

CITY OF NEWPORT NEWS, VIRGINIA
Statement of Net Assets
June 30, 2004

Assets	Primary government			Discretely presented component units	
	Governmental activities	Business-type activities	Total	Public schools	Others
Cash and cash equivalents	\$ 65,726,037	13,652,772	79,378,809	20,389,450	7,370,822
Restricted cash	26,180,300	16,963,485	43,143,785	—	5,663,350
Accounts receivable, net	16,266,728	9,274,883	25,541,611	128,314	4,551,472
Receivable from Industrial Development Authority	17,834,151	—	17,834,151	—	—
Receivable from primary government	—	—	—	303,725	5,805,000
Receivables from other governments	17,296,108	—	17,296,108	16,459,487	30,845,000
Inventory, at cost	1,461,816	3,142,549	4,604,365	1,039,278	49,215
Land held for lease or resale	—	—	—	—	18,092,092
Net investment in direct financing leases	—	—	—	—	20,889,627
Capital assets:					
Land	74,856,232	6,393,724	81,249,956	2,505,084	4,879,510
Construction in progress	31,469,493	113,516,518	144,986,011	4,599,316	32,799,071
Buildings	254,788,485	16,176,504	270,964,989	52,416,128	100,925,614
Improvements	93,782,166	3,532,823	97,314,989	11,150,069	9,931,878
Water system	—	371,163,707	371,163,707	—	—
Airport assets	—	—	—	—	59,113,228
Machinery and equipment	91,518,686	16,666,667	108,185,353	77,491,201	3,222,755
Infrastructure	388,814,023	—	388,814,023	—	1,521,049
	<u>935,229,085</u>	<u>527,449,943</u>	<u>1,462,679,028</u>	<u>148,161,798</u>	<u>212,393,105</u>
Less accumulated depreciation	(401,220,684)	(124,582,765)	(525,803,449)	(71,522,277)	(45,658,364)
Capital assets, net	534,008,401	402,867,178	936,875,579	76,639,521	166,734,741
Other assets	1,679,295	7,177,637	8,856,932	6,632,206	2,620,955
Total assets	\$ <u>680,452,836</u>	<u>453,078,504</u>	<u>1,133,531,340</u>	<u>121,591,981</u>	<u>262,622,274</u>
Liabilities and Net Assets					
Liabilities:					
Accounts payable	\$ 15,459,718	2,199,737	17,659,455	7,330,318	2,783,732
Accrued liabilities	7,280,795	8,778,666	16,059,461	19,515,010	425,667
Deposits	2,039,253	4,408,613	6,447,866	—	39,797
Unearned revenue	1,415,890	—	1,415,890	1,790,628	52,601
Payable to Newport News Public Schools	303,725	—	303,725	—	285,680
Payable to primary government	—	—	—	—	17,834,152
Other liabilities	70,500	—	70,500	—	—
Long term liabilities:					
Premium on bonds payable	—	7,618,217	7,618,217	—	11,425,350
Due within one year	53,793,330	12,805,000	66,598,330	4,214,036	—
Due in more than one year	404,407,919	165,220,000	569,627,919	16,363,057	128,988,679
Total liabilities	<u>484,771,130</u>	<u>201,030,233</u>	<u>685,801,363</u>	<u>49,213,049</u>	<u>161,835,658</u>
Net assets:					
Invested in capital assets, net of related debt	126,254,500	224,842,179	351,096,679	63,352,661	76,336,792
Restricted for:					
Debt service	2,524,220	—	2,524,220	—	—
Capital projects	22,114,943	16,963,485	39,078,428	—	4,045,534
Capital loans	—	—	—	—	3,598,029
Other purposes	9,413,147	—	9,413,147	—	—
Unrestricted	35,374,896	10,242,607	45,617,503	9,026,271	16,806,261
Total net assets	<u>195,681,706</u>	<u>252,048,271</u>	<u>447,729,977</u>	<u>72,378,932</u>	<u>100,786,616</u>
Total liabilities and net assets	\$ <u>680,452,836</u>	<u>453,078,504</u>	<u>1,133,531,340</u>	<u>121,591,981</u>	<u>262,622,274</u>

See accompanying notes to basic financial statements.

CITY OF NEWPORT NEWS, VIRGINIA

Statement of Activities
Year ended June 30, 2004

	Program revenues			Net (expense) revenue and changes in net assets				
	Expenses	Charges for services	Operating grants and contributions	Capital grants and contributions	Primary government		Public schools	Other component units
				Governmental activities	Business-type activities	Total		
Primary government:								
Governmental activities:								
General government	\$ 75,766,012	5,545,203	—	13,693,887	(56,526,922)	—	(56,526,922)	
Judicial administration	5,283,193	3,287,196	—	—	(1,995,997)	—	(1,995,997)	
Public safety	87,907,570	8,111,302	4,346,400	—	(75,449,868)	—	(75,449,868)	
Public works	49,364,947	22,952,047	11,306,045	—	(15,106,855)	—	(15,106,855)	
Health and welfare	51,593,737	217,005	14,434,635	—	(36,942,097)	—	(36,942,097)	
Education	95,799,045	—	16,490,338	—	(79,308,707)	—	(79,308,707)	
Parks, recreation and culture	26,372,043	5,771,724	7,370	—	(20,592,949)	—	(20,592,949)	
Community development	6,568,809	—	2,954,691	—	(3,614,118)	—	(3,614,118)	
Interest on long-term debt	19,083,650	—	—	—	(19,083,650)	—	(19,083,650)	
Total governmental activities	<u>417,739,006</u>	<u>45,884,477</u>	<u>49,539,479</u>	<u>13,693,887</u>	<u>(308,621,163)</u>	<u>—</u>	<u>(308,621,163)</u>	
Business-type activities:								
Public utility	45,060,323	63,619,138	—	—	18,558,815	18,558,815		
Parking authority	265,020	244,693	—	—	(20,327)	(20,327)		
Total business-type activities	<u>45,325,343</u>	<u>63,863,831</u>	<u>—</u>	<u>—</u>	<u>18,538,488</u>	<u>18,538,488</u>		
Total primary government	<u>\$ 463,064,349</u>	<u>109,748,308</u>	<u>49,539,479</u>	<u>13,693,887</u>	<u>(308,621,163)</u>	<u>18,538,488</u>	<u>(290,082,675)</u>	
Component units:								
Public schools	\$ 265,752,789	5,812,863	45,732,547	1,207,002			(213,000,377)	—
Peninsula Airport Commission	6,798,902	5,604,395	—	—			—	(1,194,507)
Economic and Industrial Development Authorities	12,760,376	9,888,650	—	—			—	(2,871,726)
Total component units	<u>\$ 285,312,067</u>	<u>21,305,908</u>	<u>45,732,547</u>	<u>1,207,002</u>			<u>(213,000,377)</u>	<u>(4,066,233)</u>
General revenues:								
Taxes:								
General property taxes				159,841,724	—	159,841,724	—	—
Other local taxes				80,131,054	—	80,131,054	—	—
Grants and contributions not restricted to specific programs				39,506,422	—	39,506,422	125,744,097	2,843,115
Payment from the City				—	—	—	85,829,654	1,552,808
Investment earnings				4,211,328	301,763	4,513,091	93,396	663,970
Miscellaneous				5,713,465	4,854,288	10,567,753	901,909	414,629
Transfers				9,134,001	(9,134,001)	—	—	—
Total general revenues and transfers				<u>298,537,994</u>	<u>(3,977,950)</u>	<u>294,560,044</u>	<u>212,569,056</u>	<u>5,474,522</u>
Change in net assets				<u>(10,083,169)</u>	<u>14,560,538</u>	<u>4,477,369</u>	<u>(431,321)</u>	<u>1,408,289</u>
Net assets at beginning of year, as restated				<u>205,764,875</u>	<u>237,487,733</u>	<u>443,252,608</u>	<u>72,810,253</u>	<u>99,378,327</u>
Net assets at end of year				<u>\$ 195,681,706</u>	<u>252,048,271</u>	<u>447,729,977</u>	<u>72,378,932</u>	<u>100,786,616</u>

See accompanying notes to basic financial statements.

CITY OF NEWPORT NEWS, VIRGINIA

Balance Sheet
Governmental Funds
June 30, 2004

Assets	General fund	Debt service fund	Bond fund	Nonmajor governmental funds	Total governmental funds
Cash and cash equivalents	\$ 51,090,201	301,113	—	13,449,765	64,841,079
Restricted cash	—	2,524,220	23,656,080	—	26,180,300
Accounts receivable, net	14,065,917	—	—	1,925,355	15,991,272
Advances to other funds	7,642,694	—	—	—	7,642,694
Receivable from component unit	17,834,151	—	—	—	17,834,151
Receivables from other governments	5,742,762	—	—	11,553,346	17,296,108
Inventory, at cost	1,094,184	—	—	—	1,094,184
Total assets	\$ 97,469,909	2,825,333	23,656,080	26,928,466	150,879,788
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 7,322,843	35,741	3,368,238	3,982,393	14,709,215
Accrued liabilities	836,064	—	—	58,956	895,020
Deposits	2,039,253	—	—	—	2,039,253
Deferred revenue	6,989,632	194,872	—	469,272	7,653,776
Payable to Newport News Public Schools	—	—	303,725	—	303,725
Advances from major governmental fund	—	—	—	7,642,694	7,642,694
Other liabilities	—	70,500	—	—	70,500
Total liabilities	17,187,792	301,113	3,671,963	12,153,315	33,314,183
Fund balances:					
Reserved for:					
Inventory	1,094,184	—	—	—	1,094,184
Encumbrances	5,817,469	—	9,188,329	1,210,768	16,216,566
Unreserved:					
Designated for:					
Imprest funds	20,265	—	—	25	20,290
FY05 budget	1,000,000	—	—	—	1,000,000
Self-insurance activity	7,282,877	—	—	—	7,282,877
Debt service	6,410,205	2,524,220	—	—	8,934,425
Applied Research Center	17,834,151	—	—	—	17,834,151
Capital improvements	—	—	—	1,403,671	1,403,671
Specific projects:					
General fund	10,822,966	—	—	—	10,822,966
Bond fund	—	—	10,795,788	—	10,795,788
Non-Major Special Revenue funds:					
Stormwater	—	—	—	1,527,045	1,527,045
Solid Waste	—	—	—	1,718,116	1,718,116
Waste Water	—	—	—	1,215,873	1,215,873
Other Federal and State	—	—	—	3,759,362	3,759,362
Undesignated					
General fund	30,000,000	—	—	—	30,000,000
Non-Major Special Revenue funds:					
Economic Development	—	—	—	656,886	656,886
Law Library	—	—	—	70,484	70,484
Stormwater	—	—	—	1,966,592	1,966,592
Solid Waste	—	—	—	1,241,468	1,241,468
Revenue Sharing (Capital projects)	—	—	—	4,861	4,861
Total fund balances	80,282,117	2,524,220	19,984,117	14,775,151	117,565,605
Total liabilities and fund balances	\$ 97,469,909	2,825,333	23,656,080	26,928,466	150,879,788

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 Assets
June 30, 2004

Fund balances – total governmental funds		\$ 117,565,605
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:		
Governmental capital assets	\$ 897,265,790	
Less accumulated depreciation	<u>(378,825,894)</u>	
		518,439,896
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		6,237,888
Internal service funds are used by management to charge the costs of certain activities to individual funds.		16,086,234
Governmental funds report the effect of issuance costs when the debt is issued. These costs, less accumulated amortization, are deferred in the statement of net assets.		1,679,293
Unmatured interest payable reported in governmental activities will not be paid with current financial resources and therefore, are not reported in the funds.		(6,125,961)
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	(404,838,965)	
Literary fund bonds	(4,233,331)	
Capital leases payable	(360,896)	
Landfill liability	(6,662,000)	
Accrued vacation	(17,845,949)	
Workers' compensation and other claims	(10,812,108)	
Net pension obligations	(10,453,000)	
Incurred but not reported claims	<u>(2,995,000)</u>	
		<u>(458,201,249)</u>
Net assets of governmental activities		<u>\$ 195,681,706</u>

See accompanying notes to basic financial statements.

CITY OF NEWPORT NEWS, VIRGINIA
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
Year ended June 30, 2004

	General fund	Debt service fund	Bond fund	Nonmajor governmental funds	Total governmental funds
Revenues:					
General property taxes	\$ 159,875,655	—	—	—	159,875,655
Other local taxes	80,131,054	—	—	—	80,131,054
Licenses and permits	2,690,475	—	—	—	2,690,475
Fines and forfeitures	2,231,194	—	—	—	2,231,194
Intergovernmental	39,206,291	16,490,338	14,774	46,728,254	102,439,657
Charges for services	13,833,440	—	—	23,002,125	36,835,565
Interest and rent	3,926,705	—	82,152	197,100	4,205,957
Recovered costs	6,817,718	—	—	—	6,817,718
Miscellaneous	2,823,168	216,472	—	36,987	3,076,627
Total revenues	<u>311,535,700</u>	<u>16,706,810</u>	<u>96,926</u>	<u>69,964,466</u>	<u>398,303,902</u>
Expenditures:					
Current operating:					
General government	43,664,666	530,417	—	86,126	44,281,209
Judicial administration	4,967,819	—	—	—	4,967,819
Public safety	78,595,022	—	—	3,933,389	82,528,411
Public works	10,428,852	—	—	29,678,869	40,107,721
Health and welfare	34,551,448	—	—	14,293,195	48,844,643
Education	99,396,644	—	—	—	99,396,644
Parks, recreation and culture	20,725,887	—	—	6,254	20,732,141
Community development	3,015,859	—	—	3,024,271	6,040,130
Debt service:					
Principal	—	26,536,258	—	—	26,536,258
Interest and other charges	—	19,371,034	—	—	19,371,034
Capital outlay	—	—	20,117,583	13,874,441	33,992,024
Total expenditures	<u>295,346,197</u>	<u>46,437,709</u>	<u>20,117,583</u>	<u>64,896,545</u>	<u>426,798,034</u>
Excess (deficiency) of revenues over (under) expenditures	<u>16,189,503</u>	<u>(29,730,899)</u>	<u>(20,020,657)</u>	<u>5,067,921</u>	<u>(28,494,132)</u>
Other financing sources (uses):					
Transfers in	9,237,783	29,366,015	—	1,657,468	40,261,266
Transfers out	(26,085,323)	—	(2,923,348)	(5,041,942)	(34,050,613)
Capital leases	—	387,740	—	—	387,740
Premium on bonds	—	—	644,000	—	644,000
Payments to refunded bonds escrow agent	—	—	(71,635,000)	—	(71,635,000)
Refunded bonds proceeds	—	—	71,635,000	—	71,635,000
New bonds and note proceeds	—	—	29,311,588	—	29,311,588
Total other financing sources (uses)	<u>(16,847,540)</u>	<u>29,753,755</u>	<u>27,032,240</u>	<u>(3,384,474)</u>	<u>36,553,981</u>
Net changes in fund balances	(658,037)	22,856	7,011,583	1,683,447	8,059,849
Fund balances at June 30, 2003	80,940,154	2,501,364	12,972,534	13,091,704	109,505,756
Fund balances at June 30, 2004	<u>\$ 80,282,117</u>	<u>2,524,220</u>	<u>19,984,117</u>	<u>14,775,151</u>	<u>117,565,605</u>

See accompanying notes to basic financial statements.

CITY OF NEWPORT NEWS, VIRGINIA
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balance to the Statement of Activities
Year ended June 30, 2004

Net change in fund balances – total governmental funds		\$ 8,059,849
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. The statement of activities also includes expenses that relate to assets acquired that do not meet the capitalization threshold of the City:		
Capital outlay expenditures	\$ 33,992,024	
Less: Capital outlay expenditures not meeting capitalization threshold	(22,447,244)	
Depreciation expense	<u>(22,161,981)</u>	
		(10,617,201)
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.		
		8,950,794
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. Deferred revenue increased by this amount in the current year.		
		(33,931)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets:		
Principal repayments	98,171,258	
Debt issued (and related costs)	(99,631,892)	
Premium on issuance of long-term debt	(7,670,630)	
Capital leases issued	(387,740)	
Gain on bond refundings, net of amortization	53,719	
Loss on bond refundings, net of amortization	5,523,355	
Debt issuance costs, net of amortization	<u>599,916</u>	
		(3,342,014)
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	287,384	
Landfill liability	153,000	
Accrued vacation	(312,938)	
Net pension obligation	(10,453,000)	
Workers’ compensation and other claims	(1,602,693)	
Incurred but not reported liabilities	<u>(404,000)</u>	
		(12,332,247)
Some capital additions were financed through capital leases in a prior year. In governmental funds, a capital lease arrangement is considered a source of financing, but in the statement of net assets, the lease obligation is reported as a liability. Payments on capital leases were made in this amount in the current year.		
		72,248
Internal service funds are used by management to charge the costs of certain services to individual funds. The net loss of the internal service fund is reported with governmental activities.		
		<u>(840,667)</u>
Change in net assets of governmental activities		<u><u>\$ (10,083,169)</u></u>

See accompanying notes to basic financial statements.

CITY OF NEWPORT NEWS, VIRGINIA

Statement of Net Assets

Proprietary Funds

June 30, 2004

Assets	Enterprise Funds			Internal Service Fund
	Major Fund - Public Utility	Nonmajor fund - Parking Authority	Total	
Current assets:				
Cash and cash equivalents	\$ 13,056,611	596,161	13,652,772	884,958
Restricted cash	16,738,485	225,000	16,963,485	—
Accounts receivable, net	9,274,883	—	9,274,883	275,456
Inventory	3,142,549	—	3,142,549	367,632
Total current assets	42,212,528	821,161	43,033,689	1,528,046
Noncurrent assets:				
Capital assets:				
Land	5,661,877	731,847	6,393,724	20,257
Improvements	—	3,532,823	3,532,823	—
Buildings	16,176,504	—	16,176,504	3,511,095
Water system	371,163,707	—	371,163,707	—
Machinery and equipment	16,635,656	31,011	16,666,667	34,431,943
Construction in progress	113,516,518	—	113,516,518	—
	523,154,262	4,295,681	527,449,943	37,963,295
Less accumulated depreciation	(122,776,415)	(1,806,350)	(124,582,765)	(22,394,790)
Capital assets, net	400,377,847	2,489,331	402,867,178	15,568,505
Other assets	7,177,637	—	7,177,637	—
Total noncurrent assets	407,555,484	2,489,331	410,044,815	15,568,505
Total assets	\$ 449,768,012	3,310,492	453,078,504	17,096,551
Liabilities and Net Assets				
Liabilities:				
Current liabilities:				
Accounts payable	\$ 2,167,431	32,306	2,199,737	750,503
Accrued liabilities	8,777,951	715	8,778,666	259,814
Current portion of general obligation bonds payable	12,805,000	—	12,805,000	—
Total current liabilities	23,750,382	33,021	23,783,403	1,010,317
Noncurrent liabilities:				
Deposits	4,408,613	—	4,408,613	—
General obligation bonds payable, net of current portion	165,220,000	—	165,220,000	—
Premium on bonds payable	7,618,217	—	7,618,217	—
Total noncurrent liabilities	177,246,830	—	177,246,830	—
Total liabilities	200,997,212	33,021	201,030,233	1,010,317
Net assets:				
Invested in capital assets, net of related debt	222,352,848	2,489,331	224,842,179	15,568,505
Restricted for capital projects	16,738,485	225,000	16,963,485	—
Unrestricted	9,679,467	563,140	10,242,607	517,729
Total net assets	248,770,800	3,277,471	252,048,271	16,086,234
Total liabilities and net assets	\$ 449,768,012	3,310,492	453,078,504	17,096,551

See accompanying notes to basic financial statements.

CITY OF NEWPORT NEWS, VIRGINIA
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds
Year ended June 30, 2004

	Enterprise Funds			Internal Service Fund
	Major Fund - Public Utility	Nonmajor fund - Parking Authority	Total	
Operating revenues:				
Water sales	\$ 54,543,390	—	54,543,390	—
Charges for services	9,075,748	244,693	9,320,441	5,856,178
Miscellaneous	1,449,547	—	1,449,547	1,400,921
Total operating revenues	<u>65,068,685</u>	<u>244,693</u>	<u>65,313,378</u>	<u>7,257,099</u>
Operating expenses:				
Personal services	17,650,947	47,419	17,698,366	2,042,333
Contractual services	6,452,995	79,679	6,532,674	87,013
Internal services	1,326,016	240	1,326,256	30,603
Materials and supplies	2,751,212	26,661	2,777,873	3,164,128
Depreciation	9,313,687	108,999	9,422,686	2,772,674
Other	3,535,521	2,022	3,537,543	—
Total operating expenses	<u>41,030,378</u>	<u>265,020</u>	<u>41,295,398</u>	<u>8,096,751</u>
Operating income (loss)	<u>24,038,307</u>	<u>(20,327)</u>	<u>24,017,980</u>	<u>(839,652)</u>
Nonoperating revenues (expenses):				
Interest revenue	294,303	7,460	301,763	5,371
Loss on disposal of capital assets	(107,601)	—	(107,601)	(306,517)
Meter and service connection fees	3,512,341	—	3,512,341	—
Amortization, cost of issuing bonds	(440,288)	—	(440,288)	—
Interest expense	(3,589,657)	—	(3,589,657)	—
Total nonoperating revenues (expenses)	<u>(330,902)</u>	<u>7,460</u>	<u>(323,442)</u>	<u>(301,146)</u>
Income (loss) before capital contributions and transfers out	<u>23,707,405</u>	<u>(12,867)</u>	<u>23,694,538</u>	<u>(1,140,798)</u>
Capital contributions	—	—	—	300,131
Transfers out	(9,134,000)	—	(9,134,000)	—
Change in net assets	<u>14,573,405</u>	<u>(12,867)</u>	<u>14,560,538</u>	<u>(840,667)</u>
Net assets at June 30, 2003	<u>234,197,395</u>	<u>3,290,338</u>	<u>237,487,733</u>	<u>16,926,901</u>
Net assets at June 30, 2004	<u>\$ 248,770,800</u>	<u>3,277,471</u>	<u>252,048,271</u>	<u>16,086,234</u>

See accompanying notes to basic financial statements.

CITY OF NEWPORT NEWS, VIRGINIA

Statement of Cash Flows
Proprietary Funds
Year ended June 30, 2004

	Enterprise Funds			Internal Service Fund
	Major Fund - Public Utility	Nonmajor fund - Parking Authority	Total	
Cash flows from operating activities:				
Receipts from customers	\$ 64,236,332	270,029	64,506,361	2,205,407
Payments to suppliers	(9,386,574)	(86,753)	(9,473,327)	—
Payments to employees	(17,490,506)	(47,071)	(17,537,577)	—
Internal activity – payment to other funds	(1,326,016)	—	(1,326,016)	—
Other payments	(3,952,701)	—	(3,952,701)	—
Net cash provided by operating activities	<u>32,080,535</u>	<u>136,205</u>	<u>32,216,740</u>	<u>2,205,407</u>
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(14,144,436)	—	(14,144,436)	(2,703,110)
Cash from sale of capital assets	76,112	—	76,112	—
Loss on bond refunding	(309,579)	—	(309,579)	354,475
Proceeds from issuance of long-term debt	42,205,000	—	42,205,000	—
Repayment and retirement of long-term debt	(53,290,000)	—	(53,290,000)	—
Meter and sewer connection fees	3,512,341	—	3,512,341	—
Interest paid	(8,270,565)	—	(8,270,565)	—
Net cash used in capital and related financing activities	<u>(30,221,127)</u>	<u>—</u>	<u>(30,221,127)</u>	<u>(2,348,635)</u>
Cash flows used in noncapital financing activities - Transfer to other funds	<u>(9,134,000)</u>	<u>—</u>	<u>(9,134,000)</u>	<u>—</u>
Cash flows provided by investing activities - Interest received	<u>294,303</u>	<u>7,460</u>	<u>301,763</u>	<u>5,371</u>
Increase (decrease) in cash and restricted cash	(6,980,289)	143,665	(6,836,624)	(137,857)
Cash and restricted cash at beginning of year	<u>36,775,385</u>	<u>677,496</u>	<u>37,452,881</u>	<u>1,022,815</u>
Cash and restricted cash at end of year	\$ <u>29,795,096</u>	<u>821,161</u>	<u>30,616,257</u>	<u>884,958</u>
Reported as:				
Cash and cash equivalents	13,056,611	596,161	13,652,772	884,958
Restricted cash	16,738,485	225,000	16,963,485	—
Total cash & cash equivalents	<u>29,795,096</u>	<u>821,161</u>	<u>30,616,257</u>	<u>884,958</u>
Cash flows from operating activities:				
Operating income (loss)	\$ 24,038,307	(20,327)	24,017,980	(839,652)
Adjustments to reconcile operating income (loss) to cash provided by operating activities:				
Depreciation	9,313,687	108,999	9,422,686	2,772,674
Loss on disposal of capital assets	(107,601)	—	(107,601)	—
Loss on bond refunding	(309,579)	—	(309,579)	—
Changes in assets and liabilities:				
Accounts receivable	(1,306,215)	25,336	(1,280,879)	(249,195)
Inventories	(32,530)	—	(32,530)	(45,806)
Accounts payable and accrued liabilities	10,604	22,197	32,801	567,386
Deposits	473,862	—	473,862	—
Total adjustments	<u>8,042,228</u>	<u>156,532</u>	<u>8,198,760</u>	<u>3,045,059</u>
Net cash provided by operating activities	\$ <u>32,080,535</u>	<u>136,205</u>	<u>32,216,740</u>	<u>2,205,407</u>

See accompanying notes to basic financial statements.

CITY OF NEWPORT NEWS, VIRGINIA
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2004

Assets	Pension Trust	Agency Funds
Cash and cash equivalents	\$ 1,532,421	2,129,032
Cash and cash equivalents with trustee	17,417,595	-
Securities lending	48,522,394	-
Investments	637,358,077	-
Accounts receivable	427,303	2,128,300
Interest receivable	1,865,408	-
Sales receivable	1,408,041	-
Due from other funds	186,352	556,783
Inventory	-	11,226
Total assets	\$ 708,717,591	4,825,341
Liabilities		
Accounts payable	\$ 2,162,284	256,792
Accrued vacation	39,675	-
Due to other funds	108,041	-
Due to other governments	-	2,430,855
Due to other agencies	-	2,137,694
Purchases payable	2,003,980	-
Liabilities under securities lending	48,522,394	-
Total liabilities	52,836,374	4,825,341
Net Assets		
Assets held in trust:		
Postemployment healthcare benefits	13,839,996	-
Employees' retirement	642,041,220	-
Total net assets	655,881,216	-
Total liabilities and net assets	\$ 708,717,590	4,825,341

CITY OF NEWPORT NEWS, VIRGINIA
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds - Pension Trust Employees' Retirement
Year ended June 30, 2004

Additions (decreases):	
Employer Contributions:	
City General Fund	\$ 7,677,449
Waterworks Fund	1,138,053
School Operating Fund	3,466,296
Other Contributions:	
Income from Leave Exchange	1,363,745
Employee Buy-back	762,364
Total contributions	<u>14,407,907</u>
Investment income:	
Net depreciation - bonds	(6,833,308)
Net appreciation - stocks	89,433,410
Interest	7,287,719
Dividends	4,893,233
Real estate operating income, net	2,296,316
Securities lending - gross earnings	456,787
Commission recapture	136,297
Total investment gain	<u>97,670,454</u>
Less investment expenses:	
Securities lending	(393,435)
Other investment expenses	(2,652,120)
Net investment gain	<u>94,624,899</u>
Total increase	<u>109,032,806</u>
Deductions:	
Benefits:	
Service	23,688,653
Occupational death	47,311
Nonoccupational death	29,150
Occupational disability	235,661
Nonoccupational disability	487,176
Reversionary annuity	1,753,637
Retirees insurance benefits	8,144,712
Portability transfer	310,178
Total benefits	<u>34,696,478</u>
Administrative expenses:	
Personal services	323,249
Board fees	5,052
Consultant fees	132,400
Actuary fees	69,891
Medical disability exam fees	450
Total administrative expenses	<u>531,042</u>
Total deductions	<u>35,227,520</u>
Net increase	73,805,286
Net assets held in trust for pension benefits at June 30, 2003	<u>582,075,930</u>
Net assets held in trust for pension benefits at June 30, 2004	<u>\$ 655,881,216</u>

See accompanying notes to basic financial statements.