

**CITY OF NEWPORT NEWS, VIRGINIA**  
Statement of Net Assets  
June 30, 2005

Assets	Primary government			Discretely presented component units	
	Governmental activities	Business-type activities	Total	Public schools	Others
Cash and cash equivalents	\$ 65,893,377	12,796,571	78,689,948	29,673,237	8,012,039
Restricted cash and investment	25,335,820	15,472,650	40,808,470	—	26,887,686
Accounts receivable, net	18,553,665	9,062,430	27,616,095	590,892	7,440,917
Receivable from Industrial Development Authority	17,407,180	—	17,407,180	—	—
Receivable from primary government	—	—	—	104,201	5,590,000
Receivables from other government	26,507,151	—	26,507,151	16,749,223	27,100,000
Inventory, at cost	1,551,876	3,037,302	4,589,178	1,274,570	53,928
Land held for lease or resale	—	—	—	—	16,725,914
Net investment in direct financing lease	—	—	—	—	20,618,967
Capital assets:					
Land	75,473,967	6,539,545	82,013,512	2,505,084	5,712,070
Construction in progress:					
Buildings	21,821,939	121,665,973	143,487,912	121,151	19,401,438
Improvements	259,235,438	16,228,526	275,463,964	51,397,821	99,102,130
Water system	111,186,060	3,532,823	114,718,883	30,816,017	9,931,878
Airport assets	—	375,701,813	375,701,813	—	—
Machinery and equipment	97,447,873	16,979,897	114,427,770	79,804,457	3,274,241
Infrastructure	399,361,975	—	399,361,975	—	1,521,049
	<u>964,527,252</u>	<u>540,648,577</u>	<u>1,505,175,829</u>	<u>164,644,530</u>	<u>229,362,330</u>
Less accumulated depreciation	(421,439,529)	(132,843,230)	(554,282,759)	(75,444,188)	(51,315,077)
Capital assets, net	543,087,723	407,805,347	950,893,070	89,200,342	178,047,253
Other assets	1,879,943	5,370,069	7,250,012	7,973,197	262,026
Total assets	<u>\$ 700,216,735</u>	<u>453,544,369</u>	<u>1,153,761,104</u>	<u>145,565,662</u>	<u>290,738,730</u>
<b>Liabilities and Net Assets</b>					
Liabilities:					
Accounts payable	\$ 14,993,154	1,823,292	16,816,446	9,126,345	2,977,724
Accrued liabilities	7,194,001	8,374,712	15,568,713	21,822,400	846,748
Deposits	2,470,559	4,476,507	6,947,066	—	—
Unearned revenue	1,194,140	—	1,194,140	612,154	39,400
Payable to Newport News Public Schools	104,201	—	104,201	—	316,523
Payable to primary government	—	—	—	—	17,407,181
Other liabilities	70,500	—	70,500	—	—
Long term liabilities:					
Premium on bonds payable	—	7,021,198	7,021,198	—	—
Due within one year	47,706,123	13,320,000	61,026,123	5,094,133	10,439,397
Due in more than one year	429,836,896	151,900,000	581,736,896	28,470,758	149,902,219
Total liabilities	<u>503,569,574</u>	<u>186,915,709</u>	<u>690,485,283</u>	<u>65,125,790</u>	<u>181,929,192</u>
Net assets:					
Invested in capital assets, net of related debt	162,580,785	249,491,400	412,072,185	62,882,021	87,404,488
Restricted for:					
Grants projects	2,275,789	—	2,275,789	—	—
Capital projects	—	225,000	225,000	—	2,842,671
Capital loans	—	—	—	—	3,348,655
Other purposes	1,723,162	—	1,723,162	—	—
Unrestricted	30,067,425	16,912,260	46,979,685	17,557,851	15,213,724
Total net assets	<u>196,647,161</u>	<u>266,628,660</u>	<u>463,275,821</u>	<u>80,439,872</u>	<u>108,809,538</u>
Total liabilities and net assets	<u>\$ 700,216,735</u>	<u>453,544,369</u>	<u>1,153,761,104</u>	<u>145,565,662</u>	<u>290,738,730</u>

See accompanying notes to basic financial statements.

**CITY OF NEWPORT NEWS, VIRGINIA**

Statement of Activities  
Year ended June 30, 2005

	Program revenues			Net (expense) revenue and changes in net assets			Public schools	Other component units
	Expenses	Charges for services	Operating grants and contributions	Capital grants and contributions	Primary government			
					Governmental activities	Business-type activities		
Primary government:								
Governmental activities:								
General government	\$ 57,053,132	5,610,943	—	11,326,181	(40,116,008)	—	(40,116,008)	
Judicial administration	6,060,839	3,355,937	—	—	(2,704,902)	—	(2,704,902)	
Public safety	96,637,983	8,978,367	3,894,295	—	(83,765,321)	—	(83,765,321)	
Public works	54,351,940	23,453,616	11,785,385	—	(19,112,939)	—	(19,112,939)	
Health and welfare	53,692,902	225,774	12,996,926	—	(40,470,202)	—	(40,470,202)	
Education	107,463,439	—	27,038,254	—	(80,425,185)	—	(80,425,185)	
Parks, recreation and culture	27,059,823	6,433,202	60,073	—	(20,566,548)	—	(20,566,548)	
Community development	10,455,402	66,840	4,067,058	—	(6,321,504)	—	(6,321,504)	
Interest on long-term debt	19,109,084	—	—	—	(19,109,084)	—	(19,109,084)	
Total governmental activities	<u>431,884,544</u>	<u>48,124,679</u>	<u>59,841,991</u>	<u>11,326,181</u>	<u>(312,591,693)</u>	<u>—</u>	<u>(312,591,693)</u>	
Business-type activities:								
Public utility	46,037,659	64,453,874	—	—	—	18,416,215	18,416,215	
Parking authority	262,691	238,742	—	—	—	(23,949)	(23,949)	
Total business-type activities	<u>46,300,350</u>	<u>64,692,616</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>18,392,266</u>	<u>18,392,266</u>	
Total primary government	<u>\$ 478,184,894</u>	<u>112,817,295</u>	<u>59,841,991</u>	<u>11,326,181</u>	<u>(312,591,693)</u>	<u>18,392,266</u>	<u>(294,199,427)</u>	
Component units:								
Public schools	\$ 285,301,870	6,268,681	52,405,547	3,088,078	—	—	(223,539,564)	—
Peninsula Airport Commission	8,528,083	6,232,082	—	5,586,868	—	—	—	3,290,867
Economic and Industrial Development Authorities	13,770,083	10,282,507	—	—	—	—	—	(3,487,576)
Total component units	<u>\$ 307,600,036</u>	<u>22,783,270</u>	<u>52,405,547</u>	<u>8,674,946</u>	<u>—</u>	<u>—</u>	<u>(223,539,564)</u>	<u>(196,709)</u>
General revenues:								
City Taxes:								
General property				172,575,384	—	172,575,384	—	—
E-911 service				2,737,853	—	2,737,853	—	—
Local sales and use				20,955,339	—	20,955,339	—	—
Consumers' utility				9,515,933	—	9,515,933	—	—
Cellular telephone				2,848,339	—	2,848,339	—	—
Consumption				641,699	—	641,699	—	—
Business license				13,391,073	—	13,391,073	—	—
Rental car				870,813	—	870,813	—	—
Franchise license				1,670,013	—	1,670,013	—	—
Cable television				2,006,039	—	2,006,039	—	—
Motor vehicle license				3,585,609	—	3,585,609	—	—
Bank stock taxes				532,019	—	532,019	—	—
Recordation and wills				1,969,391	—	1,969,391	—	—
Tobacco				4,639,855	—	4,639,855	—	—
Hotel and motel room tax				2,686,120	—	2,686,120	—	—
Restaurant food tax				14,779,660	—	14,779,660	—	—
Amusement				566,599	—	566,599	—	—
Total City Taxes				<u>255,971,738</u>	<u>—</u>	<u>255,971,738</u>	<u>—</u>	<u>—</u>
Grants and contributions not restricted to specific programs				37,699,447	—	37,699,447	138,129,797	2,504,995
Payment from the City				—	—	—	88,151,971	4,482,898
Investment earnings:				3,116,612	485,453	3,602,065	5,235,651	1,220,561
Miscellaneous				8,013,660	4,836,670	12,850,330	83,085	551,177
Transfers				9,134,000	(9,134,000)	—	—	—
Total general revenues and transfers				<u>313,935,457</u>	<u>(3,811,877)</u>	<u>566,095,318</u>	<u>231,600,504</u>	<u>8,759,631</u>
Change in net assets				1,343,764	14,580,389	15,924,153	8,060,940	8,562,922
Net assets at beginning of year, as restated				195,303,397	252,048,271	447,351,668	72,378,932	100,246,616
Net assets at end of year				<u>\$ 196,647,161</u>	<u>266,628,660</u>	<u>463,275,821</u>	<u>80,439,872</u>	<u>108,809,538</u>

See accompanying notes to basic financial statements.

**CITY OF NEWPORT NEWS, VIRGINIA**

Balance Sheet  
Governmental Funds  
June 30, 2005

Assets	<u>General fund</u>	<u>Debt service fund</u>	<u>Bond fund</u>	<u>Nonmajor governmental funds</u>	<u>Total governmental funds</u>
Cash and cash equivalents	\$ 53,137,318	183,213	—	11,131,794	64,452,325
Restricted cash	—	1,104,311	24,231,509	—	25,335,820
Accounts receivable, net	16,716,213	—	—	1,837,452	18,553,665
Advances to other fund:	16,562,482	—	—	—	16,562,482
Receivable from component unit	17,407,180	—	—	—	17,407,180
Receivables from other government	6,345,950	5,904,094	—	14,257,107	26,507,151
Inventory, at cost	1,152,772	—	—	—	1,152,772
<b>Total assets</b>	<b>\$ 111,321,915</b>	<b>7,191,618</b>	<b>24,231,509</b>	<b>27,226,353</b>	<b>169,971,395</b>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 6,581,491	40,949	4,405,815	3,084,011	14,112,266
Accrued liabilities	1,124,786	—	—	184,323	1,309,109
Deposits	2,470,560	—	—	—	2,470,560
Deferred revenue	8,136,255	38,786	—	705,269	8,880,310
Payable to Newport News Public Schools	—	—	104,201	—	104,201
Advances from major governmental fund	—	5,904,094	—	10,658,388	16,562,482
Other liabilities	—	70,500	—	—	70,500
<b>Total liabilities</b>	<b>18,313,092</b>	<b>6,054,329</b>	<b>4,510,016</b>	<b>14,631,991</b>	<b>43,509,428</b>
<b>Fund balances:</b>					
<b>Reserved for:</b>					
Inventory	1,150,494	—	—	—	1,150,494
Encumbrances	6,134,045	—	27,619,458	742,493	34,495,996
<b>Unreserved:</b>					
<b>Designated for:</b>					
FY06 budget	1,723,162	—	—	—	1,723,162
Self-insurance activity	7,999,589	—	—	—	7,999,589
Debt service	6,410,205	1,137,289	—	—	7,547,494
Applied Research Center	17,407,180	—	—	—	17,407,180
<b>Specific projects:</b>					
General fund	20,102,871	—	—	—	20,102,871
Bond fund	—	—	(7,897,965)	—	(7,897,965)
<b>Non-Major funds:</b>					
Capital projects - Gen cap improvemen	—	—	—	1,177,166	1,177,166
Law library	—	—	—	25	25
Stormwater	—	—	—	2,142,109	2,142,109
Solid Waste	—	—	—	1,925,632	1,925,632
Waste Water	—	—	—	820,759	820,759
Other Federal and State	—	—	—	2,472,257	2,472,257
<b>Undesignated</b>					
General fund	32,081,277	—	—	—	32,081,277
<b>Non-Major funds:</b>					
Economic Development	—	—	—	710,082	710,082
Law Library	—	—	—	91,664	91,664
Stormwater	—	—	—	1,613,810	1,613,810
Solid Waste	—	—	—	893,504	893,504
Revenue Sharing (Capital projects)	—	—	—	4,861	4,861
<b>Total fund balances</b>	<b>93,008,823</b>	<b>1,137,289</b>	<b>19,721,493</b>	<b>12,594,362</b>	<b>126,461,967</b>
<b>Total liabilities and fund balances</b>	<b>\$ 111,321,915</b>	<b>7,191,618</b>	<b>24,231,509</b>	<b>27,226,353</b>	<b>169,971,395</b>

See accompanying notes to basic financial statement

**CITY OF NEWPORT NEWS, VIRGINIA**  
Reconciliation of the Balance Sheet of Governmental Funds to the  
Statement of Net Assets  
June 30, 2005

Fund balances – total governmental funds		\$ 126,461,967
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	\$ 925,426,787	
Less accumulated depreciation	<u>(398,385,981)</u>	
		527,040,806
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		7,686,170
Internal service funds are used by management to charge the costs of certain activities to individual funds.		16,710,750
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.		1,879,944
Unmatured interest payable reported in governmental activities will not be paid with current financial resources and therefore, are not reported in the funds.		(5,589,457)
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	(399,673,279)	
Literary fund bonds	(3,564,082)	
Capital leases payable	(292,789)	
Land lease payable	(2,312,606)	
Landfill liability	(6,501,000)	
Accrued vacation	(18,535,335)	
Workers' compensation and other claims	(11,618,928)	
Net pension obligations	(32,245,000)	
Incurred but not reported claims	<u>(2,800,000)</u>	
		<u>(477,543,019)</u>
Net assets of governmental activities		<u>\$ 196,647,161</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, 2005

	General fund	Debt service fund	Bond fund	Nonmajor governmental funds	Total governmental funds
Revenues:					
General property taxes	\$ 170,347,467	—	—	—	170,347,467
Other local taxes	83,396,354	—	—	—	83,396,354
Licenses and permit:	3,706,436	—	—	—	3,706,436
Fines and forfeitures:	2,186,887	—	—	—	2,186,887
Intergovernmental	42,418,995	27,038,254	34,139	34,040,820	103,532,208
Charges for service:	14,357,383	—	—	23,623,472	37,980,855
Interest and rent	2,946,476	—	—	182,556	3,129,032
Recovered costs	8,736,573	—	—	—	8,736,573
Miscellaneous	3,301,147	239,175	—	122,142	3,662,464
Total revenues	<u>331,397,718</u>	<u>27,277,429</u>	<u>34,139</u>	<u>57,968,990</u>	<u>416,678,276</u>
Expenditures:					
Current operating:					
General government	45,905,220	543,340	—	97,459	46,546,019
Judicial administration	5,183,646	—	—	—	5,183,646
Public safety	81,687,657	—	—	5,222,291	86,909,948
Public works	10,314,785	—	—	31,702,475	42,017,260
Health and welfare	31,916,336	—	—	13,040,540	44,956,876
Education	97,502,709	—	12,136,051	—	109,638,760
Parks, recreation and culture	21,764,669	—	—	57,029	21,821,698
Community developmen	3,299,002	—	1,500,000	4,132,770	8,931,772
Debt service:					
Principal	—	38,750,475	—	—	38,750,475
Interest and other charge:	—	19,645,588	979,581	—	20,625,169
Capital outlay	—	—	20,092,218	5,853,160	25,945,378
Total expenditures	<u>297,574,024</u>	<u>58,939,403</u>	<u>34,707,850</u>	<u>60,105,724</u>	<u>451,327,001</u>
Excess (deficiency) of revenues over (under) expenditure:	<u>33,823,694</u>	<u>(31,661,974)</u>	<u>(34,673,711)</u>	<u>(2,136,734)</u>	<u>(34,648,725)</u>
Other financing sources (uses):					
Transfers in	9,134,000	30,275,043	—	5,190,298	44,599,341
Transfers out	(30,230,988)	—	—	(5,234,353)	(35,465,341)
Payments to refunded bonds escrow agen	—	—	(11,785,000)	—	(11,785,000)
Premium on bonds:	—	—	1,109,184	—	1,109,184
Refunded bonds proceed:	—	—	12,720,000	—	12,720,000
Bond and note proceeds	—	—	32,366,903	—	32,366,903
Total other financing sources (uses)	<u>(21,096,988)</u>	<u>30,275,043</u>	<u>34,411,087</u>	<u>(44,055)</u>	<u>43,545,087</u>
Net changes in fund balances	12,726,706	(1,386,931)	(262,624)	(2,180,789)	8,896,362
Fund balances at June 30, 2004	80,282,117	2,524,220	19,984,117	14,775,151	117,565,605
Fund balances at June 30, 2005	<u>\$ 93,008,823</u>	<u>1,137,289</u>	<u>19,721,493</u>	<u>12,594,362</u>	<u>126,461,967</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, 2005

Net change in fund balances – total governmental funds		\$ 8,896,362
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 expense that relate to assets acquired that do not meet the capitalization threshold of the City:		
Capital outlay expenditures	\$ 25,945,378	
Less: Capital outlay expenditures not meeting capitalization threshold	(3,752,700)	
Depreciation expense	<u>(20,608,854)</u>	
		1,583,824
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		
		4,992,629
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. Deferred revenues increased by this amount in the current year		
		1,448,282
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	50,625,664	
Debt issued (and related costs)	(45,066,111)	
Premium on issuance of long-term debt	611,736	
Gain on bond refundings, net of amortization	53,719	
Loss on bond refundings, net of amortization	(390,073)	
Debt issuance costs, net of amortization	<u>200,650</u>	
		6,035,585
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	536,504	
Landfill liability	161,000	
Accrued vacation	(689,386)	
Net pension obligation	(21,792,000)	
Workers' compensation and other claims	(806,820)	
Incurred but not reported liabilities	<u>195,000</u>	
		(22,395,702)
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.		
		195,968
Internal service funds are used by management to charge the costs of certain services to individual funds. The net income of the internal service fund is reported with governmental activities		
		<u>586,816</u>
Change in net assets of governmental activities		<u>\$ 1,343,764</u>

See accompanying notes to basic financial statements.

**CITY OF NEWPORT NEWS, VIRGINIA**

Statement of Net Assets

Proprietary Funds

June 30, 2005

Assets	Enterprises Funds			Internal Service Fund
	Major Fund - Public Utility	Nonmajor fund - Parking Authority	Total	
<b>Current assets:</b>				
Cash and cash equivalents	\$ 12,026,937	769,634	12,796,571	1,441,052
Restricted cash	15,247,650	225,000	15,472,650	—
Accounts receivable, net	9,062,430	—	9,062,430	—
Inventory	3,037,302	—	3,037,302	399,103
<b>Total current assets</b>	<b>39,374,319</b>	<b>994,634</b>	<b>40,368,953</b>	<b>1,840,155</b>
<b>Noncurrent assets:</b>				
<b>Capital assets:</b>				
Land	5,807,698	731,847	6,539,545	20,257
Improvements	—	3,532,823	3,532,823	—
Buildings	16,228,526	—	16,228,526	3,665,272
Water system	375,701,813	—	375,701,813	—
Machinery and equipment	16,950,003	29,894	16,979,897	35,414,936
Construction in progress	121,665,973	—	121,665,973	—
	536,354,013	4,294,564	540,648,577	39,100,465
Less accumulated depreciation	(130,930,112)	(1,913,118)	(132,843,230)	(23,053,548)
<b>Capital assets, net</b>	<b>405,423,901</b>	<b>2,381,446</b>	<b>407,805,347</b>	<b>16,046,917</b>
<b>Other assets</b>	<b>5,370,069</b>	<b>—</b>	<b>5,370,069</b>	<b>—</b>
<b>Total noncurrent assets</b>	<b>410,793,970</b>	<b>2,381,446</b>	<b>413,175,416</b>	<b>16,046,917</b>
<b>Total assets</b>	<b>\$ 450,168,289</b>	<b>3,376,080</b>	<b>453,544,369</b>	<b>17,887,072</b>
<b>Liabilities and Net Assets</b>				
<b>Liabilities:</b>				
<b>Current liabilities:</b>				
Accounts payable	\$ 1,801,765	21,527	1,823,292	880,888
Accrued liabilities	8,374,307	405	8,374,712	295,435
Current portion of general obligation bonds payable	13,320,000	—	13,320,000	—
<b>Total current liabilities</b>	<b>23,496,072</b>	<b>21,932</b>	<b>23,518,004</b>	<b>1,176,323</b>
<b>Noncurrent liabilities:</b>				
Deposits	4,476,507	—	4,476,507	—
General obligation bonds payable, net of current portion	151,900,000	—	151,900,000	—
Premium on bonds payable	7,021,198	—	7,021,198	—
<b>Total noncurrent liabilities</b>	<b>163,397,705</b>	<b>—</b>	<b>163,397,705</b>	<b>—</b>
<b>Total liabilities</b>	<b>186,893,777</b>	<b>21,932</b>	<b>186,915,709</b>	<b>1,176,323</b>
<b>Net assets:</b>				
Invested in capital assets, net of related debt	247,109,954	2,381,446	249,491,400	16,046,917
Restricted for capital projects	—	225,000	225,000	—
Unrestricted	16,164,558	747,702	16,912,260	663,832
<b>Total net assets</b>	<b>263,274,512</b>	<b>3,354,148</b>	<b>266,628,660</b>	<b>16,710,749</b>
<b>Total liabilities and net assets</b>	<b>\$ 450,168,289</b>	<b>3,376,080</b>	<b>453,544,369</b>	<b>17,887,072</b>

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, 2005

	<b>Enterprises Funds</b>			<b>Internal Service Fund</b>
	<b>Major Fund - Public Utility</b>	<b>Nonmajor fund - Parking Authority</b>	<b>Total</b>	
Operating revenues:				
Water sales	\$ 55,415,931	—	55,415,931	—
Charges for services	9,037,943	238,742	9,276,685	6,801,983
Miscellaneous	1,553,508	87,215	1,640,723	1,143,394
Total operating revenues	<u>66,007,382</u>	<u>325,957</u>	<u>66,333,339</u>	<u>7,945,377</u>
Operating expenses:				
Personal services	18,480,347	51,552	18,531,899	2,133,091
Contractual services	6,633,666	67,896	6,701,562	93,337
Internal services	1,344,528	225	1,344,753	52,382
Materials and supplies	2,926,566	32,544	2,959,110	3,641,156
Depreciation	9,411,251	107,885	9,519,136	2,764,081
Other	3,549,465	2,589	3,552,054	—
Total operating expenses	<u>42,345,823</u>	<u>262,691</u>	<u>42,608,514</u>	<u>8,684,047</u>
Operating income (loss)	<u>23,661,559</u>	<u>63,266</u>	<u>23,724,825</u>	<u>(738,670)</u>
Nonoperating revenues (expenses):				
Interest revenue	472,042	13,411	485,453	12,147
Gain on disposal of capital assets	270,867	—	270,867	128,793
Meter and service connection fees	2,925,080	—	2,925,080	—
Amortization, cost of issuing bonds	(149,943)	—	(149,943)	—
Interest expense	(3,541,893)	—	(3,541,893)	—
Total nonoperating revenues (expenses)	<u>(23,847)</u>	<u>13,411</u>	<u>(10,436)</u>	<u>140,940</u>
Income (loss) before capital contributions and transfers out	<u>23,637,712</u>	<u>76,677</u>	<u>23,714,389</u>	<u>(597,730)</u>
Capital contributions	—	—	—	1,184,545
Transfers out	(9,134,000)	—	(9,134,000)	—
Change in net assets	14,503,712	76,677	14,580,389	586,815
Net assets at June 30, 2004	<u>248,770,800</u>	<u>3,277,471</u>	<u>252,048,271</u>	<u>16,123,934</u>
Net assets at June 30, 2005	<u>\$ 263,274,512</u>	<u>3,354,148</u>	<u>266,628,660</u>	<u>16,710,749</u>

See accompanying notes to basic financial statements.

**CITY OF NEWPORT NEWS, VIRGINIA**

Statement of Cash Flows  
Proprietary Funds  
Year ended June 30, 2005

	<b>Enterprise Funds</b>			<b>Internal Service Fund</b>
	<b>Major Fund - Public Utility</b>	<b>Nonmajor fund - Parking Authority</b>	<b>Total</b>	
Cash flows from operating activities:				
Receipts from customers	\$ 66,280,859	238,742	66,519,601	2,435,402
Payments to suppliers	(9,641,380)	(114,033)	(9,755,413)	—
Payments to employees	(18,347,558)	(51,862)	(18,399,420)	—
Internal activity – payment to other funds	(1,344,528)	—	(1,344,528)	—
Other payments	(3,271,730)	87,215	(3,184,515)	—
Net cash provided by operating activities	<u>33,675,663</u>	<u>160,062</u>	<u>33,835,725</u>	<u>2,435,402</u>
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(9,618,798)	—	(9,618,798)	(2,322,927)
Cash from sale of capital assets	—	—	—	431,472
Repayment and retirement of long-term debt	(12,805,000)	—	(12,805,000)	—
Meter and sewer connection fees	2,925,080	—	2,925,080	—
Interest paid	(8,035,496)	—	(8,035,496)	—
Net cash used in capital and related financing activities	<u>(27,534,214)</u>	<u>—</u>	<u>(27,534,214)</u>	<u>(1,891,455)</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>472,042</u>	<u>13,411</u>	<u>485,453</u>	<u>12,147</u>
Increase (decrease) in cash and restricted cash	<u>(2,520,509)</u>	<u>173,473</u>	<u>(2,347,036)</u>	<u>556,094</u>
Cash and restricted cash at beginning of year	<u>29,795,096</u>	<u>821,161</u>	<u>30,616,257</u>	<u>884,958</u>
Cash and restricted cash at end of year	<u>\$ 27,274,587</u>	<u>994,634</u>	<u>28,269,221</u>	<u>1,441,052</u>
Reported as:				
Cash and cash equivalents	12,026,937	769,634	12,796,571	1,441,052
Restricted cash	<u>15,247,650</u>	<u>225,000</u>	<u>15,472,650</u>	<u>—</u>
Total cash & cash equivalents	<u>27,274,587</u>	<u>994,634</u>	<u>28,269,221</u>	<u>1,441,052</u>
Cash flows from operating activities:				
Operating income	\$ 23,661,559	63,266	23,724,825	(738,670)
Adjustments to reconcile operating income to cash provided by operating activities:				
Depreciation	9,411,251	107,885	9,519,136	2,764,081
Gain on disposal of capital assets	270,867	—	270,867	—
Changes in assets and liabilities:				
Accounts receivable	212,453	—	212,453	275,456
Inventories	105,247	—	105,247	(31,471)
Accounts payable and accrued liabilities	(53,608)	(11,089)	(64,697)	166,006
Deposits	67,894	—	67,894	—
Total adjustments	<u>10,014,104</u>	<u>96,796</u>	<u>10,110,900</u>	<u>3,174,072</u>
Net cash provided by operating activities	<u>\$ 33,675,663</u>	<u>160,062</u>	<u>33,835,725</u>	<u>2,435,402</u>

See accompanying notes to basic financial statements.

**CITY OF NEWPORT NEWS, VIRGINIA**  
Statement of Fiduciary Net Assets  
Fiduciary Funds  
June 30, 2005

<b>Assets</b>	<b>Pension Trust</b>	<b>Agency Funds</b>
	<hr/>	<hr/>
Cash and cash equivalents	\$ 750,070	1,315,533
Cash and cash equivalents with trustee	11,919,911	–
Securities lending	27,028,176	–
Investments		
Corporate and government bonds	207,803,341	–
Common stock	326,782,972	–
International stock	89,514,823	–
International emerging markets	30,101,919	–
Real estate	29,450,439	–
Accounts receivable	440,799	2,859,457
Interest receivable	1,901,031	–
Sales receivable	44,035,670	–
Inventory	–	5,839
	<hr/>	<hr/>
Total assets	\$ 769,729,151	4,180,829
	<hr/>	<hr/>
<b>Liabilities</b>		
Accounts payable	\$ 2,110,891	267,542
Accrued vacation	39,435	–
Due to other governments	–	2,325,252
Due to other agencies	–	1,588,035
Purchases payable	42,632,156	–
Liabilities under securities lending	27,028,176	–
	<hr/>	<hr/>
Total liabilities	71,810,658	4,180,829
<b>Net Assets</b>		
Assets held in trust:		
Postemployment healthcare benefits	13,908,774	–
Employees' retirement	684,009,719	–
	<hr/>	<hr/>
Total net assets	697,918,493	–
	<hr/>	<hr/>
Total liabilities and net assets	\$ 769,729,151	4,180,829
	<hr/>	<hr/>

See accompanying notes to basic financial statements.

**CITY OF NEWPORT NEWS, VIRGINIA**  
Statement of Changes in Fiduciary Net Assets  
Fiduciary Funds - Pension Trust Employees' Retirement  
Year ended June 30, 2005

Additions (decreases):	
Employer Contributions:	
City General Fund	\$ 8,900,307
Waterworks Fund	1,081,799
School Operating Fund	3,646,692
Other Contributions:	
Income from Leave Exchange	1,483,213
Employee Buy-back	869,617
Total contributions	<u>15,981,628</u>
Investment income:	
Net appreciation - bonds	5,606,759
Net appreciation - stocks	42,883,884
Interest	8,323,773
Dividends	6,135,453
Real estate operating income, net	5,195,375
Securities lending - gross earnings	647,391
Commission recapture	102,015
Total investment gain	<u>68,894,650</u>
Less investment expenses:	
Securities lending	(628,864)
Other investment expenses	(2,854,449)
Net investment gain	<u>65,411,337</u>
Total increase	<u>81,392,965</u>
Deductions:	
Benefits:	
Service	26,965,541
Occupational death	48,092
Nonoccupational death	44,550
Occupational disability	238,803
Nonoccupational disability	512,057
Reversionary annuity	1,904,431
Retirees insurance benefits	9,046,987
Portability transfer	20,926
Total benefits	<u>38,781,387</u>
Administrative expenses:	
Personal services	372,134
Board fees	5,167
Consultant fees	137,000
Actuary fees	53,317
Medical disability exam fees	6,683
Total administrative expenses	<u>574,301</u>
Total deductions	<u>39,355,688</u>
Net increase	42,037,277
Net assets held in trust for pension benefits at June 30, 2004	<u>655,881,216</u>
Net assets held in trust for pension benefits at June 30, 2005	<u>\$ 697,918,493</u>

See accompanying notes to basic financial statements.