



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
COMMONWEALTH OF VIRGINIA'S LAWS, REGULATIONS,
CONTRACTS AND GRANTS**

Honorable Mayor and City Council
City of Portsmouth, Virginia

We have audited the basic financial statements of the City of Portsmouth, Virginia (the "City"), as of and for the year ended June 30, 2005, and have issued our report thereon dated October 18, 2005.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the City's compliance with certain provisions of the Commonwealth of Virginia's laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, the objective of our audit of the basic financial statements was not to provide an opinion on overall compliance with such provisions, and, accordingly, we do not express such an opinion.

The following is a summary of the Commonwealth of Virginia's laws, regulations, contracts, and grants for which we performed tests of compliance:

| <u>Code of Virginia</u> | <u>State Agency Requirements</u> | |
|-------------------------------|----------------------------------|----------------------------|
| Budget and Appropriation Laws | Procurement | Education |
| Cash and Investments | Unclaimed Property | Comprehensive Services Act |
| Conflicts of Interest | Enhanced 911 Service Taxes | Highway Maintenance Funds |
| Debt Provisions | Personal Property Tax Relief Act | Social Services |
| Retirement Systems | | |

The results of our tests disclosed no instances of noncompliance with the provisions referred to in the preceding paragraph.

This report is intended solely for the information of City Council, management, the Auditor of Public Accounts and applicable state agencies, and is not intended to be and should not be used by anyone other than these specified parties.

Cherry, Bekaert & Holland, L.L.P.
Virginia Beach, Virginia
October 18, 2005