



**WE VALUE**  
*400 years of history*



**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

*for the fiscal year ended June 30, 2010*

**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
OF THE  
CITY OF HAMPTON, VIRGINIA**

**For the Fiscal Year Ended June 30, 2010**

Prepared by:

Karl S. Daughtrey, Director of Finance

Sylvia L. Shanahan, Controller

and

The Department of Finance

**CITY OF HAMPTON, VIRGINIA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
JUNE 30, 2010**

**TABLE OF CONTENTS**

<b>INTRODUCTORY SECTION</b>	<b><u>Exhibit</u></b>	<b><u>Page</u></b>
Organization Chart - City		1
List of Officials		2-3
Organization Chart - Finance Department		4
Letter of Transmittal		5-16
Certificate of Achievement for Excellence in Financial Reporting		17
 <b>FINANCIAL SECTION</b>		
Independent Auditors' Report		18-19
Management's Discussion and Analysis		20-30
Basic Financial Statements:		
Government-wide Statements:		
Statement of Net Assets	A-1	31
Statement of Activities	A-2	32-33
Fund Financial Statements:		
Balance Sheet - Governmental Funds	A-3	34-35
Statement of Revenues, Expenditures and Changes in Fund Balances - Government Funds	A-4	36-37
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund	A-5	38
Statement of Net Assets - Proprietary Funds	A-6	39-40
Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds	A-7	41-42
Statement of Cash Flows - Proprietary Funds	A-8	43-44
Statement of Fiduciary Net Assets - Fiduciary Funds	A-9	45
Statement of Changes in Fiduciary Net Assets - Fiduciary Funds	A-10	46
Statement of Net Assets - Discretely Presented Component Units	A-11	47-48
Statement of Activities - Component Units	A-12	49
Notes to Financial Statements:		
Summary of Significant Accounting Policies		50-62
Basis of Presentation - Fund Accounting		63-65
Interfund Balances		66-68
Deposits and Investments		69-72
Accounts Receivable		73
Capital Assets		74-80
Budgetary - GAAP Reconciliation		80

## TABLE OF CONTENTS, Continued

	<u>Exhibit</u>	<u>Page</u>
General Obligations and Other Long-Term Debt		81-90
Defined Benefit Pension Plans		90-95
Deferred Compensation Plan		95
Joint Venture		95-96
Commitments and Contingencies		96-99
Post Retirement Health Care Benefits		99-102
Lease Receivables		102
Restated Beginning Balances		103
Subsequent Events		103
Additional Required Supplementary Information		
Schedule of funding progress – Pension plans		104
Schedule of funding progress – Post-retirement health care benefits		105
Combining and Individual Statements:		
General Fund:		
Balance Sheet	B-1	106
Schedule of Revenues and Other Credits - Budget and Actual	B-2	107-109
Schedule of Appropriations and Expenditures	B-3	110-114
Non-major Governmental Funds:		
Combining Balance Sheet	C-1	115-116
Combining Statement of Revenues, Expenditures and Changes in Fund Balance	C-2	117-118
Non-major Enterprise Funds:		
Combining Statement of Net Assets	D-1	119
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets	D-2	120
Combining Statement of Cash Flows	D-3	121
Internal Service Funds:		
Combining Statement of Net Assets	E-1	122
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets	E-2	123
Combining Statement of Cash Flows	E-3	124-125
Fiduciary Funds:		
Agency Funds - Combining Statement of Changes in Assets and Liabilities	F-1	126
Discretely Presented Component Unit - School Board		
Combining Balance Sheet	G-1	127
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	G-2	128
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - School Operating Fund	G-3	129

## TABLE OF CONTENTS, Continued

	<u>Exhibit</u>	<u>Page</u>
<b><u>Supporting Schedules</u></b>		
Supplementary Information:		
Schedule of the Treasurer's Accountability	1	130
Discretely Presented Component Unit - Industrial Development Authority:		
Schedule of Cash Flows	2	131-132
Discretely Presented Component Unit - School Board:		
School Operating Fund Schedule of Appropriations and Expenditures	3	133
School Operating Fund Schedule of Revenues and Other Credits -		
Budget and Actual	4	134
Schedule of Expenditures of Federal Awards	5	135-138
Schedule of Debt Service Requirements to Maturity		
Museum Revenue Bonds	6	139
The Hamptons Revenue Bonds	7	140
Convention Center Revenue Bonds	8	141
Industrial Development Authority Revenue Bonds	9	142
General Obligation Bonds	10	143
Computation of Legal Debt Margin	11	144

## STATISTICAL SECTION

### Tables

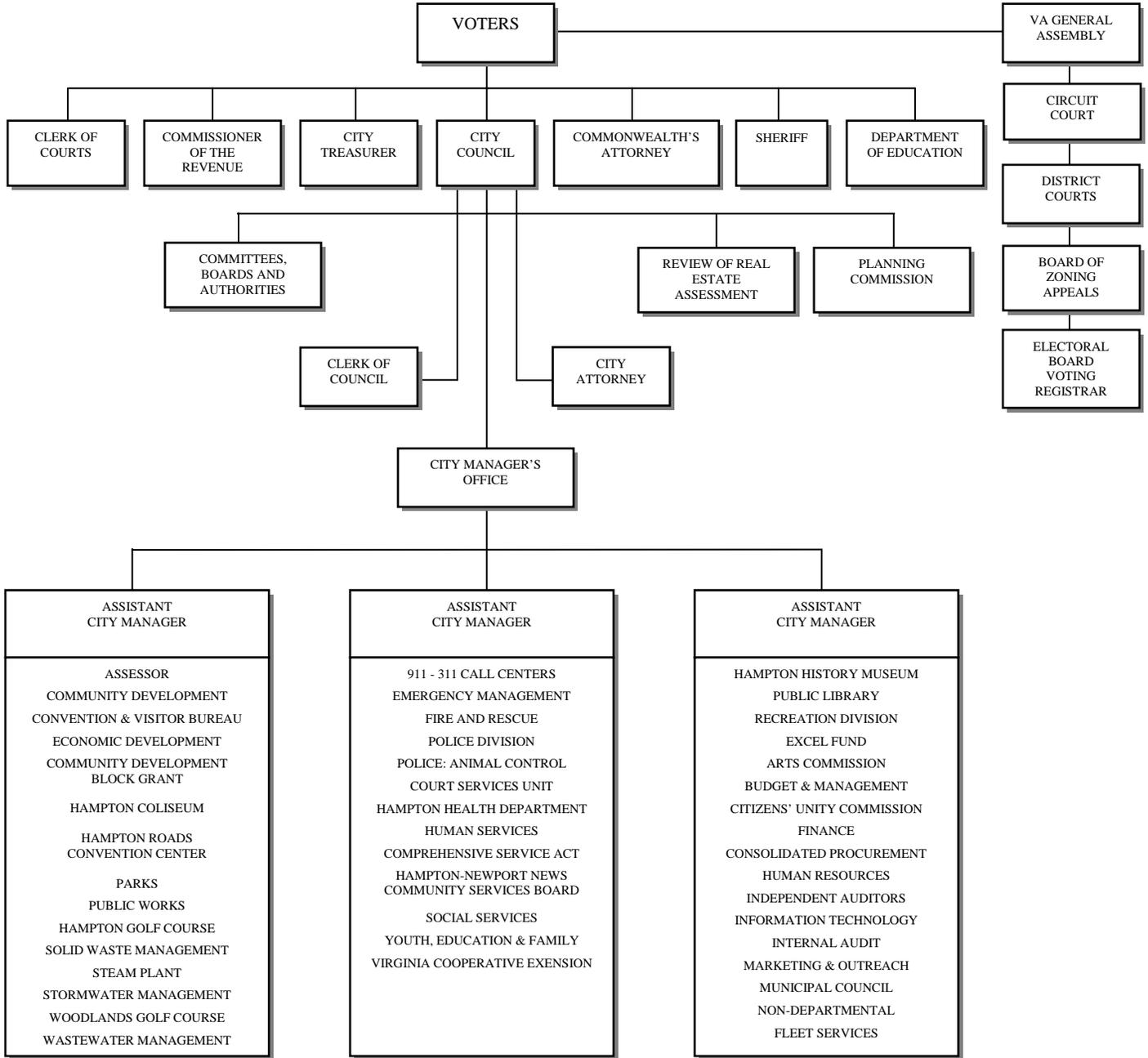
#### Schedules:

Statistical Narrative		145
Net Assets by Component - Last Nine Fiscal Years	I	146
Changes in Net Assets - Last Nine Fiscal Years	II	147-148
Fund Balance of Governmental Funds - Last Ten Fiscal Years	III	149
Changes in Fund Balances of Governmental Funds - Last Nine Fiscal Years	IV	150
General Government Tax Revenues by Source - Last Ten Fiscal Years	V	151
Assessed and Estimated Actual Value of Taxable Property - Last Ten Fiscal Years	VI	152
Principal Property Tax Payers - Current Year and Nine Years Ago	VII	153
Real Estate Tax Levies and Collections - Last Eight Fiscal Years	VIII	154
Ratio of Outstanding Debt by Type - Last Ten Fiscal Years	IX	155
Legal Debt Margin Information - Last Ten Fiscal Years	X	156
Pledged-Revenue Coverage - Last Ten Fiscal Years	XI	157
Demographic and Economic Statistics - Last Ten Fiscal Years	XII	158
Principal Employers - Current Year and Nine Years Ago	XIII	159
Full-time Equivalent City Government Employees by Function - Last Ten Fiscal Years	XIV	160
Operating Indicators by Function/Program - Last Nine Fiscal Years	XV	161
Capital Assets Statistics by Function/Program - Last Nine Fiscal Years	XVI	162

## TABLE OF CONTENTS, Continued

	<u>Exhibit</u>	<u>Page</u>
<b>FINANCIAL COMPLIANCE REPORTS FOR FEDERAL FUNDS</b>		
<b><u>Reports on Compliance</u></b>		
Report on Compliance with requirements that could have a direct and material effect on each major program and on Internal Control over Compliance in Accordance with OMB Circular A-133		163-164
Report on Internal Control over Financial Reporting and on Compliance and other matters based on an audit of Financial Statements performed in Accordance with <i>Government Auditing Standards</i>		165-166
Schedule of Findings and Questioned Costs		167-169

**CITY OF HAMPTON, VIRGINIA**  
**June 30, 2010**



**CITY OF HAMPTON, VIRGINIA  
June 30, 2010**

**ELECTED OFFICIALS**

**CITY COUNCIL**

Molly Joseph Ward, Mayor  
Joseph H. Spencer, Vice Mayor  
Randy A. Gilliland  
Ross A. Kearney, II  
Angela Lee Leary  
George E. Wallace  
Paige V. Washington, Jr.

**CONSTITUTIONAL OFFICERS**

Linda B. Smith - Clerk of Courts  
Linda D. Curtis - Commonwealth's Attorney  
Ross A. Mugler - Commissioner of the Revenue  
Robert S. Williams - City Treasurer  
Billy Joe "B.J." Roberts - City Sheriff

**APPOINTED OFFICIALS**

**CITY ADMINISTRATION**

Mary B. Bunting - City Manager  
James A. Peterson, CPA - Assistant City Manager  
John C. Eagle - Assistant City Manager  
James A. Gray - Assistant City Manager  
Karl S. Daughtrey, CPA - Director of Finance  
Christine Snead - Director of Budget  
Sylvia L. Shanahan - City Controller

**CITY OF HAMPTON, VIRGINIA**  
**June 30, 2010**

**SCHOOL BOARD**

Fred A. Brewer, Jr., Chairman

Phyllis Taylor Henry, Vice Chairman  
Linwood D. Harper  
William Pearson  
Melissa Wyant, Student Liaison

Joseph Kilgore  
Jennifer Phillips  
Martha Mugler  
Tieumi Nguyen, Student Liaison

**SCHOOL ADMINISTRATION**

Dr. Linda Shifflette - Superintendent  
Dr. Patricia Johnson - Deputy Superintendent for Curriculum and Instruction Pre K-12  
Dr. G. Victor Hellman, Jr. - Deputy Superintendent for Business and Finance  
Suzanna Scott - Director of Finance  
Dr. Mildred Sexton - Executive Director of School Leadership Elementary  
Dr. Patricia Leary - Executive Director of School Leadership Elementary  
Dr. Donna Woods - Executive Director of School Leadership Secondary  
Robbin Ruth - Executive Director of Human Resources  
Tom Sawyer - Director of School Operations and Maintenance  
Carolyn Bowers, Clerk of the School Board

**HAMPTON EMPLOYEES' RETIREMENT SYSTEM**

**BOARD OF TRUSTEES**

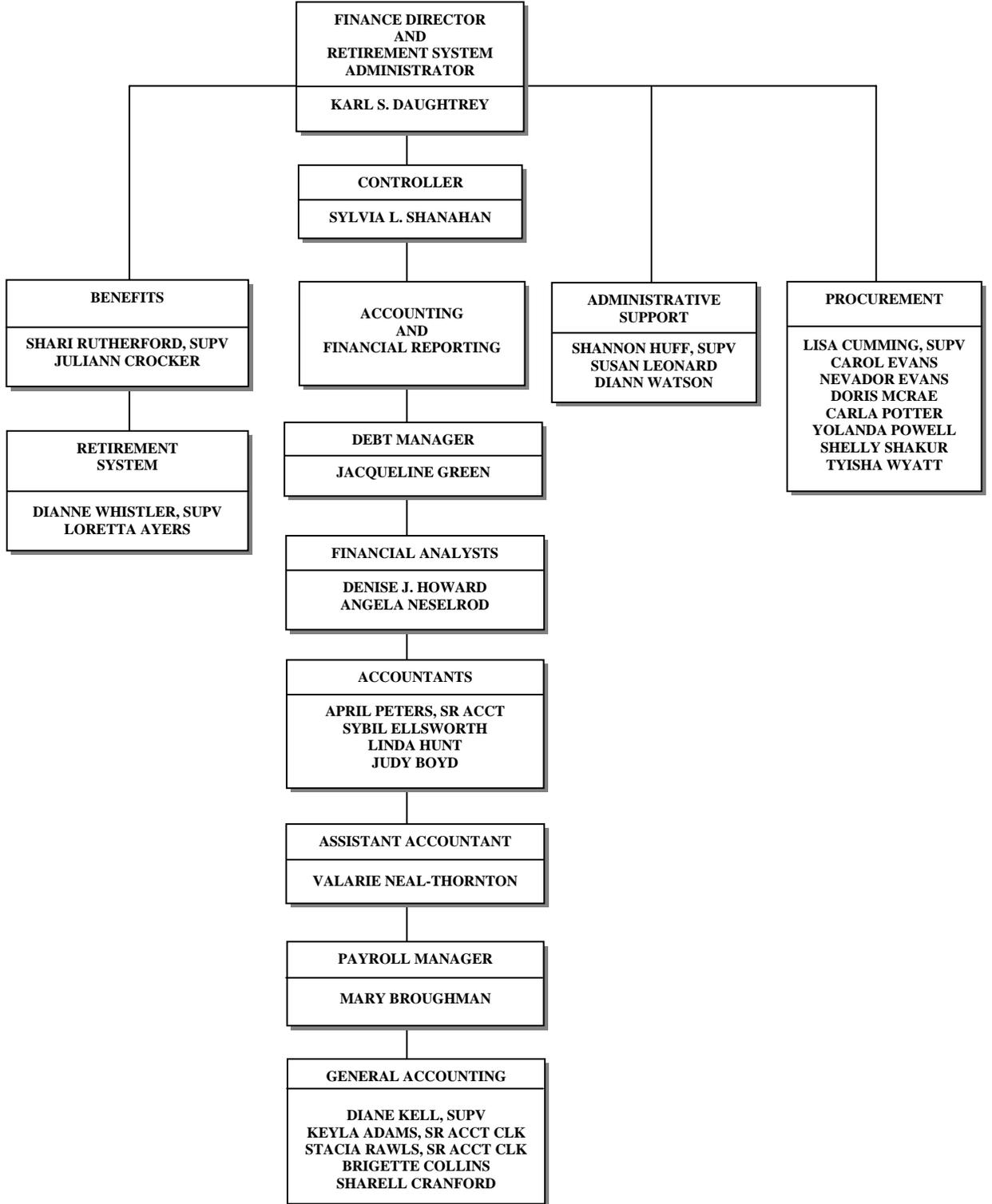
James A. Peterson, Vice Chairman  
Cynthia Hudson, Legal Counsel  
Sue Ange  
Anton Schmidt  
Ron Davis

A. G. Womble, Jr., Chairman

S. William Rhode  
Joe Sanders  
Ann Stephens  
William F. Trimble, Jr.

Karl S. Daughtrey, Administrator and Treasurer  
S. Dianne Whistler, Secretary

**CITY OF HAMPTON, VIRGINIA  
DEPARTMENT OF FINANCE  
June 30, 2010**



**TAB**

**Letter of Transmittal**



City of Hampton

November 30, 2010

Honorable Mayor, Members of the City Council,  
City Manager and the Citizens of the City of Hampton  
Hampton, Virginia

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) of the City of Hampton, Virginia (the City) for the fiscal year ended June 30, 2010. State law requires the City to publish, at the close of each fiscal year, a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with Government Auditing Standards by a firm of licensed certified public accountants. This report has been prepared by the Department of Finance and the report does comply with state law and guidelines and of the Auditor of Public Accounts of the Commonwealth of Virginia.

The City's Management assumes full responsibility for the accuracy, completeness, and reliability of all information presented in this report. We believe the data, as presented, are accurate in all material respects and is presented in a manner designed to fairly set forth the financial position and results of operations of the City as measured by the financial activity of its various funds. All disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included. In order to provide reasonable, but not absolute, assurance regarding the data, the management of the City has designed a framework of internal accounting controls to protect the City's assets from loss of unauthorized use or disposition, provide reliability of financial records for preparing financial statements and maintain the accountability for assets.

The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived; and that the evaluation of costs and benefits requires estimates and judgments by management. We believe that the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

State law requires that the financial statements of the City be audited by a certified public accountant selected by the City Council. Cherry, Bekaert & Holland, L.L.P., Certified Public Accountants have audited the City's financial statements. As a result of an audit of the City's financial records and transactions of all funds, component units and departments of the City, Cherry, Bekaert & Holland, L.L.P has concluded that the financial statements are in compliance with generally accepted accounting principles and have issued an unqualified opinion on the

City of Hampton's financial statements for the year ended June 30, 2010. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP requires management to provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

## **Profile of the City**

### *Background*

The City of Hampton, Virginia, settled in 1610, is the oldest English-speaking community in continuous existence in the United States. The City was incorporated on March 30, 1908 and has operated under its existing charter since December 16, 1952. Its boundaries were extended on July 1, 1952 through the annexation of Elizabeth City County and Phoebus. The City is comprised of 72 square miles, including 54.7 square miles of land and 17.3 square miles of water. Hampton is situated at the extreme southeastern tip of the Lower Peninsula of Virginia. It is bounded on the west by the City of Newport News, on the north by York County and the City of Poquoson, on the east by the Chesapeake Bay and on the south by the Harbors of Hampton Roads. Hampton is part of the Norfolk-Virginia Beach-Newport News Metropolitan Statistical Area (MSA).

As of July 1, 2009, current estimated population in Hampton was 144,749. This indicates a decrease in population of .38% or 545 from the July 1, 2008 estimate of 144, 204.

Hampton is an independent, full-service City with sole local government taxing authority within its boundaries. It is empowered by state statute to levy property taxes on real and personal property located within its boundaries. The governing body of the City is an elected City Council composed of a mayor and six (6) council members. The Mayor and City Council members are elected for four (4) year terms in general elections held every two (2) years. The City Council appoints the City Manager who acts as the Chief Executive Officer of the government. The City Manager serves at the pleasure of the Council and is charged with the responsibility of carrying out their policies, directing business procedures, and appointing and removing all department heads and city employees.

As a full-service city, Hampton provides a broad range of municipal services to its citizens. Those services include public safety, education, public works, refuse-collection, recreation, building inspection, public health, social services, planning, community development, etc. The City of Hampton and its citizens purchase their water and sewer service directly from Newport News Waterworks and Hampton Roads Sanitation District, respectively.

During 2010, several awards and recognitions were received by the City of Hampton. They are listed below:

- The Public Technology Institute (PTI) has designated the City of Hampton as a Citizen-Engaged Community for its efforts to provide the public with multi-channel access to governmental services and information. Hampton, the only city in Virginia to receive the designation, was specifically highlighted for its website, 311 Customer Call Center, citizen participation efforts, and use of social media sites such as Facebook.
- For the eighth year in a row, Hampton was named one of the most technology-advanced cities in America by the Center for Digital Government. The annual study examines how city governments are using digital technologies “to create a seamless environment between local government and constituents.” The City of Hampton ranked 8<sup>th</sup> in its population category of 125,000-249,999.
- Hampton was recently honored by the Hampton Roads Chapter of the Public Relations Society of America in the Public Relations Tactics category for its employee newsletter, Hampton Notes. The Pinnacle Awards recognize outstanding work in the field of public relations.
- Hampton has launched its official Facebook page. Citizens can become fans of the page and visit the page regularly to connect with other local residents and find information on what’s happening in the city. The new Hampton, VA Facebook page provides the City with yet another way to connect and engage with our citizens in a highly interactive, timely and convenient way.

### *Budgetary Systems*

The annual budget serves as the foundation for the City of Hampton’s financial planning and control functions. The City must appropriate funds for both the City and school system operation in accordance with state law. The appropriated budget is prepared by fund, function, (e.g. public safety) and department (e.g. fire). The City Manager is authorized to transfer budgeted amounts within the General Fund; however, revisions that alter the total appropriations for a department must be approved by City Council. Transfers within the School Operating Fund are under the control of the School Board.

### *Component Units*

The financial reporting entity includes all funds of the primary government (the City), as well as its component units. Component units are legally separate entities for which the City is financially accountable for and provides operating and capital funding. Their economic resources are either significant to the City or will impose a financial burden on the City. In accordance with GASB 14 and GASB 39, the City has included the financial data of six discrete component units which are legally separate entities: Hampton City School Board, Industrial Development Authority (IDA), Healthy Families Partnership, Inc., Coliseum Central Business Improvement District, Inc., Downtown Hampton Development Partnership, Inc., and Foundation of the Virginia Air and Space Center.

## **Economic Conditions and Outlook**

### *Local Economy*

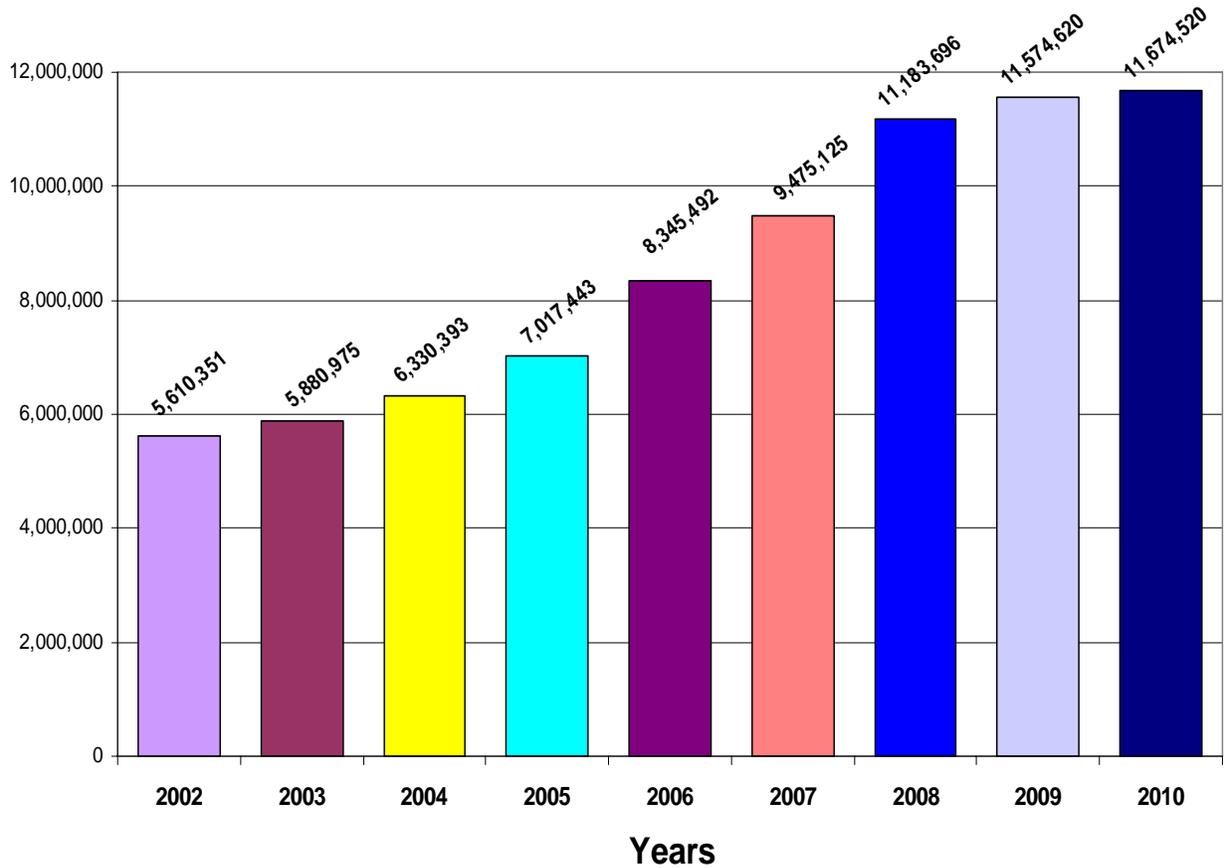
The City's central location in the Norfolk-Virginia Beach-Newport News, Metropolitan Statistical Area ("MSA") affords its businesses the ability to take advantage of resources offered throughout the area. Hampton's many business amenities have attracted a long list of prosperous and well-known national and international companies. Manufacturing, technology, retail services, distribution and federal installations comprise the major components of economic activity within the City.

The City's strategic location and economic development activities offer its residential civilian labor force a wide range of employment opportunities. Hampton businesses draw from the largest regional workforce between Washington, D.C. and Atlanta, with over 835,000 highly educated, skilled, and technically trained workers. Each year over 13,000 trained and disciplined personnel exit the military. Many of these persons elect to stay in the area and look for private sector employment. In addition, there are approximately 30,000 military spouses available to work.

The effects of the economic downturn are still evidenced in the national and state economy; however, Hampton's local economy has slightly improved. Housing values in Hampton showed an average increase of .86% as compared to a decline of 4.8% in the state of Virginia. The City's unemployment rate is currently at 8.6%. This percentage is below the national rate of 9.6%.

The assessed value of the City's residential and commercial real property increased by \$99.9 million or .86% from fiscal year 2009 to fiscal year 2010.

## Assessed Value of Taxable Real Property In Thousands



### *Economic Development*

The City is home to two institutions of higher education: Hampton University and Thomas Nelson Community College. *Hampton University* has been educating scholars and leaders for over 140 years. Hampton University provides a broad range of technical, liberal arts, pre-professional, professional, and graduate degree programs and has over 6,000 students enrolled. It is located in Hampton Virginia's downtown area on the waterfront. The University's 140<sup>th</sup> commencement in 2010 welcomed the United States President, Barack Obama as its keynote speaker. The University is ranked 32 among the top southern universities in the regional university category of the *2011 U.S. News and World Report - Best Colleges* rankings.

Thomas Nelson Community College offers planning and strategic partnerships with economic development entities on the Virginia Peninsula. Services include targeted workforce development, strategic planning, joint grant opportunities, pre-employment

training, employer/industry customized training programs and availability of fully equipped training facilities including classrooms, labs, and flexible manufacturing and industrial training spaces. Old Dominion University's Peninsula Higher Education Center has combined with Thomas Nelson Community College to promote the advancement of knowledge here on the Peninsula. It is a state-of-the-art academic facility designed to support a wide array of graduate and undergraduate programs that meet the needs of the local community. Its location makes it convenient for residents to complete their bachelor degrees and for health and other professionals to complete their education through the doctorate level. The Peninsula Center offers 24 undergraduate and 25 graduate programs with over 200 classes scheduled each week.

The Department of Economic Development has a Business Development Team whose primary goals are to retain and expand businesses in the city of Hampton; they also specialize in new and entrepreneur developments. During fiscal year 2010, this team was involved in 18 commercial projects totaling \$25.2 million in private investment, creating 449 new jobs and retaining 409 jobs within the office, manufacturing and warehouse sectors. A summary of some of the commercial activity/development that has occurred during fiscal year 2010 is as follows:

*FoodBank of the Virginia Peninsula* announced it would relocate its operation from Newport News and build a new office/distribution facility in the Copeland Industrial Park. It will invest \$6.4 million to acquire five acres and construct a new 52,000 square foot facility. Twenty six people will be employed at the location.

*National Institute of Aerospace (NIA)*, which opened in 2005, is a world-class research institute created to complement NASA Langley's mission to conduct cutting-edge aerospace and atmospheric research, develop new technologies for the nation, and help train the next generation of scientists and engineers. The NIA was included in a recent State bond issue and, as a result, will be the beneficiary of \$12 million which will be used for a new state-of-the-art laboratory facility. Construction is expected to begin in late 2010. The Institute has grown from a \$5 million operation to revenues in excess of \$30 million with over 200 employees, faculty and students.

*Valeo Transmissions* relocated and expanded from the Copeland Industrial Park to WestPark. The company invested \$2 million, leased approximately 56,000 square foot and retained 25 employees.

*XRI Testing* added a second facility by leasing space in a new flex-warehouse building located in the Hampton Roads Center North Campus. It invested \$1.4 million and leased 8,000 square foot.

*Portfolio Recovery Associates* expanded its current facility at NetCenter. The company invested \$700,000, retained 272 employees, created 87 new jobs and leased an additional 9,000 square foot.

*Swedish Match (aka General Cigar Company)* relocated from New Jersey to the Copeland Industrial Park. It created 32 new jobs and invested \$1,000,000 to build out 32,000 square foot distribution and humidor space in the Enterchange at Hampton Building.

### Military and Federal Research Facility

Langley Air Force Base is the oldest continuously active air base in the United States and headquarters for the Air Combat Command. It is also home to the U.S. Air Force's First Fighter Wing. Covering 2,900 acres, Langley has more than 9,800 military personnel and approximately 1,600 civilian employees with a combined payroll of over \$650 million.

The National Aeronautics and Space Administration's NASA Langley Research Center is located in Hampton adjacent to Langley Air Force Base. The Center is an important national resource serving inherent government functions such as safety, national defense, environment and the air transportation system. The Center has approximately 3,700 civil service and contract employees. The Virginia Air and Space Center, located in downtown Hampton, serves as the official welcome center for NASA Langley.

Fort Monroe serves as the United States Army's Training and Doctrine Command and as the Army's Reserve Officers Training Corps (ROTC) Cadet Command School. Fort Monroe's population includes 1,105 military personnel, 1,991 civilian and contract personnel and 814 family members. Its combined payroll is \$201 million. Fort Monroe is slated for closure in 2011 as a result of the 2005 Base Closure and Realignment Commission decision.

### **General Government Financial Operations**

All general governmental operations are accounted for in the General, Special Revenue, Capital Projects and Debt Service Funds. Substantially all recurring revenues and expenditures are accounted for in the General Fund and the School Operating Fund (included in the Discretely Presented Component Unit-School Board financial statements).

Total revenues, expenditures, and other financing sources and uses, for the General and School Operating Funds are as follows:

	<u>000's Omitted</u>		
	<u>2010</u>	<u>2009</u>	<u>Percent Increase (Decrease)</u>
<u>Revenues and Other Financing Sources:</u>			
General Fund	\$ 291,391*	\$ 292,625*	(.42)
School Operating	<u>136,005*</u>	<u>146,085*</u>	<u>(6.90)</u>
Total	<u>427,396</u>	<u>438,710</u>	<u>(2.57)</u>
<u>Expenditures and Other Financing Uses:</u>			
General Fund	221,183*	223,252*	(.93)
School Operating	<u>202,628*</u>	<u>212,468*</u>	<u>(4.63)</u>
Total	<u>423,811</u>	<u>435,720</u>	<u>(2.73)</u>
Excess funded to fund balance	<u>\$ 3,585</u>	<u>\$2,990</u>	

\*Excludes payments between the General Fund and School Operating Fund.

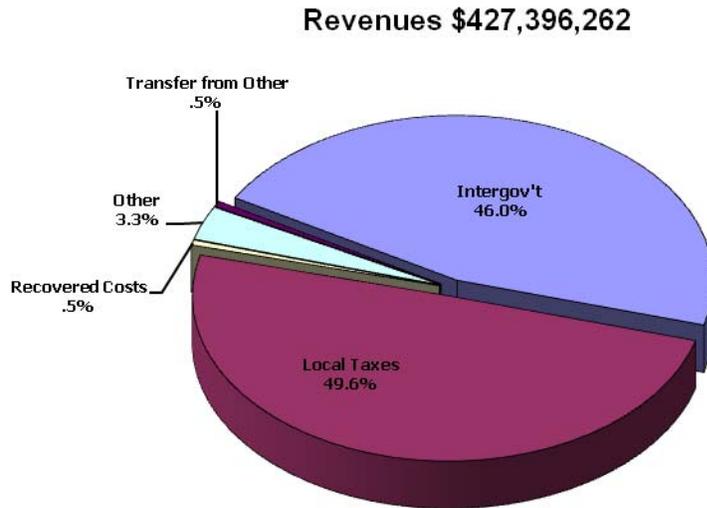
The General Fund revenues and other financing sources decreased slightly from the fiscal year 2009 revenues. The City continued to be impacted in certain areas from the recession. This decrease in business activities resulted in lower tax revenue for Commercial Sales, Tobacco and Lodging taxes. Investment income declined by \$1.4 million from 2009. Our investment returns was less than 1%.

The School Operating Fund revenues decreased approximately \$10.02 million over fiscal year 2009. This was attributable to a \$7.7 million decrease in state revenue related to decline in per pupil enrollment.

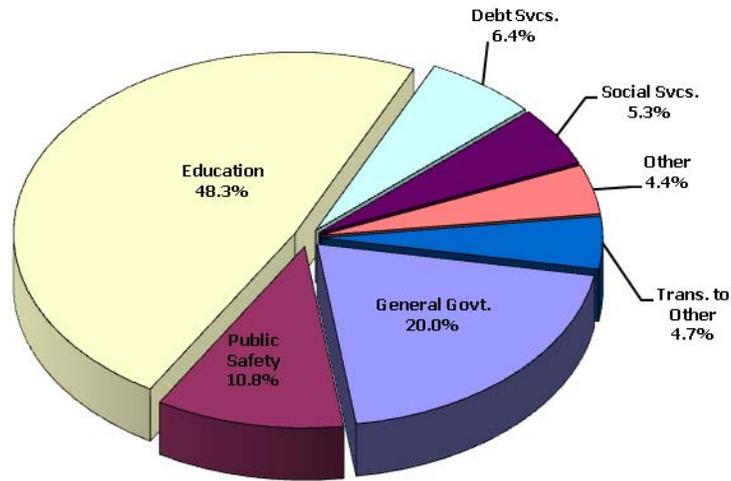
General Fund expenditures decreased by \$2.1 million or .93% over fiscal year 2009. This was due to a number of vacancies in the Police and Fire Departments resulting in an \$872,000 decrease. Transfers to the Capital Projects Fund decreased \$1.8 million because there were less expenditures associated with the construction of the two new high schools which are near completion.

The School Board Operating Fund expenditures decreased \$9.8 million over fiscal year 2009. This was attributed to the elimination of HRT services, loss of 52.5 positions due to enrollment decline and the reduction of State revenues.

The graphs of the 2010 General Fund and School Operating Fund revenues and expenditures are as follows:



## Expenditures \$423,811,429



### Long Term Financial Planning

In the years 2011-2015, there is a total of \$160.5 million that is scheduled for City and School projects. The following summarizes these projects:

- School Construction/Maintenance \$52.3 million
- New Circuit Court Building 29.0 million
- Maintenance of Public Properties 27.9 million
- Street Resurfacing 23.2 million
- Public Safety 7.6 million
- Neighborhood Support 7.0 million
- North King/Coliseum Central Master Plan 6.7 million
- Strategic Property Acquisitions/Contingency 5.5 million
- Retail/Shopping Center Revitalization .9 million
- Salt Ponds Channel Dredging .4 million

## **Financial Policies**

In April 2007, the City Council amended its existing financial policies. The financial policies relate to general operating elements of the City. These policies are used as financial planning parameters during the annual budget process. The five (5) financial policies and the actual results are summarized below:

**1. Debt Policy Limit.** (a) General obligation debt shall not exceed 3% of the assessed value of all real estate within the City subject to taxation. At June 30, 2010, general obligation debt totaled \$295 million or 2.5 % of taxable real estate value, which was within the policy parameter.

(b) General obligation bonded debt together with indirect debt, which includes certain revenue backed debt and subject-to-appropriation or moral obligation commitments, and debt of certain special purpose entities (i.e. Community Development Authority) shall not exceed 4.5% of the assessed value of all real and personal property subject to taxation within the City. At June 30, 2010, this would amount to \$514 million or 4.1% of the assessed value of all taxable real and personal property which was within the policy parameter.

(c) Debt of certain special purpose entities, such as community development authorities, shall not exceed 1% of the assessed value of all real and personal property subject to taxation within the City. At June 30, 2010, this would amount to \$102 million or .8% of the assessed value of all taxable real and personal property, which was within the policy parameter.

**2. Debt Service Policy Limit.** General obligation bonded debt and indirect debt shall not exceed 10% of the City's total General Fund and the School Operating Fund expenditures. At June 30, 2010, this would amount to \$35 million or 8.2% of total expenditures, which was within the policy parameter.

**3. General Obligation Debt Retirement Policy.** The City shall retire at least 60% of the principal balance of general bonded obligation debt within 10 years of the date the debt is issued. The City will retire approximately 67% of general bonded obligation debt in FY2020 that was outstanding as of June 30, 2010.

**4. Equity Funding.** A minimum of 2% to 6% of general fund revenues will be applied to CIP capital projects each year. At June 30, 2010, capital expenditures were \$9 million which is 3% of General Fund revenues. Also, a minimum of 10% to 15% of CIP projects over a rolling five-year period are to be funded from general fund revenues. For the 5 year period, 2010 through 2014, the City plans to use 23% of General Fund revenues on CIP projects.

**5. Undesignated Fund Balance.** The City will maintain an undesignated General Fund balance equal to 10% of total General Fund and School Operating Fund revenues. To the extent undesignated fund balance falls below the policy, the shortfall shall be replenished

over a three-year period. The undesignated fund balance at June 30, 2010 was \$56.6 million or 13% of actual revenues.

The City is in compliance with the Financial Policy Guidelines.

### **Credit Ratings**

The City's credit ratings are as follows: AA+ by Standard and Poor's, Aa2 by Moody's Investor Services and AA by Fitch Rating.

### **Major Initiatives and Accomplishments**

*The American Theatre expansion* project was completed in December 2009. The new Gordon-Kearney wing, a \$4 million dollar project, will expand and enhance the cultural amenities offered in Hampton. The new wing includes an educational center, dance studio, film screening and lecture room. The Hampton Arts Foundation, a not-for-profit corporation, is the umbrella under which The American Theatre, The Charles H. Taylor Arts Center and the new Gordon-Kearney wing of the Theatre operate in a unique public/private partnership with the City of Hampton.

*Sentara CarePlex* is part of the largest integrated health care provider and second largest employer in Hampton Roads. The Sentara CarePlex Hospital's recent third tower expansion is a 55,000 square foot two-story addition to the 194-bed acute care facility. The addition opened in July 2010 and now serves exclusively as the region's only dedicated orthopedic hospital. To the west of the Careplex is the Sentara Campus West expansion developed in partnership with the Hammes Corporation. Sentara Campus West includes the 72,000 square foot Sentara Fitness and Medical Arts Building, 110-room Hampton Inn Hotel, and C&F Bank.

*Peninsula Town Center* is a vibrant mixed-use community developed through a well coordinated strategic planning and implementation process which has become a prototype for future redevelopment projects across the country. New York based Mall Properties, Inc. partnered with Steiner + Associates of Columbus, OH, to transform this site from what was once a deteriorating enclosed shopping mall into a vibrant mixed-use town center serving as a regional destination. Located at the center of Hampton Roads adjacent to the I-64 / Mercury Boulevard interchange, this 75-acre site encompasses over one million square foot of mixed uses, including over 800,000 square foot of retail, dining and entertainment space anchored by three public parks. Upper story uses include over 125,000 square foot of Class A office space and 158 loft-style apartments. The project has truly emerged into a location for guests to live, work, shop, and play.

*Cinebistro*, one of the most recent additions to Peninsula Town Center, is a premium movie theatre and dining experience changing the way people watch movies, eat, drink and socialize. The 50,000 square foot entertainment venue includes eight movie theaters with luxurious seating on tiered stadium platforms and the latest audio/visual movie presentation technology, an upscale restaurant/bar, and an unparalleled nine lane bowling experience.

The entire facility, with the exception of the grand entry lobby, is located on the second level above street level retail space overlooking pedestrian filled parks, sidewalks, and cafes in the middle of the mixed-use community.

### Awards and Achievements

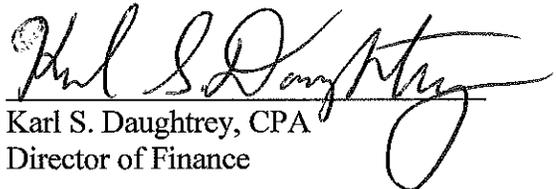
The Government Finance Officers Association of the United States and Canada (GFOA) awards a Certificate of Achievement for Excellence in Financial Reporting to governmental units that publish an easily readable and efficiently organized comprehensive annual financial report that meets all generally accepted accounting principles and applicable legal requirements. The City of Hampton has received this award for its comprehensive annual financial report for the fiscal year ended June 30, 2009.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to Certificate of Achievement Program requirements. This report will also be submitted to the GFOA to determine its eligibility for a certificate.

### Acknowledgments

We acknowledge, with gratitude, the continued efficient and dedicated service rendered by the Finance Department staff and the assistance rendered by Cherry, Bekaert & Holland, L.L.P. in keeping us in conformity with the rapidly changing accounting interpretations and principles. We also appreciate the responsible and progressive management program administered by your office and the members of the City Council.

Respectfully submitted,

  
Karl S. Daughtrey, CPA  
Director of Finance

  
Sylvia L. Shanahan  
Controller

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Hampton  
Virginia

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2009

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

**THIS PAGE LEFT BLANK INTENTIONALLY**



**TAB**

**Auditor's Report**



## INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Members of City Council  
City of Hampton, Virginia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Hampton, Virginia (the "City"), as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Downtown Hampton Development Partnership, Inc., and the Healthy Families Partnership, Inc., which represent 1.0% and 0.3%, respectively, of the total assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinions on the basic financial statements insofar as they relate to the amounts included for Downtown Hampton Development Partnership, Inc., and the Healthy Families Partnership, Inc., are based on the reports of the other auditors.

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2010, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis, and the Schedules of Funding Progress are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual financial statements, other supporting schedules, statistical section, as well as the accompanying schedule of expenditures of federal awards as required by the US Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual financial statements, and other supporting schedules, including the schedule of expenditures of federal awards, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section of this report have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Cherry, Bekaert & Holland, L.L.P.*

Virginia Beach, Virginia  
November 30, 2010

**TAB**

**Management's Discussion and Analysis**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

The following discussion and analysis of the City of Hampton's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2010. Please read it in conjunction with the transmittal letter and the City's financial statements, which follow this section.

### **FINANCIAL HIGHLIGHTS**

- The General Fund, on a current financial resource basis, reported revenues in excess of expenditures and other financing sources and uses by \$2.1 million (Exhibit A-4) after making a \$68.1 million payment to Hampton City Schools, \$8.8 million transfer to Capital Projects, \$8.5 million transfer to Enterprise Funds, \$2.5 million to Special Revenue Funds and \$27.2 million to Debt Service Fund.
- On a government-wide basis for governmental activities, the City's net assets decreased by \$13.1 million (Exhibit A-2).
- In the City's business-type activities, on a government-wide basis, net assets increased by \$2.5 million (Exhibit A-2).
- The City's net assets, excluding component units, on the government-wide basis, totaled \$809 million at June 30, 2010. Of this amount, \$129.4 million is available for spending at the government's discretion (unrestricted net assets - Exhibit A-1).

### **USING THE FINANCIAL SECTION OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT**

The Comprehensive Annual Financial Report consists of four (4) sections: introductory, financial, statistical and financial compliance reports for federal funds. The financial section consists of three (3) sections: *management's discussion and analysis; basic financial statements; and supplementary information.*

### **GOVERNMENT-WIDE STATEMENTS**

The government-wide financial statements are designed to provide the reader with a broad overview of the City of Hampton's finances, in a manner similar to a private-sector business. "Is the City as a whole better off or worse off as a result of this year's activities?" This is one of the most frequently asked questions about the City's finances. The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. The Statement of Net Assets (Exhibit A-1) includes all of the City's assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid, in the Statement of Activities (Exhibit A-2).

These two statements report the City's net assets and the changes in them. One can think of the City's net assets – the difference between assets and liabilities – as one way to measure the City's financial health or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. However, other non-financial factors will need to be considered, such as changes in the City's property tax base and the condition of the City's roads, to assess the overall health of the City.

In the Statement of Net Assets and the Statement of Activities, found in Exhibits A-1 and A-2 respectively of this report, the City is divided as follows:

- Governmental activities – Most of the City's basic services are reported here, including general government, public safety, public works, human services, and culture and recreation. Property taxes, other local taxes, and state and federal grants finance most of these activities.
- Business-type activities – The City charges fees to customers to help it cover all or most of the cost of certain services it provides. The City's coliseum, steam plant, golf courses, museum, convention center, sewer and trash collection operations are reported in this section.
- Component units – The City includes six separate legal entities in its report – the Hampton City School Board, Hampton Industrial Development Authority, Coliseum Central Business Improvement District, Inc., Downtown Hampton Development Partnership, Inc., Healthy Families Partnership, Inc. and Foundation of the Virginia Air and Space Center. Although legally separate, these component units are important because the City is either financially accountable for them and provides operating and capital funding or their economic resources are either significant to the City or entirely for the benefit of the City or its constituents.

## FUND FINANCIAL STATEMENTS

Traditional users of government financial statements will find the fund statement presentation more familiar, although the focus is now on the City's most significant funds. The fund financial statements provide more information about the City's most significant funds – not the City as a whole. The City of Hampton uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The City has three kinds of funds:

- Governmental funds – Most of the City's basic services are reported in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps the reader determine whether there are more or

fewer financial resources that can be spent in the future to finance the City's programs. Because this information does not address the long-term focus of the government-wide statements, additional information is provided at the bottom of the governmental funds statements that explains the relationship (or differences) between them.

The basic governmental fund financial statements can be found in Exhibits A-3, A-4 and A-5 of this report.

The City of Hampton maintains thirteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, Economic Development Special Revenue Fund, Debt Service Fund and Capital Projects Fund, all of which are considered to be major funds. Data from the other nine governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements.

- Proprietary funds – Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information.

In fact, the City's enterprise funds (one type of proprietary fund) are its business-type activities, but the fund financial statements provide more detail and additional information, such as cash flow. The City maintains eight individual enterprise funds. Information is presented separately in the proprietary fund statement of net assets, the proprietary fund statement of revenues, expenses and changes in fund net assets and the proprietary fund statement of cash flows for the Wastewater Management, Hamptons, Museum and Convention Center funds, all of which are considered to be major funds. Data for the other four enterprise funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major enterprise funds is provided in the form of a combining statement.

The basic proprietary fund financial statements can be found in Exhibits A-6, A-7 and A-8 of this report.

The City uses four internal service funds (the other type of proprietary fund) to report activities that provide supplies and services for the City's other programs and activities. These funds provide for the accumulation of money to replace capital equipment used in the City's operations, maintenance services for the City's vehicle fleet, risk management and computer and telecommunication services. The internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for each of these internal service funds is provided in the form of a combining statement.

The basic internal service fund financial statements can be found in Exhibits E-1, E-2 and E-3 of this report.

- Fiduciary funds – The City is the trustee, or fiduciary, for its employees’ pension plan. All of the City’s fiduciary activities are reported in separate statements of fiduciary net assets and statements of changes in fiduciary net assets. The City excludes these activities from the City’s government-wide statements because the City cannot use these assets to finance its operations. Agency funds are City custodial funds used to provide accountability of client monies for which the City is custodian. The basic fiduciary funds financial statements can be found in Exhibits A-9 and A-10 of this report.

## FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Table I  
Summary of Statement of Net Assets (In Thousands)  
June 30, 2010 and 2009

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>		<u>Component Units</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Current and other assets	\$ 265,762	\$ 318,152	\$ 52,700	\$ 49,704	\$ 318,462	\$ 367,856	\$ 51,835	\$ 74,484
Capital assets	831,298	782,554	171,012	172,770	1,002,310	955,324	38,216	62,601
Total assets	<u>1,097,060</u>	<u>1,100,706</u>	<u>223,712</u>	<u>222,474</u>	<u>1,320,772</u>	<u>1,323,180</u>	<u>90,051</u>	<u>137,085</u>
Current Liabilities	64,226	61,583	10,378	7,797	74,604	69,380	22,595	26,149
Long-term liabilities	<u>325,787</u>	<u>318,987</u>	<u>111,420</u>	<u>115,284</u>	<u>437,207</u>	<u>434,271</u>	<u>14,991</u>	<u>15,551</u>
Total liabilities	<u>390,013</u>	<u>380,570</u>	<u>121,798</u>	<u>123,081</u>	<u>511,811</u>	<u>503,651</u>	<u>37,586</u>	<u>41,700</u>
Net assets:								
Invested in capital assets, net of related debt	573,018	568,771	58,666	58,780	631,684	627,551	38,216	61,974
Restricted	21,147	32,433	26,727	25,578	47,874	58,011	1,359	5,016
Unrestricted	112,882	118,932	16,521	15,035	129,403	133,967	12,890	28,395
Total net assets	<u>\$ 707,047</u>	<u>\$ 720,136</u>	<u>\$ 101,914</u>	<u>\$ 99,393</u>	<u>\$ 808,961</u>	<u>\$ 819,529</u>	<u>\$ 52,465</u>	<u>\$ 95,385</u>

The City’s combined net assets (which is the City’s bottom line) decreased by 1%, or \$10.6 million in fiscal year 2010, of which approximately 6% represents resources that are subject to external restrictions. Investment in capital assets, less any related debt used to acquire those assets that are still outstanding, represents 78% of net assets. These assets are used to provide services to citizens and consequently are not available for future spending. The City’s unrestricted net assets – the part of net assets that can be used to finance day-to-day operations – were \$129.4 million.

Table II  
 Summary of Changes in Net Assets (In Thousands)  
 For the Fiscal Years Ended June 30, 2010 and 2009

	Governmental Activities		Business-type Activities		Total Primary Government		Component Units	
	2010	2009	2010	2009	2010	2009	2010	2009
Revenues:								
Program revenues:								
Charges for services	\$ 19,952	\$ 17,883	\$ 41,858	\$ 39,914	\$ 61,810	\$ 57,797	\$ 6,213	\$ 11,149
Operating grants and contributions	79,412	76,025	2,521	2,528	81,933	78,553	162,361	188,232
Capital grants and contributions	2,424	13,453	1,472	1,180	3,896	14,633		1,063
General revenues:								
Property taxes	146,262	145,607			146,262	145,607		
Other taxes	68,652	68,409			68,652	68,409		
Other	3,149	9,875	724	1,586	3,873	11,461	73,828	77,222
Total revenues	<u>319,851</u>	<u>331,252</u>	<u>46,575</u>	<u>45,208</u>	<u>366,426</u>	<u>376,460</u>	<u>242,402</u>	<u>277,666</u>
Expenses:								
General government	\$ 111,650	\$ 100,134	\$ -	\$ -	\$ 111,650	\$ 100,134	\$ 6,882	\$ 42,739
Public safety	51,937	51,052			51,937	51,052		
Highways and streets	12,078	12,374			12,078	12,374		
Sanitation	3,471	4,641	22,067	21,487	25,538	26,128		
Health	2,949	3,098			2,949	3,098		
Human services	31,226	30,198			31,226	30,198	189	233
Culture and recreation	17,771	19,664	30,454	32,295	48,225	51,959	362	859
Education - payment to School Board	68,052	69,217			68,052	69,217		
Educational	7,388	9,336			7,388	9,336	232,461	239,622
Housing					-	-		
Interest on long-term debt	17,951	15,161	-	-	17,951	15,161		
Total expenses	<u>324,473</u>	<u>314,875</u>	<u>52,521</u>	<u>53,782</u>	<u>376,994</u>	<u>368,657</u>	<u>239,894</u>	<u>283,453</u>
Increase (decrease) in net assets before transfers	(4,622)	16,377	(5,946)	(8,574)	(10,568)	7,803	2,508	(5,787)
Transfers	(8,467)	(8,364)	8,467	8,364	-	-	-	-
Increase (decrease) in net assets	(13,089)	8,013	2,521	(210)	(10,568)	7,803	2,508	(5,787)
Net assets, July 1	720,136	712,123	99,393	99,603	819,529	811,726	49,957	101,172
Net assets, June 30	<u>\$ 707,047</u>	<u>\$ 720,136</u>	<u>\$ 101,914</u>	<u>\$ 99,393</u>	<u>\$ 808,961</u>	<u>\$ 819,529</u>	<u>\$ 52,465</u>	<u>\$ 95,385</u>

## GOVERNMENTAL ACTIVITIES

For the fiscal year ended June 30, 2010, revenues from governmental activities totaled \$319.9 million. Revenues from governmental activities decreased by \$11.4 million; primarily in capital grants and contributions which decreased \$11.0 million due to fewer capital contributions for streets and roads.

Property taxes, the City's largest revenue source, were \$146.3 million, an increase of \$.7 million when compared to fiscal year 2009. Special assessment taxes for the Peninsula Town Center and H2O CDA's contributed \$.6 million to this increase.

Program revenues are derived from the program itself and reduce the cost of the function to the City. Total program revenue for governmental activities was \$101.8 million. One of the most significant of these revenues is the revenue category "Operating Grants and Contributions". These revenues totaled \$79.4 million for the year ended June 30, 2010, an increase of \$3.4 million when compared to the previous year. This increase was primarily in the General Government area; state revenues for the Sheriff increased \$1.3 million due to an increase in medical, utility and food reimbursements in fiscal year 2010. In addition, a new state grant for \$1.5 million was received for the purpose of buying, rehabbing and reselling foreclosed or abandoned properties in areas that are experiencing a high foreclosure rate. This is accomplished through a subrecipient agreement with the HRHA.

The other taxes revenue category, which includes taxes on general sales, utilities purchases, cigarettes, hotel rooms, restaurant meals, amusements, and business and automobile licenses, totaled \$68.7 million. This represents a \$.2 million increase compared to the previous year primarily due to a \$.5 million increase in meal tax revenues.

For the fiscal year ended June 30, 2010, expenditures for governmental activities, excluding transfers, totaled \$324.5 million, an increase of \$9.6 million over the previous year. The majority of this increase is found in the General Government category with an increase in streets and roads and drainage capital project costs of \$5.1 million and an increase of \$1.4 million in transfers to the IDA.

## BUSINESS-TYPE ACTIVITIES

Business-type activities generated revenues of \$46.6 million, an increase of \$1.4 million when compared to the previous year. The majority of this increase is attributed to an increase in Wastewater charges for services. A new sewer surcharge fee of \$.44 per 100 cubic feet of water consumption was implemented. The surcharge fee was necessary to fund the cost of a regional consent order passed down to the localities by the Virginia Department of Environmental Quality (DEQ). The consent order is designed to address sanitary sewer overflows and requires the City to study the capacity, maintenance, operations and management of its wastewater operations.

Expenses for the City's business-type activities totaled \$52.5 million, a decrease of \$1.3 million when compared to the previous year. The Coliseum experienced a \$1.1 million decrease in expenses due to fewer events held during fiscal year 2010. The majority of expenses for the Coliseum are event driven.

## FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The General Fund's fund balance increased by \$2.1 million over fiscal year 2009. This is primarily due to revenues exceeding the budget estimate and personnel budget savings from a hiring freeze implemented during the fiscal year.

The Economic Development Fund finished out fiscal year 2010 with a reduction in fund balance of \$5.8 million. This decrease is attributable to the purchase of 20.5 acres from the XL Development Group of \$5.9 million.

The Capital Projects Fund showed a decrease in fund balance of \$48.9 million due to expenditures for the construction of two new schools.

The Federal Grants Fund, a governmental fund, showed an increase in fund balance of \$.6 million. The savings were primarily due to \$133,000 in Part C roll-over funds, \$117,900 in Police federal forfeited assets grants, \$147,000 fiscal year 2010 Fire Programs and \$62,700 in supervision fees for Community Corrections.

The Wastewater Fund recorded an increase in net assets of \$1.8 million in fiscal year 2010. This increase is primarily due to the \$.44 per hundred cubic feet (hcf) surcharge fee that was implemented in fiscal year 2010. The surcharge fee was necessary to fund the cost of the DEQ's regional consent order designed to address sanitary sewer overflows.

The Refuse-Steam Plant also saw an increase of \$.8 million in net assets due to a \$1.2 million increase in charges for services during the current fiscal year. NASA steam sales were budgeted to increase in fiscal year 2010 due to a board approved rate increase.

The Equipment Replacement Fund ended the fiscal year with a \$.7 million reduction in net assets as a result of decreased rental and user fees revenue. This decrease is attributed to the restructuring of the fee schedule for the larger vehicle fleet (i.e.; fire trucks, ambulances, etc.) to more accurately reflect true replacement lives.

#### GENERAL FUND BUDGETARY HIGHLIGHTS

During the year, the City Council revised the budget on several occasions. City Council appropriated \$13.9 million from designated fund balance to fund uncompleted projects in the Capital Projects Fund. These projects were funded from the General Fund in fiscal year 2009 but the appropriations lapsed at the end of the fiscal year. Under the City's budget savings program, the remaining budget savings of \$5.1 million was rolled from fiscal year 2009 to fiscal year 2010. City Council adopted a budget savings program whereby departments will retain 65 percent of their end of the fiscal year budget savings, 10 percent will be put into an innovations pool and \$415,000 will be designated for drainage projects. In addition, the City reappropriated grant, donation, and other revenues.

Actual expenditures and transfers were \$19.3 million below the final budget. A significant amount of this variance (\$12.0 million) occurred in the general government function, which was related to unused budget savings (\$4.0 million) under the City's budget savings program, a \$2.4 million unused fringe budget for retirement incentives and a \$1 million unused contingency budget. A \$4.4 million variance was noted in transfers to other funds. The majority of this variance occurred from projects in the Capital Projects Fund that were at various stages of completion. Typically, funding for these projects is appropriated in the subsequent fiscal year.

Revenues exceeded the budget by \$2.3 million. Personal property taxes performed better than anticipated. The Federal Government's "Cash for Clunker" program had a positive impact on this revenue.

## CAPITAL ASSETS

The total increase over fiscal year 2009 in the City's investment in capital assets for the current fiscal year is \$47 million or 5%. At the end of fiscal year 2010, the City had invested \$1.0 billion in a variety of capital assets and infrastructure, as reflected in the following schedule:

Table III  
Capital Assets (In Thousands)

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Non-depreciable assets:						
Land and land improvements	\$ 500,093	\$ 488,425	\$ 10,804	\$ 9,859	\$ 510,897	\$ 498,284
Easements	352				352	-
Construction in progress	118,398	78,495	2,891	1,085	121,289	79,580
Other capital assets:						
Buildings and improvements	67,881	67,881	134,530	134,424	202,411	202,305
Improvements other than buildings	66,492	62,198	32,311	32,219	98,803	94,417
Equipment and vehicles	61,403	60,533	25,429	22,144	86,832	82,677
Exhibits			13,950	13,887	13,950	13,887
Landfill			3,866	4,811	3,866	4,811
Infrastructure	148,874	147,576	64,809	64,289	213,683	211,865
Computer software	745				745	-
Other Assets	4,001				4,001	-
Accumulated depreciation	(136,941)	(122,554)	(117,578)	(109,948)	(254,519)	(232,502)
Total	\$ 831,298	\$ 782,554	\$ 171,012	\$ 172,770	\$ 1,002,310	\$ 955,324

	School Board		Industrial Development Authority		Coliseum Central Business Improvement District, Inc.	
	2010	2009	2010	2009	2010	2009
<b>Component Units</b>						
Non-depreciable assets:						
Land and land improvements	\$ 5,111	\$ 5,111	\$ 15,803	\$ 15,803	\$ -	\$ -
Construction in progress						
Other capital assets:						
Buildings and improvements	48,963	48,963				
Improvements other than buildings	310	310	383	383		
Infrastructure			2,545	2,545		
Equipment and vehicles	40,651	34,792	50	50	166	82
Accumulated depreciation	(74,935)	(71,702)	(1,119)	(1,010)	(68)	(59)
Total	\$ 20,100	\$ 17,474	\$ 17,662	\$ 17,771	\$ 98	\$ 23

	Downtown Hampton Development Partnership, Inc.		Healthy Families Partnership, Inc.		Total Component Unit	
	2010	2009	2010	2009	2010	2009
<b>Component Units</b>						
Non-depreciable assets:						
Land and land improvements	\$ -	\$ -	\$ -	\$ -	\$ 20,914	\$ 20,914
Construction in progress					-	-
Other capital assets:						
Buildings and improvements					48,963	48,963
Improvements other than buildings					-	-
Infrastructure	425	427			693	693
Equipment and vehicles	99	78	12	12	2,970	2,972
Accumulated depreciation	(167)	(161)	(12)	(12)	40,978	35,014
	\$ 357	\$ 344	\$ -	\$ -	(76,301)	(72,944)
					\$ 38,217	\$ 35,612

The City's fiscal year 2011 capital budget sets forth \$155.3 million to be spent during fiscal year 2011 through 2015 in various projects: \$51.4 million in school construction and maintenance, \$22.0 million in street and infrastructure maintenance, \$29.0 million for a new circuit court building, \$13.8 million in building maintenance, \$17.3 million in community enhancements, \$3.8 million in strategic property acquisition, \$9.1 million in public safety projects, \$6.0 million on the Crossroads Parking Garage and \$2.9 million in Stormwater drainage projects. Construction began and/or was completed for a variety of street projects, building maintenance and infrastructure, education and other projects. Additional information about the City's capital assets can be found in Note 6 to the financial statements.

## LONG-TERM DEBT

At the end of fiscal year 2010, the City had \$304.1 million in outstanding general obligation bonds. The City issued \$65.6 million in General Obligation Public Improvement and Refunding Bonds and \$7.2 million in General Obligation Public Improvement Direct Pay Build America and Recovery Zone Economic Development Bonds in fiscal year 2010. More detailed information about the City's long-term liabilities is presented in Note 8 to the financial statements.

The Commonwealth of Virginia limits the amount of general obligation debt the City can issue to 10% of the assessed valuation of real property. As of June 30, 2010, the City's aggregate general obligation indebtedness is \$872.5 million below this limit.

Table IV  
 City of Hampton  
 Change in General Obligation and Revenue Bonds (In Thousands)  
 June 30, 2010 and 2009

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
General Obligation bonds	\$ 294,130	\$ 294,835	\$ -	\$ -	\$ 294,130	\$ 294,835
Revenue bonds			112,810	114,360	112,810	114,360
Unamortized premium	14,024	8,571	2,019	2,228	16,043	10,799
Less deferred amount for advance refunding	(3,758)	(2,645)	(635)	(819)	(4,393)	(3,464)
Total primary government	\$ 304,396	\$ 300,761	\$ 114,194	\$ 115,769	\$ 418,590	\$ 416,530
<b>Component Unit - Industrial Development Authority</b>						
Revenue bonds					\$ 7,886	\$ 8,360

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's staff and City Council considered many factors when developing the fiscal year 2011 budget. One of the major factors considered was the economy.

- Real estate assessments are starting to decline.
- Real Estate Tax (unchanged at \$1.04/\$100 assessed value) is estimated to experience a revenue loss of \$3.0 million which is a 2.6% decrease compared to fiscal year 2010 whereas Personal Property Tax is expected to increase \$1.8 million, or 6.0%, when compared to the prior year.
- Motor Vehicle License fee will increase from \$28 to \$30 (up to 2 tons) and from \$33 to \$35 (over 2 tons) effected January 1, 2011.

The fiscal year 2011 approved budget for the General Fund is \$412.4 million, a 5.2% decrease over the fiscal year 2010 budget. Challenged to cover a \$19.0 million budget shortfall, a total of 78 permanent full-time positions were eliminated (savings: \$1.7 million with an additional \$1.0 million in benefits savings related to these positions).

## CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. Questions concerning this report or requests for additional financial information should be directed to Karl S. Daughtrey, Director of Finance, 22 Lincoln Street, 7<sup>th</sup> Floor, Hampton, Virginia 23669, telephone (757) 727-6230.

**THIS PAGE LEFT BLANK INTENTIONALLY**



**TAB**

**Basic Financial Statements**

**City of Hampton  
Statement of Net Assets  
June 30, 2010**

	<b>Primary Government</b>			<b>Component Units</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total Primary Government</b>	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 142,083,256	\$ 14,145,307	\$ 156,228,563	\$ 5,050,873
Cash with fiscal agent	300,000		300,000	7,183,503
Investments	80,130,720		80,130,720	280,642
Accounts receivables	28,991,576	5,310,434	34,302,010	649,400
Lease receivable			-	10,913,610
Due from component unit	1,246,048	24,017	1,270,065	
Due from primary government			-	265,213
Internal balances	1,798,588	(1,798,588)	-	
Due from other governments			-	16,662,770
Inventories	160,159	289,873	450,032	151,127
Prepaid items	375,553	155,274	530,827	7,203
Temporarily restricted assets:				
Cash and cash equivalents		3,605,462	3,605,462	1,358,994
Cash with fiscal agent	9,873,017	2,187,924	12,060,941	
Investments		27,024,968	27,024,968	
Notes receivable	24,928	9,586	34,514	1,122,543
Deferred charges	778,351	1,745,299	2,523,650	
Land held for sale			-	8,188,784
Capital assets not being depreciated	618,843,051	13,695,165	632,538,216	20,913,814
Capital assets, net of accumulated depreciation	212,454,372	157,316,889	369,771,261	17,302,011
Total assets	<u>\$ 1,097,059,619</u>	<u>\$ 223,711,610</u>	<u>\$ 1,320,771,229</u>	<u>\$ 90,050,487</u>
<b>LIABILITIES</b>				
Accounts payable and other liabilities	\$ 34,931,124	\$ 1,709,232	\$ 36,640,356	\$ 11,649,275
Due to component units	265,213		265,213	
Due to primary government				1,270,065
Unearned revenue	1,776,927	880,799	2,657,726	3,710,596
Current liabilities payable from restricted assets		3,342,284	3,342,284	
Notes and other long-term payables:				
Due within one year	9,462,091	481,848	9,943,939	5,459,729
Due in more than one year	39,181,266	1,188,652	40,369,918	7,610,411
Bonds payable:				
Due within one year	17,790,651	3,963,902	21,754,553	504,663
Due in more than one year	286,605,551	110,230,833	396,836,384	7,380,841
Total liabilities	<u>390,012,823</u>	<u>121,797,550</u>	<u>511,810,373</u>	<u>37,585,580</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	573,018,154	58,666,400	631,684,554	37,915,466
Restricted for:				
Capital projects	15,392,484		15,392,484	
Debt service	5,741,715	26,726,859	32,468,574	
Other purposes	12,508		12,508	1,358,994
Unrestricted	112,881,935	16,520,801	129,402,736	13,190,447
Total net assets	<u>707,046,796</u>	<u>101,914,060</u>	<u>808,960,856</u>	<u>52,464,907</u>
Total liabilities and net assets	<u>\$ 1,097,059,619</u>	<u>\$ 223,711,610</u>	<u>\$ 1,320,771,229</u>	<u>\$ 90,050,487</u>

The accompanying notes are an integral part of the financial statements.

**CITY OF HAMPTON, VIRGINIA  
STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2010**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Assets			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
<b>Primary government</b>								
Governmental activities:								
General government	\$ 111,649,642	\$ 6,982,038	\$ 28,867,193	\$ -	\$ (75,800,411)	\$ -	\$ (75,800,411)	\$ -
Public safety	51,937,559	2,085,656	12,699,683		(37,152,220)		(37,152,220)	
Highways and streets	12,077,835		13,337,109	2,423,456	3,682,730		3,682,730	
Sanitation	3,470,657	4,868,796			1,398,139		1,398,139	
Health	2,949,347	3,121,242			171,895		171,895	
Human Services	31,226,135	22,936	24,145,839		(7,057,360)		(7,057,360)	
Culture and recreation	17,771,033	2,809,490	176,825		(14,784,718)		(14,784,718)	
Education (payment to school district)	68,051,707				(68,051,707)		(68,051,707)	
Education and educational services	7,387,705	61,659	185,621		(7,140,425)		(7,140,425)	
Interest on long-term debt	17,950,967	-	-	-	(17,950,967)		(17,950,967)	
Total governmental activities	<u>324,472,587</u>	<u>19,951,817</u>	<u>79,412,270</u>	<u>2,423,456</u>	<u>(222,685,044)</u>		<u>(222,685,044)</u>	
Business-type activities:								
Culture and recreation	30,454,080	15,410,736	2,521,223	1,472,398		(11,049,723)	(11,049,723)	
Sanitation	22,066,632	26,446,960	-	-	-	4,380,328	4,380,328	
Total business-type activities	<u>52,520,712</u>	<u>41,857,696</u>	<u>2,521,223</u>	<u>1,472,398</u>	<u>-</u>	<u>(6,669,395)</u>	<u>(6,669,395)</u>	
<b>Total primary government</b>	<u>\$ 376,993,299</u>	<u>\$ 61,809,513</u>	<u>\$ 81,933,493</u>	<u>\$ 3,895,854</u>	<u>\$ (222,685,044)</u>	<u>\$ (6,669,395)</u>	<u>\$ (229,354,439)</u>	
<b>Component units</b>								
Public school system	\$ 232,461,496	\$ 5,228,327	\$ 162,072,791	\$ -				(65,160,378)
Industrial development	5,136,977	132,294	-					(5,004,683)
Business improvement	1,162,580	567,446	-					(595,134)
Downtown development	582,108	266,711	131,926					(183,471)
Healthy families	189,182	18,327	139,938					(30,917)
Museum support	361,814	-	16,372	-				(345,442)
<b>Total component units</b>	<u>\$ 239,894,157</u>	<u>\$ 6,213,105</u>	<u>\$ 162,361,027</u>	<u>\$ -</u>				<u>\$ (71,320,025)</u>

	<b>Net (Expense) Revenue and Change in Net Assets</b>			
	<b>Primary Government</b>			<b>Component Units</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	
<b>General revenues</b>				
Taxes:				
Property taxes	\$ 146,261,399	\$ -	\$ 146,261,399	\$ -
Sales taxes	13,589,589		13,589,589	
Lodging, meal and amusement taxes	18,621,008		18,621,008	
Motor vehicle taxes	3,397,724		3,397,724	
Business license taxes	12,348,558		12,348,558	
Utility taxes	5,485,972		5,485,972	
Tobacco taxes	3,538,042		3,538,042	
Recordation taxes	1,687,249		1,687,249	
Bank stock taxes	452,870		452,870	
Pari-mutuel license taxes	79,817		79,817	
Short-term rental taxes	98,082		98,082	
Franchise license taxes	1,327,423		1,327,423	
Communication sales tax	7,992,576		7,992,576	
Mobile home titling tax	33,382		33,382	
Payments from (to) City of Hampton			-	73,125,434
Investment earnings	912,296	723,543	1,635,839	664,134
Miscellaneous	2,236,323		2,236,323	37,912
Transfers	<u>(8,466,782)</u>	<u>8,466,782</u>	<u>-</u>	<u>-</u>
Total general revenues and transfers	<u>209,595,528</u>	<u>9,190,325</u>	<u>218,785,853</u>	<u>73,827,480</u>
<b>Change in net assets</b>	(13,089,516)	2,520,930	(10,568,586)	2,507,455
<b>Net assets, beginning, as restated</b>	<u>720,136,312</u>	<u>99,393,130</u>	<u>819,529,442</u>	<u>49,957,452</u>
<b>Net assets, ending</b>	<u>\$ 707,046,796</u>	<u>\$ 101,914,060</u>	<u>\$ 808,960,856</u>	<u>\$ 52,464,907</u>

The accompanying notes are an integral part of the financial statements.

**CITY OF HAMPTON, VIRGINIA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2010**

	General Fund	Special Revenue - Economic Development	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and cash equivalents	\$ 96,896,313	\$ 8,962,915	\$ 498,302	\$ 257,566	\$ 6,067,454	\$ 112,682,550
Investments	2,151,149			77,979,571		80,130,720
Accounts receivables:						
Taxes (net of allowance for uncollectible)	7,519,462					7,519,462
Due from other governments	9,940,777			3,743,875	5,103,865	18,788,517
Other	1,827,138	7,692	65		273,086	2,107,981
Notes receivable					24,928	24,928
Due from other funds	9,310,684			4,721,842	155,219	14,187,745
Due from component units	1,004,825					1,004,825
Restricted assets:						
Cash with fiscal agent				9,873,017		9,873,017
Inventories	48,884					48,884
Advances to other funds	-	-	5,243,348	-	-	5,243,348
Total assets	<u>\$ 128,699,232</u>	<u>\$ 8,970,607</u>	<u>\$ 5,741,715</u>	<u>\$ 96,575,871</u>	<u>\$ 11,624,552</u>	<u>\$ 251,611,977</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts payable	\$ 3,716,572	\$ 95,740	\$ -	\$ 9,116,777	\$ 1,720,472	\$ 14,649,561
Accrued health insurance	8,440,729					8,440,729
Accrued liabilities	4,031,916				189,617	4,221,533
Due to other funds	5,136,593	73,076		1,900,000	2,315,312	9,424,981
Due to component units	62,048	193,030		2,635	7,500	265,213
Deferred revenue	5,941,110	10,519	-	-	1,128,109	7,079,738
Total liabilities	<u>27,328,968</u>	<u>372,365</u>	<u>-</u>	<u>11,019,412</u>	<u>5,361,010</u>	<u>44,081,755</u>
Fund balances:						
Reserved for:						
Encumbrances	1,277,852					1,277,852
Courthouse maintenance	797					797
Hazmat	11,711					11,711
Advances to other funds	-		5,243,348			5,243,348
Capital Projects				9,873,017		9,873,017
Grants compliance					1,344,110	1,344,110
Unreserved:						
Designated for:						
Succeeding fiscal year	43,517,211					43,517,211
Specific projects - Permanent fund					66,709	66,709
Specific projects - Special Revenue funds		4,986,817			452,699	5,439,516
Debt service			498,367			498,367
Construction projects				75,683,442		75,683,442
Undesignated, reported in:						
General fund	56,562,693					56,562,693
Special Revenue funds	-	3,611,425	-	-	4,400,024	8,011,449
Total fund balances	<u>101,370,264</u>	<u>8,598,242</u>	<u>5,741,715</u>	<u>85,556,459</u>	<u>6,263,542</u>	<u>207,530,222</u>
Total liabilities and fund balances	<u>\$ 128,699,232</u>	<u>\$ 8,970,607</u>	<u>\$ 5,741,715</u>	<u>\$ 96,575,871</u>	<u>\$ 11,624,552</u>	<u>\$ 251,611,977</u>

**Reconciliation of Balance Sheet of Governmental Funds to the Statement of Net Assets (Exhibit A-2)**

Total fund balances of governmental funds	\$ 207,530,222
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 not reported in the funds. (Note 6)	821,381,818
Other assets are not available to pay current-period expenditures and, therefore, are deferred in the funds.	6,118,467
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets. Net assets on Combining Statement of Net Assets - Internal Service Funds (Exhibit E-1)	33,717,685
Other liabilities not paid from current-period revenues are not reported in the funds for:	
Accrued interest	(6,870,824)
Interfund balances related to amounts eliminated in the Statement of Net Assets	(8,253,129)
Long-term liabilities, including bonds payable, are not due and payable in the current period and are therefore not reported in the funds. (Note 8)	<u>(346,577,443)</u>
Net assets of governmental activities	<u>\$ 707,046,796</u>

The accompanying notes are an integral part of the financial statements.

**CITY OF HAMPTON, VIRGINIA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2010**

	General Fund	Special Revenue - Economic Development	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>						
General property taxes	\$ 145,245,096	\$ -	\$ -	\$ -	\$ -	\$ 145,245,096
Other local taxes	66,838,112				1,892,002	68,730,114
Intergovernmental revenues:						
From the Commonwealth of Virginia	52,164,218			725,445	10,318,240	63,207,903
From the Federal government	10,732,056		46,980	855,138	5,720,656	17,354,830
Permits, privilege fees and regulatory licenses	1,078,276					1,078,276
Fines and forfeitures	2,004,416					2,004,416
Revenues from use of money and property	651,260	1,312,022	337	499,982	397,534	2,861,135
Charges for services	6,531,612				4,822,160	11,353,772
Payment from component units	2,002,753					2,002,753
Miscellaneous	3,189,730	81,855		-	1,576,749	4,848,334
Recovered costs	906,000	-	263,839	-	-	1,169,839
Total revenues	<u>291,343,529</u>	<u>1,393,877</u>	<u>311,156</u>	<u>2,080,565</u>	<u>24,727,341</u>	<u>319,856,468</u>
<b>EXPENDITURES</b>						
Current:						
General government	84,780,996	6,953,468			6,570,990	98,305,454
Public safety	45,797,171				4,924,458	50,721,629
Highways and streets	2,200,376					2,200,376
Sanitation	-				3,454,831	3,454,831
Health	2,708,720					2,708,720
Human services	22,597,293				8,590,160	31,187,453
Culture and recreation	13,775,579				1,676,544	15,452,123
Education (payment to school district)	68,051,707					68,051,707
Education and educational services	2,262,039				-	2,262,039
Capital improvements				74,161,926		74,161,926
Debt service:						
Principal retirement			15,210,275			15,210,275
Interest and fiscal charges			12,938,595			12,938,595
Bond issuance costs	-	-	252,627	29,644	-	282,271
Total expenditures	<u>242,173,881</u>	<u>6,953,468</u>	<u>28,401,497</u>	<u>74,191,570</u>	<u>25,216,983</u>	<u>376,937,399</u>
Excess (deficiency) of revenues over (under)	<u>49,169,648</u>	<u>(5,559,591)</u>	<u>(28,090,341)</u>	<u>(72,111,005)</u>	<u>(489,642)</u>	<u>(57,080,931)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Issuance of debt and capital leases				7,434,700		7,434,700
Refunding bonds issued			65,595,000			65,595,000
Premium on bonds issued			127,082	5,977,904		6,104,986
Payment to refunded bond escrow agent			(65,469,455)			(65,469,455)
Transfers in		85,240	27,596,983	9,711,009	2,500,213	39,893,445
Transfers out	(47,061,252)	(324,692)	-	-	(974,282)	(48,360,226)
Net other financing sources (uses)	<u>(47,061,252)</u>	<u>(239,452)</u>	<u>27,849,610</u>	<u>23,123,613</u>	<u>1,525,931</u>	<u>5,198,450</u>
<b>Net change in fund balances</b>	<u>2,108,396</u>	<u>(5,799,043)</u>	<u>(240,731)</u>	<u>(48,987,392)</u>	<u>1,036,289</u>	<u>(51,882,481)</u>
<b>Fund balances, beginning of year</b>	<u>99,261,868</u>	<u>14,397,285</u>	<u>5,982,446</u>	<u>134,543,851</u>	<u>5,227,253</u>	<u>259,412,703</u>
<b>Fund balances, end of year</b>	<u>\$ 101,370,264</u>	<u>\$ 8,598,242</u>	<u>\$ 5,741,715</u>	<u>\$ 85,556,459</u>	<u>\$ 6,263,542</u>	<u>\$ 207,530,222</u>

**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities**  
**(Exhibit A - 2) Changes in Net Assets**

Net change in fund balances - total governmental funds	\$ (51,882,481)
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. This is the amount by which new capital assets exceeded capital expenditures in the period. (Note 6)	49,255,362
In the statement of activities, the loss on disposal of capital assets is reported. However in the governmental funds, only the proceeds from sale increase financial resources. The change in net assets differs from the change in fund balance by the net book value of the capital assets disposed.	
Cost of capital assets disposed	1,543,820
Accumulated depreciation on capital assets disposed	(1,871,469)
Donated assets are not reported in the governmental funds but are reflected in the statement of activities	837,873
Revenues earned during the period that are not yet available are reported in the Statement of Activities, but not reported as revenues in the funds.	(532,537)
Proceeds from bond issuance and capital leases provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.	
Debt increase for compensated absences and net pension obligation	15,769
Net other postemployment benefits liability	(6,394,109)
Proceeds from capital lease	(221,942)
Proceeds from debt issuance	(71,475,000)
Repayment of debt principal	73,815,275
Bond issuance costs	(65,268)
Premium on bonds	(6,104,986)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net income of the internal service funds is reported with governmental activities.	(604,333)
Expenses incurred during the period related to liabilities that are still outstanding and not yet due at year-end for accrued interest	139,019
Amortization of premiums	<u>455,491</u>
Change in net assets of governmental activities	<u>\$ (13,089,516)</u>

The accompanying notes are an integral part of the financial statements.

**CITY OF HAMPTON, VIRGINIA**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**For the Fiscal Year Ended June 30, 2010**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Intergovernmental:				
State funds	\$ 35,986,017	\$ 52,558,946	\$ 52,164,218	\$ (394,728)
Federal funds (includes pass through)	11,636,404	11,636,404	10,732,056	(904,348)
Local taxes	224,983,286	209,529,357	212,083,208	2,553,851
Licenses and permits	943,200	943,200	1,078,276	135,076
Fines and forfeitures	1,965,000	1,965,000	2,004,416	39,416
Revenue from use of money and property	1,003,961	1,003,961	651,260	(352,701)
Charges for services	5,748,327	5,748,327	6,531,612	783,285
Recovered costs	906,000	906,000	906,000	-
Payment from component units	2,000,000	2,000,000	2,002,753	2,753
Miscellaneous	2,802,633	2,802,633	3,189,730	387,097
Total revenues	<u>287,974,828</u>	<u>289,093,828</u>	<u>291,343,529</u>	<u>2,249,701</u>
<b>EXPENDITURES</b>				
Current:				
General government	89,692,036	96,814,388	84,780,996	(12,033,392)
Public safety	46,778,691	47,240,196	45,797,171	(1,443,025)
Highways and streets	2,387,936	2,439,113	2,200,376	(238,737)
Health	2,922,524	2,959,422	2,708,720	(250,702)
Human services	21,495,950	22,914,313	22,597,293	(317,020)
Culture and recreation	13,132,077	14,348,102	13,775,579	(572,523)
Education	70,275,502	70,341,391	70,313,746	(27,645)
Total expenditures	<u>246,684,716</u>	<u>257,056,925</u>	<u>242,173,881</u>	<u>(14,883,044)</u>
Excess of revenues over (under) expenditures	<u>41,290,112</u>	<u>32,036,903</u>	<u>49,169,648</u>	<u>17,132,745</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	<u>(47,477,407)</u>	<u>(51,501,334)</u>	<u>(47,061,252)</u>	<u>(4,440,082)</u>
Total other financing sources (uses)	<u>(47,477,407)</u>	<u>(51,501,334)</u>	<u>(47,061,252)</u>	<u>(4,440,082)</u>
Excess of revenues and other sources over (under) expenditures and other uses	(6,187,295)	(19,464,431)	2,108,396	<u>\$ 21,572,827</u>
<b>Appropriations from fund balance</b>	6,259,295	20,814,283		
<b>Appropriations - encumbrances</b>	<u>-</u>	<u>(1,277,852)</u>		
Budget - excess of revenues and appropriations from fund balance over (under) expenditures		72,000		
<b>Fund balance - July 1</b>	<u>-</u>	<u>-</u>	<u>99,261,868</u>	
<b>Fund balance - June 30</b>	<u>\$ -</u>	<u>\$ 72,000</u>	<u>\$ 101,370,264</u>	

The accompanying notes are an integral part of the financial statements.

**THIS PAGE LEFT BLANK INTENTIONALLY**



**CITY OF HAMPTON, VIRGINIA**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**June 30, 2010**

	Business-Type Activities - Enterprise Funds						Governmental Activities
	Wastewater Management	The Hamptons	Museum	Convention Center	Non-major Enterprise	Totals	Internal Service Funds
<b>ASSETS</b>							
Current assets:							
Cash and cash equivalents	\$ 3,629,816	\$ 1,174	\$ 309,992	\$ -	\$ 10,204,325	\$ 14,145,307	\$ 29,400,706
Cash with fiscal agent						-	300,000
Restricted assets to be used to liquidate current liabilities:						-	-
Revenue bond indenture:						-	-
Cash and cash equivalents				1,648,343		1,648,343	
Cash with fiscal agent			1,038,834	1,149,090		2,187,924	
Accounts receivable	2,076,175		82,122	192,599	2,959,538	5,310,434	575,615
Notes and mortgage receivable	9,586					9,586	
Due from other funds	36,460	829	-	362,789	434	400,512	46,895
Due from component units					24,017	24,017	241,223
Inventories	62,481	35,816	113,693		77,883	289,873	111,273
Prepaid expense			155,274	1,257,221		1,412,495	375,553
Restricted assets:						-	-
Revenue bond indenture:						-	-
Cash and cash equivalents		288,365	1,492,474	176,280		1,957,119	
Investments	-	362,283	-	26,662,685	-	27,024,968	-
Total current assets	<u>5,814,518</u>	<u>688,467</u>	<u>3,192,389</u>	<u>31,449,007</u>	<u>13,266,197</u>	<u>54,410,578</u>	<u>31,051,265</u>
Noncurrent Assets:							
Deferred charges		5,237	61,010	421,833		488,080	
Capital assets:						-	
Land	145,615	-	1,921,420	5,332,401	3,404,805	10,804,241	
Buildings and improvements	1,706,026	2,398,794	26,835,363	89,858,046	13,731,289	134,529,518	
Improvements	254,190	3,719,882	6,800	3,228,109	25,102,006	32,310,987	90,473
Computer Software							14,400
Equipment	4,048,455	477,838	3,846,516	877,330	16,179,087	25,429,226	32,351,009
Construction in progress	76,407		2,250,591	7,003	556,923	2,890,924	-
Exhibits			13,950,306			13,950,306	
Landfill			-		3,865,986	3,865,986	
Infrastructure	64,808,891					64,808,891	
Less accumulated depreciation	<u>(27,648,743)</u>	<u>(5,503,557)</u>	<u>(30,510,032)</u>	<u>(13,243,672)</u>	<u>(40,672,021)</u>	<u>(117,578,025)</u>	<u>(22,540,276)</u>
Net capital assets	<u>43,390,841</u>	<u>1,092,957</u>	<u>18,300,964</u>	<u>86,059,217</u>	<u>22,168,075</u>	<u>171,012,054</u>	<u>9,915,606</u>
Total noncurrent assets	<u>43,390,841</u>	<u>1,098,194</u>	<u>18,361,974</u>	<u>86,481,050</u>	<u>22,168,075</u>	<u>171,500,134</u>	<u>9,915,606</u>
Total assets	<u>\$ 49,205,359</u>	<u>\$ 1,786,661</u>	<u>\$ 21,554,363</u>	<u>\$ 117,930,057</u>	<u>\$ 35,434,272</u>	<u>\$ 225,910,712</u>	<u>\$ 40,966,871</u>

	Business-Type Activities - Enterprise Funds						Governmental
	Wastewater Management	The Hamptons	Museum	Convention Center	Non-major Enterprise	Totals	Internal Service Funds
<b>LIABILITIES</b>							
Current liabilities:							
Accounts payable	\$ 211,512	\$ 56,283	\$ -	\$ -	\$ 632,257	\$ 900,052	\$ 688,136
Accrued liabilities				45,761		45,761	
Accrued interest payable		4,250	129,738		62,898	196,886	-
Accrued leave	98,995	7,979	60,637		162,500	330,111	76,000
Due to other funds	77	2,951,463	749,000	800	1,507,540	5,208,880	1,291
Deferred revenue		1,000	451,048		428,751	880,799	37,303
Current portion of long-term debt		412,707	1,394,051	2,299,851	9,030	4,115,639	4,831,955
Current liabilities payable from restricted assets:						-	
Accounts payable			724,518	160,902		885,420	
Accrued interest payable				2,456,864		2,456,864	
Other liabilities	72,073	16,222	-	65,030	413,211	566,536	60,339
Total current liabilities	<u>382,657</u>	<u>3,449,904</u>	<u>3,508,992</u>	<u>5,029,208</u>	<u>3,216,187</u>	<u>15,586,948</u>	<u>5,695,024</u>
Noncurrent liabilities:							
Claims payable						-	631,944
Accrued leave	76,699	23,704			339,856	440,259	109,096
Bonds payable		571,865	3,858,880	105,800,088		110,230,833	
Obligations under capital leases		734,350			14,043	748,393	813,122
Advances from other funds	-	-	-	-	5,243,348	5,243,348	-
Total noncurrent liabilities	<u>76,699</u>	<u>1,329,919</u>	<u>3,858,880</u>	<u>105,800,088</u>	<u>5,597,247</u>	<u>116,662,833</u>	<u>1,554,162</u>
Total liabilities	<u>459,356</u>	<u>4,779,823</u>	<u>7,367,872</u>	<u>110,829,296</u>	<u>8,813,434</u>	<u>132,249,781</u>	<u>7,249,186</u>
<b>NET ASSETS</b>							
Invested in capital assets, net of related debt	43,390,841	(625,965)	13,048,033	(19,291,511)	22,145,002	58,666,400	8,718,406
Restricted						-	
Debt service		650,648	1,806,790	24,269,421		26,726,859	
Unrestricted	5,355,162	(3,017,845)	(668,332)	2,122,851	4,475,836	8,267,672	24,999,279
Total net assets (deficit)	<u>48,746,003</u>	<u>(2,993,162)</u>	<u>14,186,491</u>	<u>7,100,761</u>	<u>26,620,838</u>	<u>93,660,931</u>	<u>33,717,685</u>
Total liabilities and net assets	<u>\$ 49,205,359</u>	<u>\$ 1,786,661</u>	<u>\$ 21,554,363</u>	<u>\$ 117,930,057</u>	<u>\$ 35,434,272</u>	<u>\$ 225,910,712</u>	<u>\$ 40,966,871</u>

**Reconciliation of the Statement of Net Assets for Proprietary Funds to the Statement of Activities (Exhibit A-1)**

Net assets of enterprise funds	\$ 93,660,931
Amounts reported for business-type activities in the Statement of Net Assets are different because:	
Net revenue of internal service funds are allocated to funds receiving services	458,626
Interfund reimbursement for allocated overhead costs	7,794,505
Net assets business-type activities	<u>\$ 101,914,062</u>

The accompanying notes are an integral part of the financial statements.

**CITY OF HAMPTON, VIRGINIA**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2010**

	Business-Type Activities - Enterprise Funds		
	Wastewater Management	The Hamptons	Museum
<b>Operating revenues:</b>			
Charges for services	\$ 8,913,359	\$ 796,497	\$ 2,328,361
Federal revenues			856,000
Other	-		2,352,198
Total operating revenues	<u>8,913,359</u>	<u>796,497</u>	<u>5,536,559</u>
<b>Operating expenses:</b>			
Personal services	1,985,822	356,254	1,850,946
Fringe benefits	807,286	93,602	492,024
Promoters' fees			
City-sponsored events			
Cost of goods sold	148,083	25,715	178,658
Utilities	229,283	48,723	277,550
Insurance	44,823	29,694	62,551
Operating supplies	161,677	100,216	2,010,247
Equipment rental	367	262,629	191,140
Equipment and building repairs	632,136	81,062	144,518
Telephone and postage	18,133	6,419	27,406
Amusement tax			
General expense	62,206	2,259	
Claims			
Landfill costs			
Contractual services	1,332,111	30,813	219,482
Indirect cost	456,000		
Depreciation and amortization	<u>1,271,186</u>	<u>273,915</u>	<u>2,499,273</u>
Total operating expenses	<u>7,149,113</u>	<u>1,311,301</u>	<u>7,953,795</u>
Operating income (loss)	<u>1,764,246</u>	<u>(514,804)</u>	<u>(2,417,236)</u>
<b>Nonoperating revenues (expenses):</b>			
Interest income	-	71	65,571
Interest and fiscal charges		(151,313)	(280,438)
Other			
Gain (loss) on sale of capital assets	-	(155)	
Net increase (decrease) in fair value of investments	-	11	-
Total nonoperating revenues (expenses)	<u>-</u>	<u>(151,386)</u>	<u>(214,867)</u>
Income (loss) before transfers and capital contributions	1,764,246	(666,190)	(2,632,103)
Capital contributions	-	57,100	1,415,298
Transfers in (out)	<u>-</u>	<u>630,000</u>	<u>1,591,001</u>
<b>Change in net assets</b>	1,764,246	20,910	374,196
<b>Net assets, (deficit) beginning of year</b>	<u>46,981,757</u>	<u>(3,014,072)</u>	<u>13,812,295</u>
<b>Net assets, (deficit) end of year</b>	<u>\$ 48,746,003</u>	<u>\$ (2,993,162)</u>	<u>\$ 14,186,491</u>

**Reconciliation of the Statement of Revenues, Expenses and Changes in Fund Net Assets of Proprietary Funds to the Statement of Activities (Exhibit A-2)**

Change in net assets - total enterprise funds  
The net revenue of the internal service fund is reported with governmental activities.  
Interfund reimbursement for allocated overhead costs  
Change in net assets of business-type activities

**Exhibit A-7**

Business-Type Activities - Enterprise Funds			Governmental Activities
Convention Center	Non-major Enterprise	Totals	Internal Service Funds
\$ 1,674,529	\$ 27,397,952	\$ 41,110,698	\$ 15,775,774
-	-	856,000	-
<u>1,674,529</u>	<u>27,397,952</u>	<u>44,318,896</u>	<u>15,775,774</u>
875,910	5,472,868	10,541,800	1,463,406
289,564	1,986,410	3,668,886	554,567
-	4,079,237	4,079,237	-
-	881,458	881,458	-
-	264,342	616,798	3,937,808
692,019	865,065	2,112,640	57,790
55,539	632,511	825,118	1,899,052
254,786	851,468	3,378,394	172,284
-	57,570	511,706	94,220
163,166	2,141,802	3,162,684	213,568
39,758	47,055	138,771	891,089
-	-	-	-
288,937	1,184,468	1,537,870	90,473
-	-	-	4,609,537
-	3,856,951	3,856,951	-
199,342	799,352	2,581,100	120,530
-	574,470	1,030,470	-
<u>2,639,349</u>	<u>1,862,647</u>	<u>8,546,370</u>	<u>2,334,603</u>
<u>5,498,370</u>	<u>25,557,674</u>	<u>47,470,253</u>	<u>16,438,927</u>
<u>(3,823,841)</u>	<u>1,840,278</u>	<u>(3,151,357)</u>	<u>(663,153)</u>
649,690	2,525	717,857	85,215
(5,363,125)	(261,158)	(6,056,034)	(56,757)
-	1,450	1,450	3,342
-	33,833	33,678	27,020
<u>5,676</u>	<u>-</u>	<u>5,687</u>	<u>-</u>
<u>(4,707,759)</u>	<u>(223,350)</u>	<u>(5,297,362)</u>	<u>58,820</u>
<u>(8,531,600)</u>	<u>1,616,928</u>	<u>(8,448,719)</u>	<u>(604,333)</u>
-	-	1,472,398	-
<u>6,300,780</u>	<u>(55,000)</u>	<u>8,466,781</u>	<u>-</u>
<u>(2,230,820)</u>	<u>1,561,928</u>	<u>1,490,460</u>	<u>(604,333)</u>
<u>9,331,581</u>	<u>25,058,910</u>	<u>92,170,471</u>	<u>34,322,018</u>
<u>\$ 7,100,761</u>	<u>\$ 26,620,838</u>	<u>\$ 93,660,931</u>	<u>\$ 33,717,685</u>

\$ 1,490,460  
1,030,470  
\$ 2,520,930

The accompanying notes are an integral part of the financial statements.

**CITY OF HAMPTON, VIRGINIA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2010**

	Business-Type Activities- Enterprise Funds					Governmental	
	Wastewater Management	The Hamptons	Museum	Convention Center	Non-major Enterprise	Totals	Internal Service Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>							
Cash received from customers	\$ 8,330,333	\$ 794,369	\$ 5,549,640	\$ 1,712,856	\$ 27,528,878	\$ 43,916,076	\$ 15,976,855
Cash payments to suppliers for goods and services	(3,965,398)	(662,885)	(3,424,801)	(2,202,446)	(18,755,660)	(29,011,190)	(10,926,452)
Cash payments to employees for services	(1,979,572)	(314,684)	(1,847,674)	(805,064)	(5,409,155)	(10,356,149)	(1,794,058)
Net cash provided by (used in) operating activities	<u>2,385,363</u>	<u>(183,200)</u>	<u>277,165</u>	<u>(1,294,654)</u>	<u>3,364,063</u>	<u>4,548,737</u>	<u>3,256,345</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>							
Transfers in from other funds	-	630,000	1,871,628	6,946,221	(55,000)	9,392,849	(111,386)
Net cash provided by (used in) noncapital financing activities	<u>-</u>	<u>630,000</u>	<u>1,871,628</u>	<u>6,946,221</u>	<u>(55,000)</u>	<u>9,392,849</u>	<u>(111,386)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>							
Acquisition and construction of capital assets	(1,119,169)	(3,327)	(175,966)	(7,003)	(3,608,384)	(4,913,849)	(1,751,199)
Proceeds from issuance on long-term debt							541,421
Principal paid on revenue bond maturities and long-term debt		(383,590)	(1,290,000)		(292,467)	(1,966,057)	(345,109)
Interest paid on revenue bonds and long-term debt		(162,150)	(301,400)	(5,363,125)	(264,220)	(6,090,895)	(56,757)
Proceeds from sale of capital assets	-	-	-	-	-	-	<u>27,020</u>
Net cash provided by (used in) capital and related financing activities	<u>(1,119,169)</u>	<u>(549,067)</u>	<u>(1,767,366)</u>	<u>(5,370,128)</u>	<u>(4,165,071)</u>	<u>(12,970,801)</u>	<u>(1,584,624)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>							
Purchase of investment securities				(10,062,481)		(10,062,481)	
Sale of investment securities		-		18,240		18,240	
Interest and dividends on investments	-	36	1,520	655,366	2,890	659,812	88,131
Net cash provided by (used in) investing activities	<u>-</u>	<u>36</u>	<u>1,520</u>	<u>(9,388,875)</u>	<u>2,890</u>	<u>(9,384,429)</u>	<u>88,131</u>
Net increase (decrease) in cash and cash equivalents (including restricted amounts)	1,266,194	(102,231)	382,947	(9,107,436)	(853,118)	(8,413,644)	1,648,466
Cash and cash equivalents (including restricted), July 1	<u>2,363,622</u>	<u>391,770</u>	<u>2,458,353</u>	<u>12,081,149</u>	<u>11,057,443</u>	<u>28,352,337</u>	<u>28,052,240</u>
Cash and cash equivalents (including restricted), June 30	<u>\$ 3,629,816</u>	<u>\$ 289,539</u>	<u>\$ 2,841,300</u>	<u>\$ 2,973,713</u>	<u>\$ 10,204,325</u>	<u>\$ 19,938,693</u>	<u>\$ 29,700,706</u>

	Business-Type Activities- Enterprise Funds						Governmental
	Wastewater Management	The Hamptons	Museum	Convention Center	Non-major Enterprise	Totals	Internal Service Funds
Operating income (loss)	\$ 1,764,246	\$ (514,804)	\$ (2,417,236)	\$ (3,823,841)	\$ 1,840,278	\$ (3,151,357)	\$ (663,153)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:							
Depreciation and amortization expense	1,271,186	273,915	2,499,273	2,639,349	1,862,647	8,546,370	2,334,603
Decrease (increase) in:							
Accounts receivable	(547,668)		13,081	36,911	(305,088)	(802,764)	(545,840)
Due from other funds	(36,157)	(829)	397,423		153,705	514,142	880,945
Due from component units					-	-	(120,236)
Due to other governments					-	-	
Inventories	(17,372)	325	(17,063)		(3,188)	(37,298)	127,044
Prepaid expenses		-	(79,835)	5,622	-	(74,213)	(266,611)
Notes and mortgage receivable	799					799	
Deferred charges		3,786				3,786	
Increase (decrease) in:							
Accounts payable	(4,592)	15,816	(100)	-	(360,469)	(349,345)	(447,057)
Accrued leave	(15,446)	(2,531)	3,273		(34,972)	(49,676)	4,027
Due to other funds	(51,329)	40,790	(91,796)	800	(322,342)	(423,877)	(218,842)
Other liabilities	7,011	(2,714)		37,246	103,473	145,016	14,508
Deferred revenue		(1,300)	326,216		404,967	729,883	(8,585)
Accrued liabilities				784		784	
Current liabilities payable from restricted assets			(50,444)	(46,674)		(97,118)	
Current portion of long-term accrued claims reported as operating activity						-	1,432,764
Due to other funds reported as nonoperating activities			91,796			91,796	111,386
Accounts receivable reported as nonoperating activities					(365)	(365)	(2,916)
Accounts payable reported as nonoperating activities						-	442,110
Long-term accrued leave reported as operating activity	14,685	4,346			23,967	42,998	26,465
Long-term accrued insurance claims reported as operating activity				(144,851)		(144,851)	155,733
Nonoperating revenues reported as operating revenues	-	-	-	-	1,450	1,450	-
Total adjustments	621,117	331,604	3,091,824	2,529,187	1,523,785	8,097,517	3,919,498
Net cash provided by (used in) operating activities	\$ 2,385,363	\$ (183,200)	\$ 674,588	\$ (1,294,654)	\$ 3,364,063	\$ 4,946,160	\$ 3,256,345
Non-cash transactions affecting investing capital and related financing activities:							
Acquisition of capital assets through outside capital contribution	\$ -	\$ 57,100	\$ 1,415,298	\$ -	\$ -	\$ 1,472,398	\$ -
Net increase (decrease) in fair value of investments	-	11	-	5,676	-	5,687	-
Total non-cash transactions	\$ -	\$ 57,111	\$ 1,415,298	\$ 5,676	\$ -	\$ 1,478,085	\$ -

The notes to the financial statements are an integral part of this statement.

**CITY OF HAMPTON, VIRGINIA**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**June 30, 2010**

	<u>Pension Trust Hampton Employees' Retirement System</u>	<u>Agency Funds</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 131,204	\$ 1,139,680
Investments:		
Bond mutual funds	45,619,911	
Stock mutual funds	72,284,920	
Receivables:		
Accounts	15,568	273
Property, Plant, and Equipment		
Office and operating equipment	6,693	
Less accumulated depreciation	(5,761)	-
Total assets	<u>\$ 118,052,535</u>	<u>\$ 1,139,953</u>
<b>LIABILITIES</b>		
Deposits	\$ -	\$ 1,101,497
Accounts payable	<u>124,322</u>	<u>38,456</u>
Total liabilities	<u>124,322</u>	<u>\$ 1,139,953</u>
<b>NET ASSETS</b>		
Held in trust for pension benefits and other purposes	<u>\$ 117,928,213</u>	

The accompanying notes are an integral part of the financial statements.

**CITY OF HAMPTON, VIRGINIA**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**For the Year Ended June 30, 2010**

	Hampton Employees' Retirement System
<b>ADDITIONS</b>	
Investment income:	
Net appreciation (depreciation) in fair value of investments	\$ 11,047,317
Interest	93
Dividends	3,339,089
Other	905
Total investment earnings (losses)	14,387,404
Less investment expenses	(33,995)
Net investment earnings (losses)	14,353,409
Employer contributions	2,258,645
Total additions (losses)	16,612,054
<b>DEDUCTIONS</b>	
Benefits	15,819,895
Administrative expenses	197,101
Total deductions	16,016,996
<b>Change in net assets</b>	595,058
<b>Net assets, July 1</b>	117,333,155
<b>Net assets, June 30</b>	\$ 117,928,213

The accompanying notes are an integral part of the financial statements.

**CITY OF HAMPTON, VIRGINIA**  
**COMBINING STATEMENT OF NET ASSETS**  
**DISCRETELY PRESENTED COMPONENT UNITS**  
**June 30, 2010**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	
	School Board	Industrial Development Authority	Coliseum Central Business Improvement District, Inc.
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,963,903	\$ 996,474	\$ 543,409
Cash with fiscal agent	4,645,932	2,537,571	
Investments	9,403	390	
Accounts receivable	119,821	-	310,833
Lease receivable		10,913,610	
Due from primary government	55,862	209,351	
Due from other governments	16,662,770		
Inventories	151,127		
Prepaid items			4,907
Temporarily restricted assets:			
Cash and cash equivalents		1,358,994	
Notes receivable		1,122,543	
Land held for sale		8,188,784	
Capital assets not being depreciated	5,111,045	15,802,769	
Capital assets, net of accumulated depreciation	14,988,522	1,858,746	97,810
Total assets	<u>\$ 44,708,385</u>	<u>\$ 42,989,232</u>	<u>\$ 956,959</u>
<b>LIABILITIES</b>			
Accounts payable and other liabilities	\$ 11,025,825	\$ 556,240	\$ 54,228
Due to other governments			
Due to primary government	1,265,240	4,825	
Unearned revenue	52,225	3,658,371	
Notes and other long-term payables:			
Due within one year	3,359,729		
Due in more than one year	7,610,411		
Bonds payable:			
Due within one year		504,663	
Due in more than one year	-	7,380,841	-
Total liabilities	<u>23,313,430</u>	<u>12,104,940</u>	<u>54,228</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	19,799,208	17,661,515	97,810
Restricted for:			
Other purposes		1,358,994	
Unrestricted	1,595,747	11,863,783	804,921
Total net assets	<u>21,394,955</u>	<u>30,884,292</u>	<u>902,731</u>
Total liabilities and net assets	<u>\$ 44,708,385</u>	<u>\$ 42,989,232</u>	<u>\$ 956,959</u>

The accompanying notes are an integral part of the financial statements.

<b>Business-Type Activities</b>			
Downtown Hampton Development Partnership, Inc.	Healthy Families Partnership, Inc.	Foundation of the Virginia Air and Space Center	Total
\$ 329,367	\$ 165,003	\$ 52,717	\$ 5,050,873
			7,183,503
		270,849	280,642
2,166	42,249	174,331	649,400
			10,913,610
			265,213
			16,662,770
			151,127
2,296			7,203
			1,358,994
			1,122,543
			8,188,784
			20,913,814
356,933	-	-	17,302,011
<u>\$ 690,762</u>	<u>\$ 207,252</u>	<u>\$ 497,897</u>	<u>\$ 90,050,487</u>
\$ 12,362	\$ 620		11,649,275
			-
			1,270,065
	-		3,710,596
		2,100,000	5,459,729
			7,610,411
			504,663
-	-	-	7,380,841
<u>12,362</u>	<u>620</u>	<u>2,100,000</u>	<u>37,585,580</u>
356,933			37,915,466
<u>321,467</u>	<u>206,632</u>	<u>(1,602,103)</u>	<u>1,358,994</u>
<u>678,400</u>	<u>206,632</u>	<u>(1,602,103)</u>	<u>13,190,447</u>
			<u>52,464,907</u>
<u>\$ 690,762</u>	<u>\$ 207,252</u>	<u>\$ 497,897</u>	<u>\$ 90,050,487</u>

**CITY OF HAMPTON, VIRGINIA**  
**COMBINING STATEMENT OF ACTIVITIES**  
**DISCRETELY PRESENTED COMPONENT UNITS**  
**For the Year Ended June 30, 2010**

Functions/Programs	Program Revenues				Net (Expenses) Revenues and Changes in Net Assets						Total
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	School Board	Industrial Development Authority	Coliseum Central Business Improvement District, Inc.	Downtown Hampton Development Partnership, Inc.	Healthy Families Partnership, Inc.	Foundation of the Virginia Air and Space Center	
Governmental type activities											
Public school system	\$ 232,461,496	\$ 5,228,327	\$ 162,072,791	\$ -	\$(65,160,378)	\$ -	\$ -	\$ -	\$ -	\$ -	\$(65,160,378)
Business type activities											
Industrial development	5,136,977	132,294				(5,004,683)					(5,004,683)
Business improvement	1,162,580	567,446					(595,134)				(595,134)
Downtown development	582,108	266,711	131,926					(183,471)			(183,471)
Healthy families	189,182	18,327	139,938						(30,917)		(30,917)
Museum support	<u>361,814</u>	<u>-</u>	<u>16,372</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(345,442)</u>	<u>(345,442)</u>
Total component units	<u>\$ 239,894,157</u>	<u>\$ 6,213,105</u>	<u>\$ 162,361,027</u>	<u>\$ -</u>	<u>\$(65,160,378)</u>	<u>\$ (5,004,683)</u>	<u>\$ (595,134)</u>	<u>\$ (183,471)</u>	<u>\$ (30,917)</u>	<u>\$ (345,442)</u>	<u>\$(71,320,025)</u>
Payments from (to) City of Hampton					68,051,707	4,286,463	587,579	199,685			73,125,434
Investment earnings					812	647,001	7,523		285	8,513	664,134
Miscellaneous					<u>-</u>	<u>-</u>	<u>1,500</u>	<u>5,451</u>	<u>30,961</u>	<u>-</u>	<u>37,912</u>
Total general revenues, special items and transfers					<u>68,052,519</u>	<u>4,933,464</u>	<u>596,602</u>	<u>205,136</u>	<u>31,246</u>	<u>8,513</u>	<u>73,827,480</u>
<b>Change in net assets</b>					2,892,141	(71,219)	1,468	21,665	329	(336,929)	2,507,455
<b>Net assets, beginning, as restated</b>					<u>18,502,814</u>	<u>30,955,511</u>	<u>901,263</u>	<u>656,735</u>	<u>206,303</u>	<u>(1,265,174)</u>	<u>49,957,452</u>
<b>Net assets, ending</b>					<u>\$ 21,394,955</u>	<u>\$ 30,884,292</u>	<u>\$ 902,731</u>	<u>\$ 678,400</u>	<u>\$ 206,632</u>	<u>\$ (1,602,103)</u>	<u>\$ 52,464,907</u>

The accompanying notes are an integral part of the financial statements.

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

In 1610, the construction of Fort Henry and Fort Charles at the mouth of Hampton Creek marked the beginnings of Hampton. In 1619, the settlers chose an English name for the community, Elizabeth City. The settlement was known as Hampton as early as 1680, and in 1705 Hampton was recognized as a town. The City of Hampton (the City) was first incorporated in 1849 and classified as a city of the second class in 1908. In 1952 Hampton, the independent town of Phoebus and Elizabeth City County, encompassing Buckroe and Foxhill, were consolidated under one municipal government and classified as a city of the first class.

The following is a summary of the significant accounting policies.

Reporting Entity

The accompanying financial statements present the City and its component units. These statements conform to Generally Accepted Accounting Principles (GAAP) applicable to government units promulgated by the Governmental Accounting Standards Board (GASB).

The City follows GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments* (GASB No. 34). As a result of adopting GASB No. 34, the Comprehensive Annual Financial Report includes Management’s Discussion and Analysis, Government-wide (Statement of Net Assets and Statement of Net Activities) Financial Statements and Budgetary Comparison Schedules.

Component Unit Disclosures

The component units discussed in the following section are included in the City's reporting entity because of the significance of their operational and financial relationship with the City, as defined in GASB No. 14, *The Reporting Entity*, and GASB No. 39, *Determining Whether Certain Organizations are Component Units*.

Discretely Presented Component Units

Discretely presented component units are entities that are legally separate from the City, but for which the City is financially accountable, and whose relationship with the City is such that exclusion would cause the City’s financial statements to be misleading or incomplete. The discretely presented component units are: Hampton City School Board, Hampton Industrial Development Authority, Healthy Families Partnership, Inc., Coliseum Central Business Improvement District, Inc., Downtown Hampton Development Partnership, Inc., and Foundation of the Virginia Air and Space Center. They are reported as a separate column in Exhibits A-1 and A-2 and are also presented in detail in Exhibits A-11 and A-12.

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2010**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued:**

Hampton City School Board

The Hampton City School Board (School Board) oversees the operations of and establishes educational policies for the City's public school system. Seven School Board members are elected by the voters of the City of Hampton. The School Board has no power to levy taxes or issue bonds. Its budget is subject to approval by the City Council; however, Council only approves, rejects, or modifies the single amount requested by the School Board. City Council does not have the authority to modify individual line items of the School Board's budget. The School Board has complete discretionary authority to expend the amount appropriated by the City. Combining statements for the School Board are presented in Exhibits G-1 through G-3. The School Board does not issue separate financial statements.

Hampton Industrial Development Authority

The Hampton Industrial Development Authority (IDA) is a public corporation established under the Industrial Development and Revenue Bond Act of the Commonwealth of Virginia, together along with ordinances adopted by the City Council. The IDA was established to promote and develop trade within the City by inducing manufacturing, industrial and commercial enterprises to locate or remain in the City. The IDA is included in the City's reporting entity because the City is able to impose its will on the IDA by appointment of the governing body. In addition, the City Council funds IDA's operating budget and receives all revenues derived from IDA land sales. Therefore, the IDA is financially dependent on the City. The IDA does not issue separate financial statements.

Healthy Families Partnership, Inc.

The Healthy Families Partnership, Inc. (HFP) is a non-stock corporation that provides programs and services that benefit families and children of the City. Programs offered by the HFP support goals which include promoting optimal child development and preventive care during early childhood; enhancing parenting skills; improving family support systems; and reducing undesirable health outcomes such as poor immunization rates, child abuse and neglect and repeat teenage pregnancies. The HFP derives financial support from the City in the form of in-kind services. HFP is included in the City's reporting entity because the resources of HFP are for the direct benefit of the City's constituents and the City can impose its will in the ability to appoint, hire, reassign, or dismiss those persons responsible for the day-to-day operations of the organization. A copy of the separately issued financial statements for HFP may be obtained by writing to HFP, 100 Old Hampton Lane, Hampton, Virginia 23669 or by calling (757) 727-1300.

Coliseum Central Business Improvement District, Inc.

The Coliseum Central Business Improvement District, Inc. (Coliseum BID) was incorporated on January 22, 1996, to promote, develop and market the Coliseum Central Business District in the City. Coliseum BID was created by action of the City Council under provisions of the *Code of Virginia*. An additional tax is assessed on commercial real estate located in the District to provide funds for the economic development of the District. The City Council approved the renewal of the Coliseum BID through June 2011. Coliseum BID is included in the City's

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2010**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued:**

reporting entity because the resources of Coliseum BID are for the direct benefit of the City's constituents. A copy of the separately issued financial statements for Coliseum BID may be obtained by writing to Coliseum BID, 2021 Cunningham Drive, Suite 101, Hampton, Virginia 23666 or by calling (757) 826-6351.

Downtown Hampton Development Partnership, Inc.

The Downtown Hampton Development Partnership, Inc. (Downtown Hampton) was incorporated on August 15, 1995, to promote, develop, and market the Downtown Hampton Business Improvement District. Downtown Hampton was created by action of the City Council under provisions of the *Code of Virginia*. The City assesses an additional tax on the value of the commercial real estate located in the District to provide funds for the economic development of the District. The City Council approved the renewal of Downtown Hampton through June 2011. Downtown Hampton is included in the City's reporting entity because the resources of Downtown Hampton are for the direct benefit of the City's constituents. A copy of the separately issued financial statements for Downtown Hampton may be obtained by writing to Downtown Hampton Development Partnership, 756 Settlers Landing Road, Hampton, Virginia 23669 or by calling (757) 727-1271.

Foundation of the Virginia Air and Space Center

The Foundation of the Virginia Air and Space Center (Foundation) was formed in 1992 after construction of the Virginia Air and Space Center. The Foundation exists to carry out the charitable, educational, literary and scientific purposes of the Center. The Foundation is included in the City's reporting entity because the resources of the Foundation are significant to the City. A copy of the separately issued financial statements for the Foundation may be obtained by writing to the Foundation of the Virginia Air and Space Center, 600 Settlers Landing Road, Hampton, Virginia 23669 or by calling (757) 727-0900.

Other Related Organizations

The financial statements of the following public organizations, commissions, authorities and boards are not included in the reporting entity. These organizations are political subdivisions created under the laws of the Commonwealth of Virginia. Their governing boards are appointed, at least in part, by the City. The City's responsibility in most instances is limited to pro rata representation through appointments to the governing boards. The individual governing boards of the organizations appoint management, establish budgetary control and are accountable for their own fiscal affairs including deficits, debt service, operating costs, etc. The City is not able to impose its will on these organizations and the organizations neither provide a financial benefit nor pose a financial burden on the City.

Peninsula Airport Commission

The Peninsula Airport Commission (PAC) operates the Newport News/Williamsburg International Airport. Board membership is allocated among and appointed by the various

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2010**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued:**

localities. The PAC's operating and capital expenditures, including debt service, are financed by its operations and contributions from the participating localities. The City has no budgetary authority, is not responsible for deficits or debt service and cannot set rates for services or uses of the airport facilities.

Other

There are certain other agencies and commissions that service the City of Hampton and surrounding localities whose board membership is allocated among and appointed by the various localities. These agencies include: Hampton Roads Transit (HRT), Hampton Roads Planning District Commission (HRPDC), Virginia Peninsula Public Service Authority (VPPSA), Hampton Roads Economic Development Alliance (HREDA) and the Peninsula Council for Workforce Development (PCFWD). Expenditures of these agencies are financed by federal and state grants, fees, and contributions. During the year ended June 30, 2010, the City provided operating and capital support of \$3,423,970 to HRT, \$160,966 to HRPDC, \$9,750 to VPPSA, \$146,439 to HREDA and \$74,435 to PCFWD.

Jointly Governed Organizations

Hampton-Newport News Community Services Board

The City of Hampton has one jointly governed organization, the Hampton-Newport News Community Services Board (CSB). The CSB operates as an agent for the Cities of Hampton and Newport News in the establishment and operation of community mental health, mental retardation and substance abuse programs as provided for in Chapter 10 of Title 37.1 of the Code of Virginia, relating to the Virginia Department of Mental Health and Mental Retardation. The CSB designates its own management and adopts its own budget. The operations are financed principally by state and federal funds. The City provided operating support of \$1,488,162 to the CSB during fiscal year 2010.

Government-wide and Fund Financial Statements

The government-wide reporting model (Exhibits A-1 and A-2) includes financial statements prepared using full accrual accounting for all government activities. The government-wide financial statements, the Statement of Net Assets and the Statement of Activities, report information on all of the nonfiduciary activities of the City and its component units. As a general rule, the effect of interfund activity has been removed from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely primarily on fees and charges for services. The primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2010**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued:**

Statement of Net Assets

The Statement of Net Assets (Exhibit A-1) is designed to display the financial position of the primary government (governmental and business-type activities) and its discretely presented component units. Governments report all capital assets, including infrastructure, in the government-wide Statement of Net Assets and report depreciation expense in the Statement of Activities. The net assets of a government are displayed in three categories – invested in capital assets net of related debt, restricted and unrestricted. Also included in the Statement of Net Assets is long term debt and obligations.

Statement of Activities

The government-wide Statement of Activities (Exhibit A-2) reports expenses and revenues in a format that focuses on the cost of each of the government's functions. The expenses of the individual functions are compared to the revenues directly generated by the function through user fees or intergovernmental grants.

The Statement of Activities demonstrates the degree to which direct expenses of a given function or segment is offset by program revenues. Program revenues include charges to customers who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and grants and contributions that are restricted to meet the operational and/or capital requirements of a particular function or segment. Taxes and other items that are not included in program revenues are classified as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The City reports the following major governmental funds: the General, Economic Development Special Revenue, Debt Service and Capital Project funds. The major enterprise funds are: Convention Center, The Hamptons, Virginia Air and Space Center Museum, and Wastewater Management funds.

Basis of Accounting

The basis of accounting applied to a fund and the discretely presented component units is determined by the measurement focus. Basis of accounting refers to when revenues, expenditures (governmental) or expenses (proprietary), transfers and the related assets and liabilities are recognized in the accounts and reported in the financial statements.

The government-wide financial statements, all Proprietary Funds, the Pension Trust Fund, and Discretely Presented Component Units are accounted for using the economic resources measurement focus. This measurement focus is the same as that used by commercial enterprises. This approach includes not just current assets and liabilities (such as cash and accounts payable) but also capital assets and long-term liabilities (such as buildings and infrastructures, including bridges and roads, and general obligation debt). The accrual basis of accounting also reports all

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2010**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued:**

of the revenues and cost of providing services each year, not just those received or paid in the current year or soon thereafter.

The accrual basis of accounting is followed in the government-wide financial statements, the Internal Service, Enterprise, Fiduciary Funds and the Discretely Presented Component Units. Under this method of accounting, revenues are recognized when earned and expenses are recognized when the related liability is incurred. Proprietary funds distinguish operating revenues and expenses from non-operating items. Generally, operating revenues and expenses result from services provided by or producing and delivering goods in connection with the proprietary fund's principal operations.

All Governmental Funds and the Permanent Fund are accounted for using the current financial resources measurement focus and modified accrual basis of accounting. This means that generally only current assets and current liabilities are reflected on their balance sheets. Their operating statements present increases (revenues and other financing resources) and decreases (expenditures and other financing uses) in net current assets.

Under the modified accrual basis of accounting, followed by the General, Special Revenue, Debt Service, Capital Projects, and Permanent Funds, revenues are recognized when they become both measurable and available to finance operations of the current year. Revenues considered susceptible to accrual consist primarily of property taxes, certain grants and sales and utility taxes. Accordingly, real and personal property taxes are recorded as revenue when levied and billed, net of allowances for uncollectible amounts. Property taxes not collected within 45 days after year-end are reflected as deferred revenue. Revenues from federal, state, and other grants, used to fund specific City expenditures, are recorded at the time of receipt of notification of the grant. Revenues from general purpose grants are recognized in the period to which the grant applies. Sales and utility taxes collected by the State or utility companies and subsequently remitted to the City are recognized as revenue upon collection by the State or utility company, which is generally in the month preceding receipt by the City. Licenses, permits, fines and rents are recorded as revenue when received. Expenditures, other than interest and principal on long-term debt, are recorded as the related liabilities are incurred, if measurable. Interest and principal on long-term debt are recognized when due.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

**Budgets and Budgetary Accounting**

The City's procedures for establishing the budgetary data reflected in the financial statements for the General Fund and School Operating Fund are as follows:

1. The City Manager submits to the City Council a recommended budget no later than April 15th, for the fiscal year commencing the following July 1. The operating budget

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2010**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued:**

- includes proposed expenditures and the means of financing them.
2. Public hearings are conducted by City Council to obtain taxpayer comments.
  3. The budget is legally enacted through the passage of an ordinance by City Council no later than May 15<sup>th</sup>.
  4. The City Manager or his designee is authorized to transfer budgeted amounts within departments within the General Fund. Revisions that alter the total appropriations for a department must be approved by City Council. Therefore, the level of control at which expenditures may not exceed appropriations is the total expenditure level of each department. Transfers within the School Operating Fund are under the control of the School Board.
  5. Formal budgetary integration is employed as a management control device during the year for the General Fund and School Board Component Unit Operating Fund.
  6. Budgets for the General and School Board Component Unit Operating Fund are legally adopted on a basis consistent with Generally Accepted Accounting Principles.

Budgeted amounts are as originally adopted or as amended by City Council and the School Board during fiscal year 2010. Unencumbered appropriations lapse at year-end in the General and School Operating Funds. Appropriations which are encumbered at year-end are carried forward into the following year's appropriation to allow liquidation of the encumbrances.

An annual budget is not adopted for the Debt Service Fund because effective control is alternatively achieved through general obligation bond indenture provisions. Annual budgets are not employed for Special Revenue Funds and the Capital Projects Fund because each program grant or capital project is approved separately.

General Property Tax Calendar

Real property is assessed at fair market value as of July 1 of each year; personal property and public service corporation properties (real and personal) are assessed as of January 1 of each year. Taxes are levied on a fiscal-year basis for real property and a calendar year basis for personal property. Taxes are due and payable in two equal installments on June 5th and December 5th.

Penalties are assessed at 10% of the tax due for real estate and personal property which are not paid by the due date. Interest at 10% per year for real and personal property is charged on unpaid tax installments. A lien is recorded on all real property with delinquent real estate taxes not paid within three years.

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2010**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued:**

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund and School Operating Fund. Encumbrances outstanding at year-end are reported as reservations of fund balances since they do not constitute expenditures or liabilities.

Investments

Investments of the Hampton Employees' Retirement System are stated at fair value, except for short-term investments which are stated at cost. All other investments are generally stated at fair value, except for short-term cash equivalents, which are stated at cost.

Receivables

Receivables of the General Fund are stated net of an allowance for uncollectible taxes of \$1,154,983. Management has determined that the allowance is sufficient to provide for any losses that may be sustained on realization of the accounts receivable.

Inventories

The inventories reflected in the Enterprise Funds and School Funds consist principally of food items and items held for resale and are valued at cost (first-in, first-out). The General Fund's inventory consists of consumable supplies valued at cost (first-in, first-out). The Internal Service Funds' inventories consist principally of expendable items held for consumption and are valued by the average-cost method. Inventories are recognized as expenditures when consumed or sold.

Prepays

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Land Held for Resale

Land held for resale by the Industrial Development Authority is stated at cost or, if donated, at fair market value as of the date received. Development costs of the IDA are added to the cost of the land when incurred. Total land and development costs are allocated to total saleable acreage under development and are charged to expenses on a prorated basis when the land is sold.

Interfund Activity

Activity between funds that represents lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds" (current portion) or "advances to/from other funds" (non-current portion of interfund loans). Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as internal balances (see note 3).

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2010**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued:**

Restricted Assets

Restricted assets represent the following invested assets set aside in The Hamptons (Golf Course), Virginia Air and Space Center (Museum), Convention Center, and discretely presented component unit – IDA:

	<u>The Hamptons</u>	<u>Museum</u>	<u>Convention Center</u>	<u>Component Unit - IDA</u>
Restricted Assets				
Cash:				
Operating and Maintenance Account	\$ 18,265	\$ 204,862	\$	\$
Operating Reserve Fund			2,797,433	
Bond Fund	270,100	1,038,834		
Debt Service Reserve Fund		1,287,612	176,280	1,358,994
Investments:				
Operating Reserve Fund			15,194,578	
Bond Fund			3,500,003	
Debt Service Reserve Fund	362,283		7,968,104	
	<u>\$ 650,648</u>	<u>\$2,531,308</u>	<u>\$29,636,398</u>	<u>\$ 1,358,994</u>

The assets for The Hamptons, Museum, Convention Center, and IDA are classified as restricted since their use is limited by the Bond Trust Indenture.

Capital Assets

Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), and intangible assets (e.g., easements and computer software), are reported at historical cost, or estimated historical cost if actual cost is not available, less accumulated depreciation for the primary government in the applicable governmental or business-type activities columns in the government-wide financial statements and in the proprietary fund financial statements. Capital assets, other than computer equipment, computer software, and infrastructure assets, are defined by the City as assets with an initial, individual cost of more than \$2,500 and an estimated useful life greater than one year. Computer equipment and computer software are capitalized when the initial, individual cost exceeds \$1,000 and \$5,000, respectively. Infrastructure assets that meet the capitalization threshold, generally \$10,000, are capitalized and reported in the government-wide financial statements. Major outlays for capital assets and improvements are capitalized as projects are constructed. Historical cost of self-constructed infrastructure includes direct labor, direct materials and overhead costs allocated based on direct labor hours charged to the project. Capital assets

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2010**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued:**

capitalized at a lower threshold continue to be reported on the basis of past practice. The cost of normal maintenance and repairs that do not add to the value or materially extend asset lives are not capitalized. Donated capital assets are recorded at estimated fair market value at the date of donation. When assets are retired or otherwise disposed of, the related cost and accumulated depreciation are eliminated and any resulting gain or loss is reflected as non-operating revenue or expense.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset</u>	<u>Years</u>
Buildings and improvements	10 - 40
Improvements other than buildings	10 - 50
Equipment and computer software	3 - 20
Exhibits	7 - 10
Infrastructure	5 - 75
Landfill	Percentage of completion

The City capitalizes interest costs on funds borrowed to finance the construction of capital assets in the proprietary funds. During fiscal year ended June 30, 2010, \$77,732 of net interest costs were capitalized in the Virginia Air and Space Museum Fund.

The Landfill in the Solid Waste fund is recorded at cost and amortized using the straight-line method based on tonnage received in relation to total expected capacity.

The Hampton Employees' Retirement System capitalizes equipment, other than computer equipment, over \$2,500. Computer equipment having a cost of \$1,000 or more is capitalized. Capital assets are recorded at cost and depreciation is recorded using the straight-line method over the estimated useful lives of the assets. The estimated useful life of equipment is 3 – 20 years.

The capital assets of the discretely presented component units – Coliseum Central Business Improvement District, Inc., Downtown Hampton Development Partnership, Inc., Healthy Families Partnership, Inc., Industrial Development Authority, and the School Board are stated at cost. Depreciation has been provided using the straight-line method over the estimated useful lives of the assets.

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2010**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued:**

Deferred Revenue

Deferred revenue consists of the following:

Primary Government:

	<b>General Fund</b>	<b>Special Revenue Funds</b>	<b>Enterprise Funds</b>	<b>Internal Service Funds</b>
Property taxes accrued but not collected within 45 days	\$ 5,076,307	\$	\$	\$
Advance property tax collections	777,131			
Accounts receivable		263,809		
Advance ticket sales			419,651	
Unearned grant funds		870,924	230,000	
Unearned rental income		3,895		
Unearned miscellaneous income	39,874		231,148	37,303
<b>Total Primary Government</b>	<b>\$ 5,893,312</b>	<b>\$ 1,138,628</b>	<b>\$ 880,799</b>	<b>\$ 37,303</b>

Discretely Presented Component Units:

	<b>School Board</b>	<b>Industrial Development Authority</b>
Unearned grant funds	\$ 52,225	\$
Other	-	3,658,371
<b>Total Discretely Presented Component Unit</b>	<b>\$ 52,225</b>	<b>\$ 3,658,371</b>

Fund Equity

Reserves - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. The most significant of these are reserves for encumbrances. Reserves for encumbrances represent amounts which have been contractually committed for future years.

The reserve for courthouse maintenance represents amounts legally imposed and assessed as part of the costs incidental to criminal and traffic cases which can only be used for the construction, renovation or maintenance of the courthouse or jail. The reserve for hazmat represents amounts recovered by the City pursuant to the Code of Virginia as reimbursement for costs expended by the City for certain hazardous materials and emergency clean-up activities. All funds collected shall be used for hazardous materials emergencies and to recoup costs associated with a response to a hazardous materials emergency. The reserve for advances to other funds represents amounts advanced from the Debt Service Fund to the Steam Plant Fund. The reserve for grant

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2010**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued:**

compliance represents resources which must be expended for specific grants. The reserve for capital projects represents resources which must be expended for capital projects.

Designated Fund Balances - Fund balance designations are established to indicate tentative plans for future utilization of current financial resources. Designation of fund balance under the General Fund represents amounts appropriated by City Council for the succeeding fiscal year. Designations in the Special Revenue Funds, Debt Service Fund, Capital Projects Fund and Component Unit - School Board represent unexpended appropriations at June 30, 2010 authorized to be expended in fiscal year 2011 or when the applicable projects are completed.

Net Assets - Enterprise Funds and Internal Service Funds

The net assets at June 30, 2010 in the Enterprise Funds are as follows:

	<b>Primary Government</b>	<b>Discretely Presented Component Units</b>
Wastewater Management	\$ 48,746,003	
The Hamptons Golf Course	(2,993,162)	
Virginia Air & Space Museum	14,186,491	
Hampton Roads Convention Center	7,100,761	
Non-Major Enterprise:		
Hampton Coliseum	10,213,696	
The Woodlands Golf Course	1,364,126	
Solid Waste	10,442,651	
Refuse-Steam Plant	4,600,365	
Component Units:		
Industrial Development Authority		30,884,292
Coliseum Central Business Improvement District, Inc.		902,731
Downtown Hampton Development Partnership, Inc.		678,400
Healthy Families Partnership, Inc.		206,632
Foundation of the Virginia Air & Space Center		(1,602,103)

The deficit in The Hamptons Golf Course Fund is primarily attributed to accumulated depreciation charges on capital assets and current year net operating losses. Net operating losses before depreciation are usually funded in the succeeding year by operating transfers from the General Fund. The deficit in the Foundation of the Virginia Air & Space Center is due to unanticipated federal funding shortfalls.

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2010**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued:**

The net assets in the Internal Service Funds are as follows:

Internal Service:

Equipment Replacement	\$	19,252,048
Fleet Management		1,130,741
Risk Management		12,063,241
Information Technology		1,271,655

Pension Expense

The City has pension plans covering substantially all City and School employees. Pension costs are accrued using actuarially determined rates, which include current costs plus amortization of prior service costs. The City's policy is to fund pension costs accrued for all plans.

Compensated Absences

It is the City's policy to permit employees to accumulate a limited amount of earned but unused annual and sick leave benefits, which will be utilized in future periods or will be paid to employees upon separation from City service. In governmental fund types, the cost of annual and sick benefits is recognized when payments are made to employees. The current and long-term liability for accrued annual and sick leave benefits at June 30, 2010 has been reported in the government-wide statements, representing the City's commitment to fund such costs from future operations. Proprietary fund types accrue annual and sick leave benefits in the period they are earned. Such benefits are included in accounts payable and other liabilities in the government-wide statements. In prior years, the General, Federal Grants, Community Development, EXCEL (Environmental Excellence for Community Enjoyment and Livability), and Stormwater Management Funds have been used to liquidate the liability for compensated absences.

Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 20 *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, proprietary fund types follow all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) pronouncements, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB's) issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements. The City has elected not to apply FASB pronouncements issued after November 30, 1989.

The accounts of the City are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts, which comprise each fund's assets, liabilities, fund balance or net assets, revenues and expenditures or expenses.

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2010**

**2. BASIS OF PRESENTATION - FUND ACCOUNTING:**

The following is a description of the funds included in the accompanying financial statements.

General Fund

The General Fund is the City's primary operating fund. The General Fund accounts for all revenues and expenditures of the City, which are not accounted for in the other funds. Revenues are primarily derived from general property taxes, other local taxes, revenues from other governmental units and recovered costs. A significant part of the General Fund's revenue is transferred to other funds, principally to fund the operations of the City of Hampton Public Schools and debt service requirements of the City. Expenditures include, among other things, those for general government, public safety, highways and streets, culture and recreation, health and human services.

Debt Service Fund

The Debt Service Fund accounts for the accumulation of resources for, and the payment of, general obligation debt of the City. Primary resources of the Debt Service Fund are derived from transfers from the General Fund and the proceeds from the issuance of refunding bonds.

Capital Projects Fund

The Capital Projects Fund accounts for all general City and School construction projects which are financed through general obligation debt and general operating funds, with the exception of projects related to Enterprise and Internal Service Funds.

Special Revenue Funds

Special Revenue Funds account for the revenues and expenditures related to the operations of the Federal Grants, Community Development, Economic Development, EXCEL, Stormwater Management, Pembroke Complex, Law Library Fund, Peninsula Town Center CDA and H2O CDA.

The Federal Grants Fund accounts for revenues and expenditures of all federal grants awarded to the City except the Community Development entitlement. Federal grants received by the Component Unit - School Board are included in the discretely presented component unit.

The Community Development Fund accounts for revenues and expenditures related to entitlements received by the City under the Community Development Act of 1974, administered by the United States Department of Housing and Urban Development, to foster the development of the Healthy Neighborhoods Initiative.

The Economic Development Fund was established to finance the costs of capital investments, improvements, expenditures and any other approved expenditure, which will assist economic development and improve the physical appearance of the City. Revenues are earned from unrestricted land sales, special assessments, projects financed by the fund and unrestricted rental

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2010**

**2. BASIS OF PRESENTATION - FUND ACCOUNTING, Continued:**

receipts.

The EXCEL Fund (Environmental Excellence for Community Enjoyment and Livability) accounts for capital investments, capital improvements, program grants and/or other City Council approved expenditures which improve social, recreational or cultural opportunities for the citizens of Hampton. The primary revenue source of the EXCEL fund is cable franchise fees. City Council makes appropriations to the Fund from the General Fund whenever the cable franchise fee revenues are not sufficient to finance approved projects and activities.

The Stormwater Management Fund accounts for revenues and expenditures related to maintaining the storm drainage system and the quality of our surface waters. Revenues are derived from a service charge levied on all developed property in the City.

The Pembroke Complex Fund accounts for the receipts and disbursements related to the operations of the Pembroke Community Service Center. The facility is owned by the Hampton Redevelopment and Housing Authority and maintained by the City from the rents charged to the various tenants of the building.

The Law Library Fund accounts for receipts and disbursements of funds specifically held for the purpose of purchasing law books.

The Peninsula Town Center Community Development Authority (PTC CDA) accounts for the revenues collected for the payment of the PTC CDA's debt.

The H2O Community Development Authority (H2O CDA) accounts for the revenue collected for payment of the H2O CDA's debt.

Permanent Fund

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that benefit the City or its citizens. The City has one permanent fund, Pearl I. Young.

The Pearl I. Young Fund, accounts for interest earned on principal funds and authorized disbursements of funds bequeathed to the City to provide benches in the City bus stop shelters.

Enterprise Funds

Enterprise Funds, (Exhibit A-6, A-7 and A-8), are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that costs of operating and providing services to the general public are completely or partially financed from user fees; or (b) where the governing body has determined that the periodic determination of net results of operations is appropriate for management control

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2010**

**2. BASIS OF PRESENTATION - FUND ACCOUNTING, Continued**

and accountability.

The City's Enterprise Funds account for the operations of the Hampton Coliseum, The Woodlands Golf Course, The Hamptons (Golf Course), Solid Waste, the Virginia Air and Space Center (Museum), Convention Center, Wastewater Management, and the Refuse-Steam Plant. Revenues of the Hampton Coliseum, Woodlands Golf Course, The Hamptons, the Solid Waste Fund, the Refuse-Steam Plant Fund and the Wastewater Management Fund are derived primarily from user fees. The Convention Center Fund revenues are derived from user fees and meal and lodging taxes. The Museum's operating revenue is derived from donations and user fees, including \$856,000 in federal funds from the National Aeronautics and Space Administration for educational/user fee subsidy. The Museum fund accounts for all operational and Revenue Bond Trust activity.

Internal Service Funds

The Internal Service Funds account for the services provided to substantially all City departments or other governmental units on a cost-reimbursement basis. The City's internal service funds include Equipment Replacement, Fleet Management, Risk Management and Information Technology.

The Equipment Replacement Fund owns all on-road rolling stock of the City and leases the equipment to the various operating departments. Leasing income is used for replacement of the equipment. The Fleet Management Fund accounts for the operation of the City's central automotive maintenance service facility. The Risk Management Fund accounts for the costs of providing insurance coverage and certain self-insured liabilities of the City and the School Board. The Information Technology Fund accounts for the costs of providing the following services: personal computer support, printing, mailing and telecommunications services.

Fiduciary Funds

Fiduciary Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations and other governmental units. The Fiduciary Funds consist of the Hampton Employees' Retirement System (HERS), Special Welfare and Other Agency Funds.

HERS pension trust fund (Exhibit A-9 and A-10) accounts for the revenues and expenses related to the City-sponsored retirement plan, which is administered by a board of trustees appointed by City Council. The Special Welfare Fund is an agency fund that accounts for receipts and disbursements for special assistance programs and activities sponsored by the City's social services department. The Other Agency Fund accounts for amounts held in trust by the City for others such as the Peninsula Drug Task Force.

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2010**

**3. INTERFUND BALANCES:**

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” or “advances to/from other funds” in the fund statements or as “internal balances” in the Statement of Net Assets. All residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

All remaining balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur and (2) payments between the funds are made.

Interfund Receivables and Payables:

<b><u>Primary Government:</u></b>	<b><u>Due From</u></b>	<b><u>Due To</u></b>
General Fund	\$ 9,310,684	5,136,593
Special Revenue:		
Economic Development	-	73,076
Capital Projects	4,721,842	1,900,000
Non-Major Governmental Funds	155,219	2,315,312
Proprietary Funds:		
Wastewater Management	36,460	77
The Hamptons	829	2,951,463
Museum	-	749,000
Convention Center	362,789	800
Non-Major Enterprise Funds	434	1,507,540
Internal Service Funds	46,895	1,291
Total Primary Government	<u>\$ 14,635,152</u>	<u>\$ 14,635,152</u>
<b><u>Component Units:</u></b>	<b><u>Due From</u></b>	<b><u>Due To</u></b>
School Board Operating	\$ 4,833,978	\$ 47,019
Student Activities	3,746	11,479
Food Services	4,887	64,999
Reimbursable Projects	42,132	4,761,246
Total Component Units	<u>4,884,743</u>	<u>4,884,743</u>
Total Reporting Entity	<u>\$ 19,519,895</u>	<u>\$ 19,519,895</u>

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2010**

**3. INTERFUND BALANCES, Continued:**

Receivable and payable balances between the primary government and component units are as follows:

	<u>Due From Primary Government</u>	<u>Due To Component Unit</u>	<u>Due From Component Unit</u>	<u>Due To Primary Government</u>
Primary Government - General Fund	\$	\$ 62,048	\$ 1,004,825	\$
Primary Government - Economic Development		193,030		
Primary Government - Capital Projects Fund		2,635		
Primary Government - Other Governmental Funds		7,500		
Primary Government - Non-Major Enterprise Funds			24,017	
Primary Government - Internal Service Funds			241,223	
Component Unit - School Board Operating Fund	55,862			1,265,240
Component Unit - IDA	209,351			4,825
Total	<u>\$ 265,213</u>	<u>\$ 265,213</u>	<u>\$ 1,270,065</u>	<u>\$ 1,270,065</u>

Individual fund interfund transfers for the primary government were made for operating as well as capital purposes. Interfund transfers for the year ended June 30, 2010 are as follows:

<u>Primary Government:</u>	<u>Transfer From</u>	<u>Transfer To</u>
General Fund	\$	\$ 47,061,252
Special Revenue:		
Economic Development	85,240	324,692
Debt Service	27,596,983	
Capital Projects	9,711,009	
Non-Major Governmental Funds	2,500,213	974,282
Internal Service Funds		
Proprietary Funds:		
The Hamptons	630,000	
Museum	1,591,001	
Convention Center	6,300,780	
Non-Major Enterprise Funds		55,000
Total Primary Government	<u>\$ 48,415,226</u>	<u>\$ 48,415,226</u>

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2010**

**3. INTERFUND BALANCES, Continued:**

<b><u>Component Unit:</u></b>	<b><u>Transfer From</u></b>	<b><u>Transfer To</u></b>
School Board Operating	\$ 260,000	\$ 316,000
Student Activities	319,746	
Food Services		260,000
Reimbursable Projects		3,746
Total Component Unit	<u>579,746</u>	<u>579,746</u>
Total Reporting Entity	<u>\$ 48,994,972</u>	<u>\$ 48,994,972</u>

Related party transactions between the primary government and component units are as follows:

	<b><u>Payments From Primary Government</u></b>	<b><u>Payments to Component Unit</u></b>	<b><u>Payments From Component Unit</u></b>	<b><u>Payments To Primary Government</u></b>
Primary Government - General Fund	\$ -	\$ 71,064,112	\$ 2,002,753	\$ -
Primary Government - Economic Development		429,448	-	
Primary Government - Capital Projects Fund		1,631,874		
Component Unit - School Board Operating Fund	68,051,707			2,000,000
Component Unit - IDA	4,286,463			2,753
Component Unit - Coliseum BID	587,579			
Component Unit - Downtown Hampton	199,685			
Total	<u>\$73,125,434</u>	<u>\$ 73,125,434</u>	<u>\$ 2,002,753</u>	<u>\$ 2,002,753</u>

Advances from other funds in the amount of \$5,243,348 in the Refuse-Steam Plant represent an amount payable to the Debt Service Fund. The Refuse-Steam Plant was advanced \$6,062,962 from the April 2002 and April 2005 General Obligation Bond Issues to make certain required capital improvements to its facilities. The advance is to be repaid in semi-annual installments on January 15<sup>th</sup> and July 15<sup>th</sup>, which includes interest. These installments will be used to meet a pro-rata share of the annual debt service costs on the General Obligation Series 2002 and 2005 Bonds.

These advances are excluded from governmental activities' long-term liabilities since they are eliminated against the related advances to other funds in the statement of net assets for governmental activities.

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2010**

**4. DEPOSITS AND INVESTMENTS:**

For purposes of reporting cash flows, cash and cash equivalents include demand deposits, certificates of deposit, money market funds and repurchase agreements.

Deposits

On June 30, 2010, the carrying value of the City's deposits was \$34,730,201 and the bank balance was \$15,282,890. All of the bank balances are covered by Federal Depository Insurance or collateralized in accordance with the Virginia Security for Public Deposits Act. Under the Act, banks holding public deposits in excess of the amount insured by the FDIC must pledge collateral in the amount of 50% of excess deposits to a collateral pool in the name of the State Treasury Board. Savings and loan institutions are required to collateralize 100% of deposits in excess of FDIC limits. The State Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and for notifying local governments of compliance by banks and savings and loans.

Investments

Statutes authorize the City to invest in obligations of the United States or agencies thereof, obligations of states and local governments, obligations of international development banks, "prime quality" commercial paper and certain corporate notes, repurchase agreements, certificates of deposit in United States banks, State Treasurer's Local Government Investment Pool (LGIP), and the State Non-Arbitrage Program (SNAP).

Investments for the City are reported at fair value. The State Treasurer's Local Government Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

HERS Investments

Investments are stated at fair value except for short-term investments. These are reported at cost, which approximates fair value. The fair value of mutual funds traded on a national securities exchange is determined by using the last reported sales price on the last business day of the fiscal year; listed securities for which no sale was reported on that date are valued at the mean between the last reported bid and asked prices. The Bank of New York Mellon serves as custodian of HERS investments.

Investment Policy

The City's investment policy requires that all investments and investment practices meet or exceed all statutes and guidelines governing the investment of public funds in Virginia, including the Code of Virginia and the guidelines established by the State Treasury Board. State statutes limit investment in commercial paper to no more than 35% of the total portfolio, with not more than 5% per issuer. The City's investment policy addresses credit risk, custodial credit risk, interest rate risk, and concentration of risk, in which instruments are to be diversified and maturities timed in accordance with anticipated needs in order to minimize any exposure to fair

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2010**

**4. DEPOSITS AND INVESTMENTS, Continued:**

value losses. The City's policy does not address foreign currency risk.

HERS Investment Policy:

The Code of the City of Hampton authorizes the System to invest in obligations of the United States or its agencies or the City, corporate bonds, federal insured mortgages, common stock and certain other qualified investments. All investments shall be clearly marked to indicate ownership by the System. The HERS investments are held by the Bank of New York Mellon.

Credit Risk

A portion of the City's investment portfolio is professionally managed by Evergreen Investments, which strictly follows the investment policy. The policy requires all bonds or notes of the Commonwealth of Virginia, states, or political subdivisions of any state of the U.S., or asset-backed securities have at least AAA by two rating agencies, one of which must be Moody's Investor Services (Moody's) or Standard & Poor's (S&P). Repurchase agreements must be collateralized by Treasury or Agency obligations of which the market value is at least 102% of the purchase price of the security. Certificates of deposit of domestic banks must have at least A-1 rating by S & P and P-1 by Moody's for maturities less than 1 year, and AA by S & P and Aa by Moody's for maturities over one year and not exceeding 3 years. Commercial paper must be rated "prime Quality" with at least a P-1 rating by Moody's, A-a rating by S & P, and Duff and Phelps within its rating of D-1. Corporate notes and bonds must have a rating of at least A by S & P, and A by Moody's. The city also invested funds during the year with the State Treasurer's Local Government Investment pool, a 2a7 like pool, and the Virginia State Non-Arbitrage Program (VaSNAP), both rated AAAM by Standard & Poor's.

U. S. Government Securities

The City invested in U. S. Government Securities which consisted of FHLB, FNMA, FFCBC, FHLMC and FHLBC discount notes. U. S. Government Securities are subject to interest rate risk.

Custodial Credit Risk

All securities purchased for the City shall be held by the City or by the City's designated third party custodian. Securities are only purchased from brokerage firms/institutions that are under the Commonwealth of Virginia's supervision and located in the Commonwealth of Virginia.

Interest Rate Risk

As a means of limiting exposure to fair value losses arising from rising interest rates, the City manages the investment maturities of operating funds to coincide with the City's projected cash flow needs. Bond proceeds are invested in compliance with the specific requirements of the bond covenants. The City's policy does not address interest rate risk.

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2010**

**4. DEPOSITS AND INVESTMENTS, Continued:**

The City limits U.S. Treasury securities, U.S. Agency securities, and corporate notes to maturities of less than five years; bankers acceptances to maturities of less than 180 days; and commercial paper to maturities of less than 270 days.

As of June 30, 2010, the City had the following investments and maturities:

<u>Primary Government</u>	<u>Fair Value</u>	<u>Actual Credit Rating</u>	<u>Investment Maturities (in years)</u>	
			<u>Less than 1 year</u>	<u>1-5 years</u>
Repurchase Agreements	\$ 23,100,000	AAA	\$ 23,100,000	\$ -
Commercial paper	9,952,100	A-1 + P-1	9,952,100	
Bankers Acceptance	3,095,216	AAA	3,095,216	
U.S. Government securities	37,653,245	AAA	37,653,245	
State Local Government Investment Pool-City	82,000,000	AAAAm	82,000,000	
State Non-Arbitrage Fund-City	81,479,524	AAA	81,479,524	
Mutual and Money Market Funds	8,611,252	Unrated	8,611,252	
Total Investments Controlled by City	\$ 245,891,337		\$ 245,891,337	\$ -
Pension Plan Investments	\$ 117,904,831		\$ 117,904,831	\$ -
Total	<u>\$ 363,796,168</u>		<u>\$ 363,796,168</u>	<u>\$ -</u>

Reconciliation to Total Cash and Investments:

Add:

Cash on Hand and in Banks-City	\$ 22,369,260
Cash With Fiscal Agent	<u>12,360,941</u>
Total Deposits and Investments Primary Government and Fiduciary Funds Per Exhibits A-1 and A-9	<u>\$ 398,526,369</u>

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2010**

**4. DEPOSITS AND INVESTMENTS, Continued:**

**Component Unit -School Board**

	<b>Investment Maturities (in years)</b>	
	<b>Fair Value</b>	<b>Less than 1 year</b>
Repurchase Agreements	\$ 2,900,000	\$ 2,900,000
Mutual and Money Market Funds	9,403	9,403
Total Investments School Board	<u>\$ 2,909,403</u>	<u>\$ 2,909,403</u>

**Other Component Units**

	<b>Investment Maturities (in years)</b>	
	<b>Fair Value</b>	<b>Less than 1 year</b>
Stock	\$ 390	\$ 390
Mutual and Money Market Funds	1,629,843	1,629,843
Total Investments Other Component Units	<u>\$ 1,630,233</u>	<u>\$ 1,630,233</u>

Reconciliation of total deposits and investments to the government-wide statements at June 30, 2010:

<b><u>Primary Government</u></b>	<b><u>Governmental Activities</u></b>	<b><u>Business Type Activities</u></b>	<b><u>Fiduciary Responsibilities</u></b>	<b><u>Total</u></b>
Cash Deposits-City	\$ 13,978,446	\$ 8,049,930	\$ 340,884	\$ 22,369,260
Cash With Fiscal Agent-City	10,173,017	2,187,924		12,360,941
Mutual and Money Market Funds	6,830,413	1,780,839		8,611,252
Investments-City	201,405,117	34,944,968	118,834,831	355,184,916
Total Primary Government	<u>\$ 232,386,993</u>	<u>\$ 46,963,661</u>	<u>\$ 119,175,715</u>	<u>\$ 398,526,369</u>
<b><u>Component Unit - School Board</u></b>				
Cash Deposits	\$ 63,903			\$ 63,903
Cash With Fiscal Agent	4,645,932			4,645,932
Investments	2,909,403			2,909,403
Total Component Units School Board	<u>\$ 7,619,238</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,619,238</u>
<b><u>Other Component Units</u></b>				
Cash Deposits	\$ 2,086,970			\$ 2,086,970
Cash With Fiscal Agent	2,537,571			2,537,571
Investments	1,630,233			1,630,233
Total Other Component Units	<u>\$ 6,254,774</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,254,774</u>

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2010**

**5. ACCOUNTS RECEIVABLE:**

Accounts receivable at June 30, 2010 in the Governmental Funds are as follows:

	<u>General Fund</u>	<u>Special Revenue - Economic Development</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>
Primary Government:					
General property taxes (net of allowance for uncollectible taxes of \$1,154,983)	\$ 7,519,462	\$	\$	\$	\$
Due from Commonwealth of Virginia	9,115,231			3,743,875	3,452,405
Due from Federal Government	825,546				1,532,957
Other	1,827,138	7,692	65	-	391,589
Total Primary Government	<u>\$ 19,287,377</u>	<u>\$ 7,692</u>	<u>\$ 65</u>	<u>\$ 3,743,875</u>	<u>\$ 5,376,951</u>

Discretely Presented Component Unit -

School Board:

Due from Commonwealth of Virginia	\$ 2,380,719
Due from federal government	14,282,051
Other	119,821
Total Component Unit	<u>\$ 16,782,591</u>

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2010**

**6. CAPITAL ASSETS:**

Capital asset activity for the year ended June 30, 2010 are as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 488,425,177	\$ 11,708,426	\$ (40,364)	\$ 500,093,239
Easements	-	351,992	-	351,992
Construction in progress	78,494,864	46,763,762	(6,860,806)	118,397,820
Total capital assets not being depreciated	<u>566,920,041</u>	<u>58,824,180</u>	<u>(6,901,170)</u>	<u>618,843,051</u>
Capital assets being depreciated:				
Buildings	67,880,449	-	-	67,880,449
Improvements	62,198,239	4,293,895	-	66,492,134
Machinery & Equipment	60,532,864	2,957,313	(2,086,924)	61,403,253
Infrastructure	147,576,154	1,297,417	-	148,873,571
Computer Software	-	745,315	-	745,315
Other Assets	-	4,000,723	-	4,000,723
Total capital assets being depreciated	<u>338,187,706</u>	<u>13,294,663</u>	<u>(2,086,924)</u>	<u>349,395,445</u>
Less accumulated depreciation for:				
Buildings	(32,469,887)	(1,540,228)	-	(34,010,115)
Improvements	(30,461,721)	(3,077,166)	-	(33,538,887)
Machinery & Equipment	(39,060,365)	(4,632,209)	1,774,225	(41,918,349)
Infrastructure	(20,561,763)	(6,624,859)	134	(27,186,488)
Computer Software	-	(87,198)	-	(87,198)
Other Assets	-	(200,036)	-	(200,036)
Total accumulated depreciation	<u>(122,553,736)</u>	<u>(16,161,696)</u>	<u>1,774,359</u>	<u>(136,941,073)</u>
Total capital assets being depreciated, net	<u>215,633,970</u>	<u>(2,867,033)</u>	<u>(312,565)</u>	<u>212,454,372</u>
Governmental activities capital assets, net	<u>\$ 782,554,011</u>	<u>\$ 55,957,147</u>	<u>\$ (7,213,735)</u>	<u>\$ 831,297,423</u>

**Primary Government:**

Net capital assets for Governmental Activities are comprised of the following:

General capital assets	\$ 821,381,817
Internal service funds	9,915,606
	<u>\$ 831,297,423</u>

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2010**

**6. CAPITAL ASSETS, Continued:**

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
Business-type Activities:				
Capital assets not being depreciated:				
Land	\$ 9,859,053	\$ 945,188	\$ -	\$ 10,804,241
Construction in progress	1,085,137	2,349,758	(543,971)	2,890,924
Total capital assets not being depreciated	<u>10,944,190</u>	<u>3,294,946</u>	<u>(543,971)</u>	<u>13,695,165</u>
Capital assets being depreciated:				
Buildings	134,423,696	106,721	(899)	134,529,518
Improvements	32,218,824	107,126	(14,963)	32,310,987
Machinery & Equipment	22,144,022	3,850,097	(564,893)	25,429,226
Exhibits	13,886,509	63,797	-	13,950,306
Landfill	4,811,174	-	(945,188)	3,865,986
Infrastructure	64,289,664	519,227	-	64,808,891
Total capital assets being depreciated	<u>271,773,889</u>	<u>4,646,968</u>	<u>(1,525,943)</u>	<u>274,894,914</u>
Less accumulated depreciation for:				
Buildings	(37,885,554)	(3,624,648)	899	(41,509,303)
Improvements	(18,295,684)	(1,059,334)	9,779	(19,345,239)
Machinery & Equipment	(17,170,406)	(1,479,554)	564,737	(18,085,223)
Exhibits	(10,499,871)	(1,039,468)	-	(11,539,339)
Landfill	(3,639,677)	(3,180)	-	(3,642,857)
Infrastructure	(22,457,274)	(998,790)	-	(23,456,064)
Total accumulated depreciation	<u>(109,948,466)</u>	<u>(8,204,974)</u>	<u>575,415</u>	<u>(117,578,025)</u>
Total capital assets being depreciated, net	<u>161,825,423</u>	<u>(3,558,006)</u>	<u>(950,528)</u>	<u>157,316,889</u>
Business-type activities capital assets, net	<u>\$ 172,769,613</u>	<u>\$ (263,060)</u>	<u>\$ (1,494,499)</u>	<u>\$ 171,012,054</u>

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2010**

**6. CAPITAL ASSETS, Continued:**

Depreciation expense was charged to functions/programs of the primary government as follows:

	<b>General Capital Assets</b>	<b>Internal Service Funds</b>	<b>Total</b>
<b>Governmental activities:</b>			
General government	\$ 3,405,879	\$ 2,334,603	\$ 5,740,482
Health	735,688		735,688
Public welfare	71,061		71,061
Public safety	1,945,604		1,945,604
Streets and highways	5,264,805		5,264,805
Culture and recreation	430,713		430,713
Education	1,973,343		1,973,343
Total depreciation expense - governmental activities	\$ 13,827,093	\$ 2,334,603	\$ 16,161,696
<b>Business - type activities:</b>			
Culture and recreation	\$ 5,611,290		
Sanitation	2,593,684		
Total depreciation expense - business-type activities	\$ 8,204,974	*	

\* Depreciation expense in the amount of \$533,022 was capitalized as part of self-constructed assets in the Wastewater Management Fund.

Capital outlays are reported as expenditures in the governmental funds; however, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. The adjustment from governmental funds to the government-wide statements is summarized as follows:

Capital Outlay	\$ 73,491,274
Depreciation expense	(13,827,093)
Capital outlay not capitalized	(11,079,471)
Total adjustment	\$ 48,584,710

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2010**

**6. CAPITAL ASSETS, Continued:**

The City leases certain buildings, equipment and vehicles under capital leases. Included in capital assets are the following amounts applicable to capital leases:

	Governmental Activities	Business-type Activities
Construction in Progress	\$ 4,898,237	\$ -
Buildings	-	2,064,368
Machinery and equipment	2,854,344	182,487
Less accumulated depreciation	(641,508)	(1,808,047)
Capital assets, net	<u>\$ 7,111,073</u>	<u>\$ 438,808</u>

The total amount of equipment acquired through a capital lease during fiscal year ended June 30, 2010, was \$812,945. Depreciation expense on the leased assets totaled \$322,074 for the fiscal year ended June 30, 2010.

**Discretely Presented Component Units**

**School Board:**

	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets not being depreciated:				
Land	\$ 5,111,045	\$ -	\$ -	\$ 5,111,045
Total capital assets not being depreciated	<u>5,111,045</u>	<u>-</u>	<u>-</u>	<u>5,111,045</u>
Capital assets being depreciated:				
Buildings	48,962,686	-	-	48,962,686
Improvements	310,100	-	-	310,100
Machinery & Equipment	34,792,318	6,863,875	(1,005,630)	40,650,563
Total capital assets being depreciated	<u>84,065,104</u>	<u>6,863,875</u>	<u>(1,005,630)</u>	<u>89,923,349</u>
Less accumulated depreciation for:				
Buildings	(46,582,928)	(453,179)	-	(47,036,107)
Improvements	(120,164)	(15,505)	-	(135,669)
Machinery & Equipment	(24,999,451)	(3,744,647)	981,047	(27,763,051)
Total accumulated depreciation	<u>(71,702,543)</u>	<u>(4,213,331)</u>	<u>981,047</u>	<u>(74,934,827)</u>
Total capital assets being depreciated, net	<u>12,362,561</u>	<u>2,650,544</u>	<u>(24,583)</u>	<u>14,988,522</u>
School Board capital assets, net	<u>\$ 17,473,606</u>	<u>\$ 2,650,544</u>	<u>\$ (24,583)</u>	<u>\$ 20,099,567</u>

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2010**

**6. CAPITAL ASSETS, Continued:**

Capital outlays are reported as expenditures in the governmental funds; however, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. The adjustment from governmental funds to the government-wide statements is summarized as follows:

Capital Outlay	\$ 6,863,875
Depreciation expense	<u>(4,213,331)</u>
Total adjustment	<u><u>\$ 2,650,544</u></u>

**Industrial Development Authority:**

	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets not being depreciated:				
Land	\$ 15,802,769			\$ 15,802,769
Total capital assets not being depreciated	15,802,769	-	-	15,802,769
Capital assets being depreciated:				
Improvements	383,042			383,042
Infrastructure	2,545,299			2,545,299
Machinery & Equipment	50,080	-	-	50,080
Total capital assets being depreciated	2,978,421	-	-	2,978,421
Less accumulated depreciation for:				
Improvements	(383,042)	-	-	(383,042)
Infrastructure	(586,872)	(109,080)	-	(695,952)
Machinery & Equipment	(39,806)	(875)	-	(40,681)
Total accumulated depreciation	(1,009,720)	(109,955)	-	(1,119,675)
Total capital assets being depreciated, net	1,968,701	(109,955)	-	1,858,746
Industrial Development Authority capital assets, net	\$ 17,771,470	\$ (109,955)	\$ -	\$ 17,661,515

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2010**

**6. CAPITAL ASSETS, Continued:**

**Healthy Families Partnership, Inc:**

	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets being depreciated:				
Machinery & Equipment	\$ 11,663	\$ -	\$ -	\$ 11,663
Less accumulated depreciation for:				
Machinery & Equipment	(11,663)		-	(11,663)
Healthy Families Partnership capital assets, net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**Downtown Hampton Development Partnership, Inc:**

	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets being depreciated:				
Improvements	\$ 426,942	\$ -	\$ (2,500)	\$ 424,442
Machinery & Equipment	77,761	34,902	(13,573)	99,090
Total capital assets being depreciated	504,703	34,902	(16,073)	523,532
Less accumulated depreciation	(160,879)	(20,290)	14,570	(166,599)
Downtown Hampton Development Partnership capital assets, net	<u>\$ 343,824</u>	<u>\$ 14,612</u>	<u>\$ (1,503)</u>	<u>\$ 356,933</u>

**Coliseum Central Business Improvement District, Inc:**

	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets being depreciated:				
Machinery & Equipment	\$ 82,441	\$ 83,186	\$ -	\$ 165,627
Less accumulated depreciation for:				
Machinery & Equipment	(59,240)	(8,577)	-	(67,817)
Coliseum Central Business Improvement District capital assets, net	<u>\$ 23,201</u>	<u>\$ 74,609</u>	<u>\$ -</u>	<u>\$ 97,810</u>

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2010**

**6. CAPITAL ASSETS, Continued:**

Construction in Progress

Several capital projects were in various stages of completion on June 30, 2010. In accordance with the City's accounting policies and practices, these projects will remain in construction in progress until completion, at which time they will be transferred into the various capital asset accounts in the government-wide statements, Enterprise Fund and Discretely Presented Component Units. At June 30, 2010, construction in progress by project was comprised as follows:

	Project Authorization	Expended to June 30, 2010
<u>General Capital Assets</u>		
City - Infrastructure	\$ 45,329,635	\$ 25,636,707
City - Construction & renovation	9,122,787	3,553,001
City - Public Service Radio System	14,506,267	4,898,237
School Board - Construction & renovation	103,263,644	84,309,875
	\$ 172,222,333	\$ 118,397,820
 <u>Enterprise Funds</u>		
Wastewater Management - Sewer projects	\$ 922,950	\$ 76,407
Virginia Air & Space Museum - Roof replacement	2,309,000	2,250,591
Coliseum - Renovations & upgrades	2,400,000	556,923
Convention Center - Renovations & upgrades	8,754	7,003
	\$ 5,640,704	\$ 2,890,924

**7. BUDGETARY - GAAP REPORTING RECONCILIATION:**

The City adopts an annual budget for the General Fund, but does not adopt an annual budget for any of the Special Revenue Funds. Resources are provided for and appropriated individually throughout the year as they become available to the City. The General Fund budget basis and GAAP are substantially the same.

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2010**

**8. GENERAL OBLIGATION AND OTHER LONG-TERM DEBT:**

The following is a summary of the changes in general obligation debt and other indebtedness during the year ended June 30, 2010:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Bonds payable:					
Serial bonds	\$ 289,990,000	\$ 72,785,000	\$ (72,610,000)	\$ 290,165,000	\$ 16,245,000
Unamortized premium	8,571,259	6,104,986	(652,173)	14,024,072	862,455
Less deferred amount of advance refunding	(2,644,552)	(1,310,000)	196,682	(3,757,870)	(241,804)
Bonds payable (VRS)	4,845,000		(880,000)	3,965,000	925,000
Capital leases	14,506,267	244,700	(22,758)	14,728,209	716,700
Capital leases - Internal Service Funds	1,000,887	541,421	(345,108)	1,197,200	384,079
Long-term notes payable	531,673		(177,225)	354,448	177,225
Literary loans payable	616,227		(148,050)	468,177	148,050
Compensated absences	6,754,336	3,496,391	(3,512,160)	6,738,567	3,512,160
Compensated absences-Internal Service Funds	154,604	106,492	(76,000)	185,096	76,000
Claims and judgments-Internal Service Funds	3,491,324	4,076,768	(2,488,272)	5,079,820	4,447,877
Net pension obligation	3	-	-	3	
Net OPEB obligation	13,497,728	8,187,430	(1,793,321)	19,891,837	
Governmental activities long-term liabilities	<u>\$ 341,314,756</u>	<u>\$ 94,233,188</u>	<u>\$ (82,508,385)</u>	<u>\$ 353,039,559</u>	<u>\$ 27,252,742</u>

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities in the governmental funds. Interest on long-term debt is not accrued in governmental funds, but is recognized as an expenditure when due.

Balances at June 30, 2010:

Long-term liabilities (detail above)	\$ 353,039,559
Less debt - Internal Service Fund	(6,462,116)
Combined adjustment	<u>\$ 346,577,443</u>

Section 148 of the Internal Revenue Code of 1986 requires public entities to refund interest earned in excess of interest paid over the first five years outstanding on tax exempt borrowings. The regulations are applicable to borrowings incurred subsequent to August 1986. The City has calculated the rebate due as if June 30, 2010 was the settlement date, and reflected the liability, if any, in the governmental activities column of the Statement of Net Assets.

In prior years, the General Fund has been used to liquidate the net pension obligation and net OPEB obligation.

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2010**

**8. GENERAL OBLIGATION AND OTHER LONG-TERM DEBT, Continued:**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-type Activities:					
Bonds payable:					
Revenue bonds	\$ 114,360,000	\$ -	\$ (1,550,000)	\$ 112,810,000	\$ 3,755,000
Unamortized premium	2,228,018		(208,902)	2,019,116	208,902
Less deferred amount for advance refunding	(819,059)		184,678	(634,381)	
Total bonds payable	<u>115,768,959</u>	<u>-</u>	<u>(1,574,224)</u>	<u>114,194,735</u>	<u>3,963,902</u>
Capital leases	1,006,397	27,491	(133,758)	900,130	151,737
Compensated absences	<u>777,048</u>	<u>323,433</u>	<u>(330,111)</u>	<u>770,370</u>	<u>330,111</u>
Business-type activities long-term liabilities	<u>\$ 117,552,404</u>	<u>\$ 350,924</u>	<u>\$ (2,038,093)</u>	<u>\$ 115,865,235</u>	<u>\$ 4,445,750</u>
Component Units:					
School Board:					
Compensated absences	\$ 6,162,948	\$ 3,888,904	\$ (3,289,201)	\$ 6,762,651	\$ 3,289,201
Capital leases		367,626	(67,267)	300,359	70,528
Net OPEB obligation	<u>3,002,925</u>	<u>2,289,869</u>	<u>(1,385,664)</u>	<u>3,907,130</u>	
Total School Board	<u>\$ 9,165,873</u>	<u>\$ 6,546,399</u>	<u>\$ (4,742,132)</u>	<u>\$ 10,970,140</u>	<u>\$ 3,359,729</u>
Industrial Development Authority:					
Revenue bonds payable	<u>\$ 8,360,019</u>	<u>\$ -</u>	<u>\$ (474,515)</u>	<u>\$ 7,885,504</u>	<u>\$ 504,663</u>
Foundation of the Virginia Air and Space Center and Hampton Roads History Center:					
Notes payable	<u>\$ 2,100,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,100,000</u>	<u>\$ 2,100,000</u>

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2010**

**8. GENERAL OBLIGATION AND OTHER LONG-TERM DEBT, Continued:**

Enterprise Funds

The Hamptons Golf Course Refunding Revenue Bonds, Series 1999 (Bonds), were issued by the City on August 31, 1999 with an interest rate of 6%. At June 30, 2010, \$850,000 in Bonds remains outstanding.

The unamortized amount deferred on the refunding of \$8,135 is reported in the accompanying financial statements as a reduction of bonds payable and is being charged to operations through the year 2013, using the interest method.

On February 19, 2004, the City issued \$12,875,000 in Museum Revenue Refunding Bonds (Bonds) with interest ranging from 2% to 5%.

Details at June 30, 2010 are as follows:

	<u>Series 2004</u>
Outstanding debt	\$5,655,000
Interest rate	2% to 5%
Years of maturity	2011 - 2014

Convention Center Revenue Bonds (Bonds) in the amount of \$106,305,000 were issued November 1, 2002 with interest ranging from 3.50% to 5.25%. The proceeds of the Bonds were used to finance the cost of the construction of a convention center and to retire a \$7,585,000 Revenue Bond Anticipation Note issued in connection with the project and to pay interest on the Series 2002 Bonds. The bonds are payable solely from and collateralized by, revenues derived by the City from ownership and operation of the project.

Revenue bond debt service requirements to maturity are as follows:

<u>Fiscal year ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 3,755,000	\$ 5,662,807
2012	3,920,000	5,495,182
2013	4,075,000	5,330,006
2014	3,940,000	5,164,331
2015	2,555,000	4,961,269
2016-2020	15,690,000	22,628,119
2021-2025	20,875,000	17,880,755
2026-2030	25,460,000	12,117,632
2031-2035	32,540,000	5,039,500
	<u>\$ 112,810,000</u>	<u>\$ 84,279,601</u>

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2010**

**8. GENERAL OBLIGATION AND OTHER LONG-TERM DEBT, Continued:**

On July 9, 2009 the City entered into a master lease purchase agreement with SunTrust Equipment Finance and Leasing Corporation. During fiscal year 2010, the City financed a gasoline powered sweeper for the Hampton Coliseum through this lease agreement at an interest rate of 2.89%. The lease is payable in 10 remaining equal quarterly payments of \$2,400.

The City entered into a capital lease for the Hamptons Golf Course Clubhouse Facility in July 1990 at an interest rate of 9.875%. The lease is payable in 60 remaining equal monthly installments of \$18,581.

Debt service on the capital lease payable during future fiscal years ending June 30 is as follows:

<b>Capital Leases</b>		
<b>Year</b>	<b>Principal</b>	<b>Interest</b>
2011	\$ 151,737	\$ 80,835
2012	166,750	65,823
2013	178,475	49,296
2014	191,680	31,291
2015	211,488	11,485
	\$ 900,130	\$ 238,730

Discretely Presented Component Unit-IDA:

On September 7, 2001, the Industrial Development Authority issued Lease Revenue Bonds in the amount of \$11,286,888. The proceeds from the bond issue were used to finance the construction of the Peninsula Workforce Development Center. The bonds are payable from revenues generated from the lease of the building with the lease term being equivalent to the life of the bond issue. On each January 1 and July 1 beginning January 1, 2002, to and including July 1, 2021, the IDA shall pay semi-annual installments of principal and interest in the amount of \$495,030.

Details at June 30, 2010 are as follows:

	2002 Revenue Bonds
	<u>Tax-Exempt</u>
Outstanding Debt	\$ 7,885,504
Interest	6.17%
Years of Maturity	2011 – 2022

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2010**

**8. GENERAL OBLIGATION AND OTHER LONG-TERM DEBT, Continued:**

Debt service on the foregoing debt during future years is as follows:

<b>Revenue Bonds</b>		
<b>Year</b>	<b>Principal</b>	<b>Interest</b>
2011	\$ 504,663	\$ 485,396
2012	536,727	453,332
2013	569,618	420,441
2014	607,019	383,040
2015	645,586	344,473
2016 - 2020	3,896,936	1,053,359
2021 - 2022	1,124,955	61,986
	\$ 7,885,504	\$ 3,202,027

Discretely Presented Component Unit-Foundation:

As of June 30, 2010, the Foundation has \$2,100,000 outstanding on a line of credit with SunTrust Bank. The line of credit is collateralized by existing and future receivables, inventories, equipment and other assets of the Foundation. Interest is paid monthly at LIBOR plus 1.75%. This line of credit is due to expire on February 2011.

Discretely Presented Component Unit-School Board:

On August 13, 2009, the School Board entered into a master lease purchase agreement with SunTrust Equipment Finance and Leasing Corporation to purchase five school buses. The lease is payable in quarterly installments of \$19,991 at an interest rate of 3.48%. At June 30, 2010 the outstanding balance on the lease is \$319,856.

Internal Service Funds:

The City is self-insured for workmen's compensation benefits and general liability insurance claims. At June 30, 2010, the liability for existing claims amounted to \$5,079,820. Workmen's compensation benefit claims are payable weekly or monthly through 2020.

The City has several capital lease obligations reflected in the Internal Service Funds for equipment purchases. The following is a description of those capital lease obligations:

Equipment Replacement Fund:

On July 9, 2009 the City entered into a master lease purchase agreement with SunTrust Equipment Finance and Leasing Corporation to purchase rolling-stock equipment. During fiscal year 2010, the City financed a fire truck through this agreement. The lease is payable in 38 remaining equal installments of \$16,899 at an interest rate of 4.52%. At June 30, 2010 the outstanding balance on the lease is \$642,162.

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2010**

**8. GENERAL OBLIGATION AND OTHER LONG-TERM DEBT, Continued:**

During fiscal year 2005, the City entered into a master lease purchase agreement with Bank of America Leasing and Capital, LLC. The lease is to be repaid in equal quarterly installments of \$22,978 at an interest rate of 3.751%. At June 30, 2010 the outstanding balance on the lease is \$459,446.

Information Technology Fund:

On November 6, 2006, the City entered into a lease purchase agreement in the amount of \$1,269,094 with Avaya Financial Services to finance the purchase of a new telecommunications system. The lease is to be repaid in 5 equal yearly installments of \$276,156 beginning November 2006 with the final payment due July 2010. At June 30, 2010 the outstanding balance on the lease is \$276,156.

Debt service on the foregoing debt payable during fiscal years ending June 30 is as follows:

<u>Year</u>	<u>Accrued Insurance</u>	<u>Capital Lease</u>		
	<u>Claims</u>	<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 4,447,877	2011	\$ 384,079	\$ 51,577
2012	150,639	2012	126,559	32,950
2013	150,639	2013	131,929	27,579
2014	128,046	2014	137,528	21,980
2015	71,424	2015	143,252	16,144
2016 - 2020	131,195	2016 - 2020	273,853	30,333
	<u>\$ 5,079,820</u>		<u>\$ 1,197,200</u>	<u>\$ 180,563</u>

General Long-Term Debt:

Details of general obligation bonds and loans reported in the government-wide statements at June 30, 2010 are as follows:

General Obligation Bonds Outstanding	\$290,165,000
Coupon interest rate	2.0% to 5.63%
Years of maturity	2011 – 2030

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2010**

**8. GENERAL OBLIGATION AND OTHER LONG-TERM DEBT, Continued:**

Debt service on the foregoing debt payable during future fiscal years ending June 30 is as follows:

<b>General Obligation Bonds</b>		
<b>Year</b>	<b>Principal</b>	<b>Interest</b>
2011	\$ 16,245,000	\$ 12,569,216
2012	17,275,000	12,318,679
2013	18,210,000	11,602,801
2014	19,025,000	10,802,022
2015	21,045,000	9,965,502
2016 - 2020	101,055,000	34,936,696
2021 - 2025	63,915,000	16,267,779
2026 - 2030	33,395,000	3,067,123
	\$ 290,165,000	\$ 111,529,818

On March 3, 2010, the City issued \$65,595,000 in General Obligation Public Improvement and Refunding Bonds, Series 2010A with interest ranging from 2.00% to 5.00% and \$7,190,000 in General Obligation Public Improvement Direct Pay Build America and Recovery Zone Economic Development Bonds, Series 2010 B with interest ranging from 4.34% to 5.63%. The proceeds of the bonds were used to refund portions of the City's Series 1998, 2002, 2002A, 2005A, and 2007 General Obligation Bonds and the remaining balance will be used to finance the cost of general capital improvement projects of the City.

The net proceeds from the refunding bonds of \$65,469,455 (net of underwriter's discount and issuance costs of \$252,627) were deposited with Regions Bank, Richmond, Virginia (Trustee), under a refunding trust agreement dated as of February 25, 2010. The Trustee used such proceeds to purchase direct, non-callable obligations of the U.S. Treasury including state and local government series (collectively, government obligations.) The government obligations will mature and bear interest at times and in amounts sufficient to pay debt service requirements on the refunded bonds until their redemption date.

This transaction is in substance a defeasance of debt and, accordingly, the refunded bonds (of which \$58,605,000 remain outstanding at June 30, 2010) have been removed from the financial statements and the government obligations will not be recorded in the financial statements.

As a result on the advance refunding, the City will reduce its total debt service costs by approximately \$3,161,487 for a present value savings of \$2,736,462. The present value savings represent approximately 5% of the refunded bonds. In the government-wide statements this transaction resulted in an economic loss of \$1,310,000.

On October 25, 2007, the City issued \$145,815,000 in General Obligation Public Improvement and Refunding Bonds, Series 2008 with interest ranging from 4.00% to 5.00%. The proceeds of

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2010**

**8. GENERAL OBLIGATION AND OTHER LONG-TERM DEBT, Continued:**

the bonds were used to refund bond anticipation notes issued by the City in April 2007 in the amount of \$29,540,000 and the remaining balance will be used to finance the cost of general capital improvement projects of the City.

On April 6, 2005, the City issued \$53,210,000 in General Obligation Public Improvement Bonds, Series 2005A with interest ranging from 3.00% to 5.00% and \$10,000,000 in Taxable General Obligation Public Improvement Bonds, Series 2005B with an interest rate of 5.04%. The proceeds of the Bonds will be used to finance capital improvements in the City.

On August 20, 2004, the City issued \$29,630,000 in General Obligation Public Improvement Refunding Bonds, Series 2004 with interest ranging from 2.00% to 5.00%.

On January 30, 2003, the City issued \$18,340,000 in General Obligation Public Improvement Refunding Bonds, Series 2003 with interest ranging from 2.00% to 4.25%.

On October 15, 2002, the City issued \$7,370,000 in General Obligation Public Improvement Bonds, Series 2002A with interest ranging from 2.75% to 5.00%.

On April 1, 2002, the City issued \$30,155,000 in General Obligation Public Improvement Bonds, Series 2002 with interest ranging from 4.25% to 5.00%.

On January 15, 2000, the City issued \$45,960,000 in General Obligation Public Improvement Bonds, Series 2000 with interest ranging from 4.75% to 6.00%.

In prior years, the City defeased certain general obligation bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the City's financial statements. On June 30, 2010, \$108,030,000 of bonds outstanding are considered defeased.

Taxable General Obligation Bonds:

On February 28, 2005, the City issued \$7,985,000 in Taxable General Obligation Refunding Bonds, Series 2005 (Bonds) with an interest rate of 4.75%.

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2010**

**8. GENERAL OBLIGATION AND OTHER LONG-TERM DEBT, Continued:**

Debt service on the foregoing debt is payable during future fiscal years ending June 30 as follows:

<b>Taxable General Obligation Bonds</b>		
<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 925,000	\$ 188,338
2012	965,000	144,400
2013	1,015,000	98,563
2014	1,060,000	50,349
	<u>\$ 3,965,000</u>	<u>\$ 481,650</u>

General Obligation Bonds are backed by the full faith and credit of the City.

The City's indebtedness includes \$468,177 in loans from the State Literary Loan Fund. One loan was used to fund the City's share of the New Horizons Technical Center, a regional high school vocational and technical center. The other loans were used for major repairs or renovations to four elementary schools and Hampton High School. Repayment is in annual installments over a 20-year term at 3% interest.

Debt service on literary loans during future fiscal years ending June 30 is as follows:

<b>Literary Loans</b>		
<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 148,050	\$ 14,045
2012	146,412	9,604
2013	92,000	5,211
2014	81,715	2,452
	<u>\$ 468,177</u>	<u>\$ 31,312</u>

**Capital Leases:**

An enterprise-wide network server and storage system was also financed through the master lease purchase agreement with SunTrust Equipment Finance and Leasing Corporation in fiscal year 2010. The lease is payable in 18 remaining equal installments of \$13,285 at an interest rate of 3.19%. At June 30, 2010 the outstanding balance on the lease is \$239,130.

On February 27, 2009, the City entered into a equipment lease/purchase agreement with Motorola, Inc. for \$14,506,267 for the purpose of upgrading and replacing the existing radio system of the city and to provide infrastructure site improvements to the City 911 Center and three transmit/receive sites. The lease is to be repaid in 10 equal yearly installments of \$1,864,288 at an interest rate of 4.04%. The first payment is due on March 2011 and the final payment is due March 1, 2020.

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2010**

**8. GENERAL OBLIGATION AND OTHER LONG-TERM DEBT, Continued:**

Debt service on the foregoing debt during future years is as follows:

Year	Capital Leases Principal	Interest
2011	\$ 716,700	\$ 1,200,723
2012	1,353,385	564,044
2013	1,407,676	509,754
2014	1,464,146	453,283
2015	1,496,209	394,650
2016 - 2020	8,290,093	1,031,350
	\$ 14,728,209	\$ 4,153,804

The City has a line-of-credit with a bank for \$8,000,000 for the acquisition of real property which is strategic to the City's future planning and/or economic development. On November 26, 2001, the City borrowed \$1,772,248 under the line-of-credit for the acquisition of real property. This note is payable in annual installments of \$177,225 through November 26, 2010 and one annual installment of \$177,223 due November 26, 2011, plus interest accrued weekly at 95% of the London Interbank Offered Rate (LIBOR) rate. At June 30, 2010, the outstanding balance was \$354,448. The notes are secured by the full faith and credit of the City. This line of credit expired October 1, 2004.

Debt Limit:

The Commonwealth of Virginia imposes a legal limit of 10% of assessed valuation on the amount of general obligation borrowings which may be issued by the City. As of June 30, 2010, the City's aggregate general obligation indebtedness was \$294,952,625 which is less than the State limit.

Overlapping Debt:

There are no overlapping or underlying tax jurisdictions.

**9. DEFINED BENEFIT PENSION PLANS**

The City contributes to two pension plans for its employees, the Hampton Employees' Retirement System (HERS) and the Virginia Retirement System (VRS). HERS covers all full-time salaried employees who were first hired prior to July 1, 1984 and VRS covers all full-time salaried employees.

Plan Description - HERS:

HERS is a single employer public employee defined benefit pension plan established and administered by the City to augment the retirement benefits provided to full-time permanent City and School Board employees under the Virginia Retirement System (VRS). The authority to establish and amend benefit provisions of HERS is governed by statute as set out in Chapter 28

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2010**

**9. DEFINED BENEFIT PENSION PLANS, Continued:**

of the Code of the City of Hampton, Virginia. HERS is considered part of the City of Hampton's financial reporting entity and is included in the City's financial reports as a pension trust fund. HERS issues a publicly available financial report that includes financial statements and required supplementary information for HERS. The financial report may be obtained by writing to City of Hampton, Finance Department, 22 Lincoln Street, Hampton, Virginia, 23669 or by calling (757) 727-6230.

Funding Policy - HERS:

The contribution requirements of plan members, the City of Hampton and the Component Unit – School Board are established and may be amended by City Council. Plan members do not contribute. The City and Component Unit – School Board are required to contribute an actuarially determined amount.

Annual Pension Cost and Net Pension Obligation – HERS:

For fiscal year 2010, the City of Hampton's annual pension cost and net pension obligation were as follows:

	<u>City of Hampton</u>	<u>Component Unit- School Board</u>
Annual required contribution	\$ 2,101,710	\$ 156,935
Interest on net pension obligation	-	-
Adjustment to annual required contribution	-	-
Annual pension cost	2,101,710	156,935
Contributions made	(2,101,710)	(156,935)
Increase (decrease) in net pension obligation	-	-
Net pension obligation, July 1, 2009	-	-
Net pension obligation, June 30, 2010	\$ -	\$ -

The annual required contribution was determined as a part of the July 1, 2009 actuarial valuation using the entry age normal cost method with normal cost calculated on an aggregate basis. The actuarial assumptions included (a) 8% investment rate of return and (b) projected salary increases of 5% per year. The actuarial assumptions include a future inflation rate of 3.5% a year. The plan was amended in 2000 to provide for a one-time cost of living adjustment of 3.0% to members who retired prior to July 2, 1998. Effective July 1, 2001, the Board authorized a one-time 3.5% cost of living adjustment to members who retired prior to July 1, 1999. The actuarial value of assets was determined using market value, but with the difference between expected and actual return recognized over a five-year period. The unfunded actuarial liability is amortized on a level dollar basis. The remaining amortization period at June 30, 2010 was 13 years. The amortization period is closed.

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2010**

**9. DEFINED BENEFIT PENSION PLANS, Continued:**

Summary of Significant Accounting Policies - HERS

Basis of Accounting:

The financial statements of HERS are prepared using the accrual basis of accounting. Employer contributions are recognized as revenues in the period in which the contributions are due. Benefits and refunds are recognized when due and are payable in accordance with the terms of the plan.

Method Used to Value Investments:

Plan investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. The fair value of U.S. government and corporate bonds and stocks traded on national securities exchange is determined by using the last reported sales price on the last business day of the fiscal year. Investments that do not have an established market are reported at estimated fair value.

Trend Information – HERS:

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/08	\$ 1,715,011	100%	\$ -
6/30/09	2,034,545	100	-
6/30/10	2,258,645	100	-

Plan Description - VRS:

The City of Hampton and Component Unit - School Board contribute to the Virginia Retirement System (VRS), an agent and cost-sharing multiple-employer defined benefit pension plan administered by the Virginia Retirement System (System).

All full-time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after five years of credited service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service (age 60 with 5 years of service for participating law enforcement officers and firefighters) and at age 50 with 30 years of service for participating employers (age 50 with 25 years for participating law enforcement officers and firefighters) payable monthly for life in an amount equal to 1.7% of their average final salary (AFS) for each year of credited service. AFS is defined as the highest consecutive 36 months of salary. Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for annual cost-of-living increases, limited to 5%, beginning in their second year of retirement.

Participating law enforcement officers and firefighters may receive a monthly benefit supplement if they retire prior to age 65. VRS also provides death and disability benefits. Title

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2010**

**9. DEFINED BENEFIT PENSION PLANS, Continued:**

51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the State legislature. The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be obtained by writing the System at P.O. Box 2500, Richmond, VA 23218-2500.

Funding Policy - VRS:

Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5% of their annual reported compensation to the VRS. The 5% member contribution has been assumed by the City of Hampton and the Component Unit - School Board. In addition, the City of Hampton and the Component Unit - School Board are required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the *Code of Virginia* and approved by the VRS Board of Trustees. The City of Hampton's and Component Unit - School Board's nonprofessional employees contribution rates for the fiscal year ended 2010 were 18.45% and 15.819% respectively. The Component Unit - School Board's contributions to VRS for professional employees for the fiscal years ending June 30, 2010, 2009, and 2008 of \$12,781,750 (13.81%), \$16,508,388 (13.81%) and \$17,637,140 (15.3%) respectively, were equal to the required contributions for each year.

Annual Pension Cost and Net Pension Obligation:

For 2010, the City of Hampton's and Component Unit - School Board's nonprofessional employees annual pension cost and net pension obligation were as follows:

	<u>City of Hampton</u>	<u>Component Unit- School Board</u>
Annual required contribution	\$ 15,745,975	\$ 1,281,741
Interest on net pension obligation	-	-
Adjustment to annual required contribution	-	-
Annual pension cost	15,745,975	1,281,741
Contributions made	(15,745,975)	(1,281,741)
Increase in net pension obligation	-	-
Net pension obligation, July 1, 2009	3	-
Net pension obligation, June 30, 2010	\$ 3	\$ -

The required contribution for the City of Hampton and Component Unit-School Board was determined as part of the June 30, 2009 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions include (a) 7.5% investment rate of return, (b) projected salary increase of 3.75% to 5.60% per year, (c) cost of living adjustments for the City of Hampton and Component Unit-School Board. Both (a) and (b) included an inflation component of 2.5% for the City of Hampton and Component Unit-School Board. The actuarial value of

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2010**

**9. DEFINED BENEFIT PENSION PLANS, Continued:**

assets was determined using techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The unfunded actuarial accrued liability for the City of Hampton and Component Unit-School Board is being amortized as a level percentage of payroll on an open basis over 20 years from the valuation date.

Trend Information - VRS:

	Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
<u>City of Hampton</u>	June 30, 2008	\$ 15,431,279	100.0	% \$ 2
	June 30, 2009	15,954,314	100.0	3
	June 30, 2010	15,745,975	100.0	3
<u>Component Unit- School Board</u>	June 30, 2008	1,129,884	100.0	\$ -
	June 30, 2009	1,139,553	100.0	-
	June 30, 2010	1,281,741	100.0	-

Funded Status and Funding Progress:

Based on the most recent actuarial valuation dated June 30, 2009 for the City and School Board and June 30, 2010 for HERS, the funded status of the plans were as follows:

	City of Hampton	Component Unit School Board	Hampton Employees' Retirement System
Actuarial accrued liability (AAL)	\$ 442,241,939	\$ 27,011,833	\$ 176,478,838
Actuarial value of plan assets	333,431,262	21,315,544	142,584,616
Unfunded actuarial accrued liability (UAAL)	<u>\$ 108,810,677</u>	<u>\$ 5,696,289</u>	<u>\$ 33,894,222</u>
Funded ratio (actuarial value of plan assets/AAL)	75.40%	78.91%	80.80%
Covered payroll (active plan members)	\$ 86,570,241	\$ 7,204,225	\$ 17,457,017
UAAL as a percentage of covered payroll	125.69%	79.07%	194.00%

Actuarial Methods and Assumptions :

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, following the notes as required supplementary information, presents information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2010**

**10. DEFERRED COMPENSATION PLAN:**

The City provides an approved deferred compensation plan, under Section 457 of the Internal Revenue Code, which is administered by the ICMA Retirement Corporation. All City employees are eligible to participate. The Internal Revenue Code requires that the plan assets and income attributed to those assets be held in trust for the exclusive benefit of the participants and/or beneficiaries. All amounts of employees' compensation deferred under the plan are deposited with the plan trustee, ICMA Retirement Corporation, for management and investment. The plan trustee holds all assets of the plan, maintains accounting of each plan participant's accumulated assets and makes distribution to participants in accordance with the plan document.

The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death or unforeseeable emergency. However eligible active plan participants may borrow funds from their plan account balance.

The City provides an approved governmental profit-sharing plan & trust, under Section 401 of the Internal Revenue Code, which is administered by the ICMA Retirement Corporation. The City Manager and/or Interim City Manager are eligible to participate. The Internal Revenue Code requires that the plan assets and income attributed to those assets be held in a trust for the exclusive benefit of the participants and/or beneficiaries. All amounts of employees' compensation deferred under the plan are deposited with the plan trustee, ICMA Retirement Corporation, for management and investment. The plan trustee holds all assets of the plan, maintains accounting of each plan participant's accumulated assets and makes distribution to participants in accordance with the plan document.

**11. JOINT VENTURE:**

The Hampton Roads Regional Jail Authority (the Authority), a political subdivision of the Commonwealth of Virginia, was created through an agreement by the Cities of Hampton, Newport News, Norfolk and Portsmouth (the member jurisdictions). The Authority has the responsibility to finance the acquisition, construction and operation of a regional jail facility for the benefit of the member jurisdictions. Each member jurisdiction is responsible for paying the Authority a per diem charge, as established in the Authority's annual budget, for the care, maintenance and subsistence of prisoners from the member jurisdictions. The member jurisdictions have agreed to commit to the Authority its prisoners equal to its initial guaranteed capacity as follows: Hampton, 175 prisoners or 20%; Newport News, 200 prisoners or 22.86%; Norfolk, 250 prisoners or 28.57%; Portsmouth, 250 prisoners or 28.57%. The Authority shall make adjustments to the per diem charge as and when necessary to reconcile projected revenues and expenditures to actual revenues and expenditures and to comply with any revenue or other covenant related to the Bonds.

The Authority opened the jail facility on March 16, 1998. Summarized financial information for

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2010**

**11. JOINT VENTURE, Continued:**

the Authority for fiscal year ending June 30, 2009 is below. This information shows the jail is well able to meet its obligations. The City does not currently expect a financial benefit from its participation in this joint venture.

Revenues and other sources	\$	33,010,853
Expenditures and other uses		<u>(34,885,353)</u>
Change in fund equity		(1,874,500)
Fund equity, July 1, 2008		28,676,821
Fund equity, June 30, 2009	\$	<u>26,802,321</u>

The revenue bonds issued by the Authority are limited obligations of the Authority payable solely from net revenues and other funds derived from the ownership and operation of the regional jail.

Separate financial statements are available from the Hampton Roads Regional Jail Authority at 2690 Elmhurst Lane, Portsmouth, Virginia 23701-2745.

**12. COMMITMENT AND CONTINGENCIES:**

Grants:

The City receives grant funds, principally from the U.S. government, for construction and various other programs. Expenditures from certain of these funds are subject to audit by the grantor, and the City is contingently liable to refund amounts received in excess of allowable expenditures. In the opinion of the management of the City, no material refunds will be required as a result of expenditures disallowed by grantors.

Leases:

The City leases various types of equipment under capital lease agreements (see Note 8). Under an operating lease, the City leases the Pembroke Community Service Center building from the Hampton Redevelopment and Housing Authority at an annual rent of \$343,872. In addition, the City leases space under operating leases for use as branches of the City's public library.

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2010**

**12. COMMITMENT AND CONTINGENCIES, Continued:**

The City also leases various City properties to other governmental agencies and businesses under operating lease agreements. Included in Capital Assets are the following amounts that are applicable to the operating leases:

Land	\$	417,237
Buildings		11,925,609
Improvements		6,134,143
Less accumulated depreciation		(13,025,558)
Capital Assets, net	\$	5,451,431

A summary of future minimum rental payments under the operating leases at June 30, 2010 is as follows:

<u>Year Ending June 30,</u>	<u>Operating Leases</u>	<u>Future Rental Income</u>
2011	\$ 682,541	\$ 193,658
2012	632,754	133,287
2013	205,000	117,398
2014	205,000	111,572
2015	205,000	65,877
2016-2020	-	23
	\$ 1,930,295	\$ 621,815

The City's rental expense and rental income for the year ended June 30, 2010 amounted to \$1,727,333 and \$340,488 respectively.

The City has entered into several agreements relating to development projects along the downtown waterfront. These agreements involve commitments by the City to make certain loan principal and interest payments, capital expenditures, including land acquisition, and site improvements, to induce private development on the waterfront.

The City has entered into a three-party agreement with the Hampton Redevelopment and Housing Authority (HRHA) and private developers related to the Harbour Center in the downtown area. The future lease commitment for this project is \$4,043,208 for the lease of the garage facility through 2018. (A portion of the garage lease payments will be offset by fees charged for parking.)

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2010**

**12. COMMITMENT AND CONTINGENCIES, Continued:**

A summary of future minimum rent payments under the operating lease with Harbour Center at June 30, 2010 is as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2011	\$ 505,401
2012	505,401
2013	505,401
2014	505,401
2015	505,401
2016-2020	<u>1,516,203</u>
	<u>\$ 4,043,208</u>

**Self-Insurance:**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City established a Risk Management Fund (internal service fund) to account for and finance its uninsured risks of loss except for medical claims which are accounted for in the General Fund.

The City and the Hampton City Schools are self-insured for a portion of their risk up to the following self-insured levels per occurrence:

	<u>City</u>	<u>Hampton City Schools</u>
Workers' Compensation	\$ 550,000	\$ 550,000
General Liability	1,000,000	1,000,000 (Auto)
Property Coverage	50,000	100,000
Medical Claims	100,000 per person/ plan year	

The City purchases commercial insurance for claims in excess of coverage provided by the funds and for all other risks of loss. Settled claims have exceeded this commercial coverage in one of the past three years.

All funds of the City participate in the program and make payments to the Risk Management and General Fund based on historical cost information. The unrestricted net assets of \$12,051,387 at June 30, 2010 are designated as a reserve for claims in the Risk Management Fund. The City accrues claims and judgments as incurred by a review of all claims on a case-by-case basis. Claims incurred, but not reported, were considered in the determination of the claims liability.

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2010**

**12. COMMITMENT AND CONTINGENCIES, Continued:**

Changes in the Funds' claims liability amount in fiscal years 2010, 2009 and 2008 were:

<u>Risk Management Fund</u>	<u>Claims Liability July 1</u>	<u>Incurred Claims</u>	<u>Claims Payment</u>	<u>Claims Liability June 30</u>
Fiscal Year 2010	\$ 3,491,324	\$ 4,076,768	\$ 2,488,272	\$ 5,079,820
Fiscal Year 2009	5,181,837	1,041,166	2,731,679	3,491,324
Fiscal Year 2008	4,642,646	1,160,713	621,522	5,181,837

<u>General Fund</u>	<u>Claims Liability July 1</u>	<u>Incurred Claims</u>	<u>Claims Payment</u>	<u>Claims Liability June 30</u>
Fiscal Year 2010	\$ (2,485)	\$ 13,693,909	\$ 13,831,286	\$ (139,862)
Fiscal Year 2009	(8,883)	13,657,170	13,650,772	(2,485)
Fiscal Year 2008	113,849	12,239,925	12,362,657	(8,883)

Various claims and lawsuits are pending against the City. In the opinion of City management, the resolutions of these cases would not involve a substantial liability to the City.

Letters of Credit:

SunTrust Bank issued two Standby Letters of Credit totaling \$5,000,000 on the behalf of the IDA in connection with its commitment under certain agreements for the development of the Bass Pro Project. During fiscal year 2005, Old Point National Bank issued a standby Letter of Credit in the amount of \$3,000,000 on the behalf of the IDA in connection with its commitment under certain agreements for the National Institute of Aerospace Associates project. The City has agreed to pay the bank upon each drawing by the beneficiary under the Letters of Credit. During the fiscal year ended June 30, 2010, no draws were made under the Letters of Credit.

**13. POST-RETIREMENT HEALTH CARE BENEFITS:**

Plan Description:

The City and Component Unit - Hampton City School Board (School Board) administer a single-employer defined benefit healthcare plan in addition to the pension benefits described in Note 9. The City and School Board Other Postemployment Benefit Plans provide post-retirement health care benefits, in accordance with the Personnel Policies and Procedures, to all full-time, salaried permanent employees and public safety officers who retire on or after attaining age 55 and 50 respectively, with at least 5 years of service, as well as to employees who qualify for a disability retirement. Currently, 730 City retirees meet these eligibility requirements. Hampton City School Board employees accumulate an unlimited number of sick leave days. The School Board's post-retirement health care plan allows employees at retirement, instead of taking payment for these sick leave days, the employee may elect to take a specified credit toward their

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2010**

**13. POST RETIREMENT HEALTH CARE BENEFITS, Continued:**

post retirement health insurance costs. During fiscal year 2010 162 employees were participating in this plan and the cost was \$380,642. Separate, stand-alone statements are not issued for this plan.

Funding Policy:

The City Council and Hampton School Board has the authority to establish and amend the funding policy of their respective plans. The employer's contribution ranges from 0% to 100% of the premiums based on the retiree's years of continuous health care coverage and the health care option selected by the retirees. The employer contributions are financed on a pay-as-you-go basis. During fiscal year 2010, the City contributed \$1,793,321, or approximately 47% of total premiums for post-retirement health care benefits. Plan members receiving benefits contributed \$2,045,647, or approximately 53% of total premiums. Member contributions are 2.4% of covered payroll. The School Board contributed \$1,385,664 in fiscal year 2010.

Annual OPEB Cost and Net OPEB Obligation:

The City and School Board's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding, that if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) on an open basis over thirty years. The following table shows the components of the City and School Board's annual OPEB cost for the year, the amount actually contributed to the plans and changes in the net OPEB obligation:

	<b>Component Unit</b>	
	<b>City of Hampton</b>	<b>School Board</b>
Annual required contribution	\$ 8,428,096	\$ 2,343,411
Interest on net OPEB obligation	539,909	120,117
Adjustment to ARC	(780,575)	(173,659)
Annual OPEB cost	8,187,430	2,289,869
Contributions made	(1,793,321)	(1,385,664)
Increase in net OPEB obligation	6,394,109	904,205
Net OPEB obligation - beginning of year	13,497,728	3,002,925
Net OPEB obligations - end of year	<u>\$ 19,891,837</u>	<u>\$ 3,907,130</u>

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2010**

**13. POST-RETIREMENT HEALTH CARE BENEFITS, Continued:**

The City and School Board's annual OPEB cost, employer contributions, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2008, 2009 and 2010 are as follows:

City of Hampton

Fiscal year ended	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2008	\$ 9,805,584	\$ 2,425,515	24%	\$ 7,380,069
June 30, 2009	7,951,044	1,833,385	23%	13,497,728
June 30, 2010	8,187,430	1,793,321	22%	19,891,837

Component Unit-School Board

Fiscal year ended	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2008	\$ 1,933,629	\$ 431,470	22%	\$ 1,502,159
June 30, 2009	2,222,109	721,343	32%	3,002,925
June 30, 2010	2,289,869	1,385,664	61%	3,907,130

Funded Status and Funding Progress:

Based on the most recent actuarial valuation dated July 1, 2010 for the City and School Board the funded status of the plans were as follows:

Actuarial accrued liability (AAL)	\$ 64,140,895	\$ 18,840,977
Actuarial value of plan assets	-	-
Unfunded actuarial accrued liability (UAAL)	<u>\$ 64,140,895</u>	<u>\$ 18,840,977</u>
Funded ratio (actuarial value of plan assets/AAL)	0%	0%
Covered payroll (active plan members)	\$ 83,000,000	\$ 114,470,663
UAAL as a percentage of covered payroll	77%	16%

Actuarial Methods and Assumptions:

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2010**

**13. POST-RETIREMENT HEALTH CARE BENEFITS, Continued:**

employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, following the notes as required supplementary information, presents information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2010 actuarial valuation for the City and School Board, the projected unit credit (PUC) cost method was used. The objective under PUC is to fund each participant's benefits under the plan as they would accrue. The unfunded actuarial liability is amortized as an open level dollar amount over a period of 30 years. A discount rate of 4% per annum net of expenses was used for an unfunded plan. Healthcare cost trend rates ranged from an initial rate of 10% for 2011 to an ultimate rate of 5.25% for the 2026 fiscal year. Retiree medical contributions are assumed to increase at the same rates as incurred claims.

**14. LEASE RECEIVABLES:**

The IDA issued Revenue Bonds (Note 8) to construct the Peninsula Workforce Development Center (PWDC). Under terms of agreements with this organization, revenue generated from the lease of the building is used to make the bond payments with the lease term being equivalent to the life of the bond. As of June 30, 2010, future lease receivable is \$10,913,610 from PWDC. The minimum lease payments for the next five years are:

<u>June 30,</u>	<u>PWDC</u>
2010	\$ 990,059
2011	990,059
2012	990,059
2013	990,059
2014	990,059

Upon completion of PWDC, \$815,183 in unearned interest income was used to offset direct costs. This amount will be allocated over the life of the lease at \$40,466 per year. As of June 30, 2010, the balance of unearned interest income associated with the PWDC is \$468,014.

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2010**

**15. RESTATED BEGINNING BALANCES:**

In fiscal year 2010, the Hampton Redevelopment and Housing Authority (HRHA) no longer met the criteria of a component unit and was removed. As a result, the beginning net assets for component units on the statement of activities for fiscal year 2010 have been restated:

Net assets, beginning of year	\$ 95,385,301
Adjustment removing HRHA as a component unit	<u>(45,427,849)</u>
Net assets, beginning of year, as restated	<u><u>\$ 49,957,452</u></u>

Additionally, the beginning nets assets on the combining statement of activities for discretely presented component units for fiscal year 2010 have been restated:

Net assets, beginning of year	\$ 95,385,301
Adjustment removing HRHA as a component unit	<u>(45,427,849)</u>
Net assets, beginning of year, as restated	<u><u>\$ 49,957,452</u></u>

**16. SUBSEQUENT EVENTS:**

On July 8, 2010, the City issued \$2,540,000 in Virginia Public School Authority Qualified School Construction Bonds. The proceeds of the bonds will be used to pay for the cost of lighting upgrades in the City schools.

**TAB**

**Required Supplementary Information Other  
Than MD&A**

**CITY OF HAMPTON, VIRGINIA**  
**SCHEDULE OF FUNDING PROGRESS - PENSION PLANS**  
**UNAUDITED**  
**Fiscal Year Ended June 30, 2010**

**Hampton Employees' Retirement System**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability Entry Age Normal Cost Method (b)	Unfunded AAL (Funding Excess) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL (Funding Excess) as a percentage of Covered Payroll ((b-a)/c)
6/30/07	\$ 166,205,076	\$ 179,789,828	\$ 13,584,752	92.4 %	\$ 24,671,868	55.1 %
6/30/08	165,961,649	179,465,512	13,503,863	92.5	25,623,273	52.7
6/30/09	155,494,920	177,893,905	22,398,985	87.4	20,815,242	107.6
6/30/10	142,584,616	176,478,838	33,894,222	80.8	17,457,017	194.0

**Virginia Retirement System**

City of Hampton

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) (b)	Unfunded AAL (Funding Excess) (b) - (a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a percentage of Covered Payroll ((b-a)/c)
6/30/06	\$ 266,208,467	\$ 342,880,605	\$ 76,672,138	77.6 %	\$ 77,859,246	98.48 %
6/30/07	300,902,577	384,657,166	83,754,589	78.2	81,418,501	102.87
6/30/08	330,128,742	413,286,693	83,157,952	79.9	84,283,138	98.66
6/30/09	333,431,262	442,241,939	108,810,677	75.4	86,570,241	125.69

Component Unit-School Board non-professional employees

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) (b)	Unfunded AAL (Funding Excess) (b) - (a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a percentage of Covered Payroll ((b-a)/c)
6/30/06	\$ 17,352,827	\$ 22,097,728	\$ 4,744,901	78.5 %	\$ 6,392,248	74.23 %
6/30/07	19,331,524	24,133,735	4,802,211	80.1	6,645,217	72.27
6/30/08	21,235,409	25,874,017	4,638,608	82.1	7,026,437	66.02
6/30/09	21,315,544	27,011,833	5,696,289	78.9	7,204,225	79.07

**CITY OF HAMPTON, VIRGINIA**  
**SCHEDULE OF FUNDING PROGRESS-**  
**POST-RETIREMENT HEALTH CARE BENEFITS**  
**UNAUDITED**  
**Fiscal Year Ended June 30, 2010**

**City of Hampton:**

City of Hampton:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)-Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
6/30/2008	-	\$81,234,951	\$ 81,234,951	0 %	\$ 86,432,077	94 %
6/30/2009	-	84,867,570	84,867,570	0	85,265,388	100
6/30/2010		64,140,895	64,140,895	0	83,000,000	77

Component Unit-School Board:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)-Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
6/30/2008	-	\$16,367,587	\$ 16,367,587	0 %	\$127,457,896	13 %
6/30/2009	-	17,099,270	17,099,270	0	122,217,007	14
6/30/2010	-	18,840,917	18,840,977	0	114,470,663	16

**TAB**

**General Fund**

**CITY OF HAMPTON, VIRGINIA  
GENERAL FUND  
BALANCE SHEET  
June 30, 2010**

**ASSETS**

Cash and cash equivalents	\$ 96,896,313
Investments	2,151,149
Accounts receivables:	
Taxes (net of allowance for uncollectible of \$1,154,983)	7,519,462
Due from other governments	9,940,777
Other	1,827,138
Due from other funds	9,310,684
Due from component units	1,004,825
Inventories	48,884
Total assets	<u>\$ 128,699,232</u>

**LIABILITIES AND FUND BALANCES**

Liabilities:	
Accounts payable	\$ 3,716,572
Accrued health insurance	8,440,729
Accrued liabilities	4,031,916
Due to other funds	5,136,593
Due to component units	62,048
Deferred revenue	5,941,110
Total liabilities	<u>27,328,968</u>
Fund balances:	
Reserved for:	
Encumbrances	1,277,852
Courthouse maintenance	797
Hazmat	11,711
Unreserved:	
Designated for succeeding year	43,517,211
Undesignated	56,562,693
Total fund balances	<u>101,370,264</u>
Total liabilities and fund balances	<u>\$ 128,699,232</u>

**CITY OF HAMPTON, VIRGINIA**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES AND OTHER CREDITS-BUDGET AND ACTUAL**  
**Fiscal Year Ended June 30, 2010**

	<b>Budget</b>	<b>Net</b>	<b>Final</b>		<b>Variance</b>
	<b>July 1, 2009</b>	<b>Changes</b>	<b>June 30, 2010</b>	<b>Actual</b>	<b>Over</b>
					<b>(Under)</b>
General property taxes:					
Real estate	\$ 118,646,750	\$ -	\$ 118,646,750	\$ 119,154,549	\$ 507,799
Real estate BID	772,285		772,285	787,626	15,341
Public service	2,574,748		2,574,748	2,827,150	252,402
Personal property	32,320,090	(15,453,929)	16,866,161	18,846,065	1,979,904
Mobile homes	41,839		41,839	47,861	6,022
Machinery and tools	1,988,680		1,988,680	2,126,834	138,154
Delinquent taxes	560,000		560,000	466,126	(93,874)
Penalty	959,000	-	959,000	988,885	29,885
Total general property taxes	<u>157,863,392</u>	<u>(15,453,929)</u>	<u>142,409,463</u>	<u>145,245,096</u>	<u>2,835,633</u>
Other local taxes:					
Utility - electric and gas	4,875,000		4,875,000	4,961,934	86,934
Communications sales tax	8,698,000		8,698,000	7,992,576	(705,424)
Tobacco	3,900,000		3,900,000	3,538,042	(361,958)
Business license	12,212,500		12,212,500	12,348,558	136,058
Short-term rental	130,000		130,000	98,082	(31,918)
Sales and use	13,711,000		13,711,000	13,589,589	(121,411)
Recordation	1,283,000		1,283,000	1,233,877	(49,123)
Public right of way	510,000		510,000	524,038	14,038
Lodging and transit	3,100,000		3,100,000	3,006,554	(93,446)
Amusement	1,305,394		1,305,394	1,197,464	(107,930)
Meal	13,826,000		13,826,000	14,416,990	590,990
Motor vehicle	3,100,000		3,100,000	3,397,724	297,724
Bank stock	357,000		357,000	452,870	95,870
License tax - pari-mutuel	112,000	-	112,000	79,814	(32,186)
Total other local taxes	<u>67,119,894</u>	<u>-</u>	<u>67,119,894</u>	<u>66,838,112</u>	<u>(281,782)</u>
License, permits and privilege fees:					
Animal licenses	20,000		20,000	53,465	33,465
Street and taxi permits	61,600		61,600	56,139	(5,461)
Zoning and land use	205,000		205,000	155,733	(49,267)
Building permits	635,000		635,000	781,192	146,192
Miscellaneous	21,600	-	21,600	31,747	10,147
Total license, permits and privilege fees	<u>943,200</u>	<u>-</u>	<u>943,200</u>	<u>1,078,276</u>	<u>135,076</u>
Total fines and forfeitures	<u>1,965,000</u>	<u>-</u>	<u>1,965,000</u>	<u>2,004,416</u>	<u>39,416</u>
Revenue from use of money and property:					
Interest on investments	749,561		749,561	353,078	(396,483)
Rental of property	135,000		135,000	139,828	4,828
Sale of materials and property	37,000		37,000	130,302	93,302
Parking fees	82,400		82,400	77,699	(4,701)
Net increase (decrease) in fair value of investments	-	-	-	(49,647)	(49,647)
Total revenue from use of money and property	<u>1,003,961</u>	<u>-</u>	<u>1,003,961</u>	<u>651,260</u>	<u>(352,701)</u>

continued

**CITY OF HAMPTON, VIRGINIA  
GENERAL FUND  
SCHEDULE OF REVENUES AND OTHER CREDITS-BUDGET AND ACTUAL  
Fiscal Year Ended June 30, 2010**

	Budget July 1, 2009	Net Changes	Final June 30, 2010	Actual	Variance Over (Under)
Charges for services:					
Fees:					
Court costs	\$ 1,000	\$ -	\$ 1,000	\$ 1,180	\$ 180
Clerk	90,436		90,436	154,552	64,116
Court officers	26,000		26,000	37,018	11,018
Parks & Recreation	2,333,200		2,333,200	2,531,037	197,837
Healthy Start/ Healthy Families	25,000		25,000	22,936	(2,064)
Animal Control	12,000		12,000	522	(11,478)
Sheriff	99,741		99,741	15,653	(84,088)
Legal services	7,200		7,200	7,200	-
Library	70,000		70,000	61,659	(8,341)
Jail admission fee	8,350		8,350	11,098	2,748
Nonconsecutive Jail Fee	-		-	41	41
Ambulance services	2,436,000		2,436,000	3,121,242	685,242
Public education grant	2,400		2,400	804	(1,596)
Passport applications	25,000		25,000	15,765	(9,235)
Miscellaneous charges for services:	12,000		12,000	26,443	14,443
Landfill host fees	600,000	-	600,000	524,462	(75,538)
Total charges for services	<u>5,748,327</u>	<u>-</u>	<u>5,748,327</u>	<u>6,531,612</u>	<u>783,285</u>
Miscellaneous revenue:					
Payment in lieu of taxes	75,000		75,000	82,551	7,551
Returned check charges	12,500		12,500	10,365	(2,135)
Unemployment fees	5,300		5,300	3,937	(1,363)
School reimbursement	1,160,518		1,160,518	1,176,018	15,500
Indirect cost	935,745		935,745	935,745	-
Other	613,570	-	613,570	981,114	367,544
Total miscellaneous revenue	<u>2,802,633</u>	<u>-</u>	<u>2,802,633</u>	<u>3,189,730</u>	<u>387,097</u>
Recovered costs:					
Jail operation	1,215,732		1,215,732	991,718	(224,014)
Probation	8,500		8,500	5,443	(3,057)
NASA fire services	906,000		906,000	906,000	-
Miscellaneous	150,000	-	150,000	162,620	12,620
Total recovered cost	<u>2,280,232</u>	<u>-</u>	<u>2,280,232</u>	<u>2,065,781</u>	<u>(214,451)</u>
Noncategorical aid - state:					
Reduction in state aid to local governments	(1,115,715)		(1,115,715)	(1,115,322)	393
Personal property tax relief act reimbursement	-	15,453,929	15,453,929	15,453,929	-
Vehicle rental	335,000		335,000	305,662	(29,338)
Railroad rolling stock tax	2,592		2,592	9,066	6,474
Mobile home titling tax	30,000		30,000	33,381	3,381
Tax on deeds	390,000	-	390,000	453,372	63,372
Total noncategorical aid - state	<u>(358,123)</u>	<u>15,453,929</u>	<u>15,095,806</u>	<u>15,140,088</u>	<u>44,282</u>
Shared expenses - state:					
Sheriff	6,460,934		6,460,934	5,505,115	(955,819)
Commonwealth Attorney	1,362,166		1,362,166	1,213,233	(148,933)
Commissioner of Revenue	329,500		329,500	286,107	(43,393)
Treasurer	314,668		314,668	268,055	(46,613)
Clerk of Courts	770,421		770,421	739,385	(31,036)
Registrar - election board	65,429		65,429	60,608	(4,821)
Medical examinations	1,000	-	1,000	-	(1,000)
Total shared expenses - state	<u>9,304,118</u>	<u>-</u>	<u>9,304,118</u>	<u>8,072,503</u>	<u>(1,231,615)</u>

continued

**CITY OF HAMPTON, VIRGINIA  
GENERAL FUND  
SCHEDULE OF REVENUES AND OTHER CREDITS-BUDGET AND ACTUAL  
Fiscal Year Ended June 30, 2010**

	<b>Budget July 1, 2009</b>	<b>Net Changes</b>	<b>Final June 30, 2010</b>	<b>Actual</b>	<b>Variance Over (Under)</b>
Categorical aid - state:					
Public assistance	\$ 4,609,525	\$ 1,119,000	\$ 5,728,525	\$ 7,241,350	\$ 1,512,825
Police	7,434,361		7,434,361	6,841,180	(593,181)
Street and highway maintenance	12,438,480	-	12,438,480	12,561,396	122,916
E911 wireless grant	400,000		400,000	429,158	29,158
Public library books	199,597		199,597	185,621	(13,976)
Virginia juvenile block grant	430,167		430,167	396,869	(33,298)
Healthy start program	<u>153,660</u>	<u>-</u>	<u>153,660</u>	<u>136,272</u>	<u>(17,388)</u>
Total categorical aid - state	<u>25,665,790</u>	<u>1,119,000</u>	<u>26,784,790</u>	<u>27,791,846</u>	<u>1,007,056</u>
Categorical aid - federal:					
Pass thru - public assistance	10,376,105	-	10,376,105	9,438,773	(937,332)
Pass thru - Federal Rad. Emergency Response	20,500		20,500	-	(20,500)
American Recovery and Reinvestment Act	<u>1,011,799</u>	<u>-</u>	<u>1,011,799</u>	<u>1,011,799</u>	<u>-</u>
Total categorical aid - federal	<u>11,408,404</u>	<u>-</u>	<u>11,408,404</u>	<u>10,450,572</u>	<u>(957,832)</u>
Noncategorical aid - federal					
Federal Share - (FEMA)	-	-		3,484	3,484
Indirect costs - total	<u>228,000</u>	<u>-</u>	<u>228,000</u>	<u>278,000</u>	<u>50,000</u>
Total noncategorical aid - federal	<u>228,000</u>	<u>-</u>	<u>228,000</u>	<u>281,484</u>	<u>53,484</u>
Total revenues	<u>285,974,828</u>	<u>1,119,000</u>	<u>287,093,828</u>	<u>289,340,776</u>	<u>2,246,948</u>
Other credits:					
Component Unit - IDA Fund	-			2,753	2,753
Component Unit - Schools	<u>2,000,000</u>	<u>-</u>	<u>2,000,000</u>	<u>2,000,000</u>	<u>-</u>
Payments from component units					
Total payments from component units	<u>2,000,000</u>	<u>-</u>	<u>2,000,000</u>	<u>2,002,753</u>	<u>2,753</u>
Total revenues	<u>287,974,828</u>	<u>1,119,000</u>	<u>289,093,828</u>	<u>291,343,529</u>	<u>2,249,701</u>
Appropriations from fund balance	6,259,295	13,455,654	19,714,949	19,714,949	-
Appropriations - encumbrances	<u>-</u>	<u>1,099,334</u>	<u>1,099,334</u>	<u>1,099,334</u>	<u>-</u>
Total appropriations	<u>6,259,295</u>	<u>14,554,988</u>	<u>20,814,283</u>	<u>20,814,283</u>	<u>-</u>
Total revenues and other credits	<u>\$ 294,234,123</u>	<u>\$ 15,673,988</u>	<u>\$ 309,908,111</u>	<u>\$ 312,157,812</u>	<u>\$ 2,249,701</u>

**THIS PAGE LEFT BLANK INTENTIONALLY**



**CITY OF HAMPTON, VIRGINIA  
GENERAL FUND  
SCHEDULE OF APPROPRIATIONS AND EXPENDITURES  
Fiscal Year Ended June 30, 2010**

	Appropriations			Expenditures				Variance Under (Over)
	Budget July 1, 2009	Net Changes	Final June 30, 2010	Personal Services	Operating Expenditures	Capital Outlay	Total	
<b>General Government</b>								
Legislative:								
Municipal Council	\$ 452,681	\$ 7,061	\$ 459,742	\$ 339,929	\$ 111,744	\$ 3,325	\$ 454,998	\$ 4,744
Legislative - Total	452,681	7,061	459,742	339,929	111,744	3,325	454,998	4,744
Executive:								
City Manager	1,157,702	26,488	1,184,190	1,005,786	98,065	11,833	1,115,684	68,506
Budget and Management Analysis	381,604	32,312	413,916	364,835	16,900	1,426	383,161	30,755
Citizens Unity Commission	147,938	1,424	149,362	92,827	46,043		138,870	10,492
Community and International Relations	705,348	45,337	750,685	562,098	134,816	1,557	698,471	52,214
Internal Audit	168,156		168,156	142,698	14,718		157,416	10,740
311 Customer Call Center	560,739	36,429	597,168	475,176	65,475	313	540,964	56,204
Executive - Total	3,121,487	141,990	3,263,477	2,643,420	376,017	15,129	3,034,566	228,911
City Attorney:								
Law - City Attorney	1,232,483	1,547	1,234,030	1,063,763	102,870	-	1,166,633	67,397
City Attorney - Total	1,232,483	1,547	1,234,030	1,063,763	102,870	-	1,166,633	67,397
Human Resources - Total	722,338	163,516	885,854	563,152	114,290	6,465	683,907	201,947
Judicial:								
Clerk of Courts	910,563	112,852	1,023,415	714,612	115,353	5,582	835,547	187,868
Circuit Court	417,972	35,201	453,173	377,348	45,214	18,305	440,867	12,306
General District Court	197,175	55,595	252,770	53,568	183,647		237,215	15,555
District Court - J.D.R.	55,940	28	55,968		42,685	2,885	45,570	10,398
Commonwealth Attorney	1,587,746	57,180	1,644,926	1,488,127	135,469	868	1,624,464	20,462
City Sheriff - Administration	1,848,014	106,591	1,954,605	1,609,055	164,322		1,773,377	181,228
City Sheriff - Jail	6,931,180	4,803	6,935,983	4,890,919	1,742,167	45,787	6,678,873	257,110
Court Service Unit	1,963,782	1,091,590	3,055,372	149,570	1,359,289	24,784	1,533,643	1,521,729
Judicial - Subtotal	13,912,372	1,463,840	15,376,212	9,283,199	3,788,146	98,211	13,169,556	2,206,656
Less amount reflected as transfers	-	(4,316)	(4,316)	-	(14,084)	-	(14,084)	9,768
Judicial - Total	13,912,372	1,459,524	15,371,896	9,283,199	3,774,062	98,211	13,155,472	2,216,424

continued

	Appropriations			Expenditures				Variance Under (Over)
	Budget July 1, 2009	Net Changes	Final June 30, 2010	Personal Services	Operating Expenditures	Capital Outlay	Total	
<b>General Government, continued:</b>								
Boards and Commissions:								
Planning	\$ 989,923	\$ 74,955	\$ 1,064,878	\$ 835,222	\$ 86,970	\$ 10,308	\$ 932,500	\$ 132,378
Elections Board	409,399	(1,957)	407,442	91,605	65,756	245,913	403,274	4,168
Registrar	228,683	5,241	233,924	191,910	14,197	1,163	207,270	26,654
Development	1,744,662	352,967	2,097,629	1,179,398	406,816	5,440	1,591,654	505,975
Neighborhood Services	663,596	45,130	708,726	536,950	97,825	-	634,775	73,951
Boards and Commissions-Subtotal	4,036,263	476,336	4,512,599	2,835,085	671,564	262,824	3,769,473	743,126
Less amount reflected as transfers	(90,400)	(122,774)	(213,174)	-	(154,079)	-	(154,079)	(59,095)
Boards and Commissions - Total	3,945,863	353,562	4,299,425	2,835,085	517,485	262,824	3,615,394	684,031
Agriculture - Extension Agent - Total	110,104	3,101	113,205	56,329	30,813	-	87,142	26,063
Nondepartmental:								
Nondepartmental	15,672,119	944,427	16,616,546	54,863	14,506,905	23,054	14,584,822	2,031,724
Civic and community support	1,005,905	48,310	1,054,215	-	1,044,215	-	1,044,215	10,000
Other	3,297,241	343,018	3,640,259	-	2,225,141	-	2,225,141	1,415,118
Nondepartmental - Subtotal	19,975,265	1,335,755	21,311,020	54,863	17,776,261	23,054	17,854,178	3,456,842
Less amount reflected as transfers	(364,655)	(82,980)	(447,635)	-	(418,776)	-	(418,776)	(28,859)
Nondepartmental - Total	19,610,610	1,252,775	20,863,385	54,863	17,357,485	23,054	17,435,402	3,427,983
Finance:								
Commissioner of Revenue	1,284,666	(29,161)	1,255,505	1,074,708	174,512	6,278	1,255,498	7
Assessor of Real Estate	1,272,211	142,722	1,414,933	1,072,717	229,967	42,342	1,345,026	69,907
City Treasurer	1,571,324	(39,849)	1,531,475	1,037,104	325,731	56,067	1,418,902	112,573
Consolidated Procurement	412,837	4,419	417,256	369,864	41,027	-	410,891	6,365
Independent Auditors	203,513	13,429	216,942	-	197,479	-	197,479	19,463
Finance	954,965	357,088	1,312,053	819,651	67,637	12,807	900,095	411,958
Information Technology	2,382,774	405,594	2,788,368	1,434,411	579,443	273,327	2,287,181	501,187
Finance - Total	8,082,290	854,242	8,936,532	5,808,455	1,615,796	390,821	7,815,072	1,121,460
Retirement and Employee Benefits Total	32,400,340	2,619,728	35,020,068	1,489,249	29,913,094	-	31,402,343	3,617,725

**CITY OF HAMPTON, VIRGINIA**  
**GENERAL FUND**  
**SCHEDULE OF APPROPRIATIONS AND EXPENDITURES**  
**Fiscal Year Ended June 30, 2010**

	Appropriations			Expenditures				Variance Under (Over)
	Budget July 1, 2009	Net Changes	Final June 30, 2010	Personal Services	Operating Expenditures	Capital Outlay	Total	
<b>General Government, concluded:</b>								
Public Works:								
Administration	\$ 323,493	\$ 156,233	\$ 479,726	\$ 316,253	\$ 47,606	\$ 14,615	\$ 378,474	\$ 101,252
Engineering	658,029	11,370	669,399	572,861	84,691	4,330	661,882	7,517
Property Maintenance	4,305,728	95,672	4,401,400	1,247,624	2,947,474	1,602	4,196,700	204,700
Parking Facilities	814,218	2,031	816,249	32,850	660,161	-	693,011	123,238
Public Works - Total	<u>6,101,468</u>	<u>265,306</u>	<u>6,366,774</u>	<u>2,169,588</u>	<u>3,739,932</u>	<u>20,547</u>	<u>5,930,067</u>	<u>436,707</u>
<b>General Government - Total</b>	<u>89,692,036</u>	<u>7,122,352</u>	<u>96,814,388</u>	<u>26,307,032</u>	<u>57,653,588</u>	<u>820,376</u>	<u>84,780,996</u>	<u>12,033,392</u>
<b>Public Safety:</b>								
Police Division	21,659,380	240,724	21,900,104	17,239,626	3,821,461		21,061,087	839,017
Traffic Engineering	2,994,746	3,714	2,998,460	797,843	2,119,299	18,911	2,936,053	62,407
Fire Division	16,375,112	498,581	16,873,693	13,978,355	2,694,864	137,594	16,810,813	62,880
Codes Compliance	2,029,030	14,407	2,043,437	1,685,857	267,434		1,953,291	90,146
E911	2,894,203	(135,709)	2,758,494	2,111,886	348,776	49,614	2,510,276	248,218
Animal Control	826,220	3,515	829,735	262,802	516,752	-	779,554	50,181
Public Safety - Subtotal	<u>46,778,691</u>	<u>625,232</u>	<u>47,403,923</u>	<u>36,076,369</u>	<u>9,768,586</u>	<u>206,119</u>	<u>46,051,074</u>	<u>1,352,849</u>
Less amount reflected as transfers	-	(163,727)	(163,727)	-	(253,903)	-	(253,903)	90,176
<b>Public Safety - Total</b>	<u>46,778,691</u>	<u>461,505</u>	<u>47,240,196</u>	<u>36,076,369</u>	<u>9,514,683</u>	<u>206,119</u>	<u>45,797,171</u>	<u>1,443,025</u>
<b>Highways and Streets - Total</b>	<u>2,387,936</u>	<u>51,177</u>	<u>2,439,113</u>	<u>1,299,489</u>	<u>889,498</u>	<u>11,389</u>	<u>2,200,376</u>	<u>238,737</u>

continued

	Appropriations			Expenditures				Variance Under (Over)
	Budget July 1, 2009	Net Changes	Final June 30, 2010	Personal Services	Other Expenditures	Capital Outlay	Total	
<b>Health:</b>								
Preventive Medicine	\$ 1,442,300	\$ 19,124	\$ 1,461,424	\$ -	\$ 1,353,848	\$ -	\$ 1,353,848	\$ 107,576
Drainage Maintenance	1,480,224	17,774	1,497,998	838,970	508,128	7,774	1,354,872	143,126
<b>Health - Total</b>	<u>2,922,524</u>	<u>36,898</u>	<u>2,959,422</u>	<u>838,970</u>	<u>1,861,976</u>	<u>7,774</u>	<u>2,708,720</u>	<u>250,702</u>
<b>Human Services:</b>								
Administration	11,341,686	(645,906)	10,695,780	6,973,089	3,719,299	3,319	10,695,707	73
Employment Services		91,032	91,032	89,075	1,957		91,032	-
Public Assistance	766,441	(25,000)	741,441		739,564		739,564	1,877
Purchase of Services	5,798,674	1,893,356	7,692,030		7,692,030		7,692,030	-
Emergency Fuel		9,427	9,427	9,427	-		9,427	-
VISTA (Volunteers in Service to America)	440,330	(85,023)	355,307	187,587	165,742	1,350	354,679	628
Healthy Families Partnership	2,316,816	99,853	2,416,669	1,794,299	360,413	14,580	2,169,292	247,377
Coalition for Youth	832,003	80,624	912,627	360,062	432,730	52,770	845,562	67,065
<b>Human Services - Total</b>	<u>21,495,950</u>	<u>1,418,363</u>	<u>22,914,313</u>	<u>9,413,539</u>	<u>13,111,735</u>	<u>72,019</u>	<u>22,597,293</u>	<u>317,020</u>
<b>Culture and Recreation:</b>								
Recreation	4,094,620	406,157	4,500,777	3,364,787	979,313	7,252	4,351,352	149,425
Parks	6,062,076	147,827	6,209,903	2,983,392	2,843,063	44,500	5,870,955	338,948
Conventions and Tourism	2,646,641	591,155	3,237,796	970,457	2,196,686	9,987	3,177,130	60,666
Hampton History Museum	328,740	70,886	399,626	202,768	171,905	1,469	376,142	23,484
Culture and Recreation - Subtotal	<u>13,132,077</u>	<u>1,216,025</u>	<u>14,348,102</u>	<u>7,521,404</u>	<u>6,190,967</u>	<u>63,208</u>	<u>13,775,579</u>	<u>572,523</u>
Less amount reflected as transfers	-	-	-	-	-	-	-	-
<b>Culture and Recreation - Total</b>	<u>13,132,077</u>	<u>1,216,025</u>	<u>14,348,102</u>	<u>7,521,404</u>	<u>6,190,967</u>	<u>63,208</u>	<u>13,775,579</u>	<u>572,523</u>

**CITY OF HAMPTON, VIRGINIA  
GENERAL FUND  
SCHEDULE OF APPROPRIATIONS AND EXPENDITURES  
Fiscal Year Ended June 30, 2010**

	Appropriations			Expenditures				Variance Under (Over)
	Budget July 1, 2009	Net Changes	Final June 30, 2010	Personal Services	Other Expenditures	Capital Outlay	Total	
<b>Education:</b>								
School Operations	\$ 68,051,707	\$ -	\$ 68,051,707	\$ -	\$ 68,051,707	\$ -	\$ 68,051,707	\$ -
Public Library	2,223,795	65,889	2,289,684	1,472,152	736,746	53,150	2,262,048	27,636
Education - Subtotal	70,275,502	65,889	70,341,391	1,472,152	68,788,453	53,150	70,313,755	27,636
Less amount reflected as transfers	-	-	-	-	(9)	-	(9)	9
<b>Education - Total</b>	<u>70,275,502</u>	<u>65,889</u>	<u>70,341,391</u>	<u>1,472,152</u>	<u>68,788,444</u>	<u>53,150</u>	<u>70,313,746</u>	<u>27,645</u>
<b>Total expenditures</b>	<u>246,684,716</u>	<u>10,372,209</u>	<u>257,056,925</u>	<u>82,928,955</u>	<u>158,010,891</u>	<u>1,234,035</u>	<u>242,173,881</u>	<u>14,883,044</u>
<b>Operating Transfers Out:</b>								
Capital Projects Funds	8,522,500	3,778,696	12,301,196		8,840,616		8,840,616	3,460,580
Enterprise Funds	8,361,792	162,486	8,524,278		8,521,783		8,521,783	2,495
Special Revenue Funds	2,540,696	102,231	2,642,927		2,501,854		2,501,854	141,073
Debt Service Funds	28,052,419	(19,486)	28,032,933	-	27,196,999	-	27,196,999	835,934
<b>Transfers - Total</b>	<u>47,477,407</u>	<u>4,023,927</u>	<u>51,501,334</u>	<u>-</u>	<u>47,061,252</u>	<u>-</u>	<u>47,061,252</u>	<u>4,440,082</u>
<b>Total expenditures and transfers</b>	<u>\$ 294,162,123</u>	<u>\$ 14,396,136</u>	<u>\$ 308,558,259</u>	<u>\$ 82,928,955</u>	<u>\$ 205,072,143</u>	<u>\$ 1,234,035</u>	<u>\$ 289,235,133</u>	<u>\$ 19,323,126</u>

**TAB**

**Non-Major Governmental Funds**

**THIS PAGE LEFT BLANK INTENTIONALLY**



**CITY OF HAMPTON, VIRGINIA  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
June 30, 2010**

	Special Revenue		
	Federal Grants	Community Development	EXCEL
<b>ASSETS</b>			
Cash and cash equivalents	\$ -	\$ 806,804	\$ 246,418
Accounts receivables:			
Due from other governments	4,808,862	176,500	118,503
Other	15,702	174	
Notes receivable		24,928	
Due from other funds	<u>153,441</u>	<u>7</u>	<u>180</u>
Total assets	<u>\$ 4,978,005</u>	<u>\$ 1,008,413</u>	<u>\$ 365,101</u>
 <b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 1,213,881	\$ 263,520	\$ 37,910
Accrued liabilities	97,084	11,332	13,813
Due to other funds	2,182,329		
Due to component units	7,500		
Deferred revenue	<u>133,101</u>	<u>733,561</u>	<u>4,262</u>
Total liabilities	<u>3,633,895</u>	<u>1,008,413</u>	<u>55,985</u>
Fund balances:			
Reserved for grants compliance	1,344,110		
Unreserved:			
Designated for:			
Specific projects - Permanent fund			
Specific projects			309,116
Undesignated	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>1,344,110</u>	<u>-</u>	<u>309,116</u>
Total liabilities and fund balances	<u>\$ 4,978,005</u>	<u>\$ 1,008,413</u>	<u>\$ 365,101</u>

Exhibit C-1

Special Revenue					Permanent Fund		
Stormwater Management	Pembroke Complex	Law Library	Peninsula Town Center CDA	H2O CDA	Pearl I. Young	Total Non-major Governmental Funds	
\$ 4,635,868	\$ 42,611	\$ 120,312	\$ 138,486	\$ 10,255	\$ 66,700	\$ 6,067,454	
							5,103,865
257,185		16			9		273,086
							24,928
1,591	-	-	-	-	-		155,219
<u>\$ 4,894,644</u>	<u>\$ 42,611</u>	<u>\$ 120,328</u>	<u>\$ 138,486</u>	<u>\$ 10,255</u>	<u>\$ 66,709</u>	<u>\$ 11,624,552</u>	
\$ 40,263	\$ 15,913	\$ 244	\$ 138,486	\$ 10,255	\$ -	\$ 1,720,472	
64,189	2,901	298				189,617	
132,983						2,315,312	
						7,500	
257,185	-	-	-	-	-	1,128,109	
<u>494,620</u>	<u>18,814</u>	<u>542</u>	<u>138,486</u>	<u>10,255</u>	<u>-</u>	<u>5,361,010</u>	
							1,344,110
					66,709	66,709	
	23,797	119,786				452,699	
4,400,024	-	-	-	-	-	4,400,024	
<u>4,400,024</u>	<u>23,797</u>	<u>119,786</u>	<u>-</u>	<u>-</u>	<u>66,709</u>	<u>6,263,542</u>	
<u>\$ 4,894,644</u>	<u>\$ 42,611</u>	<u>\$ 120,328</u>	<u>\$ 138,486</u>	<u>\$ 10,255</u>	<u>\$ 66,709</u>	<u>\$ 11,624,552</u>	

**CITY OF HAMPTON, VIRGINIA  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
For the Year Ended June 30, 2010**

	<u>Special Revenue</u>		
	<u>Federal Grants</u>	<u>Community Development</u>	<u>EXCEL</u>
<b>REVENUES</b>			
Other local taxes	\$ -	\$ -	\$ 1,327,423
Special Assessment			
Intergovernmental revenues:			
From the Commonwealth of Virginia	10,313,240		5,000
From the Federal government	4,084,277	1,636,379	
Revenues from use of money and property	1,656		23,490
Charges for services			
Miscellaneous	310,610	833,466	384,189
Total revenues	<u>14,709,783</u>	<u>2,469,845</u>	<u>1,740,102</u>
<b>EXPENDITURES</b>			
Current:			
General government	2,841,604	2,469,845	257,854
Public safety	4,924,458		
Sanitation			
Human services	8,590,160		
Culture and recreation	189,953		1,486,591
Total expenditures	<u>16,546,175</u>	<u>2,469,845</u>	<u>1,744,445</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,836,392)</u>	<u>-</u>	<u>(4,343)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	2,452,596		47,617
Transfers out	-	-	-
Net other financing sources (uses)	<u>2,452,596</u>	<u>-</u>	<u>47,617</u>
<b>Net change in fund balances</b>	616,204		43,274
<b>Fund balances, beginning of year</b>	<u>727,906</u>	<u>-</u>	<u>265,842</u>
<b>Fund balances, end of year</b>	<u>\$ 1,344,110</u>	<u>\$ -</u>	<u>\$ 309,116</u>

Special Revenue					Permanent Fund		
Stormwater Management	Pembroke Complex	Law Library	Peninsula Town Center - CDA	H20 - CDA	Pearl I. Young	Total Non-major Governmental Funds	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,327,423	
			276,972	287,607		564,579	
						10,318,240	
						5,720,656	
	371,872	335			181	397,534	
4,822,160						4,822,160	
126	-	48,358	-	-	-	1,576,749	
<u>4,822,286</u>	<u>371,872</u>	<u>48,693</u>	<u>276,972</u>	<u>287,607</u>	<u>181</u>	<u>24,727,341</u>	
						6,570,990	
	390,543	46,565	276,972	287,607		4,924,458	
3,454,831						3,454,831	
						8,590,160	
						1,676,544	
<u>3,454,831</u>	<u>390,543</u>	<u>46,565</u>	<u>276,972</u>	<u>287,607</u>	<u>-</u>	<u>25,216,983</u>	
<u>1,367,455</u>	<u>(18,671)</u>	<u>2,128</u>	<u>-</u>	<u>-</u>	<u>181</u>	<u>(489,642)</u>	
						2,500,213	
(974,282)	-	-	-	-	-	(974,282)	
<u>(974,282)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,525,931</u>	
						1,036,289	
393,173	(18,671)	2,128	-	-	181		
<u>4,006,851</u>	<u>42,468</u>	<u>117,658</u>	<u>-</u>	<u>-</u>	<u>66,528</u>	<u>5,227,253</u>	
<u>\$ 4,400,024</u>	<u>\$ 23,797</u>	<u>\$ 119,786</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 66,709</u>	<u>\$ 6,263,542</u>	

**THIS PAGE LEFT BLANK INTENTIONALLY**



**TAB**

**Non-Major Enterprise Funds**

**CITY OF HAMPTON, VIRGINIA**  
**NON-MAJOR ENTERPRISE FUNDS**  
**COMBINING STATEMENT OF NET ASSETS**  
**June 30, 2010**

	Business-Type Activities - Non-Major Enterprise Funds				Totals
	Coliseum	Woodlands	Solid Waste	Refuse-Steam Plant	
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ 5,680,952	\$ 800	\$ 3,143,068	\$ 1,379,505	\$ 10,204,325
Accounts receivable	251,772	8,213	2,483,410	216,143	2,959,538
Due from other funds		108	50	276	434
Due from component units			24,017		24,017
Inventories	53,844	24,039	-	-	77,883
Total current assets	<u>5,986,568</u>	<u>33,160</u>	<u>5,650,545</u>	<u>1,595,924</u>	<u>13,266,197</u>
Noncurrent assets:					
Capital assets:					
Land and improvements	164,079	2,295,538	945,188		3,404,805
Buildings and improvements	12,729,463	1,001,826			13,731,289
Improvements other than buildings	3,598,057	661,032	2,971	20,839,946	25,102,006
Equipment	1,084,911	405,635	11,411,700	3,276,841	16,179,087
Landfill			3,865,986	-	3,865,986
Construction in progress	556,923				556,923
Less accumulated depreciation	<u>(12,933,717)</u>	<u>(1,460,562)</u>	<u>(10,710,734)</u>	<u>(15,567,008)</u>	<u>(40,672,021)</u>
Net capital assets	<u>5,199,716</u>	<u>2,903,469</u>	<u>5,515,111</u>	<u>8,549,779</u>	<u>22,168,075</u>
Total noncurrent assets	<u>5,199,716</u>	<u>2,903,469</u>	<u>5,515,111</u>	<u>8,549,779</u>	<u>22,168,075</u>
Total assets	<u>\$ 11,186,284</u>	<u>\$ 2,936,629</u>	<u>\$ 11,165,656</u>	<u>\$ 10,145,703</u>	<u>\$ 35,434,272</u>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	\$ 151,885	\$ 21,331	\$ 382,431	\$ 76,610	\$ 632,257
Accrued interest payable				62,898	62,898
Accrued leave	41,954	7,250	47,770	65,526	162,500
Due to other funds	4,491	1,503,049			1,507,540
Deferred revenue	419,651	9,100			428,751
Current portion of long-term debt	9,030				9,030
Other liabilities	261,781	14,921	87,599	48,910	413,211
Total current liabilities	<u>888,792</u>	<u>1,555,651</u>	<u>517,800</u>	<u>253,944</u>	<u>3,216,187</u>
Noncurrent liabilities:					
Accrued leave	69,753	16,852	205,205	48,046	339,856
Obligations under capital leases	14,043				14,043
Advances from other funds	-	-	-	5,243,348	5,243,348
Total noncurrent liabilities	<u>83,796</u>	<u>16,852</u>	<u>205,205</u>	<u>5,291,394</u>	<u>5,597,247</u>
Total liabilities	<u>972,588</u>	<u>1,572,503</u>	<u>723,005</u>	<u>5,545,338</u>	<u>8,813,434</u>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	5,176,643	2,903,469	5,515,111	8,549,779	22,145,002
Unrestricted	<u>5,037,053</u>	<u>(1,539,343)</u>	<u>4,927,540</u>	<u>(3,949,414)</u>	<u>4,475,836</u>
Total net assets	<u>10,213,696</u>	<u>1,364,126</u>	<u>10,442,651</u>	<u>4,600,365</u>	<u>26,620,838</u>
Total liabilities and net assets	<u>\$ 11,186,284</u>	<u>\$ 2,936,629</u>	<u>\$ 11,165,656</u>	<u>\$ 10,145,703</u>	<u>\$ 35,434,272</u>

**CITY OF HAMPTON, VIRGINIA**  
**NON-MAJOR ENTERPRISE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**Fiscal Year Ended June 30, 2010**

	Business-Type Activities - Non-Major Enterprise Funds				Totals
	Coliseum	Woodlands	Solid Waste	Refuse-Steam Plant	
<b>Operating revenues:</b>					
Charges for services	\$ 9,233,166	\$ 696,396	\$ 9,935,674	\$ 7,532,716	\$ 27,397,952
Total operating revenues	<u>9,233,166</u>	<u>696,396</u>	<u>9,935,674</u>	<u>7,532,716</u>	<u>27,397,952</u>
<b>Operating expenses:</b>					
Personal services	1,277,471	329,201	2,257,791	1,608,405	5,472,868
Fringe benefits	389,110	103,115	919,362	574,823	1,986,410
Promoter fees	4,079,237				4,079,237
City-sponsored events	881,458				881,458
Cost of goods sold	228,384	35,958			264,342
Utilities	279,537	73,723	1,401	510,404	865,065
Insurance	191,060	19,217	173,681	248,553	632,511
Operating supplies	116,383	64,651	80,191	590,243	851,468
Equipment rental	12,039	38,160		7,371	57,570
Equipment and building repairs	143,246	30,196	864,351	1,104,009	2,141,802
Telephone and postage	20,064	3,880	2,971	20,140	47,055
General expense	664,940	1,056	483,032	35,440	1,184,468
Landfill costs			3,180,802	676,149	3,856,951
Contractual services	309,409	38,817	365,738	85,388	799,352
Indirect cost	-		356,470	218,000	574,470
Depreciation and amortization	459,397	80,752	525,172	797,326	1,862,647
Total operating expenses	<u>9,051,735</u>	<u>818,726</u>	<u>9,210,962</u>	<u>6,476,251</u>	<u>25,557,674</u>
Operating income (loss)	<u>181,431</u>	<u>(122,330)</u>	<u>724,712</u>	<u>1,056,465</u>	<u>1,840,278</u>
<b>Nonoperating revenues (expenses):</b>					
Interest income				2,525	2,525
Interest and fiscal charges	(381)			(260,777)	(261,158)
Other			-	1,450	1,450
Gain (loss) on sale of capital assets	(29,928)	-	63,761	-	33,833
Total nonoperating revenues (expenses)	<u>(30,309)</u>	<u>-</u>	<u>63,761</u>	<u>(256,802)</u>	<u>(223,350)</u>
Income (loss) before transfers and capital contributions	151,122	(122,330)	788,473	799,663	1,616,928
Transfers in (out)	-	-	(55,000)	-	(55,000)
<b>Change in net assets</b>	151,122	(122,330)	733,473	799,663	1,561,928
<b>Net assets, beginning of year</b>	<u>10,062,574</u>	<u>1,486,456</u>	<u>9,709,178</u>	<u>3,800,702</u>	<u>25,058,910</u>
<b>Net assets, end of year</b>	<u>\$ 10,213,696</u>	<u>\$ 1,364,126</u>	<u>\$ 10,442,651</u>	<u>\$ 4,600,365</u>	<u>\$ 26,620,838</u>

**CITY OF HAMPTON, VIRGINIA  
NON-MAJOR ENTERPRISE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
Fiscal Year Ended June 30, 2010**

	Coliseum	Woodlands	Solid Waste	Refuse-Steam Plant	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash received from customers	\$ 9,469,900	\$ 688,100	\$ 9,934,354	\$ 7,436,524	\$ 27,528,878
Cash payments to suppliers for goods and services	(7,305,803)	(452,212)	(6,901,222)	(4,096,423)	(18,755,660)
Cash payments to employees for services	(1,253,838)	(235,886)	(2,232,885)	(1,686,546)	(5,409,155)
Net cash provided by (used in) operating activities	<u>910,259</u>	<u>2</u>	<u>800,247</u>	<u>1,653,555</u>	<u>3,364,063</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Operating transfers out to other funds	-	-	(55,000)	-	(55,000)
Net cash provided by (used in) noncapital financing activities	<u>-</u>	<u>-</u>	<u>(55,000)</u>	<u>-</u>	<u>(55,000)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Acquisition and construction of capital assets	(465,653)	(2)	(2,625,337)	(517,392)	(3,608,384)
Principal paid on revenue bond maturities and long-term debt	(4,419)	-	-	(288,048)	(292,467)
Interest paid on revenue bonds and long-term debt	(381)	-	-	(263,839)	(264,220)
Net cash provided by (used in) capital and related financing activities	<u>(470,453)</u>	<u>(2)</u>	<u>(2,625,337)</u>	<u>(1,069,279)</u>	<u>(4,165,071)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest and dividends on investments	-	-	-	2,890	2,890
Net cash provided by (used in) investing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,890</u>	<u>2,890</u>
Net increase (decrease) in cash and cash equivalents (including restricted amounts)	439,806	-	(1,880,090)	587,166	(853,118)
Cash and cash equivalents, July 1	5,241,146	800	5,023,158	792,339	11,057,443
Cash and cash equivalents, June 30	<u>\$ 5,680,952</u>	<u>\$ 800</u>	<u>\$ 3,143,068</u>	<u>\$ 1,379,505</u>	<u>\$ 10,204,325</u>
Operating income (loss)	<u>\$ 181,431</u>	<u>\$ (122,330)</u>	<u>\$ 724,712</u>	<u>\$ 1,056,465</u>	<u>\$ 1,840,278</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization expense	459,397	80,752	525,172	797,326	1,862,647
Decrease (increase) in:					
Accounts receivable	(174,373)	(2,393)	(31,321)	(97,001)	(305,088)
Due from other funds	123,743	237	30,001	(276)	153,705
Inventories	(1,621)	(1,567)	-	-	(3,188)
Increase (decrease) in:					
Accounts payable	(127,856)	(15,343)	(191,367)	(25,903)	(360,469)
Accrued leave	(11,727)	(2,371)	(33,726)	12,852	(34,972)
Due to other funds	(50,000)	71,144	(281,856)	(61,630)	(322,342)
Other liabilities	81,665	(2,133)	27,313	(3,372)	103,473
Nonoperating revenues reported as operating	-	-	-	1,450	1,450
Deferred revenue	411,107	(6,140)	-	-	404,967
Accounts receivable reported as nonoperating activities	-	-	-	(365)	(365)
Accounts payable reported as nonoperating activities	-	-	-	-	-
Long-term accrued leave reported as operating activity	18,493	146	31,319	(25,991)	23,967
Total adjustments	<u>728,828</u>	<u>122,332</u>	<u>75,535</u>	<u>597,090</u>	<u>1,523,785</u>
Net cash provided by (used in) operating activities	<u>\$ 910,259</u>	<u>\$ 2</u>	<u>\$ 800,247</u>	<u>\$ 1,653,555</u>	<u>\$ 3,364,063</u>

**THIS PAGE LEFT BLANK INTENTIONALLY**



**TAB**

**Internal Service Funds**

**CITY OF HAMPTON, VIRGINIA**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF NET ASSETS**  
**June 30, 2010**

<b>ASSETS</b>	Equipment Replacement	Fleet Management	Risk Management	Information Technology	Totals
Current assets:					
Cash and cash equivalents	\$ 11,158,779	\$ 928,537	\$ 17,010,455	\$ 302,935	\$ 29,400,706
Cash with fiscal agent			300,000		300,000
Accounts receivable	543,968	16,254	2,268	13,125	575,615
Due from other funds	2,345	35,277	800	8,473	46,895
Due from component units		240,823		400	241,223
Prepaid expense			61,793	313,760	375,553
Inventories	-	111,273	-	-	111,273
Total current assets	<u>11,705,092</u>	<u>1,332,164</u>	<u>17,375,316</u>	<u>638,693</u>	<u>31,051,265</u>
Noncurrent assets:					
Capital assets					
Improvements other than buildings		90,473			90,473
Computer software	14,400				14,400
Equipment	30,037,211	806,859	31,524	1,475,415	32,351,009
Less accumulated depreciation	<u>(21,542,613)</u>	<u>(606,064)</u>	<u>(19,670)</u>	<u>(371,929)</u>	<u>(22,540,276)</u>
Total noncurrent assets (net capital assets)	<u>8,508,998</u>	<u>291,268</u>	<u>11,854</u>	<u>1,103,486</u>	<u>9,915,606</u>
Total assets	<u>\$ 20,214,090</u>	<u>\$ 1,623,432</u>	<u>\$ 17,387,170</u>	<u>\$ 1,742,179</u>	<u>\$ 40,966,871</u>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	\$ 27,512	\$ 334,946	\$ 211,085	\$ 114,593	\$ 688,136
Accrued leave		39,017	14,066	22,917	76,000
Due to other funds		323	344	624	1,291
Deferred revenue			-	37,303	37,303
Current portion of long-term debt	121,408		4,447,877	262,670	4,831,955
Other liabilities	-	31,324	7,645	21,370	60,339
Total current liabilities	<u>148,920</u>	<u>405,610</u>	<u>4,681,017</u>	<u>459,477</u>	<u>5,695,024</u>
Noncurrent liabilities:					
Claims payable			631,944		631,944
Accrued leave		87,081	10,968	11,047	109,096
Obligations under capital leases	813,122	-	-	-	813,122
Total noncurrent liabilities	<u>813,122</u>	<u>87,081</u>	<u>642,912</u>	<u>11,047</u>	<u>1,554,162</u>
Total liabilities	<u>962,042</u>	<u>492,691</u>	<u>5,323,929</u>	<u>470,524</u>	<u>7,249,186</u>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	7,574,468	291,268	11,854	840,816	8,718,406
Unrestricted	11,677,580	839,473	12,051,387	430,839	24,999,279
Total net assets	<u>19,252,048</u>	<u>1,130,741</u>	<u>12,063,241</u>	<u>1,271,655</u>	<u>33,717,685</u>
Total liabilities and net assets	<u>\$ 20,214,090</u>	<u>\$ 1,623,432</u>	<u>\$ 17,387,170</u>	<u>\$ 1,742,179</u>	<u>\$ 40,966,871</u>

**CITY OF HAMPTON, VIRGINIA**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**Fiscal Year Ended June 30, 2010**

	Equipment Replacement	Fleet Management	Risk Management	Information Technology	Totals
<b>Operating revenues:</b>					
Charges for services	\$ 1,478,713	\$ 5,889,276	\$ 6,577,331	\$ 1,830,454	\$ 15,775,774
<b>Operating expenses:</b>					
Personal services		917,093	226,274	320,039	1,463,406
Fringe benefits		371,367	75,042	108,158	554,567
Cost of goods sold		3,937,808			3,937,808
Utilities		57,790			57,790
Insurance		44,636	1,850,751	3,665	1,899,052
Operating supplies		81,858	2,573	87,853	172,284
Equipment rental		7,559	24,557	62,104	94,220
Equipment and building repairs		55,213	595	157,760	213,568
Telephone and postage		8,081	3,209	879,799	891,089
General expense	7,216	35,923	12,970	34,364	90,473
Claims			4,609,537		4,609,537
Contractual services		116,929		3,601	120,530
Depreciation and amortization	2,192,953	39,901	4,581	97,168	2,334,603
Total operating expenses	2,200,169	5,674,158	6,810,089	1,754,511	16,438,927
Operating income (loss)	(721,456)	215,118	(232,758)	75,943	(663,153)
<b>Nonoperating revenues (expenses):</b>					
Interest income	32,352		51,841	1,022	85,215
Interest and fiscal charges	(30,444)			(26,313)	(56,757)
Other	-	3,342	-	-	3,342
Gain (loss) on sale of capital assets	27,020	-	-	-	27,020
Total nonoperating revenues (expenses)	28,928	3,342	51,841	(25,291)	58,820
Income (loss) before transfers and capital contributions	(692,528)	218,460	(180,917)	50,652	(604,333)
Capital contributions	-		-	-	-
Transfers in (out)	-	-	-	-	-
<b>Change in net assets</b>	(692,528)	218,460	(180,917)	50,652	(604,333)
<b>Net assets, beginning of year</b>	19,944,576	912,281	12,244,158	1,221,003	34,322,018
<b>Net assets, end of year</b>	\$ 19,252,048	\$ 1,130,741	\$ 12,063,241	\$ 1,271,655	\$ 33,717,685

**THIS PAGE LEFT BLANK INTENTIONALLY**



**CITY OF HAMPTON, VIRGINIA**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF CASH FLOWS**  
**Fiscal Year Ended June 30, 2010**

	Equipment Replacement	Fleet Management	Risk Management	Information Technology	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash received from customers	\$ 1,157,370	\$ 6,296,024	\$ 6,581,285	\$ 1,942,176	\$ 15,976,855
Cash payments to suppliers for goods and services	(7,216)	(4,264,344)	(5,096,209)	(1,558,683)	(10,926,452)
Cash payments to employees for services	-	(1,259,537)	(222,471)	(312,050)	(1,794,058)
Net cash provided by (used in) operating activities	<u>1,150,154</u>	<u>772,143</u>	<u>1,262,605</u>	<u>71,443</u>	<u>3,256,345</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Operating transfers in from other funds	(111,386)	-	-	-	(111,386)
Net cash provided by (used in) noncapital financing activities	<u>(111,386)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(111,386)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Acquisition and construction of capital assets	(1,737,771)	(12,382)	-	(1,046)	(1,751,199)
Proceeds from issuance on long-term debt	541,421				541,421
Principal paid on revenue bond maturities and long-term debt	(95,265)			(249,844)	(345,109)
Interest paid on revenue bonds and long-term debt	(30,444)			(26,313)	(56,757)
Proceeds from sale of capital assets	27,020	-	-	-	27,020
Net cash provided by (used in) capital and related financing activities	<u>(1,295,039)</u>	<u>(12,382)</u>	<u>-</u>	<u>(277,203)</u>	<u>(1,584,624)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest and dividends on investments	35,268	-	51,841	1,022	88,131
Net cash provided by (used in) investing activities	<u>35,268</u>	<u>-</u>	<u>51,841</u>	<u>1,022</u>	<u>88,131</u>
Net increase (decrease) in cash and cash equivalents (including restricted amounts)	(221,003)	759,761	1,314,446	(204,738)	1,648,466
Cash and cash equivalents, July 1	<u>11,379,782</u>	<u>168,776</u>	<u>15,996,009</u>	<u>507,673</u>	<u>28,052,240</u>
Cash and cash equivalents, June 30	<u>\$ 11,158,779</u>	<u>\$ 928,537</u>	<u>\$ 17,310,455</u>	<u>\$ 302,935</u>	<u>\$ 29,700,706</u>

continued

**Exhibit E-3**

	Equipment Replacement	Fleet Management	Risk Management	Information Technology	Totals
Operating income (loss)	\$ (721,456)	\$ 215,118	\$ (232,758)	\$ 75,943	\$ (663,153)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization expense	2,192,953	39,901	4,581	97,168	2,334,603
Decrease (increase) in:					
Accounts receivable	(539,355)	(14,048)	3,954	3,609	(545,840)
Due from other funds	220,928	540,632	2,286	117,099	880,945
Due from component units		(119,836)	-	(400)	(120,236)
Inventories		127,044			127,044
Prepaid expenses			7,816	(274,427)	(266,611)
Increase (decrease) in:					
Accounts payable	(442,110)	52,643	(115,574)	57,984	(447,057)
Accrued leave		(7,810)	4,672	7,165	4,027
Due to other funds	(111,386)	(98,234)	(4,286)	(4,936)	(218,842)
Other liabilities		2,448	910	11,150	14,508
Deferred revenue				(8,585)	(8,585)
Current portion of long-term accrued claims reported as operating activity			1,432,764		1,432,764
Accounts receivable reported as nonoperating activities	(2,916)				(2,916)
Due to other funds reported as nonoperating activities	111,386				111,386
Accounts payable reported as nonoperating activities	442,110				442,110
Long-term accrued leave reported as operating activities		34,285	2,507	(10,327)	26,465
Long-term accrued insurance claims reported as operating activity	-	-	155,733	-	155,733
Total adjustments	<u>1,871,610</u>	<u>557,025</u>	<u>1,495,363</u>	<u>(4,500)</u>	<u>3,919,498</u>
Net cash provided by (used in) operating activities	<u>\$ 1,150,154</u>	<u>\$ 772,143</u>	<u>\$ 1,262,605</u>	<u>\$ 71,443</u>	<u>\$ 3,256,345</u>

**THIS PAGE LEFT BLANK INTENTIONALLY**



**TAB**

**Fiduciary Funds**

**CITY OF HAMPTON, VIRGINIA  
FIDUCIARY FUNDS  
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
Fiscal Year Ended June 30, 2010**

	<u>Balance, July 1, 2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance, June 30, 2010</u>
<b><u>Special Welfare Fund</u></b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 218,154	\$ 209,046	\$ 263,517	\$ 163,683
Accounts receivable	39	-	39	-
	<u>\$ 218,193</u>	<u>\$ 209,046</u>	<u>\$ 263,556</u>	<u>\$ 163,683</u>
<b>LIABILITIES</b>				
Deposits	\$ 210,229	213,010	\$ 266,457	\$ 156,782
Accounts payable	7,964	14,320	15,383	6,901
	<u>\$ 218,193</u>	<u>\$ 227,330</u>	<u>\$ 281,840</u>	<u>\$ 163,683</u>
<b><u>Agency Fund</u></b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 930,151	\$ 602,939	\$ 557,093	\$ 975,997
Accounts receivable	-	8,128	7,855	273
	<u>\$ 930,151</u>	<u>\$ 611,067</u>	<u>\$ 564,948</u>	<u>\$ 976,270</u>
<b>LIABILITIES</b>				
Deposits	\$ 878,154	\$ 434,368	\$ 367,807	\$ 944,715
Accounts payable	51,997	675,893	696,335	31,555
	<u>\$ 930,151</u>	<u>\$ 1,110,261</u>	<u>\$ 1,064,142</u>	<u>\$ 976,270</u>
<b><u>Total - All Agency Funds</u></b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,148,305	\$ 811,985	\$ 820,610	\$ 1,139,680
Accounts receivable	39	8,128	7,894	273
	<u>\$ 1,148,344</u>	<u>\$ 820,113</u>	<u>\$ 828,504</u>	<u>\$ 1,139,953</u>
<b>LIABILITIES</b>				
Deposits	\$ 1,088,383	\$ 647,378	\$ 634,264	\$ 1,101,497
Accounts payable and accrued liabilities	59,961	690,213	711,718	38,456
	<u>\$ 1,148,344</u>	<u>\$ 1,337,591</u>	<u>\$ 1,345,982</u>	<u>\$ 1,139,953</u>

**THIS PAGE LEFT BLANK INTENTIONALLY**



**TAB**

**Discretely Presented Component  
Unit-School Board**

**CITY OF HAMPTON, VIRGINIA**  
**DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD**  
**COMBINING BALANCE SHEET**  
**June 30, 2010**

	<u>Operating</u>	<u>Student Activities</u>	<u>Food Services</u>	<u>Special Revenue</u>	<u>Reimbursable Projects</u>	<u>Total</u>
<b>ASSETS</b>						
Cash and cash equivalents	\$ 2,589	\$ 119,648	\$ 2,628,117	\$ 212,735	\$ 814	\$ 2,963,903
Cash with fiscal agent	4,645,932					4,645,932
Investments				9,403		9,403
Accounts receivables	30,160		62,078		27,583	119,821
Due from primary government	54,005		1,857			55,862
Due from other funds	4,833,978	3,746	4,887		42,132	4,884,743
Due from other governments	11,089,639		391,796		5,181,335	16,662,770
Inventories	-	-	151,127	-	-	151,127
Total assets	<u>\$ 20,656,303</u>	<u>\$ 123,394</u>	<u>\$ 3,239,862</u>	<u>\$ 222,138</u>	<u>\$ 5,251,864</u>	<u>\$ 29,493,561</u>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities</b>						
Accounts payable and other liabilities	\$ 10,851,392	\$ 8,353	\$ 5,226	\$ -	\$ 160,854	\$ 11,025,825
Due to other funds	47,019	11,479	64,999		4,761,246	4,884,743
Due to primary government	1,265,240					1,265,240
Deferred revenue	-	-	-	-	52,225	52,225
Total liabilities	<u>12,163,651</u>	<u>19,832</u>	<u>70,225</u>	<u>-</u>	<u>4,974,325</u>	<u>17,228,033</u>
<b>Fund balance</b>						
Reserved for encumbrances	8,285,090					8,285,090
Unreserved						-
Designated for schools	207,562	103,562	3,169,637	222,138	277,539	3,980,438
Total fund balance	<u>8,492,652</u>	<u>103,562</u>	<u>3,169,637</u>	<u>222,138</u>	<u>277,539</u>	<u>12,265,528</u>
Total liabilities and fund balances	<u>\$ 20,656,303</u>	<u>\$ 123,394</u>	<u>\$ 3,239,862</u>	<u>\$ 222,138</u>	<u>\$ 5,251,864</u>	<u>\$ 29,493,561</u>

**Reconciliation of the School Board's Combining Balance Sheet to the Combining Statement of Net Assets (exhibit A-11)**

Total fund balance	\$ 12,265,528
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 not reported in the funds. (Note 6)	95,034,394
Accumulated depreciation on capital assets. (Note 6)	(74,934,827)
Net other post employment benefit liability (Note 8)	(3,907,130)
Capital lease (Note 8)	(300,359)
Long-term liability for compensated absences. (Note 8)	<u>(6,762,651)</u>
Net assets of governmental activities	<u>\$ 21,394,955</u>

**CITY OF HAMPTON, VIRGINIA**  
**DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**Fiscal Year Ended June 30, 2010**

	<u>Operating</u>	<u>Student Activities</u>	<u>Food Services</u>	<u>Special Revenue</u>	<u>Reimbursable Projects</u>	<u>Total</u>
<b>REVENUES</b>						
State funds	\$ 126,923,349	\$ -	\$ 248,966	\$ -	\$ 801,034	\$ 127,973,349
Federal funds (includes pass through)	8,040,130		6,012,708		20,046,604	34,099,442
Other receipts	781,456	140,166	3,662,916	9,138	634,651	5,228,327
Payments from City	68,051,707					68,051,707
Net increase in fair value of investments	-	-	-	812	-	812
Total revenues	<u>203,796,642</u>	<u>140,166</u>	<u>9,924,590</u>	<u>9,950</u>	<u>21,482,289</u>	<u>235,353,637</u>
<b>EXPENDITURES</b>						
Education	<u>202,679,629</u>	<u>415,624</u>	<u>8,800,099</u>	<u>-</u>	<u>21,755,214</u>	<u>233,650,566</u>
Excess of revenues over (under) expenditures	<u>1,117,013</u>	<u>(275,458)</u>	<u>1,124,491</u>	<u>9,950</u>	<u>(272,925)</u>	<u>1,703,071</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Issuance of debt and capital leases	367,626					367,626
Transfer from:						
Food Services Fund	260,000					260,000
School Operating Fund		316,000				316,000
Reimbursable Projects Fund		3,746				3,746
Transfer to:						
School Operating Fund			(260,000)			(260,000)
Student Activities Fund	(316,000)	-	-	-	(3,746)	(319,746)
Total other sources (uses)	<u>311,626</u>	<u>319,746</u>	<u>(260,000)</u>	<u>-</u>	<u>(3,746)</u>	<u>367,626</u>
Excess of revenues and other sources over (under) expenditures and other uses	1,428,639	44,288	864,491	9,950	(276,671)	2,070,697
<b>Fund balance - July 1</b>	<u>7,064,013</u>	<u>59,274</u>	<u>2,305,146</u>	<u>212,188</u>	<u>554,210</u>	<u>10,194,831</u>
<b>Fund balance - June 30</b>	<u>\$ 8,492,652</u>	<u>\$ 103,562</u>	<u>\$ 3,169,637</u>	<u>\$ 222,138</u>	<u>\$ 277,539</u>	<u>\$ 12,265,528</u>

**Reconciliation of the School Board's Combining Statement of Revenues, Expenditures and Changes in Fund Balances to the Combining Statement of Activities (Exhibit A-12)**

Net change in fund balances - total school funds	\$ 2,070,697
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. (Note 6)	
Capital outlay	6,863,875
Depreciation expense	(4,213,331)
In the statement of activities, the gain on disposal of capital assets is reported. However, in the governmental funds, only the proceeds from sale increase financial resources. The change in net assets differs from the change in fund balance by the net book value of the capital assets abandoned. (Note 6)	(24,583)
Revenues in the Statement of Activities that do not provide financial resources are not reported as revenues in the funds.	(250)
Capital lease financing for the acquisition of capital assets does not provide current financial resources. Capital assets acquired by capital lease financing are not reported as expenditures in the governmental funds. (Note 8)	(300,359)
Increase in other post employment benefit liability reported in the Statement of Activities does not provide current financial resources and therefore is not reported in the governmental funds. (Note 8)	(904,205)
Increase in compensated absences reported in the Statement of Activities does not provide current financial resources and therefore is not reported in the governmental funds. (Note 8)	(599,703)
Change in net assets of governmental activities	<u>\$ 2,892,141</u>

**CITY OF HAMPTON, VIRGINIA  
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
Fiscal Year Ended June 30, 2010**

	<b>School Board - School Operating Fund</b>			<b>Variance with Final Budget Over (Under)</b>
	<b>Budgeted Amounts</b>		<b>Actual</b>	
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Intergovernmental:				
State funds	\$130,054,935	\$130,054,935	\$126,923,349	\$ (3,131,586)
Federal funds (includes pass through)	9,534,526	9,534,526	8,040,130	(1,494,396)
Miscellaneous	811,870	811,870	781,456	(30,414)
Payments from City	68,051,707	68,051,707	68,051,707	-
Total revenues	<u>208,453,038</u>	<u>208,453,038</u>	<u>203,796,642</u>	<u>(4,656,396)</u>
<b>EXPENDITURES</b>				
Current:				
Education	208,397,038	205,564,357	202,679,629	(2,884,728)
Total expenditures	<u>208,397,038</u>	<u>205,564,357</u>	<u>202,679,629</u>	<u>(2,884,728)</u>
Excess of revenues over (under) expenditures	<u>56,000</u>	<u>2,888,681</u>	<u>1,117,013</u>	<u>(1,771,668)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Issuance of debt and capital leases			367,626	367,626
Transfers in	260,000	260,000	260,000	-
Transfers out	<u>(316,000)</u>	<u>(316,000)</u>	<u>(316,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(56,000)</u>	<u>(56,000)</u>	<u>311,626</u>	<u>367,626</u>
Excess of revenues and other sources over (under) expenditures and other uses	-	2,832,681	1,428,639	<u>(1,404,042)</u>
<b>Appropriations from fund balance</b>		5,452,409		
<b>Appropriations - encumbrances</b>		<u>(8,285,090)</u>		
<b>Fund balance - July 1</b>	-	-	7,064,013	
<b>Fund balance - June 30</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,492,652</u>	

**THIS PAGE LEFT BLANK INTENTIONALLY**



**TAB**

**Supplementary Information**

**CITY OF HAMPTON, VIRGINIA**  
**SCHEDULE OF THE TREASURER'S ACCOUNTABILITY**  
**June 30, 2010**

## Assets held by the Treasurer:

Cash on hand	\$	8,050
Cash in banks:		
Old Point National Bank		15,284,299
Bank of America		(1,409)
Investments:		
State Local Government Investment Pool		82,000,000
Bankers acceptance		3,093,960
Investment in mutual and money market funds		6,877,465
U.S. Government securities		14,122,536
Commercial Paper		9,955,263
Certificates of deposit		10,097,000
Repurchase agreement		25,300,000
Add: Voided checks timing difference		169,247
Total assets	\$	<u>166,906,411</u>

## Liabilities of the Treasurer:

Balance of City funds	\$	<u>166,906,411</u>
Cash and cash equivalents		
Primary Government per Exhibit A-1	\$	156,228,563
School Board per Exhibit A-11		2,963,903
Industrial Development Authority per Exhibit A-11		4,893,039
General Fund Investments per Exhibit A-3		2,151,149
Restricted cash and investments - Enterprise funds per Exhibit A-6		
Cash and cash equivalents		5,793,386
Investments		27,024,968
Cash and cash equivalents - Fiduciary Funds per Exhibit A-9		
		1,270,884
Investments - Component Unit - IDA per Exhibit A-11		
		390
Adjust investments in CAFR from fair value to cost		
		(760)
Add: Correction confiscated funds		
		5,800
Less:		
Petty cash	\$	(14,690)
Cash and investments held by trustees		<u>(33,410,221)</u>
		<u>(33,424,911)</u>
Balance of City funds	\$	<u>166,906,411</u>

**CITY OF HAMPTON, VIRGINIA  
SCHEDULE OF CASH FLOWS  
DISCRETELY PRESENTED COMPONENT UNIT  
INDUSTRIAL DEVELOPMENT AUTHORITY  
Fiscal Year Ended June 30, 2010**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Cash received from customers	\$ 424,100
Cash payments to suppliers for goods and services	(5,093,575)
Cash payments to employees for services	(4,250)
Other receipts (payments)	<u>(5,230)</u>
Net cash provided by (used in) operating activities	<u>(4,678,955)</u>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

Payment from primary government	<u>4,183,135</u>
Net cash provided by (used in) noncapital financing activities	<u>4,183,135</u>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Acquisition and construction of capital assets	(932)
Principal paid on revenue bond maturities and long-term debt	(474,515)
Interest paid on revenue bonds and long-term debt	<u>(515,545)</u>
Net cash provided by (used in) capital and related financing activities	<u>(990,992)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest and dividends on investments	35,522
Proceeds from collection of loans	339,135
Proceeds from collection of lease receivable	474,514
Interest received on loans	55,501
Interest received on lease receivable	515,545
Disbursements for loans	<u>(12,503)</u>
Net cash provided by (used in) investing activities	<u>1,407,714</u>
Net increase (decrease) in cash and cash equivalents (including restricted amounts)	(79,098)
Cash and cash equivalents (including restricted), July 1	<u>4,972,137</u>
Cash and cash equivalents (including restricted), June 30	<u>\$ 4,893,039</u>

continued

Operating income (loss)	\$ <u>(4,429,395)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Depreciation and amortization expense	109,955
Cost of land sold	
Decrease (increase) in:	
Accounts receivable	(22,958)
Notes receivable	426,240
Due from primary government	65,884
Increase (decrease) in:	
Accounts payable	(647,189)
Due to primary government	(2,025)
Other liabilities	11,800
Deferred revenue	203,593
Nonoperating revenues reported as operating revenues	30,448
Notes receivable reported as nonoperating activities	(426,240)
Accounts payable reported as nonoperating activities	(28,639)
Due from/to other funds reported as nonoperating activities	<u>29,571</u>
Total adjustments	<u>(249,560)</u>
Net cash provided by (used in) operating activities	\$ <u><u>(4,678,955)</u></u>
Non-cash transactions affecting investing capital and related financing activities:	
Net increase (decrease) in fair value of investments	\$ <u>1,631</u>
Total non-cash transactions	\$ <u><u>1,631</u></u>

**CITY OF HAMPTON, VIRGINIA**  
**DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD**  
**SCHOOL OPERATING FUND**  
**SCHEDULE OF APPROPRIATIONS AND EXPENDITURES**  
**Fiscal Year Ended June 30, 2010**

	<u>Appropriations</u>			<u>Expenditures</u>	<u>Variance Over (Under)</u>
	<u>Budget July 1, 2009</u>	<u>Net Changes</u>	<u>Final June 30, 2010</u>		
<b>EXPENDITURES</b>					
Administration/attendance and health	\$ 10,457,215	\$ (559,007)	\$ 9,898,208	\$ 9,483,747	\$ (414,461)
Instructional	153,594,334	(4,599,493)	148,994,841	146,156,099	(2,838,742)
Public transportation service	11,505,130	(152,776)	11,352,354	11,101,271	(251,083)
Operation and maintenance of school plant	21,046,640	(912,186)	20,134,454	20,167,835	33,381
Technology	<u>11,793,719</u>	<u>3,390,781</u>	<u>15,184,500</u>	<u>15,770,677</u>	<u>586,177</u>
Total expenditures	<u>208,397,038</u>	<u>(2,832,681)</u>	<u>205,564,357</u>	<u>202,679,629</u>	<u>(2,884,728)</u>
<b>OPERATING TRANSFERS OUT</b>					
To Student Activities Fund	<u>316,000</u>	<u>-</u>	<u>316,000</u>	<u>316,000</u>	<u>-</u>
Total transfers	<u>316,000</u>	<u>-</u>	<u>316,000</u>	<u>316,000</u>	<u>-</u>
Total expenditures and transfers	<u>\$ 208,713,038</u>	<u>\$ (2,832,681)</u>	<u>\$ 205,880,357</u>	<u>\$ 202,995,629</u>	<u>\$ (2,884,728)</u>

**CITY OF HAMPTON, VIRGINIA**  
**DISCRETELY PRESENTED COMPONENT UNIT SCHOOL BOARD**  
**SCHOOL OPERATING FUND**  
**SCHEDULE OF REVENUES AND OTHER CREDITS - BUDGET AND ACTUAL**  
**Fiscal Year Ended June 30, 2010**

	<u>Budget Revenues</u>	<u>Actual Revenues</u>	<u>Variance Over (Under)</u>
<b>State funds:</b>			
Basic appropriation	\$ 69,327,273	\$ 69,615,467	\$ 288,194
At risk payment	1,667,710	1,667,971	261
Remedial education	2,068,346	2,108,422	40,076
Reduced K-3 incentive	2,729,695	2,706,170	(23,525)
Teacher retirement	5,427,463	4,153,433	(1,274,030)
Social security benefits	4,214,448	4,296,108	81,660
Group life insurance	155,515	110,970	(44,545)
Special education	12,182,369	12,388,202	205,833
Textbook payments	1,843,160	843,916	(999,244)
Remedial summer school	1,143,605	1,259,943	116,338
At risk 4 year old	2,673,172	2,673,172	-
Gifted	699,816	713,376	13,560
Foster home	148,158	102,662	(45,496)
Vocational education	1,670,698	1,704,497	33,799
VPSA education tech. grant	960,000	934,000	(26,000)
Virginia blind	11,451	10,752	(699)
Reading intervention	349,352	288,391	(60,961)
ESL	305,434	214,383	(91,051)
Enrollment loss	950,026	267,198	(682,828)
SOL Algebra Readiness	263,735	246,620	(17,115)
Lottery	1,413,162	1,830,205	417,043
Sales tax	<u>19,850,347</u>	<u>18,787,491</u>	<u>(1,062,856)</u>
Total state funds	<u>130,054,935</u>	<u>126,923,349</u>	<u>(3,131,586)</u>
<b>Federal funds:</b>			
Public law 874	1,036,894	-	(1,036,894)
Impact aid special education	102,393	-	(102,393)
U.S. Army - ROTC	86,083	104,192	18,109
U.S. Air Force - ROTC	52,532	72,504	19,972
U.S. Navy - ROTC	64,374	69,663	5,289
U.S. Marine Corps - ROTC	55,633	61,160	5,527
SFSF(Stimulus)	<u>8,136,617</u>	<u>7,732,611</u>	<u>(404,006)</u>
Total federal funds	<u>9,534,526</u>	<u>8,040,130</u>	<u>(1,494,396)</u>
<b>Other funds:</b>			
Fees from students	35,102	41,019	5,917
Tuition from regular day students	-	2,500	2,500
Miscellaneous Revenue	303,774	281,590	(22,184)
Medicaid Reimbursement	30,000	47,728	17,728
Interest	33,615	3,880	(29,735)
Other	<u>409,379</u>	<u>404,739</u>	<u>(4,640)</u>
Total other funds	<u>811,870</u>	<u>781,456</u>	<u>(30,414)</u>
Total revenues	140,401,331	135,744,935	(4,656,396)
<b>Other credits:</b>			
Issuance of debt and capital leases		367,626	367,626
Transfer from General Fund	68,051,707	68,051,707	-
Transfer from Cafeteria Fund	<u>260,000</u>	<u>260,000</u>	<u>-</u>
Total other credits	<u>68,311,707</u>	<u>68,311,707</u>	<u>-</u>
Total revenues and other credits	<u>\$ 208,713,038</u>	<u>\$ 204,424,268</u>	<u>\$ (4,288,770)</u>

**CITY OF HAMPTON**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended June 30, 2010**

<b>Federal Granting Agency/ Recipient State Agency/ Grant Program/Grant Number</b>	<b>Federal Catalogue Number</b>	<b>Expenditures</b>
DEPARTMENT OF AGRICULTURE:		
FOOD STAMP CLUSTER:		
Pass-through payments:		
Department of Social Services:		
State Administrative Matching Grants for Food Stamp Program	10.561	\$ 1,703,420
Total Food Stamp Cluster		<u>1,703,420</u>
NUTRITION CLUSTER:		
Direct payments:		
Summer Food Service Program for Children	10.559	172,677
Pass-through payments:		
Department of Education:		
National School Breakfast Program	10.553	1,323,370
National School Lunch Program	10.556	4,172,869
Department of Agriculture and Consumer Services:		
Donated Commodities	10.555	<u>516,469</u>
Total Nutrition Cluster		<u>6,185,385</u>
Total Department of Agriculture		<u>7,888,805</u>
DEPARTMENT OF DEFENSE:		
Direct Payments:		
U.S. Army - ROTC	12.000	104,192
U.S. Air Force - ROTC	12.000	72,504
U.S. Navy - ROTC	12.000	69,663
U.S. Marine Corps - ROTC	12.000	61,160
Office of Economic Adjustment:		
Joint Land Use Study (EN0635-09-01)	12.610	<u>130,212</u>
Total Department of Defense		<u>437,731</u>
DEPARTMENT OF EDUCATION:		
Pass-through payments:		
Department of Behavioral Health and Developmental Services:		
Early Intervention Services for Infants and Toddlers with Disabilities and their Families (00-01-15)	84.181	339,184
ARRA-Early Intervention Services for Infants and Toddlers with Disabilities and their Families (00-01-15)	84.181	124,203
Department of Education:		
Gear Up	84.334 A	416,761
Adult Education State-Administered Program	84.002	163,474
Title I, Part A Cluster:		
Educationally Deprived Children-LEA (112-00-1) (112-01-1)	84.010 A	7,797,903
School Improvement	84.377	408,700
ARRA Title I	84.389	883,028
Reach ED for Homeless Child (112-00-1) (112-01-1) Project Hope	84.196	<u>1,764</u> 9,091,395
ARRA-McKinney Vento	84.387	2,633

continued

Title II:			
Title II Training and Recruiting	84.367 A		1,126,698
Title II Technology Ed	84.318		20,526
Title II D-ARRA	84.386		17,098
Title III LEP, Immigrant	84.365		67,493
Title V Innovative Programs	84.298 A		22,575
Title VI :			
Title VI 21st Century	84.287 C		909,615
Title VIB	84.027 A		4,465,439
Title VIB Preschool	84.173 A		60,438
Title VIB ARRA	84.391		2,219,733
Title VIB Preschool ARRA	84.392		95,390
Carl Perkins	84.048		556,300
Drug-Free Schools and Communities	84.186		22,332
Teaching American History	84.215 X		366,811
State Fiscal Stabilization Cluster:			
ARRA-State Fiscal Stabilization Fund	84.394	7,732,611	
ARRA-State Fiscal Stabilization Fund	84.397	391,297	8,123,908
			<u>28,212,006</u>
Total Department of Education			
DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
MEDICAID CLUSTER:			
Pass-through payments:			
Department of Social Services:			
Medical Assistance Program (Medicaid, Title XIX)	93.778		<u>971,708</u>
			<u>971,708</u>
Total Medicaid Cluster			
OTHER:			
Pass-through payments:			
Department of Social Services:			
Promoting Safe and Stable Families	93.556		882,835
Temporary Assistance for Needy Families (TANF)	93.558		853,469
Healthy Families Partnership - (TANF)	93.558		431,528
Refugee & Entrant Assistance	93.566		39,120
Low-Income Home Energy Assistance (LIHEAP)	93.568		75,450
Child Care and Developmental Fund Cluster:			
Child Care and Development Block Grant (CCDBG)	93.575	863,378	
ARRA-Child Care and Development Block Grant (CCDBG)	93.575	428,370	
Child Care Development Fund	93.596	1,096,299	
ARRA-Child Care Development Fund	93.596	94,461	2,482,508
Independent Living Program - Education and Training Vouchers	95.599		40,389
Adoption Incentives	93.603		4,714
Family Support	93.645		47,314
VISSTA (00-004-SVC)	93.658		266,038
Foster Care - Title IV-E	93.658		648,897
ARRA-Foster Care - Title IV-E	93.658		23,979
Adoption Assistance	93.659		694,824
ARRA-Adoption Assistance	93.659		73,691
Social Services Block Grant (SSBG)	93.667		704,680
Independent Living	93.674		38,168
State Children's Insurance Program (CHIP)	93.767		<u>76,542</u>
			<u>7,384,146</u>
Total Department of Health and Human Services (Other)			

continued

## CORPORATION FOR NATIONAL AND COMMUNITY SERVICE:

## FOSTER GRANDPARENT, SENIOR COMPANION CLUSTER:

## Direct payments:

Foster Grandparent Program (08SFSVA004)	94.011	<u>364,994</u>
---	--------	----------------

Total Foster Grandparent, Senior Companion Cluster		<u>364,994</u>
--	--	----------------

## DEPARTMENT OF HOMELAND SECURITY:

## Direct payments:

Assistance to Firefighters (EMW-2007-FO-06971)	97.044	208,390
--	--------	---------

## Pass-through payments:

## Virginia Department of Emergency Management:

HAZMAT	97.073	15,515
--------	--------	--------

Citizen Corp 2005	97.073	14,065
-------------------	--------	--------

Citizen Corp 2008	97.073	1,641
-------------------	--------	-------

LEMP	97.042	3,039
------	--------	-------

Port Security 2007	97.056	<u>144,716</u>
--------------------	--------	----------------

Total Homeland Security		<u>387,366</u>
-------------------------	--	----------------

## DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT:

## Direct payments:

ARRA-Homelessness Prevention and Rapid Re-Housing Program	14.257	<u>42,520</u>
---	--------	---------------

## DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:

## CDBG-ENTITLEMENT AND (HUD-ADMINISTERED) SMALL CITIES CLUSTER:

## Direct payments:

## Community Development Block Grant Program, Entitlement Grants:

(\$703,438 provided to subrecipient)	14.218	519,361
--------------------------------------	--------	---------

ARRA-Community Development Block Grant	14.253	61,702
--	--------	--------

(\$61,702 provided to subrecipient)

## OTHER

## Direct payments:

## Community Development Block Grant Program, Entitlement Grants:

Home Program (\$1,179,844 provided to subrecipient)	14.239	<u>1,055,315</u>
---	--------	------------------

Total CDBG-Entitlement and (HUD-Administered) Small Cities Cluster		<u>1,636,378</u>
--	--	------------------

## DEPARTMENT OF JUSTICE:

## Direct payments:

Bulletproof Vest Partnership Grant	16.607	5,430
------------------------------------	--------	-------

Vehicle Technology	16.738	3,324
--------------------	--------	-------

ARRA-Byrne Memorial	16.804	366,560
---------------------	--------	---------

## Department of Criminal Justice Services:

Juvenile Accountability Incentive Block Grant	16.523	48,951
---	--------	--------

Response Effort	16.588	81,215
-----------------	--------	--------

Edward Byrne/Community Oriented Justice Grant	16.579	42,077
---	--------	--------

Victim Witness	16.575	163,100
----------------	--------	---------

ARRA-Victim Witness	16.575	16,674
---------------------	--------	--------

Crisis Intervention Team	16.738	86,295
--------------------------	--------	--------

Edward Byrne/Justice Assistance Grant	16.738	44,395
---------------------------------------	--------	--------

Proceeds of seized assets	16.000	23,164
---------------------------	--------	--------

continued

Pass-through payments:		
Virginia Department of Emergency Management		
Justice Assistance Grant	16.738	98,802
Office of Justice Programs		
ARRA Edward Byrne/Justice Assistance Grant	16.804	<u>111,598</u>
Total Department of Justice		<u>1,091,585</u>
DEPARTMENT OF LABOR:		
Direct Payments:		
Youthful Offenders	17.261	421,893
Pass-through payments:		
Peninsula Council for Workforce Development		
ARRA-Summer Youth Employment	17.259	<u>138,366</u>
Total Department of Labor:		<u>560,259</u>
DEPARTMENT OF TRANSPORTATION:		
Pass-through payments:		
Department of Transportation:		
Highway Planning and Construction	20.205	834,779
ARRA-Highway Planning and Construction	20.205	<u>775,713</u>
Total Department of Transportation		<u>1,610,492</u>
ENVIRONMENTAL PROTECTION AGENCY:		
Direct payments:		
Brownfields Assessment	66.818	<u>27,290</u>
Total Environmental Protection Agency		<u>27,290</u>
FEDERAL EMERGENCY MANAGEMENT AGENCY:		
Pass-through payments:		
Department of Emergency Management:		
Local Emergency Management Program (LEMP)	83.552	6,458
Public Assistance Program for Severe Storms and Flooding-November Nor'Easter	97.036	<u>103,885</u>
Total Federal Emergency Management Agency		<u>110,343</u>
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION:		
Direct payments:		
NASA LaRC Visitor Center and Public Education Program (NCC-1-275)	43.000	196,000
NASA Steam Sales	43.000	5,356,000
Education Resource Center and Coop Agreement	43.000	<u>660,000</u>
Total National Aeronautics and Space Administration		<u>6,212,000</u>
Grand Total All Federally Assisted Programs and Grants		<u>\$ 56,937,623</u>

## Notes:

## (A) General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards of the City of Hampton, Virginia and Component Unit School Board. The City of Hampton single audit reporting entity is defined in Note 1, Reporting Entity, to the City's basic financial statements.

The Schedule of Expenditures of Federal Awards does not include federal funding of \$278,000 in the General Fund. This amount represents indirect costs from other federally assisted programs administered by the City and is included in the federal revenue.

## (B) Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting.

**CITY OF HAMPTON, VIRGINIA**  
**SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY**  
**MUSEUM REVENUE BONDS**  
**June 30, 2010**

<b>Fiscal Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Debt Service</b>
<b>2011</b>	\$ 1,330,000	\$ 259,475	\$ 1,589,475
<b>2012</b>	1,370,000	216,250	1,586,250
<b>2013</b>	1,440,000	147,750	1,587,750
<b>2014</b>	<u>1,515,000</u>	<u>75,750</u>	<u>1,590,750</u>
	<u>\$ 5,655,000</u>	<u>\$ 699,225</u>	<u>\$ 6,354,225</u>

**CITY OF HAMPTON, VIRGINIA**  
**SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY**  
**THE HAMPTONS REVENUE BONDS**  
**June 30, 2010**

<b>Fiscal Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Debt Service</b>
<b>2011</b>	\$ 270,000	\$ 42,900	\$ 312,900
<b>2012</b>	285,000	26,250	311,250
<b>2013</b>	<u>295,000</u>	<u>8,850</u>	<u>303,850</u>
	<u>\$ 850,000</u>	<u>\$ 78,000</u>	<u>\$ 928,000</u>

**CITY OF HAMPTON, VIRGINIA**  
**SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY**  
**CONVENTION CENTER REVENUE BONDS**

**June 30, 2010**

<b>Fiscal Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Debt Service</b>
<b>2011</b>	\$ 2,155,000	\$ 5,360,432	\$ 7,515,432
<b>2012</b>	2,265,000	5,252,682	7,517,682
<b>2013</b>	2,340,000	5,173,406	7,513,406
<b>2014</b>	2,425,000	5,088,581	7,513,581
<b>2015</b>	2,555,000	4,961,269	7,516,269
<b>2016</b>	2,690,000	4,827,131	7,517,131
<b>2017</b>	2,830,000	4,685,907	7,515,907
<b>2018</b>	2,980,000	4,537,331	7,517,331
<b>2019</b>	3,505,000	4,380,881	7,885,881
<b>2020</b>	3,685,000	4,196,869	7,881,869
<b>2021</b>	3,920,000	4,003,406	7,923,406
<b>2022</b>	4,110,000	3,797,606	7,907,606
<b>2023</b>	4,310,000	3,581,831	7,891,831
<b>2024</b>	4,160,000	3,355,556	7,515,556
<b>2025</b>	4,375,000	3,142,356	7,517,356
<b>2026</b>	4,595,000	2,918,138	7,513,138
<b>2027</b>	4,835,000	2,682,644	7,517,644
<b>2028</b>	5,080,000	2,434,850	7,514,850
<b>2029</b>	5,340,000	2,174,500	7,514,500
<b>2030</b>	5,610,000	1,907,500	7,517,500
<b>2031</b>	5,890,000	1,627,000	7,517,000
<b>2032</b>	6,185,000	1,332,500	7,517,500
<b>2033</b>	6,490,000	1,023,250	7,513,250
<b>2034</b>	6,815,000	698,750	7,513,750
<b>2035</b>	7,160,000	358,000	7,518,000
	<u>\$ 106,305,000</u>	<u>\$ 83,502,376</u>	<u>\$ 189,807,376</u>

**CITY OF HAMPTON, VIRGINIA**  
**SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY**  
**INDUSTRIAL DEVELOPMENT AUTHORITY REVENUE BONDS**

**June 30, 2010**

<b>Fiscal Year</b>	<b>2002</b>		
<b>Ending</b>	<b>Tax-Exempt</b>	<b>Interest</b>	<b>Total Debt</b>
<b>June 30,</b>	<b>Principal</b>		<b>Service</b>
<b>2011</b>	\$ 504,663	\$ 485,396	\$ 990,059
<b>2012</b>	536,727	453,332	990,059
<b>2013</b>	569,618	420,441	990,059
<b>2014</b>	607,019	383,040	990,059
<b>2015</b>	645,586	344,473	990,059
<b>2016</b>	686,603	303,456	990,059
<b>2017</b>	729,460	260,599	990,059
<b>2018</b>	776,573	213,486	990,059
<b>2019</b>	825,913	164,146	990,059
<b>2020</b>	878,387	111,672	990,059
<b>2021</b>	933,997	56,062	990,059
<b>2022</b>	190,958	5,924	196,882
	<u>\$ 7,885,504</u>	<u>\$ 3,202,027</u>	<u>\$ 11,087,531</u>

**CITY OF HAMPTON, VIRGINIA**  
**SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY**  
**GENERAL OBLIGATION BONDS**  
**June 30, 2010**

<b>Serial Bonds:</b>				
<b>Fiscal Year</b>				<b>Total</b>
<b>Ending</b>				<b>Debt Service</b>
<b>June 30,</b>	<b>Principal</b>	<b>Interest</b>		
<b>2011</b>	\$ 16,245,000	\$ 12,569,216	\$	28,814,216
<b>2012</b>	17,275,000	12,318,679		29,593,679
<b>2013</b>	18,210,000	11,602,801		29,812,801
<b>2014</b>	19,025,000	10,802,022		29,827,022
<b>2015</b>	21,045,000	9,965,502		31,010,502
<b>2016</b>	22,020,000	8,952,974		30,972,974
<b>2017</b>	23,030,000	7,928,299		30,958,299
<b>2018</b>	23,980,000	6,950,849		30,930,849
<b>2019</b>	16,035,000	5,881,762		21,916,762
<b>2020</b>	15,990,000	5,222,812		21,212,812
<b>2021</b>	13,210,000	4,459,519		17,669,519
<b>2022</b>	13,545,000	3,801,709		17,346,709
<b>2023</b>	11,880,000	3,209,208		15,089,208
<b>2024</b>	12,375,000	2,676,437		15,051,437
<b>2025</b>	12,905,000	2,120,906		15,025,906
<b>2026</b>	13,470,000	1,531,452		15,001,452
<b>2027</b>	9,010,000	915,054		9,925,054
<b>2028</b>	9,395,000	492,276		9,887,276
<b>2029</b>	760,000	85,561		845,561
<b>2030</b>	760,000	42,780		802,780
	<u>\$ 290,165,000</u>	<u>\$ 111,529,818</u>	<u>\$</u>	<u>401,694,818</u>

**CITY OF HAMPTON, VIRGINIA**  
**COMPUTATION OF LEGAL DEBT MARGIN**  
**June 30, 2010**

<b>Assessed value:</b>			
Real estate	\$	11,448,118,620	
Public service corporations - real estate		166,947,677	
Newport News Waterworks		<u>59,453,598</u>	<u>\$ 11,674,519,895</u>
Debt limit at 10% of assessed value			<u>1,167,451,990</u>
<b>General obligation bonded debt:</b>			
General obligation bonds		290,165,000	
General obligation bonds (VRS)		3,965,000	
Notes payable		<u>354,448</u>	294,484,448
<b>Long term notes payable:</b>			
State literary loan			<u>468,177</u>
Total long-term debt			<u>294,952,625</u>
Legal debt margin			<u><u>\$ 872,499,365</u></u>

**Note:**

Virginia state statute limits bond issuing authority of Virginia cities to 10% of the assessed real estate value. The above calculation includes all debt secured by the full faith and credit of the City. The calculation excludes installment purchase contracts, accrued sick, annual leave, net pension obligation and net OPEB obligation totaling \$47,820,733 at June 30, 2010.

There are no overlapping or underlying tax jurisdictions.

**THIS PAGE LEFT BLANK INTENTIONALLY**



**TAB**

**Statistics**

# STATISTICAL SECTION

The following section of the City of Hampton’s comprehensive annual financial report provides detailed statistical information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City’s overall financial health.

## CONTENTS

## TABLE

### Financial Trends

I-IV

These tables contain trend information to help the reader understand how the City’s financial performance and well-being have changed over time.

### Revenue Capacity

V-VIII

These tables contain information to help the reader assess the City’s most significant local revenue source, the property tax.

### Debt Capacity

IX-XI

These tables present information to help the reader assess the affordability of the City’s current levels of outstanding debt and its ability to issue additional debt in the future.

### Demographic and Economic Information

XII-XIII

These tables offer demographic and economic indicators to help the reader understand the environment within which the City’s financial activities take place.

### Operating Information

XIV-XVI

These tables contain service and infrastructure data to help the reader understand how the information in the City’s financial report relates to the services it provides and the activities it performs.

Sources: Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial reports for the relevant year.

**CITY OF HAMPTON, VIRGINIA  
NET ASSETS BY COMPONENT**

**Last Nine Fiscal Years  
(accrual basis of accounting)  
(amounts expressed in thousands)**

	Fiscal Year								
	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>Governmental activities</b>									
Invested in capital assets, net of related debt	\$ (4,920)	\$ (23,248)	\$ (7,827)	\$ 9,067	\$ 503,004 <sup>1</sup>	\$ 503,514	\$ 558,006	\$ 568,771	\$ 573,018
Restricted	31,321	52,794	43,978	24,780	18,163	13,802	23,660	32,433	21,147
Unrestricted	41,760	43,730	51,040	71,580	96,304	118,758	130,457	118,932	112,882
Total governmental activities net assets	<u>\$ 68,161</u>	<u>\$ 73,276</u>	<u>\$ 87,191</u>	<u>\$ 105,427</u>	<u>\$ 617,471</u>	<u>\$ 636,074</u>	<u>\$ 712,123</u>	<u>\$ 720,136</u>	<u>\$ 707,047</u>
<b>Business-type activities</b>									
Invested in capital assets, net of related debt	\$ 79,729	\$ 87,471	\$ 93,712	\$ 77,764	\$ 76,141	\$ 92,152	\$ 62,230 <sup>2</sup>	\$ 58,780	\$ 58,666
Restricted	12,430	17,148	15,760	33,771	31,572	27,158	26,356 <sup>2</sup>	25,578	26,727
Unrestricted	9,033	7,894	14,308	18,922	23,828	24,823	11,017 <sup>2</sup>	15,035	16,521
Total business-type activities net assets	<u>\$ 101,192</u>	<u>\$ 112,513</u>	<u>\$ 123,780</u>	<u>\$ 130,457</u>	<u>\$ 131,541</u>	<u>\$ 144,133</u>	<u>\$ 99,603</u>	<u>\$ 99,393</u>	<u>\$ 101,914</u>
<b>Primary government</b>									
Invested in capital assets, net of related debt	\$ 74,809	\$ 64,223	\$ 85,885	\$ 86,831	\$ 579,145	\$ 595,666	\$ 620,236	\$ 627,551	\$ 631,684
Restricted	43,751	69,942	59,738	58,551	49,735	40,960	50,016	58,011	\$ 47,874
Unrestricted	50,793	51,624	65,348	90,502	120,132	143,581	141,474	133,967	\$ 129,403
Total primary government net assets	<u>\$ 169,353</u>	<u>\$ 185,789</u>	<u>\$ 210,971</u>	<u>\$ 235,884</u>	<u>\$ 749,012</u>	<u>\$ 780,207</u>	<u>\$ 811,726</u>	<u>\$ 819,529</u>	<u>\$ 808,961</u>

## Note:

- 1 The significant increase in invested in capital assets, net of related debt for fiscal year 2006 is due to the capitalization of infrastructure prior to fiscal year 2002 under the transition provisions of GASB Statement 34.
- 2 The decrease in business-type activities for fiscal year 2008 is attributable to the reclassification of HRHA from a blended component unit in the business-type activities to a discretely presented component unit

GASB 34 was implemented by the City of Hampton in FY 2002. Data for this schedule prior to FY 2002 is not available.

**CITY OF HAMPTON, VIRGINIA**  
**CHANGES IN NET ASSETS**  
**Last Nine Fiscal Years**  
**(accrual basis of accounting)**  
**(amounts expressed in thousands)**

**Table II**

	Fiscal Year								
	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>Expenses</b>									
Governmental activities:									
General government	\$ 67,760	\$ 71,673	\$ 96,371	\$ 87,744	\$ 98,704	\$ 99,822	\$ 101,494	\$ 100,134	\$ 111,650
Public safety	33,519	35,779	39,821	41,700	43,839	46,315	50,039	51,052	51,937
Highways and streets	2,319	2,170	2,302	2,665	9,943	14,658	7,774	12,374 <sup>(3)</sup>	12,078
Sanitation	2,023	1,861	2,370	2,589	2,346	2,867	4,959	4,641	3,471
Health	3,020	2,843	3,072	2,929	2,900	3,125	3,090	3,098	2,949
Human services	21,439	23,313	24,905	25,438	28,578	28,535	30,004	30,198	31,226
Culture and recreation	10,781	11,280	13,104	16,257	15,820	16,368	23,524	19,664 <sup>(4)</sup>	17,771
Education (payment to school district)	51,905	52,588	54,321	56,362	59,929	62,211	66,517	69,217 <sup>(5)</sup>	68,052
Education and educational services	3,488	3,339	3,473	3,541	4,464	6,519	5,133	9,336	7,388
Capital improvements	8,923	10,358	7,976	11,232 <sup>(1)</sup>					
Interest on long-term debt	8,172	9,817	7,911	7,616	9,723	8,822	12,389	15,161 <sup>(6)</sup>	17,951
Total governmental activities expenses	<u>213,349</u>	<u>225,021</u>	<u>255,626</u>	<u>258,073</u>	<u>276,246</u>	<u>289,242</u>	<u>304,923</u>	<u>314,875</u>	<u>324,473</u>
Business-type activities									
Culture and recreation	16,501	19,131	17,894	24,115	30,344	31,799	34,409	32,295	30,454
Sanitation	12,817	12,962	13,499	13,426	14,415	19,479	20,379	21,487	22,067
Housing	20,429	20,483	22,149	24,465	23,433	24,013			
Total business-type activities expenses	<u>49,747</u>	<u>52,576</u>	<u>53,542</u>	<u>62,006</u>	<u>68,192</u>	<u>75,291</u>	<u>54,788</u>	<u>53,782</u>	<u>52,521</u>
Total primary government expenses	<u>\$ 263,096</u>	<u>\$ 277,597</u>	<u>\$ 309,168</u>	<u>\$ 320,079</u>	<u>\$ 344,438</u>	<u>\$ 364,533</u>	<u>\$ 359,711</u>	<u>\$ 368,657</u>	<u>\$ 376,994</u>
<b>Program Revenues</b>									
Governmental activities:									
Charges for services:									
General government	\$ 1,622	\$ 2,204	\$ 2,414	\$ 3,737	\$ 6,250	\$ 6,581	\$ 12,425	\$ 5,807	\$ 6,982
Public safety	1,981	1,608	1,872	3,157	2,361	2,770	2,353	1,962	2,086
Sanitation	9,344	9,635	10,015	10,530	9,459	3,836	5,006	4,905	4,869
Other activities	3,018	3,405	4,413	5,646	8,328	5,359	5,381	5,209	6,015
Operating grants and contributions	49,001	52,186	76,555	57,388	63,468	60,782	59,795	76,025	79,412
Capital grants and contributions	24			9,355	12,590	10,066	57,530	13,453 <sup>(7)</sup>	2,423
Total governmental activities program revenues	<u>64,990</u>	<u>69,038</u>	<u>95,269</u>	<u>89,813</u>	<u>102,456</u>	<u>89,394</u>	<u>142,490</u>	<u>107,361</u>	<u>101,787</u>
Business-type activities									
Charges for services:									
Culture and recreation	11,862	14,289	11,923	16,445	14,059	15,970	17,800	16,242	15,411
Sanitation	10,870	10,819	13,728	15,657	15,719	21,104	22,053	23,672	26,447
Housing	2,156	1,880	1,934	1,921	1,975	2,122			
Operating grants and contributions	14,376	16,890	19,109	21,136	22,990	24,859	2,848	2,528	2,522
Capital grants and contributions	2,739	5,558	2,068	2,604	2,572	6,049	1,531	1,180	1,472
Total business-type activities program revenues	<u>42,003</u>	<u>49,436</u>	<u>48,762</u>	<u>57,763</u>	<u>57,315</u>	<u>70,104</u>	<u>44,232</u>	<u>43,622</u>	<u>45,852</u>
Total primary government program revenues	<u>\$ 106,993</u>	<u>\$ 118,474</u>	<u>\$ 144,031</u>	<u>\$ 147,576</u>	<u>\$ 159,771</u>	<u>\$ 159,498</u>	<u>\$ 186,722</u>	<u>\$ 150,983</u>	<u>\$ 147,639</u>
<b>Net (expenses)/revenue</b>									
Governmental activities	\$ (148,359)	\$ (155,983)	\$ (160,357)	\$ (168,260)	\$ (173,790)	\$ (199,848)	\$ (162,433)	\$ (207,514)	\$ (222,686)
Business-type activities	(7,744)	(3,140)	(4,780)	(4,243)	(10,877)	(5,187)	(10,556)	(10,160)	(6,669)
Total primary government net (expenses)/revenue	<u>\$(156,103)</u>	<u>\$(159,123)</u>	<u>\$(165,137)</u>	<u>\$(172,503)</u>	<u>\$(184,667)</u>	<u>\$(205,035)</u>	<u>\$(172,989)</u>	<u>\$(217,674)</u>	<u>\$(229,355)</u>

**CITY OF HAMPTON, VIRGINIA**  
**CHANGES IN NET ASSETS**  
**Last Nine Fiscal Years**  
**(accrual basis of accounting)**  
**(amounts expressed in thousands)**

**Table II**

	Fiscal Year								
	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>General Revenues and Other Changes in Net Assets</b>									
Governmental activities:									
Taxes									
Property taxes	\$ 105,009	\$ 110,700	\$ 116,385	\$ 123,937	\$ 138,079	\$ 148,851	\$ 160,158	\$ 145,607	\$ 146,261
Sales taxes	11,728	11,383	12,218	12,885	13,415	13,804	13,765	13,172	13,590
Lodging, meal and amusement taxes	14,949	15,280	16,373	17,351	17,547	17,864	18,241	18,188	18,621
Motor vehicle taxes	2,825	3,142	3,171	3,232	3,290	3,602	3,758	3,698	3,398
Alcoholic beverage taxes	604	341	362	176	176	176	176		(8)
Business license taxes	9,465	9,572	10,435	11,019	11,750	12,391	12,783	12,207	12,349
Utility taxes	10,155	9,940	11,652	10,957	11,637	8,550	5,282	4,976	5,486
Tobacco taxes	2,456	2,952	4,567	4,084	3,889	3,942	3,760	3,629	3,538
Emergency 911 telephone taxes	2,193	2,132	2,160	2,077	2,034	956	421	408	(12)
Recordation taxes	638	782	930	1,640	2,656	2,658	2,339	1,706	1,687
Bank stock taxes	356	299	304	306	358	309	307	407	453
Pari-mutuel license taxes	110	115	120	123	113	113	106	93	80
Short-term rental taxes	135	91	97	109	126	136	127	136	98
Franchise license taxes	1,235	1,203	1,230	1,260	1,315	1,341	1,364	1,448	1,327
Communications sales tax						3,189	9,032	8,296	7,993
Mobile home titling tax	23	12	18	21	18	39	30	45	33
Investment earning	3,722	2,827	1,102	2,286	6,694	8,328	11,288	5,609	912 (9)
Miscellaneous	(670)	(1,593)	261	2,009	661	4,421	4,076	4,266	2,236 (10)
Transfers	(9,567)	(8,897)	(7,214)	(6,820)	(8,378)	(8,318)	(8,530)	(8,364)	(8,467)
Special Item - gain (loss) on disposal on assets	(788)	(1,925)	(608)	(157)					
Special Item - donated property	786	2,775	710						
<b>Total governmental activities</b>	<b>155,364</b>	<b>161,131</b>	<b>174,273</b>	<b>186,495</b>	<b>205,380</b>	<b>222,352</b>	<b>238,483</b>	<b>215,527</b>	<b>209,595</b>
Business-type activities:									
Investment earning	635	553	383	694	1,783	2,603	1,659	628	723
Gain(loss) on disposal of assets	(87)	(684)	1,248	696					
Miscellaneous	5,309	5,696	7,201	2,711	1,800	2,891	1,020	958	(11)
Transfers	9,567	8,897	7,214	6,820	8,378	8,318	8,530	8,364	8,467
<b>Total business-type activities</b>	<b>15,424</b>	<b>14,462</b>	<b>16,046</b>	<b>10,921</b>	<b>11,961</b>	<b>13,812</b>	<b>11,209</b>	<b>9,950</b>	<b>9,190</b>
<b>Total primary government</b>	<b>\$ 170,788</b>	<b>\$ 175,593</b>	<b>\$ 190,319</b>	<b>\$ 197,416</b>	<b>\$ 217,341</b>	<b>\$ 236,164</b>	<b>\$ 249,692</b>	<b>\$ 225,477</b>	<b>\$ 218,785</b>
<b>Changes in Net Assets</b>									
Governmental activities	\$ 7,005	\$ 5,148	\$ 13,916	\$ 18,235	\$ 31,590	\$ 22,504	\$ 76,050	\$ 8,013	\$ (13,090)
Business-type activities	7,680	11,322	11,266	6,678	1,084	8,625	653	(210)	2,521
<b>Total primary government</b>	<b>\$ 14,685</b>	<b>\$ 16,470</b>	<b>\$ 25,182</b>	<b>\$ 24,913</b>	<b>\$ 32,674</b>	<b>\$ 31,129</b>	<b>\$ 76,703</b>	<b>\$ 7,803</b>	<b>\$ (10,569)</b>

- (1) Beginning in Fiscal Year 2006 capital improvements were classified by function
- (2) In 2008 HRHA was reclassified from a blended component unit to a discretely presented component unit
- (3) Highways and streets expenses increased \$4.1million due to additional road improvements
- (4) Culture and recreation capitalized \$3.1 million of expenses for capital projects that included the Buckroe Pier and the Hampton Teen Center
- (5) Education payments to the school district \$32.7 million for SOQ programs per State Law. Budgeted \$36.4 million local contribution in excess of State Requirement
- (6) Interest on the 2008 Bonds came due in FY09 and was over \$8 million
- (7) Capital contributions for FY2008 included contributions for prior years
- (8) Alcoholic beverage tax revenue was cut from the budget of all localities in FY09
- (9) Rate of return decreased in FY10 due to the economy.
- (10) Land sale of \$1.5M reflected in FY09.
- (11) There were no miscellaneous changes that could not be applied to another category
- (12) Emergency 911 telephone tax is included in state aid

GASB 34 was implemented by the City of Hampton in FY 2002. Data for this schedule prior to FY 2002 is not available.

**Table III**

**CITY OF HAMPTON, VIRGINIA  
FUND BALANCES OF GOVERNMENTAL FUNDS  
Last Ten Fiscal Years  
(modified accrual basis of accounting)  
(amounts expressed in thousands)**

	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General fund										
Reserved	\$ 1,161	\$ 1,502	\$ 1,248	\$ 1,819	\$ 1,563	\$ 1,235	\$ 1,727	\$ 2,204	\$ 1,142	\$ 1,290
Unreserved	27,283	32,122	37,504	42,706	53,175	68,394	82,015	96,902	98,120	100,080
Total general fund	<u>\$ 28,444</u>	<u>\$ 33,624</u>	<u>\$ 38,752</u>	<u>\$ 44,525</u>	<u>\$ 54,738</u>	<u>\$ 69,629</u>	<u>\$ 83,742</u>	<u>\$ 99,106</u>	<u>\$ 99,262</u>	<u>\$ 101,370</u>
All other governmental funds										
Reserved	\$ 12,071	\$ 12,443	\$ 12,811	\$ 12,199	\$ 11,826	\$ 11,773	\$ 7,760	\$ 7,351	\$ 6,259	\$ 16,461
Unreserved, reported in:										
Debt service									451	498
Special revenue funds	7,474	9,781	11,723	10,226	9,440	13,888	12,659	18,225	18,830	13,451
Capital projects funds	36,793	41,154	32,367	22,245	76,004	61,220	83,790	186,041	134,544	75,683
Permanent funds	-	58	59	59	60	61	63	65	67	67
Total all other governmental funds	<u>\$ 56,338</u>	<u>\$ 63,436</u>	<u>\$ 56,960</u>	<u>\$ 44,729</u>	<u>\$ 97,330</u>	<u>\$ 86,942</u>	<u>\$ 104,272</u>	<u>\$ 211,682</u>	<u>\$ 160,151</u>	<u>\$ 106,160</u>

Note: For fiscal years 1999 through 2001, the Permanent fund was reported as a part of the Fiduciary fund statements.

Table IV

**CITY OF HAMPTON, VIRGINIA**  
**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**Last Nine Fiscal Years**  
**(modified accrual basis of accounting)**  
**(amounts expressed in thousands)**

	Fiscal Year								
	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>Revenues</b>									
Taxes (see table V)	\$ 157,587	\$ 163,882	\$ 175,923	\$ 185,090	\$ 206,706	\$ 214,475	\$ 231,277	\$ 213,346	\$ 213,976
Intergovernmental revenues	41,167	43,463	67,984	58,021	56,585	55,427	59,721	82,874	82,565
Licenses and permits	1,464	1,448	1,662	1,651	1,686	2,030	1,082	939	1,078
Fines and forfeitures	1,124	1,300	1,638	2,211	2,088	2,142	2,269	2,209	2,004
Revenue from use of money and property	3,971	3,282	1,640	4,037	7,975	10,355	17,855	9,417	2,861
Charges for services	5,586	5,916	6,776	9,192	9,907	9,812	10,895	10,489	11,354
Miscellaneous	4,918	6,973	6,033	6,494	10,799	7,891	6,025	4,660	4,848
Recovered costs	8,288	9,618	9,484	9,406	9,834	10,558	10,489	2,057	1,170
Total revenues	<u>224,105</u>	<u>235,882</u>	<u>271,140</u>	<u>276,102</u>	<u>305,580</u>	<u>312,690</u>	<u>339,613</u>	<u>325,991</u>	<u>319,856</u>
<b>Expenditures</b>									
General government	59,749	62,179	88,538	75,711	82,671	87,791	89,137	91,568	98,305
Public safety	34,439	35,203	39,186	40,951	43,709	46,024	50,450	51,441	50,722
Highways and streets	2,289	2,157	2,211	2,454	2,587	2,405	2,395	2,362	2,200
Sanitation	1,996	1,861	2,370	2,589	2,346	2,883	3,656	3,543	3,455
Health	2,993	2,830	3,060	2,904	2,874	3,118	3,205	2,978	2,709
Human services	21,351	23,213	24,836	25,390	28,577	28,491	30,032	30,480	31,187
Culture and recreation	10,199	11,214	12,999	14,606	14,742	14,196	15,255	15,680	15,452
Education (payment to school district)	58,662	59,768	57,752	61,085	59,928	62,211	66,517	69,216	68,052
Education	2,139	2,065	2,147	2,252	2,295	2,314	2,404	2,394	2,262
Capital improvements	24,289	16,775	18,058	26,195	31,332	27,460	46,615	84,855	74,162
Debt service									
Principal	16,307	10,892	11,606	19,393	11,938	24,443	12,530	13,235	15,210
Interest and fiscal charges	8,028	8,873	8,255	7,545	9,701	9,348	8,825	15,757	12,939
Bond issuance cost									282
Total expenditures	<u>242,441</u>	<u>237,030</u>	<u>271,018</u>	<u>281,075</u>	<u>292,700</u>	<u>310,684</u>	<u>331,021</u>	<u>383,509</u>	<u>376,937</u>
Excess of revenues over (under) expenditures	(18,336)	(1,148)	122	(4,973)	12,880	2,006	8,592	(57,518)	(57,081)
<b>Other financing sources (uses)</b>									
Debt issuance and capital leases	37,143	7,503		73,895	350	29,540	116,275	14,506	7,435
Proceeds from Refunding bonds issued		19,319		30,367			29,540		65,595
Redemption of refunded bonds		(19,218)		(30,236)	(350)		(29,540)		(65,469)
Premium on bond issue				-			6,438		6,105
Transfers in	30,159	29,370	32,285	27,269	30,965	39,652	37,362	41,435	39,893
Transfers in from component units	1,094	91	634	580					
Transfers out	(38,378)	(37,266)	(39,499)	(34,088)	(39,343)	(47,854)	(45,893)	(49,798)	(48,360)
Total other financing source (uses)	<u>30,018</u>	<u>(201)</u>	<u>(6,580)</u>	<u>67,787</u>	<u>(8,378)</u>	<u>21,338</u>	<u>114,182</u>	<u>6,143</u>	<u>5,199</u>
Net change in fund balances	<u>\$ 11,682</u>	<u>\$ (1,349)</u>	<u>\$ (6,458)</u>	<u>\$ 62,814</u>	<u>\$ 4,502</u>	<u>\$ 23,344</u>	<u>\$ 122,774</u>	<u>\$ (51,375)</u>	<u>\$ (51,882)</u>
Debt service as a percentage of noncapital expenditures	14.9%	12.0%	9.8%	13.2%	7.9%	11.9%	7.0%	9.0%	9.0%

**CITY OF HAMPTON, VIRGINIA**  
**GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE**  
**Last Ten Fiscal Years**  
(modified accrual basis of accounting)  
(amounts expressed in thousands)

Fiscal Year	General					Communications			Other Taxes <sup>3</sup>	Total
	Property Taxes	Business Licenses	Sales Taxes	Utility Taxes	Tobacco Taxes	Sales Taxes	Meal Taxes			
2001	96,755	8,873	11,422	9,897	2,772		8,575	7,611	145,905	
2002	105,009	9,465	11,728	10,156	2,456		10,325	8,448	157,587	
2003	110,700	9,572	11,383	9,941	2,952		10,470	8,864	163,882	
2004	116,385	10,435	12,218	11,652	4,567		11,325	9,341	175,923	
2005	123,709	11,019	12,885	10,957	4,084		12,449	9,987	185,090	
2006	139,280	11,751	13,415	11,637	3,889		13,426 <sup>3</sup>	13,308 <sup>4</sup>	206,706	
2007	148,237	12,391	13,804	8,550	3,942	3,189	13,685	10,677	214,475	
2008	160,329 <sup>1</sup>	12,784	13,765	5,703	3,760	9,032	13,974	11,930	231,277	
2009	145,683 <sup>2</sup>	12,207	13,172	4,976	3,629	8,296	13,912	11,471	213,346	
2010	145,245	12,349	13,590	4,962	3,538	7,993	14,417	11,882	213,976	

## Notes:

<sup>1</sup> The City was able to lower the real estate tax rate from \$1.14 per \$100 assessed value in 2007 to \$1.06 per \$100 assessed value in 2008 due to significant growth in assessments.

<sup>2</sup> In fiscal year 2009, Personal Property Tax Relief Act was reclassified as noncategorical state revenue, decreasing the General property taxes in this table.

<sup>3</sup> Meal and lodging tax rates were increased from 4.5% and 5.5%, respectively, in fiscal year 2002 to 6.5% and 8.0%, respectively. The additional 2% increase in the meal and lodging tax rates are dedicated to the operation of the City's Convention Center.

<sup>4</sup> Other taxes include: short-term rental, recordation, lodging and transit, amusement, motor vehicle, bank stock, license - pari-mutuel, public right of way, and franchise taxes.

**CITY OF HAMPTON, VIRGINIA**  
**ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY**  
**Last Ten Fiscal Years**  
**(amounts expressed in thousands)**

Fiscal Year	Real Estate				Total Taxable Assessed Value	Estimated Actual Taxable Value	Assessed Value	Total Direct Tax Rate
	Citizens' Property	Public Service <sup>1</sup>	Newport News Waterworks	as a Percent of Estimated Actual Value <sup>2</sup>				
2001	5,157,140	198,396	51,822	5,407,358	5,740,295	95%	1.25	
2002	5,361,262	195,595	53,494	5,610,351	6,144,963	92%	1.27	
2003	5,638,936	184,567	57,472	5,880,975	6,563,588	90%	1.27	
2004	6,081,667	190,105	58,621	6,330,393	7,360,922	87%	1.27	
2005	6,776,586	180,476	60,381	7,017,443	8,771,803	80%	1.25	
2006	8,165,513	116,579	63,400	8,345,492	10,431,864	80%	1.20	
2007	9,285,102	123,453	66,570	9,475,125	11,843,906	80%	1.14	
2008	10,976,166	143,250	64,280	11,183,696	12,289,775	91%	1.06	
2009	11,357,489	155,505	61,626	11,574,620	11,895,807	97%	1.04	
2010	11,448,119	166,948	59,453	11,674,520	11,674,520	100%	1.04	

## Notes:

<sup>1</sup> Public service assessed values are furnished by the State Corporation Commission of Virginia with no indication of assessment rate or actual value. The state mandated conversion of personal property to real estate for taxing purposes whereby personal property values are converted at 5% a year over a 20-year period.

<sup>2</sup> The state requires all real estate to be assessed at 100% of its appraised value. There is no state statute or city charter limitation on the tax rate. The latest State Department of Taxation comparison of sales to appraisal indicates a true rate of 100%

Table VII

**CITY OF HAMPTON, VIRGINIA  
PRINCIPAL PROPERTY TAX PAYERS  
Current Year and Nine Years Prior  
(amounts expressed in thousands)**

<u>Taxpayer</u>	<u>2010</u>			<u>2001</u>		
	<u>Total Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>	<u>Total Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>
Peninsula Town Center LLC	\$ 102,618	1	0.9%			
City of Newport News/NN Waterworks	65,903	2	0.6%			
Hampton University	43,994	3	0.4%			
FCLA LP	38,620	4	0.3%			
Hampton Center LLC	36,213	5	0.3%			
Riverdale Apartments LLC	33,762	6	0.3%			
Cambridge Apartments LC	33,433	7	0.3%			
Bir Lakeridge LLC	33,256	8	0.3%			
John Q Hammons	32,400	9	0.3%			
Coliseum Crossing Associates LP	28,157	10	0.2%			
Hampton Mall Association				\$ 60,472	1	1.1%
Gateway 2000				22,300	2	0.4%
Riverdale Plaza Shopping Center				18,940	3	0.4%
HNN Associates				18,689	5	0.3%
Coliseum Crossing Associates LP				18,682	4	0.3%
Megaplex Nine, Inc.				17,254	6	0.3%
Howmet Corporation				16,893	7	0.3%
Liberty Property Limited Partnership				15,779	8	0.3%
Olde Hampton Hotel Associates				15,604	9	0.3%
Riverdale Apartments LLC				15,520	10	0.3%
	<u>\$ 448,356</u>		<u>3.9%</u>	<u>\$ 220,133</u>		<u>4.0%</u>

Source: City of Hampton, Office of the Assessor of Real Estate

**CITY OF HAMPTON, VIRGINIA**  
**REAL ESTATE TAX LEVIES AND COLLECTIONS**  
**Last Eight Fiscal Years <sup>1</sup>**  
**(amounts expressed in thousands)**

<b>Fiscal Year</b>	<b>Taxes Levied for the Fiscal Year</b>	<b>Collected within the Fiscal Year of the Levy</b>		<b>Collections in Subsequent Years</b>	<b>Total Collections to Date</b>	
		<b>Amount <sup>2</sup></b>	<b>Percentage of Levy</b>		<b>Amount</b>	<b>Percentage of Levy</b>
2003	\$ 72,358	\$ 70,753	97.78%	\$ 3,017	\$ 73,770	101.95%
2004	77,980	76,173	97.68%	2,979	79,152	101.50%
2005	87,718	84,572	96.41%	1,708	86,280	98.36%
2006	100,146	97,737	97.59%	1,590	99,327	99.18%
2007	108,016	105,373	97.55%	1,477	106,850	98.92%
2008	118,547	115,668	97.57%	1,326	116,994	98.69%
2009	120,376	117,338	97.48%	1,731	119,069	98.91%
2010	121,415	117,902	97.11%	1,810	119,712	98.60%

## Notes:

<sup>1</sup> Based on the availability of data and the implementation of GASB Statement 34, eight fiscal years are presented.

<sup>2</sup> Amount includes penalties. A 10% penalty is added if taxes are paid after June 5th and December 5th.

\* There are no overlapping or underlying tax jurisdictions.

**CITY OF HAMPTON, VIRGINIA**  
**RATIO OF OUTSTANDING DEBT BY TYPE**  
**Last Ten Fiscal Years**  
(amounts expressed in thousands, except per capita)

Fiscal Year	General Bonded Debt <sup>1</sup>				Percentage of Estimated Actual		
	General Obligation Bonds <sup>2</sup>	Notes Payable	State Literary Loans	Total	Taxable Value of Property <sup>3</sup>	Per Capita <sup>4</sup>	Capital Leases
2001	146,851	5,036	2,081	153,968	2.68%	1,051.43	886
2002	168,057	3,007	1,893	172,957	2.81%	1,174.18	2,234
2003	165,124	4,054	1,704	170,882	2.60%	1,176.87	2,109
2004	154,079	1,988	1,517	157,584	2.14%	1,091.30	1,973
2005	209,490	1,590	1,328	212,408	2.42%	1,487.45	3,831
2006	198,045	1,192	1,140	200,377	1.92%	1,377.16	1,295
2007	203,635	886	952	205,473	1.49%	1,410.17	1,730
2008	307,745	709	764	309,218	2.52%	2,119.94	1,309
2009	294,835	532	616	295,983	2.49%	2,052.53	1,001
2010	294,130	355	468	294,953	2.53%	2,037.69	15,925

Fiscal Year	Business-Type Activities					Percentage of	
	Revenue Bonds	Notes Payable	Capital Leases	HRHA Notes Payable	Total Primary Government	Personal Income <sup>4</sup>	Per Capita <sup>4</sup>
2001	18,945	7,585	1,729	5,127	\$ 188,240	5.11%	1,285.47
2002	17,855	7,585	1,703	3,113	\$ 205,447	5.32%	1,394.75
2003	123,025		1,747	1,160	\$ 298,923	7.44%	2,058.70
2004	121,435		1,611	10,810	\$ 293,413	6.89%	2,031.95
2005	120,060		1,497	1,062	\$ 338,858	8.52%	2,372.96
2006	118,715		1,379	971	\$ 322,737	7.09%	2,218.12
2007	117,300		1,250	870	\$ 326,623	6.84%	2,241.63
2008	115,850		1,124		\$ 427,501	N/A	2,930.86
2009	114,360		1,006		\$ 412,350	N/A	2,859.49
2010	112,810		900		\$ 424,588	N/A	2,933.27

Notes:

<sup>1</sup> Details regarding the City's outstanding debt can be found in the notes to the financial statements.

<sup>2</sup> General obligation bond amounts exclude the unamortized premiums and deferred amounts for advance refunding.

<sup>3</sup> See Table VI for estimated actual taxable value of property data.

<sup>4</sup> See Table XII for personal income and population data. The most recent personal income data available from the Bureau of Economic analysis is 2008.

N/A-Not available

**CITY OF HAMPTON, VIRGINIA**  
**LEGAL DEBT MARGIN INFORMATION**  
**Last Ten Fiscal Years**  
(amounts expressed in thousands)

	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Debt limit	\$ 540,736	\$ 561,035	\$ 588,097	\$ 633,039	\$ 701,744	\$ 834,549	\$ 947,512	\$1,118,370	\$1,157,462	\$1,167,452
Total net debt applicable to limit	<u>153,968</u>	<u>172,957</u>	<u>170,882</u>	<u>157,584</u>	<u>212,408</u>	<u>200,377</u>	<u>205,473</u>	<u>309,218</u>	<u>295,983</u>	<u>294,953</u>
Legal debt margin	<u>\$ 386,768</u>	<u>\$ 388,078</u>	<u>\$ 417,215</u>	<u>\$ 475,455</u>	<u>\$ 489,336</u>	<u>\$ 634,172</u>	<u>\$ 742,039</u>	<u>\$ 809,152</u>	<u>\$ 861,479</u>	<u>\$ 872,499</u>
Total net debt applicable to the limit as a percentage of debt limit	28.47%	30.83%	29.06%	24.89%	30.27%	24.01%	21.69%	27.65%	25.57%	25.26%

**Legal Debt Margin Calculation for Current Fiscal Year:**

Assessed value	\$ 11,674,520
Debt limit (10% of total assessed value)	1,167,452
Debt applicable to limit:	
General obligation debt	<u>294,953</u>
Total net debt applicable to limit	<u>294,953</u>
Legal debt margin	<u>\$ 872,499</u>

Notes:

Virginia state statute limits bond issuing authority of Virginia cities to 10% of the assessed real estate value. The above calculation includes all debt secured by the full faith and credit of the City. The calculation excludes installment purchase contracts, accrued sick, annual leave, net pension obligation and net OPEB obligation totaling \$47,820,733 at June 30, 2010.

\* There are no overlapping or underlying tax jurisdictions.

**CITY OF HAMPTON, VIRGINIA**  
**PLEDGE-REVENUE COVERAGE**  
**Last Ten Fiscal Years**  
(amounts expressed in thousands)

Fiscal Year	Gross Revenues <sup>1</sup>	Operating Expenses <sup>2</sup>	Net Revenue Available for Debt Service	Debt Service Requirements <sup>3</sup>			Coverage
				Principal	Interest	Total	
<b>The Hamptons Revenue Bonds</b>							
2001	1,335	892	443	175	174	349	1.27
2002	1,564	947	617	185	164	349	1.77
2003	1,294	898	396	195	153	348	1.14
2004	1,291	995	296	200	141	341	0.87
2005	1,395	1,012	383	210	129	339	1.12
2006	1,567	1,074	493	215	116	331	1.49
2007	1,571	1,090	481	230	103	333	1.44
2008	1,676	1,164	512	240	89	329	1.56
2009	1,570	1,143	427	250	74	324	1.32
2010	1,426	1,037	389	260	59	319	1.22
<b>Museum Revenue Bonds</b>							
2001	6,190	4,366	1,824	860	878	1,738	1.05
2002	7,108	4,270	2,838	905	839	1,744	1.63
2003	9,336	4,645	4,691	940	798	1,738	2.70
2004	10,924	5,136	5,788	990	798	1,788	3.24
2005	6,767	5,450	1,317	1,165	428	1,593	0.83
2006	7,820	5,155	2,665	1,130	460	1,590	1.68
2007	9,682	5,729	3,953	1,185	403	1,588	2.49
2008	8,025	6,130	1,895	1,210	365	1,575	1.20
2009	7,368	5,561	1,807	1,240	351	1,591	1.14
2010	7,193	5,456	1,737	1,290	301	1,591	1.09
<b>Industrial Development Authority Revenue Bonds</b>							
2001	959	603	356	47	118	165	2.15
2002	9,442	3,633	5,809	35	458	493	11.78
2003	8,287	6,740	1,547	211	784	995	1.55
2004	5,098	1,588	3,510	385	771	1,156	3.04
2005	5,944	4,298	1,646	410	750	1,160	1.42
2006	8,890	4,946	3,944	432	719	1,151	3.43
2007	5,007	4,420	587	392	693	1,085	0.54
2008	3,456	3,166	290	417	561	978	0.30
2009	6,940	4,126	2,814	445	528	973	2.89
2010	5,066	4,420	646	475	501	976	0.66
<b>Convention Center Revenue Bonds <sup>4</sup></b>							
2005	\$ 6,174	\$ 1,211	\$ 4,963	\$ -	\$ 5,360	5,360	0.93
2006	8,775	3,660	5,115		5,368	5,368	0.95
2007	9,288	2,993	6,295		5,363	5,363	1.17
2008	9,989	3,885	6,104		5,335	5,335	1.14
2009	8,626	3,092	5,534		5,362	5,362	1.03
2010	8,625	2,859	5,766		5,363	5,363	1.08

## Notes:

<sup>1</sup> Gross revenues include transfers in.<sup>2</sup> Total operating expenses exclusive of depreciation.<sup>3</sup> Includes principal and interest of revenue bonds only.<sup>4</sup> Operation of the Convention Center began in March 2005.

**CITY OF HAMPTON, VIRGINIA**  
**DEMOGRAPHIC AND ECONOMIC STATISTICS**  
**Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>Population <sup>1</sup></b>	<b>Personal Income <sup>2</sup> (in thousands)</b>	<b>Per Capita Income <sup>3</sup></b>	<b>School Membership <sup>4</sup></b>	<b>Unemployment Rate Percentage <sup>5</sup></b>
2001	146,437	3,685,677	25,401	23,290	3.6%
2002	147,300	3,861,000	26,664	23,192	5.1%
2003	145,200	4,018,000	27,628	22,996	5.4%
2004	144,400	4,261,000	29,388	23,009	5.2%
2005	142,800	3,976,299	30,389	22,938	4.6%
2006	145,500	4,551,991	31,057	22,229	4.2%
2007	145,708	4,775,904	32,608	22,176	3.6%
2008	145,862	5,215,071	35,903	21,189	4.9%
2009	144,204	N/A	N/A	21,411	8.2%
2010	144,749	N/A	N/A	20,804	8.6%

## Notes:

<sup>1</sup> Source: Weldon Cooper Center for Public Service as of 7/1/2009

<sup>2</sup> Source: Bureau of Economic Analysis. Most recent information available is 2008.

<sup>3</sup> Source: Bureau of Economic Analysis. Most recent information available is 2008.

<sup>4</sup> Source: Hampton City Schools

<sup>5</sup> Source: LAUS Unit and Bureau of Labor Statistics

N/A-Not available

**CITY OF HAMPTON, VIRGINIA  
PRINCIPAL EMPLOYERS  
Current Year and Nine Years Prior**

2010	2001
<b>Over 600 Employees:</b>	<b>Over 500 Employees:</b>
Alcoa Howmet	Newport News, Inc.
City of Hampton	West Telemarketing
Fort Monroe	Gateway
Hampton City Schools	Howmet Corporation
Hampton University	Verizon
Hampton Virginia Medical Center - Veteran's Hospital	Hampton University
Langley Air Force Base	Sentara Hampton General Hospital
NASA Langley Research Center	Nextel Communications
Sentara Healthcare System	Raytheon Company
Sprint-Nextel	Langley Air Force Base
Thomas Nelson Community College	Fort Monroe
Verizon	Hampton City Schools
	NASA - Langley
	City of Hampton
	V.A. Hospital
<b>300 - 599 Employees:</b>	<b>150 - 500 Employees:</b>
AMSEC LLC	Anthem Alliance
Headway Corporate Resources	Catalina Cylinders
Northrop Grumman	Coliseum Park Nursing Home
Riverside Regional Medical Centers	Computer Sciences Corporation
	Federal Mogul
	Graham & Rollins, Inc.
	Measurement Specialties
	Maida Development Corporation
	Old Dominion Security, Inc.
	Peninsula Psychiatric Hospital
	Virginia Power
	Wyle Laboratories, Inc.
	Craft Machine Works, Inc.
	Hampton Roads Transit
	Langley Federal Credit Union
	Valeo Clutches and Transmissions
	Gately Communications
	Tarmac America, Inc.
	Zel Technologies

Source: City of Hampton, Department of Economic Development

Note: The Virginia Employment Commission does not permit specific employee numbers to be publicly reported. For that reason, the ranges above are presented.

**CITY OF HAMPTON, VIRGINIA**  
**FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION**  
**Last Nine Fiscal Years**

	Fiscal Year								
	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>Function</b>									
Governmental activities									
General government	547	534	541	581	588	588	578	588	588
Public safety	620	620	648	663	686	695	707	695	645
Highway and streets	30	26	29	30	31	30	29	30	27
Sanitation	34	35	35	31	35	41	47	48	47
Health	27	25	29	24	23	24	22	22	22
Human services	263	266	254	249	237	242	245	232	236
Culture and recreation	149	151	171	176	173	172	167	159	137
Total governmental activities	<u>1,670</u>	<u>1,657</u>	<u>1,707</u>	<u>1,754</u>	<u>1,773</u>	<u>1,792</u>	<u>1,795</u>	<u>1,774</u>	<u>1,702</u>
Business-type activities									
Culture and recreation	47	44	44	70	43	45	44	38	37
Sanitation	145	149	151	150	154	152	146	147	140
Housing	74	74	75	71	68	68			1
Total business-type activities	<u>266</u>	<u>267</u>	<u>270</u>	<u>291</u>	<u>265</u>	<u>265</u>	<u>190</u>	<u>185</u>	<u>177</u>
Total	<u><u>1,936</u></u>	<u><u>1,924</u></u>	<u><u>1,977</u></u>	<u><u>2,045</u></u>	<u><u>2,038</u></u>	<u><u>2,057</u></u>	<u><u>1,985</u></u>	<u><u>1,959</u></u>	<u><u>1,879</u></u>

Sources: City of Hampton, Department of Human Resources

1 There is no housing expense in the business-type activities due to HRHA being reclassified from a blended component unit to a discreetly presented component unit.

GASB 34 was implemented by the City of Hampton in FY 2002. Data for this schedule prior to FY 2002 is not available.

Table XV

**CITY OF HAMPTON, VIRGINIA**  
**OPERATING INDICATORS BY FUNCTION/PROGRAM**  
**Last Nine Fiscal Years**

Function/Program	Fiscal Year								
	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>General government</b>									
Building permits issued	3,104	3,611	3,742	3,547	3,342	3,509	3,167	2,241	2,195
Building inspections conducted	8,546	8,705	9,158	9,267	9,500	9,349	9,459	7,853	6,988
311 customer call center									
Number of calls received	N/A	265,867	307,034	288,155	290,000	242,158	191,727	170,971	168,492
<b>Public safety</b>									
<b>Police</b>									
Physical arrests	17,817	17,693	18,850	19,681	19,587	20,071	22,626	18,711	12,621
Traffic summons	18,141	21,428	28,584	32,438	30,601	30,321	34,334	34,781	30,121
<b>Fire</b>									
Emergency responses	20,458	21,351	19,645	19,840	22,641	21,592	22,928	22,651	22,271
Fires extinguished	428	352	367	319	689	332	168	278	378
Patients transported	7,421	8,345	10,283	10,517	10,730	7,678	12,105	12,015	12,133
Code inspections	N/A	139	103	218	335	740	1,553	2,165	2,572
<b>Highway and streets</b>									
Roads paved or resurfaced (miles)	N/A	20.9	24	20	15.17	15.11	22.25	27.5	106
<b>Sanitation</b>									
Yard waste collected (tons)	15,000	15,000	15,000	16,000	14,000	13,000	10,240	14,160	14,106
Debris removed (tons)	78,000	80,000	73,600	72,245	70,000	84,000	104,236	109,204	113,234
Cleanups	255	237	272	267	416	417	366	935	518
Street sweeping	4,500	4,500	4,500	4,500	4,500	3,060	2,689	3,339	3,231
Storm drains cleaned (linear feet)	56,065	101,161	108,533	103,989	104,962	99,913	71,619	76,202	97,046
<b>Health</b>									
<b>Preventive health</b>									
Family practice visits	6,057	5,905	3,223	4,217	3,986	3,522	3,183	2,602	2,755
Immunization visits	6,584	5,991	5,694	6,943	6,623	6,201	5,485	5,794	7,053
Prescriptions filled (closed 5/25/10)	32,789	35,273	33,125	35,454	39,559	34,296	30,739	26,103	22,786
<b>Human services</b>									
<b>Healthy families partnership</b>									
Number of families assessed	656	602	553	611	613	610	525	617	567
Number of families served	1,271	985	973	855	790	1,183	1,079	888	1,026
Number of adult participants in the parenting classes	1,232	1,175	1,469	1,733	1,500	1,602	1,595	1,430	1,242
<b>Social Services</b>									
Food stamp participants	N/A	4,227	4,860	5,318	5,850	5,384	5,365	6,027	8,040
<b>Culture and recreation</b>									
Senior citizens attendance at Senior Center	N/A	33,941	26,278	25,645	26,414	27,338	28,021	17,047	13,730
<b>Community center admissions</b>									
Youth	107,830	138,071	160,555	66,975	57,663	60,602	63,632	67,421	82,134
Teen	83,573	95,079	99,043	103,995	72,428	65,888	67,535	49,802	37,359
Adult	87,966	57,681	63,904	69,655	75,500	79,124	80,706	94,481	113,178
<b>Education</b>									
School membership (total)	23,192	22,996	23,009	22,938	22,229	22,176	21,189	21,411	20,804
High schools	6,699	6,634	6,775	6,883	6,914	6,657	6,659	6,494	6,784
Middle schools	5,870	5,805	5,709	5,680	5,450	5,433	5,156	4,837	4,743
Elementary schools	10,623	10,557	10,525	10,375	9,865	10,086	9,374	10,080	9,277
School board personnel	2,763	2,763	2,841	2,903	2,906	2,902	2,866	3,194	3,138
<b>Wastewater</b>									
Average daily sewage treatment (thousands of gallons)	11,901	11,601	11,691	11,610	11,604	11,600	11,300	11,410	10,566

<sup>1</sup> GASB 34 was implemented by the City of Hampton in FY 2002. Data for this schedule prior to FY 2002 is not available.

N/A-Not available

Source: City of Hampton, various departments.

**CITY OF HAMPTON, VIRGINIA**  
**CAPITAL ASSETS STATISTICS BY FUNCTION/PROGRAM**  
**Last Nine Fiscal Years**

**Table XVI**

Function/Program	Fiscal Year								
	2002	2003	2004	2005	2006	2007	2008	2009	2010
Public safety									
Police									
Patrol units	220	227	227	227	227	246	254	278	272
Patrol boats	2	3	3	3	3	4	2	3	4
Fire									
Stations	10	10	10	10	10	10	10	10	10
Pumpers	19	19	19	19	19	19	19	19	19
Ambulances	18	18	18	18	18	17	18	18	18
Rescue vehicles	3	3	3	3	3	3	3	3	3
Ladder trucks	2	2	2	2	2	2	2	2	2
Fire Boats								2	2
Highways and streets									
Streets (miles)	432.36	435.35	435.35	437.68	437.68	439.08	445.6	459	455
Traffic signals	161	161	163	174	177	177	181	179	180
Bridges	39	40	41	41	41	41	40	40	40
Sanitation/solid waste									
Collection trucks	44	44	44	44	44	43	48	49	56
Culture and recreation									
Parks acreage <sup>1</sup>	1575	1575	1628	1628	1628	1789	1789	1791	1791
School parks acreage	675	675	675	675	675	675	675	751	751
Parks	17	17	17	23	23	23	23	23	23
Amphitheater	1	1	1	1	1	2	2	2	2
Baseball fields	38	38	38	38	38	38	38	38	39
Basketball courts	35	35	35	35	35	35	35	35	35
Boat ramps	3	3	3	3	3	3	3	3	3
Coliseum	1	1	1	1	1	1	1	1	1
Community centers	4	4	5	5	5	5	5	5	5
Convention center	0	0	0	1	1	1	1	1	1
Fitness trails	N/A	N/A	N/A	12	12	12	12	12	12
Football fields	20	20	20	20	20	20	20	20	21
Football stadium	1	1	1	1	1	1	1	1	1
Golf courses	2	2	2	2	2	2	2	2	2
Indoor swimming pools	1	1	1	1	1	1	1	2	2
Municipal beaches	3	3	3	3	3	3	3	3	3
Municipal parks	N/A	N/A	N/A	10	10	10	10	11	11
Museums	2	2	2	2	2	2	2	2	2
Outreach centers	4	4	4	4	4	4	4	4	4
Picnic shelters	28	28	28	28	28	26	26	26	26
Playgrounds	41	41	41	41	41	41	41	40	46
Senior citizens center	1	1	1	1	1	1	1	1	1
Soccer fields	28	28	28	28	28	30	30	30	33
Softball fields	15	15	15	15	15	16	16	17	17
Tennis courts	66	66	66	66	66	66	66	66	66
Theatres	1	1	1	1	1	1	1	1	1
Fort Wool	1	1	1	1	1	1	1	1	1
Education									
High schools	4	4	4	4	4	4	4	4	4
Middle schools	6	6	6	6	6	6	6	6	5
Elementary schools	24	24	24	24	24	23	23	23	20
Wastewater									
Sanitary sewers lines (miles)	460	465	468	471	465	482	469	469	469
Sewer Pumping stations	102	103	104	105	107	107	108	108	108

Notes:

<sup>1</sup> Park land currently developed.

GASB 34 was implemented by the City of Hampton in FY 2002. Data for this schedule prior to FY 2002 is not available.

N/A-Not available

Source: Various city departments.

**TAB**

**Financial Compliance Reports  
for Federal Funds**



**Independent Auditors' Report on Compliance With Requirements  
That Could Have a Direct and Material Effect  
on Each Major Federal Program and on Internal Control Over Compliance  
in Accordance With OMB Circular A-133**

Honorable Mayor and Members of City Council  
City of Hampton, Virginia

***Compliance***

We have audited the compliance of the City of Hampton, Virginia (the "City") with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on its major federal programs for the year ended June 30, 2010. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

### ***Internal Control Over Compliance***

The management of the City is responsible for establishing and maintain effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

*A deficiency in internal control* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness* in internal control over compliance is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended for the information of the City Council, management, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

*Cherry, Bekert - Holland, L. L. P.*

Virginia Beach, Virginia  
November 30, 2010



**Independent Auditors Report on Internal Control over  
Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in  
Accordance With *Government Auditing Standards***

Honorable Mayor and Members of City Council  
City of Hampton, Virginia

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Hampton, Virginia (the “City”), as of and for the year ended June 30, 2010, which collectively comprise the City’s basic financial statements, and have issued our report thereon dated November 30, 2010. Our report includes a reference to other auditors. 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.

Other auditors audited the financial statements of certain component units of the City as described in our report on the City’s financial statements and Note 1 to the financial statements. This report does not include the results of the other auditors’ testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the Downtown Hampton Development Partnership, Inc. and the Healthy Families Partnership, Inc. were not audited in accordance with *Government Auditing Standards*.

***Internal Control Over Financial Reporting***

In planning and performing our audit, we considered the City’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control over financial reporting.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or

combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over financial reporting, described in Finding 2010-1 in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests discovered no instances of noncompliance and other matters that are required to be reported in accordance with the *Government Auditing Standards*.

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the City Council, management, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

*Cherry, Bekant & Holland, L.L.P.*

Virginia Beach, Virginia  
November 30, 2010

**CITY OF HAMPTON, VIRGINIA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

---

**Year Ended June 30, 2010**

---

**A. Summary of Auditors' Results**

Financial Statements:

Type of auditor's report issued on the financial statements: **Unqualified**

Internal control over financial reporting:

Material weaknesses identified: **No**

Significant deficiencies identified: **Yes**

Noncompliance material to the financial statements noted? **No**

Federal Awards:

Type of auditor's report issued on compliance for major programs: **Unqualified**

Internal control over financial reporting:

Material weaknesses identified: **No**

Significant deficiencies identified: **None reported**

Any audit findings disclosed that are required to be reported in  
Accordance with Section 510(a) of OMB Circular A-133? **No**

Identification of major federal programs:

**Program Description**

**CFDA #**

Child Nutrition Cluster	10.553/10.555/10.556/10.559
Steam Plant Agreement	43.000
Title I	84.010/84.389
Special Education Cluster	84.027/84.173/84.391/84.392
State Fiscal Stabilization Funds Cluster	84.394/84.397
Child Care Cluster	93.575/93.596

Dollar threshold to distinguish between Types A and B Programs: **\$1,708,129**

The City of Hampton was qualified as a low risk auditee? **Yes**

## ***B. Findings - Financial Statement Audit***

### ***2010-1 Internal Control over Financial Reporting***

#### ***Criteria:***

Liabilities should be recorded for costs incurred but not disbursed during the period.

#### ***Condition:***

While performing our audit procedures to ensure all accounts payable are properly identified and recorded at year end, we determined certain payables for construction projects, which existed at June 30, 2010, were not included in the City's financial records.

#### ***Cause:***

The City upgraded their general ledger system during the year ended June 30, 2010. This upgrade allowed for a more automated and decentralized accounts payable approval process. In prior years, the City has performed their own search for unrecorded liabilities to ensure that all payables are captured at year end. In the current year, the focus was to ensure that all kinks were worked out of the new system, and in the process, this payable was overlooked.

#### ***Effect:***

Accounts payable and capital expenditures were understated in the financial statements until the auditors informed the City and the City recorded the liability.

#### ***Recommendation:***

We recommend the City of Hampton perform their own search for unrecorded liabilities on construction invoices paid subsequent to year end through the end of September to identify that all significant payables are recorded at year end.

#### ***Management Response:***

During the past fiscal year, the City of Hampton implemented a new financial accounting system. As part of that process, we decentralized the accounts payable process whereby departments now scan in invoices and enter the invoice data into the system. The invoice data is then reviewed by staff in the accounts payable section of the finance department.

As part of the year end close out process we instructed departments to process all of the past fiscal year invoices by July 15, 2010. This invoice for the highway improvement construction project was processed on August 12, 2010 due to some technical issues with the system. When the transaction was reviewed by the central accounts payable section, it was not noticed that the invoice date was for the previous fiscal year. We believe that this transaction was an isolated incident. Historically this has not been an issue for the City.

We will follow the auditors' recommendation and have each accountant perform a search for unrecorded liabilities for all funds. In addition, we will reemphasize with staff and departments the importance of ensuring that invoices are recorded in the correct fiscal year.

***C. Findings and Questioned Costs - Major Federal Awards***

**None**

***D. Resolution of Prior Year's Findings***

**2009-1:**

Status: Completed