

CITY OF PORTSMOUTH, VIRGINIA

Exhibit D

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

Year ended June 30, 2006

	General	Capital Improvements	Other Governmental Funds	Total
Revenues:				
Taxes	\$ 129,336,845	-	-	129,336,845
Intergovernmental	36,675,331	2,004,315	34,475,930	73,155,576
Charges for services	5,470,604	-	7,854,241	13,324,845
Investment income	394,402	852,425	212,667	1,459,494
Recovered costs	6,220,227	-	-	6,220,227
Fines and forfeitures	335,211	-	-	335,211
Licenses and permits	1,162,977	-	-	1,162,977
Use of property	3,172,282	54,807	644,910	3,871,999
Sale of commodities and property	-	3,574,493	-	3,574,493
Miscellaneous	2,203,006	3,435	824,037	3,030,478
Total revenues	184,970,885	6,489,475	44,011,785	235,472,145
Expenditures:				
Current:				
General government	20,645,523	-	346,979	20,992,502
Judicial	15,716,258	-	1,498,988	17,215,246
Public safety	47,821,698	-	1,205,468	49,027,166
Public works	15,077,125	-	1,549,075	16,626,200
Health and welfare	1,235,849	-	35,940,061	37,175,910
Parks, recreational and cultural	9,279,478	-	1,797,663	11,077,141
Community development	5,870,013	-	3,513,935	9,383,948
Education	36,670,336	-	-	36,670,336
Debt service	22,912,062	-	-	22,912,062
Capital outlay	-	13,055,395	1,549,226	14,604,621
Total expenditures	175,228,342	13,055,395	47,401,395	235,685,132
Revenues over (under) expenditures	9,742,543	(6,565,920)	(3,389,610)	(212,987)
Other financing sources (uses):				
Transfers from other funds (note 10)	8,212,776	5,672,251	5,989,429	19,874,456
Transfers to other funds (note 10)	(10,282,042)	-	(1,803,849)	(12,085,891)
Discount on bonds issued (note 5)	(67,183)	-	-	(67,183)
Payments to escrow agent for refunded bonds	(38,330,411)	-	-	(38,330,411)
Premium on bonds issued (note 5)	1,440,585	-	-	1,440,585
General obligation bonds issued (note 5)	-	24,635,213	-	24,635,213
Issuance of refunding bonds (note 5)	40,624,787	-	-	40,624,787
Total other financing sources (uses)	1,598,512	30,307,464	4,185,580	36,091,556
Special item - Payment to component unit to refund debt (note 20)	(2,236,629)	-	-	(2,236,629)
Net change in fund balances	9,104,426	23,741,544	795,970	33,641,940
Fund balances, beginning of year, as adjusted	33,667,750	1,346,146	9,052,461	44,066,357
Increase in reserve for inventory of supplies	1,631	-	-	1,631
Fund balances, end of year	\$ 42,773,807	25,087,690	9,848,431	77,709,928

See accompanying notes to basic financial statements.

(continued)

**Statement of Revenues, Expenditures, and Changes in Fund Balances - Reconciliation of the
Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities**

Governmental Funds

Year ended June 30, 2006

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$	33,641,940
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Donated assets and loss on disposal of assets are not reported in the governmental funds but are reflected in the statement of activities:

Donated assets	784,133	
Capital projects closed but not capitalized	(38,608)	
Purchases of assets	13,622,029	
Depreciation expense	(17,536,464)	(3,168,910)

The issuance of long term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Proceeds from debt issued	(66,633,402)	
Principal payments of debt	12,044,668	
Payments to escrow agent	38,330,411	
Bond issuance costs	658,476	
Amortization expense	(85,724)	(15,685,571)

Some revenues in the statement of activities do not provide the use of current financial resources and therefore, are not reported as revenues in the governmental funds.	(533,972)
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Some expenses in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.

Change in inventory	1,631	
Change in compensated absences	(655,922)	
Change in net pension asset	(132,304)	
Change in accrued interest	(638,867)	(1,425,462)

Internal service funds are used by the City to charge costs of certain activities to individual funds. The net revenue of internal service funds is reported as a component of governmental funds.	4,087,827
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Change in net assets of governmental activities	\$	16,915,852
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See accompanying notes to basic financial statements.