

**CITY OF NEWPORT NEWS, VIRGINIA**

Statement of Net Assets

June 30, 2008

Assets	Primary government			Discretely presented component units	
	Governmental activities	Business-type activities	Total	Public schools	Others
Cash and cash equivalents	\$ 98,121,422	21,496,995	119,618,417	38,158,437	12,498,826
Restricted cash and investments	25,024,361	64,541,933	89,566,294	-	22,252,719
Accounts receivable, net	17,118,013	11,814,121	28,932,134	497,400	4,859,229
Receivable from Industrial Development Authority	15,972,505	-	15,972,505	-	-
Receivable from primary government	-	-	-	5,963,834	-
Receivables from other governments	17,954,807	-	17,954,807	16,826,401	19,975,458
Inventory, at cost	1,606,912	3,496,753	5,103,665	924,467	82,285
Land held for lease or resale	-	-	-	-	18,410,001
Net investment in direct financing leases	-	-	-	-	13,721,504
Capital assets:					
Land	81,434,671	5,476,694	86,911,365	2,505,084	6,178,859
Construction in progress	22,357,501	44,689,472	67,046,973	3,502,013	35,999,575
Buildings	322,366,444	16,306,161	338,672,605	41,603,028	148,120,306
Improvements	121,469,465	-	121,469,465	32,652,833	13,850,289
Water system	-	498,629,722	498,629,722	-	-
Airport assets	-	-	-	-	116,916,162
Machinery and equipment	123,997,981	31,151,833	155,149,814	73,070,887	3,455,332
Infrastructure	444,715,481	-	444,715,481	-	2,527,162
	<u>1,116,341,543</u>	<u>596,253,882</u>	<u>1,712,595,425</u>	<u>153,333,845</u>	<u>327,047,685</u>
Less accumulated depreciation	(489,145,457)	(163,353,124)	(652,498,581)	(76,073,379)	(73,546,218)
Capital assets, net	627,196,086	432,900,758	1,060,096,844	77,260,466	253,501,467
Restricted assets:					
Permanently restricted cash	556,401	-	556,401	-	-
Other assets	2,186,052	3,605,427	5,791,479	14,909,256	1,152,774
<b>Total assets</b>	<b>\$ 805,736,559</b>	<b>537,855,987</b>	<b>1,343,592,546</b>	<b>154,540,261</b>	<b>346,454,263</b>
<b>Liabilities and Net Assets</b>					
Liabilities:					
Accounts payable	\$ 15,135,078	2,950,865	18,085,943	4,654,693	5,319,400
Accrued liabilities	5,550,677	3,053,438	8,604,115	29,159,398	739,719
Deposits	4,876,581	4,938,265	9,814,846	-	34,366
Unearned revenue	499,960	-	499,960	445,776	-
Deferred revenue	-	2,155,960	2,155,960	-	563,420
Payable to Newport News Public Schools	5,963,834	-	5,963,834	-	356,332
Payable to primary government	-	-	-	-	15,972,505
Long term liabilities:					
Due within one year	53,967,813	12,842,306	66,810,119	3,951,695	13,060,535
Due in more than one year	531,917,056	204,856,525	736,773,581	37,964,904	176,003,507
Total liabilities	<u>617,910,999</u>	<u>230,797,359</u>	<u>848,708,358</u>	<u>76,176,466</u>	<u>212,049,784</u>
Net assets:					
Invested in capital assets, net of related debt	223,305,188	277,770,877	501,076,065	58,043,143	105,170,160
Restricted for:					
Capital grants	1,853,588	-	1,853,588	-	-
Capital projects	-	-	-	-	18,934,183
Capital loans	-	-	-	-	1,342,262
Unrestricted (Deficit)	<u>(37,333,216)</u>	<u>29,287,711</u>	<u>(8,045,505)</u>	<u>20,320,652</u>	<u>8,957,874</u>
<b>Total net assets</b>	<b>187,825,560</b>	<b>307,058,588</b>	<b>494,884,148</b>	<b>78,363,795</b>	<b>134,404,479</b>
<b>Total liabilities and net assets</b>	<b>\$ 805,736,559</b>	<b>537,855,947</b>	<b>1,343,592,506</b>	<b>154,540,261</b>	<b>346,454,263</b>

See accompanying notes to basic financial statements.

**CITY OF NEWPORT NEWS, VIRGINIA**

Statement of Activities

Year ended June 30, 2008

	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>								
<b>Governmental activities:</b>								
General government	\$ 54,904,104	5,649,241	-	2,140,343	(47,114,520)	-	(47,114,520)	
Judicial administration	7,269,926	2,793,042	-	-	(4,476,884)	-	(4,476,884)	
Public safety	119,019,088	10,075,337	4,240,129	-	(104,703,622)	-	(104,703,622)	
Public works	70,571,291	30,513,564	13,125,382	-	(26,932,345)	-	(26,932,345)	
Health and welfare	58,563,411	69,927	8,143,206	-	(50,350,278)	-	(50,350,278)	
Education	114,275,568	-	17,086,727	-	(97,188,841)	-	(97,188,841)	
Parks, recreation and culture	36,183,209	7,172,588	209,380	-	(28,801,241)	-	(28,801,241)	
Community development	10,623,457	-	3,030,325	-	(7,593,132)	-	(7,593,132)	
Interest on long-term debt	24,118,788	-	-	-	(24,118,788)	-	(24,118,788)	
<b>Total governmental activities</b>	<b>495,528,842</b>	<b>56,273,699</b>	<b>45,835,149</b>	<b>2,140,343</b>	<b>(391,279,651)</b>	<b>-</b>	<b>(391,279,651)</b>	
<b>Business-type activities:</b>								
Public utility	59,439,084	76,003,756	-	-	-	16,564,672	16,564,672	
<b>Total business-type activities</b>	<b>59,439,084</b>	<b>76,003,756</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>16,564,672</b>	<b>16,564,672</b>	
<b>Total primary government</b>	<b>\$ 554,967,926</b>	<b>132,277,455</b>	<b>45,835,149</b>	<b>2,140,343</b>	<b>(391,279,651)</b>	<b>16,564,672</b>	<b>(374,714,979)</b>	
<b>Component units:</b>								
Public schools	\$ 342,886,093	6,885,107	55,365,851	5,150,813			(275,484,322)	-
Peninsula Airport Commission	13,004,482	8,073,997	-	2,192,391			-	(2,738,094)
Economic and Industrial Development Authorities	17,512,220	21,000,118	-	-			-	3,487,898
<b>Total component units</b>	<b>\$ 373,402,795</b>	<b>35,959,222</b>	<b>55,365,851</b>	<b>7,343,204</b>			<b>(275,484,322)</b>	<b>749,804</b>
<b>General revenues:</b>								
<b>City Taxes:</b>								
General property					219,867,771	-	219,867,771	-
E-911 service					571,027	-	571,027	-
Local sales and use					23,489,608	-	23,489,608	-
Consumers' utility					6,110,102	-	6,110,102	-
Cellular telephone					60,475	-	60,475	-
Consumption					706,706	-	706,706	-
Telecom sales and use					13,177,014	-	13,177,014	-
Business license					15,116,393	-	15,116,393	-
Rental car					996,093	-	996,093	-
Franchise license					22,236	-	22,236	-
Motor vehicle license					3,531,053	-	3,531,053	-
Bank stock taxes					588,882	-	588,882	-
Recordation and wills					2,219,287	-	2,219,287	-
Tobacco					4,205,798	-	4,205,798	-
Hotel and motel room tax					3,454,926	-	3,454,926	-
Restaurant food tax					18,348,254	-	18,348,254	-
Amusement					563,674	-	563,674	-
<b>Total City Taxes</b>					<b>313,029,299</b>	<b>-</b>	<b>313,029,299</b>	<b>-</b>
Grants and contributions not restricted to specific programs					49,350,467	-	49,350,467	169,487,984
Payment from the City					-	-	-	93,681,119
Investment earnings					6,169,470	2,988,546	9,158,016	179,679
Miscellaneous					10,837,049	3,782,758	14,619,807	1,215,891
Transfers					10,000,000	(10,000,000)	-	-
<b>Total general revenues and transfers</b>					<b>389,386,285</b>	<b>(3,228,696)</b>	<b>386,157,589</b>	<b>264,564,673</b>
<b>Change in net assets</b>					<b>(1,893,366)</b>	<b>13,335,976</b>	<b>11,442,610</b>	<b>(10,919,649)</b>
Net assets at beginning of year					189,718,926	293,722,612	483,441,538	89,283,444
Net assets at end of year	\$				<b>187,825,560</b>	<b>307,058,588</b>	<b>494,884,148</b>	<b>78,363,795</b>

See accompanying notes to basic financial statements.

**CITY OF NEWPORT NEWS, VIRGINIA**

Balance Sheet  
Governmental Funds  
June 30, 2008

Assets	General fund	Debt service fund	Bond fund	Nonmajor governmental funds	Total governmental funds
Cash and cash equivalents	\$ 66,228,054	181,943	—	30,357,205	96,767,202
Restricted cash	—	2,222,849	22,801,512	—	25,024,361
Accounts receivable, net	15,192,864	—	1,030	1,924,119	17,118,013
Advances to other funds	295,616	—	—	—	295,616
Receivable from component unit	15,972,506	—	—	—	15,972,506
Receivables from other governments	14,760,725	—	—	3,194,082	17,954,807
Inventory, at cost	1,156,632	—	—	—	1,156,632
Restricted assets:					
Permanently restricted cash	—	556,401	—	—	556,401
Total assets	<u>\$ 113,606,397</u>	<u>2,961,193</u>	<u>22,802,542</u>	<u>35,475,406</u>	<u>174,845,538</u>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable	\$ 7,313,144	111,444	3,135,297	4,450,295	15,010,180
Accrued liabilities	1,039,951	70,500	—	142,431	1,252,882
Deposits	4,876,581	—	—	—	4,876,581
Deferred revenue	6,163,724	—	—	209,394	6,373,118
Unearned revenue	499,960	—	—	—	499,960
Payable to Newport News Public Schools	—	—	5,963,834	—	5,963,834
Advances from major governmental fund	—	—	—	295,616	295,616
Total liabilities	<u>19,893,360</u>	<u>181,944</u>	<u>9,099,131</u>	<u>5,097,736</u>	<u>34,272,171</u>
Fund balances:					
Reserved for:					
Inventory	1,156,632	—	—	—	1,156,632
Encumbrances	4,852,957	84,009	6,309,543	8,347,513	19,594,022
Unreserved:					
Designated for:					
Imprest funds	22,240	—	—	25	22,265
Revolving funds	2,671,832	—	—	—	2,671,832
Self-insurance activity	16,860,105	—	—	—	16,860,105
Debt service	—	2,695,240	—	—	2,695,240
Applied Research Center	15,972,506	—	—	—	15,972,506
Capital projects	—	—	—	5,043,167	5,043,167
Future Requirements					
General fund	10,999,805	—	—	—	10,999,805
Bond fund	—	—	7,393,868	—	7,393,868
Non-Major - Capital Projects	—	—	—	6,056,969	6,056,969
Non-Major - Special Revenue	—	—	—	3,481,660	3,481,660
Undesignated					
General fund	41,176,960	—	—	—	41,176,960
Non-Major - Special Reveune	—	—	—	6,992,602	6,992,602
Non-Major - Capital Projects	—	—	—	455,734	455,734
Total fund balances	<u>93,713,037</u>	<u>2,779,249</u>	<u>13,703,411</u>	<u>30,377,670</u>	<u>140,573,367</u>
Total liabilities and fund balances	<u>\$ 113,606,397</u>	<u>2,961,193</u>	<u>22,802,542</u>	<u>35,475,406</u>	<u>174,845,538</u>

See accompanying notes to basic financial statements.

**CITY OF NEWPORT NEWS, VIRGINIA**  
Reconciliation of the Balance Sheet of Governmental Funds to the  
Statement of Net Assets  
June 30, 2008

Fund balances – total governmental funds		\$ 140,573,367
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	\$ 1,071,662,012	
Less accumulated depreciation	<u>(462,793,205)</u>	
		608,868,807
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
		6,373,118
Internal service funds are used by management to charge the costs of certain activities to individual funds.		
Adjustment to add back accrued vacation included below	19,623,774	
	<u>310,210</u>	
		19,933,984
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.		
		2,186,052
Unmatured interest payable reported in governmental activities will not be paid with current financial resources and therefore, are not reported in the funds.		
		(4,224,899)
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	(418,068,425)	
Literary fund bonds	(8,829,688)	
Capital leases payable	(53,407)	
Land lease payable	(1,879,730)	
Landfill liability	(5,968,000)	
Accrued vacation	(20,594,590)	
Workers' compensation and other claims	(15,057,327)	
Net pension obligations	(107,706,000)	
Net OPEB Obligations	(4,815,140)	
Incurred but not reported claims	<u>(2,912,562)</u>	
		<u>(585,884,869)</u>
Net assets of governmental activities		<u>\$ 187,825,560</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, 2008

	<b>General fund</b>	<b>Debt service fund</b>	<b>Bond fund</b>	<b>Nonmajor governmental funds</b>	<b>Total governmental funds</b>
<b>Revenues:</b>					
General property taxes	\$ 219,315,976	-	-	-	219,315,976
Other local taxes	93,161,528	-	-	-	93,161,528
Licenses and permits	3,671,677	-	-	-	3,671,677
Fines and forfeitures	1,880,607	-	-	-	1,880,607
Intergovernmental	49,350,467	17,086,727	1,030	30,307,016	96,745,240
Charges for services	16,146,573	-	-	30,256,268	46,402,841
Interest and rent	5,561,812	-	-	585,079	6,146,891
Recovered costs	7,990,251	-	-	728,200	8,718,451
Miscellaneous	4,690,709	140,124	-	133,432	4,964,265
<b>Total revenues</b>	<b>401,769,600</b>	<b>17,226,851</b>	<b>1,030</b>	<b>62,009,995</b>	<b>481,007,476</b>
<b>Expenditures:</b>					
<b>Current operating:</b>					
General government	49,248,488	-	-	119,564	49,368,052
Judicial administration	6,217,656	-	-	-	6,217,656
Public safety	100,690,557	-	-	4,317,227	105,007,784
Public works	17,390,637	-	-	38,783,292	56,173,929
Health and welfare	40,395,311	-	-	12,496,896	52,892,207
Education	113,718,000	-	8,051,720	-	121,769,720
Parks, recreation and culture	27,849,135	-	-	324,625	28,173,760
Community development	4,766,574	-	1,000,000	3,132,679	8,899,253
<b>Debt service:</b>					
Principal	-	35,741,539	-	-	35,741,539
Interest and other charges	-	24,661,036	130,859	-	24,791,895
Capital outlay	-	-	19,022,749	14,592,195	33,614,944
<b>Total expenditures</b>	<b>360,276,358</b>	<b>60,402,575</b>	<b>28,205,328</b>	<b>73,766,478</b>	<b>522,650,739</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>41,493,242</b>	<b>(43,175,724)</b>	<b>(28,204,298)</b>	<b>(11,756,483)</b>	<b>(41,643,263)</b>
<b>Other financing sources (uses):</b>					
Transfers in	10,000,000	44,648,341	121,140	23,937,256	78,706,737
Transfers out	(63,392,200)	-	-	(5,314,537)	(68,706,737)
Payments to refunded bonds escrow agent	-	-	-	-	-
Premium on bonds	-	-	1,716,406	-	1,716,406
Refunded bonds issuance of debt	-	-	-	-	-
Bond and note issuance of debt	-	-	34,842,543	-	34,842,543
<b>Total other financing sources (uses)</b>	<b>(53,392,200)</b>	<b>44,648,341</b>	<b>36,680,089</b>	<b>18,622,719</b>	<b>46,558,949</b>
<b>Net changes in fund balances</b>	<b>(11,898,958)</b>	<b>1,472,617</b>	<b>8,475,791</b>	<b>6,866,236</b>	<b>4,915,686</b>
Fund balances at June 30, 2007	105,611,995	1,306,632	5,227,620	23,511,434	135,657,681
Fund balances at June 30, 2008	\$ 93,713,037	2,779,249	13,703,411	30,377,670	140,573,367

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, 2008

Net change in fund balances – total governmental funds \$ 4,915,686

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	\$ 33,614,944	
Plus: Capital expenditures not included in general fund capital outlays	3,219,582	
Depreciation expense	<u>(24,849,782)</u>	
		11,984,744

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 11,001,874

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. Deferred revenue decreased by this amount in the current year 551,795

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	35,741,539	
Debt issued (and related costs)	(34,842,543)	
Premium on issuance of long-term debt	756,102	
Current year gain on refunding, net of amortization	53,719	
Current year loss on refunding, net of amortization	(1,400,405)	
Debt issuance costs, net of amortization	<u>(207,824)</u>	
		100,588

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	542,248	
Landfill liability	187,000	
Accrued vacation	311,778	
Net pension obligation	(24,758,000)	
Net OPEB obligation	(4,815,140)	
Workers' compensation and other claims	(2,236,019)	
Incurred but not reported liabilities	<u>(282,851)</u>	
		(31,050,984)

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. 239,115

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) 363,816

Change in net assets of governmental activities \$ (1,893,366)

See accompanying notes to basic financial statements.

**CITY OF NEWPORT NEWS, VIRGINIA**

Statement of Net Assets

Proprietary Funds

June 30, 2008

<b>Assets</b>	<b>Major Fund - Public Utility</b>	<b>Internal Service Fund</b>
Current assets:		
Cash and cash equivalents	\$ 21,496,995	1,354,219
Restricted cash	64,541,933	—
Accounts receivable, net	11,814,121	—
Inventory	3,496,753	450,281
	<hr/>	<hr/>
Total current assets	101,349,802	1,804,500
Noncurrent assets:		
Capital assets:		
Land	5,476,694	20,257
Buildings	16,306,161	3,670,736
Water system	498,629,722	—
Machinery and equipment	31,151,833	40,988,538
Construction in progress	44,689,472	—
	<hr/>	<hr/>
	596,253,882	44,679,531
Less accumulated depreciation	(163,353,124)	(26,352,252)
	<hr/>	<hr/>
Capital assets, net	432,900,758	18,327,279
Other assets		
	3,605,427	—
	<hr/>	<hr/>
Total noncurrent assets	436,506,185	18,327,279
	<hr/>	<hr/>
Total assets	\$ 537,855,987	20,131,779
	<hr/> <hr/>	<hr/> <hr/>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Current liabilities:		
Accounts payable	\$ 2,950,865	124,898
Accrued liabilities	3,053,438	383,107
Deferred revenue	2,155,960	—
Current portion of general obligation bonds payable	11,815,000	—
	<hr/>	<hr/>
Total current liabilities	19,975,263	508,005
Noncurrent liabilities:		
Deposits	4,938,265	—
General obligation bonds payable, net of current portion	157,040,000	—
Revenue bonds payable	40,000,000	—
Premium on bonds payable	8,843,871	—
	<hr/>	<hr/>
Total noncurrent liabilities	210,822,136	—
	<hr/>	<hr/>
Total liabilities	230,797,399	508,005
Net assets:		
Invested in capital assets, net of related debt	277,770,877	18,327,279
Unrestricted	29,287,711	1,296,495
	<hr/>	<hr/>
Total net assets	307,058,588	19,623,774
	<hr/>	<hr/>
Total liabilities and net assets	\$ 537,855,987	20,131,779
	<hr/> <hr/>	<hr/> <hr/>

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, 2008

	<u>Major Fund - Public Utility</u>	<u>Internal Service Fund</u>
Operating revenues:		
Water sales	\$ 62,312,973	-
Charges for services	11,402,443	11,092,263
Miscellaneous	2,288,340	345,705
Total operating revenues	<u>76,003,756</u>	<u>11,437,968</u>
Operating expenses:		
Personal services	20,189,363	2,717,739
Contractual services	10,652,907	101,907
Internal services	1,606,968	117,948
Materials and supplies	4,277,604	5,549,091
Depreciation	13,471,771	3,515,523
Other	3,328,580	-
Total operating expenses	<u>53,527,193</u>	<u>12,002,208</u>
Operating income (loss)	<u>22,476,563</u>	<u>(564,240)</u>
Nonoperating revenues (expenses):		
Interest revenue	2,988,546	22,579
Gain on disposal of capital assets	169,968	278,507
Meter and service connection fees	4,949,812	-
Amortization, cost of issuing bonds	(156,985)	-
Loss on long-term debt	(1,180,037)	-
Interest expense	(5,911,891)	-
Total nonoperating revenues (expenses)	<u>859,413</u>	<u>301,086</u>
Income (loss) before capital contributions and transfers out	<u>23,335,976</u>	<u>(263,154)</u>
Capital contributions for capital assets	-	580,718
Transfers out	(10,000,000)	-
Change in net assets	13,335,976	317,564
Net assets at June 30, 2007, as restated	<u>293,722,612</u>	<u>19,306,210</u>
Net assets at June 30, 2008	<u>\$ 307,058,588</u>	<u>19,623,774</u>

See accompanying notes to basic financial statements.

**CITY OF NEWPORT NEWS, VIRGINIA**

Statement of Cash Flows  
Proprietary Funds  
Year ended June 30, 2008

	<u>Major Fund - Public Utility</u>	<u>Internal Service Fund</u>
Cash flows from operating activities:		
Receipts from customers	\$ 75,582,994	11,437,968
Payments to suppliers	(18,952,121)	(5,900,969)
Payments to employees	(20,475,335)	(2,717,740)
Other payments	(3,328,580)	—
Net cash provided by operating activities	<u>32,826,958</u>	<u>2,819,259</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(22,056,026)	(3,526,392)
Capital Asset Contributions	4,949,812	580,718
Proceeds from sale of capital assets	279,468	417,766
Proceeds from bond issue	25,380,000	—
Premium on bonds issued	1,150,844	—
Repayment and retirement of long-term deb	(11,680,000)	—
Bond issuance costs	(240,506)	—
Interest paid	(9,058,561)	—
Net cash provided by (used in) capital and related financing activities	<u>(11,274,969)</u>	<u>(2,527,908)</u>
Cash flows used in noncapital financing activities -		
Transfer to other funds	<u>(10,000,000)</u>	<u>—</u>
Cash flows provided by investing activities -		
Interest received	<u>2,988,546</u>	<u>22,579</u>
Increase (decrease) in cash and restricted cash	14,540,535	313,930
Cash and restricted cash at beginning of year	<u>71,498,393</u>	<u>1,040,987</u>
Cash and restricted cash at end of year	\$ <u><u>86,038,928</u></u>	\$ <u><u>1,354,917</u></u>
Reported as:		
Cash and cash equivalents	\$ 21,496,995	1,354,919
Restricted cash	<u>64,541,933</u>	<u>—</u>
Total cash & cash equivalents	\$ <u><u>86,038,928</u></u>	\$ <u><u>1,354,919</u></u>
Cash flows from operating activities:		
Operating income	\$ 22,476,563	(564,240)
Adjustments to reconcile operating income to cash provided by operating activities:		
Depreciation	13,471,771	3,515,523
Changes in assets and liabilities:		
Accounts receivable	(420,760)	—
Inventories	(255,996)	—
Accounts payable and accrued liabilities	(71,735)	(36,832)
Deposits	(2,372,885)	(95,190)
Total adjustments	<u>10,350,395</u>	<u>3,383,501</u>
Net cash provided by operating activities	\$ <u><u>32,826,958</u></u>	\$ <u><u>2,819,261</u></u>

See accompanying notes to basic financial statements.

**CITY OF NEWPORT NEWS, VIRGINIA**  
Statement of Fiduciary Net Assets  
Fiduciary Funds  
June 30, 2008

<b>Assets</b>	<b>Pension Trust</b>	<b>Other Post Employment Benefits (OPEB)</b>	<b>Agency Funds</b>
Cash and cash equivalents	\$ 3,560,495	1,804,964	1,903,220
Cash and cash equivalents with trustee	33,083,173	368,284	-
Securities lending	145,054,371	-	-
Investments			
Corporate and government bonds	216,293,527	-	-
Common stock	342,349,637	10,449,692	-
International stock	100,905,415	-	-
International emerging markets	25,631,853	-	-
Real estate	46,766,792	-	-
Accounts receivable	277,477	314,346	3,037,733
Interest receivable	1,512,397	1,056	-
Dividend receivable	368,484	10,384	-
Sales receivable	1,388,909	26,439	-
Inventory	-	-	-
Total assets	<u>\$ 917,192,530</u>	<u>12,975,165</u>	<u>4,940,953</u>
<b>Liabilities</b>			
Accounts payable	\$ 1,325,196	1,263,687	216,257
Accrued vacation	66,476	-	-
Due to other governments	-	-	2,846,752
Due to other agencies	-	-	1,877,944
Purchases payable	2,875,810	88,326	-
Liabilities under securities lending	145,054,371	-	-
Total liabilities	<u>149,321,853</u>	<u>1,352,013</u>	<u>4,940,953</u>
<b>Net Assets</b>			
Assets held in trust:			
Postemployment healthcare benefits	-	11,623,152	-
Employees' retirement	767,870,677	-	-
Total net assets	<u>767,870,677</u>	<u>11,623,152</u>	<u>-</u>
Total liabilities and net assets	<u>\$ 917,192,530</u>	<u>12,975,165</u>	<u>4,940,953</u>

See accompanying notes to basic financial statements.

**CITY OF NEWPORT NEWS, VIRGINIA**  
**Statement of Changes in Fiduciary Net Assets**  
**Fiduciary Funds - Employees' Retirement Trusts for Pension & Other Post Employment Benefits**  
**Year ended June 30, 2008**

	<b>Pension</b>	<b>Other Post Employment Benefits (OPEB)</b>
<b>Additions (decreases):</b>		
<b>Employer Contributions:</b>		
City General Fund	\$ 12,178,356	5,997,281
Waterworks Fund	1,107,540	657,817
School Operating Fund	3,153,450	3,051,679
<b>Other Contributions:</b>		
Income from Leave Exchange	1,711,534	-
Employee Buy-back	1,412,878	-
Medicare part D - City	-	210,072
<b>Total contributions</b>	<b>19,563,758</b>	<b>9,916,849</b>
<b>Investment income:</b>		
Net appreciation - bonds	1,095,094	-
Net depreciation - stocks	(51,676,721)	(2,000,769)
Interest	17,370,882	63,986
Dividends	4,595,215	262,240
Real estate operating income, net	3,096,627	-
Securities lending income	6,200,653	-
Commission recapture	96,639	1,262
<b>Total investment loss</b>	<b>(19,221,611)</b>	<b>(1,673,281)</b>
<b>Less investment expenses:</b>		
Securities lending expenses	(5,618,136)	-
Other investment expenses	(4,950,951)	(110,356)
<b>Net investment loss</b>	<b>(29,790,698)</b>	<b>(1,783,637)</b>
<b>Total increase (decrease)</b>	<b>(10,226,940)</b>	<b>8,133,212</b>
<b>Deductions:</b>		
<b>Benefits:</b>		
Service	39,127,193	-
Occupational death	56,859	-
Nonoccupational death	40,700	-
Occupational disability	225,278	-
Nonoccupational disability	624,917	-
Reversionary annuity	2,441,932	-
Medical benefits	-	11,290,137
Life insurance benefits	-	1,019,714
Portability transfer	22,742	-
<b>Total benefits</b>	<b>42,539,621</b>	<b>12,309,851</b>
<b>Administrative expenses:</b>		
Personal services	462,341	68,446
Board fees	9,204	-
Consultant fees	135,000	-
Actuary fees	87,705	53,403
Legal fees	19,000	-
Medical disability exam fees	18,804	-
<b>Total administrative expenses</b>	<b>732,054</b>	<b>121,849</b>
<b>Total deductions</b>	<b>43,271,675</b>	<b>12,431,700</b>
<b>Transfers (from)/to OPEB Fund</b>	<b>(15,921,640)</b>	<b>15,921,640</b>
<b>Net increase/(decrease)</b>	<b>(69,420,255)</b>	<b>11,623,152</b>
Net assets held in trust for pension benefits at June 30, 2007	837,290,932	-
Net assets held in trust for pension benefits at June 30, 2008	<b>\$ 767,870,677</b>	<b>11,623,152</b>

See accompanying notes to basic financial statements.