plus: Capital outlay expenditures not included in capital outlays, net of disposals	(2,451,417)	
Less: Non-capitalizable outlay	(40,381,012)	
Depreciation and amortization expense	(39,883,897)	
		45,447,015
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.		3,541,156
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.		392,706
Change in pension asset valuation. These assets are not reported in the governmental funds.		3,762,294
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.		(12,316,444)
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.		(9,427,517)
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.		2,831,078
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position:		
Principal repayments	38,646,275	
Net premium of long-term debt amortization	4,742,891	
Amortization of refunding losses	(1,188,068)	
		42,201,098
Lease principal repayments	4,511,117	
Lease liability issued	(822,766)	
Lease termination gain/loss adjustments	(3,210)	
		3,685,141
Subscription principal repayments	3,142,529	
Subscription liability issued	(2,422,520)	
Subscription termination gain/loss adjustments	(62,620)	
		657,389
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	719,270	
Landfill liability	233,467	
Compensated Absences	(1,792,557)	
Arbitrage rebate liability	(1,543,632)	
Net pension obligation	15,970,083	
Net OPEB obligation	(3,159,474)	
Net line of duty obligation	638,179	
Workers' compensation and other claims	(639,794)	
Incurred but not reported liabilities	(613,000)	
		9,812,542
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).		4,102,844
Change in net position of governmental activities		$ 49,166,097

See accompanying notes to basic financial statements.

City of Newport News, Virginia
Statement of Net Position
Proprietary Funds
June 30, 2025

	Major Fund - Public Utility	Internal Service Fund
Assets		
Current Assets:		
Cash and Cash Equivalents	$ 98,479,605	9,211,645
Restricted Cash	27,330,357	-
Accounts Receivable, Net	11,444,348	85,980
Receivables from Other Governments	2,516,096	46,599
Inventory	8,941,649	1,269,847
Lease Receivable	143,318	-
Total Current Assets	148,855,373	10,614,071
Noncurrent Assets:		
Lease Receivable	3,119,556	-
Capital Assets:		
Non-depreciable / Non-amortizable Capital Assets:		
Land	13,555,991	20,257
Construction in Progress	105,691,108	9,564,528
Wetlands Credit	6,934,385	-
Depreciable / Amortizable Capital Assets:		
Buildings	149,097,704	3,469,775
Improvements	-	1,207,228
Water System	544,614,522	-
Machinery and Equipment	53,016,829	92,198,886
Lease Right to Use Asset	5,552,364	1,489,151
Subscription Right to Use Asset	1,910,626	591,413
Total Capital Assets	880,373,529	108,541,238
Less Accumulated Depreciation / Amortization	(363,986,700)	(62,669,528)
Capital Assets, Net	516,386,829	45,871,710
Net Pension Asset	1,407,620	-
Total Noncurrent Assets	520,914,005	45,871,710
Total Assets	669,769,378	56,485,781
Deferred Outflows of Resources		
Employer Contributions Subsequent to the Measurement Date	6,045,879	-
Difference between Expected and Actual Experience	110,525	-
Difference in Proportion and Difference between Employer Contributions and Proportionate Share of Contributions	39,748	-
Change in Assumptions	804,938	-
Debt Refundings Resulting in Loss Transactions	606,671	-
Total Deferred Outflows of Resources	7,607,761	-

See accompanying notes to basic financial statements.

(Continued)

City of Newport News, Virginia
Statement of Net Position
Proprietary Funds
June 30, 2025

	Major Fund - Public Utility	Internal Service Fund
Liabilities		
Current Liabilities:		
Accounts Payable	9,285,750	1,693,046
Accrued Liabilities	1,228,323	208,079
Compensated Absences	1,703,919	546,955
Unearned Revenues	23,031,762	-
General Obligation Bonds Payable, Net	2,880,090	-
Leases (as Lessee)	1,000,639	269,492
Subscription Liability	394,935	133,562
Revenue Bonds Payable, Net	1,320,759	-
Arbitrage Rebate Liability	3,014,807	-
Total Current Liabilities	43,860,984	2,851,134
Noncurrent Liabilities**:**		
Deposits	6,285,200	-
Compensated Absences	1,938,594	659,680
General Obligation Bonds Payable, Net	3,585,000	-
Revenue bonds payable, net	92,533,937	-
Leases (as lessee)	1,153,333	960,486
Subscription Liability	99,782	73,114
Net Pension Liability	36,395,563	-
Net OPEB Liability	8,443,655	-
Total Noncurrent Liabilities	150,435,064	1,693,280
Total Liabilities	194,296,048	4,544,414
Deferred Inflows of Resources		
Lease Related	3,185,266	-
Net Difference between Projected and Actual Earnings on Plan Investments	2,060,510	-
Difference between Expected and Actual Experience	327,923	-
Changes in Assumptions	15,575	-
Investment Experience	26,492	-
Changes in Proportionate Share	232	-
Total Deferred Inflows of Resources	5,615,998	-
Net Position		
Net Investment in Capital Assets	434,941,361	44,435,055
Restricted for Net Pension Asset	1,407,620	-
Unrestricted	41,116,112	7,506,312
Total Net Position	$ 477,465,093	51,941,367

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, 2025

	Major Fund - Public Utility	Internal Service Fund
Operating Revenues:		
Water sales	$ 60,617,122	-
Charges for services	28,261,479	30,561,896
Miscellaneous	7,649,789	372,712
Total operating revenues	96,528,390	30,934,608
Operating expenses:		
Personal services	32,029,519	9,467,498
Contractual services	15,758,009	4,222,995
Internal services	1,389,637	542,248
Materials and supplies	15,688,984	11,672,493
Depreciation and Amortization	14,969,195	7,662,176
Other	2,647,354	-
Total operating expenses	82,482,698	33,567,410
Operating income (loss)	14,045,692	(2,632,802)
Nonoperating revenues (expenses):		
Interest revenue	5,196,926	435,901
Gain (loss) on disposal of capital assets	(347,062)	538,988
Amortization on bond premium	1,418,746	-
Loss on long-term debt	(200,603)	-
Interest expense	(3,819,972)	(118,086)
Hazard Mitigation Program Grant	2,510,440	-
Stormwater Local Assistance Fund Grant	1,080,697	-
Defense Community Infrastructure Grant	3,900,000	-
Total nonoperating revenues (expenses), net	9,739,172	856,803
Income (loss) before capital contributions and transfers out	23,784,864	(1,775,999)
Capital contributions for capital assets	2,541,192	5,838,114
Transfers out	(9,500,000)	-
Change in net position	16,826,056	4,062,115
Net position at June 30, 2024, as originally presented	462,143,946	48,395,172
Restatement - change in accounting principle - GASB 101	(1,504,909)	(515,920)
Net position at June 30, 2024, as restated	460,639,037	47,879,252
Net position at June 30, 2025	$ 477,465,093	51,941,367

See accompanying notes to basic financial statements.

City of Newport News, Virginia
Statement of Cash Flows
Proprietary Funds
Year ended June 30, 2025

	Major Fund - Public Utility	Internal Service Fund
Cash flows from operating activities:		
Receipts from customers	$ 96,132,354	$ 30,934,609
Payments to suppliers	(30,979,529)	(15,829,042)
Payments to employees	(30,492,470)	(9,426,769)
Other payments	(2,647,357)	-
Net cash provided by operating activities	32,012,998	5,678,798
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	(41,142,134)	(14,835,029)
Contributed capital	2,541,192	5,838,114
Proceeds from sale of capital assets	971,549	531,064
Hazard Mitigation Program Grant	894,344	-
Stormwater Local Assistance Fund Grant	1,080,697	-
Defense Community Infrastructure Grant	3,000,000	-
Repayment and retirement of long-term debt, net	(8,992,084)	-
Interest paid	(3,874,864)	(123,472)
Lease liability principal payments made	(1,099,818)	(345,907)
Subscription liability principal payments made	(682,228)	(130,845)
Net cash used in capital and related financing activities	(47,303,346)	(9,066,075)
Cash flows provided by investing activities		
Interest received	6,294,986	435,901
Lease receivable payments received	170,827	-
Net cash provided by investing activities	6,465,813	435,901
Increase/(decrease) in cash and restricted cash	(18,324,535)	(2,951,376)
Cash, cash equivalents, and restricted cash at beginning of year	144,134,497	12,163,021
Cash, cash equivalents, and restricted cash at end of year	125,809,962	9,211,645
Reported as:		
Cash and cash equivalents	98,479,605	9,211,645
Restricted cash	27,330,357	-
Total cash, cash equivalents, and restricted cash	125,809,962	9,211,645
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating Income (Loss)	14,045,692	(2,632,802)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation and Amortization	14,969,195	7,662,176
Deferred lease revenue recognized	(205,526)	-
Change in:		
Accounts receivable	1,187,936	(86,017)
Inventories	(1,358,349)	168,087
Accounts payable, accrued liabilities, lease liabilities, subscription liabilities, and payroll accruals	3,510,969	567,354
Unearned revenues	(939,576)	-
Deposits	(188,874)	-
Net pension asset	(240,148)	-
Net pension liability	(1,288,046)	-
Net OPEB liability	455,040	-
Deferred outflows of resources	597,682	-
Deferred inflows of resources	1,467,003	-
Total adjustments	17,967,306	8,311,600
Net cash provided by operating activities	$ 32,012,998	$ 5,678,798
Non-Cash Investing and Financing Activities:		
Lease right-to-use assets funded by lease liabilities:	$ 945,662	$ 666,840
Subscription right-to-use assets funded by subscription liabilities:	301,585	17,465
Lessee leases terminated early, removing:		
Net right-to-use assets totaling:	-	731,721
Lease liabilities totaling:	-	753,280

See accompanying notes to basic financial statements.

City of Newport News, Virginia
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2025

	Pension, Other Postemployment Benefits, & Line of Duty Act Fund	Custodial Funds
Assets		
Cash and cash equivalents	$ 8,281,106	14,362,065
Cash and cash equivalents with trustee	9,640,015	-
Investments, at fair value:		
Debt securities	99,064,439	-
Equity investments	351,621,436	-
Private equities	55,491,570	-
Bond mutual fund	167,281,281	-
Commingled equity fund	396,082,978	-
Real assets	124,895,952	-
Accounts receivable	-	4,612,583
Due from other components	718,462	-
Sales receivable	1,134,224	-
Total assets	$ 1,214,211,463	18,974,648
Liabilities		
Accounts payable	$ 1,122,875	2,919,540
Due to City	605,722	4,050
Purchases payable	10,951	-
Deposits	-	7,135
Total liabilities	1,739,548	2,930,725
Net Position		
Assets held in trust:		
Restricted for pension benefits	1,150,643,142	-
Restricted for OPEB benefits	57,894,943	-
Restricted for LOD benefits	3,933,830	-
Restricted for custodial funds	-	16,043,923
Total net position	$ 1,212,471,915	16,043,923

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, 2025

	Pension, Other Postemployment Benefits, & Line of Duty Act Fund	Custodial Funds
Additions:		
Employer contributions:		
City General Fund	$ 42,628,456	-
Waterworks Fund	5,504,611	-
School Operating Fund	10,009,747	-
Employee contributions:		
City General Fund	3,187,061	-
Waterworks Fund	386,608	-
School Operating Fund	507,664	-
Other contributions:		
Income from leave exchange	96,670	-
Employee buy-back	52,722	-
Local	-	109,509
Other additions:		
Payments collected for other localities	-	35,279,935
Total contributions	62,373,539	35,389,444
Investment income:		
Net appreciation/(depreciation) - bonds	2,679,004	-
Net appreciation/(depreciation) - stocks	112,078,876	-
Interest	3,834,582	-
Dividends	6,065,321	-
Real estate operating income/(loss)	523,941	-
Commission recapture	2,025	-
Other investment income/(loss)	15,518	-
Total investment income/(loss)	125,199,267	-
Less investment expenses	(1,704,773)	-
Net investment income/(loss)	123,494,494	-
Total additions	185,868,033	35,389,444
Deductions:		
Benefits paid to participants	113,626,305	-
Refunds of member contributions	139,518	-
Administrative expenses	1,478,355	-
Contractual services	-	109,500
Payments collected for other localities	-	32,280,518
Other expenses	280,862	-
Total deductions	115,525,040	32,390,018
Change in net position	70,342,993	2,999,426
Net position at June 30, 2024	1,142,128,922	13,044,497
Net position at June 30, 2025	$ 1,212,471,915	16,043,923

See accompanying notes to basic financial statements.

(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/.

- 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. 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.

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:

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

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

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 for the benefit of foster children. Child support and Social Security benefits are received on behalf of foster children, which are used 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 waster 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.

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 the 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.

(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 or as a percentage of the total fees charged for all years carried in accounts receivable. 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 2025 was $1.18 per $100 of assessed value.

Personal Property – The City levies personal property taxes on motor vehicles and tangible personal business property. These levies are made each year as of January 1 with payment due the following December 5 and June 5. The current year personal property taxes reported as revenue are the levies on assessed valuation at January 1, less an allowance for uncollectible amounts and taxes not collected within 45 days after year-end. The 2025 tax rates per $100 of assessed value were:

Mobile homes	$	1.18
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.

(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, 2025, is composed of the following:

General Fund - allowance for uncollectibles		
Taxes receivable:		
Real estate	$	2,264,373
Personal property		9,275,769
Total taxes	$	11,540,142
Emergency medical services receivable		1,287,826
Other		25,610
Total General Fund	$	12,853,578
Nonmajor Governmental		
Special Revenue Funds - accounts receivable	$	2,065,702
Public Utility Fund - accounts receivable	$	2,162,120
Custodial Fund - accounts receivable	$	1,055,769

(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 1) an initial, individual cost of $5,000 or more or a bulk purchase cost of $50,000 or more and 2) 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, 2025, the City holds capital assets related to school property with a net book value of approximately $110,909,636.

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

(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. City employees are not paid for accumulated sick leave upon termination. The costs of accrued vacation and sick pay are accrued as a compensated absences 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 more likely than not. 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 Balance/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.

Fund balances are 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, long-term receivables, and the principal portion of permanent funds.

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. 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 fiscal year 2025, the General Fund's unassigned fund balance is 19.0% of revenues, exceeding the policy threshold of 7.5%.

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

Details of the fund balance classifications of the Governmental funds at June 30, 2025 are as follows:

Function/Purpose	Nonspendable	Restricted	Committed	Assigned	Unassigned
General Fund:					
Inventories	$ 1,000,510	-	-	-	-
Principal of a permanent fund	2,546,504	-	-	-	-
Prepaid assets, deposits, and long-term receivables	480,589	-	-	-	-
Private donations	-	461,083	-	-	-
General government:					
Administration	-	-	-	6,766,349	-
Self insured activities	-	-	-	24,557,101	-
Specific projects	-	-	-	44,000,000	-
Judicial administration	-	-	-	907	-
Public safety	-	-	-	534,706	-
Public works	-	613,622	-	669,296	-
Health and welfare	-	-	-	89,436	-
Parks, recreation, and cultural	-	-	-	384,447	-
Community development	-	-	-	16,910	-
Unassigned	-	-	-	-	125,714,085
Total General Fund	$ 4,027,603	1,074,705	-	77,019,152	125,714,085
Other funds:					
Debt service:					
Future debt service	$ -	-	14,867,327	-	-
Bond:					
Buildings	-	92,850,896	-	-	-
Community development	-	16,376,052	-	-	-
Parks, recreation, and cultural	-	4,236,583	-	-	-
Streets and bridges	-	3,019,328	-	-	-
Sanitary sewer/solid waste	-	4,241,949	-	-	-
Stormwater	-	11,035,764	-	-	-
Future capital projects	-	(114,209,643)	-	-	-
Capital projects:					
Federal and state grants	-	1,646,216	-	-	-
General capital improvements:					
Long-term receivables	4,200,321	-	-	-	-
Economic development	-	-	4,811,278	-	-
Equipment	-	2,557,606	10,657,579	-	-
Parks, recreation, and cultural	-	-	663,465	-	-
Buildings	-	-	3,260,953	-	-
Streets and bridges	-	-	6,033,431	-	-
Future capital projects	-	-	114,430,482	-	-
Other federal and state:					
Long-term receivables	76,899	-	-	-	-
Federal and state grants	-	5,457,773	-	-	-
Nonmajor governmental:					
Economic development	152,975	-	5,211,511	-	-
Law library	-	-	37,300	-	-
Criminal Justice Academy	-	-	76,077	-	-
Health and welfare	-	1,920,087	-	-	-
Parks, recreation, and cultural	21,104	76,409	-	-	(211,218)
Wastewater	-	28,059,615	-	-	-
Solid waste	-	7,714,772	-	-	-
Stormwater	-	24,817,765	-	-	-
Canteen	-	1,729,975	-	-	-
Total other funds	$ 4,451,299	91,531,147	160,049,403	-	(211,218)
Total fund balance	$ 8,478,902	92,605,852	160,049,403	77,019,152	125,502,867

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
Private Donation Restrictions (Nonexpendable)	2,546,504
Private Donation Restrictions (Expendable)	461,083
Net Pension Asset	21,262,180
Other Activities:	
Canteen	1,729,975
Animal Shelter	76,409
Comprehensive Services Act	1,920,087
Grants & Awards	8,693,889
Capital Projects	1,646,216
General Capital Improvements	2,557,606
Stormwater, Solid Waste ,Wastewater	62,123,799
Total Restricted Net Position	$ 103,631,370

(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 applicable to future periods and so will not be recognized as an expense or expenditure until then. Deferred outflows of resources include amounts by which the principal and premium of a refunding bond exceed the net carrying amount of the refunded debt, being amortized over the remaining life of the refunded debt. Deferred outflows for pensions and OPEB (including LOD) result from employer contributions to the retirement plans made after the measurement date, net differences between projected and actual earnings on plan investments, changes in proportionate share, differences 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.

(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.

(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) Adjustments and Restatements of Beginning Balances

GASB 101: Compensated Absences

During the current year, the City implemented GASB Statement No. 101, Compensated Absences. In addition to the value of unused vacation time owed to employees upon separation of employment, the City now recognizes an estimated amount of sick leave earned as of year-end that will be used by employees as time off in future years as part of the liability for compensated absences. The effects of the change in accounting principle are summarized below in the "Restatement - GASB 101 implementation" column in the table below.

Error Correction

During the year ended June 30, 2025, the City identified an error in prior years' financial statements related to the estimation of claims liability for self-insured employee benefits. Specifically, the City over-accrued claims liability, which resulted in an overstatement of liabilities and an overstatement of expenditures/expenses in prior years. The effects of the error correction are summarized below in the "Restatement - error correction" column in the table below.

	Net position/fund balance 6/30/2024, as previously reported	Restatement - GASB 101 implementation	Restatement - error correction	Net position/fund balance 6/30/2024, as restated
Government-Wide				
Governmental Activities	$ 675,190,113	(17,928,219)	16,111,542	673,373,436
Business-Type Activities	462,143,946	(1,504,909)	-	460,639,037
Total Primary Government	1,137,334,059	(19,433,128)	16,111,542	1,134,012,473
Governmental Funds				
General Fund	181,331,268	-	16,111,542	197,442,810
Proprietary Funds				
Public Utility	462,143,946	(1,504,909)	-	460,639,037
Internal Service Fund	48,395,172	(515,920)	-	47,879,252
Total Proprietary Funds	510,539,118	(2,020,829)	-	508,518,289
Discretely Presented Component Units				
Public Schools	(52,201,234)	(12,655,964)	-	(64,857,198)
Peninsula Airport Commission	72,135,721	-	-	72,135,721
Economic and Industrial Development Authorities	159,803,030	(45,021)	-	159,758,009
Total Discretely Presented Component Units	179,737,517	(12,700,985)	-	167,036,532

(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, 2025 are classified in the accompanying financial statements, except for Pension and OPEB Funds' as follows:

	Carrying amount
Cash and deposits:	
Cash on hand	$ 567,527
Deposits with banks	127,085,026
Total cash and deposits	127,652,553
Investments:	
Local Government Investment Pool (LGIP)	558,602,020
Commonwealth cash reserve	4,281,684
Virginia State Non-Arbitrage Pool (VA SNAP)	83,913,992
IDA escrow funds	456,884
Total investments	647,254,580
Total deposits and investments	$ 774,907,133

Cash and investments as of June 30, 2025 are classified in the accompanying financial statements, except for Pension and OPEB Funds, as follows:

	June 30, 2025
Statements of Net Position:	
Primary Government:	
Cash and cash equivalents	$ 543,374,324
Restricted cash	72,952,686
Component units:	
Cash and cash equivalents	105,092,534
Restricted cash	38,596,752
Fiduciary funds:	
Cash and cash equivalents - Line of Duty Act Fund	528,772
Cash and cash equivalents - Custodial Funds	14,362,065
Total cash and investments	$ 774,907,133

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, 2025, 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, 2025 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, 2025, 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	$ 529,542,674	AAAm	0.10
LGIP extended maturity	29,059,346	AAAf/S1+	0.90
Commonwealth cash reserve (AIM) - underlying:			
U.S. Treasury, agencies and/or corporate bonds	77,269	AA-	2.02
U.S. Treasury, agencies and/or corporate bonds	3,872,726	AA+	1.91
U.S. Treasury, agencies and/or corporate bonds	50,373	AA	0.80
U.S. Treasury, agencies and/or corporate bonds	61,715	AAA	2.03
Money market	21,470	AAAm	0.11
Money market	198,131	AAAm	0.11
SNAP	83,913,992	AAAm	0.11
Total investments	$ 646,797,696		

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, 2025.

		Fair value measurements using	
Investments by fair value level	June 30, 2025	Quoted prices in active markets for identical assets (Level 1)	Quoted prices in active markets for identical assets (Level 2)
U.S. Treasury securities	$ 3,623,311	$ -	$ 3,623,311
U.S. corporate bonds	248,933	-	248,933
Money market funds	219,601	219,601	-
Collateralized mortgage obligations	189,839	-	189,839
Total at fair value	4,281,684	219,601	4,062,083
Investments measured at NAV			
SNAP	83,913,992		
Total investments at NAV	83,913,992		
Investments measured at amortized cost			
LGIP	529,542,674		
LGIP extended maturity	29,059,346		
Total at amortized cost	558,602,020		
Total	$ 646,797,696		

Deposits of Pension and Other Postemployment Benefits Funds

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

	Carrying amount
Cash and deposits:	
Deposits with banks	$ 1,567,100
Deposits with banks - repurchase agreements	6,709,155
Pension Trust fund money markets	9,116,094
Total cash and deposits	17,392,349
Investments:	
Debt securities	98,124,744
Equity investments	350,303,059
Private equities	55,491,570
Bond mutual fund	167,281,281
Commingled equity fund	394,937,183
Real assets	124,895,952
Total investments	1,191,033,789
Total deposits and investments	$ 1,208,426,138

The Pension and OPEB funds' cash and investments as of June 30, 2025, are classified in the accompanying financial statements as follows:

Cash and cash equivalents	$ 8,276,255
Cash and cash equivalents with trustee	9,116,094
Investments:	
Debt securities	98,124,744
Equity investments	350,303,059
Private equities	55,491,570
Bond mutual fund	167,281,281
Commingled equity fund	394,937,183
Real assets	124,895,952
Total deposits and investments	$ 1,208,426,138

Fair Value Hierarchy

The Pension Fund categorizes its fair value measurements within the fair value hierarchy. 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).

The Pension Plan has the following recurring fair value measurements as of June 30, 2025:

Investments measured at fair value - Pension Fund

Investments by fair value level	Fair value at 6/30/2025	Fair value measurements using: Quoted prices in active markets for identical assets Level 1	Fair value measurements using: Significant other observable inputs Level 2
Debt securities:			
Collateralized mortgage obligations	$ 13,812,592	-	13,812,592
Corporate bonds	50,069,396	-	50,069,396
U.S. Treasury securities	26,605,416	-	26,605,416
Total debt securities	90,487,404	-	90,487,404
Equity securities:			
Consumer goods	67,232,048	67,232,048	-
Energy	7,861,867	7,861,867	-
Financials	53,545,278	53,545,278	-
Health care	24,257,812	24,257,812	-
Industrials	54,432,785	54,432,785	-
Information technology	72,072,450	72,072,450	-
Materials	8,615,409	8,615,409	-
Real estate investment trusts	4,358,380	4,358,380	-
Telecommunication services	21,396,641	21,396,641	-
Utilities	1,803,680	1,803,680	-
Total equity securities	315,576,350	315,576,350	-
Total investments at fair value level	406,063,754	315,576,350	90,487,404
Investments measured at the net asset value (NAV)			
Debt investments:			
Bond mutual fund	155,924,152		
Total debt investments	155,924,152		
Equity investments:			
Commingled international equity fund	338,919,319		
Commingled domestic equity fund	52,426,840		
Total equity investments	391,346,159		
Private equity - private equity partnerships	55,491,570		
Real assets:			
Core infrastructure	50,751,516		
Real estate	54,172,917		
Timber	19,971,519		
Total real assets	124,895,952		
Total investments measured at the NAV	727,657,833		
Total investments at fair value	1,133,721,587		
Cash equivalents and short-term investments measured at the amortized cost			
U.S. Treasury money market	8,914,961		
Total investments measured at amortized cost	8,914,961		
Total investments	$ 1,142,636,548		

Investments measured at fair value - OPEB

Investments by fair value level	Fair value at 6/30/2025	Fair value measurements using: Quoted prices in active markets for identical assets Level 1
Equity securities:		
Mutual funds	$ 53,721,178	$ 53,721,178
Total equity securities	53,721,178	53,721,178
Total investments at fair value level	53,721,178	53,721,178
Investments measured at the NAV		
Equity investments:		
Commingled international equity fund	3,591,024	
Total equity investments	3,591,024	
Total investments measured at the NAV	3,591,024	
Total investments measured at fair value	57,312,202	
Cash equivalents and short-term investments measured at the amortized cost		
U.S. Treasury money market	201,133	
Total investments measured at amortized cost	201,133	
Total investments	$ 57,513,335	

Investments measured at fair value - Line of Duty Act

Investments by fair value level	Fair value at 6/30/2025	Fair value measurements using: Quoted prices in active markets for identical assets Level 1
Equity securities:		
Mutual funds	$ 3,403,867	$ 3,403,867
Total equity securities	3,403,867	3,403,867
Total investments at fair value level	3,403,867	3,403,867
Total investments measured at fair value	3,403,867	
Cash equivalents and short-term investments measured at the amortized cost		
U.S. Treasury money market	523,921	
Total investments measured at amortized costs	523,921	
Total investments	$ 3,927,788	

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 6/30/2025	Unfunded commitments	Redemption frequency (if currently eligible)	Redemption notice period
Debt investments:				
Bond mutual fund(1)	$ 155,924,152	-	Daily, Monthly	3-30 days
Total debt investments	155,924,152	-		
Equity investments:				
Commingled international equity fund(2)	338,919,319	-	Daily, Monthly	3-30 days
Commingled domestic equity fund(3)	52,426,840	-	Daily, Monthly	3-30 days
Total equity investments	391,346,159	-		
Private equity - private equity partnerships(4)	55,491,570	76,347,323	Not eligible	N/A
Real assets:				
Core infrastructure(5)	50,751,516	7,726,899	Quarterly	3 months
Real estate(5)	54,172,917	16,604,155	Quarterly	3 months
Timber(5)	19,971,519	-	Quarterly	N/A
Total real assets	124,895,952	24,331,054		
Total investments measured at the NAV	$ 727,657,833	100,678,377		

Investments measured at the NAV - OPEB

	NAV at 6/30/2025	Unfunded commitments	Redemption frequency (if currently eligible)	Redemption notice period
Equity investments:				
Commingled international equity fund(2)	$ 3,591,024	-	Daily, Monthly	3-30 days
Total equity investments:	3,591,024	-		
Total investments measured at the NAV	$ 3,591,024	-		

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 three commingled fund(s) that invest(s) in tangible infrastructure assets globally. Real estate includes four 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' investments are subject to restrictions placed by policies of City Council and the Retirement Board. The Funds invest in obligations of the U.S. or its agencies, approved money market funds, other banks, and savings and loan associations. The Funds are also authorized to invest in fixed income securities, domestic and international equities, private debt, Real Estate Investment Trusts (REITs), private equity, private real estate, and diversifying assets. Decisions as to individual security selection, security size and quality, number of industries and holdings, current income levels, turnover, and other tools employed by active managers are left to the managers' discretion, subject to the standards of fiduciary prudence, as set out in the respective manager's Investment Management Agreement.

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, 2025, is as follows:

	Pension - S & P's ratings as of June 30, 2025								
Investment types	Total	AAA	AA	A	BBB	BB	B	C	Not rated
Core infrastructure	$ 50,751,516	-	-	-	-	-	-	-	50,751,516
Corporate bonds	50,069,396	245,740	5,105,685	35,845,634	8,872,337	-	-	-	-
Ltd partner units	55,491,570	-	-	-	-	-	-	-	55,491,570
Mortgage-backed	13,812,592	6,551,840	-	2,818,388	-	-	-	-	4,442,364
Mutual funds	547,270,311	-	-	-	-	-	-	-	547,270,311
Real estate	54,172,917	-	-	-	-	-	-	-	54,172,917
Short-term	8,914,961	-	-	-	-	-	-	-	8,914,961
Timber	19,971,519	-	-	-	-	-	-	-	19,971,519
U.S. Treasury	26,605,416	-	-	-	-	-	-	-	26,605,416
Non-fixed assets	315,576,350	-	-	-	-	-	-	-	315,576,350
Total	$ 1,142,636,548	6,797,580	5,105,685	38,664,022	8,872,337	-	-	-	1,083,196,924

	OPEB - S & P's ratings as of June 30, 2025								
Investment types	Total	AAA	AA	A	BBB	BB	B	C	Not rated
Foreign currency	$ 6,889,402	-	-	-	-	-	-	-	6,889,402
Mutual funds	50,422,800	-	-	-	-	-	-	-	50,422,800
Short-term	201,133	-	-	-	-	-	-	-	201,133
Total	$ 57,513,335	-	-	-	-	-	-	-	57,513,335

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, 2025:

Investment type	Fair value	<1 year	1-3	4-5	5-10
U.S. government	$ 26,605,416	6,902,326	14,153,480	5,549,610	-
Corporate bonds	52,887,783	10,234,594	29,326,872	10,175,979	3,150,338
Mortgage	10,994,205	6,829,263	3,232,986	-	931,956
Total	$ 90,487,404	23,966,183	46,713,338	15,725,589	4,082,294

(3) Accounts Receivable

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

	Governmental activities	Business-type activities
Taxes receivable:		
Real estate	$ 13,240,943	-
Personal property	16,393,575	-
Total taxes receivable, net	29,634,518	-
Accounts receivable	26,126,322	11,444,348
Total receivables, net	$ 55,760,840	11,444,348

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	$ 41,174,660	-	-	-	-	-	-	-	41,174,660
Accounts	7,680,995	-	12,613,025	3,339,154	13,606,468	5,668,352	85,980	5,786,306	48,780,280
Intergovernmental:									
Federal	1,863,887	1,882,849	-	2,044,943	2,202,291	-	46,599	-	7,993,970
State	15,405,352	2,289,447	-	299,907	313,805	-	-	4,125,358	22,433,869
Local	-	-	-	-	-	-	-	164,366	164,366
Gross receivables	66,124,894	4,172,296	12,613,025	5,684,004	16,122,564	5,668,352	132,579	10,076,030	120,547,145
Less allowance for doubtful accounts	(12,853,578)	-	-	-	(2,162,120)	(1,055,769)	-	(2,065,702)	(18,137,169)
Net total receivables	$ 53,271,316	4,172,296	12,613,025	5,684,004	13,960,444	4,612,583	132,579	8,010,328	102,409,976

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 approximately $0.4 million was reported in the governmental nonmajor funds related to stormwater fees, approximately $0.4 million was related to solid waste fees, and approximately $0.8 million was related to waste water fees. The General Fund had unavailable revenues of approximately $22.1 million related to property taxes, approximately $0.4 million related to emergency medical billing, and approximately $0.2 million related to other receivables. The Other Federal and State fund had unavailable revenues of $3.2 million related to opioid settlement funds.

(4) Capital Assets, Net

Capital asset activity for the year ended June 30, 2025 was as follows:

Primary Government

	Balance July 1, 2024	Increases	Decreases	Balance June 30, 2025
Governmental activities:				
Capital assets, not being depreciated or amortized:				
Land	$ 90,068,134	463,574	4,772,761	85,758,947
Construction in progress	149,381,336	93,797,166	93,688,126	149,490,376
Total capital assets, not being depreciated or amortized	239,449,470	94,260,740	98,460,887	235,249,323
Capital assets, being depreciated or amortized:				
Buildings	333,106,850	48,566,202	-	381,673,052
Improvements	196,045,415	3,065,710	2,085,141	197,025,984
Machinery and equipment	173,613,643	14,929,792	7,193,076	181,350,359
Infrastructure	789,372,755	38,333,050	-	827,705,805
Lease right to use asset	31,361,283	1,489,606	1,536,451	31,314,438
Subscription right to use asset	11,971,292	2,470,337	580,448	13,861,181
Total capital assets, being depreciated or amortized	1,535,471,238	108,854,697	11,395,116	1,632,930,819
Less accumulated depreciation / amortization for:				
Buildings	126,452,455	6,809,572	-	133,262,027
Improvements	112,823,540	5,187,893	1,919,811	116,091,622
Machinery and equipment	120,316,476	11,456,301	7,081,624	124,691,153
Infrastructure	445,053,119	15,611,218	-	460,664,337
Lease right to use asset	6,301,185	5,318,040	801,524	10,817,701
Subscription right to use asset	4,243,412	3,163,049	517,827	6,888,634
Total accumulated depreciation / amortization	815,190,187	47,546,073	10,320,786	852,415,474
Total capital assets being depreciated or amortized, net	720,281,051	61,308,624	1,074,330	780,515,345
Capital assets, net	$ 959,730,521	155,569,364	99,535,217	1,015,764,668

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

General government	$ 4,408,975
Judicial administration	898,816
Public safety	7,084,278
Public works	16,052,631
Health and welfare	2,768,510
Education	2,549,571
Parks, recreation and culture	3,473,304
Community development	2,639,326
Non-departmental	8,486
Internal Service Fund	7,662,176
	$ 47,546,073

Business-type Activities

	Balance July 1, 2024	Increases	Decreases	Balance June 30, 2025
Public utility:				
Capital assets, not being depreciated or amortized:				
Land	$ 13,555,991	-	-	13,555,991
Construction in progress	89,111,217	25,871,222	9,291,331	105,691,108
Wetlands Credit	5,530,135	1,404,250	-	6,934,385
Total capital assets, not being depreciated or amortized	108,197,343	27,275,472	9,291,331	126,181,484
Capital assets, being depreciated or amortized:				
Buildings	149,113,985	-	16,281	149,097,704
Water system	525,462,549	19,956,541	804,568	544,614,522
Machinery and equipment	51,911,916	3,201,452	2,096,539	53,016,829
Lease right to use asset	4,606,703	945,661	-	5,552,364
Subscription right to use asset	1,610,553	301,586	1,513	1,910,626
Total capital assets, being depreciated or amortized	732,705,706	24,405,240	2,918,901	754,192,045
Less accumulated depreciation / amortization for:				
Buildings	82,586,553	3,407,581	8,931	85,985,203
Water system	224,109,022	7,534,174	693,877	230,949,319
Machinery and equipment	42,146,921	2,608,773	2,083,333	42,672,361
Lease right to use asset	2,293,543	978,818	-	3,272,361
Subscription right to use asset	669,121	439,848	1,513	1,107,456
Total accumulated depreciation / amortization	351,805,160	14,969,194	2,787,654	363,986,700
Total capital assets being depreciated or amortized, net	380,900,546	9,436,046	131,247	390,205,345
Capital assets, net	$ 489,097,889	36,711,518	9,422,578	516,386,829

Major Discretely Presented Component Units

	Balance July 1, 2024	Increases	Decreases	Adjustment assets held tenancy in-common	Balance June 30, 2025
Public schools:					
Capital assets, not being depreciated or amortized:					
Land	$ 3,670,179	-	-	-	3,670,179
Construction in progress	2,723,807	942,716	2,170,291	-	1,496,232
Total capital assets, not being depreciated or amortized	6,393,986	942,716	2,170,291	-	5,166,411
Capital assets, being depreciated or amortized:					
Buildings	183,722,570	-	-	-	183,722,570
Improvements	193,075,915	33,886,310	236,781	-	226,725,444
Machinery and equipment	75,522,005	9,791,901	5,745,974	-	79,567,932
Lease right to use - buildings	5,477,752	-	-	-	5,477,752
Lease right to use - equipment	995,855	1,008,481	-	-	2,004,336
Subscription right to use	1,056,484	128,886	383,137	-	802,233
Total capital assets, being depreciated or amortized	459,850,581	44,815,578	6,365,892	-	498,300,267
Less accumulated depreciation / amortization for:					
Buildings	101,756,289	2,891,875	-	-	104,648,164
Improvements	95,384,222	6,613,355	6,286	-	101,991,291
Machinery and equipment	43,758,234	5,253,714	5,554,038	-	43,457,910
Lease right to use - buildings	2,113,136	704,379	-	-	2,817,515
Lease right to use - equipment	182,573	400,867	-	-	583,440
Subscription right to use	532,069	432,420	383,137	-	581,352
Total accumulated depreciation / amortization	243,726,523	16,296,610	5,943,461	-	254,079,672
Total capital assets being depreciated or amortized, net	216,124,058	28,518,968	422,431	-	244,220,595
Capital assets, net	$ 222,518,044	29,461,684	2,592,722	-	249,387,006

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 and amortization expense related to capital assets of $16,296,610 was charged to the Public School's governmental functions.

(5) Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2025, is as follows:

Receivables/payables between other funds:

Receivable fund	Payable fund	Amount
General Fund	Nonmajor Gov. Fund: Animal Shelter	$ 23,737
General Fund	Nonmajor Gov. Fund: Stormwater	142,461
General Fund	Nonmajor Gov. Fund: Comprehensive Services Act	827,036
General Fund	Other Federal and State	346,933
General Capital Improvements Fund	Capital Projects Other Federal and State	2,006,211

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	$ 605,722
Pension Fund	General Fund	581,821
General Fund	Regional Homeless Commission Fund	4,050

Receivables/payables between Primary Government and component units:

Receivable entity	Payable entity	Amount
Newport News Public Schools	City	$ 11,901,757

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	$ -	44,857,627	61,338,928	6,514,509	112,711,064
Nonmajor Gov. - Special Revenue	-	10,914,349	-	-	10,914,349
Public Utility	9,500,000	-	-	-	9,500,000
	$ 9,500,000	55,771,976	61,338,928	6,514,509	133,125,413

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

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

(a) Governmental Activities

City of Newport News as Lessee

During the Fiscal Year, the City was engaged in 227 (two hundred and twenty-seven) 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 vehicles, office space, buildings, and land, and ranged in lease terms from under two months to just over 28 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. In addition, certain of the vehicle leases that the City engages in require a calculation upon lease termination of either an additional payment to the lessor or a refund of payments to the lessee based on a comparison of an expected book value versus the fair market value of the vehicle at date of termination, with a limit as to how much that termination payment can be. 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 $120,326 and inflows of resources in the amount of $374,969 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 beyond those described above, 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 or otherwise discussed above.

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	$ 22,366,466	8,991,666
Equipment	2,992,464	1,123,192
Land	4,410,283	362,193
Vehicles	1,545,225	340,650
Total Leases	$ 31,314,438	10,817,701

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
2026	$ 4,951,396	913,117	5,864,513
2027	5,061,576	745,669	5,807,245
2028	3,963,950	578,047	4,541,997
2029	1,987,869	439,403	2,427,272
2030	457,465	396,090	853,555
2031 - 2035	920,020	1,825,197	2,745,217
2036 - 2040	1,325,945	1,474,737	2,800,682
2041 - 2045	1,563,149	890,963	2,454,112
2046 - 2050	1,017,599	119,684	1,137,283
2051 - 2053	88,070	3,427	91,497
Total	$ 21,337,039	7,386,334	28,723,373

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 four GAAP leases with related parties during the Fiscal Year. All four of these leases are with the City's E/IDA, which is a discretely presented component unit 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	$ 1,094,291	1,207,791
Rouse Tower - 6060 Jefferson Ave	Buildings	E/IDA	11/30/2028	8,509,756	8,833,400
Animal Shelter Site - 5843 Jefferson Ave	Land	E/IDA	10/31/2052	786,568	818,914
Sherwood Shopping Center - 13711 Warwick Blvd	Buildings	E/IDA	6/30/2026	6,254	6,382
Total				$ 10,396,869	10,866,487

*Including reasonably certain options.

City of Newport News as Lessor

During the Fiscal Year, the City was engaged in 50 (fifty) 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 lease terms of these leases ranged from three months to just under 38 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. Throughout the Fiscal Year, the City was engaged in four 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. 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). The additional inflow of resources to the City for variable payments not previously included in the measurement of the lease receivable on these GAAP leases for Fiscal Year 2025 totaled $36,739. In addition, the City is engaged in one lease with a restaurant, where annually in addition to base rent, the restaurant must pay the City a variable payment of 8.5% of its gross receipts. The additional inflow of resources to the City for this variable payment in Fiscal Year 2025 totaled $217,284. 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
$ 1,652,149	431,930	254,022

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 other than those discussed in the paragraph above, to include any inflows of resources related to residual value guarantees or termination penalties.

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

Fiscal Year	Principal Payments	Interest Payments	Total Payments
2026	$ 1,556,079	412,584	1,968,663
2027	1,482,730	361,071	1,843,801
2028	1,264,048	308,932	1,572,980
2029	871,765	263,553	1,135,318
2030	767,685	225,257	992,942
2031 - 2035	3,443,742	562,985	4,006,727
2036 - 2040	1,025,559	98,015	1,123,574
2041 - 2045	107,320	4,748	112,068
Total	$ 10,518,928	2,237,145	12,756,073

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 as Government End User

During the Fiscal Year, the City was engaged in 54 (fifty-four) GAAP 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 less than one month to just over seven 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 GAAP.

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, 2025, the total amount of right-to-use assets from the City's SBITAs is $13,861,181 and the associated accumulated amortization is $6,888,634.

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

Fiscal Year	Principal Payments	Interest Payments	Total Payments
2026	$ 2,928,103	175,961	3,104,064
2027	1,443,858	98,253	1,542,111
2028	991,395	59,329	1,050,724
2029	973,936	33,252	1,007,188
2030	142,672	7,328	150,000
2031 - 2032	146,290	3,710	150,000
Total	$ 6,626,254	377,833	7,004,087

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.

(b) Business-Type Activities

City of Newport News as Lessee

During the Fiscal Year, the City was engaged in 24 (twenty-four) GAAP leases as the lessee within its business-type 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 14 months to 67 months 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 $7,676 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 outflows of resources in the Fiscal Year for other payments related to its lessee leases, such as residual value guarantees or termination penalties, not previously included in the measurement of the lease liability.

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

Asset Class	Lease Asset Value	Accumulated Amortization
Buildings	$ 3,603,746	2,400,564
Infrastructure	328,384	286,679
Equipment	1,620,234	585,118
Total Leases	$ 5,552,364	3,272,361

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

Fiscal Year	Principal Payments	Interest Payments	Total Payments
2026	$ 1,000,639	61,011	1,061,650
2027	857,026	37,358	894,384
2028	169,727	20,561	190,288
2029	126,506	8,781	135,287
2030	74	-	74
Total	$ 2,153,972	127,711	2,281,683

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 as Lessor

During the Fiscal Year, the City 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 lease terms of these leases ranged from 13 months to just under 21 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. 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
$ 205,526	80,582	-

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
2026	$ 143,318	80,017	223,335
2027	132,253	76,727	208,980
2028	133,921	73,488	207,409
2029	137,215	70,193	207,408
2030	140,591	66,818	207,409
2031 - 2035	756,565	280,477	1,037,042
2036 - 2040	854,315	182,727	1,037,042
2041 - 2045	964,696	72,348	1,037,044
Total	$ 3,262,874	902,795	4,165,669

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 as Government End User

During the Fiscal Year, the City was engaged in 10 (ten) GAAP 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 remaining subscription terms from just under 8 months to 4 years 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 GAAP.

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, 2025, the total amount of right-to-use assets from the City's SBITAs is $1,910,626 and the associated accumulated amortization is $1,107,456.

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

Fiscal Year	Principal Payments	Interest Payments	Total Payments
2026	$ 394,935	11,084	406,019
2027	99,782	2,215	101,997
Total	$ 494,717	13,299	508,016

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.

(7) Long-Term Liabilities

(a) A summary of changes in long-term liabilities for governmental activities for the year ended June 30, 2025 is as follows:

	Balance June 30, 2024	Additions	Reductions	Balance June 30, 2025	Due within one year
Bonds payable:					
General obligation bonds	$ 390,955,000	-	(36,125,000)	354,830,000	32,260,000
VRA	5,265,977	-	(1,205,967)	4,060,010	1,136,664
Deferred amounts:					
Add bonds premiums	33,299,402	-	(4,742,891)	28,556,511	4,146,115
Total bonds payable	429,520,379	-	(42,073,858)	387,446,521	37,542,779
Literary loan bonds	1,416,065	-	(354,018)	1,062,047	354,018
Lease liability	25,457,732	1,489,606	(5,610,299)	21,337,039	4,951,396
Subscription liability	7,459,644	2,439,987	(3,273,377)	6,626,254	2,928,103
Landfill liability	1,517,533	-	(233,467)	1,284,066	233,467
Notes payable	1,939,930	-	(961,289)	978,641	978,641
Compensated absences*	38,673,614	1,792,557	-	40,466,171	18,089,661
Arbitrage rebate liability	2,574,455	1,543,632	-	4,118,087	-
Net OPEB obligation - line of duty	8,020,133	10,402,220	(11,040,399)	7,381,954	-
Net pension liability	305,687,587	43,963,921	(59,934,004)	289,717,504	-
Net OPEB liability	55,193,050	13,869,040	(10,488,959)	58,573,131	-
Net OPEB obligation - GLI	5,144,457	2,594,794	(2,815,401)	4,923,850	-
Workers' comp. and other claims	14,739,095	4,046,125	(3,406,331)	15,378,889	3,336,729
Incurred but not reported medical claims	3,042,000	44,138,475	(43,525,475)	3,655,000	3,655,000
Total long-term liabilities	$ 900,385,674	126,280,357	(183,716,877)	842,949,154	72,069,794

*Compensated absences beginning balance adjusted in Fiscal Year 2025 due to adoption of GASB 101. In addition, in accordance with allowable disclosure in GASB 101, only the net change in compensated absences is being reported as an addition/reduction here.

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, 2025, the City's aggregate general obligation indebtedness is about $1,905.8 million less than the Commonwealth's limit and $310.9 million less than the City's independent limit.

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

General obligation bonds of $258.9 million are authorized but unissued.

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 $1.3 million liability at June 30, 2025 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 2025. Actual costs may be higher due to inflation, technology changes or regulation changes.

Outstanding general obligation bonds, VRA issues, and notes payable at June 30, 2025, of the Primary Government governmental activities, are comprised of the following issues:

G.O. Bond/VRA Series, or Note Payable	Issuance date	Final maturity date	Effective interest rate (at issue)	Balance June 30, 2025
VRA 04A	06/30/04	09/01/25	3.10%	$ 98,335
VRA 05A	08/24/05	09/01/26	3.50%	319,624
VRA 06A	10/20/06	11/01/27	3.10%	429,901
VRA 07A	09/11/07	09/01/28	3.00%	684,397
VRA 08	12/12/08	09/01/29	3.50%	854,764
VRA 09	12/16/09	09/01/30	3.35%	1,672,989
Series 14A	05/22/14	07/15/34	3.05%	2,250,000
Series 14A-Ref	05/22/14	07/15/27	2.43%	5,340,000
Series 15	12/17/15	07/15/35	2.58%	26,885,000
Series 16A	06/21/16	08/01/31	2.01%	23,510,000
Series 17A	06/08/17	08/01/37	2.60%	38,630,000
Series 19A	02/05/19	02/01/40	2.95%	64,485,000
Series 21A	03/10/21	02/01/41	1.79%	61,600,000
Series 21B	03/10/21	02/01/35	1.70%	26,880,000
Series 21C	06/03/21	02/01/33	1.40%	15,020,000
Motorola Note Payable	09/30/21	10/30/25	1.81%	978,641
Series 23A	07/25/23	02/01/43	3.43%	90,230,000
Totals				$ 359,868,651

The following table summarizes future debt service requirements as of June 30, 2025:

	General Obligation Bonds		VRA		Notes Payable	
Fiscal year ending June 30:	Principal	Interest	Principal	Interest	Principal	Interest
2026	$ 32,260,000	13,713,270	1,136,664	95,348	978,641	17,664
2027	30,205,000	12,483,609	954,803	68,668	-	-
2028	28,085,000	11,303,509	779,985	46,165	-	-
2029	26,530,000	10,124,510	607,822	26,928	-	-
2030	26,550,000	8,970,850	418,438	12,003	-	-
2031-2035	115,125,000	30,087,135	162,298	2,150	-	-
2036-2040	77,210,000	11,505,962	-	-	-	-
2041-2043	18,865,000	1,283,013	-	-	-	-
Total future debt service	$ 354,830,000	99,471,858	4,060,010	251,262	978,641	17,664

Outstanding literary loans at June 30, 2025, 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, 2025
General Stanford	06/30/07	07/15/27	2%	$ 1,062,047

The following table summarizes future debt service requirements as of June 30, 2025:

	Literary Loans	
Fiscal year ending June 30:	Principal	Interest
2026	$ 354,018	21,241
2027	354,018	14,161
2028	354,011	7,080
Total future debt service	$ 1,062,047	42,482

Business-type Activities

A summary of changes in long-term liabilities for business-type activities for the year ended June 30, 2025 is as follows:

	Balance July 1, 2024	Additions	Reductions	Balance June 30, 2025	Due within one year
Bonds payable**:**					
General obligation bonds	$ 9,170,000	-	(2,725,000)	6,445,000	2,860,000
Revenue bonds	91,693,827	-	(6,267,084)	85,426,743	71,743
Deferred amounts:					
Add bond premiums	9,866,789	-	(1,418,746)	8,448,043	1,269,106
Total bonds payable	110,730,616	-	(10,410,830)	100,319,786	4,200,849
Lease liability	2,308,128	945,662	(1,099,818)	2,153,972	1,000,639
Subscription liability	875,360	301,585	(682,228)	494,717	394,935
Arbitrage rebate liability	1,919,992	1,094,815	-	3,014,807	3,014,807
Net pension liability	37,683,609	6,210,509	(7,498,555)	36,395,563	-
Net OPEB liability	7,660,245	1,924,885	(1,455,763)	8,129,367	-
Net OPEB liability-GLI	328,370	165,625	(179,707)	314,288	-
Deposits	6,474,075	2,452,593	(2,641,468)	6,285,200	-
Compensated absences*	3,588,334	54,179	-	3,642,513	1,703,919
Total long-term liabilities	$ 171,568,729	13,149,853	(23,968,369)	160,750,213	10,315,149

*Compensated absences beginning balance adjusted in Fiscal Year 2025 due to adoption of GASB 101. In addition, in accordance with allowable disclosure in GASB 101, only the net change in compensated absences is being reported as an addition/reduction here.

Outstanding public utility bonds at June 30, 2025 are comprised of the following issues:

Public Utility Bond Series	Issue date	Final maturity date	Effective Interest rate (at issue)	Balance June 30, 2025
2014A	05/22/14	07/15/27	2.5 %	$ 2,760,000
2016A-IRB	06/02/16	06/30/37	2.7 %	18,694,797
2017A-IRB	05/31/17	06/30/38	2.6 %	17,471,946
2021A	03/23/21	02/01/28	1.2 %	49,260,000
2021B	03/23/21	07/15/41	1.5 %	3,685,000
Totals				$ 91,871,743

The following table summarizes future debt service requirements of business-type activities as of June 30, 2025:

	Business-type Activities	
Fiscal year ending June 30:	Principal	Interest
2026	$ 2,931,743	3,352,310
2027	7,625,000	2,997,967
2028	7,710,000	2,687,538
2029	5,975,000	2,371,550
2030	6,050,000	2,085,475
2031-2035	31,500,000	6,457,600
2036-2040	23,930,000	1,776,550
2041-2042	6,150,000	123,000
Totals	$ 91,871,743	21,851,990

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, 2025 is as follows:

	Balance July 1, 2024	Additions	Reductions	Balance June 30, 2025	Due within one year
Compensated absences*	$ 18,660,662	1,461,520	-	20,122,182	13,938,918
Workers' compensation claims	4,734,802	2,156,830	(1,727,250)	5,164,382	1,032,876
Leases payable	4,303,370	989,970	(1,048,739)	4,244,601	1,098,181
Subscriptions payable	424,859	128,886	(264,485)	289,260	141,546
Capital facility notes payable	10,485,502	-	(1,251,667)	9,233,835	208,904
OPEB NNPS trust fund	40,752,166	-	(11,801,088)	28,951,078	-
OPEB VRS health insurance credit	22,640,422	-	(759,614)	21,880,808	-
OPEB VRS group life insurance	10,482,360	-	(757,100)	9,725,260	-
Incurred but not reported health claims	2,886,001	38,617,023	(38,358,023)	3,145,001	3,145,001
VRS teacher pool pension	189,870,917	76,451,430	(87,521,893)	178,800,454	-
City of Newport News pension (NNERF)	92,023,532	10,965,586	(17,726,217)	85,262,901	-
Totals	$ 397,264,593	130,771,245	(161,216,076)	366,819,762	19,565,426

*Compensated absences beginning balance adjusted in Fiscal Year 2025 due to adoption of GASB 101. In addition, in accordance with allowable disclosure in GASB 101, only the net change in compensated absences is being reported as an addition/reduction here.

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 2025, approximately $6.7 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, 2025, the E/IDA has outstanding bonds and notes from direct borrowings in the amount of $14,208,177. 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. The E/IDA has no lines of credit.

At June 30, 2025, the E/IDA has lease liabilities of approximately $2.2 million and compensated absences liability of $0.09 million.

The E/IDA's long-term liabilities at June 30, 2025 are comprised of the following:

	Issue date	Maturity date	Effective interest rates	Balance July 1, 2024	Additions	Reductions	Balance June 30, 2025	Amount due within one year
Compensated absences*	N/A	N/A	N/A	$ 102,668	-	(13,877)	88,791	33,711
Lease liability	Various	Various	Various	3,473,870	-	(1,264,280)	2,209,590	1,251,406
Bonds payable								
Series 2012B	10/12/12	07/01/31	0.76%	9,410,000	-	(1,690,000)	7,720,000	1,655,000
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%	15,600,000	-	(2,335,000)	13,265,000	2,280,000
Total bonds payable				27,530,000	-	(4,025,000)	23,505,000	3,935,000
Premium on bonds payable - 2015				110,007	-	(20,802)	89,205	20,802
Total bonds payable, net				27,640,007	-	(4,045,802)	23,594,205	3,955,802
Direct borrowings:								
Bonds payable								
Downtown Eng	04/05/00	07/01/31	2.58%	6,280,000	-	(2,300,000)	3,980,000	900,000
A-School Garage	07/23/15	09/01/27	3.80%	3,907,684	-	(976,924)	2,930,760	976,924
Total direct borrowing bonds payable				10,187,684	-	(3,276,924)	6,910,760	1,876,924
Notes payable:								
Sherwood note A	11/23/16	01/01/32	3.14%	2,613,333	-	(326,667)	2,286,666	326,667
Sherwood note B	11/23/16	01/01/32	3.14%	1,653,333	-	(206,667)	1,446,666	206,667
Sears Renovation	07/31/20	07/31/28	2.39%	633,327	-	(126,202)	507,125	129,170
Warwick Village	01/01/25	11/25/31	5.50%	-	3,250,000	(193,040)	3,056,960	402,341
Total direct borrowing notes payable				4,899,993	3,250,000	(852,576)	7,297,417	1,064,845
Total direct borrowings				15,087,677	3,250,000	(4,129,500)	14,208,177	2,941,769
Total long-term liabilities				$ 46,304,222	3,250,000	(9,453,459)	40,100,763	8,182,688

*Compensated absences beginning balance adjusted in Fiscal Year 2025 due to adoption of GASB 101. In addition, in accordance with allowable disclosure in GASB 101, only the net change in compensated absences is being reported as an addition/reduction here.

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, 2025, there were twelve bonds outstanding and at June 30, 2024, there were twelve bonds outstanding with an aggregate principal balance of $350,126,112 and $363,483,658, respectively.

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

	Lessee Leases		Bonds		Direct Borrowings		Total Leases, Bonds, and Notes	
Fiscal year ending June 30:	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2026	$ 1,251,406	14,049	3,935,000	533,510	2,941,769	498,559	8,128,175	1,046,118
2027	339,771	7,407	3,915,000	441,158	3,213,246	386,577	7,468,017	835,142
2028	349,890	4,232	3,555,000	357,370	2,859,257	269,854	6,764,147	631,456
2029	268,523	1,033	3,490,000	283,052	1,907,672	177,671	5,666,195	461,756
2030	-	-	3,440,000	208,941	1,414,429	108,455	4,854,429	317,396
2031-2035	-	-	5,170,000	167,901	1,871,804	77,889	7,041,804	245,790
Totals	$ 2,209,590	26,721	23,505,000	1,991,932	14,208,177	1,519,005	39,922,767	3,537,658

The PAC airport improvement bonds at June 30, 2025, are comprised of the following:

Series	Issue date	Maturity date	Eff. int. rate (%)	Balance July 1, 2024	Reductions	Balance June 30, 2025	Amt due in one year
2005A	12/15/05	01/15/32	4.3	$ 2,954,568	336,010	2,618,558	351,694
2005B	12/15/05	01/15/32	4.0	1,334,135	154,752	1,179,383	160,032
Totals				$ 4,288,703	490,762	3,797,941	511,726

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

	PAC	
Fiscal year ending June 30:	Principal	Interest
2026	$ 511,726	149,476
2027	533,588	127,614
2028	556,385	104,817
2029	580,157	81,045
2030	604,947	52,477
2031-2035	1,011,138	25,312
Totals	$ 3,797,941	540,741

(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.

Employees Covered by Benefit Terms

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

July 1, 2023	Participant counts
Active members	1,191
Retirees and beneficiaries	6,982
Terminated vested members	3,507
Total	11,680

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 2023, 2024, and 2025, 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 $49,502,814 and $4,230,725 were made by employers and employees, respectively, to the Pension Fund during the year ended June 30, 2025. The percentage of contributions to covered payroll for fiscal year 2025 was 65.4%.

Net Pension Liability

The City's net pension liability was measured as of June 30, 2024. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of July 1, 2023, using an updated actuarial assumption, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2024.

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, 2023
Actuarial cost method	Entry Age Normal
Amortization method	Closed
Remaining amortization period for actuarially determined contribution	17.3 years level dollar from July 1, 2023
Asset valuation method	Five-year smoothed market
Actuarial assumptions:	
Investment rate of return	7.00%
Rate of salary increases	4.50%
Cost of living adjustment	1.225%
Interest on employee contributions	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.

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 2025 was 11.10%. 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, 2025 are summarized in the following table:

Asset class	Long-term expected real rate of return	Target allocation
Large cap equities	5.7%	27.0%
Mid cap equities	6.2%	9.0%
Small cap equities	6.5%	2.0%
International equities	6.0%	11.0%
Emerging markets	2.6%	7.0%
Real estate	5.8%	7.0%
Private equities	8.5%	9.0%
Natural resources	6.5%	2.5%
Infrastructure	6.5%	2.5%
Fixed income (bonds)	2.6%	11.0%
TIPS	2.3%	3.0%
Short term fixed income	1.6%	8.0%
Cash	0.4%	1.0%
Total		100.0%

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

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

In developing the projection of cash flows used to determine the discount rate, the actuaries have assumed that the employer contributions will continue to follow the written contribution policy. The City's contribution rate is the sum of the normal cost rate plus an amortization of the Plan's unfunded liability (UAL rate) plus a provision for expenses. The normal cost rate is determined under the entry age actuarial cost method while the UAL rate is that necessary to pay down the UAL. Effective with the July 1, 2021 actuarial valuation, the total UAL as of July 1, 2020 was amortized over a twenty-year period and changes in the UAL due to actuarial methods, actuarial assumptions, or actuarial gains and losses, from the date that such changes are recognized in the valuation, will be amortized over separate layered twenty-year periods with level dollar payments. In addition, the 13th check paid as of July 1, 2022 was amortized over a ten year period 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, 2024 measurement date. Consequently, the single equivalent rate used to determine the total pension liability as of June 30, 2024 is 7.00%, the long-term expected rate-of-return as defined by GAAP as of that date.

The following presents the net pension liability of the City, calculated using the discount rate of 7.00%, 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	$ 1,651,858,731	1,498,895,472	1,368,695,590
Plan fiduciary net position	1,087,519,504	1,087,519,504	1,087,519,504
Net pension liability	$ 564,339,227	411,375,968	281,176,086
Plan fiduciary net position as a percentage of the total pension liability	65.8 %	72.6 %	79.5 %

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 2024 was as follows:

		Fiduciary net position				
	Total pension liability (a)	City's (b)	Proprietary's (c)	Primary government (b)+(c)	School's (d)	Net position liability (a)-(b)-(c)-(d)
Balances at June 30, 2023	$ 1,460,936,186	716,794,000	80,575,277	797,369,277	228,172,181	435,394,728
Changes for the year:						
Service cost	7,654,348	-	-	-	-	7,654,348
Interest	99,265,627	-	-	-	-	99,265,627
Differences between expected and actual experience	33,797,566	-	-	-	-	33,797,566
Contributions - employer	-	32,662,077	4,103,151	36,765,228	9,612,341	(46,377,569)
Contributions - member	-	3,109,969	390,689	3,500,658	915,253	(4,415,911)
Net investment income	-	81,160,059	10,195,706	91,355,765	23,885,112	(115,240,877)
Benefit payments	(102,758,255)	(72,368,991)	(9,091,331)	(81,460,322)	(21,297,933)	-
Administrative expenses	-	(914,175)	(114,843)	(1,029,018)	(269,038)	1,298,056
Net changes	37,959,286	43,648,939	5,483,372	49,132,311	12,845,735	(24,018,760)
Balances at June 30, 2024	$ 1,498,895,472	760,442,939	86,058,649	846,501,588	241,017,916	411,375,968

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	$ 32,662,077	289,717,504	70.43 %
Business-type activities	4,103,151	36,395,563	8.85 %
Component unit - Schools	9,612,341	85,262,901	20.72 %
Total	$ 46,377,569	411,375,968	100.00 %

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

For the year ended June 30, 2025, the City and Schools recognized pension expense of $48,467,970 and $12,672,046, respectively. At June 30, 2025, 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	$ 34,992,705	-	4,500,361	-	39,493,066	-	10,009,747	-
Net difference between projected and actual earnings on pension plan investments	$ -	14,241,772	-	1,789,113	-	16,030,885	-	4,191,306

$39,493,066 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, 2026.

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:		
2026	$ (15,631,189)	(4,086,805)
2027	18,366,060	4,801,843
2028	(11,585,832)	(3,029,139)
2029	(7,179,924)	(1,877,205)
	$ (16,030,885)	(4,191,306)

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, 2025, the City had a payable to the pension plan of $581,821.

(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/2024-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:

<table>
<tr><th colspan="3">RETIREMENT PLAN PROVISIONS</th></tr>
<tr><th>PLAN 1</th><th>PLAN 2</th><th>HYBRID RETIREMENT PLAN</th></tr>
<tr><td>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.</td><td>About Plan 2
Same as Plan 1.</td><td>About the Hybrid Retirement Plan
The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan.
• 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.</td></tr>
</table>

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
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. *Hybrid Opt-In Election* VRS non-hazardous duty-covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. 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.	**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. *Hybrid Opt-In Election* Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. 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.	**Eligible Members** Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes: • 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 ** Non-Eligible Members* Some employees are not eligible to participate in the Hybrid Retirement Plan. They include: • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees 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.

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
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.	**Retirement Contributions** Same as Plan 1.	**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.
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.	**Service Credit** Same as Plan 1.	**Service Credit** *Defined Benefit Component:* 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. *Defined Contributions Component:* Under the defined contribution component, service credit is used to determine vesting for the employer contribution portion of the plan.

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of 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. Members are always 100% vested in the contributions that they make.	**Vesting** Same as Plan 1.	**Vesting** *Defined Benefit Component:* 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. *Defined Contributions Component:* Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan. Members are always 100% vested in the contributions that they make. Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service. • 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. Distributions not required, except as governed by law until age 73.

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** *Defined Benefit Component:* See definition under Plan 1. *Defined Contribution Component:* 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.

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Service Retirement Multiplier ***VRS:*** The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%. ***Sheriffs and regional jail superintendents:*** The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. ***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.	**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. ***Sheriffs and regional jail superintendents:*** Same as Plan 1. ***Political subdivision hazardous duty employees:*** Same as Plan 1.	**Service Retirement Multiplier** *Defined Benefit Component:* ***VRS:*** The retirement multiplier for the defined benefit component is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans. ***Sheriffs and regional jail superintendents:*** Not applicable. ***Political subdivision hazardous duty employees:*** Not applicable. *Defined Contribution Component:* Not applicable.
Normal Retirement Age ***VRS:*** Age 65. ***Political subdivision hazardous duty employees:*** Age 60.	**Normal Retirement Age** ***VRS:*** Normal Social Security retirement age. ***Political subdivision hazardous duty employees:*** Same as Plan 1.	**Normal Retirement Age** *Defined Benefit Component:* ***VRS:*** Same as Plan 2. ***Political subdivision hazardous duty employees:*** Not applicable. *Defined Contribution Component:* Members are eligible to receive distributions upon leaving employment, subject to restrictions.

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

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.	**Cost-of-Living Adjustment (COLA) in Retirement** The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.	**Cost-of-Living Adjustment (COLA) in Retirement** *Defined Benefit Component:* Same as Plan 2. *Defined Contribution Component:* Not applicable.
Eligibility: 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. 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.	*Eligibility:* Same as Plan 1.	*Eligibility:* Same as Plan 1.
Exceptions to COLA Effective Dates: The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances: • 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.	*Exceptions to COLA Effective Dates:* Same as Plan 1.	*Exceptions to COLA Effective Dates:* Same as Plan 1.

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
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.	**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.	**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. Hybrid plan 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.
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.	**Purchase of Prior Service** Same as Plan 1.	**Purchase of Prior Service** *Defined Benefit Component:* Same as Plan 1, with the following exception: • Hybrid Retirement Plan members are ineligible for ported service. *Defined Contribution Component:* Not applicable.

Number of Employees by Class

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

June 30, 2023	Retirees and beneficiaries
Inactive members or their beneficiaries currently receiving benefits	95
Inactive members	
Vested	258
Non-vested	984
Active elsewhere in VRS	508
Total inactive members	1,750
Active members	2,099
Total	3,944

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, 2025 was 6.17% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2023. 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 $8,380,846 and $7,864,957 for the years ended June 30, 2025 and June 30, 2024, respectively.

Net Pension Asset

The City's net pension asset was measured as of June 30, 2024. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation performed as of June 30, 2023, rolled forward to the measurement date of June 30, 2024.

Actuarial Assumptions

The total pension liability for General Employees was based on an actuarial valuation as of June 30, 2023, 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, 2024.

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, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. 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

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, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. 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:

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	32.00%	6.70%	2.14%
Fixed income	16.00%	5.40%	0.86%
Credit strategies	16.00%	8.10%	1.30%
Real assets	15.00%	7.20%	1.08%
Private equity	15.00%	8.70%	1.31%
PIP - Private investment partnerships	1.00%	8.00%	0.08%
Diversifying strategies	6.00%	5.80%	0.35%
Cash	2.00%	3.00%	0.06%
Leverage	(3.00)%	3.50%	(0.11)%
Total	100.00%		7.07%
Expected arithmetic nominal return **			7.07%

* The above allocation provides a one-year expected return of 7.07% (includes 2.50% inflation assumption). 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 7.10%, including expected inflation of 2.50%.

** On June 15, 2023, the VRS Board elected a long-term rate of return of 6.75% which was roughly at the 45th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.14%, 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. For the year ended June 30, 2024, the employer contribution rate is 100% of the actuarially determined employer contribution rate from the June 30, 2023 actuarial valuations. From July 1, 2024 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	$ (1,676,548)	(22,669,800)	(38,717,741)

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

Changes in the Net Pension Asset

The City's change in net pension asset of the VRS Plan for 2024 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, 2023	$ 89,881,477	101,744,225	6,804,611	108,548,836	(18,667,359)
Changes for the year:					
Service cost	12,223,280	-	-	-	12,223,280
Interest	6,836,122	-	-	-	6,836,122
Differences between expected and actual experience	1,275,723	-	-	-	1,275,723
Contributions - employer	-	7,397,757	472,197	7,869,954	(7,869,954)
Contributions - member	-	5,107,306	325,998	5,433,304	(5,433,304)
Net investment income	-	10,414,344	664,745	11,079,089	(11,079,089)
Benefit payments	(1,657,744)	(1,558,279)	(99,465)	(1,657,744)	-
Administrative expenses	-	(44,896)	(2,866)	(47,762)	47,762
Other changes	-	2,802	179	2,981	(2,981)
Net changes	18,677,381	21,319,034	1,360,788	22,679,822	(4,002,441)
Balances at June 30, 2024	$ 108,558,858	123,063,259	8,165,399	131,228,658	(22,669,800)

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

For the year ended June 30, 2025, the City recognized VRS pension expense of $4,207,133. At June 30, 2025, 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	$ 7,877,995	-	502,851	-	8,380,846	-
Differences between expected and actual experience	$ 954,948	2,846,435	60,954	181,687	1,015,902	3,028,122
Changes of assumptions	$ 556,752	-	35,537	-	592,289	-
Net difference between projected and actual earnings on plan investments	$ -	2,576,595	-	164,464	-	2,741,059

$8,380,846 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, 2026.

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:		
2026	$	(2,537,607)
2027		(7,841)
2028		(1,078,314)
2029		(537,228)
Total	$	(4,160,990)

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, 2025, the City did not have a payable to the VRS plan.

(c) Aggregate Pension Items

The aggregate pension expense for the City for the year ended June 30, 2025, for both Newport News Employees Retirement Fund and VRS, was $52,675,103.

The aggregate pension liability for the City for the year ended June 30, 2025, for both Newport News Employees Retirement Fund and VRS, was $326,113,067 (note that VRS is a net pension asset at June 30, 2025, and thus is not included in this number, and instead is presented separately on the Statement of Net Position).

The aggregate deferred outflows of resources related to pensions for the City for the year ended June 30, 2025, for both Newport News Employees Retirement Fund and VRS, was $49,482,103.

The aggregate deferred inflows of resources related to pensions for the City for the year ended June 30, 2025, for both Newport News Employees Retirement Fund and VRS, was $21,800,066.

(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, 2023
Active employees	
Count	962
Retirees with medical, dental, and/or life coverage	
With medical coverage	1,777
With dental coverage	2,538
With life insurance coverage	2,081
Total	6,396

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

Contribution Required and Contributions Made

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

Contributions by the City to the OPEB Fund during the year ended June 30, 2025 totaled $8,240,000. The percentage of contributions to covered payroll for fiscal year 2025 was 12.3%.

Net OPEB Liability

The City's net OPEB liability was measured as of June 30, 2024. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation performed as of June 30, 2023, using an updated actuarial assumption, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2024.

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, 2023
Actuarial cost method	Entry Age Normal
Amortization method	Level Dollar Closed
Remaining amortization period	17 years
Asset valuation method	Fair 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.

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 2024 was 13.60%. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of June 30, 2024 are summarized in the following table:

Asset class	Long-term expected real rate of return	Target allocation
Large cap equities	5.7%	36.0%
SMid cap equities	6.4%	16.0%
International equities	6.1%	14.0%
Emerging markets	6.1%	9.0%
Investment grade bonds	2.0%	12.0%
Short-term investment grade bonds	0.9%	10.0%
TIPS	1.9%	3.0%

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

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

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

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

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

	1% Decrease 6.00%	Discount rate 7.00%	1% Increase 8.00%
Total OPEB liability	$ 129,671,531	117,940,149	108,017,545
Plan fiduciary net position	51,237,651	51,237,651	51,237,651
Net OPEB liability	$ 78,433,880	66,702,498	56,779,894
Plan fiduciary net position as a percentage of the total OPEB liability	39.5 %	43.4 %	47.4 %

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

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

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

	1% Decrease	Healthcare trend	1% Increase
Total OPEB liability	$ 108,528,635	117,940,149	128,966,020
Plan fiduciary net position	51,237,651	51,237,651	51,237,651
Net OPEB liability	$ 57,290,984	66,702,498	77,728,369
Plan fiduciary net position as a percentage of the total OPEB liability	47.2 %	43.4 %	39.7 %

A one percent decrease in the healthcare trends decreases the TOL by approximately 8% and decreases the collective NOL by approximately 14%. A one percent increase in the healthcare trends increases the TOL by approximately 9% and increases the collective NOL by approximately 17%.

Changes in the Net OPEB Liability

The City's change in net OPEB liability to the OPEB Fund for 2024 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, 2023	$ 107,904,305	39,560,417	5,490,593	45,051,010	62,853,295
Changes for the year:					
Service cost	493,638	-	-	-	493,638
Interest	7,309,489	-	-	-	7,309,489
Differences between expected and actual experience	(2,273,792)	-	-	-	(2,273,792)
Changes of assumptions	12,596,679	-	-	-	12,596,679
Contributions - employer	-	7,235,750	1,004,250	8,240,000	(8,240,000)
Contributions - member	-	-	-	-	-
Net investment income	-	5,351,216	742,696	6,093,912	(6,093,912)
Benefit payments	(8,090,170)	(7,104,181)	(985,989)	(8,090,170)	-
Administrative expenses	-	(50,142)	(6,959)	(57,101)	57,101
Net changes	10,035,844	5,432,643	753,998	6,186,641	3,849,203
Balances at June 30, 2024	$ 117,940,149	44,993,060	6,244,591	51,237,651	66,702,498

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	58,573,131	87.81 %
Business-type activities	1,004,250	8,129,367	12.19 %
Total	$ 8,240,000	66,702,498	100.00 %

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

For the year ended June 30, 2025 the City recognized OPEB expense of $4,482,357. At June 30, 2025, 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	$ -	998,337	-	138,559	-	1,136,896
Changes in assumptions	$ 5,530,729	-	767,610	-	6,298,339	-
Net difference between projected and actual earnings on OPEB plan investments	$ -	770,464	-	106,933	-	877,397

$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, 2026.

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:	
2026	$ 4,501,051
2027	1,265,414
2028	(894,988)
2029	(587,431)
	$ 4,284,046

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.

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, 2023
Active employees	
Count	1,168
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 $302,159 for the year ending June 30, 2025.

Net OPEB Liability

The City's net OPEB liability was measured as of June 30, 2024. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation performed as of June 30, 2023, using an updated actuarial assumption, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2024.

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, 2023
Actuarial cost method	Entry Age Normal
Asset valuation method	Fair Value
Actuarial assumptions:	
Discount rate	3.75 %
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 4.19%.

The June 30, 2024 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, 2024. Since the City has adopted a partial funding approach, the discount rate used for the June 30, 2024 measurement date reporting under GAAP was based on a blending of these two rates. The assumed fully funded rate was 7.00%. The Bond Buyer GO 20-year Bond Municipal Bond Index as of June 30, 2024 was 3.93%.

The following presents the net OPEB liability of the City, calculated using the discount rate of 4.19%, 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 (3.19%) or one percentage point higher (5.19%) than the current rate:

	1% Decrease 3.19%	Discount rate 4.19%	1% Increase 5.19%
Total OPEB liability	$ 12,447,877	10,753,721	9,378,494
Plan fiduciary net position	3,371,767	3,371,767	3,371,767
Net OPEB liability	$ 9,076,110	7,381,954	6,006,727
Plan fiduciary net position as a percentage of the total OPEB liability	27.1 %	31.4 %	36.0 %

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, 2024 to the healthcare trends. Note that the healthcare trend is limited by the City's cost of living formula, which is related to the inflation assumption.

	Trend minus 1%	Baseline trends	Trend plus 1%
Total OPEB liability	$ 8,859,589	10,753,721	13,240,631
Plan fiduciary net position	3,371,767	3,371,767	3,371,767
Net OPEB liability	$ 5,487,822	7,381,954	9,868,864
Plan fiduciary net position as a percentage of the total OPEB liability	38.1 %	31.4 %	25.5 %

A one percent decrease in healthcare trends decreases the TOL by approximately 18% and decreases the NOL by approximately 26%. A one percent increase in the healthcare trend increases the TOL by approximately 23% and increases the NOL by approximately 34%.

Changes in the Net OPEB Liability

The City's change in net OPEB liability of the LOD Fund for 2024 was as follows:

	Total OPEB liability (a)	Plan fiduciary net position (b)	Net OPEB liability (a)-(b)
Balances at June 30, 2023	$ 11,115,476	3,095,343	8,020,133
Changes for the year:			
Service cost	1,232,978	-	1,232,978
Interest	453,900	-	453,900
Differences between expected and actual experience	(468,760)	-	(468,760)
Changes of assumptions	(1,086,387)	-	(1,086,387)
Contributions - employer	-	375,000	(375,000)
Net investment income	-	403,675	(403,675)
Benefit payments	(493,486)	(493,486)	-
Administrative expenses	-	(8,765)	8,765
Net changes	(361,755)	276,424	(638,179)
Balances at June 30, 2024	$ 10,753,721	3,371,767	7,381,954

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

For the year ended June 30, 2025, the City recognized OPEB expense of $513,823. At June 30, 2025, 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	$ 375,000	-
Differences between expected and actual experience	$ 2,084,961	1,944,654
Changes in assumptions	$ 896,430	4,896,496
Net difference between projected and actual earnings on OPEB plan investments	$ -	94,276

$375,000 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, 2026. Amounts reported as deferred outflows and deferred inflows of resources will be recognized in OPEB expense as follows:

Year ended June 30:	
2026	$ (809,078)
2027	(696,350)
2028	(532,507)
2029	(673,646)
2030	(322,071)
Thereafter	(920,383)
Total	$ (3,954,035)

Changes in Net OPEB Liability

The change in the LOD Fund's net OPEB liability for 2025 was as follows:

	Total OPEB liability (a)	Plan fiduciary net position (b)	Net OPEB liability (a)-(b)
Balances at June 30, 2024	$ 10,753,721	3,371,767	7,381,954
Changes for the year:			
Service cost	1,309,867	-	1,309,867
Interest	499,352	-	499,352
Differences between expected and actual experience	(1,137,265)	-	(1,137,265)
Changes of assumptions	(2,296,086)	-	(2,296,086)
Contributions - employer	-	400,000	(400,000)
Net investment income	-	464,222	(464,222)
Benefit payments	(294,847)	(294,847)	-
Administrative expenses	-	(7,311)	7,311
Net changes	(1,918,979)	562,064	(2,481,043)
Balances at June 30, 2025	$ 8,834,742	3,933,831	4,900,911

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 5.54% for June 30, 2025.

The City's fully funded discount rate as of June 30, 2025 is 7.00%, which is the assumed long-term expected rate of return on plan investments.

The discount rate for benefits that are not expected to be paid from the Trust is the Bond Buyer GO 20-Bond Municipal Bond Index, which satisfies the requirements under GAAP. As this index is issued weekly, the value closest to but not after the reporting date is used in determining the appropriate rate. Based on this practice, the municipal bond rate as of June 30, 2025 was 5.20%.

The Plan does not have a formal written funding policy; however, over the past five years, the City has contributed an average of $325,000 per year. GAAP allows the use of this pattern of past contributions to project future contributions, so it is assumed that the City will continue to contribute this average amount.

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 2041. In accordance with GAAP, the depletion test of the expected benefit payments resulted in a blended rate of 5.54%.

The following presents the net OPEB liability of the LOD Fund, calculated using the discount rate of 5.54%, 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 (4.54%) or one percentage point higher (6.54%) than the current rate:

	1% Decrease 4.54%	Discount Rate 5.54%	1% Increase 6.54%
Total OPEB liability	$ 10,018,525	8,834,742	7,855,171
Plan fiduciary net position	3,933,831	3,933,831	3,933,831
Net OPEB liability	$ 6,084,694	4,900,911	3,921,340
Plan fiduciary net position as a percentage of the total OPEB liability	39.3 %	44.5 %	50.1 %

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, 2025 to the healthcare trends.

	Trend minus 1%	Baseline trends	Trend plus 1%
Total OPEB liability	$ 7,467,581	8,834,742	10,579,594
Plan fiduciary net position	3,933,831	3,933,831	3,933,831
Net OPEB liability	$ 3,533,750	4,900,911	6,645,763
Plan fiduciary net position as a percentage of the total OPEB liability	52.7 %	44.5 %	37.2 %

A one percent decrease in healthcare trends decreases the TOL by approximately 15% and decreases the NOL by approximately 28%. A one percent increase in the healthcare trend increases the TOL by approximately 20% and increases the NOL by approximately 36%.

LOD Fiduciary Net Position and Changes in Net Position for the Year Ended June 30, 2025

Assets	
Cash and cash equivalents	$ 528,772
Investments, at fair value	3,403,867
Sales receivable	1,802
Total assets	3,934,441
Liabilities	
Accounts payable	611
Total liabilities	611
Fiduciary Net Position	
Restricted for LOD benefits	$ 3,933,830

Additions:	
Contributions	$ 400,000
Investment earnings	464,222
Total additions	864,222
Deductions:	
Benefit payments	294,847
Administrative expenses	7,312
Total deductions	302,159
Change in fiduciary net position	562,063
Fiduciary net position - June 30, 2024	3,371,767
Fiduciary net position - June 30, 2025	$ 3,933,830

(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:

<table>
<tr><th>GLI Program Plan Provisions</th></tr>
<tr><td>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:
• 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.</td></tr>
<tr><td>Benefit Amounts
The benefits payable under the GLI Program have several components.
• 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:
  • Accidental dismemberment benefit
  • Seatbelt benefit
  • Repatriation benefit
  • Felonious assault benefit
  • Accelerated death benefit option</td></tr>
</table>

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 $9,532 effective June 30, 2025.

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 1.18% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.71% (1.18% X 60%) and the employer component was 0.47% (1.18% 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, 2025 was 0.47% of covered employee compensation. This rate was the final approved General Assembly rate which was based on an actuarially determined rate from an actuarial valuation as of June 30, 2023. 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 $640,276 and $650,832 for the years ended June 30, 2025 and June 30, 2024, respectively.

Net GLI OPEB Liability

The net OPEB liability (NOL) for the GLI Program represents the program's total OPEB liability determined in accordance with GAAP, less the associated fiduciary net position. As of the measurement date of June 30, 2024, NOL amounts for the GLI Program are as follows (amounts expressed in thousands):

	Group life insurance OPEB program
Total GLI OPEB liability	$ 4,196,055
Plan fiduciary net position	3,080,133
GLI net OPEB liability	$ 1,115,922
Plan fiduciary net position as a percentage of the total GLI OPEB liability	73.41 %

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

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2023, 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, 2024.

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, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. 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

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, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. 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

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)	Long-term target asset allocation	Arithmetic long-term expected rate of return	Weighted avg long-term expected rate of return*
Public equity	32.00 %	6.70 %	2.14 %
Fixed income	16.00 %	5.40 %	0.86 %
Credit strategies	16.00 %	8.10 %	1.30 %
Real assets	15.00 %	7.20 %	1.08 %
Private equity	15.00 %	8.70 %	1.31 %
PIP - Private investment partnerships	1.00 %	8.00 %	0.08 %
Diversifying Strategies	6.00 %	5.80 %	0.35 %
Cash	2.00 %	3.00 %	0.06 %
Leverage	(3.00)%	3.50 %	(0.11)%
Total	100.00 %		7.07 %
Expected arithmetic nominal return*			7.07 %

*The above allocation provides a one-year return of 7.07% (includes 2.50% inflation assumption). 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 7.10%, including expected inflation of 2.50%. On June 15, 2023, the VRS Board elected a long-term rate of return of 6.75% which was roughly at the 45th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.14%, 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, 2024, 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 113% of the actuarially determined contribution rate. From July 1, 2024 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:

	1% Decrease 5.75%	Current discount rate 6.75%	1% Increase 7.75%
Employer's proportionate share of the GLI program net OPEB liability	$ 8,145,985	5,238,138	2,888,980

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

	June 30, 2023		
	Contributions	Net pension liability	Proportionate share
Governmental activities	$ 611,782	4,923,850	94.00 %
Business-type activities	39,050	314,288	6.00 %
Total	$ 650,832	5,238,138	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, 2025, the City reported a liability of $5,238,138 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2024 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, 2024 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2024, the City’s proportion was 0.46940% as compared to 0.45633% at June 30, 2023.

For the year ended June 30, 2025, the City recognized GLI OPEB expense of $475,241. 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, 2025, 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	$ 601,859	-	38,417	-	640,276	-
Differences between expected and actual experience	$ 776,604	120,273	49,571	7,677	826,175	127,950
Changes in assumptions	$ 28,066	244,016	1,791	15,575	29,857	259,591
Changes in proportion	$ 622,712	3,635	39,748	232	662,460	3,867
Investment Experience	$ -	415,028	-	26,492	-	441,520

$640,276 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, 2026. 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:	
2026	$ 42,110
2027	298,626
2028	121,815
2029	117,992
2030	105,021
Total	$ 685,564

GLI Program Fiduciary Net Position

Detailed information about the GLI Program's Fiduciary Net Position is available in the separately issued VRS 2024 Annual Comprehensive Financial Report. A copy of the 2024 VRS Annual Comprehensive Financial Report may be downloaded from the VRS website at https://www.varetire.org/media/shared/pdf/publications/2024-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, 2025, 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, 2025 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 $5,471,421.

(10) Deferred Compensation Plans

(a) 457 Deferred Compensation Plan - Traditional and Roth

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

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

(b) Health Reimbursement Arrangement (HRA)

All full-time employees of the City hired after March 1, 2010 (except Schools employees) are automatically enrolled in the HRA Plan adopted under the provision of the IRS Notice 2002-45 and Revenue Ruling 2002-41. Under the plan, the City contributes 3% of the average City salary into each employee's HRA account. For fiscal 2025, based on an average City salary of $62,651, the City contributed $1,880 per participant for a total of $4,344,734 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 and dental incurred but not reported amount during the fiscal years ended June 30, 2025 and 2024 for the City and the Public Schools were as follows:

	City		Public schools	
	2025	2024	2025	2024
Claims payable at beginning of year	$ 3,042,000	3,364,000	2,886,001	2,797,000
Claims and changes in estimates	44,138,475	41,215,376	38,617,023	35,921,836
Claim payments	(43,525,475)	(41,537,376)	(38,358,023)	(35,832,835)
Claims payable at end of year	$ 3,655,000	3,042,000	3,145,001	2,886,001

(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, 2025 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, 2025 and 2024 for the City and the Schools.

	City		Public schools	
	2025	2024	2025	2024
Claims payable at beginning of year	$ 11,094,132	12,303,670	4,734,802	4,962,674
Claims and changes in estimates	1,337,675	1,268,809	2,156,830	919,460
Claim payments	(1,487,498)	(2,478,347)	(1,727,250)	(1,147,332)
Claims payable at end of year	$ 10,944,309	11,094,132	5,164,382	4,734,802

A loss analysis was conducted by Oliver Wyman Actuarial Consulting, Inc. on this fund. The total actuarially computed liability as of June 30, 2025 for the City and School Board was determined to be approximately $10.9 million and $5.2 million, respectively.

(c) Other

The City self-insures for automotive and general liability through the General Fund up to $1 million per occurrence, up to $100,000 for each property or fire claim and up to $250,000 for each windstorm claim. The School Board insures for property losses with self-insured retention per occurrence of $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.

	City	
Auto & General Liability	2025	2024
Claims payable at beginning of year	$ 3,644,963	2,418,360
Claims and changes in estimates	2,708,450	2,015,382
Claim payments	(1,918,833)	(788,779)
Claims payable at end of year	$ 4,434,580	3,644,963

The auto and general liability claims payable increased from $3.64 million to $4.43 million.

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

(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, 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, 2025, will not be material to the financial statements.

(c) Encumbrances

Encumbrance accounting, the recording of purchase orders, contracts, and other monetary commitments in order to reserve an applicable portion of an appropriation, is used as an extension of formal budgetary control by the City. At June 30, 2025, the City had outstanding encumbrances as follows:

General Fund	
General Government	$ 1,137,433
Judicial Administration	907
Public Safety	500,580
Public Works	669,295
Health and Welfare	89,436
Parks, Recreation and Cultural	180,486
Community Development	16,910
Total General Fund	2,595,047
Bond Fund	
General Government	2,222,672
Public Works	20,786,748
Parks, Recreation and Cultural	4,236,583
Community Development	104,514,569
Total Bond Fund	131,760,572
Capital Projects Other Federal and State Fund	
Public Works	21,113,522
Total Capital Projects Other Federal and State Fund	21,113,522
General Capital Improvements	
General Government	1,948,586
Public Safety	10,922,205
Public Works	7,362,362
Parks, Recreation and Cultural	782,027
Community Development	4,411,526
Total General Capital Improvements	25,426,706
Other Federal and State	
Public Safety	735,692
Parks, Recreation and Cultural	263,801
Community Development	68,921
Total Other Federal and State	1,068,414
Nonmajor Governmental Funds	
General Government	52,712
Public Safety	65,856
Public Works	7,091,729
Community Development	14,994
Total Nonmajor Governmental Funds	7,225,291
Total	$ 189,189,552

(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. The regional jail ceased operations during Fiscal Year 2024, with inmates being transferred back to their respective localities. As of the end of Fiscal Year 2025, the property owned by the HRRJA has been sold and the proceeds split between the respective localities. The HRRJA intends to wrap up its remaining business and disband during Fiscal Year 2026. Separate financial statements are available from the HRRJA, 2690 Elmhurst Lane, Portsmouth, Virginia 23701-2745.

(c) Hampton Roads Alliance (HRA)

The HRA (formerly the Hampton Roads Economic Development Alliance, or 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 HRA business attraction initiatives and activities are designed to promote the jurisdictions of Chesapeake, Franklin, 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 comprised of C-suite executives from some of the largest employers in the region and Mayors from throughout the region, including the Mayor of Newport News. The HRA receives funding from both private and public entities. Newport News contributed $206,109 in FY25. Separate financial statements are available from the HRA, 3 Commercial Place, Suite 1320, Norfolk, Virginia 23510.

(14) Deficit Fund Balance

The City has an accumulated fund balance deficit as of June 30, 2025 of $113,705 for the Animal Shelter fund. The Animal Shelter fund deficit is the result of operating expenditures exceeding budgeted amounts in Fiscal Years 2023 and 2024. As a result, budgeted amounts were inadequate to cover unforeseen operating overages. Fund balance increased by $330,021 in Fiscal Year 2025, thus decreasing the accumulated deficit from $443,726 to $113,705. This deficit does not indicate the Animal Shelter is facing financial difficulty.

(15) Tax Abatements

The E/IDA 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 E/IDA 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, 2025	$ 236,835
June 30, 2024	287,754
June 30, 2023	303,619
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

Additionally, the E/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 E/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 E/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, 2025	$ 6,005,443
June 30, 2024	6,004,642
June 30, 2023	5,888,465
June 30, 2022	2,506,307

The E/IDA 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, 2025. ERCR incentives provided during the ten most recent fiscal years were as follows (note that negative amounts are repayments of ERCR incentives due to either penalties or overpayments in prior years):

Industry	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Automotive manufacturer	$ 186,438	472,906	632,945	781,022	-	1,548,047	499,879	-	(479,531)	-
Industrial digital imaging	1,092,673	893,688	697,173	653,200	468,268	332,498	329,779	163,530	(1,444)	-
Food processor and distributor	46,983	65,053	97,790	124,065	-	-	-	-	-	-
Manufacturer of flavors and related specialties	-	-	-	3,535	8,023	9,615	11,421	15,096	17,395	8,744
Plumbing, HVAC, and building supply distributor	-	-	-	-	-	18,359	9,180	(27,539)	-	-
Construction machine manufacturer	-	-	-	-	-	-	-	-	-	91,422
Technology and automation solutions provider for smart cards/labels	-	-	-	-	-	-	-	-	-	7,835
Distillery	-	-	-	-	-	4,160	-	-	-	-
	$1,326,094	1,431,647	1,427,908	1,561,822	476,291	1,912,679	850,259	151,087	(463,580)	108,001

(16) Subsequent Events

Subsequent events have been analyzed through the date of the Report of Independent Auditor in the preparation of these financial statements, and no significant subsequent events requiring disclosure in the financial statements were identified.

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City of Newport News, Virginia
Required Supplementary Information
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Budget Basis)
Year ended June 30, 2025

	Original Budget	Amended Budget	Actual	Variance
Revenues:				
Revenue from Local Sources:				
General Property Taxes:				
Real Property Taxes	$ 261,709,221	261,709,221	258,954,618	(2,754,603)
Real and Personal Public Service Corporation Property Taxes	7,391,878	7,391,878	8,734,965	1,343,087
Personal Property Taxes	69,865,000	75,865,000	76,699,920	834,920
Machinery and Tools Taxes	26,000,000	26,000,000	23,977,938	(2,022,062)
Penalties and Interest	2,012,000	2,012,000	2,939,296	927,296
Total General Property Taxes	366,978,099	372,978,099	371,306,737	(1,671,362)
Other Local Taxes:				
Local Sales and Use Taxes	34,007,000	37,007,000	35,493,666	(1,513,334)
Restaurant Food Taxes	33,800,000	36,800,000	37,854,668	1,054,668
Business License Taxes	20,751,000	20,751,000	23,475,631	2,724,631
Telecom Sales Taxes	8,400,000	8,400,000	7,541,602	(858,398)
Consumers' Utility Taxes	6,300,000	6,300,000	5,847,552	(452,448)
Hotel and Motel Room Taxes	5,571,500	5,571,500	5,441,655	(129,845)
Tobacco Taxes	3,600,000	3,600,000	2,983,976	(616,024)
Motor Vehicle License	4,300,000	4,300,000	4,252,102	(47,898)
Taxes on Recordation and Wills	1,600,000	1,600,000	2,043,579	443,579
Bank Stock Taxes	1,250,000	1,250,000	1,421,214	171,214
Rental Car Taxes	1,250,000	1,250,000	1,308,010	58,010
E-911 Service Revenue	952,000	952,000	970,808	18,808
Amusement Taxes	825,000	825,000	1,050,677	225,677
Consumption Tax	700,000	700,000	613,171	(86,829)
Tourism Zone Taxes	48,000	48,000	66,397	18,397
Total Other Local Taxes	123,354,500	129,354,500	130,364,708	1,010,208
Permits, Privilege Fees, and Regulatory Licenses	3,335,481	3,335,481	3,309,232	(26,249)
Fines and Forfeitures	1,217,707	1,217,707	1,183,019	(34,688)
Revenue from Use of Money and Property	8,375,817	19,375,817	21,811,406	2,435,589
Charges for Services	17,921,121	17,921,121	18,049,301	128,180
Recovered Costs	16,277,085	16,277,085	17,394,155	1,117,070
Miscellaneous Revenue	4,022,949	17,602,342	22,450,822	4,848,480
Total Revenue from Local Sources	541,482,759	578,062,152	585,869,380	7,807,228
Revenue from the Commonwealth:				
Noncategorical Aid	693,000	693,000	748,895	55,895
Shared Expenses	11,973,951	13,973,951	14,134,760	160,809
Categorical Aid	42,386,149	42,386,149	43,532,967	1,146,818
Total Revenue from the Commonwealth	55,053,100	57,053,100	58,416,622	1,363,522
Other Financing Sources:				
Transfers from Other Funds	9,500,000	9,500,000	9,500,000	-
Total Other Financing Sources	9,500,000	9,500,000	9,500,000	-
Total Revenues and Other Financing Sources (Budget Basis)	$ 606,035,859	644,615,252	653,786,002	9,170,750

(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, 2025

	Original Budget	Amended Budget	Actual	Variance
Expenditures:				
General Government Administration				
City Council	$ 573,060	579,427	529,530	49,897
City Clerk	738,320	760,729	760,729	-
City Manager	3,695,769	4,394,357	4,433,388	(39,031)
Human Resources	2,850,962	2,853,450	2,852,551	899
City Attorney	2,734,781	2,734,857	2,530,136	204,721
City Auditor	636,820	655,922	655,922	-
Commissioner of the Revenue	3,087,688	3,091,841	2,995,458	96,383
Real Estate Assessor	1,914,797	1,916,158	1,756,494	159,664
City Treasurer	2,885,870	2,945,511	2,942,447	3,064
Finance	4,242,121	4,270,181	4,258,730	11,451
Budget and Evaluation	1,024,438	1,024,555	930,972	93,583
Auto and General Liability Insurance	4,008,800	4,008,800	5,428,810	(1,420,010)
Workers' Compensation	3,089,700	3,089,700	1,948,111	1,141,589
Information Technology	14,176,163	14,248,508	13,857,523	390,985
Registrar	676,289	789,170	789,170	-
Nondepartmental				
Appointed Boards	115,051	115,051	87,762	27,289
Community Support Agencies	3,232,287	3,237,802	3,677,415	(439,613)
Regional Organizations Support	10,502,533	10,502,533	9,827,126	675,407
Retirement and Other Postemployment Benefits	48,852,536	48,852,536	47,633,812	1,218,724
Contractual Services	3,447,300	3,694,749	3,761,450	(66,701)
Internal Services	2,629,660	2,432,668	2,459,660	(26,992)
Machinery and Equipment	843,295	1,267,215	962,037	305,178
Security Services	3,090,847	3,144,399	2,954,806	189,593
Strategic Priorities	4,300,000	4,300,000	3,935,290	364,710
Street Lighting	776,560	792,725	159,726	632,999
Other	13,519,469	12,011,252	15,090,539	(3,079,287)
Capital Outlay Adjustment for Street Maintenance	(10,141,637)	(9,564,718)	(13,604,367)	4,039,649
Total General Government Administration	127,503,479	128,149,378	123,615,227	4,534,151
Judicial Administration				
Circuit Courts	1,028,118	1,028,118	1,009,894	18,224
District Courts	655,720	655,720	527,730	127,990
Office of the Magistrate	34,769	34,769	33,352	1,417
Juvenile/Domestic Relations Court	338,459	338,459	290,813	47,646
Clerk of the Circuit Court	2,077,266	2,152,302	2,152,302	-
Court Services	502,530	502,539	479,690	22,849
Commonwealth's Attorney	6,246,995	6,506,801	6,506,801	-
Total Judicial Administration	$ 10,883,857	11,218,708	11,000,582	218,126

(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, 2025

	Original Budget	Amended Budget	Actual	Variance
Public Safety				
Police Department	$ 67,672,234	70,864,328	72,196,016	(1,331,688)
Fire Department	48,392,684	51,883,387	53,959,434	(2,076,047)
Sheriff	25,440,928	27,497,568	25,450,904	2,046,664
Juvenile Detention	10,545,036	10,593,773	10,393,809	199,964
Codes Compliance	3,343,905	3,372,671	3,372,671	-
Total Public Safety	155,394,787	164,211,727	165,372,834	(1,161,107)
Public Works				
Engineering	5,979,566	6,250,683	5,540,861	709,822
Public Works	1,615,337	1,616,307	1,971,772	(355,465)
Total Public Works	7,594,903	7,866,990	7,512,633	354,357
Health and Welfare				
Health Department	3,657,557	3,657,557	3,652,569	4,988
Human Services	43,912,595	44,117,272	42,403,505	1,713,767
Total Health and Welfare	47,570,152	47,774,829	46,056,074	1,718,755
Parks, Recreation, and Cultural				
Parks and Recreation	29,017,445	30,260,688	30,069,296	191,392
Library	6,167,608	6,188,634	5,887,678	300,956
Total Parks, Recreation, and Cultural	35,185,053	36,449,322	35,956,974	492,348
Community Development				
Development	6,724,208	10,287,870	10,037,510	250,360
Planning	1,991,905	1,994,216	1,719,549	274,667
Communications	4,379,017	4,380,025	4,271,996	108,029
Total Community Development	13,095,130	16,662,111	16,029,055	633,056
General Fund Transfer to Public Schools	123,089,307	123,089,307	123,089,307	-
Transfer to Other Funds				
Debt Service	44,292,297	38,286,854	37,672,297	614,557
Debt Service - Public Schools	7,185,330	7,185,330	7,185,330	-
Capital Projects	28,620,200	62,338,928	61,338,928	1,000,000
Other Transfers	5,621,364	5,621,364	6,514,509	(893,145)
Total Transfers to Other Funds	85,719,191	113,432,476	112,711,064	721,412
Total Expenditures and Transfers to Other Funds (Budget Basis)	$ 606,035,859	648,854,848	641,343,750	7,511,098
Excess (Deficiency) of Revenues over (under) Expenditures (Budget Basis)			12,442,252	
Reconciliation of Actuals, Budget Basis to GAAP Basis				
Employee Benefits Self-Insurance Premiums			4,695,615	
Employee Benefits Self-Insurance Claims Paid Over Employer Premiums			(6,745,132)	
Other Financing Sources: Leases/Subscriptions Issued			2,547,309	
Lease/Subscription Expenditure			(2,547,309)	
Lease/Subscription Termination Proceeds			70,700	
Lease/Subscription Termination Principal Paid			(70,700)	
Total Reconciliation Adjustments			(2,049,517)	
Excess (Deficiency) of Revenues over (under) Expenditures (GAAP Basis)			$ 10,392,735	

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

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability										
Service Costs	$ 7,654,348	7,692,424	8,176,487	7,786,525	8,411,753	8,907,722	8,497,193	9,045,434	9,467,439	9,926,558
Interest	99,265,627	96,980,373	96,335,593	98,658,763	97,575,492	96,464,296	95,861,994	93,983,070	91,489,549	88,917,067
Changes of Benefit Terms	-	-	5,372,375	-	-	-	-	-	-	-
Differences between Expected and Actual Experience	33,797,566	28,426,835	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	(102,758,255)	(103,522,203)	(93,641,533)	(90,503,440)	(86,582,746)	(82,901,749)	(78,976,935)	(75,570,088)	(72,016,569)	(69,527,978)
Net Change in Total Pension Liability	37,959,286	29,577,429	17,283,607	35,116,141	17,289,199	17,422,147	35,810,355	27,273,186	35,413,591	35,980,671
Total Pension Liability - Beginning	1,460,936,186	1,431,358,757	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
Total Pension Liability - Ending	$ 1,498,895,472	1,460,936,186	1,431,358,757	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
Plan Fiduciary Net Position										
Contributions - Employer	$ 46,377,569	37,558,257	41,273,053	40,674,039	40,179,618	40,853,742	40,700,786	39,135,864	39,005,899	33,258,275
Contributions - Member	4,415,911	4,601,045	4,637,747	4,786,658	5,278,135	5,530,796	5,779,158	5,987,851	6,416,136	6,738,148
Net Investment Income	115,240,877	94,967,542	(109,949,794)	280,242,054	2,784,859	37,228,451	91,844,066	115,173,724	(7,465,822)	26,194,662
Benefit Payments, Including Refunds of Member Contributions	(102,758,255)	(103,522,203)	(93,641,533)	(90,503,440)	(86,582,746)	(82,901,749)	(78,976,935)	(75,570,088)	(72,016,569)	(69,527,978)
Administrative Expense	(1,298,056)	(1,274,254)	(1,249,594)	(1,158,084)	(1,038,363)	(982,680)	(1,030,662)	(952,560)	(921,181)	(1,003,673)
Net Change in Plan Fiduciary Net Position	$ 61,978,046	32,330,387	(158,930,121)	234,041,227	(39,378,497)	(271,440)	58,316,413	83,774,791	(34,981,537)	(4,340,566)
Plan Fiduciary Net Position - Beginning	1,025,541,458	993,211,071	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
Plan Fiduciary Net Position -Ending	$ 1,087,519,504	1,025,541,458	993,211,071	1,152,141,192	918,099,965	957,478,462	957,749,902	899,433,489	815,658,698	850,640,235
Net Pension Liability Ending	$ 411,375,968	435,394,728	438,147,686	261,933,958	460,859,044	404,191,348	386,497,761	409,003,819	465,505,424	395,110,296
Plan fiduciary net position as a percentage of the total pension liability	72.55 %	70.20 %	69.39 %	81.48 %	66.58 %	70.32 %	71.25 %	68.74 %	175.22 %	215.29 %
Covered Payroll	$ 78,759,127	82,134,110	86,432,693	92,036,126	98,821,339	103,823,307	108,187,035	113,302,877	118,639,692	123,619,906
Net Position Liability as a Percentage of Covered Payroll	522.32 %	530.10 %	506.92 %	284.60 %	466.36 %	389.31 %	357.25 %	360.98 %	392.37 %	319.62 %

Note: 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

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability										
Service Costs	$ 12,223,280	11,612,464	9,770,319	8,637,628	7,687,590	6,513,447	5,810,589	5,556,353	4,831,751	4,219,577
Interest	6,836,122	5,871,107	4,998,130	3,527,510	2,869,418	2,274,606	1,732,518	1,382,295	1,000,116	702,834
Differences between Expected and Actual Experience	1,275,723	(2,409,890)	(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	(1,657,744)	(1,118,192)	(1,101,676)	(844,836)	(498,558)	(535,285)	(555,062)	(293,811)	(194,963)	(112,015)
Net Change in Total Pension Liability	18,677,381	13,955,489	11,099,095	12,145,068	9,922,649	9,997,158	7,734,234	5,133,800	5,509,130	4,288,362
Total Pension Liability - Beginning	89,881,477	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
Total Pension Liability - Ending	$108,558,858	89,881,477	75,925,988	64,826,893	52,681,825	42,759,176	32,762,018	25,027,784	19,893,984	14,384,854
Plan Fiduciary Net Position										
Contributions - Employer	$ 7,869,954	7,059,130	5,159,981	4,688,418	3,833,305	3,473,179	3,074,885	2,766,138	2,754,620	2,346,626
Contributions - Member	5,433,304	4,889,209	4,351,126	3,957,331	3,674,325	3,285,577	3,052,031	2,685,841	2,326,164	2,054,662
Net Investment Income	11,079,089	6,446,778	(317,964)	17,151,124	1,046,082	3,096,851	2,575,005	3,322,147	485,326	760,402
Benefit Payments, Including Refunds of Member Contributions	(1,657,744)	(1,118,192)	(1,101,676)	(844,836)	(498,558)	(535,285)	(555,062)	(293,811)	(194,963)	(112,015)
Administrative Expense	(47,762)	(52,928)	(47,699)	(33,981)	(27,186)	(22,225)	(17,042)	(13,687)	(8,716)	(5,937)
Other	2,981	2,692	2,147	1,711	(1,315)	(2,007)	(2,546)	(3,225)	(153)	(177)
Net Change in Plan Fiduciary Net Position	$ 22,679,822	17,226,689	8,045,915	24,919,767	8,026,653	9,296,090	8,127,271	8,463,403	5,362,278	5,043,561
Plan Fiduciary Net Position - Beginning	108,548,836	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
Plan Fiduciary Net Position - Ending	$131,228,658	108,548,836	91,322,147	83,276,232	58,356,465	50,329,812	41,033,722	32,906,451	24,443,048	19,080,770
Net Pension Liability/(Asset) Ending	$ (22,669,800)	(18,667,359)	(15,396,159)	(18,449,339)	(5,674,640)	(7,570,636)	(8,271,704)	(7,878,667)	(4,549,064)	(4,695,916)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	120.88 %	120.77 %	120.28 %	128.46 %	110.77 %	117.71 %	125.25 %	131.48 %	122.87 %	132.64 %
Covered Payroll	$110,557,062	97,797,193	88,193,874	83,612,727	79,640,771	70,555,593	64,320,834	55,753,786	47,926,329	36,397,255
Net Pension Asset as a Percentage of Covered Payroll	20.51 %	19.09 %	17.46 %	22.07 %	7.13 %	10.73 %	12.86 %	14.13 %	9.49 %	12.90 %

Note: 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

	2024	2023	2022	2021	2020	2019	2018	2017
Total OPEB liability								
Service Costs	$ 493,638	605,975	658,468	606,165	649,243	950,809	519,381	811,867
Interest	7,309,489	7,865,528	8,030,681	8,399,739	8,545,222	8,259,776	8,847,501	8,837,567
Differences between Expected and Actual Experience	(2,273,792)	(2,412,135)	(2,770,763)	(2,535,651)	(2,896,477)	298,749	1,053,023	-
Changes of Assumptions	12,596,679	(5,767,149)	-	2,146,184	-	2,544,266	(7,399,952)	-
Benefit Payments, Including Refunds of Member Contributions	(8,090,170)	(8,155,330)	(8,292,780)	(8,156,651)	(8,309,164)	(8,393,848)	(9,229,514)	(9,512,163)
Net Change in Total OPEB Liability	10,035,844	(7,863,111)	(2,374,394)	459,786	(2,011,176)	3,659,752	(6,209,561)	137,271
Total OPEB Liability - Beginning	107,904,305	115,767,416	118,141,810	117,682,024	119,693,200	116,033,448	122,243,009	122,105,738
Total OPEB Liability - Ending	$ 117,940,149	107,904,305	115,767,416	118,141,810	117,682,024	119,693,200	116,033,448	122,243,009
Plan Fiduciary Net Position								
Contributions - Employer	$ 8,240,000	8,240,000	8,240,000	8,240,000	8,240,000	8,240,000	8,240,000	8,240,000
Net Investment Income	6,093,912	4,383,348	(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	(8,090,170)	(8,155,330)	(8,292,780)	(8,156,651)	(8,309,164)	(8,393,848)	(9,229,514)	(9,512,163)
Administrative Expense	(57,101)	(51,669)	(42,088)	(50,800)	(43,259)	(44,934)	(44,013)	(60,497)
Net Change in Plan Fiduciary Net Position	$ 6,186,641	4,416,349	(7,528,702)	12,298,799	991,365	1,019,354	2,322,319	4,069,675
Plan Fiduciary Net Position - Beginning	45,051,010	40,634,661	48,163,363	35,864,564	34,873,199	33,853,845	31,531,526	27,461,851
Plan Fiduciary Net Position - Ending	$ 51,237,651	45,051,010	40,634,661	48,163,363	35,864,564	34,873,199	33,853,845	31,531,526
Net OPEB Liability Ending	$ 66,702,498	62,853,295	75,132,755	69,978,447	81,817,460	84,820,001	82,179,603	90,711,483
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	43.44 %	41.75 %	35.10 %	40.77 %	30.48 %	29.14 %	29.18 %	25.79 %
Covered Payroll	$ 69,141,871	72,225,875	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	96.47 %	87.02 %	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

	2024	2023	2022	2021	2020	2019	2018	2017
Total OPEB Liability								
Service Costs	$ 1,232,978	794,242	1,119,261	1,154,837	768,377	669,808	1,148,034	1,130,417
Interest	453,900	440,698	251,569	289,605	370,093	342,729	383,248	311,181
Changes of Benefit Terms	-	-	-	-	-	-	905,453	-
Differences between Expected and Actual Experience	(468,760)	(793,374)	3,029,301	(996,420)	(679,680)	261,699	(686,746)	-
Changes of Assumptions	(1,086,387)	(392,556)	(3,342,375)	(1,509,952)	2,000,282	585,295	(2,835,907)	(1,381,476)
Benefit Payments, Including Refunds of Member Contributions	(493,486)	(357,167)	(321,367)	(398,312)	(232,550)	(247,202)	(322,421)	(260,856)
Net Change in Total OPEB Liability	(361,755)	(308,157)	736,389	(1,460,242)	2,226,522	1,612,329	(1,408,339)	(200,734)
Total OPEB Liability - Beginning	11,115,476	11,423,633	10,687,244	12,147,486	9,920,964	8,308,635	9,716,974	9,917,708
Total OPEB Liability - Ending	$ 10,753,721	11,115,476	11,423,633	10,687,244	12,147,486	9,920,964	8,308,635	9,716,974
Plan Fiduciary Net Position								
Contributions - Employer	$ 375,000	350,000	250,000	250,000	250,000	300,000	300,000	256,300
Net Investment Income	403,675	314,838	(383,235)	744,850	30,817	(11,588)	104,072	19,499
Benefit Payments, Including Refunds of Member Contributions	(493,486)	(357,167)	(321,367)	(398,312)	(232,550)	(247,202)	(322,421)	(260,856)
Administrative Expense	(8,765)	(6,804)	(6,301)	(6,000)	(5,904)	(3,786)	(5,095)	(46,909)
Net Change in Plan Fiduciary Net Position	$ 276,424	300,867	(460,903)	590,538	42,363	37,424	76,556	(31,966)
Plan Fiduciary Net Position - Beginning	3,095,343	2,794,476	3,255,379	2,664,841	2,622,478	2,585,054	2,508,498	2,540,464
Plan Fiduciary Net Position - Ending	$ 3,371,767	3,095,343	2,794,476	3,255,379	2,664,841	2,622,478	2,585,054	2,508,498
Net OPEB Liability Ending	$ 7,381,954	8,020,133	8,629,157	7,431,865	9,482,645	7,298,486	5,723,581	7,208,476
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	31.35 %	27.85 %	24.46 %	30.46 %	21.94 %	26.43 %	31.11 %	25.82 %
Covered Payroll	$ 69,242,150	68,517,370	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	10.66 %	11.71 %	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)

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Actuarially Determined Contribution	$ 49,503	46,378	37,558	41,273	40,674	40,180	40,854	40,701	39,262	39,154
Contributions in Relation to the Actuarially Determined Contribution	49,503	46,378	37,558	41,273	40,674	40,180	40,854	40,701	39,136	39,006
Contribution Deficiency	$ -	-	-	-	-	-	-	-	126	148
Covered Payroll	$ 75,670	78,759	82,134	86,433	92,036	98,821	103,823	108,187	113,303	118,640
Contributions as a Percentage of Covered Payroll	65.42 %	58.89 %	45.73 %	47.75 %	44.19 %	40.66 %	39.35 %	37.62 %	34.54 %	32.88 %

Schedule of City Contributions VRS
(Dollar amounts in thousands)

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually Required Contribution	$ 8,381	7,865	7,065	5,173	4,694	3,856	3,470	3,075	2,766	2,755
Contributions in Relation to the Contractually Required Contribution	8,381	7,865	7,065	5,173	4,694	3,856	3,470	3,075	2,766	2,755
Contribution Excess	$ -	-	-	-	-	-	-	-	-	-
Covered Payroll	$ 125,305	110,557	97,797	88,194	83,613	79,641	70,556	64,321	55,754	47,926
Contributions as a Percentage of Covered Payroll	6.69 %	7.11 %	7.22 %	5.87 %	5.61 %	4.84 %	4.92 %	4.78 %	4.96 %	5.75 %

Schedule of City Contributions OPEB
(Dollar amounts in thousands)

	2025	2024	2023	2022	2021	2020	2019	2018	2017
Actuarially Determined Contribution	$ 8,240	8,240	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	8,240	8,240
Contribution Deficiency	$ -	-	-	-	-	-	-	-	-
Covered Payroll	$ 67,003	69,142	72,226	76,922	81,576	87,623	92,290	95,734	100,619
Contributions as a Percentage of Covered Payroll	12.30 %	11.92 %	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)

	2025	2024	2023	2022	2021	2020	2019	2018
Actuarially Determined Contribution	$ 400	375	350	250	250	250	300	300
Contributions in Relation to the Actuarially Determined Contribution	400	375	350	250	250	250	300	300
Contribution Defiency	$ -	-	-	-	-	-	-	-
Covered Payroll	$ 73,964	69,242	68,517	66,499	64,492	62,114	60,568	59,929
Contributions as a Percentage of Covered Payroll	0.54 %	0.54 %	0.51 %	0.38 %	0.39 %	0.40 %	0.50 %	0.50 %

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

	2025	2024	2023	2022	2021	2020	2019	2018
Contractually Required Contribution	$ 640	650	581	519	469	416	371	336
Contributions in Relation to the Contractually Required Contribution	640	650	581	519	469	416	371	336
Contribution Excess	$ -	-	-	-	-	-	-	-
Covered Payroll	$ 125,305	110,557	97,797	88,194	83,613	79,641	70,556	64,321
Contributions as a Percentage of Covered Payroll	0.51 %	0.59 %	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

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Annual Money - Weighted Rate of Return, Net of Investment Fees	11.10%	11.50%	10.40%	(15.30)%	32.00%	(2.10)%	3.70%	10.60%	15.10%	(0.70)%

Schedule of Investment Returns OPEB
Years ended June 30

	2025	2024	2023	2022	2021	2020	2019	2018	2017
Annual Money - Weighted Rate of Return, Net of Investment Fees	12.80%	13.60%	10.90%	(15.30)%	33.70%	3.00%	3.60%	11.29%	21.23%

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

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

	2024	2023	2022	2021	2020	2019	2018	2017
Employer's Proportion of the Net GLI OPEB Liability	0.46940%	0.45633%	0.44061%	0.42085%	0.38899%	0.36254%	0.33971%	0.30329%
Employer's Proportionate Share of the Net GLI OPEB Liability	$ 5,238,138	5,472,827	5,305,369	4,899,836	6,491,607	5,899,490	5,159,000	4,564,000
Employer's Covered Payroll	$110,557,062	97,797,193	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	4.74%	5.60%	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	73.41%	69.30%	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, 2025

(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 2025 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, leases and subscription-based information technology arrangements are budgeted on a cash basis, and employee benefit self-insurance is budgeted such that the amount of premiums charged to the employees is not budgeted as revenue and the amount of claims paid over an estimated employer-paid amount per employee is not budgeted as 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.

APPENDIX C

DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION

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APPENDIX C

DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION

The following is a summary of certain provisions of the Bond Resolution, including definitions of certain terms used in the Bond Resolution and in this Official Statement. The following should not be regarded as a full statement of the Bond Resolution. Copies of the Bond Resolution and all Supplemental Resolutions are available for inspection at the corporate trust office of the Trustee, U.S. Bank National Association, Richmond, Virginia. Reference is made to the documents in their entireties for a complete statement of the provisions thereof.

DEFINITIONS

"Account" or "Fund" means one of the special funds or accounts created and established pursuant to the Bond Resolution.

"Accountant" means such reputable and experienced independent certified public accountant or firm of independent certified public accountants as may be selected by the City pursuant to applicable laws.

"Accreted Value" means the amounts computed pursuant to the formula set forth in the Supplemental Resolution authorizing the issuance of the Capital Appreciation Bonds the Accreted Value of which is being determined.

"Act" means the Public Finance Act of 1991, Title 15.2, Chapter 26 of the Code of Virginia, 1950, or any successor statute, as the same may be amended from time to time.

"Additional Bonds" means any bonds delivered pursuant to the Bond Resolution to finance the costs of extensions, additions and capital improvements to, or the renewal and replacement of capital assets of, or purchasing and installing new equipment for, the System or to acquire property in connection therewith.

"Authorized Officer of the City" means the City Manager, the Director of Budget and Evaluation or the Director of Waterworks and, in the case of any act to be performed or duty to be discharged, any other member, officer or employee of the City then authorized to perform such act or discharge such duty.

"Bank" means any bank, trust company, national banking association, insurance company or other entity other than the City which is the issuer of a letter of credit, line of credit, insurance policy or other instrument securing payment of Bonds, or a party to an interest rate exchange agreement, including but not limited to payment of principal thereof and interest thereon.

"Bond Anticipation Notes" means the notes issued pursuant to Section 2.6 of the Bond Resolution.

"Bond Counsel" means an attorney or firm of attorneys of recognized standing in the field of law relating to municipal, state and public agency financing, selected by the City and satisfactory to the Trustee.

"Bond Counsel's Opinion" means an opinion signed by Bond Counsel rendered pursuant to the provisions of the Bond Resolution.

"Bondholder" or "Holder" or words of similar import, when used with reference to a Bond, means any person who shall be the registered owner of any Outstanding Bond.

"Bond Resolution" means the Bond Resolution of the City adopted on January 23, 2007 authorizing the issuance of water revenue bonds of the City, and any amendments or supplements adopted in accordance with its terms and, where appropriate in the context, including any Supplemental Resolution.

"Bonds" means the Bonds delivered and Outstanding pursuant to the Bond Resolution and any Additional Bonds issued pursuant to the Bond Resolution.

"Capital Appreciation Bonds" means Bonds that bear interest payable at maturity or upon redemption prior to maturity in the amounts determined by reference to the Accreted Value of such Capital Appreciation Bonds in accordance with the provisions of the Supplemental Resolution authorizing the issuance of such Capital Appreciation Bonds.

"Capitalized Interest Account" means the Capitalized Interest Account in the Construction Fund to which shall be deposited the amount, if any, for application as provided in the applicable Supplemental Resolution.

"Certificate" means (i) a signed document either attesting to or acknowledging the circumstances, representations or other matters therein stated or set forth or setting forth matters to be determined pursuant to the Bond Resolution or (ii) the report of any accountant as to audit or other procedures called for by the Bond Resolution.

"City" means the City of Newport News, Virginia.

"City Manager" means the City Manager of the City.

"Code" means the Internal Revenue Code of 1986, as the same may be amended from time to time, and the regulations promulgated by the United States Department of the Treasury thereunder from time to time.

"Construction Fund" means the Fund so designated and established by Section 5.2 of the Bond Resolution.

"Consultant" means a firm of engineers, accountants or water and financial consultants (including, without limitation, water rate consultants and other appropriate consultants in the water industry as well as environmental consultants) of national recognition for advising municipalities with respect to the setting of rates and charges for the use of water systems and otherwise advising municipalities with respect to the acquisition, construction, ownership, operation and maintenance of water systems, in each case selected by the City.

"Costs of Construction" means the costs reasonably incurred in connection with the System or any portion thereof, including, but not limited to, the costs set forth below: acquisition of all property, real or personal, and all interests in connection therewith including all rights-of-way and easements therefor; physical construction, installation and testing including the cost of labor, services, materials, supplies and utility services used in connection therewith or pertinent thereto or appertaining thereto, including the cost of City personnel employed in such construction, installation and testing and the inspection thereof; architectural, engineering, legal and other professional services; insurance premiums required under the Bond Resolution to be taken out and maintained during construction, to the extent not paid for by a contractor for construction and installation; any taxes, assessments or other charges which become due during construction; expenses incurred by the City or on its behalf with its approval in seeking to enforce any remedy against any contractor or subcontractor in respect of any default under a contract relating to construction; principal of and interest on any indebtedness of the City, other than the Bonds, incurred for construction or acquisition of a portion of the System; accounting and financial computer systems for billing, process control and communications and other similar appurtenant facilities; costs incurred to fulfill requirements of permits and contracts in connection with the construction or acquisition of a portion of the System; and miscellaneous expenses incidental thereto.

"Costs of Issuance" means all items of expense, directly or indirectly payable or reimbursable by or to the City and related to the authorization, sale and issuance of Bonds, including, but not limited to, printing costs, costs of preparation and reproduction of documents, filing and recording fees, initial fees and charges of the Trustee, the Registrar, the Paying Agent and the Bank, legal fees and charges, fees and disbursements of consultants and professionals, costs of credit ratings, fees and charges for preparation, execution, transportation and safekeeping of Bonds, costs and expenses of refunding, premiums for the insurance of the payment of the Debt Service on the Bonds or of the Debt Service Reserve Fund established in respect of the Bonds, financing charges, accrued interest with respect to the initial investments of proceeds of Bonds and any other costs, charge or fee in connection with the original issuance of Bonds.

"Council" means the Council of the City.

"Debt Service" means, on any particular date of computation and with respect to any Bonds and with respect to any period, an amount equal to the sum of (i) all interest payable on such Bonds during such period, including interest payable under interest rate exchange agreements, plus (ii) all Principal Installments payable on such Bonds during such period. For purposes of computing "Debt Service", the rate of interest used to determine (i) above shall be a rate per annum equal to (a) with respect to any Series of Bonds which bear interest at a fixed rate, the rate of interest borne or to be borne by such Bonds, and (b) with respect to any Series of Bonds which bear interest at a floating or variable rate, the rate which is equal to the greater of (1) the average of all the interest rates in effect (or which would have been in effect had such Bonds been Outstanding) during the immediately preceding twelve (12) month period and (2) the average of all the interest rates in effect (or which would have been in effect had such Bonds been Outstanding) during the immediately preceding one (1) month period; *provided, however*, that the term "Debt Service" shall not include interest on Bonds to the extent that interest has been capitalized and is to be paid from the Construction Fund.

"Debt Service Fund" means the Fund as designated and established by Section 5.2 of the Bond Resolution.

"Debt Service Reserve Fund" means the Fund so designated and established by Section 5.2 of the Bond Resolution. **The Series 2026 Bonds are not secured by the Debt Service Reserve Fund.**

"Debt Service Reserve Requirement" means, for the Series 2017 Bonds, the Series 2021 Bonds and the Series 2026 Bonds, zero, and for any other Bonds secured by the Debt Service Reserve Fund, means, as of any date of calculation, (i) with respect to any Series of Bonds which bear interest at a fixed rate, an amount equal to the lesser of (a) the maximum amount payable in any current or future Fiscal Year for the payment of Debt Service on such Series of Bonds, (b) 10% of the principal amount of such Series of Bonds and (c) 125% of the average annual debt service on such Series of Bonds, and (ii) with respect to any Series of Bonds which bear interest at a floating or variable rate, an amount equal to the maximum amount payable in the current or any future Fiscal Year for the payment of Debt Service on such Series computed at the maximum rate allowable under the Code as such amounts are set forth in the Supplemental Resolution authorizing the issuance of any Series of Bonds; *provided* that, in the case of either clause (i) or (ii) above, such amount shall not exceed the amount permitted as a reasonably required reserve under the Code. In lieu of the required deposits to the Debt Service Reserve Fund pursuant to the Bond Resolution, the City may cause to be deposited to the credit of the Debt Service Reserve Fund a surety bond or an insurance policy payable to the Trustee for the benefit of the Holders of the Bonds or a letter of credit entitling the Trustee to draw in an amount equal to the difference between the Debt Service Reserve Requirement and the sum then to the credit of the Debt Service Reserve Fund, if any. The surety bond, insurance policy or letter of credit shall be payable (upon the giving of notice and the presentation of any certificates as required thereunder) on any date on which moneys shall be required to be transferred to the Debt Service Fund and such transfer cannot be met by amounts then on deposit in the Debt Service Reserve Fund or provided from any other fund or account under the Bond Resolution. The insurer providing such surety bond or insurance policy shall be an insurer whose municipal bond insurance policies insuring the payment, when due, of the principal of or any interest on municipal bond issues results in such issues being rated in the highest rating category (without regard to any rating refinement or gradation by numerical modifier or otherwise) by either Moody's Investors Service or Standard & Poor's Corporation, or their successors, or any insurer who holds the highest policyholder rating accorded insurers by A.M. Best & Co., or any comparable services. The letter of credit issuer shall be a bank or trust company which is rated not lower than the second highest rating category (without regard in any rating refinement or gradation by numerical modifier or otherwise) by either Moody's Investors Service or Standard & Poor's Corporation or their successors, and the letter of credit itself shall be rated in the highest category (without regard in any rating refinement or gradation by numerical modified as otherwise) of either such rating agency. If a disbursement is made pursuant to any such surety bond, insurance policy or letter of credit, the City shall be obligated either (i) to reinstate the maximum limits of such surety bond, insurance policy or letter of credit or (ii) to deposit to the credit of the Debt Service Reserve Fund moneys in the amount of the disbursement made under such surety bond, insurance policy or letter of credit, or a combination of such alternatives, such that the amount in the Debt Service Reserve Fund equals the Debt Service Reserve Requirement within a time period not longer than would otherwise be required to restore the Debt Service Reserve Fund from Revenues by operation of Section 5.4 of the Bond Resolution.

"Depositary" means any bank or trust company or national banking association selected by the City or the Trustee as a depositary of moneys or securities held under the provisions of the Bond Resolution and may include the Trustee.

"Director of Budget and Evaluation" means the Director of Budget and Evaluation of the City as such title shall be amended by City ordinance or such other officer as shall be designated by the City Manager.

"Director of Waterworks" means the Director of Waterworks of the City as such title shall be amended by City ordinance or such other officer as shall be designated by the City Manager.

"Event of Default" means any of the events specified in Section 10.1 of the Bond Resolution.

"Existing System" means the water facilities currently owned or leased by the City, as described in a Feasibility Report.

"Feasibility Report" means the report of a Consultant prepared in connection with the issuance of the initial or a subsequent Series of the Bonds.

"Fiscal Year" means a twelve (12) month period commencing on the first day of July of any year or such other twelve (12) month period adopted as the Fiscal Year of the City.

"Interest Payment Date" means any date upon which interest on the Bonds is due and payable in accordance with their terms.

"Investment Securities" means and includes any of the following obligations, to the extent the same are at the time legal for investment of funds of the City under applicable law:

(i) direct obligations of or obligations guaranteed by the United States of America;

(ii) any bond or note of the Federal National Mortgage Association, the Federal Home Loan Banks or the Federal Home Loan Mortgage Corporation; bonds, debentures and similar obligations of Federal Land Banks, Federal Intermediate Credit Banks or Banks for Cooperatives, issued pursuant to Acts of Congress, and obligations issued by the United States Postal Service when the principal thereof and interest thereon is guaranteed by the government of the United States of America;

(iii) direct and general full faith and credit obligations of the Commonwealth of Virginia;

(iv) unlimited tax direct and general obligations of any political unit of the Commonwealth of Virginia, to the payment of which the full faith and credit of such political unit is pledged; provided that at the time of purchase such obligations are rated in either of the two highest rating categories by a nationally recognized bond rating agency;

(v) shares of any investment company the assets of which are invested exclusively in obligations or securities specified in clauses (i), (ii), (iii) and (iv);

(vi) repurchase agreements for such obligations specified in clauses (i), (ii), (iii) and (iv) above subject to the limitations set forth below;

(vii) time deposits or certificates of deposit with banks, trust companies or national banking associations which are members of the Federal Reserve System and have a net capital and surplus of at least $25,000,000 (which may include the Trustee or any Depositary) fully secured as to principal by obligations described in clauses (i), (ii), (iii) and (iv) above;

(viii) savings accounts, time deposits or certificates of deposit in any savings and loan association under the supervision of the Commonwealth of Virginia or the Federal Government; provided such accounts and deposits are fully insured by the Federal Savings and Loan Insurance Corporation or any successor federal agency;

(ix) commercial paper, with a maturity of two hundred seventy (270) days or less, of issuing corporations organized under the laws of the United States, or of any state thereof, including paper issued by banks and bank holding companies, rated by Fitch Investors Service within its ratings of F 1 and F 2, by Moody's Investors Service within its ratings of prime 1 or prime 2 or by Standard and Poor's Corporation, within its ratings of A 1 or A 2, or by their corporate successors; and

(x) any legal investments authorized for municipal corporations for the investment of sinking funds and for other public funds under Title 2.2, Chapter 45 ("Investment of Public Funds Act"), of the Code of Virginia, 1950, or any successor statute, as the same may be amended from time to time.

(xi) solely with respect to monies in the Construction Fund (excluding any Capitalized Interest Account), the Revenue Fund, the Renewal and Replacement Fund, the Debt Service Reserve Fund, and the Rate Stabilization Fund, any pooled investment fund organized in accordance with the Government Non-Arbitrage Investment Act (Code of Virginia, Title 2.2, Chapter 47).

A repurchase agreement pursuant to clause (vi) above may be made with any bank as principal, including the Trustee or an affiliate of the Trustee, within or without the Commonwealth of Virginia having a combined capital, surplus and undivided profits of not less than $25,000,000 and acceptable to the Trustee; provided the bank is obligated to repurchase within one year. Such repurchase agreement shall be considered a purchase of such securities even if title and/or possession of such securities is not transferred to the Trustee so long as (i) the repurchase obligation of the bank is collateralized by the securities themselves, (ii) the securities have on each day the repurchase agreement is in effect a fair market value equal to at least 100% of the amount of the repurchase obligation of the bank, (iii) the securities are held by a third party and segregated from securities owned generally by the bank, (iv) a perfected security interest under the Uniform Commercial Code of the applicable state or book entry procedures prescribed by federal law or regulations in such securities is created for the benefit of the Trustee and (v) if the repurchase agreement is with the bank serving as Trustee or any related party, the third party holding such securities holds them as agent for the benefit of the Holders of the Bonds rather than as agent for the Bank serving as Trustee or any other party.

"Operating Budget" means the annual budget described in Section 7.7 of the Bond Resolution adopted by the City concerning the operation of the System for the succeeding Fiscal Year.

"Operating Expenses" means the current expenses, paid or accrued, of operation, maintenance and current repair of the System, as calculated in accordance with generally accepted accounting principles, and shall include, without limiting the generality of the foregoing, any cost of purchased services for water from any source, insurance premiums, administrative expenses of the City relating solely to the System, labor, executive compensation, the cost of materials and supplies used for current operations, charges for the accumulation of appropriate reserves for current expenses not annually recurrent but which are such as may reasonably be expected to be incurred in accordance with general accepted accounting principles and any required transfers by the System to the General Fund of the City. "Operating Expenses" shall not include any allowance for depreciation of capital assets of the System.

"Outstanding", when used with reference to Bonds, means, as of any date, all Bonds theretofore or thereupon being delivered under this Bond Resolution except:

(i) any Bond cancelled by the Trustee or delivered to the Trustee for cancellation at or prior to such date;

(ii) any Bond (or portion of a Bond) for the payment or redemption of which there has been separately set aside and held in the Debt Service Fund either:

(a) moneys in an amount sufficient to effect payment of the principal or applicable Redemption Price thereof, together with accrued interest on such Bond to the Redemption Date; or

(b) Investment Securities, as described in Section 12.1(b) of the Bond Resolution, in such principal amounts, of such maturities, bearing such interest and otherwise having such terms and qualifications as shall be necessary to provide moneys in an amount sufficient to effect payment of the principal or applicable Redemption Price of such Bond, together with accrued interest on such Bond to the Redemption Date; or

(c) any combination of (a) and (b) above;

(iii) any Bond in lieu of or in substitution for which other Bonds shall have been delivered pursuant to Article III, Section 6.6 or Section 9.6 of the Bond Resolution; and

(iv) any Bond deemed to have been paid as provided in subsection (b) of Section 12.1 of the Bond Resolution.

"Paying Agent" means, with respect to any Series of Bonds, the bank, trust company or national banking association appointed to act as paying agent pursuant to Section 11.11 of the Bond Resolution.

"Principal Installment" means, as of any date of calculation, (i) the aggregate principal amount of Outstanding Bonds due on a certain future date, reduced by the aggregate principal amount of such Bonds which would be retired by reason of the payment when due and application in accordance with the Bond Resolution of Sinking Fund Payments payable before such future date, plus (ii) any Sinking Fund Payments due on such certain future date, together with the aggregate amount of the premiums, if any, applicable on such Sinking Fund Payments, plus (iii) with respect to any Capital Appreciation Bonds due on such certain future date, the Accreted Value of such Capital Appreciation Bonds.

"Principal Payment Date" means any date upon which a Principal Installment is due and payable.

"Rate Stabilization Fund" means the Fund so designated and established by Section 5.2 of the Bond Resolution.

"Redemption Date" means the date upon which Bonds are called for redemption pursuant to the Bond Resolution.

"Redemption Price" means, with respect to any Bond, the principal amount thereof plus the applicable premium, if any, payable upon redemption thereof.

"Refunding Bonds" means any Series of Bonds or portion of a Series of Bonds delivered on original issuance in accordance with the conditions set forth in Section 2.5 of the Bond Resolution or thereafter delivered in lieu of or in substitution for any such Bond pursuant to the Bond Resolution.

"Registrar" means, with respect to a Series of Bonds, the agent of the City at the office which Bonds may be presented for registration, transfer or exchange as provided in Article III of the Bond Resolution.

"Renewal and Replacement Fund" means the Fund so designated and established by Section 5.2 of the Bond Resolution.

"Revenue Fund" means the Fund so designated and established by Section 5.2 of the Bond Resolution.

"Revenues" means all rates, fees, rentals, connection fees or other charges or other income received or accrued by the City (including system development fees and moneys received from other political subdivisions within the service area of the System), in connection with the management and operation of the System, and all parts thereof, including all amounts received or accrued from the investment or deposit of moneys in the Funds or Accounts created and established under the Bond Resolution which are required by the Bond Resolution to be deposited in the Revenue Fund, all as calculated in accordance with generally accepted accounting principles, but shall not include customer deposits, the proceeds of any special assessments for water improvements, restricted proceeds from the sale of land and any amounts collected by the City representing State sales taxes or State user fees which are required by law or agreement to be paid to the State.

"Series" means all of the Bonds delivered on original issuance in a simultaneous transaction, regardless of variations in maturity, interest rate, Sinking Fund Payments or other provisions, and any Bonds thereafter delivered in lieu of or in substitution for such Bonds as herein provided.

"Series 2017 Bonds" shall have the meaning given to such term in this Official Statement.

"Series 2021 Bonds" shall have the meaning given to such term in this Official Statement.

"Series 2026 Bonds" shall have the meaning given to such term in this Official Statement.

"Sinking Fund Payment" means, as of a particular date of calculation, the amount required to be paid by the City on a certain future date for the retirement of Outstanding Bonds which mature after such future date, but does not include any amount payable by the City by reason of the maturity of a Bond or by call for redemption at the election of the City.

"State" means the Commonwealth of Virginia.

"Subordinate Obligation Fund" means the Fund so designated and established by Section 5.2 of the Bond Resolution.

"Subordinate Obligations" means any bonds, notes or other evidences of indebtedness of the City, other than Bonds, payable from Revenues of the System subordinate to the payment of the Bonds in the order of priority as provided in the Bond Resolution.

"Supplemental Resolution" means any resolution supplementing or amending the Bond Resolution, adopted by the City and effective in accordance with Article VIII ("*Supplemental Resolutions*") of the Bond Resolution.

"System" means the Existing System and any and all other expansions and improvements to be constructed and acquired from the proceeds of the Bonds authorized by the Bond Resolution and any other expansion to be constructed or acquired from any other sources at any time hereafter, and shall include (i) all wells, reservoirs, pumping stations, purification plants and other sources of supply of water and all pipes, mains and other parts of the facilities for the distribution of water and all equipment and property used in connection therewith and (ii) all other facilities of any nature or description, real or personal, now or hereafter owned, leased or used by the City in connection with the supply, distribution and treatment of water by its municipally-owned water system, including, without limitation, reasonably required access roads to facilities of the System, administrative offices for City personnel acting in the management, administration and operation and maintenance of the System and any museums, recreation facilities, nature centers or other facilities required to fulfill requirements of permits and contracts in connection with the construction or acquisition of a portion of the System.

"Treasurer" means the Treasurer of the City.

"Trustee" means U.S. Bank National Association and any other person at any time substituted in its place as provided in Article XI ("*Concerning the Fiduciaries*") of the Bond Resolution.

"Variable Rate Bonds" means any Bonds which bear interest at a variable rate.

(Bond Resolution, Section 1.1)

SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION

Bond Resolution to Constitute Contract; Parity Bonds

In consideration of the purchase and acceptance of the Bonds by those who shall hold the same from time to time, the provisions of the Bond Resolution shall be a part of the contract of the City with the Holders of the Bonds and shall be deemed to be and shall constitute a contract among the City, the Trustee and the Holders of the Bonds. The pledges and assignments made by the Bond Resolution and the provisions, covenants and agreements set forth in the Bond Resolution to be performed by or on behalf of the City shall be for the equal benefit, protection and security of the Holders of any and all of such Bonds, each of which, regardless of the time or times of its issuance or maturity, shall be of equal rank without preference, priority or distinction over any other thereof except as expressly provided in the Bond Resolution. (Bond Resolution, Section 2.1)

Obligation of Bonds

The Bonds issued under the Bond Resolution are limited obligations of the City payable solely from the Revenues, subject only to the prior payment from the Revenues of the Operating Expenses of the System, and from the moneys held in the Funds and Accounts created and established under the Bond Resolution pledged to the payment thereof. The Bonds shall not be deemed to constitute a full faith and credit general obligation of the City for which there is a right to compel the exercise of the *ad valorem* taxing power of the City. (Bond Resolution, Section 2.2)

Conditions Precedent to Delivery of Bonds

The Bonds of each Series shall be delivered upon the receipt by the Trustee of:

(a) a copy of the Supplemental Resolution authorizing such Series, certified by the City Clerk of the City or an Authorized Officer of the City, by which or pursuant to which the terms of the Bonds of such Series are specified, which Supplemental Resolution shall contain findings and determinations of the Council that no default exists in the payment of the principal of or premium, if any, or interest on any Bond, and that all mandatory redemptions, if any, of Bonds required to have been made under the terms of the Bond Resolution or any Supplemental Resolution shall have been made;

(b) a Bond Counsel's Opinion to the effect that (i) such Supplemental Resolution has been duly and lawfully adopted by the Council of the City and is in full force and effect, (ii) the Bond Resolution has been duly and lawfully adopted by the Council of the City and is valid and binding upon, and enforceable against, the City (except to the extent that the enforceability thereof may be subject to judicial discretion, to the exercise of the sovereign police powers of the Commonwealth of Virginia and to valid bankruptcy, insolvency, reorganization, moratorium and other laws affecting the relief of debtors), (iii) the Bond Resolution creates the valid pledge which it purports to create of the Revenues and of moneys and securities on deposit in any of the Funds established hereunder subject to the application thereof to the purposes and on the conditions permitted by the Bond Resolution and (iv) upon the execution and delivery thereof, such Bonds will have been duly and validly authorized and issued in accordance with the Bond Resolution;

(c) a written order as to the delivery of such Bonds and the application of Bond proceeds, signed by an Authorized Officer of the City; and

(d) a Certificate of the Director of Budget and Evaluation that such Series of Bonds is issued in compliance with the provisions of Section 7.11(b), which Certificate shall be accompanied, if applicable, a Certificate of any firm of engineers, accountants or consultants referred to in Section 7.11(b)(i) with respect to any pro forma analysis of Revenues described in such Section 7.11(b)(i) or a Certificate of any recognized feasibility consultant in the field of water financing referred to in Section 7.11(b)(ii)(ii) with respect to any projection of Revenues referred to in such Section 7.11(b)(ii)(ii). (Bond Resolution, Section 2.4)

Conditions Precedent to Delivery of Refunding Bonds

Refunding Bonds of any Series shall be delivered only upon the receipt by the Trustee of instructions as to the payment or redemption of the Bonds or other obligations of the City to be refunded together with instructions as to the giving of notice of redemption, if any, of the Bonds or other obligations to be refunded. If Refunding Bonds are issued to refund Outstanding Bonds, the requirements of subsection (d) of Section 2.4 need not to be complied with if with the Refunding Bonds proposed to be issued do not mature later than the Bonds to be refunded and Debt Service in any Fiscal Year on the Refunding Bonds proposed to be issued does not exceed Debt Service in any Fiscal Year on the Bonds to be refunded by more than ten percent (10%). (Bond Resolution, Section 2.5)

Pledge Effected by Bond Resolution

The Revenues and all amounts held in any Fund or Account, including Investment Securities, are pledged, and the City grants a security interest therein, to the Trustee for the benefit of Bondholders, to secure the payment of Bonds (including the Sinking Fund Payments for the retirement thereof) in accordance with their terms and the provisions of the Bond Resolution subject only to the provisions of the Bond Resolution permitting the application or exercise thereof for or to the purposes and on the terms and conditions set forth in the Bond Resolution. The money and property pledged shall immediately be subject to the lien of such pledge without any physical delivery thereof or further act and such lien shall be valid and binding against all parties having claims of any kind in tort, contract or otherwise, irrespective of whether such parties have notice thereof. (Bond Resolution, Section 5.1)

Funds and Accounts

The Bond Resolution establishes and creates the following special trust Funds which for administrative convenience may be subdivided by the Director of Budget and Evaluation or the Trustee into Accounts with appropriate identification:

(1) Construction Fund;
(2) Revenue Fund;
(3) Debt Service Fund;
(4) Debt Service Reserve Fund (if applicable);
(5) Subordinate Obligations Fund;
(6) Renewal and Replacement Fund; and
(7) Rate Stabilization Fund.

The Debt Service Fund and the Debt Service Reserve Fund, if any, will be held by the Trustee. The Construction Fund, the Revenue Fund, the Subordinate Obligations Fund, the Renewal and Replacement Fund and the Rate Stabilization Fund will be held by the Treasurer. All moneys or securities held by the Trustee, the Treasurer or any Depositary pursuant to the Bond Resolution shall be held in trust and applied only in accordance with the provisions of the Bond Resolution. (Bond Resolution, Section 5.2)

Construction Fund

There will be deposited from time to time in the Construction Fund all amounts required to be deposited therein pursuant to the Bond Resolution and any other amounts available therefor and determined by the City to be deposited therein. Amounts in the Construction Fund will be expended as provided in the Bond Resolution. (Bond Resolution, Section 5.3)

Revenue Fund

The City will cause all Revenues to be deposited in the Revenue Fund. There will also be deposited in the Revenue Fund any other amounts required to be deposited therein pursuant to the Bond Resolution. The City will cause to be applied from the Revenue Fund all moneys on deposit therein in the following order of priority:

(i) FIRST: To pay Operating Expenses of the System.

(ii) SECOND: On or before and as of the first day of each month of each Fiscal Year (but only after the payment of Operating Expenses required by clause (i) above shall have been made), there shall be paid to the Trustee for deposit in the Debt Service Fund an amount such that (after taking into consideration amounts then on deposit in the Debt Service Fund), if the same amount is transferred thereto on the first day of each succeeding month of such Fiscal Year, there will be in the Debt Service Fund an amount equal to the interest to become due on all Outstanding Bonds of each Series of Bonds on the next succeeding Interest Payment Date for the Bonds of each such Series of Bonds.

(iii) THIRD: Unless otherwise provided in a Supplemental Resolution authorizing the Bonds of any Series, on or before and as of the first day of each month of any Fiscal Year in which a Principal Installment is to become due (but only after the payments required by clauses (i) and (ii) above shall have been made), there shall be paid to the Trustee for deposit in the Debt Service Fund an amount such that (after taking into consideration amounts then on deposit in the Debt Service Fund), if the same amount is transferred thereto on the first day of each succeeding month of such Fiscal Year, there will be in the Debt Service Fund an amount equal to the Principal Installment to become due on all Outstanding Bonds of each Series of Bonds on the next succeeding Principal Payment Date for the Bonds of each such Series of Bonds.

(iv) FOURTH: On or before and as of the first day of each month of any Fiscal Year in which such a payment is due (but only after the payments required by clauses (i) through (iii) above shall have been made), there shall be paid to the Bank the amount, if any, then due and payable.

(v) FIFTH: On or before and as of the first day of each month of each Fiscal Year (but only after the payments required by clauses (i) through (iv) above shall have been made), there shall be paid to the Trustee for deposit in the Debt Service Reserve Fund and the accounts therein, if any, created for the respective Series of Bonds the amount of any deficiencies therein.

(vi) SIXTH: On or before and as of the first day of each month of each Fiscal Year (but only after the payments required by clauses (i) through (v) above shall have been made), there shall be transferred to and deposited in the Subordinate Obligations Fund any amounts required to be set aside to pay debt service on the Subordinate Obligations.

(vii) SEVENTH: On and as of the first day of each month of each Fiscal Year (but only after the payments required by clauses (i) through (vi) above shall have been made), there shall be transferred to and deposited in the Renewal and Replacement Fund any amounts required to make up any deficiency therein.

(viii) EIGHTH: On and as of the first day of each month and each Fiscal Year (but only after the payments approved by clauses (i) through (vii) above shall have been made), there shall be transferred to and deposited in the Rate Stabilization Fund such amount as shall be determined by the City from time to time.

(ix) NINTH: On and as of the first day of each month of each Fiscal Year (but any after the payments required by clauses (i) through (viii) above shall have been made), there may be applied any remaining moneys in the Revenue Fund to the payment of outstanding general obligation water bonds of the City or to make such transfers to the City's General Fund as a return on investment as shall be determined by the Director of Budget and Evaluation.

(x) TENTH: On and as of the first day of each month of each Fiscal Year (but only after the payments required by clauses (i) through (ix) above shall have been made), any remaining moneys in the Revenue Fund shall be transferred to the Renewal and Replacement Fund and applied as are other moneys on deposit in the Renewal and Replacement Fund from time to time. (Bond Resolution, Section 5.4)

Debt Service Fund

The Trustee shall pay out and permit the withdrawal of amounts deposited in the Debt Service Fund as follows:

(1) On each Interest Payment Date, the Trustee shall make payment out of the Debt Service Fund to the Holders of the Bonds of the interest due on the Outstanding Bonds on such date to the extent such interest shall not be paid out of the Capitalized Interest Account in the Construction Fund.

(2) Subject to the provisions of the Bond Resolution requiring the application thereof to the payment, purchase or redemption of any particular Bonds, the Trustee shall pay out of the Debt Service Fund to the Holders of the Bonds on each Principal Payment Date the amounts required for the payment of the Principal Installments, Redemption Price or purchase price, due on the Outstanding Bonds on such date.

(3) (a) Prior to the forty-fifth (45th) day next preceding the due date of each Sinking Fund Payment, any amount accumulated in the Debt Service Fund up to the unsatisfied balance of such Sinking Fund Payment may, and if so directed in writing by the Director of Budget and Evaluation shall, be applied in satisfaction of part or all such Sinking Fund Payment to the purchase of Bonds of the Series and maturity for which such Sinking Fund Payment was established, at prices (including any brokerage and other charges) not exceeding the Redemption Price for such Bonds when such Bonds are redeemable by application of such Sinking Fund Payment plus unpaid interest accrued to the date of purchase, such purchases to be made in such manner as the Trustee shall determine.

(b) Upon the purchase of any Bond pursuant to subsection (a) above, an amount equal to the principal amount of the Bond so purchased shall be credited toward the next succeeding Sinking Fund Payment thereafter to become due and the amount of any excess of the amounts so credited over the amount of such Sinking Fund Payment shall be credited by the Trustee against future payments in the manner provided in subsection (d) below unless otherwise instructed in writing by the Director of Budget and Evaluation at the time of such purchase or redemption. The portion of any Sinking Fund Payment remaining after the crediting thereto of any such amounts and of any amounts to be credited thereto as provided in subsection (d) below (or the original amount of any such Sinking Fund Payment if no such amounts shall have been credited toward the same) shall constitute the unsatisfied balance of such Sinking Fund Payment for the purpose of calculating Sinking Fund Payments due on a future date.

(c) As soon as practicable after the forty-fifth (45th) day next preceding the due date of any Sinking Fund Payment, the Trustee shall proceed to call for redemption pursuant to the Bond Resolution on such due date, Bonds of the Series and maturity for which such Sinking Fund Payment was established in such amount as shall be necessary to complete the retirement of a principal amount of the Bonds of such maturity equal to the unsatisfied balance of such Sinking Fund Payment. The Trustee shall so call such Bonds for redemption whether or not it then has moneys in the Debt Service Fund sufficient to pay the applicable Redemption Price thereof on the Redemption Date. The Trustee shall pay out of the Debt Service Fund to the Holders of the Bonds on each such Redemption Date the amount required for the redemption of the Bonds so called for redemption.

(d) Upon the purchase or redemption of Bonds for which Sinking Fund Payments have been established from amounts in the Debt Service Fund, an amount equal to the principal amount of the Bonds so purchased or redeemed shall be credited toward the next succeeding Sinking Fund Payment thereafter to become due. If, however, there shall be filed with the Trustee written instructions of the Director of Budget and Evaluation specifying a different method for crediting Sinking Fund Payments upon any such purchase or redemption of Bonds, then such Sinking Fund Payments shall be credited as shall be provided in such instructions.

(e) Except as otherwise specifically provided in the Bond Resolution, the Trustee shall have no obligation to purchase or attempt to purchase Bonds at a price below the Redemption Price, principal amount or at any other price, and any arm's-length purchase by the Trustee shall conclusively be deemed fair and reasonable.

(f) In the event that on any Interest Payment Date or Principal Payment Date there is a deficiency in the Debt Service Fund, the amount of such deficiency shall be made up from the following Funds and in the order of priority set forth below:

(1) Debt Service Reserve Fund (such amounts to be applied solely to pay principal or interest on the applicable Series of Bonds secured thereby);
(2) Revenue Fund;
(3) Subordinate Obligations Fund;
(4) Renewal and Replacement Fund;
(5) Rate Stabilization Fund; and

(6) Construction Fund.

(Bond Resolution, Section 5.5)

Subordinate Obligations Fund

There shall be deposited in the Subordinate Obligations Fund any amount authorized to be deposited therein and as determined by the City from time to time. Moneys on credit to the Subordinate Obligations Fund shall be applied by the City solely in accordance with the provisions of, and subject to the priorities and limitations and restrictions provided in, the resolution of the Council of the City securing or evidencing such Subordinate Obligations. (Bond Resolution, Section 5.7)

Renewal and Replacement Fund

There shall be deposited in the Renewal and Replacement Fund any amount authorized to be deposited therein pursuant to the Bond Resolution and any other amount available therefor and determined by the City to be deposited therein from time to time.

Amounts on deposit in the Renewal and Replacement Fund shall be (i) used for the purpose of paying the cost of extensions, additions and capital improvements to, or the renewal and replacement of capital assets of, or purchasing and installing new equipment for, the System and to acquire property in connection therewith, or paying any expenses incurred in connection with the operation and management of the System which are not annually recurrent, including extraordinary maintenance and repair, or which are not Operating Expenses, (ii) applied to the repayment of debt incurred in connection with capital improvements to the System or any portions thereof, including repayments of loans made by the State, (iii) transferred to the Debt Service Fund to make up any deficiency therein and (iv) used for any other lawful purpose of the City with respect to the System.

The Treasurer shall cause to be made disbursements from the Renewal and Replacement Fund for the purposes set forth in clauses (i) and (ii) of the immediately preceding paragraph upon the filing from time to time of requisitions signed by an Authorized Officer of the City. Each requisition shall set forth the purpose for which the disbursement is to be made and shall state that the work has been performed or that materials, supplies or equipment have been delivered, installed or fabricated or that the payment of principal of or interest on a loan is due, as appropriate. (Bond Resolution, Section 5.8)

Rate Stabilization Fund

There shall be deposited in the Rate Stabilization Fund any amount available therefor and determined by the City to be deposited therein from time to time in order to stabilize the rates, fees, rentals, connection fees or other charges as of the time received or accrued by the City in connection with the management and operation of the System. (Bond Resolution, Section 5.9)

Deposits

Any amounts held under the Bond Resolution by the Trustee or any Depositary, may, if and as directed by the Director of Budget and Evaluation, be deposited in the commercial banking department of the Trustee or any such Depositary which may honor checks and drafts on such deposit with the same force and effect as if it were not the Trustee or such Depositary. The Trustee or any such Depositary shall allow as a credit on such amounts at least such interest, if any, as it customarily allows upon similar funds of similar size and under similar conditions or as required by law.

All amounts deposited by the Trustee or any Depositary shall be continuously and fully secured either (i) by lodging with the Trustee or any such Depositary other than the Trustee or Depositary in which the deposit is made, as custodian, as collateral security, Investment Securities having a market value (exclusive of accrued interest) not less than the amount of such deposit, or (ii) in such other manner as may then be required by applicable federal or State laws and regulations regarding security for the deposit of public funds applicable to the City. It shall not be necessary, unless required by applicable law, for the Trustee or the Depositary to give security for the deposit of any amounts to the extent that such deposit is insured by the Federal Deposit Insurance

Corporation or the Federal Savings and Loan Insurance Corporation, or their respective successors. (Bond Resolution, Section 5.10)

Investment of Certain Funds

Any Fund or Account held by the City may be invested and reinvested or deposited in Investment Securities having yields and maturities as determined by the Treasurer.

Subject to the right of the Treasurer to direct the investment or deposit of funds under the Bond Resolution, moneys in any Fund or Account held by the Trustee shall be continuously invested and reinvested or deposited and redeposited by the Trustee in the highest yield Investment Securities that may be reasonably known to the Trustee, with a view toward maximizing yield (with proper preservation of principal) and minimizing the instances of uninvested funds. The Treasurer shall consult with the Trustee from time to time as to the investment of amounts in the Funds and Accounts held by the Trustee. The Treasurer may direct the Trustee to, or in the absence of direction, the Trustee shall, invest and reinvest the moneys in all Funds and Accounts in Investment Securities so that the maturity date or date of redemption at the option of the holder thereof shall coincide as nearly as practicable with the times at which moneys are needed to be so expended. The Investment Securities purchased shall be held by the Trustee and shall be deemed at all times to be part of such Fund or Account, and the Trustee shall keep the Treasurer advised as to the details of all such investments.

Investment Securities purchased as an investment of moneys in any Fund or Account under the provisions of the Bond Resolution shall be deemed at all times to be a part of such Fund or Account and income or interest earned and gains realized in excess of losses suffered by a Fund or Account due to the investment thereof (i) to the extent provided in any Supplemental Resolution providing for the issuance of Bonds, shall be deposited in the Construction Fund for credit to the Construction Account therein during any construction period and (ii) to the extent not otherwise provided pursuant to clause (i) hereof, shall be deposited in the Revenue Fund as Revenues of the System. (Bond Resolution, Section 5.11)

Valuation and Sale of Investments. (a) In computing the amount in any Fund or Account other than the Debt Service Reserve Fund, obligations purchased as an investment of Moneys therein shall be valued at the lower of cost or fair market value. Obligations purchased as an investment of moneys in the Debt Service Reserve Fund shall be valued at their cost, plus any accrued interest paid upon the purchase of such investments not yet received. The amounts in each Fund and Account created and established under this Bond Resolution shall be valued semiannually on the last day of the second and fourth fiscal quarter of each Fiscal Year and at such other times as shall be deemed to be necessary or appropriate by the Trustee or the City.

(b) Except as otherwise provided herein, the Trustee shall sell at the best price obtainable, or present for redemption, any Investment Security whenever it shall be required in writing by the Treasurer to do so or whenever it shall be necessary in order to provide moneys to meet any payment or transfer from any Fund or Account held by it, and the Treasurer shall sell at the best price obtainable, or present for redemption, any Investment Security whenever it shall be necessary in order to provide moneys to meet any payment or transfer from any Fund or Account held by the City. An Investment Security may be credited on a pro rata basis to more than one Fund or Account and need not be sold in order to provide for the transfer of amounts from one Fund or Account to another. (Bond Resolution, Section 5.12)

Certain Covenants of the City

Payment of Bonds. The City shall duly and punctually pay or cause to be paid, as provided in the Bond Resolution, the principal or Redemption Price of every Bond and the interest thereon, at the dates and places and in the manner stated in the Bonds, according to the true intent and meaning thereof and shall duly and punctually pay or cause to be paid all Sinking Fund Payments, if any, becoming payable with respect to any of the Bonds. (Bond Resolution, Section 7.1)

Extension of Payment of Bonds. The City shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any claims for interest on the Bonds. Nothing herein shall be deemed to limit the right of the City to issue Refunding Bonds and such issuance shall not be deemed to constitute an extension of maturity of the Bonds. (Bond Resolution, Section 7.2)

Appointment of Registrar. The City shall at all times maintain at all times maintain at the principal or corporate trust office of the Trustee an office or agency where notices, presentations and demands upon City in respect of the Bonds or of the Bond Resolution may be served. The Trustee is appointed as Registrar for the Bonds and shall maintain at its principal or corporate trust office an office or offices where Bonds may be presented for registration, transfer or exchange. (Bond Resolution, Section 7.3)

Power to Issue Bonds and Pledge. The City is duly authorized under the Act to authorize and issue the Bonds and to enter into, execute and deliver the Bond Resolution and to pledge the Revenues and assets purported to be pledged thereby in the manner and to the extent therein provided. The Bonds and the provisions of the Bond Resolution are and will be the valid and legally enforceable obligations of the City in accordance with the terms of the Bonds and of the Bond Resolution. The City shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of such Revenues and other assets pledged under the Bond Resolution and all the rights of the Bondholders under the Bond Resolution against all claims and demands of all persons whomsoever. (Bond Resolution, Section 7.4)

Further Assurance. At any and all times the City shall, so far as it may be authorized by law, pass, make, execute, acknowledge and deliver, all and every such further resolutions, acts, deeds, conveyances, assignments, transfers and assurances as may be necessary or desirable for the better assuring, conveying, granting, pledging, assigning and confirming all and singular of the rights, Revenues and assets pledged or assigned, or intended so to be, or which the City may become bound to pledge or assign. (Bond Resolution, Section 7.5)

Accounts and Reports. The City shall, in accordance with generally accepted accounting principles for enterprise funds and the provisions of the Bond Resolution, keep, or cause to be kept, proper books of record and account in which complete and accurate entries shall be made relating to the System, which shall at all reasonable times be subject to the inspection of the Trustee and the Holders of an aggregate of not less than ten percent (10%) in principal amount of Bonds Outstanding or their representatives duly authorized in writing.

The City shall annually prepare, within nine (9) calendar months after the close of each Fiscal Year, a copy of an audited annual financial report as to its obligations and activities relating to the System during such Fiscal Year, and financial statements for such Fiscal Year, setting forth in reasonable detail:

(i) a balance sheet showing the assets and liabilities of the City relating to the System at the end of such Fiscal Year;

(ii) a statement of revenues and expenses in accordance with the categories or classifications established by the City for its operating and program purposes and showing the revenues and expenses relating to the System during such Fiscal Year; and

(iii) a statement of changes in financial position of the City relating to the System, as of the end of such Fiscal Year.

The financial statements shall be accompanied by an Accountant's Certificate stating whether the financial statements examined fairly present the financial position of the City relating to the System at the end of the Fiscal Year, and whether the results of its operations and the changes in financial position for the period examined are in conformity with generally accepted accounting principles for enterprise funds.

The City may, in its discretion, either direct its Waterworks Department employ a Consultant on an annual basis to inspect the operation and maintenance of the System and to review the performance by the City of the duties imposed on the City as provided for in the Bond Resolution and to prepare a report of such inspection and review; *provided, however,* that such inspection and review must be performed and such report must be prepared during the fifth full Fiscal Year following the Fiscal Year in which the Bond Resolution is adopted and during each fifth Fiscal Year thereafter. The City may, in its discretion, direct its Waterworks Department or the Consultant to file a copy of any such report with the Trustee.

Any such financial statements may be presented on a consolidated or combined basis with other reports of the City, so long as the information relating to the System is separately identified and only to the extent that such basis of reporting shall be consistent with that required under the provisions of the Bond Resolution summarized in the second paragraph under *"Accounts and Records"* above. (Bond Resolution, Section 7.6)

Operating Budgets. The City shall adopt an Operating Budget including provision for the operation and maintenance of the System and payment of the Debt Service related to the Bonds for each Fiscal Year not later than the first day of such Fiscal Year. The Operating Budget shall set forth for such Fiscal Year the estimated Revenues, the Principal Installments of and interest on the Bonds due and payable or estimated to become due and payable during such Fiscal Year and estimated Operating Expenses for such Fiscal Year. The City may at any time adopt an amended Operating Budget for the remainder of the then current Fiscal Year in the manner provided in the Bond Resolution for the adoption of the Operating Budget. In the event the City shall not adopt an Operating Budget for a Fiscal Year on or before the first day of such Fiscal Year, the Operating Budget for the preceding Fiscal Year shall be deemed to have been adopted and be in effect for such Fiscal Year until the Operating Budget for such Fiscal Year shall have been adopted as above provided.

The City shall not expend for Operating Expenses in any Fiscal Year in excess of the reasonable or necessary amount thereof and shall not expend any amount or incur any indebtedness for Operating Expenses for such year in excess of the amount provided therefor in the Operating Budget as originally prepared or as amended. (Bond Resolution, Section 7.7)

Rate Covenant. (a) Prior to the commencement of each Fiscal Year the City shall fix, establish and maintain or cause to be fixed, established and maintained such rates and charges for the provision and sale of services provided by the System, and revise or cause to be revised the same from time to time whenever necessary (including without limitation upon any amendment of the Operating Budget), as will produce Revenues (including Revenues to be derived from interest or other investment income earned in any Fund or Account which is required to be deposited into the Revenue Fund) in such Fiscal Year of not less than the total of (i) the Operating Expenses budgeted for such Fiscal Year (as revised upon any amendment of the Operating Budget), (ii) 120% of (1.20 times) the Debt Service to become due during such Fiscal Year and (iii) 100% of (1 times) the debt service on the City's Subordinate Obligations and general obligation water bonds.

(b) In satisfying the covenant contained in subsection (a) above (the "Rate Covenant") there shall be deducted from the calculation of Debt Service any interest payments on the Bonds of any Series for which moneys have been deposited in the Debt Service Fund from the proceeds of such Bonds as accrued interest or deposited in the Capitalized Interest Account in the Construction Fund as capitalized interest.

(c) The Rate Covenant shall be interpreted, with respect to the first delivery of Bonds under the Bond Resolution, to be applicable to the Fiscal Year commencing July 1, 2006.

(d) If it shall be determined that the actual Revenues for the immediately preceding Fiscal Year shall be less than the total of (i) the actual Operating Expenses for such Fiscal Year, (ii) 120% of (1.20 times) the actual Debt Service for such Fiscal Year and (iii) 100% of (1 times) the debt service on the City's Subordinate Obligations and general obligation water bonds, the City shall immediately cause to be prepared a special report that recommends the actions, including rate increases, necessary to comply with the Rate Covenant and, within sixty (60) days after the special report is prepared, the City shall file or cause to be filed with the Trustee a copy of such special report and, accompanied by a statement as to the actions being taken by the City to cure its failure to comply with the Rate Covenant.

(e) No free service shall be provided from the System for any period during which the City is not in compliance with its rate covenant. (Bond Resolution, Section 7.8)

Collection of Revenues. The City shall collect and deposit or cause to be collected and deposited in the Revenue Fund all amounts paid pursuant to customer contracts or any other contracts regarding the provision and sale of water services. The City will enforce or cause to be enforced all covenants, conditions, restrictions and provisions of such contracts and may consent to the modifications of such contracts only so long as its rate covenant remains satisfied. (Bond Resolution, Section 7.9)

Consultant's Report. The City may, in its discretion, retain a Consultant and may direct the Consultant, prior to the time fixed by the City for the filing of its Operating Budget for any Fiscal Year, to submit a report to the City addressed to the Council and the Director of Budget and Evaluation showing for the current Fiscal Year the Revenues received, Debt Service and debt service on Subordinate Obligations and general obligation water bonds and Operating Expenses and indicating any increase required in such Revenues for the next succeeding Fiscal Year in order to satisfy the Rate Covenant on the basis of scheduled debt service and projected Operating Expenses for the next succeeding Fiscal Year.

The City may, in its discretion, direct the Consultant, prior to the time fixed by the City for the filing of its Operating Budget for any Fiscal Year, to submit a report to the City addressed to the Council and the Director of Budget and Evaluation setting forth the recommendations of the Consultant for the revision of rates and charges in order for the City to comply with the Rate Covenant. (Bond Resolution, Section 7.10)

Issuance of Additional Obligations. The City will not issue any other obligations, except upon the conditions and in the manner provided in the Bond Resolution, payable from the Revenues derived from the operation of the System having priority to or being on a parity with the lien of the Bonds issued pursuant to the Bond Resolution, nor voluntarily create or cause to be created any debt, lien, pledge, assignment, encumbrance or any other charge having priority to or being on a parity with the lien of the Bonds issued pursuant to the Bond Resolution Notwithstanding the foregoing, the City may from time to time issue Subordinate Obligations having a lien on the Revenues of the System inferior to the lien of the Bonds.

No Bonds shall be issued under the Bond Resolution unless either:

(i) the Revenues for any twelve (12) consecutive calendar months in the eighteen (18) calendar months immediately preceding the delivery of the Series of Bonds to be issued, adjusted in the manner hereinafter provided, are at least equal to the sum of (A) the Operating Expenses for such twelve (12) month period, (B) 120% of (1.20 times) the maximum Debt Service to occur in any future Fiscal Year and (C) 100% of (1 times) the maximum debt service on the City's Subordinate Obligations and general obligation water bonds to occur in any future Fiscal Year. If the City has caused to be increased rates and charges for the provision and sale of water services, or other services of the System, a firm of engineers, accountants or consultants selected by the City may be instructed to prepare a *pro forma* analysis of Revenues for the preceding eighteen (18) calendar months giving effect to the increases, and such analysis may be used for purposes of satisfying the Additional Bonds test set forth in this clause (i); or

(ii) (A) the Revenues for the Fiscal Year immediately preceding the delivery of the Series of Bonds to be issued shall have been at least equal for such Fiscal Year to the sum of (I) the Operating Expenses, (II) 120% of (1.20 times) the Debt Service for such Fiscal Year and (III) 100% of (1 times) the debt service on the City's Subordinate Obligations and general obligation water bonds for such Fiscal Year; and

(B) the Revenues, as projected by a recognized feasibility consultant in the field of water financing, during the first full Fiscal Year following completion of the improvements financed by the Series of Bonds then to be issued shall be at least equal to the sum of (I) the Operating Expenses projected for such Fiscal Year, (II) 125% of (1.25 times) the maximum Debt Service projected to occur in any future Fiscal Year and (III) 100% of (1 times) the maximum debt service on the City's Subordinate Obligations and general obligation water bonds projected to occur in any future Fiscal Year. (Bond Resolution, Section 7.11)

Tax Covenants. The City covenants and agrees to comply with the provisions of Sections 103 and 141 through 150 of the Code and the applicable Treasury Regulations promulgated thereunder throughout the term of any Bonds the interest on which is contemplated at the time of their issuance to be excluded from gross interest for federal income tax purposes. (Bond Resolution, Section 7.12)

Construction and Maintenance of System. The City shall complete or cause to be completed construction of any improvements to the System in an economical and efficient manner with all practicable dispatch and thereafter shall maintain or cause to be maintained the System in good condition and shall continuously operate or cause to be operated the same in an efficient manner and at a reasonable cost as a municipal revenue producing enterprise. The City may terminate any construction or operation of the System upon the filing with the Trustee of (i) a Certificate signed by an Authorized Officer of the City stating that the abandonment of construction and operation is economically justified and shall not prejudice the interest of the Bondholders and (ii) an opinion of Bond Counsel to the City stating that the abandonment of construction and operation shall not materially prejudice the benefits, rights or privileges of the Bondholders or the City.

The City shall operate, manage and maintain the System as a "project" as that term is defined in the Act. (Bond Resolution, Section 7.13)

Insurance. The City shall maintain or cause to be maintained such insurance coverage as is reasonable under the circumstances now in existence to insure the System against any physical loss or damage and to insure against injury to persons or damage to property which may reasonably occur in the operation of the System, with such revisions, insertions and omissions necessitated by the transfer of ownership of the Existing System and construction of any improvements to the System. The City may, at its option and to the extent allowed by the law and not provided by other policies of the City, provide for self-insurance or carry or cause to be carried such other insurance with a reputable insurance carrier or carriers, such as is maintained or carried by private corporations owning or operating similar utilities as the System, including: (i) public liability insurance against loss or damage by fire, explosion, hurricane, earthquake, cyclone, occupancy or other hazards and risks, (ii) comprehensive general public liability insurance and automobile liability insurance to insure against injury to persons or damage to property which may reasonably occur in the operation of the System, (iii) workers' compensation and employers' liability insurance and (iv) business interruption insurance. In the event that the City shall designate an agent to supervise construction of the System or any portion thereof, the City shall cause such agent to carry insurance as provided above to the extent that the insurance carried by the City shall be insufficient to insure against loss of the System and any Revenues derived therefrom. Such property loss and damage insurance shall at all times be in an amount sufficient to indemnify for loss of the System and of the Revenues and, to the extent that such insurance is obtainable, the City shall also carry or cause to be carried in such amount such insurance as may be reasonably available against loss or damage by sabotage or acts of terrorism and the risks and hazards of war. The proceeds of the insurance described in this paragraph shall be deposited into the Renewal and Replacement Fund.

During the construction of any improvements to the System, the City shall maintain or cause to be maintained on its behalf naming it as co-insured or for its benefit such builder's risk insurance respecting the improvements to the System or portions thereof as is customarily carried by owners or builders of utilities similar to the System. Proceeds of such insurance shall be deposited in the Construction Fund.

In all cases, the Administrator, Office of Self Insurance, or such other officer as shall be designated by the City Manager, shall be the sole arbiter of the reasonableness of the insurance to be maintained by the City. (Bond Resolution, Section 7.14)

Sale of the System. The System may be sold, leased or otherwise disposed of to another political subdivision or public agency of the State authorized by law to own and operate such systems only if such political subdivision assumes all the obligations of the City under the Bond Resolution and there is filed with the Trustee a report prepared by an independent consultant satisfactory to the Trustee showing that there is no material adverse effect on the ability of the System to produce Revenues to satisfy the Rate Covenant.

The System may be sold, leased or otherwise disposed of to a private utility only as a whole or substantially as a whole, and only if the net proceeds to be realized shall be sufficient to discharge the lien of the Bondholders as provided in Section 12.1 of the Bond Resolution (see "*Defeasance*" below).

The City shall have and reserves the right to sell, lease or otherwise dispose of any of the property comprising a part of the System hereafter determined in the manner provided in the Bond Resolution to be no longer necessary, useful or profitable in the operation thereof. Prior to any such sale, lease or other disposition of such property, an Authorized Officer of the City shall make a finding in writing determining that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof, and such sale shall be approved by ordinance of the Council if the amount to be received therefor is in excess of $100,000. All proceeds derived from the sale, lease or other disposition of any property comprising a part of the System as provided above, with the exception of restricted proceeds from the sale of land, shall be deposited by the City in the Renewal and Replacement Fund or the Debt Service Fund as shall be determined by the Director of Waterworks. This requirement will not pertain to the sale, transfer, or trade of obsolete or unused personal property carried out by the City's purchasing director in accordance with Section 2-553.2 of the City Code. (Bond Resolution, Section 7.15)

Compliance With Conditions Precedent. Upon the date of issuance of any of the Bonds, all conditions, acts and things required by law or by the Bond Resolution to exist, to have happened or to have been performed precedent to or in the issuance of such Bonds shall exist, have happened and have been performed and such Bonds, together with all other indebtedness of the City, shall be within every debt and other limit prescribed by law. (Bond Resolution, Section 7.16)

General. The City shall do and perform or cause to be done and performed all acts and things required to be done or performed by or on behalf of the City under the provisions of the Bond Resolution in accordance with the terms of such provisions. (Bond Resolution, Section 7.17)

Supplemental Resolutions

Supplemental Resolutions Effective Upon Filing With the Trustee. For any one or more of the following purposes and at any time or from time to time, a Supplemental Resolution of the City may be adopted, which, upon the filing with the Trustee of a copy thereof certified by the City Clerk of the City or an Authorized Officer of the City, shall be fully effective in accordance with its terms:

(1) to close the Bond Resolution against, or provide limitations and restrictions in addition to the limitations and restrictions contained in the Bond Resolution on the delivery of Bonds or the issuance of other evidences of indebtedness;

(2) to add to the covenants and agreements of the City in the Bond Resolution other covenants and agreements to be observed by the City which are not contrary to or inconsistent with the Bond Resolution as theretofore in effect;

(3) to add to the limitations and restrictions in the Bond Resolution and other limitations and restrictions to be observed by the City which are not contrary to or inconsistent with the Bond Resolution as thereupon in effect;

(4) to surrender any right, power or privilege reserved to or conferred upon the City by the terms of the Bond Resolution, but only if the surrender of such right, power or privilege is not contrary to or inconsistent with the covenants and agreements of the City contained in the Bond Resolution;

(5) to confirm, as further assurance, any pledge under, and the subjection to any lien or pledge created or to be created by, the Bond Resolution of the Revenues or of any other revenues or assets;

(6) to modify any of the provisions of the Bond Resolution in any respect whatsoever, but only if (i) such modification shall be, and be expressed to be, effective only after all Bonds Outstanding at the date of the adoption of such Supplemental Resolution shall cease to be Outstanding and (ii) such Supplemental Resolution shall be specifically referred to in the text of all Bonds delivered after the date of the adoption of such Supplemental Resolution and of Bonds issued in exchange therefor or in place thereof;

(7) to authorize and provide for the issuance of additional Series of Bonds and to prescribe the terms and conditions upon which such Bonds may be issued; or

(8) to increase the Debt Service Reserve Requirement by removing the reference to the Code to the extent there is a change in such law or regulations permitting the removal of the limitation. (Bond Resolution, Section 8.1)

Supplemental Resolutions Effective Upon Consent of Trustee. For any one or more of the following purposes and at any time or from time to time, a Supplemental Resolution may be adopted, which upon (i) the filing with the Trustee of a copy thereof certified by the City Clerk or an Authorized Officer of the City and (ii) the filing with the Trustee and the City of an instrument in writing made by the Trustee consenting thereto, shall be fully effective in accordance with its terms:

(1) to cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in the Bond Resolution; or

(2) to insert such provisions clarifying matters or questions arising under the Bond Resolution as are necessary or desirable and are not contrary to or inconsistent with the Bond Resolution as theretofore in effect.

Any such Supplemental Resolution may also contain one or more of the purposes specified in under "*Supplemental Resolutions Effective Upon Filing With the Trustee*" and, in that event, the consent of the Trustee shall be applicable only to those provisions of such Supplemental Resolution as shall contain one or more of the purposes set forth in the immediately preceding paragraph. (Bond Resolution, Section 8.2)

Supplemental Resolutions Effective Upon Consent of Bondholders. At any time or from time to time, a Supplemental Resolution may be adopted subject to consent by Bondholders. Any such Supplemental Resolution shall become fully effective in accordance with its terms upon the filing with the Trustee of a copy thereof certified by the City Clerk or by an Authorized Officer of the City and upon compliance with the provisions of Article IX ("*Amendments*"). (Bond Resolution, Section 8.3)

General Provisions. The Bond Resolution shall not be modified or amended in any respect except as provided in and in accordance with and subject to the provisions of Article VIII ("*Supplemental Resolutions*") and Article IX ("Amendments") and nothing contained in such provisions shall affect or limit the right or obligation of the City to adopt, make, do, execute, acknowledge or deliver any resolution, act or other instrument pursuant to the provisions of Section 7.5 (see "*Certain Covenants of the City - Further Assurance*" above) or the right or obligation of the City to execute and deliver to the Trustee any instrument which is to be delivered to the Trustee pursuant to the Bond Resolution.

Any Supplemental Resolution permitted or authorized by Section 8.1 ("*Supplemental Resolutions Effective Upon Filing With the Trustee*") or 8.2 ("*Supplemental Resolutions Effective Upon Consent of Trustee*") may be adopted by the Council of the City without the consent of any of the Bondholders, but shall become effective only on the conditions, to the extent and at the time provided in such sections, respectively. The copy of every Supplemental Resolution filed with the Trustee shall be accompanied by a Bond Counsel's Opinion stating that such Supplemental Resolution has been duly and lawfully adopted by the Council of the City in accordance with the provisions of the Bond Resolution, is authorized or permitted by the Bond Resolution, and is valid and binding upon the City.

The Trustee is authorized to accept the delivery of a certified copy of any Supplemental Resolution referred to and permitted or authorized by the provisions summarized above and to make all further agreements and stipulations which may be therein contained, and the Trustee, in taking such action, shall be fully protected in relying on an opinion of counsel (which may be a Bond Counsel's Opinion) that such Supplemental Resolution is authorized or permitted by the provisions of the Bond Resolution.

No Supplemental Resolution shall change or modify any of the rights or obligations of the Trustee without its written consent thereto. (Bond Resolution, Section 8.4)

Amendments

Mailing and Publication of Notice of Amendment. Any provision in Article IX ("*Amendments*") or the mailing of a notice or other paper to Bondholders shall be fully complied with if it is mailed by first class mail, postage prepaid, (i) to each Holder of Bonds Outstanding at the address, if any, appearing upon the registration books of the City maintained by the Registrar and (ii) to the Trustee. (Bond Resolution, Section 9.1)

Power of Amendment. Any modification of or amendment to the Bond Resolution and of the rights and obligations of the City and of the Holders of the Bonds hereunder, in any particular, may be made by a

Supplemental Resolution, but only in the event such Supplemental Resolution shall be adopted pursuant to Section 8.3 ("*Supplemental Resolutions Effective Upon Consent of Bondholders*"), with the written consent given, as provided in Section 9.3 ("*Consent of Bondholders*"), (i) of the Holders of at least a majority in principal amount of the Bonds Outstanding at the time such consent is given, (ii) in case less than all of the several Series of Bonds Outstanding are affected by the modification or amendment, of the Holders of at least a majority in principal amount of the Bonds of each Series so affected and Outstanding at the time such consent is given and (iii) in case less than all the maturities of a Series of Bonds are affected by the modification or amendment, of the Holders of at least a majority in principal amount of the Bonds of each maturity so affected and outstanding at the time such consent is given. If any such modification or amendment will not take effect until Bonds of any specified maturity shall no longer remain outstanding, the consent of the Holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds.

No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bond or of any installment of interest thereon without the consent of the Holder of such Bond, or shall reduce the percentages or otherwise affect the classes of Bonds, the consent of the Holders of which is required to effect any such modification or amendment, or shall change or modify any of the rights or obligations of the Trustee without its written consent thereto. For the purposes of the provisions summarized in this section, a Series shall be deemed to be affected by a modification or amendment of the Bond Resolution if the same adversely affects or diminishes the rights of the Holders of Bonds of such Series. The Trustee may, in its sole discretion, determine whether or not Bonds of any particular Series or maturity would be affected by any modification or amendment made in accordance with the foregoing powers of amendment. Any such determination shall be binding and conclusive on the City and all Holders of Bonds.

Prior to the issuance of the initial Series of Bonds hereunder, the provisions of the Bond Resolution may be amended in whole or in part by a Supplemental Resolution adopted by the Council of the City without the consent of the Trustee, which shall be fully effective in accordance with its terms upon the filing with the Trustee of a copy thereof certified by the City Clerk or an Authorized Officer of the City. (Bond Resolution, Section 9.2)

Consent of Bondholders. (a) A copy of any Supplemental Resolution making a modification or amendment which is not permitted by the provisions of Section 8.1 ("*Supplemental Resolutions Effective Upon Filing With the Trustee*") or 8.2 ("*Supplemental Resolutions Effective Upon Consent of Trustee*") (or brief summary thereof or reference thereto in form approved by the Trustee), together with a request to Bondholders for their consent thereto in form satisfactory to the Trustee, shall be mailed by the City to any Holder of Bonds by first class mail, postage prepaid. Such Supplemental Resolution shall not be effective unless and until (i) there shall have been filed with the Trustee (a) the written consents of Holders of the percentages of Outstanding Bonds specified in the provisions summarized in this section and (b) a Bond Counsel's Opinion stating that such Supplemental Resolution has been duly and lawfully adopted by the Council of the City in accordance with the provisions of the Bond Resolution, is authorized or permitted hereby and is valid and binding upon the City and (ii) a notice shall have been mailed as provided below.

(b) The consent of a Bondholder to any modification or amendment shall be effective only if accompanied by proof of the ownership, at the date of such consent, of the Bonds with respect to which such consent is given, which proof shall be such as is permitted by Section 11.13 ("*Evidence on Which Trustee May Act*"). A Certificate of the Trustee filed with the Trustee stating that it has examined such proof and that such proof is in accordance with such Section 11.13 shall be conclusive evidence that the consents have been given by the Holders of the Bonds described in such Certificate of the Trustee. Any such consent shall be binding upon the Holder of the Bonds giving such consent and upon any subsequent Holder of such Bonds and of any Bonds issued in exchange therefor (whether or not such subsequent Holder thereof has notice thereof) unless such consent is revoked in writing by the Holder of such Bonds giving such consent or a subsequent Holder thereof by filing with the Trustee, prior to the time when the written statement of the Trustee hereinafter provided for in the provisions summarized in this section is filed, such revocation and, if such Bonds are transferable by delivery, proof that such Bonds are held by the signer of such revocation in the manner permitted by Section 11.13. The fact that a consent has not been revoked may likewise be proved by a Certificate of the Trustee filed with the Trustee to the effect that no revocation thereof is on file with the Trustee.

(c) At any time after the Holders of the required percentages of Bonds shall have filed their consents to the Supplemental Resolution, the Trustee shall make and file with the City and the Trustee a written statement that the Holders of such required percentages of Bonds have filed such consents. Such written statement shall be conclusive that such consents have been so filed. Not more than ninety (90) days after the Holders of the required percentages of Bonds shall have filed their consents to the Supplemental Resolution and the written statement of the Trustee hereinabove provided for is filed, notice, stating in substance that the Supplemental Resolution (which may be referred to as a Supplemental Resolution adopted by the Council of the City on a stated date, a copy of which is on file with the Trustee) has been consented to by the Holders of the required percentages of Bonds and will be effective as provided in the provisions summarized in this section, shall be given to the Bondholders by the City by mailing such notice to the Bondholders by first class mail, postage prepaid. The City shall file with the Trustee proof of the mailing of such notice and, if the same shall have been published, of the publication thereof. A record, consisting of the papers required or permitted by the provisions summarized in this section to be filed with the Trustee, shall be proof of the matters therein stated. Such Supplemental Resolution making such amendment or modification shall be deemed conclusively binding upon the City, the Trustee and Holders of all Bonds at the expiration of forty (40) days after the filing with the Trustee of the proof of the first mailing of the notice of such consent, except in the event of a final decree of a court of competent jurisdiction setting aside such Supplemental Resolution in a legal action or equitable proceeding for such purpose commenced within such forty (40) day period, except that the Trustee and the City during such forty (40) day period and any such further period during which any action or proceeding may be pending shall be entitled in their absolute discretion to take such action, or to refrain from taking any such action, with respect to such Supplemental Resolution as they may deem expedient. (Bond Resolution, Section 9.3)

Modifications by Unanimous Consent. The terms and provisions of the Bond Resolution and the rights and obligations of the City and of the Holders of the Bonds hereunder may be modified or amended in any respect upon the adoption and filing by the City of a Supplemental Resolution and the consent of the Holders of all the Bonds Outstanding, such consent to be given as provided in Section 9.3 (see "*Consent of Bondholders*" above), but no such modification or amendment shall change or modify any of the rights or obligations of the Trustee without the filing with the Trustee of the written consent thereto of the Trustee in addition to the consent of the Bondholders. No notice of any such modification or amendment to Bondholders either by mailing or publication shall be required. (Bond Resolution, Section 9.4)

Default and Remedies

Events of Default. Each of the following events is declared an "Event of Default":

(a) failure to make payment of the principal or Redemption Price, if any, of any Bond when and as the same shall become due, whether at maturity or upon call for redemption or otherwise; or

(b) failure to make payment of any installment of interest on any of the Bonds when and as the same shall become due; or

(c) failure or refusal by the City to comply with the provisions of the Bond Resolution, or default by the City in the performance or observance of any of the covenants, agreements or conditions on its part contained in the Bond Resolution, in any Supplemental Resolution or in the Bonds (other than a failure or refusal constituting an Event of Default under subsection (a) or (b) above) and the continuance of such failure, refusal or default for a period of forty-five (45) days after written notice thereof by the Trustee or the Holders of not less than twenty-five percent (25%) in principal amount of the Outstanding Bonds; *provided, however*, that the failure or refusal by the City to comply with the provisions of the Bond Resolution, or default by the City in the performance or observance of any of the covenants, agreements or conditions on its part contained herein, in any Supplemental Resolution or in the Bonds (other than a failure or refusal constituting an Event of Default under subsection (a) or (b) of Section 10.1), shall not constitute an Event of Default if, prior to or within such forty-five (45) day period, the City shall commence, or cause to be commenced, appropriate action in good faith to cure such violation or failure and shall diligently prosecute such action to completion, notwithstanding that the period required to effect such cure shall extend beyond such forty-five (45) day period; and *provided further* that the failure of the City to comply with the Rate Covenant set forth in Section 7.8(a) of the Bond Resolution shall not be an Event of Default if the City shall have caused to be prepared the special report contemplated by Section 7.8(d) of the Bond Resolution and shall, after the filing with the Trustee of the special report contemplated by such Section 7.8(d) of the Bond Resolution, be taking actions in accordance with the recommendations set forth therein to cure its failure to comply with the Rate Covenant. (Bond Resolution, Section 10.1)

Remedies. (a) Upon the happening and continuance of any Event of Default specified in subsection (a) and (b) above the Trustee shall proceed or, upon the happening and continuance of any Event of Default specified in subsection (c) of Section 10.1 the Trustee may proceed and, upon the written request of the Holders of not less than twenty-five percent (25%) in principal amount of the Outstanding Bonds, shall proceed, in its own name, subject to the provisions of Section 11.3 ("*Evidence on Which Trustee May* Act") to protect and enforce the rights of the Bondholders by such of the following remedies, which are then permitted by law, as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights:

(1) by mandamus or other suit, action or proceeding at law or in equity, to enforce all rights of the Bondholders, including the right to require the City to receive and collect Revenues adequate to enable the City to carry out any of the covenants or agreements with Bondholders and to perform its duties as prescribed by law;

(2) by bringing suit upon the Bonds;

(3) by action or suit in equity, to require the City to account as if it were the trustee of an express trust for the Holders of the Bonds;

(4) by action or suit in equity, to enjoin any acts or things which may be unlawful or in violation of the rights of the Holders of the Bonds; or

(5) by declaring all Bonds due and payable, and if all defaults shall be cured, then, with the written consent of the Holders of not less that twenty-five percent (25%) in principal amount of the Outstanding Bonds, by annulling such declaration and its consequences.

(b) In the enforcement of any rights and remedies under the Bond Resolution, the Trustee shall be entitled to sue for, enforce payment of and receive any and all amounts then, or during any default becoming, and at any time remaining, due and unpaid from the City for principal, interest or otherwise, under any provisions of the Bond Resolution or a Supplemental Resolution or of the Bonds, with interest on overdue payments at the rate of interest specified in such Bonds, together with any and all costs and expenses of collection and of all proceedings under the Bond Resolution or such Supplemental Resolution or Bonds, without prejudice to any other right or remedy of the Trustee or of the Bondholders, and to recover and enforce a judgment or decree against the City for any portion of such amounts remaining unpaid, with interest, costs and expenses (including without limitation pretrial, trial and appellate attorney fees), and to collect from any moneys available for such purpose, in any manner provided by law, the moneys adjudged or decreed to be payable.

(c) Upon the occurrence of any Event of Default, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Bondholders under the Bond Resolution, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the Revenues and of the assets of the City relating to the System, pending such proceedings, with such powers as the court making such appointment shall confer.

(d) Except upon the occurrence and during the continuance of an Event of Default under the Bond Resolution, the City expressly reserves and retains the privilege to receive and, subject to the terms and provisions of the Bond Resolution, to keep or dispose of, claim, bring suit upon or otherwise exercise, enforce or realize upon its rights and interest in and to the System and the Revenues therefrom, and neither the Trustee nor any Bondholder shall in any manner be or be deemed to be an indispensable party to the exercise of any such privilege, claim or suit. (Bond Resolution, Section 10.2)

Priority of Payments After Default. In the event that upon the happening and continuance of any Event of Default the moneys held by the Trustee shall be insufficient for the payment of the principal or Redemption Price then due of and interest then due on the Bonds, such moneys (other than moneys for the payment of particular Bonds which have theretofore become due at maturity) and any other amounts received or collected by the Trustee acting pursuant to Article X ("*Defaults and Remedies*"), after making provision for the payment of any expenses necessary in the opinion of the Trustee to protect the interest of the Holders of the Bonds and for the payment of the charges and expenses and liabilities incurred and advances made by the Trustee in the performance of their respective duties under the Bond Resolution, shall be applied as follows:

Unless the principal of all of the Bonds shall have become or have been declared due and payable:

FIRST: To the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, and, if the amounts available shall not be sufficient to pay in full any installment, then to the payment thereof ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference;

SECOND: To the payment to persons entitled thereto of the unpaid principal or Redemption Price of any Bonds which shall have become due and, if the amounts available shall not be sufficient to pay in full all the Bonds due, then to the payment thereof ratably, according to the amounts of principal or Redemption Price due on such date, to the persons entitled thereto, without any discrimination or preference; and

THIRD: To be held for the payment to the persons entitled thereto, as the same shall become due, of the principal or Redemption Price of and interest on the Bonds which may thereafter become due and, if the amounts available shall not be sufficient to pay in full all the Bonds due on any date, together with such interest, payment shall be made ratably according to the amount of principal due on such date to the persons entitled thereto, without any discrimination or preference.

If the principal of all of the Bonds shall have become or have been declared due and payable, to the payment of the principal and interest then due and unpaid upon the Bonds without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any interest, to the persons entitled thereto without any discrimination or preference except as to any difference in the respective rates of interest specified in the Bonds.

Whenever moneys are to be applied by the Trustee pursuant to the provisions summarized in this section, such moneys shall be applied by the Trustee at such times, and from time to time, as the Trustee in its sole discretion shall determine, having due regard to the amount of such moneys available for such application and the likelihood of additional money becoming available for such application in the future. The setting aside of such moneys in trust for any proper purpose shall constitute proper application by the Trustee, and the Trustee shall incur no liability whatsoever to the City, to any Bondholder or to any other person for any delay in applying such moneys, so long as the Trustee acts with reasonable diligence, having due regard for the circumstances, and ultimately applies the same in accordance with such provisions of the Bond Resolution as may be applicable at the time of application by the Trustee. Whenever the Trustee shall exercise such discretion in applying such moneys, it shall fix the date (which shall be an Interest Payment Date unless the Trustee shall deem another date more suitable) upon which such application is to be made. The Trustee shall not be required to make payment to the Holder of any Bond unless such Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid. (Bond Resolution, Section 10.3)

Termination of Proceedings. In case any proceedings taken by the Trustee on account of any Event of Default shall have been discontinued or abandoned for any reason, then in every such case the City, the Trustee and the Bondholders shall be restored to their former positions and rights under the Bond Resolution, respectively, and all rights, remedies, powers, and duties of the Trustee shall continue as though no such proceeding had been taken. (Bond Resolution, Section 10.4)

Bondholder's Direction of Proceedings. Anything in the Bond Resolution to the contrary notwithstanding, the Holders of the majority in principal amount of the Bonds outstanding shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, to direct the method of conducting all remedial proceedings to be taken by the Trustee under the Bond Resolution; *provided* that such direction shall not be otherwise than in accordance with law or the provisions of the Bond Resolution, and that the Trustee shall have the right to decline to follow a direction which, in the opinion of the Trustee, would be unjustly prejudicial to Bondholders not parties to such direction. (Bond Resolution, Section 10.5)

Limitation on Rights of Bondholders. No Holder of any Bond shall have any right to institute any suit, action, mandamus or other proceeding in equity or at law under the Bond Resolution, for the protection or enforcement of any right under the Bond Resolution unless such Holder shall have given to the Trustee written notice of the Event of Default or breach of duty on account of which such suit, action or proceeding is to be taken, and unless the Holders of not less than twenty-five percent (25%) in principal amount of the Bonds Outstanding shall have made written request of the Trustee after the right to exercise such powers or right of action, as the case may be, shall have accrued, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers herein granted or granted under the law or to institute such action, suit or proceeding in its name and unless, also, there shall have been offered to the Trustee reasonable security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused or neglected to comply with such request within a reasonable time. Such notification, request and offer of indemnity are hereby declared in every such case, at the option of the Trustee, to be conditions precedent to the execution of the powers under the Bond Resolution or for any other remedy under the Bond Resolution or by law. It is understood and intended that no one or more Holders of the Bonds secured by the Bond Resolution shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Bond Resolution, or to enforce any right hereunder or under law with respect to the Bonds or the Bond Resolution, except in the manner provided in the Bond Resolution, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner herein provided and for the benefit of all Holders of the Outstanding Bonds. Nothing contained in Article X ("*Defaults and Remedies*") shall affect or impair the right of any Bondholder to enforce the payment of the principal of and interest on his Bonds, or the obligation of the City to pay the principal of and interest on each Bond issued under the Bond Resolution to the Holder thereof at the time and place expressed in such Bond.

Anything to the contrary notwithstanding contained in the provisions summarized in this section or any other provision of the Bond Resolution, each Holder of any Bond by his acceptance thereof shall be deemed to have agreed that any court in its discretion may require, in any suit for the enforcement of any right or remedy under the Bond Resolution or any Supplemental Resolution or in any suit against the Trustee for any action taken or omitted by it as Trustee, the filing by any party litigant in such suit of an undertaking to pay the reasonable costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable pre-trial and appellate attorneys' fees, against any party litigant in any such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; but the provisions summarized in this section shall not apply to any suit instituted by the Trustee to any suit instituted by any Bondholder or group of Bondholders holding at least twenty-five percent (25%) in principal amount of the Bonds Outstanding, or to any suit instituted by any Bondholder for the enforcement of the payment of any Bond on or after the respective due date thereof expressed in such Bond. (Bond Resolution, Section 10.6)

Possession of Bonds by Trustee Not Required. All rights of action under the Bond Resolution or under any of the Bonds, enforceable by the Trustee, may be enforced by it without the possession of any of the Bonds or the production thereof at the trial or other proceeding relative thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in its name for the benefit of all the Holders of such Bonds, subject to the provisions of the Bond Resolution. (Bond Resolution, Section 10.7)

Remedies Not Exclusive. No remedy in the Bond Resolution conferred upon or reserved to the Trustee or to the Holders of the Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy shall be cumulative and shall be in addition to any other remedy given in the Bond Resolution or now or hereafter existing at law or in equity or by statute. (Bond Resolution, Section 10.8)

No Waiver of Default. No delay or omission of the Trustee or of any Holder of the Bonds to exercise any right or power shall be construed to be a waiver of any such default or any acquiescence therein and every power and remedy given by the Bond Resolution to the Trustee and the Holders of the Bonds, respectively, may be exercised from time to time and as often as may be deemed expedient. (Bond Resolution, Section 10.9)

Notice of Event of Default. The Trustee shall give to the Bond Holders notice of each Event of Default hereunder known to the Trustee within ninety (90) days after actual knowledge of the occurrence thereof, unless such Event of Default shall have been remedied or cured before the giving of such notice; *provided* that, except in the case of default in the payment of the principal or Redemption Price of or interest on any of the Bonds, or in the making of any payment required to be made into the Debt Service Fund, the Trustee shall be protected in withholding such notice if and so long as the board of directors or responsible officers, of the Trustee in good faith determines that the withholding of such notice is in the interest of the Bondholders. Each such notice of an Event of Default shall be given by the Trustee by mailing written notice thereof (i) to all Holders appearing on the books of registry of the City maintained by the Registrar and (ii) to such other persons as is required by law. (Bond Resolution, Section 10.10)

Concerning the Fiduciaries

The Trustee. By its certificate of acceptance delivered to the City on the date of first delivery of the Bonds issued under the Bond Resolution the Trustee agrees to hold in trust, for the benefit of the Holders from time to time of the Bonds, all property conveyed or delivered to it under the Bond Resolution and all Funds and Accounts and the moneys or Investment Securities held therein, and to act as Registrar and Paying Agent for the Bonds. (Bond Resolution, Section 11.1)

Responsibility of the Trustee. The statements of fact in the Bond Resolution and in the Bonds contained shall be taken as the statements of the City and the Trustee does not assume any responsibility for the correctness of the same. The Trustee makes no representations as to the validity or sufficiency of the Bond Resolution or of any Bonds hereunder or in respect of the security afforded by the Bond Resolution, and the Trustee shall not incur any responsibility in respect thereof. The Trustee shall not be under any responsibility or duty with respect to the issuance of the Bonds for value or the application of the proceeds thereof or the application of any moneys paid to the City. The Trustee shall not be under any obligation or duty to perform any act which would involve it in expense or liability or to institute or defend any suit in respect of the Bond Resolution, or to advance any of its own moneys, unless properly indemnified. The Trustee shall not be liable in connection with the performance of its duties under the Bond Resolution except for its own negligence or default. (Bond Resolution, Section 11.2)

Resignation of Trustee. The Trustee may at any time resign and be discharged of the duties and obligations created by the Bond Resolution by giving not less than sixty (60) days' written notice to the City, and such resignation shall take effect upon the date specified in such notice unless previously a successor Trustee shall have been appointed, in which event such resignation shall take place immediately on the appointment of such successor. (Bond Resolution, Section 11.6)

Removal of Trustee. The Trustee shall be removed by the City if at any time so requested by an instrument or concurrent instruments in writing, filed with the Trustee and the City and signed by the Holders of a majority in principal amount of the Bonds Outstanding or their duly authorized attorney, excluding any Bonds held by or for the account of the City. The City may remove the Trustee at any time, except during the existence of an Event of Default, for such cause as shall be determined in the sole discretion of the City by filing with the Trustee an instrument signed by an Authorized Officer of the City. (Bond Resolution, Section 11.7)

Appointment of Successor Trustee. In case at any time the Trustee shall resign or shall be removed or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or if a receiver, liquidator or conservator of the Trustee or of its property shall be appointed, or if any public officer shall take charge or control of the Trustee or of its property or affairs, the City covenants and agrees that it will thereupon appoint a successor Trustee.

If no appointment of a successor Trustee shall be made within forty-five (45) days after the Trustee shall have given to the City written notice, or after a vacancy in the office of the Trustee shall have occurred by reason of its inability to act, the Trustee or the Holder of any Bond may apply to any court of competent jurisdiction to appoint a successor Trustee.

Any Trustee appointed in succession to the Trustee shall be a trust company, bank or national banking association duly organized under the laws of the United States of America or any state or territory thereof having the powers of a trust company and capital, surplus and undivided profits aggregating at least $25,000,000, if there be such a trust company, bank or national banking association willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by the Bond Resolution. (Bond Resolution, Section 11.8)

Defeasance

If the City shall pay or cause to be paid to the Holders of the Bonds the principal and interest to become due thereon, at the times and in the manner stipulated therein and in the Bond Resolution, then the pledge of any Revenues, payments made by the City in satisfaction of covenants contained in the Bond Resolution and other moneys, securities and funds thereby pledged and all other rights granted by the Bond Resolution shall be discharged and satisfied. In such event, the Trustee shall, upon the request of the City, execute and deliver to the City all instruments as may be desirable to evidence such discharge and satisfaction and shall pay over or deliver to the City all moneys or securities held by the Trustee pursuant to the Bond Resolution which are not required for the payment of Bonds. If the City shall pay or cause to be paid, or there shall otherwise be paid, to the Holders of all Outstanding Bonds of a particular Series the principal and interest due or to become due thereon, at the times and in the manner stipulated therein and in the Bond Resolution, then such Bonds shall cease to be entitled to any lien, benefit or security under the Bond Resolution and all covenants, agreements and obligations of the City to the Holders of such Bonds shall thereupon cease, terminate and become void and discharged and satisfied.

Bonds or interest installments for the payment of which moneys shall have been set aside and held in trust by the Trustee (through deposit by the City of moneys for such payment or otherwise) shall, at the maturity thereof, be deemed to have been paid within the meaning and with the effect expressed in the preceding paragraph. All Bonds shall, prior to the maturity or Redemption Date thereof, be deemed to have been paid within the meaning and with the effect expressed in the preceding paragraph if (i) in case any of such Bonds are to be redeemed on any date prior to their maturity, the City shall have given to the Trustee, in form satisfactory to it, irrevocable instructions to give notice of redemption of such Bonds on such date as provided in the Bond Resolution, (ii) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or Investment Securities the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient to pay when due the principal or Redemption Price, if any, of and any interest due and to become due on such Bonds on and prior to the Redemption Date or maturity date thereof, as the case may be, or a combination of such moneys and Investment Securities, and (iii) in the event such Bonds are not by their terms subject to redemption within the next succeeding ninety (90) days, the City shall have given the Trustee, in form satisfactory to it, irrevocable instructions to give, in the same manner in which notices of redemption are given, a notice to the Holders of such Bonds that the deposit required by clause (ii) above has been paid in accordance with the Bond Resolution and stating such maturity or Redemption Date upon which moneys are to be available for the payment of the principal or Redemption Price, if any, of and interest on such Bonds; but any cash received from such principal of or interest payments on such Investment Securities deposited with the Trustee, if not then needed for such purpose, shall, to the extent practicable, be reinvested in Investment Securities maturing at times and in amounts sufficient to pay when due the principal or Redemption Price, if any, of and the interest to become due on such Bonds on and prior to such maturity date thereof, as the case may be, and interest earned from such reinvestments shall be paid over to the City, as received by the Trustee, free and clear of any trust, lien or pledge. For the purpose of the provisions of the Bond Resolution summarized above, Investment Securities means and includes only such obligations as are direct obligations of or obligations guaranteed by the United States of America.

If, through the deposit of moneys by the City or otherwise, the Trustee shall hold, pursuant to the Bond Resolution, moneys sufficient to pay the principal of and interest to maturity on all Outstanding Bonds, or in the case of Bonds in respect of which the City shall have taken all action necessary to redeem prior to maturity, sufficient to pay the Redemption Price and interest to such Redemption Date, then at the request of the City all moneys held by the Trustee, shall be held by the Trustee for the payment of Outstanding Bonds.

Anything in the Bond Resolution to the contrary notwithstanding, any moneys held by the Trustee in trust for the payment and discharge of any of the Bonds which remain unclaimed for six (6) years after the date when all of the Bonds have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Trustee at such date, or for six (6) years after the date of deposit of such moneys if deposited with the Trustee after the date when all of the Bonds become due and payable, shall, at the written request of the City, be repaid by the Trustee to the City, as absolute property of the City and free from trust, and the Trustee shall thereupon be released and discharged. (Bond Resolution, Section 12.1)

No Recourse Under Bond Resolution or on Bonds

All covenants, stipulations, promises, agreements and obligations of the City contained in the Bond Resolution shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the City and not of any officer, director or employee of the City in his individual capacity, and no recourse shall be had for the payment of the principal of or interest on the Bonds or for any claim based thereon or on the Bond Resolution against any officer, director or employee of the City or against any natural person executing the Bonds. (Bond Resolution, Section 13.1)

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APPENDIX D

PROPOSED FORM OF OPINION OF BOND COUNSEL

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_____________, 2026

PROPOSED FORM OF OPINION OF BOND COUNSEL

Council of the City of Newport News,
Virginia
Newport News, Virginia

Dear Councilmembers:

$____________
CITY OF NEWPORT NEWS, VIRGINIA,
WATER REVENUE REFUNDING BONDS,
SERIES 2026

At your request we have examined into the validity of an issue of $_________ aggregate principal amount of Water Revenue Refunding Bonds, Series 2026 (the "Bonds"), of the City of Newport News, Virginia (the "City"). The Bonds are dated the date of their delivery, are issued in fully-registered form in the denomination of $5,000 each or any integral multiple thereof and are numbered from R-1 upwards in order of issuance. The Bonds mature on July 15 in each of the years and in the principal amounts set forth below, bearing interest payable on January 15, 2027 and semiannually on each July 15 and January 15 thereafter at the rate per annum set forth opposite each such year below, to wit:

Year	Principal Amount	Interest Rate	Year	Principal Amount	Interest Rate

The Bonds recite that they are issued under and pursuant to and in full compliance with the Constitution and statutes of the Commonwealth of Virginia, including Chapter 26 of Title 15.2 of the Code of Virginia, 1950 (the same being the Public Finance Act of 1991), a resolution duly adopted on January 23, 2007, by the Council of the City, entitled "RESOLUTION OF THE COUNCIL OF THE CITY OF NEWPORT NEWS, VIRGINIA, AUTHORIZING THE ISSUANCE OF WATER REVENUE BONDS OF THE CITY OF NEWPORT NEWS, VIRGINIA, AND PROVIDING FOR THE SECURITY OF THE HOLDERS THEREOF", as amended and supplemented from time to time, including as supplemented by a Supplemental Resolution duly adopted by the Council of the City on September 22, 2026 (such resolutions being herein referred to collectively as the "Resolution"), to provide for the financing of extensions, additions and capital improvements to, or the renewal and replacement of capital assets of, or purchasing and installing equipment for, the water system in the City and acquisition of property in connection therewith. The Bonds further recite that the Bonds and interest thereon are payable solely from, and secured equally and ratably, with other Bonds which may hereafter be issued on a parity therewith under the Resolution, solely by a lien and charge on, the Revenues (as defined in the Resolution) derived from the operation of the System, subject to the prior payment from such Revenues of Operating Expenses of the System, and from moneys held in the funds and accounts created and established under the Resolution pledged to the payment thereof.

We have examined (i) the Constitution and statutes of the Commonwealth of Virginia, (ii) the Charter of the City, (iii) certified copies of the Resolution and other proceedings of the Council of the City in connection with the authorization, issuance, sale and delivery of the Bonds, (iv) such other papers, instruments, documents and proceedings as we have deemed to be necessary or advisable and (v) a specimen Bond of such issue.

We are of the opinion that:

(1) The Resolution has been duly and lawfully adopted by the Council of the City, is in full force and effect and is valid and binding upon, and enforceable against, the City in accordance with its terms.

(2) The Resolution creates the valid pledge which it purports to create of the Revenues and of the moneys in the funds and accounts created and established under the Resolution and pledged to the payment of the principal of and interest on the Bonds, subject to the application thereof to the purposes and on the conditions permitted in the Resolution.

(3) The Bonds have been duly authorized and issued in accordance with the Resolution and in accordance with the Constitution and statutes of the Commonwealth of Virginia and constitute valid special obligations of the City, payable solely from, and secured solely by, the Revenues of the System pledged to the payment thereof by the Resolution, subject to prior payment from such Revenues of the Operating Expenses of the System, and from the moneys held in the funds and accounts created and established under the Resolution and pledged to the payment thereof.

It is to be understood that the rights of the holders of the Bonds and the enforceability thereof may be subject to judicial discretion, to the exercise of the sovereign police powers of the Commonwealth of Virginia and the constitutional powers of the United States of America and to valid bankruptcy, insolvency, reorganization, moratorium and other laws affecting the relief of debtors.

In our opinion, under existing statutes and court decisions and assuming continuing compliance by the City with certain tax covenants described herein, interest on the Bonds (i) is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") and (ii) is not treated as a preference item in calculating the alternative minimum tax under the Code, however interest on the Bonds is included in the "adjusted financial statement income" of certain corporations that are subject to the alternative minimum tax under Section 55 of the Code. In rendering our opinion, we have relied on certain representations, certifications of fact and statements of reasonable expectations made by the City in connection with the Bonds, and we have assumed compliance by the City with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Bonds from gross income under Section 103 of the Code.

[We are further of the opinion that, for any Bonds having original issue discount ("Discount Bonds"), original issue discount that has accrued and is properly allocable to the owners of the Discount Bonds under Section 1288 of the Code is excludable from gross income for federal income tax purposes to the same extent as other interest on the Bonds.**]**

It is also our opinion that, under the existing statutes of the Commonwealth of Virginia, interest on the Bonds is not includable in computing the Virginia income tax.

We express no opinion regarding other federal or Commonwealth of Virginia tax consequences arising with respect to the Bonds. We are rendering our opinion under existing statutes and court decisions as of the issue date of the Bonds, and we assume no obligation to update our opinion after the issue date of the Bonds to reflect any action thereafter taken or not taken, or any facts or circumstances that may thereafter come to our attention, or changes in law or interpretations thereof that may thereafter occur, or for any other reason. We express no opinion on the effect of any action taken in reliance upon an opinion of other counsel on the exclusion from gross income for federal income tax purposes of interest on the Bonds.

Very truly yours,

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APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

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FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Certificate"), dated ___________, 2026, is executed and delivered in connection with the issuance by the City of Newport News, Virginia (the "City"), of $______________ principal amount of Water Revenue Refunding Bonds, Series 2026, dated October __, 2026 (the "Bonds"), and pursuant to Resolutions adopted by the City Council of the City on January 23, 2007, as amended and supplemented, and on September 22, 2026 (collectively, the "Resolution"). Capitalized terms used in this Certificate shall have the respective meanings specified above or in Article I hereof. Pursuant to the Resolution, the City agrees as follows:

ARTICLE I

Definitions

SECTION 1.1. Definitions. The following terms used in this Certificate shall have the following respective meanings:

(1) "Annual Financial Information" means, collectively, (i) updated versions of the financial information and operating data with respect to the City for each Fiscal Year included in the City's Annual Comprehensive Financial Report and financial information and operating data with respect to the City necessary to update the material information contained in Table 1 (Ten Largest Water System Customers); Table 2 (Percentage of Water Consumption); Table 3 (Capital Improvement Program Project Spending); Table 6 (Waterworks Department Fund Bad Debt Write-Off and Waterworks Department Fund Percentage of Delinquent Accounts); Table 8 (Waterworks Department Fund Summary of Income and Expenditures); Table 9 (Waterworks Department Debt Service Coverage"); and Table 11 (Waterworks Department Fund Return on Investment Transfers to General Fund), all under the heading "CITY OF NEWPORT NEWS WATERWORKS AND WATER SEWER SYSTEM" in this Official Statement, and (ii) information regarding amendments to this Certificate required pursuant to Sections 4.2(c) and (d) of this Certificate. Annual Financial Information shall include Audited Financial Statements, if available, or Unaudited Financial Statements.

The descriptions contained in Section 1.1(1)(i) hereof of financial information and operating data constituting Annual Financial Information are of general categories of financial information and operating data. When such descriptions include information that is no longer regularly generated, updated or maintained or that can no longer be generated because the operations to which it related have been materially changed or discontinued, a statement to that effect shall be provided in lieu of such information. Any Annual Financial Information containing modified financial information or operating data shall explain, in narrative form, the reasons for the modification and the impact of the modification on the type of financial information or operating data being provided.

(2) "Audited Financial Statements" means the annual financial statements, if any, of the City, audited by such auditor as shall then be required or permitted by State law or the Resolution. Audited Financial Statements shall be prepared in accordance with GAAP; *provided, however,* that, pursuant to Sections 4.2(a) and (e) hereof, the City may from time to time, if required by federal or State legal requirements, modify the accounting principles to be followed in preparing its financial statements. Notice of any such modification required pursuant to Section 4.2(a) hereof shall include a reference to the specific federal or State law or regulation describing such accounting basis.

(3) "Counsel" means Hawkins Delafield & Wood LLP or other nationally recognized bond counsel or counsel expert in federal securities laws.

(4) "Financial Obligation" means "financial obligation" as such term is defined in the Rule. The term financial obligation as defined in the Rule means (a) a debt obligation, (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt

obligation, or guarantee of the Financial Obligations described in clauses (a) and (b). The term financial obligation shall not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule.

(5) "GAAP" means generally accepted accounting principles as prescribed from time to time for governmental units by the Governmental Accounting Standards Board, the Financial Accounting Standards Board or any successor to the duties and responsibilities of either of them.

(6) "MSRB" means the Municipal Securities Rulemaking Board established pursuant to the provisions of Section 15B(b)(1) of the Securities Exchange Act of 1934 or any successor thereto or to the functions of the MSRB contemplated by this Certificate.

(7) "Notice Event" means any of the following events with respect to the Bonds, whether relating to the City or otherwise:

principal and interest payment delinquencies,

(ii) non-payment related defaults, if material,

(iii) unscheduled draws on debt service reserves reflecting financial difficulties,

(iv) unscheduled draws on credit enhancements reflecting financial difficulties,

(v) substitution of credit or liquidity providers, or their failure to perform,

(vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices of determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds,

(vii) modifications to rights of Bondholders, if material,

(viii) Bond calls, if material, and tender offers,

(ix) defeasances,

(x) release, substitution or sale of property securing repayment of the Bonds, if material,

(xi) rating changes,

(xii) bankruptcy, insolvency, receivership or similar event of the City,

Note to clause (xii): For the purposes of the event identified in clause (xii) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the City in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under State or federal law in which a court or government authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City.

(xiii) the consummation of a merger, consolidation or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material,

(xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material,

(xv) incurrence of a Financial Obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the City, any of which affect security holders, if material, and

(xvi) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the City, any of which reflect financial difficulties.

(8) "Official Statement" means the Official Statement, dated September __, 2026, of the City relating to the Bonds.

(9) "Rule" means Rule 15c2-12 promulgated by the SEC under the Securities and Exchange Act of 1934 as amended (17 CFR Part 240, §240.15c2-12), as in effect on the date of this Certificate, including any official interpretations thereof issued either before or after the effective date of this Certificate which are applicable to this Certificate.

(10) "SEC" means the United States Securities and Exchange Commission.

(11) "State" means the Commonwealth of Virginia.

(12) "Unaudited Financial Statements" means the same as Audited Financial Statements, except the same shall not have been audited.

(13) "Underwriter" means ____.

ARTICLE II

The Undertaking

SECTION 2.1. Purpose. This Certificate is being executed and delivered solely to assist the Underwriters in complying with paragraph (b)(5) of the Rule.

SECTION 2.2. Annual Financial Information. (a) The City shall provide Annual Financial Information for the City with respect to each Fiscal Year of the City, beginning with the Fiscal Year ended June 30, 2026, by no later than nine (9) months after the end of the respective Fiscal Year, to the MSRB.

(b) The City shall provide, in a timely manner, notice of any failure of the City to provide the Annual Financial Information by the date specified in subsection (a) above to the MSRB.

SECTION 2.3. Audited Financial Statements. If not provided as part of Annual Financial Information by the dates required by Section 2.2(a) hereof, the City shall provide Audited Financial Statements, when and if available, to the MSRB.

SECTION 2.4. Notice Events. (a) If a Notice Event occurs, the City shall provide, in a timely manner not in excess of ten (10) business days after the occurrence of such Notice Event, notice of such Notice Event to the MSRB.

(b) Any notice of defeasance of Bonds shall state whether the Bonds have been escrowed to maturity or to an earlier redemption date and the timing of such maturity or redemption.

SECTION 2.5. Additional Information. Nothing in this Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Certificate or any other means of communication, or including any other information in any Annual Financial Information or notice of Notice Event hereunder, in addition to that which is required by this Certificate. If the City chooses to do so, the City shall have no obligation under this Certificate to update such information or include it in any future Annual Financial Information or notice of Notice Event.

SECTION 2.6. Additional Disclosure Obligations. The City acknowledges and understands that other federal and State laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the City and that, under some circumstance, compliance with this Certificate, without additional disclosures or other action, may not fully discharge all duties and obligations of the City under such laws.

ARTICLE III

Operating Rules

SECTION 3.1. Reference to Other Filed Documents. It shall be sufficient for purposes of Section 2.2 hereof if the City provides Annual Financial Information by specific reference to documents (i) available to the public on the MSRB Internet Web site (currently, www.emma.msrb.org) or (ii) filed with the SEC. The provisions of this Section 3.1 shall not apply to notices of Notice Events pursuant to Section 2.4 hereof.

SECTION 3.2. Submission of Information. Annual Financial Information may be provided in one document or multiple documents and at one time or in part from time to time.

SECTION 3.3. Dissemination Agents. The City may from time to time designate an agent to act on its behalf in providing or filing notices, documents and information as required of the City under this Certificate and revoke or modify any such designation.

SECTION 3.4. Transmission of Notices, Documents and Information. (a) Unless otherwise required by the MSRB, all notices, documents and information provided to the MSRB shall be provided to the MSRB's Electronic Municipal Markets Access (EMMA) system, the current Internet Web address of which is www.emma.msrb.org.

(b) All notices, documents and information provided to the MSRB shall be provided in an electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

SECTION 3.5. Fiscal Year. (a) The City's current Fiscal Year is July 1-June 30, and the City shall promptly notify the MSRB of each change in its Fiscal Year.

(b) Annual Financial Information shall be provided at least annually notwithstanding any Fiscal Year longer than twelve (12) calendar months.

ARTICLE IV

Effective Date, Termination, Amendment and Enforcement

SECTION 4.1. Effective Date; Termination. (a) This Agreement shall be effective upon the issuance of the Bonds.

(b) The City's obligations under this Certificate shall terminate upon legal defeasance, prior redemption or payment in full of all of the Bonds.

(c) This Certificate, or any provision hereof, shall be null and void in the event that (i) the City shall have received an opinion of Counsel, addressed to the City, to the effect that those portions of the Rule which require the provisions of this Certificate, or such provision, do not or no longer apply to the Bonds, whether because such portions of the Rule are invalid, have been repealed or otherwise, as shall be specified in such opinion, and (ii) the City shall have delivered copies of such opinion to the MSRB.

SECTION 4.2. Amendment. (a) This Certificate may be amended, by written certificate of the City Manager of the City, without the consent of the holders of the Bonds, if all of the following conditions are satisfied: (i) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of the City or the type of business conducted thereby, (ii) this Certificate as so amended would have complied with the requirements of the Rule as of the date of this Certificate, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, (iii) the City shall have received an opinion of Counsel, addressed to the City, to the same effect as set forth in clause (ii) above, (iv) the City shall have received an opinion of Counsel, addressed to the City, or a determination by an entity, in each case unaffiliated with the City (such as Bond Counsel), addressed to the City, to the effect that the amendment does not materially impair the interests of the holders of the Bonds and (v) the City shall have delivered copies of such opinion(s) and amendment to the MSRB.

(b) This Certificate may be amended, by written certificate of the City Manager of the City, without the consent of the holders of the Bonds, if all of the following conditions are satisfied: (i) an amendment to the Rule is adopted, or a new or modified official interpretation of the Rule is issued, after the effective date of this Certificate which is applicable to this Certificate, (ii) the City shall have received an opinion of Counsel, addressed to the City, to the effect that performance by the City under this Certificate as so amended will not result in a violation of the Rule and (iii) the City shall have delivered copies of such opinion and amendment to the MSRB.

(c) This Certificate may be amended by written certificate of the City Manager of the City, without the consent of the holders of the Bonds, if all of the following conditions are satisfied: (i) the City shall have received an opinion of Counsel, addressed to the City, to the effect that the amendment is permitted by rule, order or other official pronouncement, or is consistent with any interpretive advice or no-action positions of the Staff of the SEC and (ii) the City shall have delivered copies of such opinion and amendment to the MSRB.

(d) To the extent any amendment to this Certificate results in a change in the type of financial information or operating data provided pursuant to this Certificate, the first Annual Financial Information provided thereafter shall include a narrative explanation of the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

(e) If an amendment is made pursuant to Section 4.2(a) hereof to the accounting principles to be followed by the City in preparing its financial statements, the Annual Financial Information for the Fiscal Year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. Such comparison shall include a qualitative and, to the extent reasonably feasible, quantitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information.

SECTION 4.3. Benefit; Third-Party Beneficiaries; Enforcement. (a) The provisions of this Certificate shall constitute a contract with and inure solely to the benefit of the holders from time to time of the Bonds, except that beneficial owners of Bonds shall be third-party beneficiaries of this Certificate. The provisions of this Certificate shall create no rights in any person or entity except as provided in this subsection (a) and subsection (b) of this Section 4.3.

(b) The obligations of the City to comply with the provisions of this Certificate shall be enforceable by the holders of the Bonds, including beneficial owners thereof. The rights of the holders of the Bonds to enforce the provisions of this Certificate shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the City's obligations under this Certificate. In consideration of the third-party beneficiary status of beneficial owners of the Bonds pursuant to subsection (a) of this Section 4.3, beneficial owners shall be deemed to be holders of the Bonds for purposes of this subsection (b).

(c) Any failure by the City to perform in accordance with this Certificate shall not constitute a default under the Bonds or the Resolution and any rights and remedies provided by the Bonds or the Resolution upon the occurrence of a default shall not apply to any such failure.

(d) This Certificate shall be construed and interpreted in accordance with the laws of the State, and any suits and actions arising out of this Certificate shall be instituted in a court of competent jurisdiction in the State; *provided, however,* that, to the extent this Certificate addresses matters of federal securities laws, including the Rule, this Certificate shall be construed in accordance with such federal securities laws and official interpretations thereof.

IN WITNESS WHEREOF, the undersigned has executed this Certificate as of the date first above written.

CITY OF NEWPORT NEWS, VIRGINIA

By: ______________________________
Title: City Manager

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APPENDIX F

THE DEPOSITORY TRUST COMPANY AND BOOK-ENTRY SYSTEM

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DESCRIPTION OF THE DEPOSITORY TRUST COMPANY AND THE BOOK-ENTRY SYSTEM

The description which follows of the procedures and recordkeeping with respect to beneficial ownership interests in the Bonds, payments of principal of and interest on the Bonds to The Depository Trust Company ("DTC"), New York, New York, its nominee, Participants, defined below, or Beneficial Owners, defined below, confirmation and transfer of beneficial ownership interests in the Bonds and other related transactions by and between DTC, participants and Beneficial Owners is based solely on information furnished by DTC.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully registered Bonds registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered Bond will be issued in the aggregate principal amount of each maturity of the Bonds and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on, and the payment of redemption proceeds of, the Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Registrar and Paying Agent on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC, the City or the Registrar and Paying Agent, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Registrar and Paying Agent, disbursement of such payments to Direct Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the City or to the Registrar and Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

The information in this Appendix D concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

APPENDIX G

OFFICIAL NOTICE OF SALE

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OFFICIAL NOTICE OF SALE

$15,930,000*
CITY OF NEWPORT NEWS, VIRGINIA,
WATER REVENUE REFUNDING BONDS, SERIES 2026

NOTICE IS HEREBY GIVEN that electronic bids will be received via the Grant Street Group's MuniAuction website ("MuniAuction") by the City of Newport News, Virginia (the "City"). All bids must be submitted on MuniAuction accessible at www.GrantStreet.com between 10:30 A.M. and 10:45 A.M., Newport News, Virginia Time, unless extended in accordance with the two-minute rule described herein.

Tuesday, September 29, 2026*

for the purchase of all, but not less than all, of an issue of $15,930,000* aggregate principal amount of Water Revenue Refunding Bonds, Series 2026, of the City (herein, the "Bonds").

The Series 2026 Bonds will be issued pursuant to the Public Finance Act of 1991, Chapter 26 of Title 15.2 of the Code of Virginia (the "Act"). The Series 2026 Bonds are being issued under the provisions of a Bond Resolution adopted by the Council of the City on January 23, 2007, as amended and supplemented (the "Bond Resolution"), including a Supplemental Resolution adopted by the Council of the City on September 22, 2026 (the "Supplemental Resolution"). The Bond Resolution, as amended and supplemented, including as amended and supplemented by the Supplemental Resolution, is referred to herein as the "Resolution."

The Series 2026 Bonds will be limited obligations of the City, payable solely from Revenues derived from the System and other funds pledged for their payment under the terms of the Resolution. Neither the faith and credit of the Commonwealth of Virginia nor the faith and credit of any county, city, town or other subdivision of the Commonwealth of Virginia, including the City, is pledged to the payment of the principal of, premium, if any, or interest on the Series 2026 Bonds.

The Bonds are dated the date of their delivery and mature on July 15 in each of the following years and in the principal amounts, set forth below:

Initial Maturity Schedule

Year (July 15)*	Principal Amount*
2027	$1,260,000
2028	1,325,000
2029	1,390,000
2030	1,460,000
2031	1,540,000
2032	1,615,000
2033	1,700,000
2034	1,790,000
2035	1,880,000
2036	1,970,000

* Preliminary, subject to change.

The Bonds will bear interest from their date of delivery, payable semiannually on each January 15 and July 15 starting January 15, 2027. The record dates for the payment of the principal of and the interest on the Bonds will be December 31, 2026 and each June 30 and December 31 thereafter.

The City reserves the right to change the date for receipt of bids (the "Scheduled Bid Date") in accordance with the section of this Official Notice of Sale entitled "Change of Bid Date and Closing Date; Other Changes to Official Notice of Sale".

Bid Parameters

Interest		**Pricing**	
Dated Date:	Date of Delivery	Max. Aggregate Bid Price:	109.0%
Anticipated Delivery Date:	October 15, 2026	Min. Aggregate Bid Price:	101.0%
Interest Payments Dates:	January 15 and July 15	Max. Price per Maturity:	No Limit
First Interest:	January 15, 2027	Min. Price per Maturity:	No Limit
Coupon Multiples:	1/8 or 1/20 of 1%		
Zero Coupons:	Not Allowed		
Split Coupons:	Not Allowed		
Maximum Coupon:	5.0%		
Minimum Coupon:	4.0%		

Principal		**Procedural**	
Optional Redemption:	Not Subject to Optional Redemption	Sale Date and Time:	September 29, 2026 from 10:30 AM to 10:45 A.M., Local Time
Post-bid Principal Increases in Aggregate:	10%	Bid Submission:	Electronic bids through MuniAuction Only
Post-bid Principal Reductions in Aggregate:	10%	All or None?	Yes
Term Bonds:	Not Permitted		
		Bid Award Method:	Lowest TIC
		Good Faith Deposit:	1% of aggregate par amount, as more fully described on page G-5, under "Good Faith Deposit"

Changes to Initial Maturity Schedule

The Initial Maturity Schedule set forth above represents an estimate of the principal amount of the Bonds to be sold. The City hereby reserves the right to change the Initial Maturity Schedule, based on market conditions immediately prior to the sale, by announcing any such change not later than thirty (30) minutes prior to the time for receipt of bids via TM3 (www.tm3.com) or MuniAuction (www.GrantStreet.com). The resulting schedule of maturities will become the "Bid Maturity Schedule". If no such change is announced, the Initial Maturity Schedule will become the Bid Maturity Schedule.

Changes to Bid Maturity Schedule

The City hereby further reserves the right to change the Bid Maturity Schedule after the determination of the winning bidder, by increasing or decreasing the aggregate principal amount of the Bonds, subject to the limitation of no more than a 10% increase or decrease in the aggregate principal amount of the Bonds.

THE SUCCESSFUL BIDDER MAY NOT WITHDRAW ITS BID OR CHANGE THE INTEREST RATES BID OR THE INITIAL REOFFERING TERMS (AS HEREAFTER DEFINED) AS A RESULT OF ANY CHANGES MADE TO THE PRINCIPAL AMOUNTS WITHIN THESE LIMITS. The dollar amount bid by the successful bidder will be adjusted to reflect any adjustments in the final aggregate principal amount of the Bonds. Such adjusted bid price will reflect changes in the dollar amount of the underwriters' discount and original issue discount/premium, if any, but will not change the selling compensation per $1,000 of par amount of Bonds from the selling compensation that would have been received based on the purchase price in the winning bid and the Initial Reoffering Terms. The interest rates specified by the successful bidder for the various maturities at the Initial Reoffering Terms will not change. The City anticipates that the final annual principal amounts and the final aggregate principal amount of the Bonds will be communicated to the successful bidder within twenty-four hours of the City's receipt of the initial public offering prices and yields of the Bonds (the "Initial Reoffering Terms").

Book-Entry System

The Bonds will be issued by means of a book-entry system with no physical distribution of bond certificates made to the public. One bond certificate for each maturity will be issued to The Depository Trust Company, New York, New York ("DTC"), and immobilized in its custody. The book-entry system will evidence beneficial ownership interests of the Bonds in the principal amount of $5,000 and any multiple thereof, with transfers of beneficial ownership interests effected on the records of DTC participants and, if necessary, in turn by DTC pursuant to rules and procedures established by DTC and its participants. The successful bidder, as a condition to delivery of the Bonds, shall be required to deposit the bond certificates with DTC, registered in the name of Cede & Co., nominee of DTC. Interest on the Bonds will be payable on January 15, 2027 and semiannually on each January 15 and July 15 thereafter, and principal of the Bonds will be payable at maturity or upon prior redemption, to DTC or its nominee as registered owner of the Bonds. Transfer of principal and interest payments to participants of DTC will be the responsibility of DTC, and transfer of principal and interest payments to beneficial owners of the Bonds by participants of DTC will be the responsibility of such participants and other nominees of beneficial owners. The City will not be responsible or liable for such transfers of payments or for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants.

In the event that (a) DTC determines not to continue to act as securities depository for the Bonds or (b) the City determines that continuation of the book-entry system of evidence and transfer of ownership of the Bonds would adversely affect the interests of the beneficial owners of the Bonds, the City will discontinue the book-entry system with DTC. If the City fails to select another qualified securities depository to replace DTC, the City will deliver replacement Bonds in the form of fully registered bond certificates.

Security for the Bonds

The Series 2026 Bonds will be limited obligations of the City, payable solely from Revenues derived from the System and other funds pledged for their payment under the terms of the Resolution. Neither the faith and credit of the Commonwealth of Virginia nor the faith and credit of any county, city, town or other subdivision of the Commonwealth of Virginia, including the City, is pledged to the payment of the principal of, premium, if any, or interest on the Series 2026 Bonds.

Not Subject to Redemption

The Series 2026 Bonds are not subject to redemption prior to their stated maturities.

Electronic Bidding and Bidding Procedures

Registration to Bid

To bid, bidders must first visit the MuniAuction website at www.GrantStreet.com, where, if they have never registered with either MuniAuction or any municipal debt auction website powered by Grant Street Group, they can register to participate in the City's auction. Only FINRA registered broker dealers and dealer banks with DTC clearing arrangements will be eligible to bid. Bidders who have previously registered with MuniAuction may call auction support at (412) 391-5555 to confirm their ID or password. The use of MuniAuction shall be at the bidder's risk, and the City shall have no liability with respect thereto.

Disclaimer

Each prospective bidder shall be solely responsible to register to bid via MuniAuction. Each qualified prospective bidder shall be solely responsible to make necessary arrangements to access MuniAuction for purposes of submitting its bid in a timely manner and in compliance with the requirements of this Official Notice of Sale. Neither the City nor MuniAuction shall have any duty or obligation to undertake such registration to bid for any prospective bidder or to provide or assure such access to any qualified prospective bidder, and neither the City nor MuniAuction shall be responsible for a bidder's failure to register to bid or for proper operation of, or have any liability for any delays or interruptions of, or any damages caused by, MuniAuction. The City is using MuniAuction as a communication mechanism, and not as the City's agent, to conduct the electronic bidding for the Bonds. The City is not bound by any advice and determination of MuniAuction to the effect that any particular bid complies with the terms of this Notice of Sale and in particular the "Bid Specifications" hereinafter set forth. All costs and expenses incurred by prospective bidders in connection with their registration and submission of bids via MuniAuction are the sole responsibility of the bidders, and the City is not responsible, directly or indirectly, for any of such costs or expenses. If a prospective bidder encounters any difficulty in registering to bid or submitting, modifying or withdrawing a bid for the Bonds, it should telephone MuniAuction and notify PFM Financial Advisors LLC, the City's financial advisor (the "Financial Advisor"), by telephone at (571) 527-5124. After receipt of bids is closed, the City through MuniAuction will indicate the apparent successful bidder. Such message is a courtesy only for viewers and does not constitute the award of the Bonds. Each bid will remain subject to review by the City to determine its true interest cost rate and compliance with the terms of this Official Notice of Sale.

Submission of Bids

All bids must be unconditional and submitted on the MuniAuction website. No other provider of electronic bidding services, and no other means of delivery (i.e., telephone, telefax, physical delivery, etc.) will be accepted. Bidders may change and submit bids as many times as they wish during the auction; provided, however, that each bid submitted subsequent to a bidder's initial bid must result in a lower true interest cost ("TIC"), when compared to the immediately preceding bid of such bidder. The last bid submitted by a bidder before the end of the auction will be compared to all other final bids submitted by others to determine the winning bidder. During the bidding, no bidder will see any other bidder's bid but each bidder will be able to see its ranking (i.e., "Leader", "Cover", "3rd", etc.).

The time maintained by MuniAuction shall constitute the official time with respect to all bids submitted.

By submitting a bid for the Bonds, each bidder represents and certifies that it has an established industry reputation for underwriting new issuances of municipal bonds. The City will not accept bids from firms without an established industry reputation for underwriting new issuances of municipal bonds.

Two-Minute Rule

If any bid becomes a leading bid two (2) minutes prior to the end of the auction, then the auction will be automatically extended by two (2) minutes from the time such new leading bid was received by MuniAuction. The auction end time will continue to be extended, indefinitely, until a single leading bid remains the leading bid for at least two (2) minutes.

Rules of MuniAuction

The **"**Rules of MuniAuction**"** can be viewed on the MuniAuction website at www.GrantStreet.com and are incorporated by reference in this Official Notice of Sale. Bidders must comply with the Rules of MuniAuction in addition to the requirements of this Official Notice of Sale. In the event the Rules of MuniAuction conflict with this Official Notice of Sale, this Official Notice of Sale, as it may be amended by the City, shall prevail.

Good Faith Deposit

After receipt of bids and prior to the award of the Bonds, the apparent successful bidder indicated on MuniAuction must submit a good faith deposit (the "Good Faith Deposit") for one percent (1%) of the aggregate Bid Maturity Schedule by wire transfer. Wire instructions for the payment of the Good Faith Deposit will be distributed by the City's Financial Advisor on the Sale Date following receipt of bids. The award to the apparent successful bidder is contingent upon receipt of the Good Faith Deposit and the Bonds will not be awarded to such bidder until the City has confirmation of the receipt of the Good Faith Deposit.

The proceeds of the Good Faith Deposit will be held as security for the performance by the successful bidder of its bid and applied to the purchase price of the Bonds, but, in the event the successful bidder shall fail to comply with the terms of its bid, the proceeds will be retained as and for full liquidated damages. No interest will be allowed thereon.

Award of Bonds

Award or rejection of bids will be made by the City within 24 hours of receipt of bids. ALL BIDS SHALL REMAIN FIRM UNTIL THE AWARD OF THE BONDS.

The Bonds will be awarded to the bidder offering to purchase the Bonds at the lowest True Interest Cost, such cost to be determined by doubling the semiannual interest rate (compounded semiannually) necessary to discount to the price bid the payments of the principal of and the interest on the Bonds from their payment dates to the dated date of the Bonds. If more than one bidder offers the same lowest True Interest Cost, the City may select the winning bidder in its sole discretion

Change of Bid Date and Closing Date; Other Changes to Official Notice of Sale

The City reserves the right to postpone, from time to time, the date and time established for the receipt of bids and will undertake to announce any such change via TM3 (www.tm3.com) or MuniAuction (www.GrantStreet.com).

Any postponement of the bid date will be announced via TM3 or MuniAuction not later than 30 minutes prior to the announced date and time for receipt of the bids. An alternative bid date and time will be announced via TM3 or MuniAuction at least 18 hours prior to such alternative bid date.

On such alternative bid date and time, the City will accept bids for the purchase of the Bonds, such bids to conform in all respects to the provisions of this Official Notice of Sale, except for the changes in the date and time for bidding and any other changes announced via TM3 or MuniAuction at the time the bid date and time are announced.

The City may change the scheduled delivery date for the Bonds by notice given in the same manner as set forth for a change in the date for the receipt of bids.

The City reserves the right to otherwise change this Official Notice of Sale. The City anticipates that it would communicate any such changes via TM3 or MuniAuction by 5:00 P.M., Newport News, Virginia Time, on the date prior to the scheduled date for receipt of bids but no later than 30 minutes prior to the scheduled date and time for receipt of bids.

Establishment of Issue Price and Certificate of Successful Bidder; 10% Test or Hold-the-Offering-Price Rule Shall Apply if Competitive Sale Requirements are Not Satisfied

The successful bidder will be required to provide to the City within one-half (½) hour after the verbal award of the Bonds the initial offering price/yields of the Bonds to the public (as defined hereinbelow).

The successful bidder shall assist the City in establishing the issue price of the Bonds and shall execute and deliver to the City at closing an "issue price" or similar certificate, substantially in the form attached to this Official Notice of Sale, setting forth the reasonably expected initial offering price to the public or the sales price or prices of the Bonds, together with the supporting pricing wires or equivalent communications, with such modifications as may be appropriate or necessary, in the reasonable judgment of the successful bidder, the City and bond counsel to the City.

The City intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining "competitive sale" for purposes of establishing the issue price of the Bonds) will apply to the initial sale of the Bonds (the "competitive sale requirements") because: (1) the City shall disseminate this Official Notice of Sale to potential underwriters in a manner that is reasonably designed to reach potential underwriters; (2) all bidders shall have an equal opportunity to bid; (3) the City may receive bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and (4) the City anticipates awarding the sale of the Bonds to the bidder who submits a firm offer to purchase the Bonds at the highest price (or lowest interest cost), as set forth in this Official Notice of Sale.

Any bid submitted pursuant to this Official Notice of Sale shall be considered a firm offer for the purchase of the Bonds, as specified in the bid.

In the event that the competitive sale requirements described above are not satisfied, the City shall so advise the successful bidder. The City shall treat (i) the first price at which 10% of a maturity of the Bonds (the "10% test") is sold to the public as the issue price of that maturity, and/or (ii) the initial offering price to the public as of the sale date of any maturity of the Bonds as the issue price of that maturity (the "hold-the-offering-price rule"), in each case applied on a maturity-by-maturity basis. The successful bidder shall advise the City if any maturity of the Bonds satisfies the 10% test as of the date and time of the award of the Bonds. The successful bidder shall promptly advise the City which of such maturities of the Bonds shall be subject to the 10% test or shall be subject to the hold-the-offering-price rule. Bids will not be subject to cancellation in the event that the competitive sale requirements described above are not satisfied. Bidders should prepare their bids on the assumption that some or all of the maturities of the Bonds will be subject to either the 10% test or the hold-the-offering-price rule in order to establish the issue price of the Bonds.

By submitting a bid, the successful bidder shall (i) confirm that the underwriters have offered or will offer the Bonds to the public on or before the date of award at the offering price or prices (the "initial offering price"), or at the corresponding yield or yields, set forth in the bid submitted by the successful bidder and (ii) agree, on behalf of the underwriters participating in the purchase of the Bonds, that the underwriters will neither offer nor sell unsold Bonds of any maturity to which the hold-the-offering-price rule shall apply to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following: (1) the close of the fifth (5th) business day after the sale date or (2) the date on which the underwriters have sold at least 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public. The winning bidder will advise the City promptly after the close of the fifth (5th) business day after the sale date whether it has sold 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public.

If the competitive sale requirements are not satisfied and the successful bidder has elected the 10% test to apply to any maturity of the Bonds, then until the 10% test has been satisfied as to each such maturity of the Bonds, the successful bidder agrees to promptly report to the City the prices at which the unsold Bonds of that maturity have been sold to the public. That reporting obligation shall continue, whether or not the closing date has occurred, until either (i) all Bonds of that maturity have been sold or (ii) the 10% test has been satisfied as to the Bonds of that maturity, provided that, the successful bidder's reporting obligation after the closing date may be at reasonable periodic intervals or otherwise upon request of the City or bond counsel to the City.

The City acknowledges that, in making the representations set forth above, the successful bidder will rely on (i) the agreement of each underwriter to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in an agreement among underwriters and the related pricing wires, (ii) in the event a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in a selling group agreement and the related pricing wires and (iii) in the event that an underwriter or dealer who is a member of the selling group is a party to a third-party distribution agreement that was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in the third-party distribution agreement and the related pricing wires. The City further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a third-party distribution agreement to comply with its corresponding agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds.

By submitting a bid, each bidder confirms that: (i) any agreement among underwriters, any selling group agreement and each third-party distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such third-party distribution agreement, as applicable: (A)(1) to report the prices at which it sells to the public the unsold Bonds of each maturity allocated to it, whether or not the closing date has occurred, until either all Bonds of that maturity allocated to it have been sold or it is notified by the successful bidder that the 10% test has been satisfied as to the Bonds of that maturity, provided that, the reporting obligation after the closing date may be at reasonable periodic intervals or otherwise upon request of the successful bidder and (2) to comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the successful bidder and as set forth in the related pricing wires, (B) to promptly notify the successful bidder of any sales of Bonds that, to its knowledge, are made to a purchaser who is a related party to an underwriter participating in the initial sale of the Bonds to the public (each such term being used as defined below) and (C) to acknowledge that, unless otherwise advised by the underwriter, dealer or broker-dealer, the successful bidder shall assume that each order submitted by the underwriter, dealer or broker-dealer is a sale to the public and (ii) any agreement among underwriters or selling group agreement relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter or dealer that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such third-party distribution agreement to (A) report the prices at which it sells to the public the unsold Bonds of each maturity allotted to it, whether or not the closing date has occurred, until either all Bonds of that maturity allocated to it have been sold or it is notified by the successful bidder or such underwriter that the 10% test has been satisfied as to the Bonds of that maturity, provided that, the reporting obligation after the closing date may be at reasonable periodic intervals or otherwise upon request of the successful bidder or such underwriter and (B) comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the successful bidder or the underwriter and as set forth in the related pricing wires.

Sales of any Bonds to any person that is a related party to an underwriter participating in the initial sale of the Bonds to the public shall not constitute sales to the public for purposes of this Official Notice of Sale. Further, for purposes of this Official Notice of Sale: (i) “public” means any person other than an underwriter or a related party, (ii) “underwriter” means (A) the successful bidder, (B) any person that agrees pursuant to a written contract with the successful bidder to form an underwriting syndicate to participate in the initial sale of the Bonds to the public and (C) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (B) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the public), (iii) “related party” means any entity if an underwriter and such entity are subject, directly or indirectly, to (I) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (II) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another) or (III) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and (iv) “sale date” means the date that the Bonds are awarded by the City to the successful bidder.

Opinion of Bond Counsel

The approving opinion of Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel to the City, in substantially the form appearing in the Preliminary Official Statement, will be furnished without cost to the successful bidder. In the opinion of Bond Counsel, under existing statutes and court decisions and assuming compliance with certain tax covenants described herein, interest on Bonds (i) is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”) and (ii) is not treated as a preference item in calculating the alternative minimum tax under the Code, however interest on the Bonds is included in the “adjusted financial statement income” of certain corporations that are subject to the alternative minimum tax under Section 55 of the Code. In addition, in the opinion of Bond Counsel, under the existing statutes of the Commonwealth of Virginia, interest on the Bonds is not includable in computing the Virginia income tax.

Delivery

The Bonds will be delivered on or about Thursday, October 15, 2026**,** in New York, New York, at DTC against payment of the purchase price therefor (less the amount of the Good Faith Deposit) in Federal Reserve funds.

There will also be furnished the usual closing papers, including certifications as to the Official Statement and no-litigation.

CUSIP Numbers

It is anticipated that CUSIP identification numbers will be printed on the Bonds, but neither the failure to print such numbers on any Bond nor any error with respect thereto shall constitute cause for a failure or refusal by the successful bidder for the Bonds to accept delivery and pay for the Bonds in accordance with the terms of its proposal. No CUSIP identification number shall constitute or be deemed to constitute a part of any Bond or a part of the contract evidenced thereby and no liability shall attach to the City or any officer or agent thereof (including the Registrar and Paying Agent) because of or on account of any such number or any use made thereof (including any use thereof made by the City or any such officer or agent) or by reason of any inaccuracy, error or omission with respect thereto or in such use. The City will request CUSIP numbers prior to the sale date for the Bonds. The City's Financial Advisor will be responsible for obtaining the CUSIP numbers for the Bonds. The successful bidder will be obligated to pay the fee of the CUSIP Service Bureau for assigning the CUSIP numbers to the Bonds.

Official Statements

The Preliminary Official Statement at its date is "deemed final" by the City for purposes of Rule 15c2-12 ("Rule "15c2-12") promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, but is subject to revision, amendment and completion.

After the award of the Bonds, the City will prepare copies of the Official Statement (no more than 300) and will include therein such additional information concerning the reoffering of the Bonds as the successful bidder may reasonably request; provided, however, that the City will not include in the Official Statement a "NRO" ("not reoffered") designation with respect to any maturity of the Bonds. The successful bidder will be responsible to the City in all respects for the accuracy and completeness of information provided by such successful bidder with respect to such reoffering. The City expects the successful bidder to deliver copies of such Official Statement to persons to whom such bidder initially sells the Bonds and to the Municipal Securities Rulemaking Board ("MSRB"). The successful bidder will be required to acknowledge receipt of such Official Statement, to certify that it has made delivery of the Official Statement to such repositories and to acknowledge that the City expects the successful bidder to deliver copies of such Official Statement to persons to whom such bidder initially sells the Bonds and to certify that the Bonds will only be offered pursuant to such Official Statement and only in states where the offer is legal. The successful bidder will be responsible to the City in all respects for the accuracy and completeness of information provided by such successful bidder with respect to such reoffering.

Official Statements will be provided within seven (7) business days after the date of the award of the Bonds in such quantities as may be necessary for the successful bidder's regulatory compliance.

Continuing Disclosure

The City will execute and deliver to the purchasers of the Bonds a Continuing Disclosure Certificate pursuant to which the City will covenant and agree, for the benefit of the holders of the Bonds, consistent with the Rule 15c2-12 to provide annual financial information and operating data for the City, including audited financial statements of the City, with nine (9) months after the end of each fiscal year, beginning with the fiscal year ending June 30, 2026, and, in a timely manner not in excess of ten (10) business days, notices of certain events with respect to the Bonds, whether relating to the City or otherwise, specified in Rule 15c2-12 and notice of any failure of the City to provide required annual financial information referred to above to the MSRB. The continuing obligation of the City to provide annual financial information and notices referred to above will terminate with respect to the Bonds when the Bonds are no longer outstanding. Any failure by the City to comply with the foregoing will not constitute a default with respect to the Bonds. See Preliminary Official Statement under the heading "CONTINUING DISCLOSURE."

Further Information

For further information relating to the Bonds and the City, reference is made to the City's Preliminary Official Statement, which will be available for review on and after September 23, 2026 through the internet facilities of Financial Press LLC at finpressllc.com. Further information may also be furnished upon request to Public Financial Advisors LLC at (517) 527-5124. Information about MuniAuction, including any fees charged, may be obtained from Grant Street Group, 210 Sixth Avenue, Suite 3650, Pittsburgh, PA 15222, Telephone (412) 319-5555.

Reservation of Rights

The right to reject any or all bids and to waive any irregularity or informality in any bid is reserved.

Dated: September 23, 2026

Alan K. Archer
City Manager

FORM OF RECEIPT FOR BONDS AND CERTIFICATE
<u>AS TO INITIAL PUBLIC OFFERING PRICES/YIELDS</u>

The ____________, as winning bidder (the "Winning Bidder"), of $_______ aggregate principal amount of Water Revenue Refunding Bonds, Series 2026 (the "Bonds"), of the City of Newport News, Virginia (the "City"), DOES HEREBY ACKNOWLEDGE RECEIPT of the Bonds from the City on the date hereof. The Bonds are more particularly described in **Schedule A** attached hereto.

The undersigned DOES HEREBY CERTIFY as follows:

[**For use if competitive sale requirements are satisfied**] 1. (a) The Winning Bidder reasonably expected to reoffer the Bonds on the date of Sale Date to the Public at the prices and/or yields set forth in <u>Schedule A</u> hereto.

(b) The Winning Bidder was not given the opportunity to review other bids prior to submitting its bid.

(c) The bid submitted by the Winning Bidder constituted a firm offer to purchase the Bonds.

[**For use if competitive sale requirements are not satisfied and "10% Test" applies**]

[1. As of the date of this certificate, for each Maturity of the Bonds, the first price at which at least 10% of such Maturity was sold to the Public is the respective price listed in <u>Schedule A</u> hereto. As of the date hereof, the Winning Bidder has not sold at least 10% of the Bonds maturing in the years _____ to the Public and the Winning Bidder agrees to report to Bond Counsel to the City the actual sale price to the Public of each such unsold maturity as soon as practicable after at least 10% of such unsold maturity has been sold to the Public.]

[**For use if competitive sale requirements are not satisfied and "hold-the-offering-price" rule applies**]

[1. ***Sale of the General Rule Maturities.*** As of the date of this certificate, for each Maturity of the General Rule Maturities (as defined below) the first price at which at least 10% of such Maturity was sold to the Public is the respective price listed in <u>Schedule A</u> hereto.

2. ***Initial Offering Price of the Hold-the-Offering-Price Maturities.***

(a) The Winning Bidder offered the Hold-the-Offering-Price Maturities (as defined below) to the Public for purchase at the respective initial offering prices listed in <u>Schedule A</u> (the "<u>Initial Offering Prices</u>") on the Sale Date (as defined below). A copy of the pricing wire or equivalent communication for the Bonds is attached to this certificate as <u>Schedule B</u>.

(b) As set forth in the Notice of Sale, by submitting a bid, the Winning Bidder agreed that, (i) for each Maturity of the Hold-the-Offering-Price Maturities, it would neither offer nor sell any of the Bonds of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the "hold-the-offering-price rule"), and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any third-party distribution agreement shall contain the agreement of each broker-dealer who is a party to the third-party distribution agreement, to comply with the hold-the-offering-price rule. Pursuant to such agreement, no Underwriter (as defined below) has offered or sold any Maturity of the Hold-the-Offering-Price Maturities at a price that is higher than the respective Initial Offering Price for that Maturity of the Bonds during the Holding Period.]

2. ***Defined Terms.***

(a) *General Rule Maturities* means those Maturities of the Bonds listed in Schedule A hereto as the "General Rule Maturities".

(b) *Hold-the-Offering-Price Maturities* means those Maturities of the Bonds listed in Schedule A hereto as the "Hold-the-Offering-Price Maturities".

(c) *Holding Period* means, with respect to a Hold-the-Offering-Price Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date, or (ii) the date on which the Underwriter sold at least 10% of such Hold-the-Offering-Price Maturity to the Public at prices that are no higher than the Initial Offering Price for such Hold-the-Offering-Price Maturity.

(d) *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate maturities.

(e) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a Related Party to an Underwriter.

(f) *Sale Date* means the date of award of the Bonds by the City to the Winning Bidder. The Sale Date of the Bonds is September __, 2026.

(g) *Related Party* means any entity if an Underwriter and such entity are subject, directly or indirectly, to (i) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profit interests, if both entities are partnerships (including direct ownership by one partnership of another) or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other).

(h) *Underwriter* means (i) the Winning Bidder, (ii) any person that agrees pursuant to a written contract with the Winning Bidder to form an underwriting syndicate to participate in the initial sale of the Bonds to the Public and (iii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (ii) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the Public).

We understand that the representations contained herein may be relied upon by the City in making certain of the representations contained in its federal tax certificate relating to the Bonds, and we further understand that Hawkins Delafield & Wood LLP, as Bond Counsel to the City, may rely upon this certificate, among other things, in providing an opinion with respect to the exclusion from gross income of interest on the Bonds pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). The undersigned is certifying only as to facts in existence on the date hereof. Nothing herein represents the undersigned's interpretation of any laws; in particular the regulations under the Code, or the application of any laws to these facts. The certifications contained herein are not necessarily based on personal knowledge, but may instead be based on either inquiry deemed adequate by the undersigned or institutional knowledge (or both) regarding the matters set forth herein. Although certain information furnished in this certificate has been derived from other purchasers who may be considered Related Parties to the Winning Bidder and cannot be independently verified by us, we have no reason to believe it to be untrue in any material respect.

[SIGNATURE FOLLOWS ON NEXT PAGE]

IN WITNESS WHEREOF, the undersigned has executed this Receipt and Certificate this __ day of ________, 2026.

[WINNING BIDDER]

By: ______________________________
Authorized Signatory

Attachment - Schedule A

[RECEIPT AND ISSUE PRICE CERTIFICATE]

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