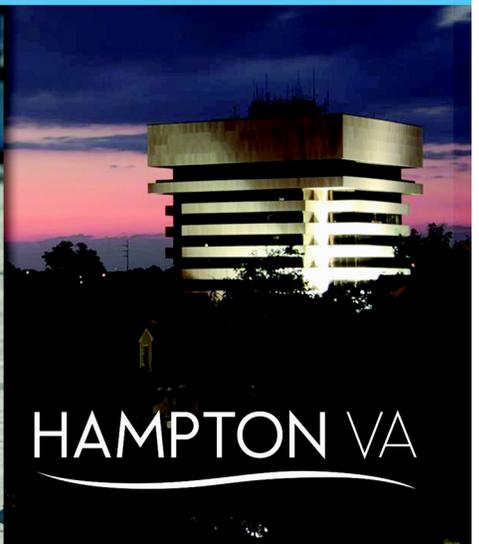
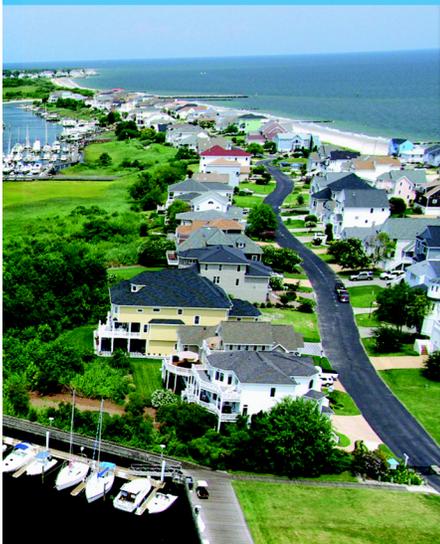


# Comprehensive Annual Financial Report

CITY OF HAMPTON, VIRGINIA  
For the Fiscal Year Ended June 30, 2014



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

**For the Fiscal Year Ended June 30, 2014**

Prepared by:

Karl S. Daughtrey, Director of Finance

Jacqueline Green, Controller

and

The Department of Finance

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**CITY OF HAMPTON, VIRGINIA  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 June 30, 2014**

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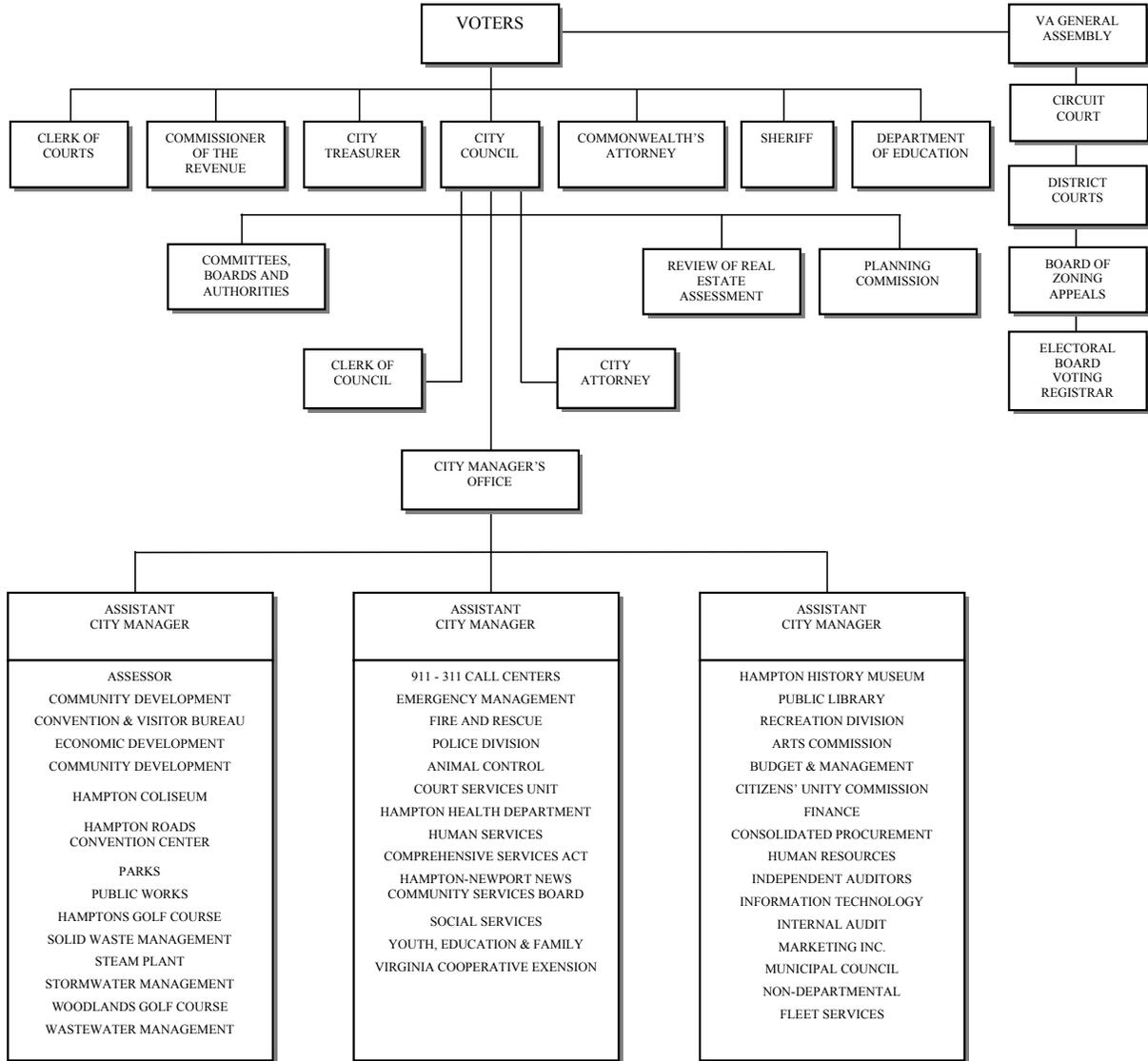
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**CITY OF HAMPTON, VIRGINIA**  
**June 30, 2014**



**CITY OF HAMPTON, VIRGINIA**  
**June 30, 2014**

**ELECTED OFFICIALS**

**CITY COUNCIL**

George E. Wallace, Mayor  
Linda Curtis, Vice Mayor  
W.H. "Billy" Hobbs, Jr.  
Will J. Moffett  
Chris Osby Snead  
Christopher G. Stuart  
Donnie R. Tuck

**CONSTITUTIONAL OFFICERS**

Linda B. Smith - Clerk of Courts  
Anton A. Bell - 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 - Assistant City Manager  
James A. Gray - Assistant City Manager  
Karl S. Daughtrey - Director of Finance  
Gloria L. Washington - Director of Budget  
Jacqueline Green - City Controller

**CITY OF HAMPTON, VIRGINIA  
June 30, 2014**

**SCHOOL BOARD**

Martha Mugler, Chair

Phyllis Taylor Henry  
Linwood D. Harper  
William Pearson

Joseph Kilgore, Vice Chair  
Jennifer Phillips  
Monica J. Smith

**SCHOOL ADMINISTRATION**

Dr. Linda Shifflette - Superintendent  
Dr. Patricia Johnson - Deputy Superintendent for Curriculum and Instruction  
Suzanna Scott - Deputy Superintendent for Business and Finance  
Dr. John Caggiano - Executive Director of School Leadership Elementary  
Dr. Patricia Leary - Executive Director of School Leadership Elementary  
Dr. Donna Woods - Executive Director of School Leadership Secondary  
Dr. Cynthia L. Cooper, Executive Director of Research, Planning and Evaluation  
Robbin Ruth - Executive Director of Human Resources  
Carolyn Bowers, Clerk of the School Board

**HAMPTON EMPLOYEES' RETIREMENT SYSTEM**

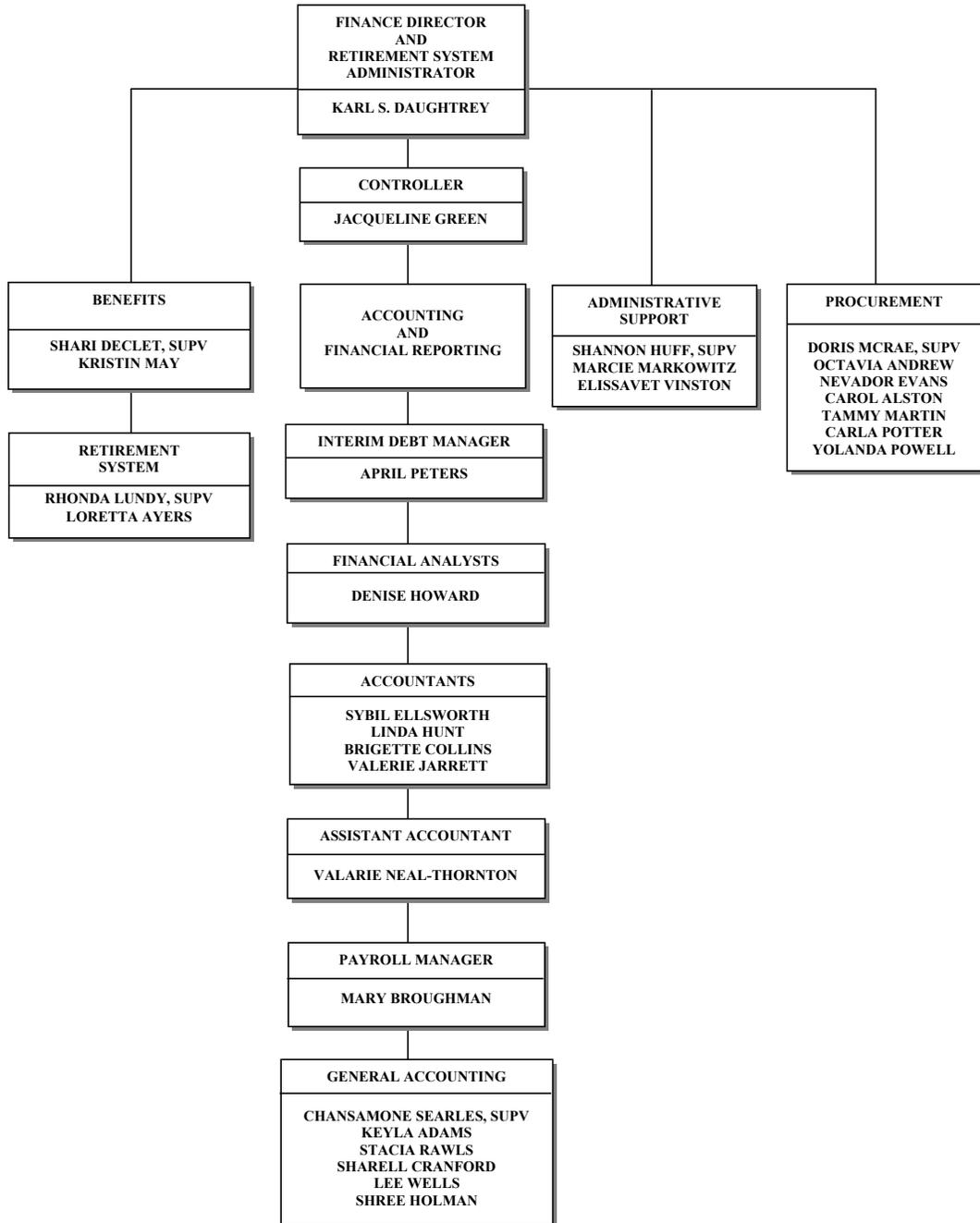
**BOARD OF TRUSTEES**

A. G. Womble, Jr., Chairman

James A. Peterson, Vice Chairman	Joe Sanders
Karen James, Legal Counsel	Suzanna Scott
Sue Ange	William "Bill" Benson, Jr.
Michael Monteith	James Wilson

Karl S. Daughtrey, Administrator and Treasurer

**CITY OF HAMPTON, VIRGINIA  
DEPARTMENT OF FINANCE  
June 30, 2014**



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November 26 ,2014

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, 2014. 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, is 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. Cherry Bekaert LLP, 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 LLP has concluded that the financial statements are in compliance with generally accepted accounting principles and have issued an unmodified opinion on the City of Hampton's financial statements for the year ended June 30, 2014. 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 auditor.

## **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 the July 1, 2013, current estimated population in Hampton was 139,032. This indicates an increase in the population of 1.6% or 2,196 from the July 1, 2012 estimate of 136,836.

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 fiscal year 2014, several awards and recognitions were received by the City of Hampton. They are listed below:

- The City received the 2014 All-American City Award from the National Civic League. The award is given annually to communities that demonstrate innovation, inclusiveness and civic engagement. The focus of the award in 2014 was on successful efforts to address underlying conditions that affect the health of a community.
- The City received the Government Finance Officers Association Distinguished Budget Presentation Award for the FY14 Budget document.
- For the twelfth time in thirteen years Hampton was named as one of the most technology-advanced cities in the nation by the Center for Digital Government. The survey focuses on results achieved by cities through the use of technology in operating efficiencies, realizing strategic objectives, innovative or creative solutions or approaches, effective collaboration and transparency measures. Hampton tied for fifth place in the annual survey of cities with a population of 125,000 to 249,999.

#### 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. The City has included the financial data of four discrete component units which are legally separate entities: Hampton City School Board, Economic Development Authority (EDA), Coliseum Central Business Improvement District, Inc. and Downtown Hampton Development Partnership, Inc.

#### Economic Conditions and Outlook

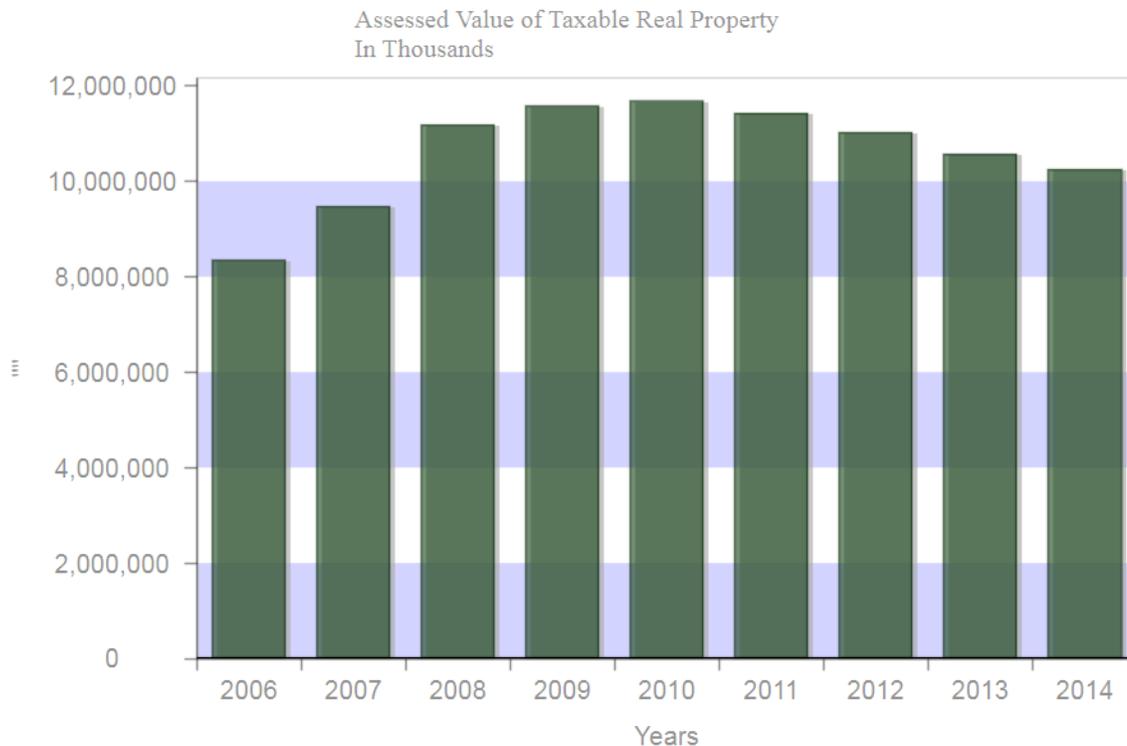
## Local Economy

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 845,000 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, and there are over 30,000 military spouses available to work. In addition, there are almost 100,000 students attending the region's eight universities and four community colleges with an estimated 14,000 graduates per year.

The effects of the economic downturn are still evidenced in the national, state and local economy. The Hampton Roads region's economy, as measured by Gross Regional Product, expanded at a rate of 1.73 percent in 2013. However, this growth was not accompanied by commensurate employment growth. While Department of Defense spending has continued to provide stability to overall growth in Hampton Roads, military spending within the region grew by only 1.71 percent in 2013. Compared to past economic downturns, the region's recovery process will be unusual in the sense that, despite rising income and expenditures, employment growth in Hampton Roads is expected to proceed at a relatively slow pace. As far as jobs are concerned, local firms, like their counterparts in other areas of the country, appear to have learned to do more with less. The City's unemployment rate is currently at 6.6%, a reduction of .5% from fiscal year 2013. The national unemployment rate is currently 6.5%.

The assessed value of the City's residential and commercial real property decreased by \$321.9 million or 3% from fiscal year 2013 to fiscal year 2014.



## 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 is ranked among the top southern universities in the regional university category in the *2014 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.

Alcoa Howmet adopted a new advanced manufacturing and design process for the creation of advanced airfoils for aerospace applications investing \$25 million in equipment and creating 75 new jobs.

Bay Disposal and Recycling expanded its facility and invested \$1.5 million and created 32 new jobs.

Ferguson Enterprises Inc. leased 44,000 square feet in Hampton Roads Center Central Campus and invested \$1 million to relocate its national sales center, creating 171 jobs.

Liberty Source leased 12,000 square feet and invested \$1.5 million at Ft. Monroe for a customer service center, creating 596 new jobs.

Old Point National Bank, a bank founded in Hampton, opened its new four story headquarters in downtown Hampton, resulting in a \$12 million investment.

Tysinger Motors completed a new Audi dealership show room and invested \$10 million and created 50 new jobs.

### Military and Federal Research Facility

Langley Air Force Base is the oldest continuously serving active installation 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 with one-third of the Nation's Air Superiority Fighter Aircraft, the F-22 Raptors. Covering 2,900 acres, Langley has more than 9,500 military personnel and approximately 3,250 civilian employees with a combined payroll of over \$697 million. For the fiscal year 2012-2013, Langley Air Force Base's economic impact analysis stated the base had a total economic impact of \$1.1 billion to the local community.

The National Aeronautics and Space Administration's NASA 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 aeronautics, science, space technology, human space exploration, climate research and the air transportation system. In 2013, Langley employed 3,600 people. Approximately 1,900 were civil service employees and 1,700 were private-sector employees working on or near-site for companies that were contracted to provide support for NASA. The Virginia Air and Space Center, located in downtown Hampton, serves as the official welcome center for NASA Langley. NASA Langley's economic output to Virginia was nearly \$1.1 billion which generated over 10,000 jobs throughout the Commonwealth of Virginia and Hampton Roads region in fiscal year 2013. Its impact on the Hampton Roads region was \$782 million supporting approximately 5,600 jobs.

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:

000's Omitted			
	2014	2013	Percent Increase (Decrease)
<b>Revenues and Other Financing Sources:</b>			
General Fund	\$317,305	\$302,302	4.96
School Operating	126,833*	125,288*	1.23
Total	444,138	427,590	3.87
<b>Expenditures and Other Financing Uses:</b>			
General Fund	244,674*	239,178	2.30
School Operating	195,064*	190,781	2.24
Total	439,738	429,959	2.27
Net change to fund balance	\$4,400	\$(2,369)	

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

The General Fund revenues and other financing sources increased by approximately \$15 million or 4.96% over fiscal year 2013 revenues. This increase is primarily due to revenues from real estate taxes increasing by approximately \$16 million. The real estate tax rate for fiscal year 2014 was increased by City Council from \$1.04 to \$1.24 per \$100 of assessed value. In the local taxes category, we experienced an increase of approximately \$1.7 million. Meal taxes grew by approximately \$.9 million over fiscal year 2013. Also, in the other local taxes category, lodging and transit increased \$.5 million due to a new \$1.00 per room per night hotel tax effective July 1, 2013 to ensure visitor-generating businesses continue to generate room nights for our hotel community. For other financing sources category, transfers in decreased by \$4.3 million. During fiscal 2013 the Capital Projects Fund returned funds that were advanced from the General Fund's fund balance for certain capital projects. No transfers in were made during fiscal year 2014.

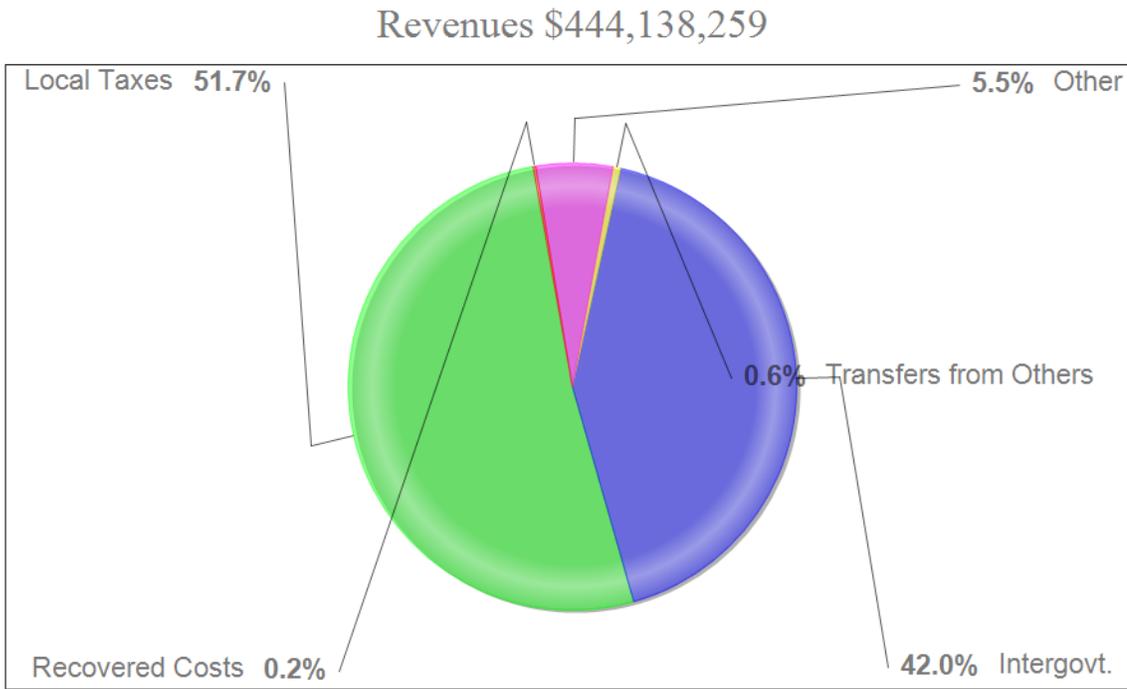
General Fund expenditures increased by \$5.5 million over fiscal year 2013. This increase is due to other financing uses, primarily transfers to the Capital Projects and Debt Service Funds. Transfers to the Capital Projects Fund increased by \$2.6 million due to investing in new capital needs for the City such as for Hampton City Schools "One to One" Technology Project and increased VDOT revenue sharing projects. Transfers to the Debt Service Fund increased by \$3.5 million, primarily from principal and interest due on the 2013 Bond issue.

The School Board Operating Fund revenues increased by approximately \$1.8 million or 1.46% over fiscal year 2013. While most of the state revenues remained comparable to the previous year, there were increases in salary supplement, Virginia Public School Authority (VPSA), Early Reading Specialists and Medicaid. Salary supplement was a new category offered by the State and resulted in an increase of \$1.5 million. VPSA increased by \$.104 million as four schools (Hampton High, Andrews Pre-K, Bassette Elementary and Machen Elementary) were identified to receive technology improvements for the year. Early Reading Specialists received increased funds of \$.168 million. Medicaid reimbursement increased by \$.680 million due to a focused effort of increasing services to the Special Education community that includes teachers, administrators, transportation, psychologists and social workers. While a number of state revenues increased, there were a number that decreased because of a decline in the Average Daily Membership (ADM). In addition federal and other funds decreased for the fiscal year. The total funding decrease was approximately \$.375 million.

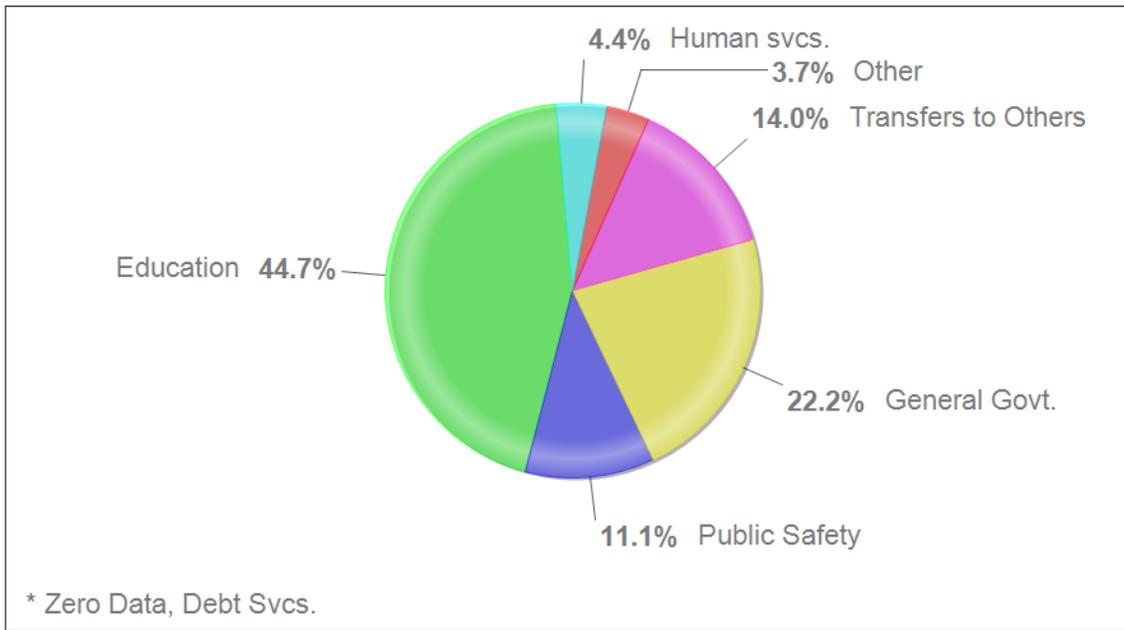
The School Board Operating Fund expenditures increased by \$4.3 million or 2.24% over fiscal year 2013 due primarily to an increase in spending for instruction, administration, attendance and health and technology. Transportation and operation and maintenance expenditures decreased between fiscal years. Transportation expenditures decreased by \$.6 million due to an overall decline in fuel expenditures and fewer after school trips. Operation and maintenance expenditures decreased by \$1.2 million because fewer contractual services were procured during the fiscal year.

Instructional expenditures increased by \$4.2 million during fiscal year 2014 while administration, attendance and health increased by \$.4 million. Both areas increased primarily because of additional health insurance costs. Technology increased by \$1.6 million due largely to computers and iPad purchases. Computer purchases were based on the replacement cycle, while iPads were primarily for students in the 1:1 Initiative program.

The graphs of the 2014 General Fund and School Operating Fund revenues and expenditures are as follows:



## Expenditures \$439,737,729



### Long Term Financial Planning

In the years 2014-2018, \$220.7 million is scheduled for City and School projects. The following summarizes these projects:

• Education	\$47.3 million
• Hampton's Waterways	19.0 million
• Maintenance of Public Properties	64.7 million
• Master Plans	19.0 million
• Neighborhood Support	1.7 million
• Other Economic Development Support	2.4 million
• Other CIP Projects	12.5 million
• Public Safety	7.6 million
• Streets and Infrastructure	46.5 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, 2014, general obligation debt totaled \$257 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, 2014, this would amount to \$439 million or 3.8% 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, 2014, this would amount to \$101 million or .88% 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, 2014, this would amount to \$38 million or 8.7% 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 76% of general bonded obligation debt in fiscal year 2024 that was outstanding as of June 30, 2014.

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, 2014, capital expenditures were \$17 million which is 5% 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 five year period, 2014 through 2018, the City plans to use 39% of General Fund revenues on CIP projects.

5. Unassigned Fund Balance. The City will maintain an unassigned General Fund balance equal to 10% of total General Fund and School Operating Fund revenues. To the extent unassigned fund balance falls below the policy, the shortfall shall be replenished over a three-year period. The unassigned fund balance at June 30, 2014 was \$52 million or 12% 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, Aa1 by Moody's Investor Services and AA+ by Fitch Rating.

### **Major Initiatives and Accomplishments**

Fort Monroe at Old Point Comfort is a National Historic Landmark and sits on a 565 acre island at the mouth of Hampton Roads with 3 miles of beaches, bayside boardwalk, 200 acres of parks and open space and spectacular views of the Chesapeake Bay. Today Fort Monroe still stands as the largest stone fortification and moat ever constructed in North America and is complete with 174 stately historic homes, over 1 million square feet of mainly historic non-residential space, a 332 slip marina, museum, the oldest operating lighthouse on the Chesapeake Bay, tremendous telecommunications infrastructure and convenient access to Interstate-64.

Fort Monroe's greatest asset is its history. The history of Old Point Comfort extends to the very beginning of the settlement of America. Captain John Smith and the early settlers visited Old Point Comfort before establishing the settlement in 1607. After surveying the area in 1608, Captain Smith pronounced this place a "little isle fit for a castle" and soon began the construction of Fort Algernourne in 1609 to protect the new settlement. This began a long line of fortifications on Old Point Comfort that culminated with the establishment of Fort Monroe as a response to the War of 1812, when the British sailed unencumbered to wreak havoc up the Virginia coast, culminating with the burning of Washington DC and the White House. Construction of Fort Monroe began in 1819 and was completed in 1834.

The history of African Americans and the struggle for freedom is uniquely woven into the historic fabric of this place. The first Africans were brought to Old Point Comfort as indentured servants in 1619. The seminal event of the Civil War also took place at Fort Monroe, where the war was transformed into a war for freedom on May 27, 1861, by Major General Benjamin Butler's "contraband" decision or "Fort Monroe Doctrine" where he declared that any slave who reached union lines would be considered contraband of war and not be returned to slavery.

Fort Monroe was identified for closure by the 2005 Base Realignment and Closure Commission and was closed by the Army on September 15, 2011. Since that time, the Commonwealth of Virginia and City of Hampton have been preparing for closure and reuse of the Fort to mitigate the impact of the lost economic activity from the closure. Approximately 371 of the 565 acres of the property

automatically reverts to Commonwealth ownership based on deed language when it was originally conveyed to the federal government in the 1800s. The Commonwealth and Army are in negotiations over the disposition of the “non-revisionary” acres. As part of the State’s partnership with the City, it was agreed that the City would receive a Payment In Lieu Of Taxes (PILOT) to cover the costs of City services that Hampton provides to state controlled property at Fort Monroe. The PILOT is based on the City’s real estate tax assessment and tax rate as if it were any other private property in the City, but excludes any property owned by the federal government or used by the City.

The key priority of the City and Commonwealth has been to keep a living and vibrant community throughout the transition. On November 1, 2011, President Barack Obama took action to declare 245 acres of Fort Monroe a National Monument that will be managed by the National Park Service. Studies have shown the presence of a National Park increased the value of surrounding properties approximately 20%. Coupled with the history of Fort Monroe, the presence of the national park will also generate tourism to the City. The Fort Monroe Authority has also been successfully renting out the historic homes and has attracted some commercial tenants as well. Most of the existing developed area of the Fort will be subject to the PILOT and, in essence, be added to the City’s tax rolls.

### **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, 2013.

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.

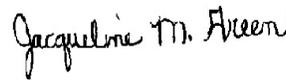
### **Acknowledgments**

We acknowledge, with gratitude, the continued efficient and dedicated service rendered by the Finance Department staff and the assistance rendered by Cherry Bekaert LLP 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  
Director of Finance



Jacqueline M. Green  
Controller



Government Finance Officers Association

**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, 2013**

Executive Director/CEO

## Report of Independent Auditor

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

### **Report on Financial Statements**

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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

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., which represents 1.1%, 2.3%, and 0.3%, respectively, of the total assets, net position and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinions, insofar as it relates to the amounts included for the Downtown Hampton Development Partnership, Inc., is based solely on the report 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 the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. The financial statements of the Downtown Hampton Development Partnership, Inc., were not audited in accordance with *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**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 respective 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, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters*****Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis ("MD&A") and additional required supplementary information other than MD&A as listed on the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Information***

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 nonmajor fund financial statements, supporting schedules (Exhibits 1 - 9) and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is also presented for the purpose of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

The combining and individual nonmajor fund financial statements, supporting schedules in Exhibits 2 - 4, and the schedule of expenditures of federal awards in Exhibit 5 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section, supporting schedules in Exhibits 1 and 6-9, and the statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2014, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Cheryl Bekant LLP*

Virginia Beach, Virginia  
November 26, 2014

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Hampton's (City's) Comprehensive Annual Financial Report (CAFR) presents Management's Discussion and Analysis (MD&A) of the City's financial performance during the fiscal year ended June 30, 2014. The MD&A should be read 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 expenditures in excess of revenues and other financing sources and uses by \$1.9 million (Exhibit A-4) after making a \$70.8 million payment to Hampton City Schools, \$17.0 million transfer to Capital Projects, \$8.7 million transfer to Enterprise Funds, \$1.9 million to Special Revenue Funds and \$33.2 million to Debt Service Fund.
- On a government-wide basis for governmental activities, the City's net position increased by \$21.3 million (Exhibit A-2).
- In the City's business-type activities, on a government-wide basis, net position increased by \$1.7 million (Exhibit A-2).
- The City's net position, excluding component units, on the government-wide basis, totaled \$821.6 million at June 30, 2014. Of this amount, \$105.7 million is available for spending at the government's discretion (unrestricted net position - 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. The *Statement of Net Position* (Exhibit A-1) presents information on all of the City's assets, liabilities and deferred inflows/outflows of resources reported using the full accrual basis of accounting. The *Statement of Activities* (Exhibit A-2) presents all of the City's current year's revenues and expenses, regardless of when cash is received or paid.

The two government-wide statements report the City's net position and changes in net position. The City's net position presents financial information on all of the City's assets, liabilities and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in the City's net position are one indicator of whether its financial position 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 infrastructure.

The *Statement of Activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes).

In the *Statement of Net Position* (Exhibit A-1) and the *Statement of Activities* (Exhibit A-2), the City is divided into the following:

- Governmental activities – The City's basic municipal 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 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 four separate legal entities in its report – the Hampton City School Board, Hampton Economic Development Authority, Coliseum Central Business Improvement District, Inc. and Downtown Hampton Development Partnership, Inc. Although legally separate, these component units are important because the City is financially accountable for these entities.

#### FUND FINANCIAL STATEMENTS

The fund financial statements provide more information about the City's most significant funds – not the City as a whole. Funds are accounting units that the City uses to keep track of specific sources of funding and spending for particular purposes. The City of Hampton uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The City has three types of funds:

- **Governmental funds** – Most of the City's basic services are reported in governmental funds, which focus on (1) the inflows and outflows of cash and other financial assets that can readily be converted into cash and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements (Exhibits A-3, A-4 and A-5) provide a short-term view that 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 these statements. The city maintains nine individual governmental funds.
- **Proprietary funds** – Services for which the City charges customers a fee are generally reported in proprietary funds. These funds, like the government-wide statements, provide both long and short-term financial information. 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. 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 basic proprietary funds financial statements can be found in Exhibits A-6, A-7 and A-8 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 position and statements of changes in fiduciary net position. 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 Position (In Thousands)  
June 30, 2014 and 2013

	Governmental Activities		Business-type Activities		Total Primary Government		Component Units	
	2014	2013	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 203,790	\$ 217,150	\$ 50,887	\$ 48,227	\$ 254,677	\$ 265,377	\$ 50,998	\$ 40,587
Capital assets	870,042	861,930	156,317	161,644	1,026,359	1,023,574	30,093	32,966
Deferred outflows of resources	6,999	7,592	5,554	5,991	12,553	13,583	-	-
Total assets and deferred outflows of resources	1,080,831	1,086,672	212,758	215,862	1,293,589	1,302,534	81,091	73,553
Current liabilities	64,152	68,819	8,491	9,814	72,643	78,633	23,553	15,778
Long-term liabilities	302,017	324,693	95,982	99,478	397,999	424,171	18,487	18,531
Deferred inflows of resources	1,372	1,206	-	-	1,372	1,206	-	-
Total liabilities and deferred inflows of resources	367,541	394,718	104,473	109,292	472,014	504,010	42,040	34,309
Net position								
Investment in capital assets *	623,505	623,887	70,855	73,585	694,360	697,472	30,093	32,437
Restricted*	13,271	12,452	8,256	904	21,527	13,356	1,342	8,335
Unrestricted*	76,514	55,615	29,174	32,081	105,688	87,696	7,616	(1,528)
Total net position	\$ 713,290	\$ 691,954	\$ 108,285	\$ 106,570	\$ 821,575	\$ 798,524	\$ 39,051	\$ 39,244

\* Reclassifications were made to the 2013 amounts for some of the components of net position.

The City's combined net position (which is the City's bottom line) increased by \$23.1 million in fiscal year 2014, of which approximately 2.6% represents resources that are subject to external restrictions. Net investment in capital assets represents 85% of net position. These assets are used to provide services to citizens and consequently are not available for future spending. The City's unrestricted net position – the part of net position that can be used to finance day-to-day operations total \$105.7 million.

Table II

Summary of Changes in Net Position (In Thousands)

For the Fiscal Years Ended June 30, 2014 and 2013

	Governmental Activities		Business-type Activities		Total Primary Government		Component Units	
	2014	2013*	2014	2013*	2014	2013*	2014	2013
<b>Revenue:</b>								
Program Revenue								
Charges for service	\$ 32,635	\$ 32,226	\$ 42,941	\$ 38,937	\$ 75,576	\$ 71,163	\$ 6,142	\$ 7,029
Operating grants and contributions	80,434	75,926	1,832	1,098	82,266	77,024	146,407	144,476
Capital grants and contributions	18,291	19,778	114	95	18,405	19,873	-	-
General revenues								
Property taxes	156,050	135,881	-	-	156,050	135,881	-	-
Other taxes	75,811	74,123	-	-	75,811	74,123	-	-
Other	221	355	1,003	528	1,224	883	74,909	67,642
Total revenues	<u>363,442</u>	<u>338,289</u>	<u>45,890</u>	<u>40,658</u>	<u>409,332</u>	<u>378,947</u>	<u>227,458</u>	<u>219,147</u>
<b>Expenses</b>								
General government	101,058	127,926	-	-	101,058	127,926	4,764	5,913
Public safety	69,813	53,205	-	-	69,813	53,205	-	-
Highways and streets	18,774	15,511	-	-	18,774	15,511	-	-
Sanitation	-	-	24,941	24,475	24,941	24,475	-	-
Health	1,114	3,337	-	-	1,114	3,337	-	-
Human services	32,807	28,528	-	-	32,807	28,528	-	-
Culture and recreation	17,006	15,798	28,395	25,416	45,401	41,214	-	-
Education - payment to school board	70,773	64,925	-	-	70,773	64,925	-	-
Educational	12,464	9,930	-	-	12,464	9,930	222,887	218,184
Interest on long-term debt	9,136	7,991	-	-	9,136	7,991	-	-
Total expenses	<u>332,945</u>	<u>327,151</u>	<u>53,336</u>	<u>49,891</u>	<u>386,281</u>	<u>377,042</u>	<u>227,651</u>	<u>224,097</u>
Increase (decrease) in net position before transfers	30,497	11,138	(7,446)	(9,233)	23,051	1,905	(193)	(4,950)
Transfers	<u>(9,161)</u>	<u>(9,600)</u>	<u>9,161</u>	<u>9,600</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net position	21,336	1,538	1,715	367	23,051	1,905	(193)	(4,950)
Net position, July 1	<u>691,954</u>	<u>690,416</u>	<u>106,570</u>	<u>106,203</u>	<u>798,524</u>	<u>796,619</u>	<u>39,244</u>	<u>44,194</u>
Net position, June 30	<u>\$ 713,290</u>	<u>\$ 691,954</u>	<u>\$ 108,285</u>	<u>\$ 106,570</u>	<u>\$ 821,575</u>	<u>\$ 798,524</u>	<u>\$ 39,051</u>	<u>\$ 39,244</u>

\* Reclassifications were made to the 2013 amounts.

GOVERNMENTAL ACTIVITIES

For the fiscal year ended June 30, 2014, revenues from governmental activities totaled \$363 million. Revenues from governmental activities increased by \$25.1 million; primarily in property taxes and operating grants and contributions. Capital grants and contributions totaled \$18.3 million, a decrease of \$1.48 million over the prior year. The majority of funding in capital grants and contributions consists of federal and state funding for various road projects throughout the City.

Property taxes, the City's largest revenue source, were \$156 million, an increase of \$20 million when compared to fiscal year 2013. This increase is due to an increase in the real estate tax rate from \$1.04 to \$1.24 per \$100 of assessed value. Program revenue for governmental activities totaled \$131 million. Program revenues are derived from the program itself and reduce the cost of the function to the City. One of the most significant of these revenues is the revenue category "Operating Grants and Contributions". These revenues totaled \$80 million for the year ended June 30, 2014, an increase of \$4.5 million when compared to the previous year. The majority of this increase is a result of federal and state funding for various fire and emergency response programs.

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 \$75.8 million. This represents a \$1.7 million increase compared to the previous year mainly due to meal tax revenue exceeding budget by \$956,000 and the collection of the new \$1 per room/per night lodging tax totaling \$459,000.

For the fiscal year ended June 30, 2014, expenditures for governmental activities, excluding transfers, totaled \$332.9 million, an increase of \$5.8 million over the previous year. This increase is directly related to the release of a restriction management placed on department's spending in fiscal year 2013 due to an anticipated shortfall in revenue.

#### BUSINESS-TYPE ACTIVITIES

Business-type activities generated revenues of \$45.9 million, an increase of \$5.2 million when compared to the previous year. The majority of this change is attributed to a \$4 million increase in charges for services. Expenses for the City's business-type activities totaled \$53.3 million, an increase of \$3.4 million when compared to the previous year. The Coliseum experienced a \$3.7 million increase in operating revenues along with a \$3.8 million increase in expenses due to an increase in the number of events over fiscal year 2013.

#### FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The General Fund's fund balance increased by \$1.9 million over fiscal year 2013. This increase is primarily due to unexpended appropriations for the year. As a part of an overall increase in the real estate tax rate, City Council dedicated \$3 million for accelerating master plan implementation in various areas. The majority of this funding was not used during the fiscal year.

The Capital Projects Fund reflected a decrease in fund balance of \$14.5 million. This decrease in fund balance is attributable to an increase in expenditures for capital projects that were funded by previous general obligation bond issues.

The Wastewater Fund recorded an increase in net position of \$1.6 million in fiscal year 2014. This increase is primarily due to personnel savings from job vacancies and fewer than anticipated consent order projects occurring in fiscal year 2014. The DEQ's regional consent order is designed to address sanitary sewer overflows.

The Stormwater Management Fund experienced an increase in fund balance by \$1.2 million during fiscal year 2014. Revenues from user fees increased by \$1.3 million over the previous fiscal year due to a rate increase implemented during fiscal year 2013. In addition, there were a number of stormwater management capital projects commenced during the fiscal year but were uncompleted at year-end.

#### GENERAL FUND BUDGETARY HIGHLIGHTS

During the year, the City Council revised the budget on several occasions. City Council appropriated \$7.7 million from committed fund balance to fund uncompleted projects in the Capital Projects Fund. These projects were funded from the General Fund in fiscal year 2013 but the appropriations lapsed at the end of the fiscal year. Under the City's budget savings program, the remaining budget savings of \$2.4 million was rolled from fiscal year 2013 to fiscal year 2014. 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 \$15 million below the final budget. A significant amount of this variance (\$5.5 million) occurred in the general government function, specifically in non-departmental in the amount of \$1.3 and retirement and employee benefits in the amount of \$1.6 million. Also contributing to this variance was unused budget savings under the City's budget savings program of \$2.4 million. A \$7.2 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 came in at \$1.2 million under budget. This is primarily due to \$1.2 million under budget performance for general property taxes. The collection rate for current personal property taxes was approximately one percent under our budgeted percentage. In addition, collections for delinquent taxes were less than anticipated.

#### CAPITAL ASSETS

The total decrease over fiscal year 2013 in the City's investment in capital assets for the current fiscal year is \$2.8 million. At the end of fiscal year 2014, the City had invested over \$1 billion in a variety of capital assets and infrastructure, as reflected in the following schedule:

Table III Capital Assets (In Thousands)

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Non-depreciable assets:						
Land and land improvements	\$ 519,891	\$ 513,149	\$ 10,806	\$ 10,804	\$ 530,697	\$ 523,953
Easements	778	672	29	29	807	701
Construction in progress	32,941	27,977	1,706	1,451	34,647	29,428
Other capital assets:						
Buildings and improvements	168,816	167,594	137,762	137,691	306,578	305,285
Improvements other than buildings	70,571	67,759	36,446	35,555	107,017	103,314
Equipment and vehicles	81,556	79,582	26,732	26,799	108,288	106,381
Exhibits	-	-	14,413	13,950	14,413	13,950
Landfill	-	-	3,866	3,866	3,866	3,866
Infrastructure	181,884	176,615	66,909	66,208	248,793	242,823
Computer software	1,323	1,003	118	106	1,441	1,109
Other assets	4,218	4,218	-	-	4,218	4,218
Accumulated depreciation	(191,936)	(176,640)	(142,470)	(134,815)	(334,406)	(311,455)
Total	<u>\$ 870,042</u>	<u>\$ 861,929</u>	<u>\$ 156,317</u>	<u>\$ 161,644</u>	<u>\$1,026,359</u>	<u>\$1,023,573</u>

Component Units	School Board		Economic Development Authority		Coliseum Central Business Improvement District, Inc.	
	2014	2013	2014	2013	2014	2013
	Non-depreciable assets:					
Land and land improvements	\$ 5,111	\$ 5,111	\$ 15,803	\$ 15,803	\$ -	\$ -
Other capital assets:						
Buildings and improvements	48,963	48,963	-	-	-	-
Improvements other than buildings	310	310	-	-	-	-
Infrastructure	-	-	2,049	2,049	-	-
Computer software	-	-	-	-	10	4
Equipment and vehicles	41,549	41,736	-	-	141	141
Accumulated depreciation	(82,972)	(80,421)	(1,066)	(964)	(105)	(91)
Total	<u>\$ 12,961</u>	<u>\$ 15,699</u>	<u>\$ 16,786</u>	<u>\$ 16,888</u>	<u>\$ 46</u>	<u>\$ 54</u>

Component Units	Downtown Hampton		Total Component Units	
	2014	2013	2014	2013
	Non-depreciable assets:			
Land and land improvements	\$ -	\$ -	\$ 20,914	\$ 20,914
Other capital assets:				
Buildings and improvements	-	-	48,963	48,963
Improvements other than buildings	-	-	310	310
Infrastructure	438	438	2,487	2,487
Computer software	-	-	10	4
Equipment and vehicles	122	122	41,812	41,999
Accumulated depreciation	(260)	(236)	(84,403)	(81,712)
Total	<u>\$ 300</u>	<u>\$ 324</u>	<u>\$ 30,093</u>	<u>\$ 32,965</u>

The capital budget sets forth \$49 million to be spent during fiscal year 2015 in various projects including \$7.4 million in school building maintenance and technology projects, \$16.9 million in street and infrastructure projects and \$14 million in maintenance of public properties and performance support. 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 2014, the City had \$257.6 million in outstanding general obligation bonds and \$84.0 million in outstanding revenue bonds. 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, 2014, the City's aggregate general obligation indebtedness is \$767 million below this limit.

Table IV  
City of Hampton  
Change in General Obligation and Revenue Bonds (In Thousands)  
June 30, 2014 and 2013

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
General Obligation bonds	\$ 253,682	\$ 275,766	\$ 3,963	\$ 4,304	\$ 257,645	\$ 280,070
Revenue bonds	-	-	83,965	87,725	83,965	87,725
Unamortized premium	18,479	19,945	10,958	11,626	29,437	31,571
Total primary government	<u>\$ 272,161</u>	<u>\$ 295,711</u>	<u>\$ 98,886</u>	<u>\$ 103,655</u>	<u>\$ 371,047</u>	<u>\$ 399,366</u>

**Component Unit - Economic Development Authority**

Revenue bonds	<u>\$ 5,667</u>	<u>\$ 6,274</u>
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**NEXT YEAR'S BUDGET**

The City's staff and City Council considered many factors when developing the fiscal year 2015 budget, with the economy as one of the major factors. The fiscal year 2015 approved budget for the General Fund is \$452.9 million, a 0.94% increase over fiscal year 2014. Major tax and fee rate changes include personal property tax rate increasing from \$4.25 to \$4.50 and the right of way tax is increasing from \$.97 per line/per month to \$1.02 per line/per month .

**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.

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**City of Hampton**  
**Statement of Net Position**  
**June 30, 2014**

	<b>Primary Government</b>			Component Units
	Governmental Activities	Business-Type Activities	Total Primary Government	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 138,498,628	\$ 19,967,483	\$ 158,466,111	\$ 15,136,194
Cash with fiscal agent	276,768		276,768	10,849,921
Investments	41,818,032		41,818,032	18,910
Accounts receivable	29,331,947	5,150,898	34,482,845	676,710
Lease receivable				6,930,415
Due from component units	243,728	18,408	262,136	
Due from primary government				455,895
Internal balances	(7,012,467)	7,012,467		
Due from other governments				7,489,510
Inventories	153,473	375,809	529,282	152,951
Prepaid items	480,716	10,929	491,645	12,674
Temporarily restricted assets:				
Cash and cash equivalents		1,439,444	1,439,444	1,342,168
Cash with fiscal agent		2,093,371	2,093,371	
Investments		14,809,193	14,809,193	
Notes receivable		8,708	8,708	806,987
Land held for sale				7,125,361
Capital assets not being depreciated	553,608,918	12,539,656	566,148,574	20,913,814
Capital assets, net of accumulated depreciation	316,432,996	143,777,421	460,210,417	9,179,189
Total assets	<u>1,073,832,739</u>	<u>207,203,787</u>	<u>1,281,036,526</u>	<u>81,090,699</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred charge on refunding	6,998,508	5,554,253	12,552,761	
Total deferred outflows of resources	<u>6,998,508</u>	<u>5,554,253</u>	<u>12,552,761</u>	
<b>LIABILITIES</b>				
Accounts payable and other liabilities	\$ 31,329,116	\$ 1,772,590	\$ 33,101,706	\$ 17,580,640
Due to component units	455,895		455,895	
Due to primary government				262,136
Unearned revenue	89,867	857,248	947,115	1,780,721
Current liabilities payable from restricted assets		1,901,694	1,901,694	
Notes and other long-term payables				
Due within one year	7,734,071	645,883	8,379,954	3,283,895
Due in more than one year	54,398,298	409,359	54,807,657	13,464,684
Bonds Payable				
Due within one year	24,542,603	3,313,757	27,856,360	645,586
Due in more than one year	247,618,902	95,572,447	343,191,349	5,021,892
Total liabilities	<u>366,168,752</u>	<u>104,472,978</u>	<u>470,641,730</u>	<u>42,039,554</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Property taxes collected in advance	1,372,095		1,372,095	
Total deferred inflows of resources	<u>1,372,095</u>		<u>1,372,095</u>	
<b>NET POSITION</b>				
Net investment in capital assets	623,505,065	70,854,852	694,359,917	30,093,003
Restricted for:				
Capital projects	1,938,375		1,938,375	
Debt service	75,263	-	75,263	
Public safety projects	1,231,679		1,231,679	
Stormwater management	7,930,713		7,930,713	
Human services	545,778		545,778	
Bond indenture		8,256,183	8,256,183	1,342,168
Culture and recreation	94,733		94,733	
Physical environment	106,349		106,349	
Education	6		6	
Community development	866,632		866,632	
Operations and maintenance	17,223		17,223	
Other purposes	464,419		464,419	
Unrestricted	76,514,165	29,174,027	105,688,192	7,615,974
Total net position	<u>\$ 713,290,400</u>	<u>\$ 108,285,062</u>	<u>\$ 821,575,462</u>	<u>\$ 39,051,145</u>

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

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**CITY OF HAMPTON, VIRGINIA**  
**Statement of Activities**  
**For the Year Ended June 30, 2014**

Functions/Programs	Program Revenues				Net (Expenses) Revenue and Change in Net Position			Component Units
	Expenses	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	\$ 101,058,252	\$ 24,458,030	\$ 33,241,680	\$ 6,869,127	\$ (36,489,415)		\$ (36,489,415)	\$
Public safety	69,813,351	5,412,318	10,220,201		(54,180,832)		(54,180,832)	
Highways and streets	18,773,800		15,546,799	11,422,350	8,195,349		8,195,349	
Health	1,114,190				(1,114,190)		(1,114,190)	
Human services	32,807,406	1,329,047	20,844,805		(10,633,554)		(10,633,554)	
Culture and recreation	17,005,920	1,395,246	166,325		(15,444,349)		(15,444,349)	
Education(payment to school district)	70,773,049				(70,773,049)		(70,773,049)	
Education and educational services	12,463,788	40,528	163,493		(12,259,767)		(12,259,767)	
Interest on long-term debt	9,136,067		250,672		(8,885,395)		(8,885,395)	
Total Governmental Activities	<u>332,945,823</u>	<u>32,635,169</u>	<u>80,433,975</u>	<u>18,291,477</u>	<u>(201,585,202)</u>		<u>(201,585,202)</u>	
Business-type activities								
Culture and recreation	28,395,006	15,714,226	1,831,565	114,365		(10,734,850)	(10,734,850)	
Sanitation	24,941,249	27,226,504				2,285,255	2,285,255	
Total Business-type activities	<u>53,336,255</u>	<u>42,940,730</u>	<u>1,831,565</u>	<u>114,365</u>		<u>(8,449,595)</u>	<u>(8,449,595)</u>	
Total Primary Government	<u>\$ 386,282,078</u>	<u>\$ 75,575,899</u>	<u>\$ 82,265,540</u>	<u>\$ 18,405,842</u>	<u>\$ (201,585,202)</u>	<u>\$ (8,449,595)</u>	<u>\$ (210,034,797)</u>	<u>\$</u>
<b>Component units</b>								
Public school system	\$ 222,887,492	\$ 5,293,711	\$ 146,057,185	\$				(71,536,596)
Economic development	3,009,837	86,399						(2,923,438)
Business improvement	1,115,759	538,334						(577,425)
Downtown development	638,187	223,118	351,432					(63,637)
Total component units	<u>\$ 227,651,275</u>	<u>\$ 6,141,562</u>	<u>\$ 146,408,617</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$(75,101,096)</u>
<b>General revenues</b>								
Taxes:								
Property taxes					\$ 156,049,996	\$	\$ 156,049,996	\$
Sales taxes					14,588,265		14,588,265	
Lodging, meal and amusement taxes					23,638,596		23,638,596	
Motor vehicle taxes					4,345,577		4,345,577	
Business license taxes					12,076,877		12,076,877	
Utility taxes					5,452,503		5,452,503	
Tobacco taxes					4,421,113		4,421,113	
Recordation taxes					1,436,356		1,436,356	
Bank stock taxes					527,190		527,190	
Pari-mutuel license taxes					42,628		42,628	
Short-term rental taxes					75,409		75,409	
Communication sales tax					9,186,880		9,186,880	
Mobile home titling tax					20,046		20,046	
Payments from (to) City of Hampton								74,450,761
Investment earnings					221,149	1,003,471	1,224,620	454,481
Miscellaneous								3,315
Transfers					(9,160,924)	9,160,924	-	
Total general revenues and transfers					<u>222,921,661</u>	<u>10,164,395</u>	<u>233,086,056</u>	<u>74,908,557</u>
<b>Change in net position</b>					21,336,459	1,714,800	23,051,259	(192,539)
<b>Net position, beginning of year</b>					<u>691,953,941</u>	<u>106,570,262</u>	<u>798,524,203</u>	<u>39,243,684</u>
<b>Net position, ending</b>					<u>\$ 713,290,400</u>	<u>\$ 108,285,062</u>	<u>\$ 821,575,462</u>	<u>\$ 39,051,145</u>

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

**CITY OF HAMPTON, VIRGINIA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2014**

	General Fund	Special Revenue- Economic Development	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>						
Cash and cash equivalents	\$ 94,375,825	\$ 5,801,025	\$ 502,239	\$ -	\$ 8,696,743	\$ 109,375,832
Cash with fiscal agent	149,509					149,509
Investments	4,004,748			37,813,284		41,818,032
<b>Accounts receivables:</b>						
Taxes(net of allowance of uncollectible)	8,858,375					8,858,375
Due from other governments	10,505,816			4,854,503	3,050,502	18,410,821
Other	1,602,973	6,527	21		429,795	2,039,316
Due from other funds	10,576,340	-	-	7,361,476	107,586	18,045,402
Due from component units	3,467	-				3,467
Inventories	21,671					21,671
Prepaid items	202,629					202,629
<b>Total assets</b>	<b>\$ 130,301,353</b>	<b>\$ 5,807,552</b>	<b>\$ 502,260</b>	<b>\$ 50,029,263</b>	<b>\$ 12,284,626</b>	<b>\$ 198,925,054</b>
<b>Liabilities:</b>						
Accounts payable	\$ 7,784,043	\$ 66,112	\$ (1)	\$ 3,368,262	\$ 914,647	\$ 12,133,063
Accrued health insurance	10,610,230					10,610,230
Accrued liabilities	3,282,942				24,804	3,307,746
Due to other funds	8,122,848	75,886	-	4,282,479	216,827	12,698,040
Due to component units	209,853	46,042		200,000		455,895
Unearned revenue	53,090	7,251			30,592	90,933
<b>Total liabilities</b>	<b>\$ 30,063,006</b>	<b>\$ 195,291</b>	<b>\$ (1)</b>	<b>\$ 7,850,741</b>	<b>\$ 1,186,870</b>	<b>\$ 39,295,907</b>
<b>Deferred inflows of resources:</b>						
Unavailable revenue-property taxes	7,090,317					7,090,317
Property taxes collected in advance	1,372,095					1,372,095
Unavailable revenue-program income					304,110	304,110
Unavailable revenue-stormwater fees					421,867	421,867
<b>Total deferred inflows of resources</b>	<b>\$ 8,462,412</b>				<b>\$ 725,977</b>	<b>\$ 9,188,389</b>
<b>Fund balances:</b>						
Nonspendable	224,300					224,300
Restricted	398,333	853,748	75,263	2,381,785	10,057,527	13,766,656
Committed	32,308,127	1,250,367		37,813,233		71,371,727
Assigned	7,256,509	3,508,146	426,998	1,983,504	314,252	13,489,409
Unassigned	51,588,666					51,588,666
<b>Total fund balances</b>	<b>\$ 91,775,935</b>	<b>\$ 5,612,261</b>	<b>\$ 502,261</b>	<b>\$ 42,178,522</b>	<b>\$ 10,371,779</b>	<b>\$ 150,440,758</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 130,301,353</b>	<b>\$ 5,807,552</b>	<b>\$ 502,260</b>	<b>\$ 50,029,263</b>	<b>\$ 12,284,626</b>	<b>\$ 198,925,054</b>

**Reconciliation of Balance Sheet of Governmental Funds to the Statement of Net Position (Exhibit A-1)**

Total fund balances of governmental funds	\$ 150,440,758
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital Assets used in governmental activities are not financial resources and therefore are not reported in the funds. (Note 6)	852,949,944
Other assets are not available to pay current-period expenditures and, therefore, are deferred in the funds.	7,817,360
Deferred charge on refunding are reported as deferred outflows of resources in the government-wide financial statements but are not reported in the governmental fund statements.	6,998,508
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 Position. Net position on Combining Statement of Net Position-Internal Service Funds (Exhibit E-1)	37,709,458
Other liabilities not paid from current-period revenues are not reported in the funds for:	
Accrued interest	(4,398,977)
Interfund balances related to amounts eliminated in the Statement of Net Position	(12,375,007)
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>(325,851,644)</u>
Net position of governmental activities	<u>\$ 713,290,400</u>

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

**CITY OF HAMPTON, VIRGINIA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2014**

	General Fund	Special Revenue- Economic Development	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>						
General property taxes	\$ 154,193,229					\$ 154,193,229
Other local taxes	75,403,943					75,403,943
Special assessments	4,730,410					4,730,410
Intergovernmental revenues:						
From the Commonwealth of Virginia	53,168,587			4,982,889	10,501,281	68,652,757
From the Federal government	8,732,091		250,672	9,439,461	5,630,017	24,052,241
Permits, privilege fees and regulatory licenses	1,156,244					1,156,244
Fines and forfeitures	2,306,750					2,306,750
Revenues from use of money and property	303,521	621,991	165	73,928	395,212	1,394,817
Charges for services	9,272,310				8,024,981	17,297,291
Payment from component units	2,000,227					2,000,227
Miscellaneous	5,124,477			1,244,902	1,686,906	8,056,285
Recovered costs	906,000					906,000
Total revenues	<u>317,297,789</u>	<u>621,991</u>	<u>250,837</u>	<u>15,741,180</u>	<u>26,238,397</u>	<u>360,150,194</u>
<b>EXPENDITURES</b>						
Current:						
General government	97,800,740	383,955			4,891,003	103,075,698
Public safety	48,694,693				5,369,750	54,064,443
Highways and streets	1,932,408					1,932,408
Sanitation					4,331,737	4,331,737
Health	2,649,246					2,649,246
Human services	19,147,530				9,409,899	28,557,429
Culture and recreation	11,473,909				204,036	11,677,945
Education (payment to school district)	70,773,049					70,773,049
Education and education services	2,119,571					2,119,571
Capital improvements				49,030,398		49,030,398
Debt Service:						
Principal retirement			22,165,622			22,165,622
Interest and fiscal charges			11,707,080			11,707,080
Total expenditures	<u>254,591,146</u>	<u>383,955</u>	<u>33,872,702</u>	<u>49,030,398</u>	<u>24,206,425</u>	<u>362,084,626</u>
Excess (deficiency) of revenues over (under) expenditures	<u>62,706,643</u>	<u>238,036</u>	<u>(33,621,865)</u>	<u>(33,289,218)</u>	<u>2,031,972</u>	<u>(1,934,432)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	7,322	-	33,603,500	19,247,159	2,298,466	55,156,447
Transfers out	(60,855,754)	(429,657)		(483,717)	(2,548,243)	(64,317,371)
Net other financing sources (uses)	<u>(60,848,432)</u>	<u>(429,657)</u>	<u>33,603,500</u>	<u>18,763,442</u>	<u>(249,777)</u>	<u>(9,160,924)</u>
<b>Net change in fund balances</b>	1,858,211	(191,621)	(18,365)	(14,525,776)	1,782,195	(11,095,356)
<b>Fund balances, beginning of year</b>	<u>89,917,724</u>	<u>5,803,882</u>	<u>520,626</u>	<u>56,704,298</u>	<u>8,589,584</u>	<u>161,536,114</u>
<b>Fund balances, end of year</b>	<u>\$ 91,775,935</u>	<u>\$ 5,612,261</u>	<u>\$ 502,261</u>	<u>\$ 42,178,522</u>	<u>\$ 10,371,779</u>	<u>\$ 150,440,758</u>

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

Net change in fund balance - total governmental funds	\$ (11,095,356)
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. Loss on disposal of assets is not reported in the governmental funds but is reflected in the statement of activities.	
Capital acquisitions	25,169,453
Depreciation expense	(18,000,712)
Loss on disposal of assets	(889,165)
Donated assets are not reported in the governmental funds but are reflected in the statement of activities.	2,076,228
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.	1,198,666
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 Position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	
Debt increase for compensated absences	(145,422)
Net other postemployment benefits liability	(4,072,652)
Repayment of debt principal	23,629,768
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue of the internal service funds is reported with governmental activities.	2,198,340
Expenses incurred during the period related to liabilities that are still outstanding and not yet due at year-end for accrued interest	395,122
Amortization of premiums	<u>872,189</u>
Change in net position of governmental activities	<u>\$ 21,336,459</u>

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

**CITY OF HAMPTON, VIRGINIA**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**For the Year Ended June 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
				<u>Over (Under)</u>
<b>REVENUES</b>				
Intergovernmental:				
From the Commonwealth of Virginia	\$ 39,458,557	\$ 55,370,266	\$ 53,168,587	\$ (2,201,679)
From the Federal government	7,967,534	7,967,534	8,732,091	764,557
Local taxes	245,966,632	230,512,703	229,597,172	(915,531)
Special assessments	5,455,974	5,455,974	4,730,410	(725,564)
Licenses and permits	1,234,019	1,234,019	1,156,244	(77,775)
Fines and forfeitures	2,354,209	2,354,209	2,306,750	(47,459)
Revenues from use of money and property	364,706	364,706	303,521	(61,185)
Charges for services	8,581,689	8,581,689	9,272,310	690,621
Recovered costs	906,000	906,000	906,000	-
Payment from component units	2,000,000	2,000,000	2,000,227	227
Miscellaneous	3,744,927	3,744,927	5,124,477	1,379,550
	<u>318,034,247</u>	<u>318,492,027</u>	<u>317,297,789</u>	<u>(1,194,238)</u>
Total revenues				
<b>EXPENDITURES</b>				
Current:				
General government	103,686,631	103,282,817	97,800,740	(5,482,077)
Public safety	46,638,306	49,008,881	48,694,693	(314,188)
Highways and streets	2,159,897	2,101,551	1,932,408	(169,143)
Health	2,668,953	2,671,120	2,649,246	(21,874)
Human services	20,511,459	20,332,047	19,147,530	(1,184,517)
Culture and recreation	12,531,453	12,229,200	11,473,909	(755,291)
Education	72,853,475	72,909,439	72,892,620	(16,819)
	<u>261,050,174</u>	<u>262,535,055</u>	<u>254,591,146</u>	<u>(7,943,909)</u>
Total expenditures				
Excess of revenues over (under) expenditures	<u>56,984,073</u>	<u>55,956,972</u>	<u>62,706,643</u>	<u>6,749,671</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in			7,322	7,322
Transfers out	(61,327,057)	(68,061,782)	(60,855,754)	(7,206,028)
	<u>(61,327,057)</u>	<u>(68,061,782)</u>	<u>(60,848,432)</u>	<u>(7,213,350)</u>
Total other financing sources (uses)				
Net change in fund balances	(4,342,984)	(12,104,810)	1,858,211	<u>\$ 13,963,021</u>
<b>Appropriations from fund balance</b>	4,342,984	12,865,415		
<b>Appropriations - encumbrances</b>		<u>(760,604)</u>		
<b>Fund balance - July 1</b>			<u>89,917,724</u>	
<b>Fund balance - June 30</b>	<u>\$</u>	<u>\$</u>	<u>\$ 91,775,935</u>	

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

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**CITY OF HAMPTON, VIRGINIA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**June 30, 2014**

	Business-Type Activities - Enterprise Funds					Governmental	
	Wastewater Management	The Hamptons	Museum	Convention Center	Non-Major Enterprise Funds	Totals	Internal Service Funds
<b>ASSETS</b>							
Current assets:							
Cash and cash equivalents	\$ 10,434,989	\$ 25,093	\$ 283,348	\$	\$ 9,224,053	\$ 19,967,483	\$ 29,122,795
Cash with fiscal agent							127,259
Restricted assets to be used to liquidate current liabilities:							
Revenue bond indenture:							
Cash and cash equivalents				1,001,678		1,001,678	
Cash with fiscal agent				2,093,371		2,093,371	
Accounts receivable	1,943,339	6,145	179,065	239,312	2,783,037	5,150,898	23,434
Notes and mortgage receivable	8,708					8,708	
Due from other funds			130	322,216	8	322,354	15,953
Due from component units					18,408	18,408	240,261
Inventories	182,692	21,705	59,917		111,495	375,809	131,802
Prepaid items			5,207	5,722		10,929	278,088
Restricted assets:							
Revenue bond indenture:							
Cash and cash equivalents		21,865	164,121	251,781		437,767	
Investments				14,809,193		14,809,193	
<b>Total current assets</b>	<b>12,569,728</b>	<b>74,808</b>	<b>691,788</b>	<b>18,723,273</b>	<b>12,137,001</b>	<b>44,196,598</b>	<b>29,939,592</b>
Noncurrent Assets:							
Capital Assets:							
Land	145,615		1,921,420	5,332,401	3,404,805	10,804,241	
Easements	28,943					28,943	
Buildings and improvements	1,706,026	2,398,794	30,247,432	89,858,046	13,551,629	137,761,927	
Improvements other than buildings	290,651	3,719,882	6,800	4,015,756	28,413,260	36,446,349	253,574
Computer software	105,534				12,500	118,034	185,625
Equipment	4,275,667	426,317	4,286,073	848,824	16,895,561	26,732,442	39,741,199
Construction in progress	1,040,610		373,600	22,718	269,545	1,706,473	
Exhibits			14,413,321			14,413,321	
Landfill					3,865,986	3,865,986	
Infrastructure	66,909,297					66,909,297	
Less accumulated depreciation	(32,235,663)	(6,281,529)	(37,398,563)	(23,131,521)	(43,422,658)	(142,469,934)	(23,088,428)
<b>Net capital assets</b>	<b>42,266,680</b>	<b>263,464</b>	<b>13,850,083</b>	<b>76,946,224</b>	<b>22,990,628</b>	<b>156,317,079</b>	<b>17,091,970</b>
<b>Total noncurrent assets</b>	<b>42,266,680</b>	<b>263,464</b>	<b>13,850,083</b>	<b>76,946,224</b>	<b>22,990,628</b>	<b>156,317,079</b>	<b>17,091,970</b>
<b>Total assets</b>	<b>54,836,408</b>	<b>338,272</b>	<b>14,541,871</b>	<b>95,669,497</b>	<b>35,127,629</b>	<b>200,513,677</b>	<b>47,031,562</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>							
Deferred charge on refunding				5,554,253		5,554,253	
<b>Total deferred outflows of resources</b>				<b>5,554,253</b>		<b>5,554,253</b>	

	Business-Type Activities - Enterprise Funds						Governmental
	Wastewater Management	The Hamptons	Museum	Convention Center	Non-Major Enterprise Funds	Totals	Internal Service Funds
<b>LIABILITIES</b>							
Current liabilities:							
Accounts payable	\$ 393,739	\$ 10,938	\$ 18,118	\$	\$ 952,651	\$ 1,375,446	\$ 871,064
Accrued liabilities				46,073		46,073	
Accrued interest payable					48,588	48,588	
Accrued leave	125,047	7,668	42,308		259,373	434,396	67,352
Due to other funds		3,137,073	854,525		1,693,298	5,684,896	773
Unearned revenue			92,722		764,526	857,248	
Current portion of long-term debt		211,488		2,961,240	352,517	3,525,245	2,267,337
Current liabilities payable from restricted assets:							
Accounts payable			459,456	392,573		852,029	
Accrued interest payable				1,049,664		1,049,664	
Other liabilities	8,831	15,817		73,010	204,829	302,487	8,037
Total current liabilities	<u>527,617</u>	<u>3,382,984</u>	<u>1,467,129</u>	<u>4,522,560</u>	<u>4,275,782</u>	<u>14,176,072</u>	<u>3,214,563</u>
Noncurrent liabilities:							
Claims payable							870,232
Accrued leave	103,724	17,340			288,294	409,358	93,028
Bonds payable				91,962,017	3,610,430	95,572,447	
Obligations under capital leases							3,603,820
Other post employment benefits obligation							1,540,461
Total noncurrent liabilities	<u>103,724</u>	<u>17,340</u>		<u>91,962,017</u>	<u>3,898,724</u>	<u>95,981,805</u>	<u>6,107,541</u>
Total liabilities	<u>631,341</u>	<u>3,400,324</u>	<u>1,467,129</u>	<u>96,484,577</u>	<u>8,174,506</u>	<u>110,157,877</u>	<u>9,322,104</u>
<b>NET POSITION</b>							
Net investment in capital assets	42,266,680	51,976	13,850,083	(4,341,567)	19,027,681	70,854,853	12,504,387
Restricted							
Bond indenture		21,865	164,121	8,070,197		8,256,183	
Unrestricted	11,938,387	(3,135,893)	(939,462)	1,010,543	7,925,442	16,799,017	25,205,071
Total net position (deficit)	<u>\$ 54,205,067</u>	<u>\$(3,062,052)</u>	<u>\$ 13,074,742</u>	<u>\$ 4,739,173</u>	<u>\$ 26,953,123</u>	<u>\$ 95,910,053</u>	<u>\$ 37,709,458</u>

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

Net position of enterprise funds	95,910,053
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	458,625
Interfund reimbursement for allocated overhead costs	11,916,384
Net position business-type activities	<u>\$ 108,285,062</u>

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

**CITY OF HAMPTON, VIRGINIA**  
**STATEMENT OF REVENUES, EXPENSES IN CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2014**

	<b>Business-Type Activities-Enterprise Funds</b>		
	Wastewater Management	The Hamptons	Museum
<b>Operating revenues:</b>			
Charges for services	\$ 8,950,746	\$ 818,746	\$ 1,381,059
Federal revenues			350,483
Other	150,000		2,003,277
Total operating revenues	<u>9,100,746</u>	<u>818,746</u>	<u>3,734,819</u>
<b>Operating expenses:</b>			
Personal services	2,065,726	399,072	1,141,557
Fringe benefits	839,425	104,600	303,452
Promoters fees			
City-sponsored events			
Cost of goods sold	379,351	35,752	44,413
Utilities	255,680	54,786	284,425
Insurance	47,061	34,384	65,926
Operating supplies	315,674	113,937	982,670
Equipmental rental	1,456	300,281	71,178
Equipment and building repairs	471,259	77,095	114,206
Telephone and postage	32,374	5,293	20,951
General expense	170,889	3,593	
Claims			
Landfill costs			
Contractual services	1,109,266	45,471	55,328
Indirect cost	456,000		
Depreciation and amortization	1,321,997	118,933	1,750,991
Total operating expenses	<u>7,466,158</u>	<u>1,293,197</u>	<u>4,835,097</u>
Operating income (loss)	<u>1,634,588</u>	<u>(474,451)</u>	<u>(1,100,278)</u>
<b>Nonoperating revenues (expenses):</b>			
Interest income			32,166
Interest and fiscal charges		(31,291)	(37,875)
Gain(loss) on disposal of capital assets	10,196		
Net increase(decrease) in fair value of investments			
Total nonoperating revenues (expenses)	<u>10,196</u>	<u>(31,291)</u>	<u>(5,709)</u>
Income (loss) before transfers and capital contributions	1,644,784	(505,742)	(1,105,987)
Capital contributions			
Transfers in(out)		430,000	644,563
<b>Change in net position</b>	1,644,784	(75,742)	(461,424)
<b>Net position, (deficit) beginning of year</b>	<u>52,560,283</u>	<u>(2,986,310)</u>	<u>13,536,166</u>
<b>Net position, (deficit) end of year</b>	<u>\$ 54,205,067</u>	<u>\$ (3,062,052)</u>	<u>\$ 13,074,742</u>

<b>Business-Type Activities - Enterprise Funds</b>			<b>Governmental Activities</b>
<u>Convention Center</u>	<u>Non-Major Enterprise Funds</u>	<u>Totals</u>	<u>Internal Service</u>
\$ 2,465,793	\$ 28,629,066	\$ 42,245,410	\$ 20,655,977
		350,483	
	5,167	2,158,444	15,983
<u>2,465,793</u>	<u>28,634,233</u>	<u>44,754,337</u>	<u>20,671,960</u>
1,150,622	5,771,999	10,528,976	1,717,453
387,515	2,288,790	3,923,782	615,697
	4,775,235	4,775,235	
	830,886	830,886	
	331,901	791,417	6,205,205
782,772	873,622	2,251,285	51,805
83,801	568,306	799,478	2,669,007
362,058	1,021,219	2,795,558	170,272
	93,192	466,107	26,300
183,392	3,531,719	4,377,671	443,840
23,191	84,066	165,875	1,052,178
197,837	1,442,204	1,814,523	250,344
			1,582,147
	4,082,029	4,082,029	
187,389	1,098,182	2,495,636	1,833,370
	574,470	1,030,470	
<u>2,842,062</u>	<u>2,710,393</u>	<u>8,744,376</u>	<u>1,938,180</u>
<u>6,200,639</u>	<u>30,078,213</u>	<u>49,873,304</u>	<u>18,555,798</u>
<u>(3,734,846)</u>	<u>(1,443,980)</u>	<u>(5,118,967)</u>	<u>2,116,162</u>
798,229	5,411	835,806	26,786
(4,218,058)	(206,198)	(4,493,422)	(127,587)
(3,253)	11,016	17,959	(32,858)
<u>167,664</u>		<u>167,664</u>	
<u>(3,255,418)</u>	<u>(189,771)</u>	<u>(3,471,993)</u>	<u>(133,659)</u>
(6,990,264)	(1,633,751)	(8,590,960)	1,982,503
	114,365	114,365	215,837
<u>7,215,259</u>	<u>871,102</u>	<u>9,160,924</u>	
224,995	(648,284)	684,329	2,198,340
<u>4,514,178</u>	<u>27,601,407</u>	<u>95,225,724</u>	<u>35,511,118</u>
<u>\$ 4,739,173</u>	<u>\$ 26,953,123</u>	<u>\$ 95,910,053</u>	<u>\$ 37,709,458</u>

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

Change in net position	\$ 684,329
Interfund reimbursement of overhead costs	<u>1,030,471</u>
Change in net position-business type activities	<u>\$1,714,800</u>

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

**CITY OF HAMPTON, VIRGINIA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2014**

	Business-Type Activities-Enterprise Funds					Governmental	
	Wastewater Management	The Hamptons	Museum	Convention Center	Non-Major Enterprise Funds	Totals	Internal Service Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>							
Cash received from customers	\$ 9,131,244	\$ 820,893	\$ 3,499,989	\$ 2,425,121	\$ 29,142,070	\$ 45,019,317	\$ 20,823,907
Cash payments to suppliers for goods and services	(3,926,565)	(595,219)	(2,436,768)	(2,232,668)	(21,597,228)	(30,788,448)	(16,893,106)
Cash payments to employees for services	(2,016,071)	(396,439)	(1,142,997)	(1,153,550)	(5,745,849)	(10,454,906)	(2,178,831)
Net cash provided by (used in) operating activities	<u>3,188,608</u>	<u>(170,765)</u>	<u>(79,776)</u>	<u>(961,097)</u>	<u>1,798,993</u>	<u>3,775,963</u>	<u>1,751,970</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>							
Transfers in from other funds	-	430,000	870,433	7,825,772	871,102	9,997,307	-
Net cash provided by (used in) noncapital financing activities	<u>-</u>	<u>430,000</u>	<u>870,433</u>	<u>7,825,772</u>	<u>871,102</u>	<u>9,997,307</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>							
Acquisition and construction of capital assets	(776,802)	-	(929,642)	(513,312)	(649,273)	(2,869,029)	(1,456,847)
Principal paid on revenue bond maturities and long-term debt	-	(191,680)	(1,547,025)	(2,245,000)	(341,093)	(4,324,798)	(958,946)
Interest paid on revenue bonds and long-term debt	-	(31,291)	(75,750)	(4,230,982)	(210,147)	(4,548,170)	(127,587)
Sale of capital assets	10,887	-	-	-	26,345	37,232	283,485
Net cash provided by (used in) capital and related financing activities	<u>(765,915)</u>	<u>(222,971)</u>	<u>(2,552,417)</u>	<u>(6,989,294)</u>	<u>(1,174,168)</u>	<u>(11,704,765)</u>	<u>(2,259,895)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>							
Purchase of investment securities	-	-	-	(142,004)	-	(142,004)	-
Sale of investment securities	-	-	-	632,356	-	632,356	-
Interest and dividends on investments	-	-	32,166	145,190	5,411	182,767	26,950
Net cash provided by (used in) investing activities	<u>-</u>	<u>-</u>	<u>32,166</u>	<u>635,542</u>	<u>5,411</u>	<u>673,119</u>	<u>26,950</u>
Net increase (decrease) in cash and cash equivalents (including restricted amounts)	2,422,693	36,264	(1,729,594)	510,923	1,501,338	2,741,624	(480,975)
Cash and cash equivalents (including restricted), July 1	<u>8,012,296</u>	<u>10,694</u>	<u>2,177,063</u>	<u>2,835,907</u>	<u>7,722,715</u>	<u>20,758,675</u>	<u>29,731,029</u>
Cash and cash equivalents, June 30	<u>\$ 10,434,989</u>	<u>\$ 46,958</u>	<u>\$ 447,469</u>	<u>\$ 3,346,830</u>	<u>\$ 9,224,053</u>	<u>\$ 23,500,299</u>	<u>\$ 29,250,054</u>

	Business-Type Activities-Enterprise Funds						Governmental
	Wastewater Management	The Hamptons	Museum	Convention Center	Non-Major Enterprise Funds	Totals	Internal Service Funds
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:							
Operating income (loss)	\$ 1,634,588	\$ (474,451)	\$ (1,100,278)	\$ (3,734,846)	\$ (1,443,980)	\$ (5,118,967)	\$ 2,116,162
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:							
Depreciation and amortization expense	1,321,997	118,933	1,750,991	2,842,062	2,710,393	8,744,376	1,938,180
Decrease (increase) in:							
Accounts receivable	30,498	623	(114,177)	(40,672)	(111,228)	(234,956)	213,757
Due from other funds	-	-	264,775	610,513	46,703	921,991	117,198
Due from component units	-	-	-	-	(9,050)	(9,050)	(178,844)
Inventories	42,464	(2,505)	2,898	-	(20,128)	22,729	107,964
Prepaid items	-	-	14,972	3,478	-	18,450	(22,953)
Increase (decrease) in:							
Accounts payable	111,806	6,412	18,118	-	323,340	459,676	197,883
Accrued leave	2,142	(2,533)	(1,440)	-	43,824	41,993	8,037
Due to other funds	(2,401)	176,066	(38,905)	(1,372)	(63,145)	70,243	(7,798)
Other liabilities	8,406	1,524	-	(2,928)	(249,383)	(242,381)	7,568
Unearned revenue	-	-	(120,653)	-	603,441	482,788	-
Accrued liabilities	-	-	-	(29,867)	-	(29,867)	-
Current liabilities payable from restricted assets	-	-	(530,207)	6,526	-	(523,681)	-
Current portion of long-term accrued claims reported as operating activity	-	-	-	-	-	-	(2,927,789)
Due to/from other funds reported as nonoperating activities	-	-	(225,870)	(610,513)	-	(836,383)	-
Accounts receivable reported as nonoperating activities	-	-	-	-	-	-	(163)
Inventories reported as capital contribution	-	-	-	-	993	993	-
Long-term accrued leave reported as operating activities	39,108	-	-	-	(32,787)	6,321	950
Accounts payable reported as nonoperating activities	-	-	-	-	-	-	(338,506)
Long-term accrued insurance claims reported as operating activity	-	-	-	-	-	-	(274,303)
Other post employment benefits obligation reported as operating activity	-	-	-	-	-	-	794,627
Prepaid items reported as nonoperating activities	-	5,166	-	(3,478)	-	1,688	-
Total adjustments	<u>1,554,020</u>	<u>303,686</u>	<u>1,020,502</u>	<u>2,773,749</u>	<u>3,242,973</u>	<u>8,894,930</u>	<u>(364,192)</u>
Net cash provided by (used in) operating activities	<u>\$ 3,188,608</u>	<u>\$ (170,765)</u>	<u>\$ (79,776)</u>	<u>\$ (961,097)</u>	<u>\$ 1,798,993</u>	<u>\$ 3,775,963</u>	<u>\$ 1,751,970</u>
Non-cash transactions affecting investing capital and related financing activities:							
Acquisition of capital assets through outside capital contribution	-	-	-	-	114,365	114,365	215,837
Net increase (decrease) in fair value of investments	-	-	-	167,664	-	167,664	-
Total non-cash transactions	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 167,664</u>	<u>\$ 114,365</u>	<u>\$ 282,029</u>	<u>\$ 215,837</u>

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

**CITY OF HAMPTON, VIRGINIA**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**June 30, 2014**

	<u>Pension Trust</u>	
	Hampton Employees' Retirement System	<u>Agency Funds</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 42,323	\$ 1,054,163
Investments:		
Bond mutual funds	44,460,821	
Stock mutual funds	88,741,805	
Receivables:		
Accounts	31,554	105
Property, Plant, and Equipment		
Office and operating equipment	7,342	
Less accumulated depreciation	(7,342)	
Total assets	<u>\$ 133,276,503</u>	<u>\$ 1,054,268</u>
<b>LIABILITIES</b>		
Deposits	\$	\$ 737,146
Accounts payable	<u>14,879</u>	<u>317,122</u>
Total liabilities	<u>14,879</u>	<u>\$ 1,054,268</u>
<b>NET POSITION</b>		
Net position held in trust for pension benefits and other purposes	<u>\$ 133,261,624</u>	

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

**CITY OF HAMPTON, VIRGINIA**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**For the Year Ended June 30, 2014**

	Hampton Employees' Retirement System
<b>ADDITIONS</b>	
Investment income:	
Net appreciation(depreciation) in fair value of investments	\$ 17,398,498
Dividends	3,116,941
Other	47
Total investment earnings (losses)	20,515,486
Less investment expenses	(20,622)
Net investment earnings (losses)	20,494,864
Employer contributions	6,628,122
Total additions (losses)	27,122,986
<b>DEDUCTIONS</b>	
Benefits	17,032,982
Administrative expenses	278,663
Total deductions	17,311,645
<b>Change in net position</b>	9,811,341
<b>Net position, July 1</b>	123,450,283
<b>Net position, June 30</b>	\$ 133,261,624

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

**CITY OF HAMPTON, VIRGINIA**  
**COMBINING STATEMENT OF NET POSITION**  
**DISCRETELY PRESENTED COMPONENT UNITS**  
**June 30, 2014**

	<b>Governmental Activities</b>	<b>Business Type Activities</b>			<b>Total</b>
	<b>School Board</b>	<b>Economic Development Authority</b>	<b>Coliseum Central Business Improvement District, Inc.</b>	<b>Downtown Hampton Development Partnership, Inc.</b>	
<b>ASSETS</b>					
Cash and cash equivalents	\$ 12,400,197	\$ 1,274,094	\$ 843,500	\$ 618,403	\$ 15,136,194
Cash with fiscal agent	9,262,748	1,587,173			10,849,921
Investments	18,465	445			18,910
Accounts receivable	376,192	46,014	254,504		676,710
Lease receivable		6,930,415			6,930,415
Due from primary government		455,895			455,895
Due from other governments	7,489,510				7,489,510
Inventories	152,951				152,951
Prepaid items			8,625	4,049	12,674
Temporarily restricted assets:					
Cash and cash equivalents		1,342,168			1,342,168
Notes receivable		806,987			806,987
Land held for sale		7,125,361			7,125,361
Capital assets not being depreciated	5,111,045	15,802,769			20,913,814
Capital assets, net of accumulated depreciation	7,850,407	983,203	45,717	299,862	9,179,189
Total assets	<u>\$ 42,661,515</u>	<u>\$ 36,354,524</u>	<u>\$ 1,152,346</u>	<u>\$ 922,314</u>	<u>\$ 81,090,699</u>
<b>LIABILITIES</b>					
Accounts payable and other liabilities	\$ 16,217,556	\$ 1,315,253	\$ 20,905	\$ 26,926	\$ 17,580,640
Due to primary government	262,131	5			262,136
Unearned revenue	39,238	1,741,483			1,780,721
Notes and other long-term payables:					
Due within one year	3,283,895				3,283,895
Due in more than one year	13,464,684				13,464,684
Bonds payable					
Due within one year		645,586			645,586
Due in more than one year		5,021,892			5,021,892
Total liabilities	<u>33,267,504</u>	<u>8,724,219</u>	<u>20,905</u>	<u>26,926</u>	<u>42,039,554</u>
<b>NET POSITION</b>					
Net investment in capital assets	12,961,452	16,785,972	45,717	299,862	30,093,003
Restricted for:					
Bond indenture		1,342,168			1,342,168
Unrestricted	<u>(3,567,441)</u>	<u>9,502,165</u>	<u>1,085,724</u>	<u>595,526</u>	<u>7,615,974</u>
Total net position	<u>9,394,011</u>	<u>27,630,305</u>	<u>1,131,441</u>	<u>895,388</u>	<u>39,051,145</u>
Total liabilities and net position	<u>\$ 42,661,515</u>	<u>\$ 36,354,524</u>	<u>\$ 1,152,346</u>	<u>\$ 922,314</u>	<u>\$ 81,090,699</u>

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

**CITY OF HAMPTON, VIRGINIA**  
**COMBINING STATEMENT OF ACTIVITIES**  
**DISCRETELY PRESENTED COMPONENT UNITS**  
**For the Year Ended June 30, 2014**

Functions/Programs	Program Revenues				Net (Expenses) Revenues and Changes in Net Position				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	School Board	Economic Development Authority	Coliseum Central Business Improvement District, Inc.	Downtown Hampton Development Partnership, Inc.	Total
Governmental type activities									
Public school system	\$ 222,887,492	\$ 5,293,711	\$ 146,057,185	\$	\$(71,536,596)	\$	\$	\$	\$ (71,536,596)
Business type activities									
Economic development	3,009,837	86,399				(2,923,438)			(2,923,438)
Business improvement	1,115,759	538,334					(577,425)		(577,425)
Downtown development	638,187	223,118	351,432					(63,637)	(63,637)
<b>Total component units</b>	<b>\$ 227,651,275</b>	<b>\$ 6,141,562</b>	<b>\$ 146,408,617</b>	<b>\$</b>	<b>\$(71,536,596)</b>	<b>\$(2,923,438)</b>	<b>\$(577,425)</b>	<b>\$(63,637)</b>	<b>\$ (75,101,096)</b>
Payments from (to) City of Hampton					70,773,049	3,006,044	509,413	162,255	74,450,761
Investment earnings					-	451,755	2,726	-	454,481
Miscellaneous					-	3,315	-	-	3,315
<b>Total general revenues, special items and transfers</b>					<b>70,773,049</b>	<b>3,461,114</b>	<b>512,139</b>	<b>162,255</b>	<b>74,908,557</b>
<b>Change in net position</b>					<b>(763,547)</b>	<b>537,676</b>	<b>(65,286)</b>	<b>98,618</b>	<b>(192,539)</b>
<b>Net position, beginning</b>					<b>10,157,558</b>	<b>27,092,629</b>	<b>1,196,727</b>	<b>796,770</b>	<b>39,243,684</b>
<b>Net position, ending</b>					<b>\$ 9,394,011</b>	<b>\$ 27,630,305</b>	<b>\$ 1,131,441</b>	<b>\$ 895,388</b>	<b>\$ 39,051,145</b>

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

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2014**

**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 Position 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 the City is financially accountable for these organizations, as defined in GASB Statement No. 61, *The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34*, GASB Statement No. 14, *The Reporting Entity* and GASB Statement No. 39, *Determining Whether Certain Organizations are Component-Units*. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

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 Economic Development Authority, Coliseum Central Business Improvement District, Inc. and Downtown Hampton Development Partnership, Inc. All of these component units are considered major. 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.

Hampton City School Board

The Hampton City School Board (School Board) is a legally separate entity which 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. The City provides operating and capital funding to the School Board. Therefore, the School Board is fiscally dependent and imposes specific financial burdens on 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 Economic Development Authority

The Hampton Economic Development Authority (EDA) 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 EDA was established to promote and develop trade within the City by inducing manufacturing,

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2014**

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

industrial and commercial enterprises to locate or remain in the City. The EDA is included as a discretely presented component unit because the City appoints the governing body of the EDA, funds the EDA's operating and capital budgets and it receives all of the revenues derived from EDA land sales. The EDA does not issue separate financial statements.

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. City Council levies the additional tax for the District and provides other funding for operations. Coliseum BID is included in the City's reporting entity because it is fiscally dependent and it imposes specific financial burdens on the City. 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. City Council levies the additional tax for the District and provides other funding for operations. Downtown Hampton is included in the City's reporting entity because it is fiscally dependent and it imposes specific financial burdens on the City. 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.

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 financially accountable for these organizations.

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 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, 2014, the City provided operating and capital support of \$4,174,766 to

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2014**

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

HRT, \$150,762 to HRPDC, \$9,750 to VPPSA, \$129,581 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 \$1,413,162 to the CSB during fiscal year 2014.

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 Position 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.

Statement of Net Position

The Statement of Net Position (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 Position and report depreciation expense in the Statement of Activities. The net position of a government are displayed in three categories – net investment in capital assets, restricted and unrestricted. Also included in the Statement of Net Position 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

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2014**

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

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 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 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, and Capital Projects 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 unearned 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. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

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 includes proposed expenditures and the means of financing them.

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2014**

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

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 15th.
4. The City Manager or his/her 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 2014. 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 Capital Projects Fund and Special Revenue Funds except for the Stormwater Management Fund and 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.

**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. Encumbered amounts for specific purposes for which amounts have not been previously restricted, committed or assigned will be reported within committed or assigned fund balance, as appropriate.

**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.

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2014**

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

Receivables

Receivables of the General Fund are stated net of an allowance for uncollectible taxes of \$1,309,035. 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 Economic Development Authority (EDA) is stated at cost or, if donated, at fair market value as of the date received. Development costs of the EDA 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).

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 – EDA:

	<u>The Hamptons</u>	<u>Museum</u>	<u>Convention Center</u>	<u>Component Unit- EDA</u>
Restricted Assets				
Cash:				
Operating and Maintenance Account	\$ 21,865	\$ 164,121	\$ -	\$ 154,275
Operating/Capital Reserve Fund		-	3,072,795	623,913
Bond Fund	-	-	22,254	-
Debt Service Reserve Fund		-	251,781	563,980
Investments:				
Operating Reserve Fund	-	-	6,499,920	-
Bond Fund	-	-	1,629,153	-
Debt Service Reserve Fund	-	-	6,680,120	-
	<u>\$ 21,865</u>	<u>\$ 164,121</u>	<u>\$ 18,156,023</u>	<u>\$ 1,342,168</u>

The assets for The Hamptons, Museum, Convention Center, and EDA are classified as restricted since their use is

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2014**

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

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 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>Assets</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.

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 – School Board, Economic Development Authority, Downtown Hampton Development Partnership, Inc., and the Coliseum Central Business Improvement District, Inc. are stated at cost. Depreciation has been provided using the straight-line method over the estimated useful lives of the assets.

Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2014**

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

of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The City has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has two types of items, which arise only under a modified accrual basis of accounting, that qualify for reporting in this category. Accordingly, unavailable revenue and property taxes collected in advance are reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from three sources: property taxes, charges for services and program income. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The governmental funds report revenues collected in advance from one source: property taxes. These amounts are deferred and recognized as an inflow of resources when the taxes are levied.

Fund Balance

Fund balance is essentially the difference between the assets and liabilities reported in a governmental fund. There are five separate components of fund balance, each of which identifies the extent to which the City of Hampton is bound to honor constraints on the specific purpose for which amounts can be spent. The five categories are as follows:

**Nonspendable Fund Balance** – Includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Examples would be inventory, long term receivables, or a fund that is legally or contractually required to be maintained intact such as a permanent fund.

**Restricted Fund Balance** – Includes amounts that can be spent only for specific purposes as stipulated by constraints imposed by either external creditors, grantors, laws or regulations of other governments or they are imposed by law through constitutional provisions or enabling legislation.

**Committed Fund Balance** – Includes amounts that can only be used for specific purposes pursuant to a formal action of the government's highest level of decision-making authority.

**Authority to Commit** – Commitments for specific purposes require a formal action (resolution) of the City Council. A majority vote is required to approve or remove a commitment. Committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action (resolution).

**Assigned Fund Balance** – Includes amounts intended to be used by the City of Hampton for a specific purpose but do not meet the criteria to be classified as restricted or committed. The intent should be expressed by the governing body itself or an official or committee that the governing body has delegated the authority to assign amounts to be used for specific purposes.

**Authority to Assign** – The City Council's fund balance policy has delegated to the City Manager and Director of Finance the authority to assign amounts to be used for specific purposes; however, before the assigned funds can be spent, such amounts, excluding appropriations related to encumbrances that are carried forward to the subsequent fiscal year, must be appropriated by City Council.

**Unassigned Fund Balance** – The residual classification for the General Fund. This category represents fund balance

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2014**

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

that has not been restricted, committed or assigned to specific purposes within the General Fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, it shall be the policy of the City of Hampton to consider restricted amounts to have been spent first.

When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it shall be the policy of the City of Hampton that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts.

The City will maintain a minimum unassigned fund balance in the General Fund equal to 10% of the total revenues for the General and School Operating Funds. To the extent the minimum unassigned fund balance falls below policy, the shortfall shall be replenished over a three-year period.

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2014**

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

A schedule of fund balances by specific purpose is provided below:

	General	Economic Development	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Fund
Fund Balances:						
Nonspendable:						
Inventory	\$ 21,671	\$ -	\$ -	\$ -	\$ -	\$ 21,671
Prepaid items	202,629	-	-	-	-	202,629
Restricted:						
Debt service	-	-	75,263	-	-	75,263
Donations for parks projects	10,000	-	-	-	-	10,000
Donations for Police Firing Range	23,000	-	-	-	-	23,000
Parks, culture and recreation	43,704	-	-	-	50,440	94,144
Economic development projects	-	853,748	-	-	-	853,748
Public safety	11,596	-	-	-	1,435,417	1,447,013
Human services	138,446	-	-	-	407,332	545,778
Physical environment	171,587	-	-	-	-	171,587
Capital projects	-	-	-	2,381,785	-	2,381,785
Stormwater management	-	-	-	-	7,930,713	7,930,713
Building operations	-	-	-	-	17,223	17,223
Law library	-	-	-	-	101,121	101,121
General government	-	-	-	-	114,985	114,985
Education	-	-	-	-	296	296
Committed:						
Budget savings program	8,580,171	-	-	-	-	8,580,171
Economic development projects	-	1,250,367	-	-	-	1,250,367
Safe and clean projects	720,391	-	-	-	-	720,391
Capital projects	9,868,531	-	-	37,813,233	-	47,681,764
Debt service	9,003,449	-	-	-	-	9,003,449
Home elevation loan program	2,500,000	-	-	-	-	2,500,000
Estate proceeds	23,108	-	-	-	-	23,108
Maintenance of driving range	146,114	-	-	-	-	146,114
Drainage projects	1,245,000	-	-	-	-	1,245,000
Physical environment	221,363	-	-	-	-	221,363
Assigned:						
Donations for parks projects	40,893	-	-	-	-	40,893
Subsequent year expense	3,750,000	-	-	-	-	3,750,000
Economic development projects	-	3,508,146	-	-	-	3,508,146
Public safety projects	361,361	-	-	-	55,095	416,456
Human services	174,842	-	-	-	283	175,125
General government	324,956	-	-	-	258,874	583,830
Encumbrances	2,428,885	-	-	-	-	2,428,885
Capital projects	-	-	-	1,983,504	-	1,983,504
Debt service	-	-	426,998	-	-	426,998
Channel 47	175,572	-	-	-	-	175,572
Unassigned	51,588,666	-	-	-	-	51,588,666
Total Fund Balances	<u>\$ 91,775,935</u>	<u>\$ 5,612,261</u>	<u>\$ 502,261</u>	<u>\$ 42,178,522</u>	<u>\$ 10,371,779</u>	<u>\$ 150,440,758</u>

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2014**

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

Net Position(deficit) - Enterprise Funds and Internal Service Funds

The net position(deficit) at June 30, 2014 in the Enterprise Funds are as follows:

	Primary Government	Discretely Presented Component Units
Wastewater Management	\$ 54,205,067	\$ -
The Hamptons Golf Course	(3,062,052)	-
Virginia Air & Space Museum	13,074,742	-
Hampton Roads Convention Center	4,739,173	-
Non-Major Enterprise:		
Hampton Coliseum	9,412,017	-
The Woodlands Golf Course	1,160,887	-
Solid Waste	9,202,271	-
Refuse-Steam Plant	7,177,948	-
Component Units:		
School Board	-	9,394,011
Economic Development Authority	-	27,630,305
Coliseum Central Business Improvement District, Inc.	-	1,131,441
Downtown Hampton Development Partnership, Inc.	-	895,388

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 net position in the Internal Service Funds are as follows:

Internal Service:		
Equipment Replacement		\$ 18,253,972
Fleet Management		1,404,106
Risk Management		16,744,952
Information Technology		1,306,428

**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, 2014 has been reported in the government-wide statements, representing the City's commitment to fund such costs from future operations.

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2014**

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

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 and Stormwater Management Funds have been used to liquidate the liability for compensated absences.

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, deferred inflows/outflows of resources, fund balance or net position, revenues and expenditures or expenses.

**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 and reports financial resources that are restricted, committed or assigned to expenditure for principal and interest. 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 and reports financial resources that are restricted, committed or assigned to expenditure for capital outlays 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 are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes other than debt service or capital projects.

The Federal Grants Fund accounts for revenues and expenditures of all federal, state and recovery act grants awarded to the City except the Community Development entitlement. The Federal Grants Fund also accounts for program income and matching requirements related to all awarded City grants. 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. Other revenues include program income that is generated from repayments of loans, the sale of rehabilitated homes and the Revolving Loan Fund.

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2014**

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

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 land sales, special assessments, projects financed by the fund and rental receipts.

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. Revenues are derived from a court case fee, which is legally mandated to support the operations of the law library.

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 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 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 Services, 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 Services 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, 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.

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2014**

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

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.

**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 Position. 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	\$ 10,576,340	\$ 8,122,848
Special Revenue: Economic Development		75,886
Capital Projects	7,361,476	4,282,479
Non-Major Governmental Funds	107,586	216,827
Proprietary Funds:		
The Hamptons		3,137,073
Museum	130	854,525
Convention Center	322,216	
Non-Major Enterprise Funds	8	1,693,298
Internal Service Funds	15,953	773
Total Primary Government	<u>\$ 18,383,709</u>	<u>\$ 18,383,709</u>

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2014**

**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	\$	\$ 209,853	\$ 3,467	\$
Primary Government - Economic Development		46,042		
Primary Government - Capital Projects		200,000		
Primary Government - Non-major Enterprise Funds			18,408	
Primary Government - Internal Service Funds			240,261	
Component Unit - School Board Operating Fund				262,131
Component Unit - EDA	455,895			5
Total	<u>\$ 455,895</u>	<u>\$ 455,895</u>	<u>\$ 262,136</u>	<u>\$ 262,136</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, 2014 are as follows:

<u>Primary Government:</u>	<u>Transfer From</u>	<u>Transfer To</u>
General Fund	\$ 7,322	\$ 60,855,754
Special Revenue:		
Economic Development	-	429,657
Debt Service	33,603,500	-
Capital Projects	19,247,159	483,717
Non-Major Governmental Funds	2,298,466	2,548,243
Proprietary Funds:		
The Hamptons	430,000	-
Museum	644,563	-
Convention Center	7,215,259	-
Non-Major Enterprise Funds	871,102	-
Total Primary Government	<u>\$ 64,317,371</u>	<u>\$ 64,317,371</u>

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2014**

**3. INTERFUND BALANCES , continued:**

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

	Payments From Primary Government	Payments to Component Unit	Payments From Component Unit	Payments To Primary Government
Primary Government - General Fund	\$ -	\$ 73,329,018	\$ -	\$ -
Primary Government - Economic Development	-	259,063	-	-
Primary Government - Capital Projects Fund	-	862,680	-	-
Component Unit - School Board Operating Fund	70,773,049	-	-	-
Component Unit - EDA	3,006,044	-	-	-
Component Unit - Coliseum BID	509,413	-	-	-
Component Unit - Downtown Hampton	162,255	-	-	-
Total	<u>\$ 74,450,761</u>	<u>\$ 74,450,761</u>	<u>\$ -</u>	<u>\$ -</u>

**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, 2014 the carrying value of the City’s deposits was \$36,241,877 and the bank balance was \$14,857,532. All of the bank balances are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the “Act”) Section 2.2-4400 et. seq. of the Code of Virginia. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial institutions may choose between two collateralization methodologies and depending upon that choice will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. The Commonwealth of Virginia Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and notifying local governments of compliance by financial institutions. All deposits are considered fully collateralized.

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

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2014**

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

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 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

The City's investment 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 ratings 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 and FCAR 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 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, 2014, the City had the following investments and maturities:

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2014**

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

<b>Primary Government</b>	<b>Fair Value</b>	<b>Actual Credit Rating</b>	<b>Investment Maturities (in years)</b>	
			<b>Less than 1 year</b>	<b>1-5 years</b>
Commercial Paper	\$ 15,992,138	A-1 + P-1	\$ 15,992,138	\$ -
U.S. Government securities	17,184,788	AAA	-	17,184,788
State Local Government Investment Pool-City	111,000,000	AAAm	111,000,000	-
State Non-Arbitrage Fund-City	39,442,437	AAAm	39,442,437	-
Mutual and Money Market Funds	<u>565,889</u>	Unrated	<u>565,889</u>	<u>-</u>
Total Investments Controlled by City	184,185,252		167,000,464	17,184,788
Pension Plan Investments	<u>133,202,626</u>		<u>133,202,626</u>	<u>-</u>
Total	317,387,878		<u>\$ 300,203,090</u>	<u>\$ 17,184,788</u>
Reconciliation to Total Cash and Investments:				
Add:				
Cash on Hand and in Banks-City	33,593,523			
Cash With Fiscal Agent	<u>2,220,630</u>			
Total Deposits and Investments Primary Government and Fiduciary Funds per Exhibits A-1 and A-9	<u>\$ 353,202,031</u>			

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2014**

**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	\$ 1,200,000	\$ 1,200,000
Mutual and Money Market Funds	18,465	18,465
Total Investments School Board	<u>\$ 1,218,465</u>	<u>\$ 1,218,465</u>

**Other Component Units**

	<b>Investment Maturities (in years)</b>	
	<b>Fair Value</b>	<b>Less than 1 year</b>
Stock	\$ 445	\$ 445
Mutual and Money Market Funds	1,342,168	1,342,168
Total Investments Other Component Units	<u>\$ 1,342,613</u>	<u>\$ 1,342,613</u>

Reconciliation of total deposits and investments to the government-wide statements at June 30, 2014;

<b><u>Primary Government</u></b>	<b>Governmental Activities</b>	<b>Business Type Activities</b>	<b>Fiduciary Responsibilities</b>	<b>Total</b>
Cash Deposits-City	\$ 24,027,876	\$ 8,969,161	\$ 596,486	\$ 33,593,523
Cash With Fiscal Agent-City	127,259	2,093,371	-	2,220,630
Mutual and Money Market Funds	-	437,767	-	437,767
Investments-City	156,438,292	26,809,193	133,702,626	316,950,111
Total Primary Government	<u>\$ 180,593,427</u>	<u>\$ 38,309,492</u>	<u>\$ 134,299,112</u>	<u>\$ 353,202,031</u>
<b><u>Component Unit - School Board</u></b>				
Cash Deposits	\$ 11,200,197	\$ -	\$ -	\$ 11,200,197
Cash With Fiscal Agent	9,262,748	-	-	9,262,748
Investments	1,218,465	-	-	1,218,465
Total Component Units School Board	<u>\$ 21,681,410</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,681,410</u>
<b><u>Other Component Units</u></b>				
Cash Deposits	\$ -	\$ 2,735,997	\$ -	\$ 2,735,997
Cash With Fiscal Agent	-	1,587,173	-	1,587,173
Investments	-	1,342,613	-	1,342,613
Total Other Component Units	<u>\$ -</u>	<u>\$ 5,665,783</u>	<u>\$ -</u>	<u>\$ 5,665,783</u>

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2014**

**5. ACCOUNTS RECEIVABLE:**

Accounts receivable at June 30, 2014 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 \$1,309,035)	\$ 8,858,375	\$ -	\$ -	\$ -	\$ -
Due from Commonwealth of Virginia	9,671,916	-	-	4,854,503	1,649,054
Due from Federal Government	833,900	-	-	-	1,401,448
Other	1,602,973	6,527	21	-	429,795
Total Primary Government	<u>\$ 20,967,164</u>	<u>\$ 6,527</u>	<u>\$ 21</u>	<u>\$ 4,854,503</u>	<u>\$ 3,480,297</u>
 <u>Discretely Presented Component Unit - School Board:</u>					
Due from Commonwealth of Virginia		\$ 5,157,942			
Due from federal government		2,331,568			
Other		376,192			
Total Component Unit		<u>\$ 7,865,702</u>			

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2014**

**6. CAPITAL ASSETS:**

Capital asset activity for the year ended June 30, 2014 is as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 513,148,605	\$ 7,181,396	\$ (440,372)	\$ 519,889,629
Easements	671,849	106,222	-	778,071
Construction in progress	27,977,394	15,245,774	(10,281,950)	32,941,218
Total capital assets not being depreciated	<u>541,797,848</u>	<u>22,533,392</u>	<u>(10,722,322)</u>	<u>553,608,918</u>
Capital assets being depreciated:				
Buildings	167,593,563	1,222,319	-	168,815,882
Improvements	67,759,160	2,812,296	-	70,571,456
Computer Software	1,002,845	320,272	-	1,323,117
Machinery & Equipment	79,582,346	7,285,933	(5,312,637)	81,555,642
Infrastructure	176,615,436	5,268,723	-	181,884,159
Other Assets	4,218,300	-	-	4,218,300
Total capital assets being depreciated	<u>496,771,650</u>	<u>16,909,543</u>	<u>(5,312,637)</u>	<u>508,368,556</u>
Less accumulated depreciation for:				
Buildings	(41,134,892)	(3,753,679)	-	(44,888,571)
Improvements	(42,112,512)	(2,676,303)	-	(44,788,815)
Computer Software	(636,288)	(235,676)	-	(871,964)
Machinery & Equipment	(42,902,307)	(5,483,303)	4,643,383	(43,742,227)
Infrastructure	(49,053,841)	(7,568,184)	-	(56,622,025)
Other Assets	(800,209)	(221,749)	-	(1,021,958)
Total accumulated depreciation	<u>(176,640,049)</u>	<u>(19,938,894)</u>	<u>4,643,383</u>	<u>(191,935,560)</u>
Total capital assets being depreciated, net	<u>320,131,601</u>	<u>(3,029,351)</u>	<u>(669,254)</u>	<u>316,432,996</u>
Governmental activities capital assets, net	<u>\$ 861,929,449</u>	<u>\$ 19,504,041</u>	<u>\$ (11,391,576)</u>	<u>\$ 870,041,914</u>

**Primary Government:**

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

General capital assets	\$ 852,949,944
Internal service funds	17,091,970
	<u>\$ 870,041,914</u>

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2014**

**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	\$ 10,804,241	\$ -	\$ -	\$ 10,804,241
Easements	28,943	-	-	28,943
Construction in progress	1,450,983	1,861,278	(1,605,788)	1,706,473
Total capital assets not being depreciated	<u>12,284,167</u>	<u>1,861,278</u>	<u>(1,605,788)</u>	<u>12,539,657</u>
Capital assets being depreciated:				
Buildings	137,690,892	71,035	-	137,761,927
Improvements	35,555,057	891,391	(99)	36,446,349
Computer Software	105,534	12,500	-	118,034
Machinery & Equipment	26,799,486	593,536	(660,580)	26,732,442
Exhibits	13,950,306	463,015	-	14,413,321
Landfill	3,865,986	-	-	3,865,986
Infrastructure	66,208,260	701,037	-	66,909,297
Total capital assets being depreciated	<u>284,175,521</u>	<u>2,732,514</u>	<u>(660,679)</u>	<u>286,247,356</u>
Less accumulated depreciation for:				
Buildings	(51,853,337)	(3,689,098)	-	(55,542,435)
Improvements	(22,471,757)	(1,085,628)	98	(23,557,287)
Computer Software	(34,336)	(34,800)	-	(69,136)
Machinery & Equipment	(16,914,565)	(1,967,017)	641,304	(18,240,278)
Exhibits	(13,412,894)	(491,129)	-	(13,904,023)
Landfill	(3,653,122)	(2,892)	-	(3,656,014)
Infrastructure	(26,475,179)	(1,025,584)	-	(27,500,763)
Total accumulated depreciation	<u>(134,815,190)</u>	<u>(8,296,148)</u>	<u>641,402</u>	<u>(142,469,936)</u>
Total capital assets being depreciated, net	<u>149,360,331</u>	<u>(5,563,634)</u>	<u>(19,277)</u>	<u>143,777,420</u>
Business-type activities capital assets, net	<u>\$ 161,644,498</u>	<u>\$ (3,702,356)</u>	<u>\$ (1,625,065)</u>	<u>\$ 156,317,077</u>

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	\$ 3,179,659	\$ 1,938,180	\$ 5,117,839
Health	762,692	-	762,692
Public welfare	84,934	-	84,934
Public safety	3,208,153	-	3,208,153
Streets and highways	6,181,549	-	6,181,549
Culture and recreation	391,672	-	391,672
Education	4,192,055	-	4,192,055
Total depreciation expense - governmental activities	<u>\$ 18,000,714</u>	<u>\$ 1,938,180</u>	<u>\$ 19,938,894</u>
<b>Business - type activities:</b>			
Culture and recreation	\$ 4,882,681		
Sanitation	3,413,467		
Total depreciation expense - business-type activities	<u>\$ 8,296,148</u>		*

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2014**

**6. CAPITAL ASSETS , continued:**

\*Depreciation expense in the amount of \$358,652 was capitalized as part of self-constructed assets in the Wastewater Management Fund.

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

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Buildings	\$ -	\$ 2,064,368
Improvements	157,589	-
Computer Software	171,225	-
Machinery and equipment	23,281,857	182,487
Less accumulated depreciation	<u>(3,191,320)</u>	<u>(2,136,085)</u>
Capital assets, net	<u>\$ 20,419,351</u>	<u>\$ 110,770</u>

The total amount of equipment acquired through a capital lease during fiscal year ended June 30, 2014, was \$26,954. Depreciation expense on the leased assets totaled \$1,789,369 for the fiscal year ended June 30, 2014.

**Discretely Presented Component Units**

**School Board:**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
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	41,736,380	411,160	(598,236)	41,549,304
Total capital assets being depreciated	<u>91,009,166</u>	<u>411,160</u>	<u>(598,236)</u>	<u>90,822,090</u>
Less accumulated depreciation for:				
Buildings	(48,155,547)	(353,086)	-	(48,508,633)
Improvements	(182,184)	(15,505)	-	(197,689)
Machinery & Equipment	(32,083,581)	(2,712,334)	530,554	(34,265,361)
Total accumulated depreciation	<u>(80,421,312)</u>	<u>(3,080,925)</u>	<u>530,554</u>	<u>(82,971,683)</u>
Total capital assets being depreciated, net	<u>10,587,854</u>	<u>(2,669,765)</u>	<u>(67,682)</u>	<u>7,850,407</u>
School Board capital assets, net	<u>\$ 15,698,899</u>	<u>\$ (2,669,765)</u>	<u>\$ (67,682)</u>	<u>\$ 12,961,452</u>

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2014**

**6. CAPITAL ASSETS , continued:**

**Economic 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	<u>15,802,769</u>	<u>-</u>	<u>-</u>	<u>15,802,769</u>
Capital assets being depreciated:				
Infrastructure	2,049,350	-	-	2,049,350
Total capital assets being depreciated	<u>2,049,350</u>	<u>-</u>	<u>-</u>	<u>2,049,350</u>
Less accumulated depreciation for:				
Infrastructure	(963,680)	(102,467)	-	(1,066,147)
Total accumulated depreciation	<u>(963,680)</u>	<u>(102,467)</u>	<u>-</u>	<u>(1,066,147)</u>
Total capital assets being depreciated, net	<u>1,085,670</u>	<u>(102,467)</u>	<u>-</u>	<u>983,203</u>
Economic Development Authority capital assets, net	<u>\$ 16,888,439</u>	<u>\$ (102,467)</u>	<u>\$ -</u>	<u>\$ 16,785,972</u>

**Downtown Hampton Development Partnership, Inc:**

	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets being depreciated:				
Improvements	\$ 437,867	\$ -	\$ -	\$ 437,867
Machinery & Equipment	122,401	-	-	122,401
Total capital assets being depreciated	<u>560,268</u>	<u>-</u>	<u>-</u>	<u>560,268</u>
Less accumulated depreciation	<u>(236,178)</u>	<u>(24,228)</u>	<u>-</u>	<u>(260,406)</u>
Downtown Hampton Development Partnership capital assets, net	<u>\$ 324,090</u>	<u>\$ (24,228)</u>	<u>\$ -</u>	<u>\$ 299,862</u>

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2014**

**6. CAPITAL ASSETS , continued:**

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Capital assets being depreciated:				
Computer Software	\$ 4,580	\$ 5,389	\$ -	\$ 9,969
Machinery & Equipment	140,509	-	-	140,509
Total capital assets being depreciated	<u>145,089</u>	<u>5,389</u>	<u>-</u>	<u>150,478</u>
Less accumulated depreciation	<u>(91,004)</u>	<u>(13,757)</u>	<u>-</u>	<u>(104,761)</u>
Coliseum Central Business Improvement District capital assets, net	<u>\$ 54,085</u>	<u>\$ (8,368)</u>	<u>\$ -</u>	<u>\$ 45,717</u>

**Construction in Progress**

Several capital projects were in various stages of completion on June 30, 2014. 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, 2014, construction in progress by project was comprised as follows:

	<u>Project Authorization</u>	<u>Expended to June 30, 2014</u>
<b><u>Governmental Activities</u></b>		
Infrastructure	\$ 60,412,987	\$ 24,849,807
Construction and renovation	21,799,949	8,091,411
	<u>\$ 82,212,936</u>	<u>\$ 32,941,218</u>
<b><u>Business-type Activities</u></b>		
Wastewater Management - Sewer Projects	\$ 3,327,000	\$ 1,040,610
Museum-Bathroom renovations	380,379	373,600
Coliseum - Sealant remediation	267,675	269,545
Convention Center - Lighting upgrade	30,911	22,718
	<u>\$ 4,005,965</u>	<u>\$ 1,706,473</u>

**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 except for the Stormwater Management Fund. 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 FINANCIAL STATEMENTS**  
**June 30, 2014**

**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, 2014:

	<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	\$ 274,705,960	\$ -	\$ (21,023,907)	\$ 253,682,053	\$ 23,152,483
Unamortized premium and discount	19,944,994	-	(1,465,542)	18,479,452	1,390,120
Bonds payable (VRS)	1,060,000	-	(1,060,000)	-	-
Capital leases	11,250,448	-	(1,464,146)	9,786,302	1,496,209
Capital leases - Internal Service Funds	5,546,527	-	(958,946)	4,587,581	983,761
Literary loans payable	81,715	-	(81,715)	-	-
Compensated absences	6,849,987	4,048,595	(3,903,173)	6,995,409	3,903,173
Compensated absences-Internal Service Funds	151,393	76,339	(67,352)	160,380	67,352
Claims and judgements-Internal Service Funds	5,355,903	867,425	(4,069,520)	2,153,808	1,283,576
Net pension obligation-Internal Service Funds	745,834	901,083	(106,456)	1,540,461	-
Net OPEB obligation	<u>32,835,776</u>	<u>6,356,196</u>	<u>(2,283,544)</u>	<u>36,908,428</u>	<u>-</u>
Governmental activities long-term liabilities	<u>\$ 358,528,537</u>	<u>\$ 12,249,638</u>	<u>\$ (36,484,301)</u>	<u>\$ 334,293,874</u>	<u>\$ 32,276,674</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, 2014

Long-term liabilities (detail above)	\$ 334,293,874
Less debt - Internal Service Fund	<u>(8,442,230)</u>
Combined adjustment	<u>\$ 325,851,644</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 of June 30, 2014 and reflected the liability, if any, in the governmental activities column of the Statement of Net Position.

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 FINANCIAL STATEMENTS**  
**June 30, 2014**

**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	\$ 87,725,000	\$ -	\$ (3,760,000)	\$ 83,965,000	\$ 2,325,000
Serial bonds	4,304,040	-	(341,093)	3,962,947	352,517
Unamortized premium and discount	11,626,523	-	(668,266)	10,958,257	636,240
Total bonds payable	103,655,563	-	(4,769,359)	98,886,204	3,313,757
Capital leases	403,169	-	(191,681)	211,488	211,488
Compensated absences	790,275	487,896	(434,417)	843,754	434,395
Business-type activities long-term liabilities	<u>\$ 104,849,007</u>	<u>\$ 487,896</u>	<u>\$ (5,395,457)</u>	<u>\$ 99,941,446</u>	<u>\$ 3,959,640</u>
Component Units:					
School Board:					
Compensated absences	\$ 6,394,091	\$ 3,543,787	\$ (3,162,895)	\$ 6,774,983	\$ 3,162,895
Capital leases	528,759	-	(195,806)	332,953	121,000
Net OPEB obligation	8,723,050	1,404,274	(486,681)	9,640,643	-
Total School Board	<u>\$ 15,645,900</u>	<u>\$ 4,948,061</u>	<u>\$ (3,845,382)</u>	<u>\$ 16,748,579</u>	<u>\$ 3,283,895</u>
Economic Development Authority:					
Revenue bonds payable	<u>\$ 6,274,497</u>	<u>\$ -</u>	<u>\$ (607,019)</u>	<u>\$ 5,667,478</u>	<u>\$ 645,586</u>

Enterprise Funds

On June 13, 2012, the City issued \$33,750,000 in Convention Center Refunding Revenue Bonds, Series 2012A with interest ranging from 4.826% to 5.125%. The proceeds of the bonds were used to refund a portion of the City's Convention Center Revenue Bonds, Series 2002.

On June 2, 2011 the City issued \$52,460,000 in Convention Center Refunding Revenue Bonds, Series 2011 with interest ranging from 2.922% to 5.125%. The proceeds of the bonds were used to refund a portion of the City's Convention Center Revenue Bonds, Series 2002.

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, 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.

In prior years, the City defeased certain revenue 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, 2014, \$97,120,000 of bonds outstanding are considered defeased.

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2014**

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

Revenue bond debt service requirements to maturity are as follows:

<b><u>Fiscal year ending June 30</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>
2015	\$ 2,325,000	\$ 4,145,854
2016	2,435,000	4,035,929
2017	2,555,000	3,917,435
2018	2,680,000	3,791,388
2019	2,815,000	3,656,104
2020-2024	16,380,000	15,975,733
2025-2029	21,025,000	11,330,280
2030-2034	27,395,000	5,199,222
2035	6,355,000	162,847
	<b><u>\$ 83,965,000</u></b>	<b><u>\$ 52,214,792</u></b>

In April 2005, the City issued \$53,210,000 in General Obligation Public Improvement Bonds, Series 2005A with interest ranging from 3.00% to 5.00%. The Refuse-Steam Plant used \$2,000,000 of the bond proceeds to finance the mandated replacement of the air pollution retrofit.

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%. The Refuse-Steam Plant used \$5,000,000 of the bond proceeds to finance an air pollution control system.

All of these general obligation bonds are expected to be repaid from the resources of the Refuse-Steam Plant Fund; therefore, the bonds are accounted for in this fund.

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2014**

**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>General Obligation Bonds</b>		
<b>Year</b>	<b>Principal</b>	<b>Interest</b>
2015	\$ 352,517	\$ 194,352
2016	373,837	177,545
2017	391,848	159,692
2018	411,834	140,099
2019	431,976	119,507
2020-2024	1,702,880	271,108
2025-2026	298,055	20,838
	<b>\$ 3,962,947</b>	<b>\$ 1,083,141</b>

Capital Leases:

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 12 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>
2015	\$ 211,488	\$ 11,484

Discretely Presented Component Unit-EDA:

On September 7, 2001, the Economic 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 EDA shall pay semi-annual installments of principal and interest in the amount of \$495,030.

Details at June 30, 2014 are as follows:

	2002 Revenue Bonds
	<u>Tax-Exempt</u>
Outstanding Debt	\$ 5,667,478
Interest	6.17%
Years of maturity	2015- 2022

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2014**

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

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

<u>Year</u>	<u>Revenue Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2015	\$ 645,586	\$ 344,473
2016	686,603	303,456
2017	729,460	260,599
2018	776,573	213,486
2019	825,913	164,146
2020-2022	2,003,343	173,658
	<u>\$ 5,667,478</u>	<u>\$ 1,459,818</u>

Discretely Presented Component Unit-School Board:

On February 8, 2013, the School Board entered into a master maintenance and sales lease agreement with Ricoh Business Solutions. The lease is payable in monthly installments of \$4,190 at an interest rate of 4.1%. At June 30, 2014 the outstanding balance on the lease is \$134,093.

On March 27, 2013, the School Board entered into a master lease purchase agreement with Wells Fargo to purchase forty-nine copiers. The lease is payable in monthly installments of \$6,361 at an interest rate of 3.85%. At June 30, 2014 the outstanding balance on the lease is \$198,860.

Internal Service Funds:

The City is self-insured for workmen's compensation benefits and general liability insurance claims. At June 30, 2014, the liability for existing claims amounted to \$2,153,808. Workmen's compensation benefit claims are payable weekly or monthly through 2022.

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 22 quarterly remaining equal installments of \$16,899 at an interest rate of 4.52%. At June 30, 2014 the outstanding balance on the lease is \$327,547. On June 25, 2012 the City extended the term under this master lease purchase agreement and financed the replacement of eight fire trucks. The lease is payable in 20 quarterly equal installments of \$216,134 at an interest rate of 2.24%. At June 30, 2014 the outstanding balance on the lease is \$4,078,615.

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 3.75%. At June 30, 2014 the outstanding balance on the lease is \$89,672.

Fleet Services Fund

On December 7, 2010, the City entered into a lease purchase agreement with SunTrust Equipment Finance and Leasing Corporation to purchase a fuel maintenance system. The lease is payable in quarterly installments of \$19,836 at an interest rate of 2.75%. At June 30, 2014 the outstanding balance on the lease is \$91,747 .

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2014**

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

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

<u>Year</u>	<u>Accrued</u>	<u>Capital Lease</u>		
	<u>Insurance</u>	<u>Year</u>	<u>Principal</u>	<u>Interest</u>
	<u>Claims</u>			
2015	\$ 1,283,576	2015	\$ 983,761	\$102,888
2016	183,679	2016	884,514	78,986
2017	167,392	2017	874,060	58,072
2018	126,358	2018	895,177	36,955
2019	126,358	2019	916,835	15,300
2020-2023	266,445	2020	33,234	555
	<u>\$ 2,153,808</u>		<u>\$ 4,587,581</u>	<u>\$292,756</u>

General Long-Term Debt:

Details of general obligation bonds and loans reported in the government-wide statements at June 30, 2014 are as follows:

General Obligation Bonds Outstanding	\$253,682,053
Coupon interest rate	2.0% to 5.63%
Years of maturity	2015-2033

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

<u>General Obligation Bonds</u>		
<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 23,152,483	\$ 10,879,143
2016	24,171,163	9,820,465
2017	25,143,152	8,830,457
2018	26,068,166	7,882,652
2019	18,118,024	6,814,947
2020-2024	77,127,120	23,577,338
2025-2029	52,941,945	7,284,604
2030-2033	6,960,000	521,342
	<u>\$253,682,053</u>	<u>\$ 75,610,948</u>

On April 24, 2013, the City issued \$38,865,000 in General Obligation Public Improvement Bonds, Series 2013 with interest ranging from 2% to 5%. The proceeds of the bonds will be used to finance the cost of general capital improvements of the City, including construction of a new courthouse.

On June 20, 2012, the City issued \$26,390,000 in General Obligation Public Improvement Refunding Bonds, Series 2012A (Tax-Exempt) and \$18,380,000 General Obligation Public Improvement Refunding Bonds, Series 2012B

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**8. GENERAL OBLIGATION AND OTHER LONG-TERM DEBT , continued:**

(Taxable) with interest rates ranging from .51% to 5%. The proceeds of the bonds were used to refund portions of the City's Series 2002, 2002A, 2004 and 2005A General Obligation Bonds.

On July 8, 2010, the City issued \$2,545,000 in General Obligation Virginia Public School Authority Qualified School Construction Bonds, Series 2010C with interest payable at the rate of 5.31% per annum. The proceeds of the bonds are being used to pay for the cost of lighting upgrades in the City schools.

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% to 5% and \$7,190,000 in General Obligation Public Improvement Direct Pay Build America and Recovery Zone Economic Development Bonds, Series 2010B 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.

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 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%.

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, 2014, \$120,130,000 of bonds outstanding are considered defeased.

**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 equal installments of \$13,285 at an interest rate of 3.19%. At June 30, 2014 the outstanding balance on the lease is \$26,256.

On February 27, 2009, the City entered into an 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 6 remaining equal yearly installments of \$1,864,288 at an interest rate of 4.04%. The first payment was due on March 2011 and the final payment is due March 1, 2020.

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

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

<u>Year</u>	<u>Capital Leases</u>	
	<u>Principal</u>	<u>Interest</u>
2015	\$ 1,496,209	\$ 394,650
2016	1,529,344	334,945
2017	1,591,134	273,155
2018	1,655,420	208,868
2019	1,722,304	141,984
2020	1,791,891	72,391
	<u>\$ 9,786,302</u>	<u>\$ 1,425,993</u>

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, 2014 the City's aggregate general obligation indebtedness was \$257,645,000 which is \$767,436,377 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 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.

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2014**

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

Annual Pension Cost and Net Pension Obligation – HERS:

For fiscal year 2014, the City of Hampton’s annual pension cost and net pension obligation were as follows:

	<b>City of Hampton</b>	<b>Component Unit- School Board</b>
Annual required contribution	\$ 3,444,611	\$ 3,183,511
Interest on net pension obligation		
Adjustment to annual required contribution		
Annual pension cost	3,444,611	3,183,511
Contributions made	(3,444,611)	(3,183,511)
Increase (decrease) in net pension obligation		
Net pension obligation, July 1, 2013		
Net pension obligation, June 30, 2014	\$	\$

The annual required contribution was determined as a part of the July 1, 2011 actuarial valuation using the entry age normal cost method with normal cost calculated on an aggregate basis. The actuarial assumptions included (a) 7.5% 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, 2014 was 10 years. The amortization period is closed.

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:

City of Hampton	Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
	6/30/12	\$ 2,293,841	100%	
	6/30/13	\$ 3,444,611	100%	
	6/30/14	\$ 3,444,611	100%	

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**9. DEFINED BENEFIT PENSION PLANS , continued:**

Component Unit- School Board	Fiscal Year Ending	Annual Pension Cost(APC)	Percentage of APC Contributed	Net Pension Obligation
	6/30/12	\$ 1,074,622	100%	\$
	6/30/13	\$ 3,183,511	100%	
	6/30/14	\$ 3,183,511	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 (professional) employees of public school divisions and employees of participating employers are automatically covered by VRS upon employment. Members earn one month of service credit for each month they are employed and their employer is paying into the VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as a credit in their plan.

Within the VRS Plan, the System administers three different benefit plans for local government employees- Plan 1, Plan 2, and Hybrid. Each plan has different eligibility and benefit structures as set out in the table below :

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

VRS PLAN 1	VRS PLAN 2	HYBRID RETIREMENT PLAN
<p><b>About VRS Plan 1</b>  VRS Plan 1 is a defined benefit plan. The retirement benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula. Employees are eligible for VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p>	<p><b>About VRS Plan 2</b>  VRS Plan 2 is a defined benefit plan. The retirement benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula. Employees are eligible for VRS Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p>	<p><b>About the Hybrid Retirement Plan</b>  The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as VRS Plan 1 and VRS Plan 2 members who were eligible and opted into the plan during a special election window. (See “Eligible Members”)</p> <ul style="list-style-type: none"> <li>• The defined benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula.</li> <li>• The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.</li> <li>• In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.</li> </ul>

**CITY OF HAMPTON, VIRGINIA**  
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**9. DEFINED BENEFIT PENSION PLANS , continued:**

<p><b>Eligible Members</b>  Employees are in VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p> <p><b>Hybrid Opt-In Election</b>  VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan’s effective date for eligible VRS Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and had prior service under VRS Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 1 or ORP.</p>	<p><b>Eligible Members</b>  Employees are in VRS Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p> <p><b>Hybrid Opt-In Election</b>  VRS Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan’s effective date for eligible VRS Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and have prior service under VRS Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 2 or ORP.</p>	<p><b>Eligible Members</b>  Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> <li>• State employees*</li> <li>• School division employees</li> <li>• Political subdivision employees*</li> <li>• Judges appointed or elected to an original term on or after January 1, 2014</li> <li>• Members in VRS Plan 1 or VRS Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan’s effective date for opt-in members was July 1, 2014</li> </ul> <p><b>*Non-Eligible Members</b>  Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> <li>• Members of the State Police Officers’ Retirement System (SPORS)</li> <li>• Members of the Virginia Law Officers’ Retirement System (VaLORS)</li> <li>• Political subdivision employees who are covered by enhanced benefits for hazardous duty employees</li> </ul> <p>Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under VRS Plan 1 or VRS Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select VRS Plan 1 or VRS Plan 2 (as applicable) or ORP.</p>
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**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2014**

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

<p><b>Retirement Contributions</b>  Members contribute up to 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some school divisions and political subdivisions elected to phase in the required 5% member contribution; all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p>	<p><b>Retirement Contributions</b>  Same as VRS Plan 1.</p>	<p><b>Retirement Contributions</b>  A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.</p>
<p><b>Creditable Service</b>  Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p>	<p><b>Creditable Service</b>  Same as VRS Plan 1.</p>	<p><b>Creditable Service</b>  <u><b>Defined Benefit Component:</b></u>  Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p> <p><u><b>Defined Contributions Component:</b></u>  Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p>

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**9. DEFINED BENEFIT PENSION PLANS , continued:**

<p><b>Vesting</b>  Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.</p> <p>Members are always 100% vested in the contributions that they make.</p>	<p><b>Vesting</b>  Same as VRS Plan 1.</p>	<p><b>Vesting</b>  <b><u>Defined Benefit Component:</u></b>  Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. VRS Plan 1 or VRS Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p> <p><b><u>Defined Contributions Component:</u></b>  Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.</p> <p>Members are always 100% vested in the contributions that they make.</p> <p>Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p> <ul style="list-style-type: none"> <li>• After two years, a member is 50% vested and may withdraw 50% of employer contributions.</li> <li>• After three years, a member is 75% vested and may withdraw 75% of employer contributions.</li> <li>• After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.</li> </ul> <p>Distribution is not required by law until age 70½.</p>
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**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**9. DEFINED BENEFIT PENSION PLANS , continued:**

<p><b>Calculating the Benefit</b>  The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.</p> <p>An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.</p>	<p><b>Calculating the Benefit</b>  See definition under VRS Plan 1.</p>	<p><b>Calculating the Benefit</b>  <u><b>Defined Benefit Component:</b></u>  See definition under VRS Plan 1</p> <p><u><b>Defined Contribution Component:</b></u>  The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.</p>
<p><b>Average Final Compensation</b>  A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p><b>Average Final Compensation</b>  A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p><b>Average Final Compensation</b>  Same as VRS Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>
<p><b>Service Retirement Multiplier</b>  The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.7%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.7% or 1.85% as elected by the employer.</p>	<p><b>Service Retirement Multiplier</b>  Same as Plan1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.</p>	<p><b>Service Retirement Multiplier</b>  The retirement multiplier is 1.0%.</p> <p>For members that opted into the Hybrid Retirement Plan from VRS Plan 1 or VRS Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.</p>
<p><b>Normal Retirement Age</b>  Age 65.</p>	<p><b>Normal Retirement Age</b>  Normal Social Security retirement age.</p>	<p><b>Normal Retirement Age</b>  <u><b>Defined Benefit Component:</b></u>  Same as VRS Plan 2.</p> <p><u><b>Defined Contribution Component:</b></u>  Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**9. DEFINED BENEFIT PENSION PLANS , continued:**

<p><b>Earliest Unreduced Retirement Eligibility</b>  Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit at age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.</p> <p>Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.</p>	<p><b>Earliest Unreduced Retirement Eligibility</b>  Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p>Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.</p>	<p><b>Earliest Unreduced Retirement Eligibility</b>  <u><b>Defined Benefit Component:</b></u>  Members are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p><u><b>Defined Contribution Component:</b></u>  Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p><b>Earliest Reduced Retirement Eligibility</b>  Members may retire with a reduced benefit as early as age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.</p>	<p><b>Earliest Reduced Retirement Eligibility</b>  Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.</p>	<p><b>Earliest Unreduced Retirement Eligibility</b>  <u><b>Defined Benefit Component:</b></u>  Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.</p> <p><u><b>Defined Contribution Component:</b></u>  Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**9. DEFINED BENEFIT PENSION PLANS , continued:**

<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b>  The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.</p> <p><b><u>Eligibility:</u></b>  For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.</p> <p>For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p> <p><b><u>Exceptions to COLA Effective Dates:</u></b>  The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> <li>• The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.</li> <li>• The member retires on disability.</li> <li>• The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).</li> <li>• The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.</li> <li>• The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go</li> </ul>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b>  The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.</p> <p><b><u>Eligibility:</u></b>  Same as VRS Plan 1</p> <p><b><u>Exceptions to COLA Effective Dates:</u></b>  Same as VRS Plan 1</p>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b>  <b><u>Defined Benefit Component:</u></b>  Same as VRS Plan 2.</p> <p><b><u>Defined Contribution Component:</u></b>  Not applicable.</p> <p><b><u>Eligibility:</u></b>  Same as VRS Plan 1 and VRS Plan 2.</p> <p><b><u>Exceptions to COLA Effective Dates:</u></b>  Same as VRS Plan 1 and VRS Plan 2.</p>
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**CITY OF HAMPTON, VIRGINIA**  
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**9. DEFINED BENEFIT PENSION PLANS , continued:**

<p>into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.</p>		
<p><b>Disability Coverage</b>  Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.</p> <p>Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>	<p><b>Disability Coverage</b>  Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.</p> <p>Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>	<p><b>Disability Coverage</b>  Eligible political subdivision and school division (including VRS Plan 1 and VRS Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides and employer-paid comparable program for its members.</p> <p>State employees (including VRS Plan 1 and VRS Plan 2 opt-ins) participating in the Hybrid Retirement Plan are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.</p> <p>Hybrid members (including VRS Plan 1 and VRS Plan 2 opt-ins) covered under VSDP or VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>
<p><b>Purchase of Prior Service</b>  Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.</p>	<p><b>Purchase of Prior Service</b>  Same as VRS Plan 1.</p>	<p><b>Purchase of Prior Service</b>  <b><u>Defined Benefit Component:</u></b>  Same as VRS Plan 1.</p> <p><b><u>Defined Contribution Component:</u></b>  Not applicable.</p>

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2014**

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

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's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500 or from the VRS Web site at <http://www.varetire.org/PDF/Publications/2013-annual-report.pdf>.

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. All or part of the 5.00% member contribution may be assumed by the employer. Beginning July 1, 2012 new employees were required to begin paying the employee 5% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. 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 2014 were 18.57% and 16.09% respectively. The Component Unit - School Board's contributions to VRS for professional employees for the fiscal years ending June 30, 2014, 2013, and 2012 of \$12,835,908 (11.66%), \$16,667,200 (15.66%), and \$12,050,108 (11.33%) respectively, were equal to the required contributions for each year.

Annual Pension Cost and Net Pension Obligation:

For 2014, 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	\$ 16,043,618	\$ 892,091
Interest on net pension obligation		
Adjustment to annual required contribution		
Annual pension cost	16,043,618	892,091
Contributions made	(16,043,618)	(892,091)
Increase in net pension obligation, Net pension obligation, July 1, 2013		
Adjustment to net pension obligation		
Net pension obligation, June 30, 2014	\$	\$

The fiscal year 2014 required contribution for the City of Hampton and Component Unit-School Board was determined as part of the June 30, 2011 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) an investment rate of return (net of administrative expenses) of 7.00%, (b) protected salary increases ranging from 3.75% to 5.60% per year for general government employees, 3.75% to 6.20% per year for teachers, and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year for Plan 1 employees and 2.25% for Plan 2 employees. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the City of Hampton and Component Unit-School Board assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. City of Hampton's and Component Unit-School Board's unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at June 30, 2013 for the Unfunded Actuarial Accrued Liability (UAAL) was 30 years.

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2014**

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

Trend Information - VRS:

	Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
<u>City of Hampton</u>	June 30, 2012	\$ 16,113,128	100%	-
	June 30, 2013	15,369,346	100%	-
	June 30, 2014	16,043,618	100%	-
<u>Component Unit- School Board</u> (Non-professional)	June 30, 2012	\$ 1,140,918	100%	-
	June 30, 2013	1,188,627	100%	-
	June 30, 2014	892,091	100%	-

Funded Status and Funding Progress:

Based on the most recent actuarial valuation dated June 30, 2013 for the City and School Board and June 30, 2014 for HERS, the funded status of the plans were as follows:

	<u>City of Hampton</u>	<u>Component Unit School Board</u>	<u>Hampton Employees' Retirement System</u>
Actuarial accrued liability (AAL)	\$ 513,417,080	\$ 29,110,626	\$ 170,762,707
Actuarial value of plan assets	340,808,593	21,905,931	119,755,770
Unfunded actuarial accrued liability (UAAL)	<u>\$ 172,608,487</u>	<u>\$ 7,204,695</u>	<u>\$ 51,006,937</u>
Funded ratio (actuarial value of plan assets/AAL)	66.38%	75.25%	70.10%
Covered payroll (active plan members)	\$ 84,303,034	\$ 7,307,436	\$ 10,188,093
UAAL as a percentage of covered payroll	204.75%	98.59%	501.0%

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.

**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

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**10. DEFERRED COMPENSATION PLAN, continued:**

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 the Authority for fiscal year ending June 30, 2013 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	\$ 32,928,464
Expenditures and other uses	<u>(34,741,182)</u>
Change in fund equity	(1,812,718)
Fund equity, July 1, 2012	<u>20,097,157</u>
Fund equity, June 30, 2013	<u><u>\$ 18,284,439</u></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.

**CITY OF HAMPTON, VIRGINIA**  
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**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 \$367,178. In addition, the City leases space under operating leases for use as branches of the City's public library.

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	\$	28,366
Buildings		14,341,277
Improvements		4,199,967
Less accumulated depreciation		(8,748,435)
Capital Assets, net	\$	<u>9,821,175</u>

A summary of future minimum rental payments under the operating leases at June 30, 2014 is as follows:

<u>Year Ending June 30,</u>	<u>Operating Leases</u>	<u>Future Rental Income</u>
2015	\$ 1,084,886	\$ 138,442
2016	838,496	45,811
2017	789,970	39,229
2018	492,873	15,737
2019	374,782	2
2020-2039	581,259	40
	<u>\$ 4,162,266</u>	<u>\$ 239,261</u>

The City's rental expense and rental income for the year ended June 30, 2014 amounted to \$1,592,811 and \$168,373, 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 \$1,768,904 for the lease of the garage facility through December 2017. (A portion of the garage lease payments will be offset by fees charged for parking.)

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2014**

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

A summary of future minimum rent payments under the operating lease with Harbour Center at June 30, 2014 is as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2015	\$ 505,401
2016	505,401
2017	505,401
2018	252,701
	\$ 1,768,904

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	\$ 700,000	\$ 700,000
General Liability	1,000,000	1,000,000
Property Coverage	100,000	100,000
Medical Claims	100,000 per person/plan year	100,000

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 \$16,741,244 at June 30, 2014 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 FINANCIAL STATEMENTS**  
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**12. COMMITMENT AND CONTINGENCIES , continued:**

Changes in the Funds' claims liability amount in fiscal years 2014, 2013 and 2012 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 2014	\$ 5,355,903	\$ 867,525	\$ 4,069,620	\$ 2,153,808
Fiscal Year 2013	4,845,035	1,689,714	1,178,846	5,355,903
Fiscal Year 2012	5,436,768	1,092,766	1,684,499	4,845,035

<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 2014	\$ 613,007	\$ 16,145,018	\$ 16,031,062	\$ 726,963
Fiscal Year 2013	330,444	15,397,463	15,114,900	613,007
Fiscal Year 2012	(9,506)	15,067,147	14,727,197	330,444

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:

Old Point National Bank issued standby a Letter of Credit totaling \$3,000,000 on behalf of the EDA in connection with its commitment under certain agreements for the development of the Bass Pro Project. In addition, Old Point National Bank issued a standby Letter of Credit in the amount of \$1,800,000 on behalf of the EDA 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, 2014, no draws were made under the Letters of Credit.

Capital Projects

Commitments for completion of capital projects in the Governmental Activities authorized at June 30, 2014 are \$32,982,161.

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

Plan Description:

The City and Component Unit - Hampton City School Board (School Board) each 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, 796 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 post retirement health insurance costs. During fiscal year 2014, 66 employees were participating in this plan and the cost was \$128,923. 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

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**13. POST-RETIREMENT HEALTH CARE BENEFITS, continued:**

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 2014, the City contributed \$2,283,544, or approximately 43% of total premiums for post-retirement health care benefits. Plan members receiving benefits contributed \$2,648,052 or approximately 51% of total premiums. Member contributions are 3% of covered payroll. The School Board contributed \$486,681 in fiscal year 2014 or approximately 41% of total premiums.

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	\$ 6,941,661	\$ 1,559,807
Interest on net OPEB obligation	1,313,431	348,922
Adjustment to ARC	(1,898,896)	(504,455)
Annual OPEB cost	6,356,196	1,404,274
Contributions made	(2,283,544)	(486,681)
Increase in OPEB obligation	4,072,652	917,593
Net OPEB obligation - beginning of year	32,835,776	8,723,050
Net OPEB obligation - end of year	<u>\$ 36,908,428</u>	<u>\$ 9,640,643</u>

**CITY OF HAMPTON, VIRGINIA**  
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**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 2012, 2013 and 2014 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, 2012	\$ 6,847,560	\$ 2,080,379	30%	\$ 28,806,456
June 30, 2013	6,067,153	2,037,833	34%	32,835,776
June 30, 2014	6,356,196	2,283,544	36%	36,908,428

Component Unit-School Board

Fiscal year ended	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2012	\$ 2,558,611	\$ 522,537	20%	\$ 7,852,622
June 30, 2013	1,337,755	467,327	35%	8,723,050
June 30, 2014	1,404,274	486,681	35%	9,640,643

Funded Status and Funding Progress:

Based on the most recent actuarial valuation dated June 30, 2014 for the City and School Board the funded status of the plans were as follows:

	<u>City of Hampton</u>	<u>Component Unit School Board</u>
Actuarial accrued liability (AAL)	\$ 63,663,962	\$ 9,073,373
Actuarial value of plan assets	-	-
Unfunded actuarial accrued liability (UAAL)	<u>\$ 63,663,962</u>	<u>\$ 9,073,373</u>
Funded ratio (actuarial value of plan assets/AAL)	0 %	0 %
Covered payroll (active plan members)	\$ 86,642,952	\$ 113,101,670
UAAL as a percentage of covered payroll	73 %	8 %

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.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**13. POST-RETIREMENT HEALTH CARE BENEFITS, continued:**

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 June 30, 2014 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. The actuarial assumptions include a future inflation rate of 3.5% a year. For the City, healthcare cost trend rates ranged from an initial rate of 10% for 2015 to an ultimate rate of 5% for the 2030 fiscal year. Retiree medical contributions are assumed to increase at the same rates as incurred claims. For the School Board, healthcare cost trend rates ranged from an initial rate of 8% for 2015 to an ultimate rate of 4.5% for the 2030 fiscal year.

**14. OTHER POST-EMPLOYMENT LINE OF DUTY BENEFITS:**

Plan Description:

The City administers a single-employer defined benefit Line of Duty Benefits Plan. The Commonwealth of Virginia's Line of Duty Act (LODA) requires state and local governments to provide death benefits and continued health, dental and vision insurance coverage to eligible hazardous duty employees and volunteers (law enforcement and firefighters) and their dependents if they are killed or disabled in the line of duty. The insurance coverages continue until death, recovery, or return to full active duty for hazardous duty employees. For spouses or other dependents, the insurance coverages continue until death, marriage or coverage by an alternative insurance. For death in the line of duty, there is a \$100,000 death benefit paid to the deceased's beneficiary or estate. All LODA eligibility determinations are conducted and investigated by the State Comptroller in accordance with the state code. Separate, stand-alone statements are not issued for this plan.

Funding Policy

The LODA requires the City to pay 100% of all line of duty benefits including the employee's share of insurance coverages. The employer contributions are financed on a pay-as-you-go basis. During fiscal year 2014, the City contributed \$106,456 for line of duty benefits.

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**14. OTHER POST-EMPLOYMENT LINE OF DUTY BENEFITS: , continued**

Annual OPEB Cost and Net OPEB Obligation:

The City’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’s annual OPEB cost for the year, the amount actually contributed to the plans and changes in the net OPEB obligation:

	<u>City of Hampton OPEB LODA Benefits</u>
Annual required contribution	\$ 914,382
Interest on net OPEB obligation	29,833
Adjustment to ARC	<u>(43,132)</u>
Annual OPEB cost	\$ 901,083
Contributions made	<u>(106,456)</u>
Increase in net OPEB obligation	794,627
Net OPEB obligation- beginning of year	\$ 745,834
Net OPEB obligation- end of year	<u>\$ 1,540,461</u>

The City’s annual OPEB cost, employer contributions, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013 and 2014 are as follows:

<u>Fiscal year ended</u>	<u>Annual OPEB Cost</u>	<u>Employer Contributions</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2013	\$ 856,887	\$ 111,053	13 %	\$ 745,834
June 30, 2014	\$ 901,083	\$ 106,456	12 %	\$ 1,540,461

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**14. OTHER POST-EMPLOYMENT LINE OF DUTY BENEFITS: , continued**

Funded Status and Funding Progress:

Based on the most recent actuarial valuation dated June 30, 2014 for the City, the funded status of the plan was as follows:

	City of Hampton OPEB LODA Benefits
Actuarial Accrued liability (AAL)	\$ 10,084,094
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	\$ 10,084,094
Funded ratio (actuarial value of plan assets/AAL)	0 %
Covered payroll (active plan members)	\$ 28,231,933
UAAL as a percentage of covered payroll	36 %

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.

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 June 30, 2014 actuarial valuation for the City, 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. The actuarial assumptions include a future inflation rate of 3.5% a year. 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 2015 to an ultimate rate of 5% for the 2030 fiscal year.

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2014**

**15. LEASE RECEIVABLES:**

The EDA 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, 2014, future lease receivable is \$6,930,415 from PWDC.

The minimum lease payments for the next future years are:

2015	\$ 990,059
2016	990,059
2017	990,059
2018	990,059
2019	990,059
2020-2024	<u>1,980,120</u>
Total	<u>\$ 6,930,415</u>

As of June 30, 2014 the balance of unearned interest income associated with the PWDC is \$1,550,702.

**CITY OF HAMPTON, VIRGINIA**  
**SCHEDULE OF FUNDING PROGRESS - PENSION PLANS**  
**UNAUDITED**  
**Fiscal Year Ended June 30, 2014**

**Hampton Employees' Retirement System**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued 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)
6/30/12	\$ 119,647,671	\$ 178,621,123	\$ 58,973,452	67.0%	\$ 10,228,275	576.6%
6/30/13	114,812,149	174,902,897	60,090,748	65.6%	10,188,093	589.8%
6/30/14	119,755,770	170,762,707	51,006,937	70.1%	10,188,093	500.7%

**Virginia Retirement System**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued 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)
6/30/11	\$ 336,215,028	\$ 497,890,137	161,675,109	67.5%	\$ 80,174,542	201.65 %
6/30/12	331,782,884	511,793,833	180,010,949	64.8%	78,952,375	228.00 %
6/30/13	340,808,593	513,417,080	172,608,487	66.4%	84,303,034	204.75 %

**Component Unit-School Board non-professional employees**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued 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)
6/30/11	\$ 21,662,488	\$ 29,775,570	8,113,082	72.8%	\$ 7,478,645	108.48%
6/30/12	21,414,583	30,183,177	8,768,594	70.9%	7,480,489	117.22%
6/30/13	21,905,931	29,110,626	7,204,695	75.3%	7,307,436	98.59%

**CITY OF HAMPTON, VIRGINIA  
SCHEDULE OF FUNDING PROGRESS-  
OTHER POST-RETIREMENT BENEFIT PLANS**

**Fiscal Year Ended June 30, 2014**

**City of Hampton:**

City of Hampton Post-Retirement Healthcare Benefits:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- PUC (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/12	-	\$ 60,603,562	\$ 60,603,562	0 %	\$ 79,259,453	76 %
6/30/13	-	63,014,400	63,014,400	0 %	82,676,803	76 %
6/30/14	-	63,663,962	63,663,962	0 %	86,642,952	73 %

City of Hampton Other Post-Retirement Line of Duty Benefits:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- PUC (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/13	\$ -	\$ 9,800,827	\$ 9,800,827	0 %	\$ 28,836,345	34 %
6/30/14	-	10,084,094	10,084,094	0	28,231,933	36

**Component Unit-School Board Post-Retirement Healthcare Benefits:**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- PUC (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/12	-	\$ 11,658,220	\$ 11,658,220	0 %	\$ 130,679,774	9 %
6/30/13	-	12,451,539	12,451,539	0 %	114,917,501	11 %
6/30/14	-	9,073,373	9,073,373	0 %	113,101,670	8 %

**CITY OF HAMPTON, VIRGINIA**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**STORMWATER MANAGEMENT FUND**  
**For the Year Ended June 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Charges for services	\$ 8,191,972	\$ 8,191,972	\$ 8,024,981	\$ (166,991)
Total revenues	<u>8,191,972</u>	<u>8,191,972</u>	<u>8,024,981</u>	<u>(166,991)</u>
<b>EXPENDITURES</b>				
Current:				
Personal services	2,605,889	2,435,862	2,126,431	(309,431)
Operating expenditures	5,356,968	2,568,141	2,084,431	(483,710)
Capital outlay	617,000	256,154	120,875	(135,279)
Total expenditures	<u>8,579,857</u>	<u>5,260,157</u>	<u>4,331,737</u>	<u>(928,420)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(387,885)</u>	<u>2,931,815</u>	<u>3,693,244</u>	<u>761,429</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer out	47,115	6,365,013	2,540,921	(3,824,092)
Net other financing sources (uses)	<u>(47,115)</u>	<u>(6,365,013)</u>	<u>(2,540,921)</u>	<u>3,824,092</u>
Net change in fund balances	(435,000)	(3,433,198)	1,152,323	<u>\$ 4,585,521</u>
<b>Appropriations from fund balance</b>	435,000	3,621,664	-	
Appropriations-encumbrances	-	(188,466)	-	
Budget - excess of revenues and appropriations from Fund balance over (under) expenditures				
<b>Fund balance - July 1</b>	<u>-</u>	<u>-</u>	<u>6,778,390</u>	
<b>Fund balance- June 30</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,930,713</u>	

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**CITY OF HAMPTON, VIRGINIA  
GENERAL FUND  
BALANCE SHEET  
June 30, 2014**

Assets:	
Cash and cash equivalents	\$ 94,308,761
Cash with fiscal agent	149,509
Investments	4,004,748
Accounts receivables:	
Taxes (net of allowance for uncollectible of \$1,309,035)	8,858,375
Due from other governments	10,505,816
Other	1,602,969
Due from other funds	10,576,340
Due from component units	3,467
Inventories	21,671
Prepaid items	202,629
Total assets	<u>\$ 130,234,285</u>
Liabilities:	
Accounts payable	\$ 7,784,043
Accrued health insurance	10,610,230
Accrued liabilities	3,282,942
Due to other funds	8,122,849
Due to component units	209,853
Unearned revenue	53,090
Total liabilities	<u>30,063,007</u>
Deferred inflows of resources:	
Unavailable revenue-property taxes	7,090,317
Property taxes collected in advance	1,372,095
Total deferred inflows of resources	<u>8,462,412</u>
Fund balances:	
Nonspendable	224,300
Restricted	331,264
Committed	32,308,127
Assigned	7,256,509
Unassigned	51,588,666
Total fund balances	<u>91,708,866</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 130,234,285</u>

These statements excludes special revenue fund Pearl Young which is included in the General Fund basic statements due to the implementation of GASB 54.

**CITY OF HAMPTON, VIRGINIA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**For the Year Ended June 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
				<u>Over (Under)</u>
<b>REVENUES</b>				
Intergovernmental:				
From the Commonwealth of Virginia	\$ 39,458,557	\$ 55,370,266	\$ 53,168,587	\$ (2,201,679)
From the Federal government	7,967,534	7,967,534	8,732,091	764,557
Local taxes	245,966,632	230,512,703	229,597,172	(915,531)
Special assessments	5,455,974	5,455,974	4,730,410	(725,564)
Licenses and permits	1,234,019	1,234,019	1,156,244	(77,775)
Fines and forfeitures	2,354,209	2,354,209	2,306,750	(47,459)
Revenues from use of money and property	364,706	364,706	303,456	(61,250)
Charges for services	8,581,689	8,581,689	9,272,310	690,621
Recovered costs	906,000	906,000	906,000	-
Payment from component units	2,000,000	2,000,000	2,000,227	227
Miscellaneous	3,744,927	3,744,927	5,124,477	1,379,550
	<u>318,034,247</u>	<u>318,492,027</u>	<u>317,297,724</u>	<u>(1,194,303)</u>
<b>EXPENDITURES</b>				
Current:				
General government	103,686,631	103,282,818	97,800,741	(5,482,077)
Public safety	46,638,306	49,008,881	48,694,693	(314,188)
Highways and streets	2,159,897	2,101,551	1,932,408	(169,143)
Health	2,668,953	2,671,120	2,649,246	(21,874)
Human services	20,511,459	20,332,047	19,147,530	(1,184,517)
Culture and recreation	12,531,453	12,229,200	11,473,909	(755,291)
Education	72,853,475	72,909,439	72,892,620	(16,819)
	<u>261,050,174</u>	<u>262,535,056</u>	<u>254,591,147</u>	<u>(7,943,909)</u>
Excess of revenues over (under) expenditures	<u>56,984,073</u>	<u>55,956,971</u>	<u>62,706,577</u>	<u>6,749,606</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	7,322	7,322
Transfers out	(61,327,057)	(68,061,782)	(60,855,754)	(7,206,028)
Net other financing sources (uses)	<u>(61,327,057)</u>	<u>(68,061,782)</u>	<u>(60,848,432)</u>	<u>7,213,350</u>
Net change in fund balances	(4,342,984)	(12,104,811)	1,858,145	<u>\$ 13,962,956</u>
<b>Appropriations from fund balance</b>	4,342,984	12,865,415		
<b>Appropriations - encumbrances</b>	<u>-</u>	<u>(760,604)</u>		
<b>Fund balance - July 1</b>	<u>-</u>	<u>-</u>	89,850,721	
<b>Fund balance - June 30</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 91,708,866</u>	

These statements excludes special revenue fund Pearl Young which is included in the General Fund basic statements due to the implementation of GASB 54.

**CITY OF HAMPTON, VIRGINIA**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES AND OTHER CREDITS - BUDGET AND ACTUAL**  
**For the Year Ended June 30, 2014**

	Budget July 1, 2013	Net Changes	Final June 30, 2014	Actual	Variance Over (Under)
General property taxes:					
Real estate	\$ 125,819,243	\$	\$ 125,819,243	\$ 125,436,303	\$ (382,940)
Public service	3,212,326		3,212,326	3,419,305	206,979
Personal property	38,141,450	(15,453,929)	22,687,521	21,548,781	(1,138,740)
Mobile homes	40,910		40,910	40,378	(532)
Machinery and tools	2,150,625		2,150,625	2,297,966	147,341
Delinquent taxes	450,000		450,000	347,709	(102,291)
Penalty	1,009,000		1,009,000	1,102,788	93,788
Total general property taxes	<u>170,823,554</u>	<u>(15,453,929)</u>	<u>155,369,625</u>	<u>154,193,230</u>	<u>(1,176,395)</u>
Other local taxes:					
Utility-electric and gas	5,000,000	-	5,000,000	4,986,059	(13,941)
Communications sales tax	9,554,216	-	9,554,216	9,186,880	(367,336)
Tobacco	4,300,000	-	4,300,000	4,421,113	121,113
Business license	12,390,000	-	12,390,000	12,076,877	(313,123)
Short-term rental	95,000	-	95,000	75,409	(19,591)
Sales and use	14,364,031	-	14,364,031	14,588,265	224,234
Recordation	1,250,000	-	1,250,000	1,048,904	(201,096)
Public right of way	550,383	-	550,383	466,444	(83,939)
Lodging and transit	3,347,919	-	3,347,919	3,314,685	(33,234)
Amusement	1,305,394	-	1,305,394	1,349,521	44,127
Meal	18,018,000	-	18,018,000	18,974,390	956,390
Motor vehicle	4,403,135	-	4,403,135	4,345,577	(57,558)
Bank stock	505,000	-	505,000	527,190	22,190
License tax - pari-mutuel	60,000	-	60,000	42,628	(17,372)
Total other local taxes	<u>75,143,078</u>	<u>-</u>	<u>75,143,078</u>	<u>75,403,942</u>	<u>260,864</u>
License, permits and privilege fees:					
Animal licenses	55,000	-	55,000	43,765	(11,235)
Street and taxi permits	136,000	-	136,000	186,209	50,209
Zoning and land use	249,875	-	249,875	315,198	65,323
Building permits	771,544	-	771,544	570,554	(200,990)
Miscellaneous	21,600	-	21,600	40,518	18,918
Total license, permits and privilege fees	<u>1,234,019</u>	<u>-</u>	<u>1,234,019</u>	<u>1,156,244</u>	<u>(77,775)</u>
Total fines and forfeitures	<u>2,354,209</u>	<u>-</u>	<u>2,354,209</u>	<u>2,306,750</u>	<u>(47,459)</u>
Special assessments:					
Peninsula Town Center CDA	4,146,323	-	4,146,323	3,715,865	(430,458)
H2O CDA	590,062	-	590,062	267,201	(322,861)
Coliseum BID	509,545	-	509,545	532,996	23,451
Downtown BID	162,255	-	162,255	166,303	4,048
Elizabeth Lakes	47,789	-	47,789	48,045	256
Total special assessments	<u>5,455,974</u>	<u>-</u>	<u>5,455,974</u>	<u>4,730,410</u>	<u>(725,564)</u>
Revenue from use of money and property:					
Interest on investments	177,815	-	177,815	118,815	(59,000)
Rental of property	16,873	-	16,873	15,831	(1,042)
Sale of materials and property	59,018	-	59,018	57,465	(1,553)
Vending machines	3,000	-	3,000	5,147	2,147
Parking fees	48,000	-	48,000	45,657	(2,343)
Billboard revenue	60,000	-	60,000	63,654	3,654
Net increase (decrease) in fair value of investments	-	-	-	(3,113)	(3,113)
Total revenue from use of money and property	<u>\$ 364,706</u>	<u>\$ -</u>	<u>\$ 364,706</u>	<u>\$ 303,456</u>	<u>\$ (61,250)</u>

continued

This schedule excludes special revenue fund Pearl Young which is included in the General Fund basic financial statements due to the implementation of GASB 54.

**CITY OF HAMPTON, VIRGINIA**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES AND OTHER CREDITS - BUDGET AND ACTUAL**  
**For the Year Ended June 30, 2014**

	Budget July 1, 2013	Net Changes	Final June 30, 2014	Actual	Variance Over (Under)
Charges for services:					
Fees:					
Court costs	\$ 1,000	\$ -	\$ 1,000	\$ 610	\$ (390)
Clerk	54,000	-	54,000	108,327	54,327
Court officers	26,000	-	26,000	30,889	4,889
Parks and Recreation	968,529	-	968,529	1,089,405	120,876
Youth, Education, and Family Services	1,316,450	-	1,316,450	1,291,810	(24,640)
Sheriff	55,376	-	55,376	259,828	204,452
Library	50,000	-	50,000	40,528	(9,472)
Jail admission fee	8,350	-	8,350	11,233	2,883
Ambulance services	3,500,000	-	3,500,000	3,861,361	361,361
Fire Prevention	207,850	-	207,850	200,438	(7,412)
Public education grant fees	170,000	-	170,000	211,595	41,595
Passport applications	38,000	-	38,000	74,450	36,450
Miscellaneous charges for services	159,000	-	159,000	179,748	20,748
Landfill host fees	1,043,174	-	1,043,174	928,128	(115,046)
Payment in lieu of taxes-Fort Monroe	983,960	-	983,960	983,960	-
Total charges for services	<u>8,581,689</u>	<u>-</u>	<u>8,581,689</u>	<u>9,272,310</u>	<u>690,621</u>
Miscellaneous revenue:					
Payment in lieu of taxes-other	75,000	-	75,000	69,117	(5,883)
Returned check charges	14,010	-	14,010	9,265	(4,745)
Unemployment fees	4,000	-	4,000	3,348	(652)
School reimbursement	1,377,204	-	1,377,204	1,372,814	(4,390)
Indirect cost	935,745	-	935,745	935,745	-
Other	1,338,968	-	1,338,968	2,734,187	1,395,219
Total miscellaneous revenue	<u>3,744,927</u>	<u>-</u>	<u>3,744,927</u>	<u>5,124,476</u>	<u>1,379,549</u>
Recovered costs:					
Jail operations	729,667	-	729,667	638,468	(91,199)
Probation	8,500	-	8,500	9,629	1,129
NASA fire services	906,000	-	906,000	906,000	-
Miscellaneous	150,000	-	150,000	123,188	(26,812)
Total recovered costs	<u>1,794,167</u>	<u>-</u>	<u>1,794,167</u>	<u>1,677,285</u>	<u>(116,882)</u>
Noncategorical aid - state:					
Personal property tax relief reimbursement	15,904	15,438,025	15,453,929	15,453,929	-
Vehicle rental tax	373,448	-	373,448	344,995	(28,453)
Railroad rolling stock tax	-	15,904	15,904	15,891	(13)
Mobile home titling tax	15,819	-	15,819	20,046	4,227
Taxes on deeds	356,086	-	356,086	387,452	31,366
State Share-FEMA	-	-	-	12,916	12,916
Total noncategorical aid - state	<u>761,257</u>	<u>15,453,929</u>	<u>16,215,186</u>	<u>16,235,229</u>	<u>20,043</u>
Shared expenses - state:					
Sheriff	6,326,735	-	6,326,735	6,171,049	(155,686)
Commonwealth Attorney	1,301,392	-	1,301,392	1,283,469	(17,923)
Commissioner of Revenue	284,688	-	284,688	280,088	(4,600)
Treasurer	256,646	-	256,646	265,853	9,207
Clerk of Courts	762,543	-	762,543	795,407	32,864
Registrar-election board	50,341	-	50,341	52,552	2,211
Total shared expenses - state	<u>\$ 8,982,345</u>	<u>\$ -</u>	<u>\$ 8,982,345</u>	<u>\$ 8,848,418</u>	<u>\$ (133,927)</u>

continued

This schedule excludes special revenue fund Pearl Young which is included in the General Fund basic financial statements due to the implementation of GASB 54.

**CITY OF HAMPTON, VIRGINIA**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES AND OTHER CREDITS - BUDGET AND ACTUAL**  
**For the Year Ended June 30, 2014**

	<u>Budget</u> <u>July 1, 2013</u>	<u>Net</u> <u>Changes</u>	<u>Final</u> <u>June 30, 2014</u>	<u>Actual</u>	<u>Variance</u> <u>Over</u> <u>(Under)</u>
Categorical aid - state:					
Public assistance	\$ 7,181,106	\$ -	\$ 7,181,106	\$ 5,069,900	\$ (2,111,206)
Police	6,524,180	-	6,524,180	6,523,452	(728)
Street and highway maintenance	14,267,578	457,780	14,725,358	14,725,359	1
E911 wireless grant	409,000	-	409,000	396,072	(12,928)
Public library books	165,200	-	165,200	163,493	(1,707)
Virginia juvenile block grant	279,724	-	279,724	315,703	35,979
State funds	-	-	-	119,678	119,678
Total categorical aid - state	<u>28,826,788</u>	<u>457,780</u>	<u>29,284,568</u>	<u>27,313,657</u>	<u>(1,970,911)</u>
Categorical aid - federal:					
Pass thru-public assistance	7,319,034	-	7,319,034	8,115,235	796,201
Pass thru-Healthy Families	400,000	-	400,000	359,034	(40,966)
Pass thru-Federal Rad. Emergency Response	20,500	-	20,500	15,850	(4,650)
Total categorical aid - federal	<u>7,739,534</u>	<u>-</u>	<u>7,739,534</u>	<u>8,490,119</u>	<u>750,585</u>
Noncategorical aid - federal					
Federal Share-FEMA	-	-	-	23,973	23,973
Indirect costs-total	228,000	-	228,000	218,000	(10,000)
Total noncategorical aid - federal	<u>228,000</u>	<u>-</u>	<u>228,000</u>	<u>241,973</u>	<u>13,973</u>
Total revenues	<u>316,034,247</u>	<u>457,780</u>	<u>316,492,027</u>	<u>315,297,499</u>	<u>(1,194,528)</u>
Other credits:					
Component unit-EDA Fund	-	-	-	227	227
Transfer from Grants Fund	-	-	-	7,322	7,322
Component Unit-Schools	2,000,000	-	2,000,000	2,000,000	-
Total transfers	<u>2,000,000</u>	<u>-</u>	<u>2,000,000</u>	<u>2,007,549</u>	<u>7,549</u>
Total revenues and transfers	<u>318,034,247</u>	<u>457,780</u>	<u>318,492,027</u>	<u>317,305,048</u>	<u>(1,186,979)</u>
Appropriations from fund balance	4,342,984	8,522,431	12,865,415	12,865,415	-
Appropriations-encumbrances	-	-	-	1,668,219	1,668,219
Total appropriations	<u>4,342,984</u>	<u>8,522,431</u>	<u>12,865,415</u>	<u>14,533,634</u>	<u>1,668,219</u>
Total revenues and other credits	<u>\$ 322,377,231</u>	<u>\$ 8,980,211</u>	<u>\$ 331,357,442</u>	<u>\$ 331,838,682</u>	<u>\$ 481,240</u>

These statements excludes special revenue fund Pearl Young which is included in the General Fund basic statements due to the implementation of GASB 54.

**CITY OF HAMPTON, VIRGINIA  
GENERAL FUND  
SCHEDULE OF APPROPRIATIONS AND EXPENDITURES  
For the Year Ended June 30, 2014**

	Appropriations			Expenditures			Variance Under (Over)
	Budget		Final	Personal	Operating		
	July 1, 2013	Net Changes	June 30, 2014	Services	Expenditures	Capital Outlay	
General Government					Total		
Legislative:							
Municipal Council	\$ 456,526	\$ 53,286	\$ 509,812	\$ 368,902	\$ 129,524	\$ 2,041	\$ 9,345
Legislative - Total	456,526	53,286	509,812	368,902	129,524	2,041	9,345
Executive:							
City Manager	1,005,824	50,878	1,056,702	811,273	43,663	-	201,766
Budget and Management Analysis	366,935	42,617	409,552	372,617	13,101	9,003	14,831
Citizens Unity Commission	125,139	28,705	153,844	101,255	45,578	3,589	3,422
Marketing,INC	730,714	(40,091)	690,623	347,802	278,042	4,056	60,723
Internal Audit	167,056	8,105	175,161	157,744	11,005	4,563	1,849
Executive - Total	2,395,668	90,214	2,485,882	1,790,691	391,389	21,211	282,591
City Attorney:							
Law-City Attorney	956,927	(1)	956,926	837,670	94,778	3,611	20,867
City Attorney - Total	956,927	(1)	956,926	837,670	94,778	3,611	20,867
Human Resources-Total	631,786	68,712	700,498	485,516	94,982	36,462	83,538
Judicial:							
Clerk of Courts	944,986	104,786	1,049,772	833,312	87,894	-	128,566
Circuit Court	384,957	7,896	392,853	331,958	39,319	-	21,576
General District Court	250,148	(30,423)	219,725	38,927	115,747	-	65,051
District Court-J.D.R.	50,079	(7,692)	42,387	-	32,742	-	9,645
Commonwealth Attorney	1,571,491	142,714	1,714,205	1,511,510	77,260	80,793	44,642
City Sheriff-Administration	2,204,681	(564,717)	1,639,964	1,417,606	222,358	-	-
City Sheriff-Jail	6,781,924	633,481	7,415,405	5,456,023	1,905,030	54,314	38
Court Service Unit	1,676,380	397,820	2,074,200	193,827	1,362,788	-	517,585
Magistrates Office	-	36,754	36,754	10,744	1,934	5,067	19,009
Judicial - Total	13,864,646	720,619	14,585,265	9,793,907	3,845,072	140,174	806,112

These statements excludes special revenue fund Pearl Young which is included in the General Fund basic statements due to the implementation of GASB 54.

**CITY OF HAMPTON, VIRGINIA  
GENERAL FUND  
SCHEDULE OF APPROPRIATIONS AND EXPENDITURES  
For the Year Ended June 30, 2014**

	Appropriations			Expenditures			Variance Under (Over)	
	Budget		Final	Personal	Operating			
	July 1, 2013	Net Changes	June 30, 2014	Services	Expenditures	Capital Outlay		Total
<b>General Government, continued:</b>								
Boards and commissions:								
Community Development	\$ 3,053,169	\$ 54,060	\$ 3,107,229	\$ 2,484,680	\$ 438,443	\$ 156,335	\$ 3,079,458	\$ 27,771
Elections Board	158,607	(1,625)	156,982	68,379	61,830	-	130,209	26,773
Registrar	227,784	506	228,290	173,710	8,065	-	181,775	46,515
Development	925,841	401,952	1,327,793	801,913	186,943	1,503	990,359	337,434
Boards and Commissions - Total	<u>4,365,401</u>	<u>454,893</u>	<u>4,820,294</u>	<u>3,528,682</u>	<u>695,281</u>	<u>157,838</u>	<u>4,381,801</u>	<u>438,493</u>
Agriculture - Extension Agent - Total	<u>65,987</u>	<u>2,914</u>	<u>68,901</u>	<u>46,133</u>	<u>22,768</u>	<u>-</u>	<u>68,901</u>	<u>-</u>
Nondepartmental:								
Nondepartmental	24,235,841	750,257	24,986,098	396,504	23,282,779	37,470	23,716,753	1,269,345
Civic and community support	1,069,757	(44,793)	1,024,964	-	1,024,955	-	1,024,955	9
Other	2,626,638	(696,905)	1,929,733	-	1,531,347	-	1,531,347	398,386
Nondepartmental - Total	<u>27,932,236</u>	<u>8,559</u>	<u>27,940,795</u>	<u>396,504</u>	<u>25,839,081</u>	<u>37,470</u>	<u>26,273,055</u>	<u>1,667,740</u>
Finance:								
Commissioner of Revenue	1,224,742	(13,418)	1,211,324	1,012,272	187,257	10,764	1,210,293	1,031
Assessor of Real Estate	1,088,886	22,210	1,111,096	982,848	115,412	3,044	1,101,304	9,792
City Treasurer	1,585,514	58,180	1,643,694	1,160,459	408,933	13,948	1,583,340	60,354
Consolidated Procurement	380,570	968	381,538	335,789	43,018	-	378,807	2,731
Independent Auditors	200,475	13,429	213,904	-	181,656	-	181,656	32,248
Finance	780,851	364,349	1,145,200	735,342	105,708	7,411	848,461	296,739
Information Technology	2,921,400	97,833	3,019,233	1,054,750	1,505,236	339,821	2,899,807	119,426
Finance - Total	<u>8,182,438</u>	<u>543,551</u>	<u>8,725,989</u>	<u>5,281,460</u>	<u>2,547,220</u>	<u>374,988</u>	<u>8,203,668</u>	<u>522,321</u>
Retirement and Employee Benefits Total	<u>39,032,403</u>	<u>(2,424,490)</u>	<u>36,607,913</u>	<u>1,008,660</u>	<u>34,028,305</u>	<u>-</u>	<u>35,036,965</u>	<u>1,570,948</u>
<b>General Government, concluded:</b>								

These statements excludes special revenue fund Pearl Young which is included in the General Fund basic statements due to the implementation of GASB 54.

**CITY OF HAMPTON, VIRGINIA  
GENERAL FUND  
SCHEDULE OF APPROPRIATIONS AND EXPENDITURES  
For the Year Ended June 30, 2014**

	Appropriations			Expenditures			Variance Under (Over)	
	Budget		Final	Personal	Operating			
	July 1, 2013	Net Changes	June 30, 2014	Services	Expenditures	Capital Outlay		Total
Public Works:								
Administration	\$ 212,770	\$ 12,860	\$ 225,630	\$ 167,393	\$ 57,161	\$ -	\$ 224,554	\$ 1,076
Engineering	582,652	30,196	612,848	527,556	71,302	8,186	607,044	5,804
Property Maintenance	4,284,000	22,891	4,306,891	1,113,850	3,111,079	12,782	4,237,711	69,180
Parking Facilities	723,191	11,983	735,174	31,379	699,733	-	731,112	4,062
Public Works - Total	<u>5,802,613</u>	<u>77,930</u>	<u>5,880,543</u>	<u>1,840,178</u>	<u>3,939,275</u>	<u>20,968</u>	<u>5,800,421</u>	<u>80,122</u>
<b>General Government - Total</b>	<u>103,686,631</u>	<u>(403,813)</u>	<u>103,282,818</u>	<u>25,378,303</u>	<u>71,627,675</u>	<u>794,763</u>	<u>97,800,741</u>	<u>5,482,077</u>
<b>Public Safety:</b>								
Police Division	21,937,165	1,117,583	23,054,748	18,655,524	3,862,254	339,057	22,856,835	197,913
Traffic Engineering	2,960,370	(132,295)	2,828,075	578,719	2,167,946	11,120	2,757,785	70,290
Fire Division	18,036,049	1,322,863	19,358,912	15,994,229	3,331,054	26,939	19,352,222	6,690
Emergency Management	281,903	23,000	304,903	235,572	34,917	13,900	284,389	20,514
911/311 Call Centers	2,990,224	(5,975)	2,984,249	2,471,372	454,019	58,534	2,983,925	324
Animal Control	432,595	26,123	458,718	281,048	167,153	-	448,201	10,517
Youth Violence Prevention	-	19,277	19,277	9,184	2,151	-	11,335	7,942
Public Safety - Total	<u>\$ 46,638,306</u>	<u>\$ 2,370,576</u>	<u>\$ 49,008,882</u>	<u>\$ 38,225,648</u>	<u>\$ 10,019,494</u>	<u>\$ 449,550</u>	<u>\$ 48,694,692</u>	<u>\$ 314,190</u>
<b>Highways and Streets-Total</b>	<u>2,159,897</u>	<u>(58,346)</u>	<u>2,101,551</u>	<u>980,253</u>	<u>946,187</u>	<u>5,969</u>	<u>1,932,409</u>	<u>169,142</u>

These statements excludes special revenue fund Pearl Young which is included in the General Fund basic statements due to the implementation of GASB 54.

**CITY OF HAMPTON, VIRGINIA  
GENERAL FUND  
SCHEDULE OF APPROPRIATIONS AND EXPENDITURES  
For the Year Ended June 30, 2014**

	Appropriations			Expenditures			Variance Under (Over)	
	Budget		Final	Personal	Other			
	July 1, 2013	Net Changes	June 30, 2014	Services	Expenditures	Capital Outlay		
					Total			
<b>Health:</b>								
Preventive Medicine	\$ 1,359,924	\$ 69,280	\$ 1,429,204	\$ -	\$ 1,411,570	\$ -	\$ 1,411,570	\$ 17,634
Drainage Maintenance	1,309,029	(67,112)	1,241,917	730,986	493,878	12,813	1,237,677	4,240
<b>Health - Total</b>	<b>2,668,953</b>	<b>2,168</b>	<b>2,671,121</b>	<b>730,986</b>	<b>1,905,448</b>	<b>12,813</b>	<b>2,649,247</b>	<b>21,874</b>
<b>Human Services:</b>								
Administration	11,643,831	330,830	11,974,661	7,241,736	4,128,943	36,550	11,407,229	567,432
Public Assistance	665,128	(13,651)	651,477	-	584,324	-	584,324	67,153
Purchase of Services	4,487,116	(462,103)	4,025,013	-	3,575,105	-	3,575,105	449,908
Youth, Education and Family Services	3,715,384	(34,488)	3,680,896	2,711,224	859,599	10,048	3,580,871	100,025
<b>Human Services - Total</b>	<b>20,511,459</b>	<b>(179,412)</b>	<b>20,332,047</b>	<b>9,952,960</b>	<b>9,147,971</b>	<b>46,598</b>	<b>19,147,529</b>	<b>1,184,518</b>
<b>Culture and Recreation:</b>								
Recreation	4,017,482	(9,915)	4,007,567	2,443,441	1,299,270	79,307	3,822,018	185,549
Parks	5,850,914	(180,273)	5,670,641	1,920,116	3,247,199	31,529	5,198,844	471,797
Conventions and Tourism	2,330,954	(101,625)	2,229,329	746,116	1,387,539	6,676	2,140,331	88,998
Hampton History Museum	332,103	(10,440)	321,663	263,417	49,299	-	312,716	8,947
<b>Culture and Recreation - Total</b>	<b>12,531,453</b>	<b>(302,253)</b>	<b>12,229,200</b>	<b>5,373,090</b>	<b>5,983,307</b>	<b>117,512</b>	<b>11,473,909</b>	<b>755,291</b>

These statements excludes special revenue fund Pearl Young which is included in the General Fund basic statements due to the implementation of GASB 54.

**CITY OF HAMPTON, VIRGINIA  
GENERAL FUND  
SCHEDULE OF APPROPRIATIONS AND EXPENDITURES  
For the Year Ended June 30, 2014**

	Appropriations			Expenditures			Variance Under (Over)	
	Budget		Final	Personal	Other			
	July 1, 2013	Net Changes	June 30, 2014	Services	Expenditures	Capital Outlay		Total
<b>Education:</b>								
School Operations	70,773,049	-	70,773,049	-	70,773,049	-	70,773,049	-
Public Library	2,080,426	55,964	2,136,390	1,412,723	698,586	8,262	2,119,571	16,819
<b>Education - Total</b>	<u>72,853,475</u>	<u>55,964</u>	<u>72,909,439</u>	<u>1,412,723</u>	<u>71,471,635</u>	<u>8,262</u>	<u>72,892,620</u>	<u>16,819</u>
<b>Total expenditures</b>	<u>261,050,174</u>	<u>1,484,884</u>	<u>262,535,058</u>	<u>82,053,963</u>	<u>171,101,717</u>	<u>1,435,467</u>	<u>254,591,147</u>	<u>7,943,911</u>
<b>Operating Transfers Out:</b>								
Capital Projects Funds	17,848,512	5,784,418	23,632,930	-	16,988,689	-	16,988,689	6,644,241
Enterprise Funds	7,996,927	845,404	8,842,331	-	8,732,207	-	8,732,207	110,124
Special Revenue Funds	2,280,229	104,903	2,385,132	-	1,933,470	-	1,933,470	451,662
Debt Service Funds	33,201,389	-	33,201,389	-	33,201,389	-	33,201,389	-
<b>Transfers - Total</b>	<u>61,327,057</u>	<u>6,734,725</u>	<u>68,061,782</u>	<u>-</u>	<u>60,855,755</u>	<u>-</u>	<u>60,855,755</u>	<u>7,206,027</u>
<b>Total expenditures and transfers</b>	<u>\$ 322,377,231</u>	<u>\$ 8,219,609</u>	<u>\$ 330,596,840</u>	<u>\$ 82,053,963</u>	<u>\$ 231,957,472</u>	<u>\$ 1,435,467</u>	<u>\$315,446,902</u>	<u>\$ 15,149,938</u>

These statements excludes special revenue fund Pearl Young which is included in the General Fund basic statements due to the implementation of GASB 54.

**CITY OF HAMPTON, VIRGINIA  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
June 30, 2014**

	Federal Grants	Community Development	Stormwater Management	Pembroke Complex	Law Library	Total Non-major Governmental Funds
<b>Assets:</b>						
Cash and cash equivalents	\$ 189,698	\$ 313,639	\$ 8,025,552	\$ 58,746	\$ 109,108	\$ 8,696,743
Accounts receivables:						
Due from other governments	2,652,196	398,306				3,050,502
Other	7,920		421,867		8	429,795
Due from other funds	100,190		7,396			107,586
Total assets	<u>\$ 2,950,004</u>	<u>\$ 711,945</u>	<u>\$ 8,454,815</u>	<u>\$ 58,746</u>	<u>\$ 109,116</u>	<u>\$ 12,284,626</u>
<b>Liabilities:</b>						
Accounts payable	\$ 414,206	\$ 405,800	\$ 76,132	\$ 10,598	\$ 7,911	\$ 914,647
Accrued liabilities	13,513	2,035	8,839	333	84	24,804
Due to other funds	199,563		17,264			216,827
Unearned revenue				30,592		30,592
Total liabilities	<u>627,282</u>	<u>407,835</u>	<u>102,235</u>	<u>41,523</u>	<u>7,995</u>	<u>1,186,870</u>
<b>Deferred inflows of resources:</b>						
Unavailable revenue-program income		304,110				304,110
Unavailable revenue-stormwater fees			421,867			421,867
Total deferred inflows of resources		<u>304,110</u>	<u>421,867</u>			<u>725,977</u>
<b>Fund balances:</b>						
Restricted	2,008,470		7,930,713	17,223	101,121	10,057,527
Assigned	314,252					314,252
Total fund balances	<u>2,322,722</u>		<u>7,930,713</u>	<u>17,223</u>	<u>101,121</u>	<u>10,371,779</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 2,950,004</u>	<u>\$ 711,945</u>	<u>\$ 8,454,815</u>	<u>\$ 58,746</u>	<u>\$ 109,116</u>	<u>\$ 12,284,626</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, 2014**

	<b>Special Revenue</b>					Total Non-major Governmental Funds
	Federal Grants	Community Development	Stormwater Management	Pembroke Complex	Law Library	
<b>REVENUES</b>						
Intergovernmental revenues:						
From the Commonwealth of Virginia	\$ 10,501,281					\$ 10,501,281
From the Federal government	3,947,390	1,682,627				5,630,017
Revenues from use of money and property				395,103	109	395,212
Charges for services			8,024,981			8,024,981
Miscellaneous	675,955	967,125			43,826	1,686,906
Total revenues	<u>15,124,626</u>	<u>2,649,752</u>	<u>8,024,981</u>	<u>395,103</u>	<u>43,935</u>	<u>26,238,397</u>
<b>EXPENDITURES</b>						
Current:						
General government	1,778,158	2,649,752		402,695	60,398	4,891,003
Public safety	5,369,750					5,369,750
Sanitation			4,331,737			4,331,737
Human services	9,409,899					9,409,899
Culture and recreation	204,036					204,036
Total expenditures	<u>16,761,843</u>	<u>2,649,752</u>	<u>4,331,737</u>	<u>402,695</u>	<u>60,398</u>	<u>24,206,425</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,637,217)</u>		<u>3,693,244</u>	<u>(7,592)</u>	<u>(16,463)</u>	<u>2,031,972</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	2,298,466					2,298,466
Transfers out	(7,322)		(2,540,921)			(2,548,243)
Net other financing sources (uses)	<u>2,291,144</u>		<u>(2,540,921)</u>			<u>(249,777)</u>
<b>Net change in fund balances</b>	653,927		1,152,323	(7,592)	(16,463)	1,782,195
<b>Fund balances, beginning of year</b>	<u>1,668,795</u>		<u>6,778,390</u>	<u>24,815</u>	<u>117,584</u>	<u>8,589,584</u>
<b>Fund balances, end of year</b>	<u>\$ 2,322,722</u>		<u>\$ 7,930,713</u>	<u>\$ 17,223</u>	<u>\$ 101,121</u>	<u>\$ 10,371,779</u>

**CITY OF HAMPTON, VIRGINIA**  
**NON-MAJOR ENTERPRISE FUNDS**  
**COMBINING STATEMENT OF NET POSITION**  
**June 30, 2014**

	Business-Type Activities - Non-Major Enterprise Funds				Totals
	Coliseum	Woodlands	Solid Waste	Refuse-Steam Plant	
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ 4,035,027	\$ 855	\$ 211,800	\$ 4,976,371	\$ 9,224,053
Accounts receivable	188,123	13,845	2,310,057	271,012	2,783,037
Due from other funds	8				8
Due from component units			18,408		18,408
Inventories	86,231	25,264			111,495
Total current assets	<u>4,309,389</u>	<u>39,964</u>	<u>2,540,265</u>	<u>5,247,383</u>	<u>12,137,001</u>
Noncurrent assets:					
Capital assets:					
Land	164,079	2,295,538	945,188		3,404,805
Buildings and improvements	12,556,583	995,046			13,551,629
Improvements other than buildings	6,936,123	755,532	2,971	20,718,634	28,413,260
Computer software	12,500				12,500
Equipment	727,263	546,432	12,071,321	3,550,545	16,895,561
Landfill			3,865,986		3,865,986
Construction in progress	269,545				269,545
Less accumulated depreciation	<u>(14,124,655)</u>	<u>(1,731,805)</u>	<u>(9,779,142)</u>	<u>(17,787,056)</u>	<u>(43,422,658)</u>
Net capital assets	<u>6,541,438</u>	<u>2,860,743</u>	<u>7,106,324</u>	<u>6,482,123</u>	<u>22,990,628</u>
Total noncurrent assets	<u>6,541,438</u>	<u>2,860,743</u>	<u>7,106,324</u>	<u>6,482,123</u>	<u>22,990,628</u>
Total assets	<u>\$ 10,850,827</u>	<u>\$ 2,900,707</u>	<u>\$ 9,646,589</u>	<u>\$ 11,729,506</u>	<u>\$ 35,127,629</u>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	\$ 329,914	\$ 19,379	\$ 225,147	\$ 378,211	\$ 952,651
Accrued interest payable				48,588	48,588
Accrued leave	35,468	15,869	146,802	61,234	259,373
Due to other funds	15,206	1,674,271	3,821		1,693,298
Unearned revenue	764,526				764,526
Current portion of long-term debt				352,517	352,517
Other liabilities	176,296	12,231	9,242	7,060	204,829
Total current liabilities	<u>1,321,410</u>	<u>1,721,750</u>	<u>385,012</u>	<u>847,610</u>	<u>4,275,782</u>
Noncurrent liabilities:					
Accrued leave	117,400	18,070	59,306	93,518	288,294
Bonds payable				3,610,430	3,610,430
Total noncurrent liabilities	<u>117,400</u>	<u>18,070</u>	<u>59,306</u>	<u>3,703,948</u>	<u>3,898,724</u>
Total liabilities	<u>1,438,810</u>	<u>1,739,820</u>	<u>444,318</u>	<u>4,551,558</u>	<u>8,174,506</u>
<b>NET POSITION</b>					
Net investment in capital assets	6,541,437	2,860,744	7,106,324	2,519,176	19,027,681
Unrestricted	<u>2,870,580</u>	<u>(1,699,857)</u>	<u>2,095,947</u>	<u>4,658,772</u>	<u>7,925,442</u>
Total net position	<u>\$ 9,412,017</u>	<u>\$ 1,160,887</u>	<u>\$ 9,202,271</u>	<u>\$ 7,177,948</u>	<u>\$ 26,953,123</u>

**CITY OF HAMPTON, VIRGINIA**  
**NON-MAJOR ENTERPRISE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**For the Year Ended June 30, 2014**

	Business-Type Activities - Non-Major Enterprise Funds				Totals
	Coliseum	Woodlands	Solid Waste	Refuse-Steam Plant	
<b>Operating revenues:</b>					
Charges for services	\$ 9,915,141	\$ 609,378	\$ 10,417,170	\$ 7,687,377	\$ 28,629,066
Other	5,167				5,167
Total operating revenues	<u>9,920,308</u>	<u>609,378</u>	<u>10,417,170</u>	<u>7,687,377</u>	<u>28,634,233</u>
<b>Operating expenses:</b>					
Personal services	1,483,819	354,907	2,167,345	1,765,928	5,771,999
Fringe benefits	495,747	144,359	933,296	715,388	2,288,790
Promoters fees	4,775,235				4,775,235
City-sponsored events	830,886				830,886
Cost of goods sold	294,551	37,350			331,901
Utilities	255,523	70,801	1,171	546,127	873,622
Insurance	219,551	20,129	76,810	251,816	568,306
Operating supplies	108,469	48,235	191,816	672,699	1,021,219
Equipmental rental	27,229	50,000		15,963	93,192
Equipment and building repairs	226,979	38,652	1,929,675	1,336,413	3,531,719
Telephone and postage	58,747	1,772	5,451	18,096	84,066
General expense	1,008,329	4,002	403,847	26,026	1,442,204
Landfill costs			3,283,379	798,650	4,082,029
Contractual services	557,256	47,400	339,870	153,656	1,098,182
Indirect cost			356,470	218,000	574,470
Depreciation and amortization	538,860	80,063	1,358,163	733,307	2,710,393
Total operating expenses	<u>10,881,181</u>	<u>897,670</u>	<u>11,047,293</u>	<u>7,252,069</u>	<u>30,078,213</u>
Operating income (loss)	<u>(960,873)</u>	<u>(288,292)</u>	<u>(630,123)</u>	<u>435,308</u>	<u>(1,443,980)</u>
<b>Nonoperating revenues (expenses):</b>					
Interest income				5,411	5,411
Interest and fiscal charges				(206,198)	(206,198)
Gain(loss) on disposal of capital assets			11,016		11,016
Total nonoperating revenues (expenses)			<u>11,016</u>	<u>(200,787)</u>	<u>(189,771)</u>
Income (loss) before transfers and capital contributions	(960,873)	(288,292)	(619,107)	234,521	(1,633,751)
Capital contributions	7,567	106,798			114,365
Transfers in(out)	<u>926,102</u>		<u>(55,000)</u>		<u>871,102</u>
<b>Change in net position</b>	(27,204)	(181,494)	(674,107)	234,521	(648,284)
<b>Net position, beginning of year</b>	<u>9,439,221</u>	<u>1,342,381</u>	<u>9,876,378</u>	<u>6,943,427</u>	<u>27,601,407</u>
<b>Net position, end of year</b>	<u>\$ 9,412,017</u>	<u>\$ 1,160,887</u>	<u>\$ 9,202,271</u>	<u>\$ 7,177,948</u>	<u>\$ 26,953,123</u>

**CITY OF HAMPTON, VIRGINIA**  
**NON-MAJOR ENTERPRISE FUNDS**  
**COMBINING STATEMENT OF CASH FLOWS**  
**Fiscal Year Ended June 30, 2014**

	Coliseum	Woodlands	Solid Waste	Refuse-Steam Plant	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash received from customers	\$ 10,571,967	\$ 609,506	\$ 10,246,159	\$ 7,714,438	\$ 29,142,070
Cash payments to suppliers for goods and services	(9,039,155)	(254,180)	(7,816,529)	(4,487,364)	(21,597,228)
Cash payments to employees for services	(1,449,735)	(355,271)	(2,189,955)	(1,750,888)	(5,745,849)
Net cash provided by (used in) operating activities	<u>83,077</u>	<u>55</u>	<u>239,675</u>	<u>1,476,186</u>	<u>1,798,993</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Operating transfers in from (out to) other funds	<u>926,102</u>	<u>-</u>	<u>(55,000)</u>	<u>-</u>	<u>871,102</u>
Net cash provided by (used in) noncapital financing activities	<u>926,102</u>	<u>-</u>	<u>(55,000)</u>	<u>-</u>	<u>871,102</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Acquisition and construction of capital assets	(301,522)	-	-	(347,751)	(649,273)
Sale of capital assets	-	-	26,345	-	26,345
Principal paid on revenue bond maturities and long-term debt	-	-	-	(341,093)	(341,093)
Interest paid on revenue bonds and long-term debt	-	-	-	(210,147)	(210,147)
Net cash provided by (used in) capital and related financing activities	<u>(301,522)</u>	<u>-</u>	<u>26,345</u>	<u>(898,991)</u>	<u>(1,174,168)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest and dividends on investments	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,411</u>	<u>5,411</u>
Net cash provided by (used in) investing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,411</u>	<u>5,411</u>
Net increase (decrease) in cash and cash equivalents (including restricted amounts)	707,657	55	211,020	582,606	1,501,338
Cash and cash equivalents, July 1	<u>3,327,370</u>	<u>800</u>	<u>780</u>	<u>4,393,765</u>	<u>7,722,715</u>
Cash and cash equivalents, June 30	<u>\$ 4,035,027</u>	<u>\$ 855</u>	<u>\$ 211,800</u>	<u>\$ 4,976,371</u>	<u>\$ 9,224,053</u>
Operating income (loss)	<u>\$ (960,873)</u>	<u>\$ (288,292)</u>	<u>\$ (630,123)</u>	<u>\$ 435,308</u>	<u>\$ (1,443,980)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization expense	538,860	80,063	1,358,163	733,307	2,710,393
Decrease (increase) in:					
Accounts receivable	9,319	129	(147,737)	27,061	(111,228)
Due from other funds	38,897	-	7,806	-	46,703
Due from component units	-	-	(9,050)	-	(9,050)
Inventories	(17,467)	(2,661)	-	-	(20,128)
Increase (decrease) in:					
Accounts payable	106,958	9,507	(58,595)	265,470	323,340
Accrued leave	4,133	5,866	27,331	6,494	43,824
Due to other funds	244	194,790	(258,179)	-	(63,145)
Other liabilities	(271,379)	6,883	8,417	6,696	(249,383)
Unearned revenue	603,441	-	-	-	603,441
Inventories reported as capital contribution	993	-	-	-	993
Long-term accrued leave reported as operating activity	29,951	(6,230)	(58,358)	1,850	(32,787)
Total adjustments	<u>1,043,950</u>	<u>288,347</u>	<u>869,798</u>	<u>1,040,878</u>	<u>3,242,973</u>
Net cash provided by (used in) operating activities	<u>\$ 83,077</u>	<u>\$ 55</u>	<u>\$ 239,675</u>	<u>\$ 1,476,186</u>	<u>\$ 1,798,993</u>
Non-cash transactions affecting investing, capital and related financing activities:					
Acquisition of capital assets through outside capital contributions	7,567	106,798	-	-	114,365
Total non-cash transactions	<u>\$ 7,567</u>	<u>\$ 106,798</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 114,365</u>

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**CITY OF HAMPTON, VIRGINIA**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF NET POSITION**  
**June 30, 2014**

<b>ASSETS</b>	<u>Equipment Replacement</u>	<u>Fleet Services</u>	<u>Risk Management</u>	<u>Information Technology</u>	<u>Totals</u>
Current assets:					
Cash and cash equivalents	\$ 7,208,130	\$ 1,107,998	\$ 20,253,051	\$ 553,616	\$ 29,122,795
Cash with fiscal agent			127,259		127,259
Accounts receivable	546	12,895	1,456	8,537	23,434
Due from other funds			15,953		15,953
Due from component units		240,261			240,261
Prepaid items			121,577	156,511	278,088
Inventories		131,802			131,802
Total current assets	<u>7,208,676</u>	<u>1,492,956</u>	<u>20,519,296</u>	<u>718,664</u>	<u>29,939,592</u>
Noncurrent assets:					
Capital assets:					
Improvements other than buildings		253,574			253,574
Computer software	14,400	171,225			185,625
Equipment	37,360,640	819,806	38,072	1,522,681	39,741,199
Less accumulated depreciation	(21,495,404)	(787,725)	(34,364)	(770,935)	(23,088,428)
Total noncurrent assets (net capital assets)	<u>15,879,636</u>	<u>456,880</u>	<u>3,708</u>	<u>751,746</u>	<u>17,091,970</u>
Total assets	<u>\$ 23,088,312</u>	<u>\$ 1,949,836</u>	<u>\$ 20,523,004</u>	<u>\$ 1,470,410</u>	<u>\$ 47,031,562</u>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	\$ 338,506	\$ 324,084	\$ 57,815	\$ 150,659	\$ 871,064
Accrued leave		53,927	8,209	5,216	67,352
Due to other funds				773	773
Current portion of long-term debt	923,059	60,702	1,283,576		2,267,337
Other liabilities		6,286	1,055	696	8,037
Total current liabilities	<u>1,261,565</u>	<u>444,999</u>	<u>1,350,655</u>	<u>157,344</u>	<u>3,214,563</u>
Noncurrent liabilities:					
Claims payable			870,232		870,232
Accrued leave		69,686	16,704	6,638	93,028
Obligations under capital leases	3,572,775	31,045			3,603,820
Other post employment benefits obligation			1,540,461		1,540,461
Total noncurrent liabilities	<u>3,572,775</u>	<u>100,731</u>	<u>2,427,397</u>	<u>6,638</u>	<u>6,107,541</u>
Total liabilities	<u>4,834,340</u>	<u>545,730</u>	<u>3,778,052</u>	<u>163,982</u>	<u>9,322,104</u>
<b>NET POSITION</b>					
Net investment in capital assets	11,383,801	365,133	3,708	751,745	12,504,387
Unrestricted	6,870,171	1,038,973	16,741,244	554,683	25,205,071
Total net position	<u>\$ 18,253,972</u>	<u>\$ 1,404,106</u>	<u>\$ 16,744,952</u>	<u>\$ 1,306,428</u>	<u>\$ 37,709,458</u>

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**CITY OF HAMPTON, VIRGINIA**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**For the Year Ended June 30, 2014**

	Equipment Replacement	Fleet Services	Risk Management	Information Technology	Totals
<b>Operating revenues:</b>					
Charges for services	\$ 1,704,685	\$ 8,603,750	\$ 8,306,323	\$ 2,041,219	\$ 20,655,977
Other	-	15,983	-	-	15,983
Total operating revenues	<u>1,704,685</u>	<u>8,619,733</u>	<u>8,306,323</u>	<u>2,041,219</u>	<u>20,671,960</u>
<b>Operating expenses:</b>					
Personal services		1,291,657	257,204	168,592	1,717,453
Fringe benefits		477,933	84,942	52,822	615,697
Cost of goods sold		6,205,205			6,205,205
Utilities		51,805			51,805
Insurance		59,586	2,606,223	3,198	2,669,007
Operating supplies		146,279	4,317	19,676	170,272
Equipmental rental			26,300		26,300
Equipment and building repairs		131,569	2,655	309,616	443,840
Telephone and postage		17,904	3,926	1,030,348	1,052,178
General expense		56,657	103,222	90,465	250,344
Claims			1,582,147		1,582,147
Contractual services	140,698	233,552	1,089,559	369,561	1,833,370
Depreciation and amortization	1,740,304	91,038	3,446	103,392	1,938,180
Total operating expenses	<u>1,881,002</u>	<u>8,763,185</u>	<u>5,763,941</u>	<u>2,147,670</u>	<u>18,555,798</u>
Operating income (loss)	<u>(176,317)</u>	<u>(143,452)</u>	<u>2,542,382</u>	<u>(106,451)</u>	<u>2,116,162</u>
<b>Nonoperating revenues (expenses):</b>					
Interest income	7,445		19,139	202	26,786
Interest and fiscal charges	(124,045)	(3,542)			(127,587)
Gain(loss) on disposal of capital assets	(32,024)	(834)			(32,858)
Total nonoperating revenues (expenses)	<u>(148,624)</u>	<u>(4,376)</u>	<u>19,139</u>	<u>202</u>	<u>(133,659)</u>
Income (loss) before transfers and capital contributions	(324,941)	(147,828)	2,561,521	(106,249)	1,982,503
Capital contributions	215,837	-	-	-	215,837
<b>Change in net position</b>	(109,104)	(147,828)	2,561,521	(106,249)	2,198,340
<b>Net position, beginning of year</b>	<u>18,363,076</u>	<u>1,551,934</u>	<u>14,183,431</u>	<u>1,412,677</u>	<u>35,511,118</u>
<b>Net position, end of year</b>	<u>\$ 18,253,972</u>	<u>\$ 1,404,106</u>	<u>\$ 16,744,952</u>	<u>\$ 1,306,428</u>	<u>\$ 37,709,458</u>

**CITY OF HAMPTON, VIRGINIA**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF CASH FLOWS**  
**For the Year Ended June 30, 2014**

	Equipment Replacement	Fleet Services	Risk Management	Information Technology	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash received from customers	\$ 1,837,836	\$ 8,627,973	\$ 8,290,370	\$ 2,067,728	\$ 20,823,907
Cash payments to suppliers for goods and services	(140,698)	(6,819,147)	(8,142,192)	(1,791,069)	(16,893,106)
Cash payments to employees for services	-	(1,757,802)	(251,259)	(169,770)	(2,178,831)
Net cash provided by (used in) operating activities	<u>1,697,138</u>	<u>51,024</u>	<u>(103,081)</u>	<u>106,889</u>	<u>1,751,970</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Acquisition and construction of capital assets	(1,362,067)	(93,680)	(1,100)	-	(1,456,847)
Principal paid on revenue bond maturities and long-term debt	(899,885)	(59,061)	-	-	(958,946)
Interest paid on revenue bonds and long-term debt	(124,045)	(3,542)	-	-	(127,587)
Sale of capital assets	283,485	-	-	-	283,485
Net cash provided by (used in) capital and related financing activities	<u>(2,102,512)</u>	<u>(156,283)</u>	<u>(1,100)</u>	<u>-</u>	<u>(2,259,895)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest and dividends on investments	7,504	-	19,243	203	26,950
Net cash provided by (used in) investing activities	<u>7,504</u>	<u>-</u>	<u>19,243</u>	<u>203</u>	<u>26,950</u>
Net increase (decrease) in cash and cash equivalents (including restricted amounts)	(397,870)	(105,259)	(84,938)	107,092	(480,975)
Cash and cash equivalents, July 1	<u>7,606,000</u>	<u>1,213,257</u>	<u>20,465,248</u>	<u>446,524</u>	<u>29,731,029</u>
Cash and cash equivalents, June 30	<u>\$ 7,208,130</u>	<u>\$ 1,107,998</u>	<u>\$ 20,380,310</u>	<u>\$ 553,616</u>	<u>\$ 29,250,054</u>

	Equipment Replacement	Fleet Services	Risk Management	Information Technology	Totals
Operating income (loss)	\$ (176,317)	\$ (143,452)	\$ 2,542,382	\$ (106,451)	\$ 2,116,162
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization expense	1,740,304	91,038	3,446	103,392	1,938,180
Decrease (increase) in:					
Accounts receivable	59	187,085	104	26,509	213,757
Due from other funds	133,151	-	(15,953)	-	117,198
Due from component units	-	(178,844)	-	-	(178,844)
Inventories	-	107,964	-	-	107,964
Prepaid expenses	-	-	(36,507)	13,554	(22,953)
Increase (decrease) in:					
Accounts payable	338,506	(23,790)	(187,123)	70,290	197,883
Accrued leave	-	8,287	694	(944)	8,037
Due to other funds	-	(765)	(7,806)	773	(7,798)
Other liabilities	-	5,817	1,055	696	7,568
Current portion of long-term accrued claims reported as operating activity	-	-	(2,927,789)	-	(2,927,789)
Accounts payable reported as nonoperating activities	(338,506)	-	-	-	(338,506)
Accounts receivable reported as nonoperating activities	(59)	-	(104)	-	(163)
Long-term accrued leave reported as operating activity	-	(2,316)	4,196	(930)	950
Long-term accrued insurance claims reported as operating activity	-	-	(274,303)	-	(274,303)
Other post employment benefits obligation reported as operating activity	-	-	794,627	-	794,627
Total adjustments	1,873,455	194,476	(2,645,463)	213,340	(364,192)
Net cash provided by (used in) operating activities	\$ 1,697,138	\$ 51,024	\$ (103,081)	\$ 106,889	\$ 1,751,970
Non-cash transactions affecting investing, capital and related financing activities:					
Acquisition of capital assets through other funds' capital contributions	\$ 215,837	\$ -	\$ -	\$ -	\$ 215,837
Total non-cash transactions	\$ 215,837	\$ -	\$ -	\$ -	\$ 215,837

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**CITY OF HAMPTON, VIRGINIA**  
**FIDUCIARY FUNDS**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**For the Year Ended June 30, 2014**

	<u>Balance, July 1, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance, June 30, 2014</u>
<b><u>Special Welfare Fund</u></b>				
ASSETS				
Cash and cash equivalents	\$ 18,421	\$ 107,475	\$ 98,834	\$ 27,062
Accounts receivable		105		105
	<u>\$ 18,421</u>	<u>\$ 107,580</u>	<u>\$ 98,834</u>	<u>\$ 27,167</u>
LIABILITIES				
Deposits	\$ 12,586	\$ 34,789	\$ 27,843	\$ 19,532
Accounts payable	5,835	38,999	37,199	7,635
	<u>\$ 18,421</u>	<u>\$ 73,788</u>	<u>\$ 65,042</u>	<u>\$ 27,167</u>
 <b><u>Agency Fund</u></b>				
ASSETS				
Cash and cash equivalents	<u>\$ 2,262,827</u>	<u>\$ 3,011,886</u>	<u>\$ 4,247,611</u>	<u>\$ 1,027,102</u>
LIABILITIES				
Deposits	\$ 2,180,732	\$ 649,771	\$ 2,112,888	\$ 717,615
Accounts payable	82,094	1,114,401	887,008	309,487
	<u>\$ 2,262,826</u>	<u>\$ 1,764,172</u>	<u>\$ 2,999,896</u>	<u>\$ 1,027,102</u>
 <b><u>Total - All Agency Funds</u></b>				
ASSETS				
Cash and cash equivalents	\$ 2,281,247	\$ 3,119,361	\$ 4,346,445	\$ 1,054,163
Accounts receivable		105		105
	<u>\$ 2,281,247</u>	<u>\$ 3,119,466</u>	<u>\$ 4,346,445</u>	<u>\$ 1,054,268</u>
LIABILITIES				
Deposits	\$ 2,193,317	\$ 684,560	\$ 2,140,731	\$ 737,146
Accounts payable and accrued liabilities	87,929	1,153,400	924,207	317,122
	<u>\$ 2,281,246</u>	<u>\$ 1,837,960</u>	<u>\$ 3,064,938</u>	<u>\$ 1,054,268</u>

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**CITY OF HAMPTON, VIRGINIA**  
**DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD**  
**COMBINING BALANCE SHEET**  
**June 30, 2014**

	<u>Operating</u>	<u>Food Services</u>	<u>Reimbursable Projects</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 2,780,869	\$ 6,643,341	\$ 2,975,987	\$ 12,400,197
Cash with fiscal agent	9,262,748	-	-	9,262,748
Investments	18,465	-	-	18,465
Accounts receivable	213,925	31,404	130,863	376,192
Due from other funds	5,033,041	-	2,179	5,035,220
Due from other governments	5,174,707	323,500	1,991,303	7,489,510
Inventories	-	152,951	-	152,951
Total assets	<u>\$ 22,483,755</u>	<u>\$ 7,151,196</u>	<u>\$ 5,100,332</u>	<u>\$ 34,735,283</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts payable and other liabilities	\$ 15,468,815	\$ 163,336	\$ 585,407	\$ 16,217,558
Due to other funds	45	1,179,495	3,855,680	5,035,220
Due to primary government	262,131	-	-	262,131
Unearned revenue	3,998	-	35,240	39,238
Total liabilities	<u>15,734,989</u>	<u>1,342,831</u>	<u>4,476,327</u>	<u>21,554,147</u>
<b>Fund balances</b>				
Nonspendable	-	152,951	-	152,951
Restricted	-	5,655,414	624,005	6,279,419
Assigned	6,748,766	-	-	6,748,766
Total fund balances	<u>6,748,766</u>	<u>5,808,365</u>	<u>624,005</u>	<u>13,181,136</u>
Total liabilities and fund balances	<u>\$ 22,483,755</u>	<u>\$ 7,151,196</u>	<u>\$ 5,100,332</u>	<u>\$ 34,735,283</u>

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

Total fund balance	\$ 13,181,136
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds. (Note 6)	95,933,135
Accumulated depreciation on capital assets (Note 6)	(82,971,683)
Net other post employment benefit liability (Note 8)	(9,640,643)
Capital Lease (Note 8)	(332,953)
Long-term liability for compensated absences (Note 8)	<u>(6,774,981)</u>
Net position discretely presented component unit School Board	<u>\$ 9,394,011</u>

**CITY OF HAMPTON, VIRGINIA**  
**DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**For the Year Ended June 30, 2014**

	<u>Operating</u>	<u>Food Services</u>	<u>Reimbursable Projects</u>	<u>Total</u>
<b>REVENUES</b>				
State funds	\$ 123,820,537	\$ 200,785	\$ 801,894	\$ 124,823,216
Federal funds (includes pass through)	894,447	7,433,014	12,906,507	21,233,968
Other receipts	1,616,253	2,638,383	1,037,165	5,291,801
Payments from City	70,773,049	-	-	70,773,049
Net increase(decrease) in fair value of investments	1,911	-	-	1,911
Total revenues	<u>197,106,197</u>	<u>10,272,182</u>	<u>14,745,566</u>	<u>222,123,945</u>
<b>EXPENDITURES</b>				
Education	<u>194,529,776</u>	<u>9,444,661</u>	<u>15,072,931</u>	<u>219,047,368</u>
Excess of revenues over (under) expenditures	<u>2,576,421</u>	<u>827,521</u>	<u>(327,365)</u>	<u>3,076,577</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer from:				
Food Services Fund	500,000	-	-	500,000
School Operating Fund	-	-	534,102	534,102
Transfer to:				
School Operating Fund	-	(500,000)	-	(500,000)
Reimbursable Projects Fund	<u>(534,102)</u>	<u>-</u>	<u>-</u>	<u>(534,102)</u>
Total other sources (uses)	<u>(34,102)</u>	<u>(500,000)</u>	<u>534,102</u>	<u>-</u>
Excess of revenues and other sources over (under) expenditures and other uses	2,542,319	327,521	206,737	3,076,577
Fund balance - July 1	<u>4,206,447</u>	<u>5,480,844</u>	<u>417,268</u>	<u>10,104,559</u>
Fund balance - June 30	<u>\$ 6,748,766</u>	<u>\$ 5,808,365</u>	<u>\$ 624,005</u>	<u>\$ 13,181,136</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	\$ 3,076,577
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 acquisitions	411,160
Depreciation expense	(3,080,925)
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 position differs from the change in fund balance by the net book value of the capital assets abandoned. (Note 6)	(67,682)
Decrease in capital leases are not reported as expenditures in the governmental funds. (Note 8)	195,806
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)	(917,593)
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)	<u>(380,890)</u>
Change in net position of governmental activities	<u>\$ (763,547)</u>

**CITY OF HAMPTON, VIRGINIA**  
**DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**For the Year Ended June 30, 2014**

	<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	\$ 123,483,028	\$ 124,197,312	\$ 123,820,537	\$ (376,775)
Federal funds (includes pass through)	1,323,000	919,620	894,447	(25,173)
Miscellaneous	919,000	1,208,096	1,307,310	99,214
Payments from City	70,773,049	70,773,049	70,773,049	-
Total revenues	<u>196,498,077</u>	<u>197,098,077</u>	<u>196,795,343</u>	<u>(302,734)</u>
<b>EXPENDITURES</b>				
Current:				
Education	<u>196,176,975</u>	<u>195,072,857</u>	<u>194,040,682</u>	<u>(1,032,175)</u>
Total expenditures	<u>196,176,975</u>	<u>195,072,857</u>	<u>194,040,682</u>	<u>(1,032,175)</u>
Excess (deficiency) of revenues over (under) expenses	<u>321,102</u>	<u>2,025,220</u>	<u>2,754,661</u>	<u>-</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	500,000	500,000	500,000	-
Transfers out	<u>(821,102)</u>	<u>(821,102)</u>	<u>(821,102)</u>	<u>-</u>
Total other financing sources (uses)	<u>(321,102)</u>	<u>(321,102)</u>	<u>(321,102)</u>	<u>-</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>-</u>	<u>1,704,118</u>	<u>2,433,559</u>	<u>-</u>
<b>Appropriations from fund balance</b>		3,377,788		
<b>Appropriations - encumbrances</b>		<u>(5,081,906)</u>		
<b>Fund balance - July 1</b>	<u>-</u>	<u>-</u>	<u>3,377,788</u>	
<b>Fund balance - June 30</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,811,347</u>	

This statement excludes the Special Revenue Fund and Student Activities Fund which are included in the School Operating Fund for financial statement reporting purposes.

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**CITY OF HAMPTON, VIRGINIA**  
**SCHEDULE OF THE TREASURER'S ACCOUNTABILITY**  
**June 30, 2014**

## Assets held by the Treasurer:

Cash on hand	\$ 7,050
Cash in banks:	
Old Point National Bank	14,857,532
Investments:	
Certificates of deposit	33,096,989
Commercial paper	15,987,272
Repurchase agreement	1,200,000
Investment in mutual and money market funds	128,122
State Local Government Investment Pool	111,000,000
U.S. Government securities	4,010,184
Timing differences	(9,951)
Total assets	<u>\$ 180,277,198</u>

## Liabilities of the Treasurer:

Balance of City funds	<u>\$ 180,277,198</u>
Cash and cash equivalents	
Primary Government per Exhibit A-1	\$ 158,615,620
School Board per Exhibit A-11	12,400,197
Economic Development Authority per Exhibit A-11	4,203,435
General Fund Investments per Exhibit A-3	4,004,748
Restricted cash and investments - Enterprise Funds per Exhibit A-6	
Cash and cash equivalents	3,532,812
Investments	14,809,193
Cash and cash equivalents - Fiduciary Funds per Exhibit A-9	1,096,486
Investments - Component Unit - EDA per Exhibit A-11	445
Adjust investments in CAFR from fair value to cost	5,436
Timing differences	408
Less:	
Petty cash	\$ (28,860)
Cash and investments held by trustees	<u>(18,362,722)</u>
	<u>(18,391,582)</u>
Balance of City funds	<u>\$ 180,277,198</u>

**CITY OF HAMPTON, VIRGINIA  
SCHEDULE OF CASH FLOWS  
DISCRETELY PRESENTED COMPONENT UNIT  
ECONOMIC DEVELOPMENT AUTHORITY  
For the Year Ended June 30, 2014**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from customers	\$ (152,195)
Cash payments to suppliers for goods and services	(2,082,434)
Cash payments to employees for services	(3,750)
Other receipts (payments)	<u>3,550</u>
Net cash provided by (used in) operating activities	<u>(2,234,829)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Payment from primary government	<u>3,006,044</u>
Net cash provided by (used in) noncapital financing activities	<u>3,006,044</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Principal paid on revenue bond maturities and long-term debt	(607,019)
Interest paid on revenue bonds and long-term debt	<u>(383,041)</u>
Net cash provided by (used in) capital and related financing activities	<u>(990,060)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest and dividends on investments	7,850
Proceeds from collection of loans	198,061
Proceeds from collection of lease receivable	625,850
Interest received on loans	21,344
Interest received on lease receivable	364,210
Disbursements for loans	<u>(1,095)</u>
Net cash provided by (used in) investing activities	<u>1,216,220</u>
Net increase (decrease) in cash and cash equivalents (including restricted amounts)	997,375
Cash and cash equivalents (including restricted), July 1	<u>3,206,060</u>
Cash and cash equivalents (including restricted), June 30	<u>\$ 4,203,435</u>

Operating income (loss)	<u>\$ (2,555,913)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Depreciation and amortization expense	102,468
Decrease (increase) in:	
Notes receivable	157,787
Due from primary government	(429,140)
Increase (decrease) in:	
Accounts payable	526,941
Due to primary government	(30,787)
Other liabilities	(18,831)
Deferred revenue	190,781
Notes receivable reported as nonoperating activities	(196,966)
Other liabilities reported as nonoperating revenues	18,831
Total adjustments	<u>321,084</u>
Net cash provided by (used in) operating activities	<u>\$ (2,234,829)</u>
Non-cash transactions affecting investing capital and related financing activities:	
Net increase (decrease) in fair value of investments	<u>\$ (946)</u>
Total non-cash transactions	<u>\$ (946)</u>

**CITY OF HAMPTON, VIRGINIA**  
**DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD**  
**SCHOOL OPERATING FUND**  
**SCHEDULE OF APPROPRIATIONS AND EXPENDITURES**  
**For the Year Ended June 30, 2014**

	<u>Appropriations</u>			<u>Expenditures</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Budget July 1, 2013</u>	<u>Net Changes</u>	<u>Final June 30, 2014</u>		
<b>EXPENDITURES</b>					
Administration/attendance and health	\$ 9,841,083	\$ (225,984)	\$ 9,615,099	\$ 9,615,099	\$ -
Instructional	146,195,460	(1,629,357)	144,566,103	143,534,281	(1,031,822)
Public transportation service	9,327,470	124,626	9,452,096	9,452,096	-
Operation and maintenance of school plant	19,699,052	(435,685)	19,263,367	19,258,227	(5,140)
Technology	11,113,910	1,062,282	12,176,192	12,180,979	4,787
Total expenditures	<u>196,176,975</u>	<u>(1,104,118)</u>	<u>195,072,857</u>	<u>194,040,682</u>	<u>(1,032,175)</u>
<b>OPERATING TRANSFER OUT</b>					
To Student Activities Fund	287,000	-	287,000	287,000	-
To Reimbursable Projects Fund	534,102	-	534,102	534,102	-
Total transfers out	<u>821,102</u>	<u>-</u>	<u>821,102</u>	<u>821,102</u>	<u>-</u>
Total expenditures and transfers out	<u>\$ 196,998,077</u>	<u>\$ (1,104,118)</u>	<u>\$ 195,893,959</u>	<u>\$ 194,861,784</u>	<u>\$ (1,032,175)</u>

This statement excludes the Special Revenue Fund and Student Activities Fund which are included in the School Operating Fund for financial statement reporting purposes.

**CITY OF HAMPTON, VIRGINIA**  
**DISCRETELY PRESENTED COMPONENT UNIT SCHOOL BOARD**  
**SCHOOL OPERATING FUND**  
**SCHEDULE OF REVENUES AND OTHER CREDITS - BUDGET AND ACTUAL**  
**For the Year Ended June 30, 2014**

	<u>Final Budgeted Revenues</u>	<u>Actual Revenues</u>	<u>Variance with Final Budget Over (Under)</u>
<b>State funds:</b>			
Basic appropriation	\$ 60,007,817	\$ 59,974,041	\$ (33,776)
At risk payment	2,313,874	2,313,874	-
Remedial education	2,566,184	2,566,184	-
K-3 Primary Class Size	2,985,447	2,985,447	-
Virginia Retirement System	6,709,353	6,709,353	-
Social security benefits	4,028,479	4,028,479	-
Group life insurance	258,052	258,052	-
Special education	12,349,118	12,261,886	(87,232)
Textbook payments	1,286,389	1,286,389	-
Remedial summer school	755,681	755,681	-
At risk 4 year old	2,623,978	2,623,978	-
Gifted	659,466	659,466	-
Foster home	110,191	110,191	-
Vocational education	1,183,652	1,214,777	31,125
VPSA education tech grant	1,338,400	1,012,000	(326,400)
Virginia blind	6,000	-	(6,000)
ESL	240,895	240,895	-
Early Reading Intervention	347,432	347,432	-
SOL Algebra Readiness	303,482	303,482	-
Additional assistance with retirement inflation	1,262,208	1,262,208	-
Sales tax	20,233,344	20,278,854	45,510
Medicaid Reimbursement	951,855	951,853	(2)
Salary supplement	1,507,820	1,507,820	-
Early reading specialists initiative	168,195	168,195	-
Total state funds	<u>124,197,312</u>	<u>123,820,537</u>	<u>(376,775)</u>
<b>Federal Funds:</b>			
Public law 874	442,726	417,565	(25,161)
Impact Aid Special Education	128,414	128,414	-
U.S. Army- ROTC	136,470	136,470	-
U.S. Air Force- ROTC	66,700	66,699	(1)
U.S. Navy - ROTC	74,460	74,457	(3)
U.S. Marine Corps - ROTC	70,850	70,842	(8)
Total federal funds	<u>919,620</u>	<u>894,447</u>	<u>(25,173)</u>
<b>Other funds:</b>			
Fees from students	20,960	20,954	(6)
Tuition from regular day students	3,200	3,200	-
Miscellaneous revenue	26,000	155,159	129,159
Medicaid reimbursement	133,000	132,279	(721)
Interest	1,600	1,523	(77)
Other	1,023,336	994,195	(29,141)
Total other funds	<u>1,208,096</u>	<u>1,307,310</u>	<u>99,214</u>
Total revenues	<u>126,325,028</u>	<u>126,022,294</u>	<u>(302,734)</u>
<b>Other credits:</b>			
Payment from the City	70,773,049	70,773,049	-
Transfer from Food Services Fund	500,000	500,000	-
Total other credits	<u>71,273,049</u>	<u>71,273,049</u>	<u>-</u>
Total revenues and other credits	<u>\$ 197,598,077</u>	<u>\$ 197,295,343</u>	<u>\$ (302,734)</u>

**CITY OF HAMPTON, VIRGINIA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended June 30, 2014**

Federal Granting Agency/ Recipient State Agency/ Grant Program/Grant Number	<u>Federal Catalogue Number</u>	<u>Expenditures</u>
DEPARTMENT OF AGRICULTURE		
FOOD STAMP CLUSTER:		
Pass-through payments:		
Department of Social Services:		
State Administrative Marching Grants for Food Stamp Program	10.561	\$ <u>1,613,097</u>
Total Food Stamp Cluster		<u>1,613,097</u>
NUTRITION CLUSTER:		
Direct payments:		
Summer Food Service Program for Children	10.559	167,322
Pass-through payments:		
Department of Education:		
National School Breakfast Program	10.553	1,501,247
National School Lunch Program	10.555	5,305,964
SNP Equipment	10.579	-
Fresh Fruit and Vegetables	10.586	79,551
Department of Agriculture and Consumer Services:		
Donated Commodities	10.556	<u>625,803</u>
Total Nutrition Cluster		<u>7,679,887</u>
Department of Agriculture Forest Service		
Shoreline Stabilization and Planting Project	10.678	<u>2,100</u>
Total Department of Agriculture		<u>9,295,084</u>
DEPARTMENT OF DEFENSE:		
Direct Payments:		
U.S. Army - ROTC	12.000	136,470
U.S. Air Force - ROTC	12.000	66,699
U.S. Navy - ROTC	12.000	74,457
U.S. Marine Corps - ROTC	12.000	<u>70,843</u>
Total Department of Defense		<u>348,469</u>
DEPARTMENT OF EDUCATION:		
Direct payments:		
Impact Aid	84.041	545,979
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	259,076
Department of Education:		
Gear Up	84.334 A	533,588
Adult Education State-Administered Program	84.002 0	-
Title I, Part A Cluster:		
Educationally Deprived Children-LEA (112-00-1) (112-01-1)	84.010 A	5,329,733
School Improvement	84.377 A	296,666
Title II:		
Title II Training and Recruiting	84.367 A	1,178,371
Title II Technology Ed	84.318	-
Title III LEP, Immigrant	84.365	49,165
Title VI:		

**CITY OF HAMPTON, VIRGINIA**  
**SCHEDULE OF EXPENDITURES AND FEDERAL AWARDS - CONTINUED**  
**For the Year Ended June 30, 2014**

<b>Federal Granting Agency/ Recipient State Agency/ Grant Program/Grant Number</b>	<b>Federal Catalogue Number</b>	<b>Expenditures</b>
Title VI 21st Century	84.287 C	211,458
Title VIB	84.027 A	4,731,506
Title VIB Preschool	84.173 A	130,188
Carl Perkins	84.048	363,480
Parent Resource Center	84.310	2,225
ARRA-Longitudinal Data System	84.384	
Total Department of Education		<u>13,631,435</u>
 DEPARTMENT OF HEALTH AND HUMAN SERVICES:		
MEDICAID CLUSTER:		
Pass-through payments:		
Department of Social Services:		
Medical Assistance Program (Medicaid, Title XIX)	93.778	<u>1,443,803</u>
Total Medicaid Cluster		<u>1,443,803</u>

**CITY OF HAMPTON, VIRGINIA**  
**SCHEDULE OF EXPENDITURES AND FEDERAL AWARDS - CONTINUED**  
**For the Year Ended June 30, 2014**

Federal Granting Agency/ Recipient State Agency/ Grant Program/Grant Number	<u>Federal Catalogue Number</u>	<u>Expenditures</u>
OTHER:		
Pass-through payments:		
Department of Social Services:		
Promoting Safe and Stable Families	93.556	88,255
Temporary Assistance for Needy Families (TANF)	93.558	1,823,994
Healthy Families Partnership - (TANF)	93.558	359,034
Refugee & Entrant Assistance	93.566	21,508
Low-Income Home Energy Assistance (LIHEAP)	93.568	165,810
Child Care and Developmental Fund Cluster:		
Child Care Development Fund	93.596	259,279
Independent Living Program - Education and Training Vouchers	93.599	6,127
Family Support	93.645	12,372
Foster Care - Title IV-E	93.658	560,774
Adoption Assistance	93.659	688,755
Social Services Block Grant (SSBG)	93.667	1,359,814
Independent Living	93.674	21,990
State Children's Insurance Program (CHIP)	93.767	49,656
		<u>5,417,368</u>
Total Department of Health and Human Services (Other)		
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE:		
FOSTER GRANDPARENT, SENIOR COMPANION CLUSTER:		
Direct payments:		
Foster Grandparent Program (08SFSVA004)	94.011	345,449
		<u>345,449</u>
Total Foster Grandparent, Senior Companion Cluster		
DEPARTMENT OF HOMELAND SECURITY:		
Direct payments:		
LEMPG	97.042	70,740
Assistance to Firefighters	97.044	101,689
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	1,008,595
Virginia's Operational Integrated Cyber Center of Excellence (VOICCE)	97.125	
Pass-through payments:		
Virginia Department of Emergency Management:		
Citizen Corp 2012	97.073	25,000
Citizen Corp 2013	97.073	5,224
FEMA-VDEM Hazard Mitigation	97.039	20,942
		<u>1,232,190</u>
Total Homeland Security		

**CITY OF HAMPTON, VIRGINIA**  
**SCHEDULE OF EXPENDITURES AND FEDERAL AWARDS - CONTINUED**  
**For the Year Ended June 30, 2014**

Federal Granting Agency/ Recipient State Agency/ Grant Program/Grant Number	<u>Federal Catalogue Number</u>	<u>Expenditures</u>
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT: CDBG-ENTITLEMENT AND (HUD-ADMINISTERED) SMALL CITIES CLUSTER:		
Direct Payments:		
Community Development Block Grant Program, Entitlement Grants: (\$880,462 provided to subrecipient)	14.218	1,379,592
OTHER		
Direct payments:		
Community Development Block Grant Program, Entitlement Grants: Home Program (\$1,261,224 provided to subrecipient)	14.239	<u>1,270,159</u>
Total CDBG-Entitlement and (HUD-Administered) Small Cities Cluster		<u>2,649,751</u>
DEPARTMENT OF JUSTICE		
Direct payments:		
COPS Technology	16.710	51,526
Department of Criminal Justice Services:		
Juvenile Accountability Incentive Block Grant	16.523	8,665
Response Effort	16.588	77,560
Victim Witness	16.575	111,338
Residential Substance Abuse Treatment	16.579	12,784
Edward Byrne/Justice Assistance Grant	16.738	23,725
Byrne/JAG: Prevention and Education	16.592	67,021
Proceeds of seized assets	16.922	<u>280,394</u>
Total Department of Justice		<u>633,013</u>
DEPARTMENT OF TRANSPORTATION:		
Pass-through payments:		
Department of Transportation:		
Highway Planning and Construction	20.205	8,584,733
ARRA-Highway Planning and Construction	20.205	821,440
Department of Motor Vehicles:		
Highway Safety Grant	20.600	27,204
Highway Safety Grant	20.602	<u>6,236</u>
Total Department of Transportation		<u>9,439,613</u>
ENVIRONMENTAL PROTECTION AGENCY:		
Direct Payments:		
Brownfields Assessment	66.818	<u>154,341</u>
Total Environmental Protection Agency		<u>154,341</u>

**CITY OF HAMPTON, VIRGINIA**  
**SCHEDULE OF EXPENDITURES AND FEDERAL AWARDS - CONTINUED**  
**For the Year Ended June 30, 2014**

<b>Federal Granting Agency/ Recipient State Agency/ Grant Program/Grant Number</b>	<b>Federal Catalogue Number</b>	<b><u>Expenditures</u></b>
<b>NATIONAL AERONAUTICS AND SPACE ADMINISTRATION:</b>		
Direct payments:		
NASA LaRC Visitor Center and Public Education Program (NCC-1-275)	43.000	150,000
NASA Steam Sales	43.000	5,330,548
Education Resource Center and Coop Agreement	43.000	<u>129,875</u>
Total National Aeronautics and Space Administration		<u>5,610,423</u>
<b>NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION (NOAA):</b>		
Direct payments:		
Living Shoreline Initiative Grant	11.463	<u>17,059</u>
Grand Total All Federally Assisted Programs and Grants		<u>\$ 50,217,998</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 \$284,153 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**  
**CONVENTION CENTER REVENUE BONDS**  
**June 30, 2014**

<b>Fiscal Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Det Service</b>
<b>2015</b>	\$ 2,325,000	\$ 4,145,854	\$ 6,470,854
<b>2016</b>	2,435,000	4,035,929	6,470,929
<b>2017</b>	2,555,000	3,917,435	6,472,435
<b>2018</b>	2,680,000	3,791,388	6,471,388
<b>2019</b>	2,815,000	3,656,104	6,471,104
<b>2020</b>	2,960,000	3,511,919	6,471,919
<b>2021</b>	3,110,000	3,360,150	6,470,150
<b>2022</b>	3,270,000	3,203,088	6,473,088
<b>2023</b>	3,430,000	3,038,825	6,468,825
<b>2024</b>	3,610,000	2,861,751	6,471,751
<b>2025</b>	3,795,000	2,672,822	6,467,822
<b>2026</b>	3,990,000	2,482,332	6,472,332
<b>2027</b>	4,190,000	2,282,244	6,472,244
<b>2028</b>	4,410,000	2,062,394	6,472,394
<b>2029</b>	4,640,000	1,830,488	6,470,488
<b>2030</b>	4,935,000	1,585,128	6,520,128
<b>2031</b>	5,195,000	1,325,547	6,520,547
<b>2032</b>	5,470,000	1,052,256	6,522,256
<b>2033</b>	5,750,000	764,744	6,514,744
<b>2034</b>	6,045,000	471,547	6,516,547
<b>2035</b>	6,355,000	162,847	6,517,847
	<u>\$ 83,965,000</u>	<u>\$ 52,214,792</u>	<u>\$ 136,179,792</u>

**CITY OF HAMPTON, VIRGINIA**  
**SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY**  
**ECONOMIC DEVELOPMENT AUTHORITY REVENUE BONDS**  
**June 30, 2014**

<b>Fiscal Year Ending June 30,</b>	<b>2002 Tax-Exempt Principal</b>	<b>Interest</b>	<b>Total Debt Service</b>
<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>	190,959	5,924	196,883
	<u>\$ 5,667,478</u>	<u>\$ 1,459,818</u>	<u>\$ 7,127,296</u>

**CITY OF HAMPTON, VIRGINIA**  
**SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY**  
**GENERAL OBLIGATION BONDS**  
**June 30, 2014**

## Serial Bonds:

<b>Fiscal Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Debt Service</b>
2015	\$ 23,152,483	\$ 10,879,143	\$ 34,031,626
2016	24,171,163	9,820,465	33,991,628
2017	25,143,152	8,830,457	33,973,609
2018	26,068,166	7,882,652	33,950,818
2019	18,118,024	6,814,947	24,932,971
2020	18,056,064	6,173,475	24,229,539
2021	15,273,787	5,382,647	20,656,434
2022	15,654,378	4,677,998	20,332,376
2023	14,461,951	4,006,927	18,468,878
2024	13,680,940	3,336,291	17,017,231
2025	14,209,453	2,721,461	16,930,914
2026	14,767,492	2,071,988	16,839,480
2027	10,710,000	1,394,068	12,104,068
2028	10,945,000	775,151	11,720,151
2029	2,310,000	321,936	2,631,936
2030	2,310,000	232,655	2,542,655
2031	1,550,000	143,375	1,693,375
2032	1,550,000	96,875	1,646,875
2033	1,550,000	48,437	1,598,437
	<u>\$ 253,682,053</u>	<u>\$ 75,610,948</u>	<u>\$ 329,293,001</u>

**CITY OF HAMPTON, VIRGINIA  
COMPUTATION OF LEGAL DEBT MARGIN  
June 30, 2014**

**Assessed value:**

Real estate	\$ 10,162,678,473	
Public service corporations - real estate	28,837,192	
Newport News Waterworks	<u>59,298,100</u>	<u>\$ 10,250,813,765</u>
Debt Limit at 10% of assessed value		<u>1,025,081,377</u>
<b>General obligation bonded debt:</b>		
General obligations bonds	253,682,053	
General obligation bonds- Steam Plant	<u>3,962,947</u>	
Total long-term debt		<u>257,645,000</u>
Legal debt margin		<u>\$ 767,436,377</u>

**Note:**

Virginia state statute limits bonds 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, compensated absences, claims and judgements, net pension obligation and net OPEB obligation totaling \$62,132,369 at June 30, 2014.

There are no overlapping or underlying tax jurisdictions.

## 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

<u>Financial Trends</u> These tables contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	I-IV
<u>Revenue Capacity</u> These tables contain information to help the reader assess the City's most significant local revenue source, the property tax.	V-VIII
<u>Debt Capacity</u> 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.	IX-XI
<u>Demographic and Economic Information</u> These tables offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	XII-XIII
<u>Operating Information</u> 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.	XIV-XVI

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

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**CITY OF HAMPTON, VIRGINIA**  
**NET POSITION BY COMPONENT**  
**Last Ten Fiscal Year**  
**(accrual basis of accounting)**  
**(amounts expressed in thousands)**

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Governmental Activities</b>										
Net investment in capital assets	\$ 9,067	\$503,004 (1)	\$503,514	\$558,006	\$568,771	\$573,018	\$586,847	\$588,035	\$623,887	\$ 623,505
Restricted	24,780	18,163	13,802	23,660	32,433	21,147	10,900	11,809	12,452	13,271
Unrestricted	71,580	96,304	118,758	130,457	118,932	112,882	109,652	92,128	55,615	76,514
Total governmental activities net position	<u>\$105,427</u>	<u>\$617,471</u>	<u>\$636,074</u>	<u>\$712,123</u>	<u>\$720,136</u>	<u>\$707,047</u>	<u>\$707,399</u>	<u>\$691,972</u>	<u>\$691,954</u>	<u>\$ 713,290</u>
<b>Business-type activities</b>										
Net investment in capital assets	\$ 77,764	\$ 76,141	\$ 92,152	\$ 62,230	\$ 58,780	\$ 58,666	\$ 68,697	\$ 69,003	\$ 73,585	\$ 70,855
Restricted	33,771	31,572	27,158	26,356	25,578	26,727	18,721	16,844	904	8,256
Unrestricted	18,922	23,828	24,823	11,017	15,035	16,521	18,418	22,001	32,081	29,174
Total business-type activities net position	<u>\$130,457</u>	<u>\$131,541</u>	<u>\$144,133</u>	<u>\$ 99,603</u>	<u>\$ 99,393</u>	<u>\$101,914</u>	<u>\$105,836</u>	<u>\$107,848</u>	<u>\$106,570</u>	<u>\$ 108,285</u>
<b>Primary government</b>										
Net investment in capital assets	\$ 86,831	\$579,145	\$595,666	\$620,236	\$627,551	\$631,684	\$655,544	\$657,037	\$697,472	\$ 694,360
Restricted	58,551	49,735	40,960	50,016	58,011	47,874	29,621	28,655	13,356	21,527
Unrestricted	90,502	120,132	143,581	141,474	133,967	129,403	128,070	114,129	87,696	105,688
Total primary government net position	<u>\$210,971</u>	<u>\$749,012</u>	<u>\$780,207</u>	<u>\$811,726</u>	<u>\$819,529</u>	<u>\$808,961</u>	<u>\$813,235</u>	<u>\$799,821</u>	<u>\$798,524</u>	<u>\$ 821,575</u>

## Note:

- (1) The significant increase in net investment in capital assets for fiscal year 2006 is due to the capitalization of infrastructure prior to fiscal year 2002 under the transition provisions of GASB Statement 34.
- (1) 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.
- (1) The increase in net investment in capital assets for fiscal year 2011 is due to the related debt decreasing at a greater rate than the decrease in net position. The decrease in restricted assets for fiscal year 2011 is due to the decrease in debt service.

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

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Expenses</b>										
Governmental activities:										
General government	\$ 87,744	\$ 98,704	\$ 99,822	\$ 101,494	\$ 100,134	\$ 111,650	\$ 114,765	\$ 128,783	\$ 127,924	\$ 101,058
Public safety	41,700	43,839	46,315	50,039	51,052	51,937	49,063	49,635	53,205	69,813
Highway and streets	2,665	9,943	14,658	7,774	12,374 <sup>(3)</sup>	12,078	13,068	11,862	15,511	18,774
Sanitation	2,589	2,346	2,867	4,959	4,641	3,471	3,630	3,899		
Health	2,929	2,900	3,125	3,090	3,098	2,949	3,161	3,056	3,337	1,114
Human services	25,438	28,578	28,535	30,004	30,198	31,226	31,574	29,142	28,528	32,807
Culture and recreation	16,257	15,820	16,368	23,524	19,664 <sup>(4)</sup>	17,771	14,531	13,540	15,798	17,006
Education (payment to school district)	56,362	59,929	62,211	66,517	69,217 <sup>(5)</sup>	68,052	67,051	66,345	64,925	70,773
Education and educational services	3,541	4,464	6,519	5,133	9,336	7,388	8,627	14,337	9,930	12,464
Capital improvements	11,232 <sup>(1)</sup>									
Interest on long-term debt	7,616	9,723	8,822	12,389	15,161 <sup>(6)</sup>	17,951	11,052	8,351	7,991	9,136
Total governmental activities expenses	<u>\$ 258,073</u>	<u>\$ 276,246</u>	<u>\$ 289,242</u>	<u>\$ 304,923</u>	<u>\$ 314,875</u>	<u>\$ 324,473</u>	<u>\$ 316,522</u>	<u>\$ 328,950</u>	<u>\$ 327,149</u>	<u>\$ 332,945</u>
Business-type activities										
Culture	24,115	30,344	31,799	34,409	32,295	30,454	27,766	27,727	25,416	28,395
Sanitation	13,426	14,415	19,479	20,379	21,487	22,067	22,923	23,831	24,475	24,941
Housing	24,465	23,433	24,013							
Total business-type activities expenses	<u>62,006</u>	<u>68,192</u>	<u>75,291</u>	<u>54,788</u>	<u>53,782</u>	<u>52,521</u>	<u>50,689</u>	<u>51,558</u>	<u>49,891</u>	<u>53,336</u>
Total primary government expenses	<u>\$ 320,079</u>	<u>\$ 344,438</u>	<u>\$ 364,533</u>	<u>\$ 359,711</u>	<u>\$ 368,657</u>	<u>\$ 376,994</u>	<u>\$ 367,211</u>	<u>\$ 380,508</u>	<u>\$ 377,040</u>	<u>\$ 386,281</u>
<b>Program Revenues</b>										
Governmental activities:										
Charges for Services:										
General government	\$ 3,737	\$ 6,250	\$ 6,581	\$ 12,425	\$ 5,807	\$ 6,982	\$ 7,129	\$ 7,772	\$ 24,293	\$ 24,458
Public safety	3,157	2,361	2,770	2,353	1,962	2,086	2,049	2,101	5,206	5,412
Sanitation	10,530	9,459	3,836	5,006	4,905	4,869	4,856	5,007		
Other activities	5,646	8,328	5,359	5,381	5,209	6,015	5,588	6,141	2,727	2,765
Operating grants and contributions	57,388	63,468	60,782	59,795	76,025	79,412	82,269	77,821	75,926	80,434
Capital grants and contributions	9,355	12,590	10,066	57,530	13,453	2,423	2,569	2,782	19,778	18,291
Total governmental activities program revenues	<u>89,813</u>	<u>102,456</u>	<u>89,394</u>	<u>142,490</u>	<u>107,361</u>	<u>101,787</u>	<u>104,460</u>	<u>101,624</u>	<u>127,930</u>	<u>131,360</u>
Business-type activities:										
Charges for Services:										
Culture and recreation	16,445	14,059	15,970	17,800	16,242	15,411	13,675	15,603	11,722	15,714
Sanitation	15,657	15,719	21,104	22,053	23,672	26,447	26,433	26,443	27,215	27,227
Housing	1,921	1,975	2,122							
Operating grants and contributions	21,136	22,990	24,859	2,848	2,528	2,522	3,132	1,302	1,098	1,832
Capital grants and contributions	2,604	2,572	6,049	1,531	1,180	1,472	592	613	95	114
Total business-type activities program revenues	<u>57,763</u>	<u>57,315</u>	<u>70,104</u>	<u>44,232</u>	<u>43,622</u>	<u>45,852</u>	<u>43,832</u>	<u>43,961</u>	<u>40,130</u>	<u>44,887</u>
Total primary government program revenues	<u>\$ 147,576</u>	<u>\$ 159,771</u>	<u>\$ 159,498</u>	<u>\$ 186,722</u>	<u>\$ 150,983</u>	<u>\$ 147,639</u>	<u>\$ 148,292</u>	<u>\$ 145,585</u>	<u>\$ 168,060</u>	<u>\$ 176,247</u>
<b>Net (expense)/revenue</b>										
Governmental activities	\$ (168,260)	\$ (173,790)	\$ (199,848)	\$ (162,433)	\$ (207,514)	\$ (222,686)	\$ (212,062)	\$ (227,326)	\$ (199,219)	\$ (201,585)
Business-type activities	(4,243)	(10,877)	(5,187)	(10,556)	(10,160)	(6,669)	(6,857)	(7,597)	(9,761)	(8,449)
Total primary government net (expense)/revenue	<u>\$ (172,503)</u>	<u>\$ (184,667)</u>	<u>\$ (205,035)</u>	<u>\$ (172,989)</u>	<u>\$ (217,674)</u>	<u>\$ (229,355)</u>	<u>\$ (218,919)</u>	<u>\$ (227,409)</u>	<u>\$ (208,980)</u>	<u>\$ (210,034)</u>

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

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>General Revenues and Other</b>										
<b>Changes in Net Position</b>										
Governmental activities:										
Taxes										
Property taxes	\$ 123,937	\$ 138,079	\$ 148,851	\$ 160,158	\$ 145,607	\$ 146,261	\$ 149,797	\$ 146,758	\$ 135,881	\$ 156,050
Sales taxes	12,885	13,415	13,804	13,765	13,172	13,590	13,828	13,962	14,247	14,588
Lodging, meal and amusement taxes	17,351	17,547	17,864	18,241	18,188	18,621	19,606	20,100	22,224	23,639
Motor vehicle taxes	3,232	3,290	3,602	3,758	3,698	3,398	3,813	3,692	4,203	4,346
Alcoholic beverage taxes	176	176	176	176	(8)	(8)	(8)	(8)	(8)	(8)
Business license taxes	11,019	11,750	12,391	12,783	12,207	12,349	11,562	12,126	11,850	12,077
Utility taxes	10,957	11,637	8,550	5,282	4,976	5,486	5,528	5,356	5,376	5,453
Tobacco taxes	4,084	3,889	3,942	3,760	3,629	3,538	3,681	4,364	4,264	4,421
Emergency 911 telephone taxes	2,077	2,034	956	421	408 <sup>(12)</sup>	(12)	(12)	(12)	(12)	(12)
Recordation taxes	1,640	2,656	2,658	2,339	1,706	1,687	1,443	1,422	1,900	1,436
Bank stock taxes	306	358	309	307	407	453	505	468	487	527
Pari-mutuel license taxes	123	113	113	106	93	80	79	66	59	43
Short-term rental taxes	109	126	136	127	136	98	89	94	80	75
Franchise license taxes	1,260	1,315	1,341	1,364	1,448	1,327 <sup>(13)</sup>	(13)	(13)	(13)	(13)
Communications sales tax			3,189	9,032	8,296	7,993	9,677	9,174	9,418	9,187
Mobile home titling tax	21	18	39	30	45	33	16	23	14	20
Investment earning	2,286	6,694	8,328	11,288	5,609	912 <sup>(9)</sup>	564	285	355	221
Miscellaneous	2,009	661	4,421	4,076	4,266	2,236 <sup>(10)</sup>	2,548	2,874		
Transfers	(6,820)	(8,378)	(8,318)	(8,530)	(8,364)	(8,467)	(10,322)	(8,865)	(9,600)	(9,161)
Special Item - gain (loss) on disposal on assets	(157)									
<b>Total Governmental Activities</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>	<b>212,414</b>	<b>211,899</b>	<b>200,758</b>	<b>222,922</b>
Business-Type Activities:										
Investment earning	694	1,783	2,603	1,659	628	723	457	664	529	1,003
Gain(loss) on disposal of assets	696									
Miscellaneous	2,711	1,800	2,891	1,020	958			80		
Transfers	6,820	8,378	8,318	8,530	8,364	8,467 <sup>(11)</sup>	10,322 <sup>(11)</sup>	8,865	9,600	9,161
<b>Total Business-Type Activities</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>10,779</b>	<b>9,609</b>	<b>10,129</b>	<b>10,164</b>
<b>Total Primary Government</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>\$ 223,193</b>	<b>\$ 221,508</b>	<b>\$ 210,887</b>	<b>\$ 233,086</b>
<b>Changes in Net Position</b>										
Governmental activities	\$ 18,235	\$ 31,590	\$ 22,504	\$ 76,050	\$ 8,013	\$ (13,091)	\$ 352	\$ (15,427)	\$ 1,539	\$ 21,337
Business-type activities	6,678	1,084	8,625	653	(210)	2,521	3,922	2,012	368	1,715
<b>Total primary government</b>	<b>\$ 24,913</b>	<b>\$ 32,674</b>	<b>\$ 31,129</b>	<b>\$ 76,703</b>	<b>\$ 7,803</b>	<b>\$ (10,570)</b>	<b>\$ 4,274</b>	<b>\$ (13,415)</b>	<b>\$ 1,907</b>	<b>\$ 23,052</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 \$4.1 million 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 was no miscellaneous changes that could not be applied to another category.
- (12) Emergency 911 telephone tax is included in state aid.
- (13) Franchise license tax is included in the Communication sales tax beginning FY11.

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									
	2005	2006	2007	2008	2009	2010	2011	2012*	2013	2014
General fund										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 29	\$ 44	\$ 34	\$ 224
Restricted							4,305	871	333	398
Committed							45,848	32,858	29,439	32,308
Assigned							2,025	7,708	5,926	7,257
Unassigned							50,198	51,175	54,185	51,589
Reserved	1,563	1,235	1,727	2,204	1,142	1,290	-	-	-	-
Unreserved	<u>53,175</u>	<u>68,394</u>	<u>82,015</u>	<u>96,902</u>	<u>98,120</u>	<u>100,080</u>	-	-	-	-
Total general fund	<u>\$ 54,738</u>	<u>\$ 69,629</u>	<u>\$ 83,742</u>	<u>\$ 99,106</u>	<u>\$ 99,262</u>	<u>\$ 101,370</u>	<u>\$ 102,405</u>	<u>\$ 92,656</u>	<u>\$ 89,917</u>	<u>\$ 91,776</u>
All other governmental funds										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,943	\$ -	(1) \$ -	\$ -
Restricted							12,377	10,938	12,336	13,368
Committed							48,147	26,122	53,748	39,064
Assigned							6,631	6,035	5,534	6,233
Reserved	11,826	11,773	7,760	7,351	6,259	16,461	-	-	-	-
Unreserved, reported in:										
Debt service					451	498	-	-	-	-
Special revenue funds	9,440	13,888	12,659	18,225	18,830	13,451	-	-	-	-
Capital projects funds	76,004	61,220	83,790	186,041	34,544	75,683	-	-	-	-
Permanent funds	60	61	63	65	67	67	-	-	-	-
Total all other governmental funds	<u>\$ 97,330</u>	<u>\$ 86,942</u>	<u>\$ 104,272</u>	<u>\$ 211,682</u>	<u>\$ 60,151</u>	<u>\$ 106,160</u>	<u>\$ 72,098</u>	<u>\$ 43,095</u>	<u>\$ 71,618</u>	<u>\$ 58,665</u>

\* Implemented GASB Statement No. 54: Fund balance reporting and governmental fund type definitions in fiscal year 2011.  
(1) Restated in fiscal year 2013.

Table IV

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

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Revenues</b>										
Taxes (see table V)	\$ 185,090	\$ 206,706	\$ 214,475	\$ 231,277	\$ 213,346	\$ 213,976	\$ 219,413	\$ 211,542	\$ 210,415	\$ 229,596
Intergovernmental revenues	58,021	56,585	55,427	59,721	82,874	82,565	81,849	78,314	85,937	92,705
Licenses and permits	1,651	1,686	2,030	1,082	939	1,078	1,024	1,072	1,169	1,156
Fines and forfeitures	2,211	2,088	2,142	2,269	2,209	2,004	2,189	2,493	2,386	2,307
Revenue from use of money and property	4,037	7,975	10,355	17,855	9,417	2,861	2,065	1,319	1,329	1,395
Charges for services	9,192	9,907	9,812	10,895	10,489	11,354	11,532	13,414	15,570	17,297
Payment from component unit									2,000	2,000
Miscellaneous	6,494	10,799	7,891	6,025	4,660	4,848	5,532	5,987	7,705	8,056
Special assessments	-	-	-	-	-	-	-	4,558	6,543	4,730
Recovered costs	9,406	9,834	10,558	10,489	2,057	1,170	1,158	1,145	906	906
<b>Total Revenues</b>	<b>276,102</b>	<b>305,580</b>	<b>312,690</b>	<b>339,613</b>	<b>325,991</b>	<b>319,856</b>	<b>326,763</b>	<b>321,844</b>	<b>333,960</b>	<b>360,148</b>
<b>Expenditures</b>										
General government	75,711	82,671	87,791	89,137	91,568	98,305	99,066	96,371	102,441	103,076
Public safety	40,951	43,709	46,024	50,450	51,441	50,722	48,322	48,460	52,872	54,064
Highways and streets	2,454	2,587	2,405	2,395	2,362	2,200	1,812	1,980	1,947	1,932
Sanitation	2,589	2,346	2,883	3,656	3,543	3,455	3,637	3,949	3,935	4,332
Health	2,904	2,874	3,118	3,205	2,978	2,709	2,652	2,441	2,567	2,649
Human Services	25,390	28,577	28,491	30,032	30,480	31,187	31,558	29,151	28,437	28,557
Culture and recreation	14,606	14,742	14,196	15,255	15,680	15,452	12,080	12,564	13,202	11,678
Education (payment to school district)	61,085	59,928	62,211	66,517	69,216	68,052	67,052	66,345	64,925	70,773
Education	2,252	2,295	2,314	2,404	2,394	2,262	2,133	2,098	2,120	2,120
Capital improvements	26,195	31,332	27,460	46,615	84,855	74,162	53,115	52,536	38,473	49,030
Debt service										
Principal	19,393	11,938	24,443	12,530	13,235	15,210	17,640	18,714	19,661	22,166
Interest and fiscal charges	7,545	9,701	9,348	8,825	15,757	12,939	12,901	12,619	10,726	11,707
Bond issuance cost							45	313	470	-
<b>Total expenditures</b>	<b>281,075</b>	<b>292,700</b>	<b>310,684</b>	<b>331,021</b>	<b>383,509</b>	<b>376,937</b>	<b>352,013</b>	<b>347,541</b>	<b>341,776</b>	<b>362,084</b>
Excess of revenues over (under) expenditures	(4,973)	12,880	2,006	8,592	(57,518)	(57,081)	(25,250)	(25,697)	(7,816)	(1,936)
<b>Other financing sources (uses)</b>										
Debt issuance and capital leases	73,895	350	29,540	116,275	14,506	7,435	2,545	-	-	-
Proceeds from refunding bonds issued	30,367	-	-	-	-	65,595	-	44,770	38,865	-
Payment to refunded bond escrow agent	(30,236)	(350)	-	(29,540)	-	(65,469)	-	(49,562)	-	-
Premium on bond issue						6,105	-	5,118	5,263	-
Transfers in	27,269	30,965	39,652	37,362	41,435	39,893	48,507	59,650	52,360	55,156
Transfers in from component units	580	-	-	-	-	-	-	-	-	-
Transfers out	(34,088)	(39,343)	(47,854)	(45,893)	(49,798)	(48,360)	(58,829)	(68,401)	(61,948)	(64,317)
<b>Total other financing sources (uses)</b>	<b>67,787</b>	<b>(8,378)</b>	<b>21,338</b>	<b>114,182</b>	<b>6,143</b>	<b>5,199</b>	<b>(7,777)</b>	<b>(8,425)</b>	<b>34,540</b>	<b>(9,161)</b>
<b>Net change in fund balances</b>	<b>\$ 62,814</b>	<b>\$ 4,502</b>	<b>\$ 23,344</b>	<b>\$ 122,774</b>	<b>\$ (51,375)</b>	<b>\$ (51,882)</b>	<b>\$ (33,027)</b>	<b>\$ (34,122)</b>	<b>\$ 26,724</b>	<b>\$ (11,097)</b>
Debt service as a percentage of noncapital expenditures	13.2 %	7.9 %	11.9 %	7.0 %	9.0 %	9.0 %	8.7 %	9.4 %	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	Business Licenses	Sales Taxes	Utility Taxes	Tobacco Taxes	Communications	Meal Taxes	Other Taxes <sup>3</sup>	Total
	Property Taxes					Sales Taxes			
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	13,308	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
2011	144,302	11,562	13,828	5,063	3,681	9,677	15,269	16,031	219,413
2012	141,076 <sup>1</sup>	12,126	13,962	4,929	4,364	9,174	15,793	10,118	211,542
2013	136,705	11,850	14,247	4,959	4,264	9,418	18,083	10,889	210,415
2014	154,193	12,077	14,588	4,986	4,421	9,187	18,974	11,170	229,596

## 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. The City lowered the real estate tax rate again in 2012 to \$1.04 per \$100 assessed value.

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

<sup>3</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)**

<b>Real Estate</b>							
<b>Fiscal Year</b>	<b>Citizens' Property</b>	<b>Public Service<sup>1</sup></b>	<b>Newport News Waterworks</b>	<b>Total Taxable Assessed Value</b>	<b>Estimated Actual Taxable Value</b>	<b>Assessed Value as a Percent of Estimated Actual Value<sup>2</sup></b>	<b>Total Direct Tax Rate</b>
2005	\$ 6,776,586	\$ 180,476	\$ 60,381	\$ 7,017,443	\$ 8,007,123	88	1.25
2006	8,165,513	116,579	63,400	8,345,492	10,554,562	79	1.20
2007	9,285,102	123,453	66,570	9,475,125	11,693,354	81	1.14
2008	10,976,166	143,250	64,280	11,183,696	13,936,070	80	1.06
2009	11,357,489	155,505	61,626	11,574,620	12,321,290	94	1.04
2010	11,448,119	166,948	59,453	11,674,520	11,637,281	100	1.04
2011	11,166,293	203,348	59,454	11,429,095	11,514,301	99	1.04
2012	10,930,778	31,079	58,507	11,020,364	10,643,581	104	1.04
2013	10,480,999	31,923	59,881	10,572,803	10,254,901	103	1.04
2014	10,162,678	28,837	59,298	10,250,813	10,250,813	-	1.24

## 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. State Corporation Commission has changed reporting the assessments for real estate (land) and personal property at the real estate rate.

<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)**

Taxpayer	2014			2005		
	Total Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Total Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Hampton Owners LLC	138,687	1	1.4 %			
City of Newport News/NN Waterworks	62,870	2	0.6 %			
Hampton University	43,994	3	0.4 %			
FCLA LP	39,105	4	0.4 %			
Hampton Center LLC	36,575	5	0.4 %			
MOLA LLC	35,602	6	0.3 %			
Trail Creek Apartments LLC	35,214	7	0.3 %			
Riverdale Apartments LLC	34,100	8	0.3 %			
Cambridge Apartments LC	33,767	9	0.3 %			
Bir Lakeridge LLC	33,588	10	0.3 %			
Hampton Mall Association - shopping mall retail				59,306	1	0.8 %
Hampton Roads Associates				40,292	2	0.6 %
Liberty Properties Limited Partnership				32,607	3	0.5 %
Hampton Training School NU				25,706	4	0.4 %
HNN Associates				22,840	5	0.3 %
Hampton Investors LLC et al				22,811	6	0.3 %
Coliseum Crossing				22,586	7	petr
Riverdale Plaza Shopping Center				19,089	8	0.3 %
Howmet Corporation				18,964	9	0.3 %
Megaplex Nine, Inc.				18,247	10	0.3 %
	<u>493,502</u>		<u>4.7 %</u>	<u>282,448</u>		<u>4.1 %</u>

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

**CITY OF HAMPTON, VIRGINIA**  
**REAL ESTATE TAX LEVIES AND COLLECTIONS**  
**Last Ten Fiscal Years**  
**(amounts expressed in thousands)**

<u>Fiscal Year</u>	<u>Taxes Levied for the Fiscal Year</u>	<u>Collected within the Fiscal Year of the Levy</u>		<u>Collections in Subsequent Years</u>	<u>Total Collections to Date</u>	
		<u>Amount</u>	<u>Percentage of Levy</u>		<u>Amount</u>	<u>Percentage of Levy</u>
2005	\$ 87,249	\$ 86,162	98.75 %	\$ 1,078	\$ 87,240	99.99%
2006	100,038	98,636	98.60 %	1,392	100,028	99.99%
2007	108,113	106,269	98.29 %	1,812	108,081	99.97%
2008	118,381	116,623	98.51 %	1,691	118,314	99.94%
2009	120,167	118,427	98.55 %	1,592	120,019	99.88%
2010	121,523	119,081	97.99 %	1,866	120,947	99.53%
2011	118,863	116,854	98.31 %	360	117,214	98.61%
2012	114,612	112,370	98.04 %	489	112,859	98.47%
2013	109,957	108,589	98.76 %	-	108,589	98.76%
2014	127,110	125,559	98.78 %	-	125,559	98.78%

Notes:

\*There are no overlapping or underlying tax jurisdictions.

Table IX

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

<b>General Bonded Debt<sup>1</sup></b>							
<b>Fiscal Year</b>	<b>General Obligation Bonds<sup>2</sup></b>	<b>Notes Payable</b>	<b>State Literary Loans</b>	<b>Total</b>	<b>Percentage of Estimated Actual Taxable Value of Property</b>	<b>Per Capita</b>	<b>Capital Leases</b>
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
2011	279,360	177	320	279,857	2.45%	2,036.27	15,159
2012	261,100	-	174	261,274	2.35%	1,901.06	19,195
2013	280,070		82	280,152	2.65%	2,044.91	16,797
2014	272,162		-	272,162	2.66%	1,958.00	14,374

<b>Business-Type Activities</b>						
<b>Fiscal Year</b>	<b>Revenue Bonds</b>	<b>Capital Leases</b>	<b>HRHA Notes Payable</b>	<b>Total Primary Government</b>	<b>Percentage of Personal Income</b>	<b>Per Capita<sup>4</sup></b>
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	8.20 %	2,930.86
2009	114,360	1,006		412,350	7.89 %	2,859.49
2010	112,810	900		424,588	7.99 %	2,933.27
2011	100,120	748		395,884	7.26 %	2,880.50
2012	91,800	582		372,851	- %	2,712.91
2013	87,725	403		385,077	N/A	2,810.78
2014	98,886	211		385,633	N/A	2,774.34

## 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.

<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 2012.

N/A-Not available

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Debt limit	\$ 701,744	\$ 834,549	\$ 947,512	\$ 1,118,370	\$ 1,157,462	\$ 1,167,452	\$ 1,142,909	\$ 1,102,036	\$ 1,057,280	\$ 1,025,081
Total net debt applicable to limit	212,408	200,377	205,473	309,218	295,983	294,953	279,857	261,274	280,152	257,645
Legal debt margin	\$ 489,336	\$ 634,172	\$ 742,039	\$ 809,152	\$ 861,479	\$ 872,499	\$ 863,052	\$ 840,762	\$ 777,128	\$ 767,436
Total net debt applicable to the limit as a percentage of debt limit	30.27 %	24.01 %	21.69 %	27.65 %	25.57 %	25.26 %	24.49 %	23.71 %	26.50 %	25.13 %

**Legal Debt Margin Calculation for current Fiscal Year: 2014**

Assessed value	\$ 10,250,814
Debt limit (10% of total assessed value)	1,025,081
Debt applicable to limit:	
General obligation debt	<u>257,645</u>
Total net debt applicable to limit:	<u>257,645</u>
Legal debt margin	<u>\$ 767,436</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 of contracts, accrued sick and annual leave, net pension obligation and net OPEB obligation totaling \$62,132,369 at June 30, 2014.

\*There are no overlapping or underlying tax jurisdictions.

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

<u>Fiscal Year</u>	<u>Gross Revenues(1)</u>	<u>Operating Expenses(2)</u>	<u>Net Revenue Available for Debt Service</u>	<u>Debt Service Requirements(3)</u>			<u>Coverage</u>
				<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
<b>The Hamptons Revenue Bonds</b>							
2005	\$ 1,395	\$ 1,012	\$ 383	\$ 210	\$ 129	\$ 339	1.13
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
2011	1,526	1,072	454	270	43	313	1.45
2012	1,534	1,033	501	285	26	311	1.61
2013	1,200	1,194	6	295	9	304	0.02
<b>Museum Revenue Bonds</b>							
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
2011	7,405	5,299	2,106	1,330	238	1,568	1.34
2012	5,224	3,963	1,261	1,370	182	1,552	0.81
2013	4,730	3,468	1,262	1,440	112	1,552	0.81
2014	4,412	3,084	1,328	1,515	38	1,553	0.86

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

**Economic Development Authority Revenue Bonds**

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
2011		2,568		2,813		(245)		505		470		975	(0.25)
2012		2,248		1,601		647		537		453		990	0.65
2013		2,244		3,555		(1,311)		570		402		972	(1.35)
2014		3,401		2,343		1,058		607		364		971	1.09

**Convention Center Revenue Bonds(4)**

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
2011		10,535		3,371		7,164	2,155	4,151		6,306	1.14
2012		9,698		3,931		5,767	2,265	3,371		5,636	1.02
2013		10,698		3,262		7,436	2,340	4,432		6,772	1.10
2014		10,647		3,359		7,288	2,245	4,218		6,463	1.13

## Notes:

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

Table XII

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

<u>Fiscal Year</u>	<u>Population<sup>1</sup></u>	<u>Personal Income<sup>2</sup> (In Thousands)</u>	<u>Per Capita Income<sup>3</sup></u>	<u>School Membership<sup>4</sup></u>	<u>Unemployment Rate Percentage<sup>5</sup></u>
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	5,228,880	36,252	21,411	8.2%
2010	144,749	5,311,551	38,678	20,804	8.6%
2011	137,436	5,456,189	40,001	20,762	8.0%
2012	137,372	5,766,394	42,141	21,622	7.8%
2013	136,836	N/A	N/A	21,366	7.1%
2014	139,032	N/A	N/A	21,113	6.7%

## Notes:

<sup>1</sup>Source: Weldon Cooper Center for Public Service as of July 1, 2013.

<sup>2</sup>Source: Bureau of Economic Analysis. Most recent information available is 2012.

<sup>3</sup>Source: Bureau of Economic Analysis. Most recent information available is 2012.

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

<sup>5</sup>Source: U.S. Bureau of Labor Statistics

N/A-Not available

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

2014	2005
<b>Over 600 Employees</b>	<b>500+ Employees</b>
Alcoa Howmet	Hampton University
City of Hampton	Howmet Corporation
Hampton City Schools	Information Technology Solution
Hampton University	Lockheed Technical Operations, Inc.
Hampton Veteran's Affairs Medical Center	Nextel
Langley Air Force Base	Science Applicats Int'l Corp.
NASA Langley Research center	Sentara Hampton General Hospital
Sentara Hampton General Hospital	Spiegel Group Teleservice, Inc.
Thomas Nelson Community College	Teletech Customer Care
TRG Customer Solutions	Walmart Associates, Inc.
	West Telemarketing Corporation
<b>200-599 Employees:</b>	<b>250-499 Employees:</b>
Analytical Mechanics Associates	Association for Retarded Citizens
Cubic Applications (subsidiary of Cubic Corporation)	Cubic Applications, Inc.
Jacobs Technology (subsidiary of Jacobs Engineering))	Farm Fresh LLC
Riverside Regional Medical Centers	Farm Fresh LLC
Sprint	Food Lion
Top Guard	Hampton Roads Transit
Measurement Specialties	Headway Corp Staffing of NC, Inc.
	McDonald's
	NCO Financial Systems, Inc.
	Newport News, Inc.
	Peninsula Behavioral Center
	Raytheon Company
	7 Eleven Stores

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 Ten Fiscal Years**

Function	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental activities										
General government	581	588	588	578	588	588	574	562	574	568
Public safety	663	686	695	707	695	645	649	663	688	697
Highway and streets	30	31	30	29	30	27	24	24	20	24
Sanitation	31	35	41	47	48	47	46	51	49	54
Health	24	23	24	22	22	22	16	16	19	20
Human services	249	237	242	245	232	236	225	229	229	228
Culture and recreation	176	173	172	167	159	137	128	123	128	123
Total Governmental activities	<u>1,754</u>	<u>1,773</u>	<u>1,792</u>	<u>1,795</u>	<u>1,774</u>	<u>1,702</u>	<u>1,662</u>	<u>1,668</u>	<u>1,707</u>	<u>1,714</u>
Business-type activities										
Culture and recreation	70	43	45	44	38	37	36	37	32	35
Sanitation	150	154	152	146	147	140	143	141	142	138
Housing <sup>1</sup>	71	68	68							
Total Business-type activities	<u>291</u>	<u>265</u>	<u>265</u>	<u>190</u>	<u>185</u>	<u>177</u>	<u>179</u>	<u>178</u>	<u>174</u>	<u>173</u>
Total	<u>2,045</u>	<u>2,038</u>	<u>2,057</u>	<u>1,985</u>	<u>1,959</u>	<u>1,879</u>	<u>1,841</u>	<u>1,846</u>	<u>1,881</u>	<u>1,887</u>

Sources: City of Hampton, Department of Human Resources

Notes:

<sup>1</sup> There is no housing expense for business-type activities beginning 2008 because HRHA was no longer considered to be a component unit.

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

Function/Program	2005	2006	2007	2008	2009
General government					
Building permits issued	3,547	3,342	3,509	3,167	2,241
Building inspections conducted	9,267	9,500	9,349	9,459	7,853
311 customer call center					
Number of calls received	288,155	290,000	242,158	191,727	170,971
Public safety					
Police					
Physical arrests	19,681	19,587	20,071	22,626	18,711
Traffic summons	32,438	30,601	30,321	34,334	34,781
Fire					
Emergency responses	19,840	22,641	21,592	22,928	22,651
Fires extinguished	319	689	332	168	278
Patients transported	10,517	10,730	7,678	12,105	12,015
Code inspections	218	335	740	1,553	2,165
Highway and streets					
Roads paved or resurfaced (miles)	20	15	15	22	28
Sanitation					
Yard waste collected (tons)	16,000	14,000	13,000	10,240	14,160
Debris removed (tons)	72,245	70,000	84,000	104,236	109,204
Cleanups	267	416	417	366	935
Street sweeping	4,500	4,500	3,060	2,689	3,339
Storm drains cleaned (linear feet)	103,989	104,962	99,913	71,619	76,202
Health					
Preventive health					
Family practice visits (closed 3/31/11)	4,217	3,986	3,522	3,183	2,602
Immunization visits	6,943	6,623	6,201	5,485	5,794
Prescriptions filled (closed 5/25/10)	35,454	39,559	34,296	30,739	26,103
Human services					
Healthy families partnership					
Number of families assessed	611	613	610	525	617
Number of families served	855	790	1,183	1,079	888
Number of adult participants in the parenting classes	1,733	1,500	1,602	1,595	1,430
Social Services					
Food stamp participants	5,318	5,850	5,384	5,365	6,027
Culture and recreation					
Senior citizens attendance at Senior Center	25,645	26,414	27,338	28,021	17,047
Community center admissions					
Youth	66,975	57,663	60,602	63,632	67,421
Teen	103,995	72,428	65,888	67,535	49,802
Adult	69,655	75,500	79,124	80,706	94,481
Education					
School membership (total)	22,938	22,229	22,176	21,189	21,411
High schools	6,883	6,914	6,657	6,659	6,494
Middle schools	5,680	5,450	5,433	5,156	4,837
Elementary schools	10,375	9,865	10,086	9,374	10,080
Combined schools	-	-	-	-	-
School board personnel	2,903	2,906	2,902	2,866	3,194
Wastewater					
Average daily sewage treatment (thousands of gallons)	11,610	11,604	11,600	11,300	11,410

<b>Function/Program</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
General government					
Building permits issued	2,195	2,123	2,162	2,111	1,564
Building inspections conducted	6,988	6,131	7,021	8,029	4,602
311 customer call center					
Number of calls received	168,492	148,351	147,458	148,988	141,891
Public safety					
Police					
Physical arrests	12,621	16,886	16,733	10,035	9,067
Traffic summons	30,121	30,225	30,459	29,007	29,080
Fire					
Emergency responses	22,271	22,394	23,718	23,808	24,815
Fires extinguished	378	450	320	319	331
Patients transported	12,133	11,620	12,149	13,665	14,262
Code inspections	2,572	2,210	2,658	839	3,223
Highway and streets					
Roads paved or resurfaced (miles)	106	69	68	88	21
Sanitation					
Yard waste collected (tons)	14,106	11,965	15,244	13,326	12,896
Debris removed (tons)	113,234	114,773	155,011	122,317	58,223
Cleanups	518	819	764	840	817
Street sweeping	3,231	3,364	3,384	3,384	4,607
Storm drains cleaned (linear feet)	97,046	73,901	109,767	153,605	57,064
Health					
Preventive health					
Family practice visits (closed 3/31/11)	2,755	1,615	-	N/A	N/A
Immunization visits	7,053	6,511	6,948	6,725	5,342
Prescriptions filled (closed 5/25/10)	22,786	-	N/A	N/A	N/A
Human services					
Healthy families partnership					
Number of families assessed	567	590	760	689	547
Number of families served	1,026	930	979	958	908
Number of adult participants in the parenting classes	1,242	1,875	2,585	2,850	2,327
Social Services					
Food stamp participants	8,040	8,939	10,372	11,048	11,101
Culture and recreation					
Senior citizens attendance at Senior Center	13,730	12,985	13,050	12,997	10,449
Community center admissions					
Youth	82,134	13,512	55,558	55,873	51,901
Teen	37,359	15,033	20,369	22,340	43,133
Adult	113,178	135,786	80,605	80,685	77,345
Education					
School membership (total)	20,804	20,762	21,622	21,366	21,113
High schools	6,784	6,749	6,781	6,516	6,218
Middle schools	4,743	6,837	4,069	3,975	3,934
Elementary schools	9,277	7,849	9,876	9,885	8,319
Combined schools	-	2,327	896	990	2,642
School board personnel	3,138	2,992	2,821	2,980	2,835
Wastewater					
Average daily sewage treatment (thousands of gallons)	10,566	10,794	10,460	14,890	14,390

Source: Various city departments.  
N/A - Not available

## CITY OF HAMPTON, VIRGINIA

## Last Ten Fiscal Years

Function/Program	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Public safety										
Police										
Patrol units	227	227	246	254	278	272	195	211	211	225
Patrol boats	3	3	4	2	3	4	3	5	5	5
Fire										
Stations	10	10	10	10	10	10	10	11	11	11
Pumpers	19	19	19	19	19	19	18	18	14	16
Ambulances	18	18	17	18	18	18	17	17	16	16
Rescue Vehicles	3	3	3	3	3	3	3	3	3	2
Ladder trucks	2	2	2	2	2	2	4	4	6	5
Fire Boats					2	2	4	4	2	2
Highways and streets										
Streets (miles)	438	438	439	446	459	455	460	475	482	497
Traffic signals	174	177	177	181	179	180	180	185	185	187
Bridges	41	41	41	40	40	40	40	40	40	40
Sanitation/solid waste										
Collection trucks	44	44	43	48	49	56	56	58	58	58
Culture and recreation										
Parks acreage <sup>1</sup>	1,628	1,628	1,789	1,789	1,791	1,791	1,791	1,791	1,791	1,791
School parks acreage	675	675	675	675	751	751	751	751	751	751
Parks	23	23	23	23	23	23	23	23	23	23
Amphitheater	1	1	2	2	2	2	2	2	2	2
Baseball fields	38	38	38	38	38	39	39	39	41	42
Basketball courts	35	35	35	35	35	35	35	36	36	36
Boat ramps	3	3	3	3	3	3	3	3	3	3
Coliseum	1	1	1	1	1	1	1	1	1	1
Community centers	5	5	5	5	5	5	5	6	6	7
Convention center	1	1	1	1	1	1	1	1	1	1
Fitness trails	12	12	12	12	12	12	12	12	12	12
Football fields	20	20	20	20	20	21	21	21	21	21
Football stadium	1	1	1	1	1	1	1	1	1	1
Golf courses	2	2	2	2	2	2	2	2	2	2
Indoor swimming pools	1	1	1	1	2	2	2	3	3	3
Municipal beaches	3	3	3	3	3	3	3	3	3	3
Municipal parks	10	10	10	10	11	11	11	11	11	11
Museums	2	2	2	2	2	2	2	2	2	2
Outreach centers	4	4	4	4	4	4	4	4	4	4
Picnic shelters	28	28	26	26	26	26	26	26	26	27
Playgrounds	41	41	41	41	40	46	46	46	46	46
Senior citizens center	1	1	1	1	1	1	1	1	1	1
Soccer fields	28	28	30	30	30	33	33	33	33	33
Softball fields	15	15	16	16	17	17	17	17	17	17
Tennis courts	66	66	66	66	66	66	66	67	67	67
Theatres	1	1	1	1	1	1	1	1	1	1
Fort Wool	1	1	1	1	1	1	1	1	1	1
Fishing Pier								1	2	2
Education										
High schools	4	4	4	4	4	4	4	4	4	4
Middle schools	6	6	6	6	6	5	8	8	7	5
Elementary schools	24	24	23	23	23	20	20	20	20	24
Combined schools	-	-	-	-	-	-	-	2	2	2
Wastewater										
Sanitary sewer lines (miles)	471	465	482	469	469	469	426	426	426	490
Sewer Pumping stations	105	107	107	108	108	108	108	108	108	109

## Notes:

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

N/A-Not available

Source: Various city departments.

N/A - Not available

**Report of Independent Auditor on Compliance for Each Major  
Federal Major Program and on Internal Control over Compliance  
Required by OMB Circular A-133**

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

**Report on Compliance for Each Major Federal Program**

We have audited the City of Hampton, Virginia's (the "City") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2014. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on the City's compliance for each of its major federal programs based on our audit of the types of compliance requirements referred to above. 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 and 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

**Opinion on Each Major Federal Program**

In our opinion, the City complied, in all material respects, with the types of 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, 2014.

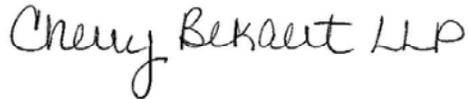
**Report on Internal Control Over Compliance**

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 City's internal control over compliance.

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 a 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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Cheryl Bekant LLP".

Virginia Beach, Virginia  
November 26, 2014

**Report of Independent Auditor 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**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and 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, 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, 2014, and the related notes to the financial statements and have issued our report thereon dated November 26, 2014. Our report includes a reference to other auditors who audited the financial statements of the Downtown Hampton Development Partnership, Inc. as described in our report on the City's 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 separately by those auditors. The financial statements of the Downtown Hampton Development Partnership, Inc. were not audited in accordance with Government Auditing Standards.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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 City's financial statements will not be prevented, or detected and corrected on a timely basis. 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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as 2014-001 to be material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, non-compliance 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 disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**City of Hampton, Virginia's Response to Findings**

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Handwritten signature in cursive script that reads "Cheryl Bekant LLP".

Virginia Beach, Virginia  
November 26, 2014

**City of Hampton, Virginia**  
**Schedule of Findings and Questioned Costs**

**Year Ended June 30, 2014**

**A. Summary of Auditor's Results**

Financial Statements:

Type of auditor's report issued on the financial statements:	<b>Unmodified</b>
Internal control over financial reporting:	
Material weaknesses identified:	<b>Yes</b>
Significant deficiencies identified:	<b>None reported</b>
Noncompliance material to the financial statements noted?	<b>No</b>

Federal Awards:

Type of auditor's report issued on compliance for major programs:	<b>Unmodified</b>
Internal control over financial reporting:	
Material weaknesses identified:	<b>No</b>
Significant deficiencies identified:	<b>No</b>
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	<b>No</b>

Identification of major federal programs:

<u>Program Description</u>	<u>CFDA #</u>
U.S. Department of Agriculture	
Child Nutrition Cluster	10.553/10.555/10.559
SNAP Cluster	10.561
Department of Transportation	
Highway Planning and Construction Cluster	20.205
U.S. Department of Education	
Title 1, Part A Cluster	84.010
Special Education Cluster (IDEA)	84.027/84.173
U.S. Department of Health and Human Services	
Temporary Assistance to Needy Families Cluster (TANF)	93.558
Medicaid	93.778

Dollar threshold to distinguish between Types A and B Programs:	<b>\$1,506,540</b>
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The City of Hampton was qualified as a low risk auditee?	<b>No</b>
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## **B. Findings - Financial Statement Audit**

### **2014-001 Material Weakness**

***Criteria:***

All expenditures should be recorded in the correct period.

***Statement of Condition:***

During the current year, management identified two expenditures that were not paid in a timely manner that should have been accrued in the prior year.

***Cause:***

These expenditures were not paid in a timely manner and therefore were not subjected to the City's year-end accrual process.

***Effect or Potential Effect:***

Because of these adjustments, the financial statements were misstated.

***Recommendation:***

We recommend management verify annual expenditures are appropriately accrued at year end regardless of the timing of payment.

***Views of Responsible Officials:***

- **Contact Person:** Karl Daughtrey, Director of Finance

- **Corrective Action and Anticipated Completion Date:**

Public Works

The Public Works department received an invoice for \$479,513 dated July 31, 2014 for fiscal year 2014 from a vendor on or about August 7, 2014. The invoice was reviewed for accuracy and returned to the vendor to correct and re-issue. The corrected invoice was received by the department on September 23, 2014 and entered into the accounting system on the same date. The vendor was paid on September 26, 2014. This transaction was recorded on the books in fiscal year 2015.

As a part of the year-end close process we instructed departments to process all of the fiscal year 2014 invoices by July 22, 2014. In addition, the accounting staff performed a search for unrecorded payables for all accounting funds to identify transactions posted in fiscal year 2015 but should have been reflected in fiscal year 2014. We performed the search for unrecorded payables through September 23, 2014, prior to the auditors starting the year-end audit. Since this transaction was processed on September 26, 2014, three days after staff completed the final search for unrecorded payables, we did not identify this issue.

We will expand our search for unrecorded payables through the end of September starting with the FY15 audit. In addition, we will re-emphasize with departments the importance of ensuring that invoices are recorded in the correct fiscal year as a part of our year-end closing memorandum that we will send to them in May 2015.

EDA

In June 2014 a grantee made a request to receive the final installment of their grant. However, the payment to the grantee could not be processed by the Finance Department until the funds were transferred to the correct project. City Council approved this request on September 10, 2014. The department entered the request into the accounting system on September 29, 2014 and the payment was made on October 1, 2014.

The accountant closed the books for the EDA on August 13, 2014. Therefore, this payment was not identified as a transaction that should have been recorded in fiscal year 2014. We will ask the Economic Development staff to apprise us of any outstanding invoices for the fiscal year that they could not process by our July cut-off. In addition, we will expand our search for unrecorded payables through the end of September starting with the FY15 audit.

The corrective actions plans will be completed by November 2015, the conclusion of the fiscal year 2015 audit. The contact person for the correction action plan is the Director of Finance.

**C. Resolution of Prior Year's Findings**

**2013-1:**

Status: Corrected

**2013-2:**

Status: Corrected

**2013-3:**

Status: Corrected

**2013-4:**

Status: Corrected

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