

Balance Sheet

Governmental Funds

June 30, 2005

	General	Capital Improvements	Other Governmental Funds	Total
Assets:				
Cash and temporary investments (note 3)	\$ 14,040,268	-	8,550,922	22,591,190
Restricted cash and temporary investments (note 3)	644,071	4,583,320	-	5,227,391
Receivables (net of allowance for uncollectibles of \$4,242,151):				
Taxes	4,727,681	-	-	4,727,681
Accounts	4,289,193	-	233,243	4,522,436
Due from other funds (note 10)	8,079,937	-	-	8,079,937
Due from component units (note 10)	297,590	-	-	297,590
Due from other governments (note 11)	7,281,659	1,566,967	4,419,117	13,267,743
Deposits	-	-	-	-
Prepaid items	-	-	-	-
Inventory of supplies	54,925	-	-	54,925
Notes receivable from component units (note 12)	4,505,160	-	-	4,505,160
Notes receivable (note 12)	-	4,152	-	4,152
Total assets	\$ 43,920,484	6,154,439	13,203,282	63,278,205
Liabilities:				
Accounts payable	\$ 4,797,507	659,401	1,277,948	6,734,856
Accrued interest payable	-	-	-	-
Deposits	8,930	276,958	12,000	297,888
Due to other governments (note 11)	-	-	21,265	21,265
Due to other funds (note 10)	-	2,450,815	2,734,257	5,185,072
Due to component units (note 10)	-	-	22,565	22,565
Deferred revenues (note 12)	9,623,739	1,421,119	82,786	11,127,644
Arbitrage payable	-	-	-	-
Compensated absences (note 5)	-	-	-	-
Total liabilities	14,430,176	4,808,293	4,150,821	23,389,290
Fund balances:				
Reserved for current year encumbrances (notes 2 and 4)	1,150,541	3,876,230	1,807,328	6,834,099
Reserved for prior year encumbrances (note 2)	148,246	-	-	148,246
Reserved for revenue maximization (note 2)	-	-	61,466	61,466
Reserved for inventory of supplies (note 2)	54,925	-	-	54,925
Reserved for wireless E-911 (note 2)	-	-	-	-
Reserved for future capital projects (note 2)	-	-	-	-
Reserved for future debt requirements (note 2)	644,071	-	-	644,071
Reserved for cemetery care (note 2)	-	-	1,000,000	1,000,000
Unreserved:				
Designated for subsequent year's expenditures	2,222,868	-	-	2,222,868
Designated for subsequent year's expenditures - Special Revenue Funds	-	-	298,101	298,101
Undesignated	25,269,657	(2,530,084)	-	22,739,573
Undesignated - Capital Projects Funds	-	-	(363,121)	(363,121)
Undesignated - Special Revenue Funds	-	-	6,108,219	6,108,219
Undesignated - Permanent Fund	-	-	140,468	140,468
Total fund balances	29,490,308	1,346,146	9,052,461	39,888,915
Total liabilities and fund balances	\$ 43,920,484	6,154,439	13,203,282	63,278,205

See accompanying notes to basic financial statements.

(continued)

CITY OF PORTSMOUTH, VIRGINIA

Exhibit C, Continued

**Balance Sheet - Reconciliation of the Statement of Net Assets
to the Balance Sheet**

Governmental Funds

June 30, 2005

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

Total fund balances for governmental funds \$ 39,888,915

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:

Land	23,485,386	
Site improvements	1,436,092	
Infrastructure	454,819,998	
Buildings	170,362,371	
Machinery, furniture and equipment	20,087,143	
Construction in progress	62,399,076	
Accumulated depreciation	(350,476,431)	382,113,635

Other assets (bond issuance costs) used in governmental activities are not financial resources and therefore are not reported in the funds. 1,010,268

Some of the City's taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as deferred revenue in the funds. 6,595,489

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds. Those liabilities consist of:

Compensated absences	(6,142,477)	
Net pension obligation (asset)	571,124	
Accrued interest payable	(2,657,455)	
General obligation bonds	(120,384,279)	
Obligations under capital leases	(19,103,772)	
Obligations under notes payable	(7,980,000)	
Bond anticipation notes	(11,642,000)	
Obligations under cooperation agreements	(51,013,736)	
Literary loans	(4,325,000)	(222,677,595)

Internal service funds are used by the City to charge costs of certain activities to individual funds. The assets and liabilities of internal service funds are reported as components of other governmental funds. (15,188,237)

Net assets of governmental activities \$ 191,742,475

See accompanying notes to basic financial statements.