

**CITY OF NEWPORT NEWS, VIRGINIA**  
Statement of Net Assets  
June 30, 2006

Assets	Primary government			Discretely presented component units	
	Governmental activities	Business-type activities	Total	Public schools	Others
Cash and cash equivalents	\$ 83,091,474	16,951,425	100,042,899	20,613,799	7,548,346
Restricted cash and investment	9,723,908	26,671,376	36,395,284	—	62,816,809
Accounts receivable, net:	17,165,958	9,577,178	26,743,136	595,867	6,573,056
Receivable from Industrial Development Authority	16,929,071	—	16,929,071	—	—
Receivable from primary government	—	—	—	33,765	5,360,000
Receivables from other government	21,786,113	—	21,786,113	20,336,798	23,160,000
Inventory, at cost	1,603,399	2,995,272	4,598,671	964,994	67,398
Land held for lease or resale	—	—	—	—	16,522,873
Net investment in direct financing lease	—	—	—	—	16,094,539
Capital assets:					
Land	79,449,349	6,176,118	85,625,467	2,505,084	5,712,070
Construction in progress:					
Buildings	42,174,547	40,803,792	82,978,339	132,439	47,531,354
Improvements	265,498,501	16,257,597	281,756,098	51,397,821	99,102,130
Water system	115,003,940	3,532,823	118,536,763	32,635,894	10,267,249
Airport assets	—	470,866,823	470,866,823	—	—
Machinery and equipment	107,770,455	18,211,241	125,981,696	83,680,965	3,401,121
Infrastructure	413,098,911	—	413,098,911	—	1,521,049
	<u>1,022,995,703</u>	<u>555,848,394</u>	<u>1,578,844,097</u>	<u>170,352,203</u>	<u>264,921,787</u>
Less accumulated depreciation	(444,380,432)	(143,383,483)	(587,763,915)	(83,825,903)	(57,137,608)
Capital assets, net	578,615,271	412,464,911	991,080,182	86,526,300	207,784,179
Other assets	2,090,586	4,487,015	6,577,601	10,978,785	1,243,902
Total assets	<u>\$ 731,005,780</u>	<u>473,147,177</u>	<u>1,204,152,957</u>	<u>140,050,308</u>	<u>347,171,102</u>
<b>Liabilities and Net Assets</b>					
Liabilities:					
Accounts payable	\$ 20,417,221	2,746,311	23,163,532	8,957,208	1,964,485
Accrued liabilities	6,769,657	8,629,330	15,398,987	21,943,251	735,320
Deposits	4,661,773	4,484,396	9,146,169	—	37,908
Unearned revenue	433,880	—	433,880	528,250	39,797
Payable to Newport News Public Schools	33,765	—	33,765	—	347,877
Payable to primary government	—	—	—	—	16,929,071
Long term liabilities:					
Due within one year	54,108,189	11,255,000	65,363,189	5,309,193	10,036,755
Due in more than one year	453,150,357	162,716,869	615,867,226	25,317,507	201,051,152
Total liabilities	<u>539,574,842</u>	<u>189,831,906</u>	<u>729,406,748</u>	<u>62,055,409</u>	<u>231,142,365</u>
Net assets:					
Invested in capital assets, net of related debt	175,306,479	264,939,418	440,245,897	62,872,389	83,938,152
Restricted for:					
Grants projects	1,521,091	—	1,521,091	—	—
Capital projects	—	225,000	225,000	—	2,834,062
Capital loans	—	—	—	—	14,077,997
Unrestricted	14,603,368	18,150,853	32,754,221	15,122,510	15,178,526
Total net assets	<u>191,430,938</u>	<u>283,315,271</u>	<u>474,746,209</u>	<u>77,994,899</u>	<u>116,028,737</u>
Total liabilities and net assets	<u>\$ 731,005,780</u>	<u>473,147,177</u>	<u>1,204,152,957</u>	<u>140,050,308</u>	<u>347,171,102</u>

See accompanying notes to basic financial statements.

**CITY OF NEWPORT NEWS, VIRGINIA**

Statement of Activities  
Year ended June 30, 2006

	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		
<b>Primary government:</b>								
Governmental activities								
General government	\$ 64,991,195	5,406,850	—	2,970,950	(56,613,395)	—	(56,613,395)	
Judicial administration	6,397,049	3,423,979	—	—	(2,973,070)	—	(2,973,070)	
Public safety	100,481,015	9,251,041	4,441,077	—	(86,788,897)	—	(86,788,897)	
Public works	63,695,077	26,160,999	12,371,542	—	(25,162,536)	—	(25,162,536)	
Health and welfare	53,362,500	131,732	7,465,351	—	(45,765,417)	—	(45,765,417)	
Education	104,054,463	—	16,415,709	—	(87,638,754)	—	(87,638,754)	
Parks, recreation and culture	29,934,662	6,545,008	174,516	—	(23,215,138)	—	(23,215,138)	
Community development	11,168,279	—	2,993,006	—	(8,175,273)	—	(8,175,273)	
Interest on long-term deb	17,169,976	—	—	—	(17,169,976)	—	(17,169,976)	
Total governmental activities	<u>451,254,216</u>	<u>50,919,609</u>	<u>43,861,201</u>	<u>2,970,950</u>	<u>(353,502,456)</u>	<u>—</u>	<u>(353,502,456)</u>	
Business-type activities:								
Public utility	51,394,362	72,115,780	—	—	—	20,721,418	20,721,418	
Parking authority	199,461	281,765	—	—	—	82,304	82,304	
Total business-type activities	<u>51,593,823</u>	<u>72,397,545</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>20,803,722</u>	<u>20,803,722</u>	
Total primary government	<u>\$ 502,848,039</u>	<u>123,317,154</u>	<u>43,861,201</u>	<u>2,970,950</u>	<u>(353,502,456)</u>	<u>20,803,722</u>	<u>(332,698,734)</u>	
<b>Component units:</b>								
Public schools	\$ 297,865,031	6,401,686	55,052,021	2,859,275	—	—	(233,552,049)	—
Peninsula Airport Commission	9,156,905	6,429,107	—	5,696,641	—	—	—	2,968,843
Economic and Industrial Development Authoritie	12,549,633	10,066,108	—	—	—	—	—	(2,483,525)
Total component units	<u>\$ 319,571,569</u>	<u>22,896,901</u>	<u>55,052,021</u>	<u>8,555,916</u>	<u>—</u>	<u>—</u>	<u>(233,552,049)</u>	<u>485,318</u>
<b>General revenues:</b>								
City Taxes:								
General property					187,912,894	—	187,912,894	—
E-911 service					2,750,556	—	2,750,556	—
Local sales and use					22,432,446	—	22,432,446	—
Consumers' utility					9,254,101	—	9,254,101	—
Cellular telephone					3,117,614	—	3,117,614	—
Consumption					774,586	—	774,586	—
Business license					14,701,671	—	14,701,671	—
Rental car					932,481	—	932,481	—
Franchise license					1,732,167	—	1,732,167	—
Cable television					2,108,165	—	2,108,165	—
Motor vehicle license					3,585,645	—	3,585,645	—
Bank stock taxes					600,317	—	600,317	—
Recordation and wills					2,535,995	—	2,535,995	—
Tobacco					4,622,565	—	4,622,565	—
Hotel and motel room tax					2,802,362	—	2,802,362	—
Restaurant food tax					16,649,811	—	16,649,811	—
Amusement					569,643	—	569,643	—
Total City Taxes					<u>277,083,019</u>	<u>—</u>	<u>277,083,019</u>	<u>—</u>
Grants and contributions not restricted to specific programs					45,473,865	—	45,473,865	145,975,653
Payment from the City					—	—	—	84,558,244
Investment earnings:					5,007,664	1,240,697	6,248,361	97,051
Miscellaneous					11,587,685	3,753,852	15,341,537	476,128
Transfers					9,134,000	(9,134,000)	—	—
Total general revenues and transfers					<u>348,286,233</u>	<u>(4,139,451)</u>	<u>621,229,801</u>	<u>231,107,076</u>
Change in net assets					(5,216,223)	16,664,271	11,448,048	(2,444,973)
Net assets at beginning of year, as restated					<u>196,647,161</u>	<u>266,651,000</u>	<u>463,298,161</u>	<u>80,439,872</u>
Net assets at end of year					<u>\$ 191,430,938</u>	<u>283,315,271</u>	<u>474,746,209</u>	<u>77,994,899</u>

See accompanying notes to basic financial statements.

**CITY OF NEWPORT NEWS, VIRGINIA**

Balance Sheet  
Governmental Funds  
June 30, 2006

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	\$ 68,624,013	116,929	—	12,881,784	81,622,726
Restricted cash	—	319,453	9,404,455	—	9,723,908
Accounts receivable, net	15,769,027	—	—	1,396,931	17,165,958
Advances to other fund:	1,192,610	—	—	—	1,192,610
Receivable from component unit	16,929,071	—	—	—	16,929,071
Receivables from other government	16,113,743	—	1,462,400	4,209,970	21,786,113
Inventory, at cost	1,192,821	—	—	—	1,192,821
<b>Total assets</b>	<b>\$ 119,821,285</b>	<b>436,382</b>	<b>10,866,855</b>	<b>18,488,685</b>	<b>149,613,207</b>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 10,000,615	46,429	6,500,667	3,711,035	20,258,746
Accrued liabilities	977,538	70,500	51	175,624	1,223,713
Deposits	4,661,773	—	—	—	4,661,773
Deferred revenue	5,833,764	—	—	417,203	6,250,967
Unearned revenue	304,562	—	—	—	304,562
Payable to Newport News Public Schools	—	—	33,765	—	33,765
Advances from major governmental fund	—	—	—	1,192,610	1,192,610
<b>Total liabilities</b>	<b>21,778,252</b>	<b>116,929</b>	<b>6,534,483</b>	<b>5,496,472</b>	<b>33,926,136</b>
<b>Fund balances:</b>					
Reserved for:					
Inventory	1,192,821	—	—	—	1,192,821
Encumbrances	5,163,582	—	20,476,008	1,397,127	27,036,717
Unreserved:					
Designated for:					
Imprest funds:	21,988	—	—	—	21,988
FY07 budget	928,000	—	—	—	928,000
Self-insurance activity	15,613,428	—	—	—	15,613,428
Debt service	—	319,453	—	—	319,453
Applied Research Center	16,929,071	—	—	—	16,929,071
Capital projects	—	—	—	2,527,608	2,527,608
Specific projects:					
General fund	23,076,018	—	—	—	23,076,018
Bond fund	—	—	(16,143,636)	—	(16,143,636)
Non-Major funds:					
Capital projects - Gen cap improvement	—	—	—	143,173	143,173
Law library	—	—	—	25	25
Stormwater	—	—	—	2,273,877	2,273,877
Solid Waste	—	—	—	1,336,607	1,336,607
Other Federal and State	—	—	—	2,081,458	2,081,458
Undesignated:					
General fund	35,118,125	—	—	—	35,118,125
Non-Major funds:					
Economic Development	—	—	—	781,006	781,006
Law Library	—	—	—	97,017	97,017
Stormwater	—	—	—	1,457,631	1,457,631
Solid Waste	—	—	—	894,748	894,748
Wastewater	—	—	—	(2,925)	(2,925)
Revenue Sharing (Capital projects)	—	—	—	4,861	4,861
<b>Total fund balances</b>	<b>98,043,033</b>	<b>319,453</b>	<b>4,332,372</b>	<b>12,992,213</b>	<b>115,687,071</b>
<b>Total liabilities and fund balances</b>	<b>\$ 119,821,285</b>	<b>436,382</b>	<b>10,866,855</b>	<b>18,488,685</b>	<b>149,613,207</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, 2006

Fund balances – total governmental funds		\$ 115,687,071
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	\$ 981,281,728	
Less accumulated depreciation	<u>(419,604,757)</u>	
		561,676,971
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		6,121,649
Internal service funds are used by management to charge the costs of certain activities to individual funds.	18,332,170	
Adjustment to add back accrued vacation included below	<u>259,391</u>	
		18,591,561
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.		2,090,586
Unmatured interest payable reported in governmental activities will not be paid with current financial resources and therefore, are not reported in the funds.		(5,478,354)
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	(406,220,772)	
Literary fund bonds	(2,894,833)	
Capital leases payable	(219,145)	
Land lease payable	(2,176,859)	
Landfill liability	(6,332,000)	
Accrued vacation	(19,769,468)	
Workers' compensation and other claims	(11,779,469)	
Net pension obligations	(55,174,000)	
Incurred but not reported claims	<u>(2,692,000)</u>	
		<u>(507,258,546)</u>
Net assets of governmental activities		<u>\$ 191,430,938</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, 2006

	General fund	Debt service fund	Bond fund	Nonmajor governmental funds	Total governmental funds
<b>Revenues:</b>					
General property taxes	\$ 189,477,417	—	—	—	189,477,417
Other local taxes	89,170,127	—	—	—	89,170,127
Licenses and permit:	3,486,460	—	—	—	3,486,460
Fines and forfeitures:	2,078,904	—	—	—	2,078,904
Intergovernmental	45,473,866	16,415,709	—	28,308,754	90,198,329
Charges for service:	15,211,029	—	—	26,078,360	41,289,389
Interest and rent	4,681,688	—	—	305,292	4,986,980
Recovered costs	7,551,316	—	—	—	7,551,316
Miscellaneous	6,539,062	38,786	—	136,242	6,714,090
<b>Total revenues</b>	<b>363,669,869</b>	<b>16,454,495</b>	<b>—</b>	<b>54,828,648</b>	<b>434,953,012</b>
<b>Expenditures:</b>					
<b>Current operating:</b>					
General government	56,842,050	547,105	—	105,142	57,494,297
Judicial administration	5,517,042	—	—	—	5,517,042
Public safety	85,615,084	—	—	4,893,304	90,508,388
Public works	15,323,014	—	—	34,592,048	49,915,062
Health and welfare	36,128,269	—	—	12,861,067	48,989,336
Education	101,186,564	—	3,661,420	—	104,847,984
Parks, recreation and culture	24,144,679	—	—	162,396	24,307,075
Community developmen	5,762,157	—	—	3,060,649	8,822,806
<b>Debt service:</b>					
Principal	—	31,156,086	—	—	31,156,086
Interest and other charge:	—	17,281,079	474,683	—	17,755,762
Capital outlay	—	—	50,327,944	2,297,533	52,625,477
<b>Total expenditures</b>	<b>330,518,859</b>	<b>48,984,270</b>	<b>54,464,047</b>	<b>57,972,139</b>	<b>491,939,315</b>
<b>Excess (deficiency) of revenues over (under) expenditure:</b>	<b>33,151,010</b>	<b>(32,529,775)</b>	<b>(54,464,047)</b>	<b>(3,143,491)</b>	<b>(56,986,303)</b>
<b>Other financing sources (uses):</b>					
Transfers in	9,134,000	32,310,688	598,749	9,919,262	51,962,699
Transfers out	(37,250,800)	(598,749)	—	(5,729,149)	(43,578,698)
Payments to refunded bonds escrow agen	—	—	(30,532,569)	—	(30,532,569)
Premium on bonds:	—	—	3,115,756	—	3,115,756
Refunded bonds proceed:	—	—	28,020,000	—	28,020,000
Bond and note proceeds	—	—	37,872,990	—	37,872,990
<b>Total other financing sources (uses)</b>	<b>(28,116,800)</b>	<b>31,711,939</b>	<b>39,074,926</b>	<b>4,190,113</b>	<b>46,860,178</b>
<b>Net changes in fund balances</b>	<b>5,034,210</b>	<b>(817,836)</b>	<b>(15,389,121)</b>	<b>1,046,622</b>	<b>(10,126,125)</b>
Fund balances at June 30, 2005, as restated	93,008,823	1,137,289	19,721,493	11,945,591	125,813,196
Fund balances at June 30, 2006	\$ 98,043,033	319,453	4,332,372	12,992,213	115,687,071

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, 2006

Net change in fund balances – total governmental funds		\$ (10,126,125)
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	\$ 52,625,477	
Less: Capital outlay expenditures not meeting capitalization threshold	(183,065)	
Depreciation expense	<u>(21,680,278)</u>	
		30,762,134
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 asset will revert back to the Schools when the debt is paid in full. These asset are not reported in the governmental funds		
		3,874,031
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		
		(1,564,523)
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	59,896,086	
Debt issued (and related costs)	(65,892,991)	
Premium on issuance of long-term debt	(526,198)	
Current year loss on refunding	1,792,569	
Amortization of refunding gains (losses)	(1,147,710)	
Debt issuance costs, net of amortization	<u>210,643</u>	
		(5,667,601)
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	111,103	
Landfill liability	169,000	
Allowance for doubtful accounts	(648,772)	
Accrued vacation	(1,009,646)	
Net pension obligation	(22,929,000)	
Workers' compensation and other claims	(160,541)	
Incurred but not reported liabilities	<u>108,000</u>	
		(24,359,856)
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.		
		209,391
Internal service funds are used by management to charge the costs of certain services to individual funds. The net income of the internal service fund is reported with governmental activities (excludes change in compensated absences)		
		<u>1,656,326</u>
Change in net assets of governmental activities		<u>\$ (5,216,223)</u>

See accompanying notes to basic financial statements.

**CITY OF NEWPORT NEWS, VIRGINIA**

Statement of Net Assets

Proprietary Funds

June 30, 2006

<b>Assets</b>	<b>Enterprises Funds</b>			<b>Internal Service Fund</b>
	<b>Major Fund - Public Utility</b>	<b>Nonmajor fund - Parking Authority</b>	<b>Total</b>	
Current assets:				
Cash and cash equivalents	\$ 15,982,362	969,063	16,951,425	1,468,748
Restricted cash	26,446,376	225,000	26,671,376	—
Accounts receivable, net	9,577,178	—	9,577,178	—
Inventory	2,995,272	—	2,995,272	410,579
Total current assets	55,001,188	1,194,063	56,195,251	1,879,327
Noncurrent assets:				
Capital assets:				
Land	5,444,271	731,847	6,176,118	20,257
Improvements	—	3,532,823	3,532,823	—
Buildings	16,257,597	—	16,257,597	3,670,736
Water system	470,866,823	—	470,866,823	—
Machinery and equipment	18,187,241	24,000	18,211,241	38,022,982
Construction in progress	40,778,432	25,360	40,803,792	—
	551,534,364	4,314,030	555,848,394	41,713,975
Less accumulated depreciation	(141,370,762)	(2,012,721)	(143,383,483)	(24,775,675)
Capital assets, net	410,163,602	2,301,309	412,464,911	16,938,300
Other assets	4,487,015	—	4,487,015	—
Total noncurrent assets	414,650,617	2,301,309	416,951,926	16,938,300
Total assets	\$ 469,651,805	3,495,372	473,147,177	18,817,627
<b>Liabilities and Net Assets</b>				
Liabilities:				
Current liabilities:				
Accounts payable	\$ 2,741,620	4,691	2,746,311	158,475
Accrued liabilities	8,629,292	38	8,629,330	326,982
Current portion of general obligation bonds payable	10,510,000	—	10,510,000	—
Total current liabilities	21,880,912	4,729	21,885,641	485,457
Noncurrent liabilities:				
Deposits	4,484,396	—	4,484,396	—
General obligation bonds payable, net of current portion	155,965,000	—	155,965,000	—
Premium on bonds payable	7,496,869	—	7,496,869	—
Total noncurrent liabilities	167,946,265	—	167,946,265	—
Total liabilities	189,827,177	4,729	189,831,906	485,457
Net assets:				
Invested in capital assets, net of related debt	262,638,109	2,301,309	264,939,418	16,938,300
Restricted for capital projects	—	225,000	225,000	—
Unrestricted	17,186,519	964,334	18,150,853	1,393,870
Total net assets	279,824,628	3,490,643	283,315,271	18,332,170
Total liabilities and net assets	\$ 469,651,805	3,495,372	473,147,177	18,817,627

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, 2006

	<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	\$ 59,240,966	—	59,240,966	—
Charges for services	11,192,515	279,293	11,471,808	7,657,084
Miscellaneous	1,682,299	2,472	1,684,771	1,702,966
Total operating revenues	<u>72,115,780</u>	<u>281,765</u>	<u>72,397,545</u>	<u>9,360,050</u>
Operating expenses:				
Personal services	18,243,369	32,195	18,275,564	2,157,543
Contractual services	7,542,813	16,439	7,559,252	76,464
Internal services	1,484,683	—	1,484,683	71,509
Materials and supplies	3,465,295	41,284	3,506,579	5,019,048
Depreciation	10,863,580	105,497	10,969,077	2,962,402
Other	3,761,690	4,046	3,765,736	—
Total operating expenses	<u>45,361,430</u>	<u>199,461</u>	<u>45,560,891</u>	<u>10,286,966</u>
Operating income (loss)	<u>26,754,350</u>	<u>82,304</u>	<u>26,836,654</u>	<u>(926,916)</u>
Nonoperating revenues (expenses):				
Interest revenue	1,208,846	31,851	1,240,697	20,682
Gain (loss) on disposal of capital assets	(82,763)	—	(82,763)	419,969
Meter and service connection fees	3,753,852	—	3,753,852	—
Amortization, cost of issuing bonds	(1,535,327)	—	(1,535,327)	—
Interest expense	(4,414,842)	—	(4,414,842)	—
Total nonoperating revenues (expenses)	<u>(1,070,234)</u>	<u>31,851</u>	<u>(1,038,383)</u>	<u>440,651</u>
Income (loss) before capital contributions and transfers out	<u>25,684,116</u>	<u>114,155</u>	<u>25,798,271</u>	<u>(486,265)</u>
Capital contributions for capital assets	—	—	—	2,107,686
Transfers out	(9,134,000)	—	(9,134,000)	—
Change in net assets	<u>16,550,116</u>	<u>114,155</u>	<u>16,664,271</u>	<u>1,621,421</u>
Net assets at June 30, 2005, as restated	<u>263,274,512</u>	<u>3,376,488</u>	<u>266,651,000</u>	<u>16,710,749</u>
Net assets at June 30, 2006	<u>\$ 279,824,628</u>	<u>3,490,643</u>	<u>283,315,271</u>	<u>18,332,170</u>

See accompanying notes to basic financial statements.

**CITY OF NEWPORT NEWS, VIRGINIA**

Statement of Cash Flows  
Proprietary Funds  
Year ended June 30, 2006

	<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	\$ 71,601,032	279,293	71,880,325	9,360,050
Payments to suppliers	(15,199,245)	(78,605)	(15,277,850)	(5,900,910)
Payments to employees	(18,090,463)	(32,562)	(18,123,025)	(2,125,996)
Other payments	—	2,472	2,472	—
Net cash provided by operating activities	<u>38,311,324</u>	<u>170,598</u>	<u>38,481,922</u>	<u>1,333,144</u>
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(9,693,372)	(3,020)	(9,696,392)	(1,326,130)
Proceeds from bond issue, net	15,110,930	—	15,110,930	—
Repayment and retirement of long-term debt	(13,320,000)	—	(13,320,000)	—
Interest paid	(7,329,577)	—	(7,329,577)	—
Net cash used in capital and related financing activities	<u>(15,232,019)</u>	<u>(3,020)</u>	<u>(15,235,039)</u>	<u>(1,326,130)</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>1,208,846</u>	<u>31,851</u>	<u>1,240,697</u>	<u>20,682</u>
Increase in cash and restricted cash	<u>15,154,151</u>	<u>199,429</u>	<u>15,353,580</u>	<u>27,696</u>
Cash and restricted cash at beginning of year	<u>27,274,587</u>	<u>994,634</u>	<u>28,269,221</u>	<u>1,441,052</u>
Cash and restricted cash at end of year	<u>\$ 42,428,738</u>	<u>1,194,063</u>	<u>43,622,801</u>	<u>1,468,748</u>
Reported as:				
Cash and cash equivalents	\$ 15,682,362	969,063	16,651,425	1,468,748
Restricted cash	<u>26,446,376</u>	<u>225,000</u>	<u>26,671,376</u>	<u>—</u>
Total cash & cash equivalents	<u>\$ 42,128,738</u>	<u>1,194,063</u>	<u>43,322,801</u>	<u>1,468,748</u>
Cash flows from operating activities:				
Operating income	\$ 26,754,350	82,304	26,836,654	(926,916)
Adjustments to reconcile operating income to cash provided by operating activities:				
Depreciation	10,863,580	105,497	10,969,077	2,962,402
Changes in assets and liabilities:				
Accounts receivable	(514,747)	—	(514,747)	—
Inventories	42,030	—	42,030	(11,475)
Accounts payable and accrued liabilities	1,194,840	(17,203)	1,177,637	(690,867)
Deposits	<u>7,887</u>	<u>—</u>	<u>7,887</u>	<u>—</u>
Total adjustments	<u>11,593,590</u>	<u>88,294</u>	<u>11,681,884</u>	<u>2,260,060</u>
Net cash provided by operating activities	<u>\$ 38,347,940</u>	<u>170,598</u>	<u>38,518,538</u>	<u>1,333,144</u>

See accompanying notes to basic financial statements.

**CITY OF NEWPORT NEWS, VIRGINIA**  
Statement of Fiduciary Net Assets  
Fiduciary Funds  
June 30, 2006

<b>Assets</b>	<b>Pension Trust</b>	<b>Agency Funds</b>
Cash and cash equivalents	\$ 1,001,186	1,512,766
Cash and cash equivalents with trustee	16,759,122	-
Securities lending	78,618,934	-
Investments		
Corporate and government bonds	202,559,962	-
Common stock	355,095,659	-
International stock	99,034,470	-
International emerging markets	30,580,447	-
Real estate	37,059,400	-
Accounts receivable	393,319	3,130,438
Interest receivable	1,846,553	-
Dividend receivable	19,485	-
Sales receivable	4,705,205	-
Inventory	-	2,585
Total assets	\$ 827,673,742	4,645,789
<b>Liabilities</b>		
Accounts payable	\$ 2,189,560	223,165
Accrued vacation	55,911	-
Due to other governments	-	2,324,961
Due to other agencies	-	2,097,663
Purchases payable	5,406,262	-
Liabilities under securities lending	78,618,934	-
Total liabilities	86,270,667	4,645,789
<b>Net Assets</b>		
Assets held in trust:		
Postemployment healthcare benefits	12,698,101	-
Employees' retirement	728,704,974	-
Total net assets	741,403,075	-
Total liabilities and net assets	\$ 827,673,742	4,645,789

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, 2006

Additions (decreases):	
Employer Contributions:	
City General Fund	\$ 14,315,917
Waterworks Fund	1,093,655
School Operating Fund	3,750,375
Other Contributions:	
Income from Leave Exchange	1,520,088
Employee Buy-back	791,073
Total contributions	21,471,108
Investment income:	
Net depreciation - bonds	(9,526,764)
Net appreciation - stocks	55,944,605
Interest	9,291,083
Dividends	9,135,262
Real estate operating income, net	6,053,120
Commission recapture	114,305
Total investment gain	71,011,611
Less investment expenses:	
Other investment expenses	(2,968,816)
Net investment gain	68,042,795
Total increase	89,513,903
Deductions:	
Benefits:	
Service	30,758,223
Occupational death	48,982
Nonoccupational death	47,300
Occupational disability	222,507
Nonoccupational disability	515,284
Reversionary annuity	2,102,949
Retirees insurance benefits	11,427,432
Portability transfer	181,143
Total benefits	45,303,820
Administrative expenses:	
Personal services	441,062
Board fees	5,167
Consultant fees	140,000
Actuary fees	138,963
Medical disability exam fees	309
Total administrative expenses	725,501
Total deductions	46,029,321
Net increase	43,484,582
Net assets held in trust for pension benefits at June 30, 2005	697,918,493
Net assets held in trust for pension benefits at June 30, 2006	\$ 741,403,075

See accompanying notes to basic financial statements.