

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

**For the Fiscal Year Ended June 30, 2008**

Prepared by:

Karl S. Daughtrey, Director of Finance

Sylvia L. Shanahan, Controller

and

The Department of Finance



**CITY OF HAMPTON, VIRGINIA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
JUNE 30, 2008**

**TABLE OF CONTENTS**

<b>INTRODUCTORY SECTION</b>	<b><u>Exhibit</u></b>	<b><u>Page</u></b>
Organization Chart - City		1
List of Officials		2-3
Organization Chart - Finance Department		4
Letter of Transmittal		5-17
Certificate of Achievement for Excellence in Financial Reporting		18
 <b>FINANCIAL SECTION</b>		
Independent Auditors' Report		19-20
Management's Discussion and Analysis		21-31
Basic Financial Statements:		
Government-wide Statements:		
Statement of Net Assets	A-1	32
Statement of Activities	A-2	33-34
Fund Financial Statements:		
Balance Sheet - Governmental Funds	A-3	35-36
Statement of Revenues, Expenditures and Changes in Fund Balances - Government Funds	A-4	37-38
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund	A-5	39
Statement of Net Assets - Proprietary Funds	A-6	40-41
Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds	A-7	42-43
Statement of Cash Flows - Proprietary Funds	A-8	44-45
Statement of Fiduciary Net Assets - Fiduciary Funds	A-9	46
Statement of Changes in Fiduciary Net Assets - Fiduciary Funds	A-10	47
Statement of Net Assets - Discretely Presented Component Units	A-11	48-49
Statement of Activities - Component Units	A-12	50
Notes to Financial Statements:		
Summary of Significant Accounting Policies		51-64
Basis of Presentation - Fund Accounting		65-67
Interfund Balances		67-70
Deposits and Investments		71-74
Accounts Receivable		75
Capital Assets		76-83
Budgetary - GAAP Reconciliation		83

## TABLE OF CONTENTS, Continued

<b>FINANCIAL SECTION, Continued</b>	<b><u>Exhibit</u></b>	<b><u>Page</u></b>
General Obligations and Other Long-Term Debt		84-93
Defined Benefit Pension Plans		94-99
Deferred Compensation Plan		99
Joint Venture		99-100
Commitments and Contingencies		100-103
Post Retirement Health Care Benefits		103-106
Lease Receivables		106
Restated Beginning Balances		107-108

### Combining and Individual Statements:

#### General Fund:

Balance Sheet	B-1	109
Schedule of Revenues and Other Credits - Budget and Actual	B-2	110-112
Schedule of Appropriations and Expenditures	B-3	113-117

#### Non-major Governmental Funds:

Combining Balance Sheet	C-1	118-119
Combining Statement of Revenues, Expenditures and Changes in Fund Balance	C-2	120-121

#### Non-major Enterprise Funds:

Combining Statement of Net Assets	D-1	122
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets	D-2	123
Combining Statement of Cash Flows	D-3	124

#### Internal Service Funds:

Combining Statement of Net Assets	E-1	125
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets	E-2	126
Combining Statement of Cash Flows	E-3	127-128

#### Fiduciary Funds:

Agency Funds - Combining Statement of Changes in Assets and Liabilities	F-1	129
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#### Discretely Presented Component Unit - School Board

Combining Balance Sheet	G-1	130
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	G-2	131
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - School Operating Fund	G-3	132

### **Supporting Schedules**

#### Supplementary Information:

Schedule of the Treasurer's Accountability	1	133
Discretely Presented Component Unit - Industrial Development Authority:		

## TABLE OF CONTENTS, Continued

<b>FINANCIAL SECTION, Continued</b>	<b><u>Exhibit</u></b>	<b><u>Page</u></b>
Schedule of Cash Flows	2	134-135
Discretely Presented Component Unit - Federal Area Development Authority:		
Schedule of Cash Flows	3	136
Discretely Presented Component Unit - School Board:		
School Operating Fund Schedule of Appropriations and Expenditures	4	137
School Operating Fund Schedule of Revenues and Other Credits -		
Budget and Actual	5	138
Schedule of Expenditures of Federal Awards	6	139-142
Schedule of Debt Service Requirements to Maturity		
Museum Revenue Bonds	7	143
The Hamptons Revenue Bonds	8	144
Convention Center Revenue Bonds	9	145
Industrial Development Authority Revenue Bonds	10	146
General Obligation Bonds	11	147
Computation of Legal Debt Margin	12	148

## STATISTICAL SECTION

### Tables

#### Schedules:

Statistical Narrative		149
Net Assets by Component - Last Five Fiscal Years	I	150
Changes in Net Assets - Last Five Fiscal Years	II	151-152
Fund Balance of Governmental Funds - Last Ten Fiscal Years	III	153
Changes in Fund Balances of Governmental Funds - Last Five Fiscal Years	IV	154
General Government Tax Revenues by Source - Last Ten Fiscal Years	V	155
Assessed and Estimated Actual Value of Taxable Property - Last Ten Fiscal		
Years	VI	156
Principal Property Tax Payers - Current Year and Nine Years Ago	VII	157
Real Estate Tax Levies and Collections - Last Four Fiscal Years	VIII	158
Ratio of Outstanding Debt by Type - Last Ten Fiscal Years	IX	159
Legal Debt Margin Information - Last Five Fiscal Years	X	160
Pledged-Revenue Coverage - Last Ten Fiscal Years	XI	161
Demographic and Economic Statistics - Last Ten Fiscal Years	XII	162
Principal Employers - Current Year and Nine Years Ago	XIII	163
Full-time Equivalent City Government Employees by Function - Last Five		
Fiscal Years	XIV	164
Operating Indicators by Function/Program - Last Five Fiscal Years	XV	165
Capital Assets Statistics by Function/Program - Last Five Fiscal Years	XVI	166

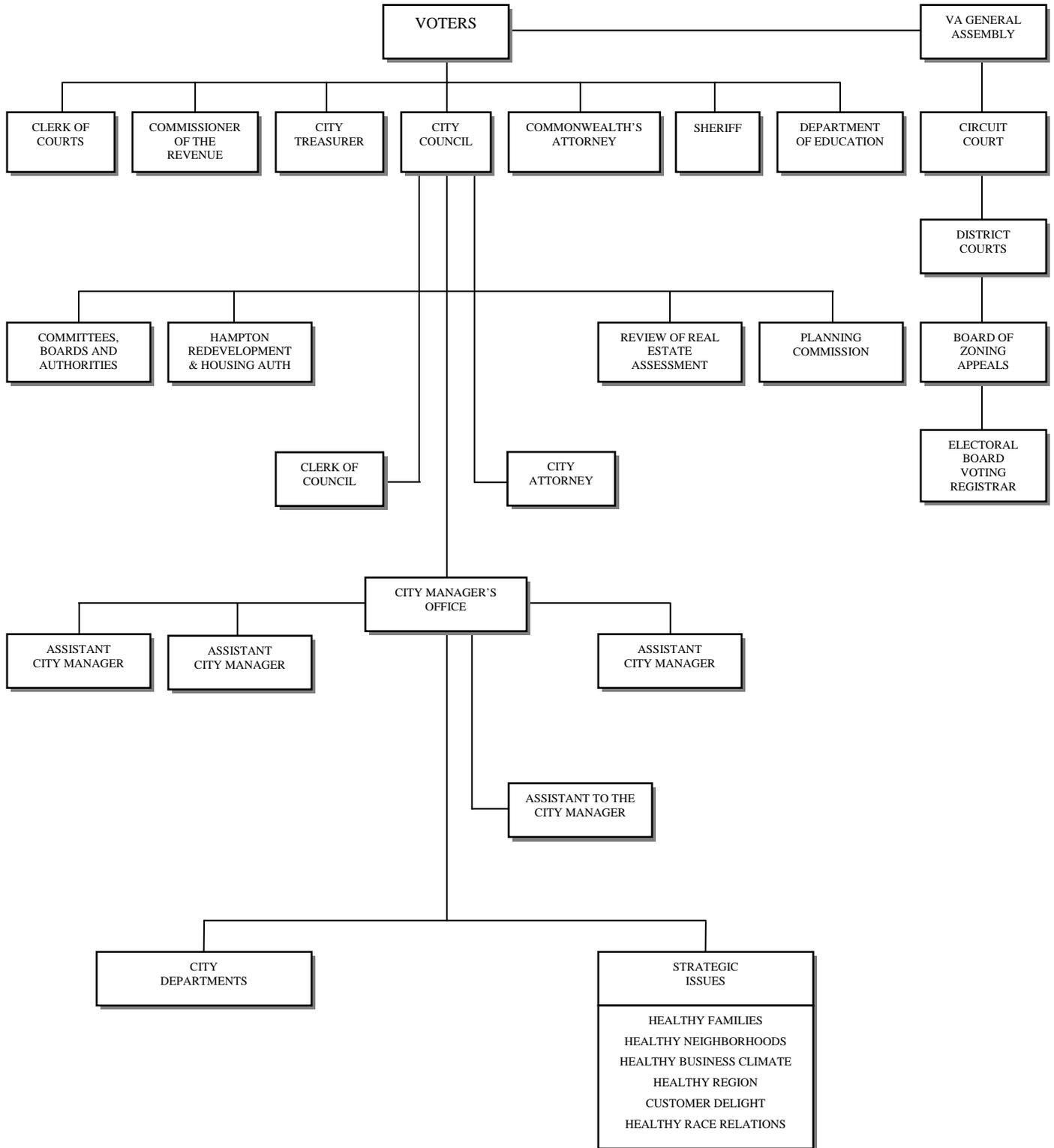
### Reports on Compliance

## TABLE OF CONTENTS, Continued

<b>FINANCIAL COMPLIANCE REPORTS FOR FEDERAL FUNDS</b>	<b><u>Exhibit</u></b>	<b><u>Page</u></b>
Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133		167-168
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		169-170
Commonwealth of Virginia Laws, Regulations, Contracts, and Grants		171-172
Schedule of Findings and Questioned Costs		173-177
Summary Schedule of Prior Year Findings		178

Cover photo courtesy of Hampton Convention and Visitors Bureau

**CITY OF HAMPTON, VIRGINIA**  
**June 30, 2008**



**CITY OF HAMPTON, VIRGINIA**  
**June 30, 2008**

**ELECTED OFFICIALS**

**CITY COUNCIL**

Ross A. Kearney, II, Mayor  
Randall A. Gilliland, Vice Mayor  
Anderson W. Clary, Jr.  
Angela Lee Leary  
Charles N. Sapp  
Joseph H. Spencer, II  
Paige V. Washington, Jr.

**CONSTITUTIONAL OFFICERS**

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

**APPOINTED OFFICIALS**

**CITY ADMINISTRATION**

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

**CITY OF HAMPTON, VIRGINIA**  
**June 30, 2008**

**SCHOOL BOARD**

Fred A. Brewer, Jr., Chairman

Henry J. Godfrey, Vice Chairman  
Lennie Routten  
William Pearson

Linwood D. Harper  
Phyllis T. Henry  
Ruthann N. Kellum

**SCHOOL ADMINISTRATION**

Dr. Patrick Russo - Superintendent  
Dr. Patricia Johnson - Deputy Superintendent for Curriculum and Instruction Pre K-12  
Dr. Linda Shifflette - Deputy Superintendent for Instructional Support Pre K-12  
Dr. G. Victor Hellman, Jr. - Deputy Superintendent for Facilities and Business Support  
Dr. Mildred Sexton - Executive Director of Elementary School Leadership  
Dr. Patricia Leary - Executive Director of Elementary School Leadership  
Dr. Donna Woods - Executive Director of Secondary School Leadership  
Suzanna Scott - Director of Finance  
Laura Thornton - Executive Director of Human Resources  
Charles A. Roberts - Director of Facilities Planning and Construction  
Carolyn Bowers, Clerk of Board

**HAMPTON EMPLOYEES' RETIREMENT SYSTEM**

**BOARD OF TRUSTEES**

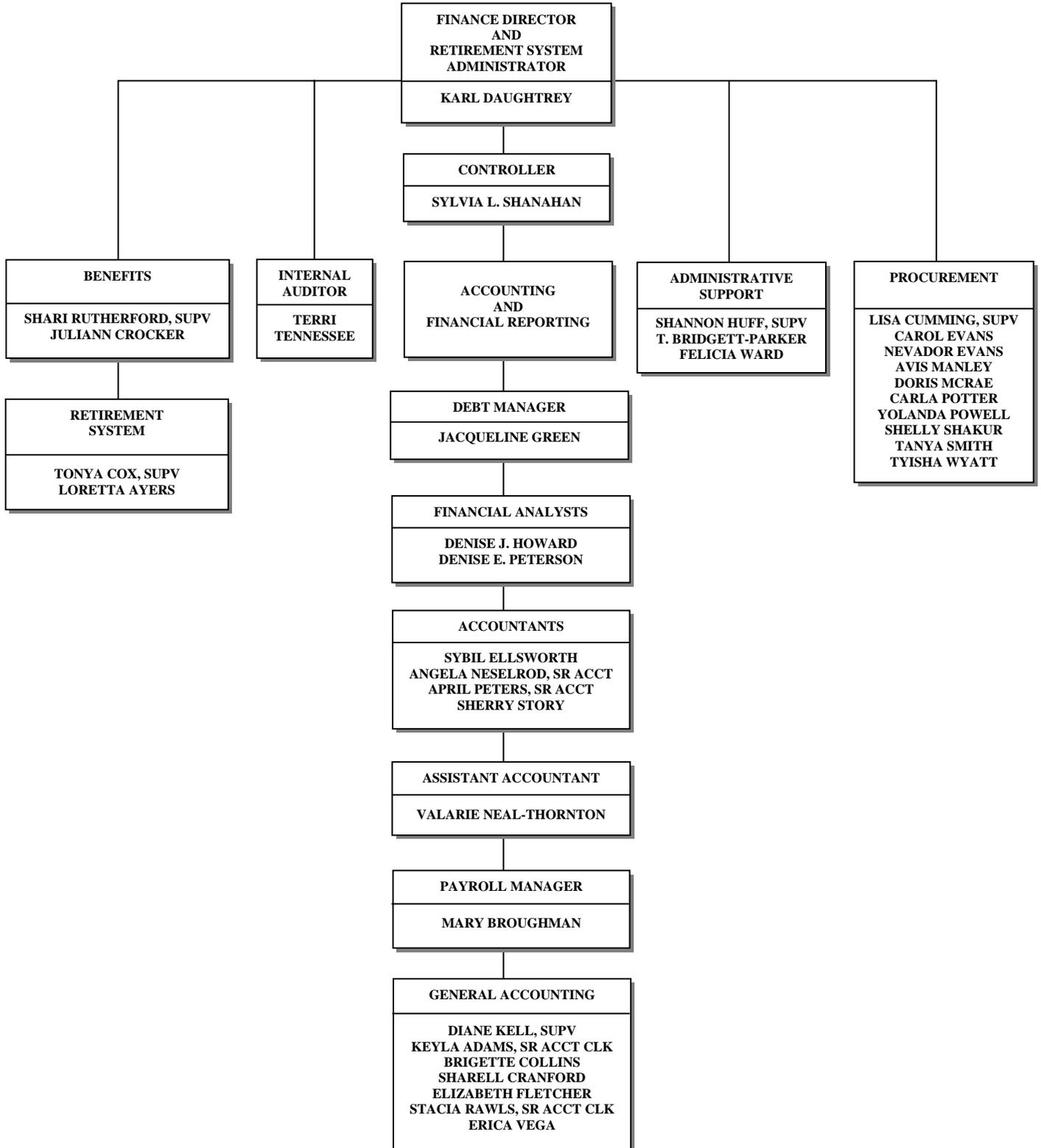
A. G. Womble, Jr., Chairman

James A. Peterson, Vice Chairman  
Cynthia Hudson, Legal Counsel  
Sue Ange  
James Cross  
Randolph Lewis

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

Karl S. Daughtrey, Administrator and Treasurer  
Tonya E. Cox, Secretary

**CITY OF HAMPTON, VIRGINIA  
DEPARTMENT OF FINANCE  
June 30, 2008**





## City of Hampton

November 25, 2008

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, 2008. 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 these guidelines and 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 selected by the City Council. Cherry, Bekaert & Holland, L.L.P., Certified Public Accountants have audited the City's financial statements. As a result of an audit of the City's financial records and transactions of all funds, component units and departments of the City, Cherry, Bekaert & Holland, L.L.P. has concluded that the financial statements are in compliance

with generally accepted accounting principles and have issued an unqualified opinion on the City of Hamptons' financial statements for the year ended June 30, 2008. The independent auditor's report is presented as the first component of the financial section of this report.

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

## **Profile of the City**

### *Background*

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

As of July 1, 2007, current estimated population in Hampton is 145,862. This indicates an increase in population of .1% or 154 from the July 1, 2006 estimate of 145,708.

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 2008, several awards and recognitions were received by the City of Hampton. They are listed below:

- Hampton was named as one of the 100 Best Communities for Young People. Hampton received this award due to its commitment to youth involvement. From the creation of the Youth Civic Engagement, to innovative schools, to Healthy Families, to the Youth Commission, to In-SYNC partnership, youth plays a vital role in Hampton.
- Hampton was named one of the most technology-advanced cities in America by the Center for Digital Government. The annual study examines how city governments are using digital technologies to better serve their citizens and streamline operations. Hampton placed fourth in the 125,000-249,999 population category.
- Hampton Youth Coalition was awarded the 2008 Innovator of the Year award for the state of Virginia by the Southern Growth Policies Board. This organization honors Southern initiatives that are improving economic opportunities and quality of life in the region.
- The SOLD on Hampton program was awarded first place with a Savvy award in the category of Communications Plan-Jurisdictional & Departmental Communications. The Savvy Awards recognizes outstanding local government achievements in communications, public-sector marketing and citizen-government relationships.
- Hampton City Schools was chosen as a recipient of the National School Public Relations Association (NSPRA) 2007 Golden Achievement Award. The award was given for the school division's "Schools Curb Appeal Initiative."

### *Budgetary Systems*

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

### *Component Units*

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

## **Economic Conditions and Outlook**

### *Local Economy*

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

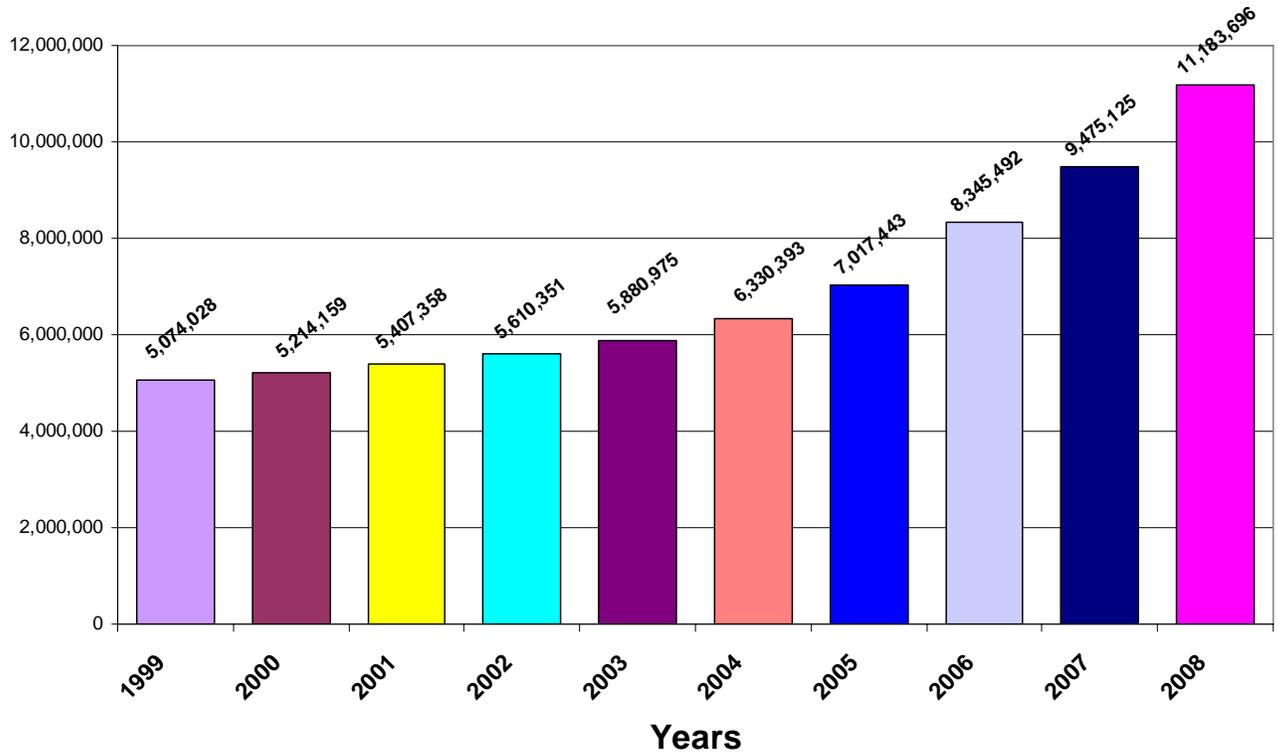
The City's strategic location and economic development activities offer its residential civilian labor force a wide range of employment opportunities. Hampton businesses draw from the largest regional workforce between Washington, D.C. and Atlanta, with over 800,000 highly educated, skilled, and technically trained workers. Each year over 15,000 trained and disciplined personnel exit the military. Many of these persons elect to stay in the area and look for private sector employment. In addition, there are approximately 20,000 military spouses available to work.

During the past ten years, the unemployment rate has fluctuated from a low of 2.8 % to a year high of 5.7%. As of June 2008, the unemployment rate is 4.9%. This rate is above the State rate of 4.2% but below the U.S. rate of 5.70 %.

The assessed value of the City's residential and commercial property continues to increase. For fiscal year 2008, the real property assessments have increased by approximately \$1.7 billion or 18.03%.

**SEE FOLLOWING PAGE**

## Assessed Value of Taxable Real Property In Billions



### *Economic Development*

The City is home to two institutions of higher education: Thomas Nelson Community College and Hampton University. Hampton University has been educating scholars and leaders for 140 years. *U.S. News & World Report* ranked Hampton University third among historically black colleges and universities. Hampton University also ranked 24<sup>th</sup> in the category of Best Universities offering Bachelor's and Master's Degrees in the South region. The University provides a broad range of technical, liberal arts, pre-professional, professional, and graduate degree programs and has over 5,700 students enrolled. Thomas Nelson Community College offers planning and strategic partnerships with economic development entities on the Virginia Peninsula. Services include targeted workforce development strategic planning, joint grant opportunities, pre-employment training, employer/industry customized training programs and availability of fully equipped training facilities including classrooms, labs, and flexible manufacturing and industrial training spaces. Old Dominion University's Peninsula Higher Education Center has combined with Thomas Nelson Community College to promote the advancement of knowledge here on the Peninsula. It is a state-of-the-art academic facility designed to support a wide array of graduate and undergraduate programs that meet

the needs of the local community. Its location makes it convenient for residents to complete their bachelor degrees and for health and other professionals to complete their education through the doctorate level. The Peninsula Center offers 24 undergraduate and 25 graduate programs with over 200 classes scheduled each week.

The Department of Economic Development has a Business Development Team whose primary goals are to retain and expand businesses in the city of Hampton; they also specialize in new and entrepreneur developments. During fiscal year 2008, this team was involved in 20 commercial projects totaling \$70.8 million in private investment, creating 1,059 new jobs and retaining 248 jobs within the office, manufacturing and warehouse sectors. A summary of some of the commercial activity/development that has occurred during fiscal year 2008 is as follows:

Hampton University (HU) broke ground in Hampton Roads Center South for its new 98,000 square foot Proton Therapy Institute (PTI) in July, 2007. The PTI is 85% near completion. Equipment will be installed in 2009 and the facility will open in 2010. The Institute represents a \$200 million investment and is expected to create 125 new, high-paying jobs. Approximately 2,000 patients will be treated each year for prostate, breast, lung, pediatric and other cancers. There are only five proton beam facilities in the U.S. The HU PTI will be the sixth and newest facility offering the latest technology in 2010.

The General Services Agency moved forward with its plans for the Social Security Administration (SSA). SSA executed a lease for 8,000 square feet in a proposed 19,000 square foot building to be constructed by Reese Smith & Associates. The remaining 11,000 square feet will be leased to targeted office and retail users. The building, located on Hardy Cash Drive, is valued at \$3.5 million.

Northrop Grumman moved forward with its consolidation of its shipyard operations at the Enterchange in Hampton located in Copeland Industrial Park. Its lease of 333,747 square feet resulted in an investment of \$44.8 million and the creation of 131 jobs.

Hampton City Schools Bridgeport Academy relocated to 3217 Commander Shepard Boulevard occupying 28,000 square feet. The facility houses the Bridgeport Academy and the school's IT department. The property developer rehabbed the building investing \$1.9 million.

Intelligent Software Solutions, a provider of data integration, analysis and visualization services, expanded and leased 6,000 square feet in Lakefront Plaza in Hampton Roads Center South. The company made a \$400,000 investment, created 9 new jobs and retained 28 jobs.

Lockheed Martin continued its growth in Hampton. Its lease of 40,000 square feet in Hampton Roads Center South resulted in a capital investment of \$2.4 million and the creation of 92 new jobs. It also leased an additional 27,500 square feet at 2000 Enterprise Parkway in Hampton Roads Center South.

Cormine LLC, a home-grown Hampton business that got its start in the Hampton Technology Incubator and is located in Hampton Roads Center Central, continued to develop in the City.

The company completed a merger valued at \$25 million and made the decision to stay in the City. Its new investment will be at least \$5 million and 108 new jobs will be created. This also saved 50 jobs in Hampton.

NCO Customer Management, LLC returned to Hampton and re-opened a 38,000 square foot facility at 521 Butler Farm Road in Hampton Roads Center Central and hired 350 new employees.

E & E Enterprises Global, a telecommunications firm headquartered in Hampton and located in Langley Research and Development Park, purchased 10 Basil Sawyer and 101 Research Drive encompassing 3 buildings on a 2.74 acre site. Between the purchase and the updates to the facilities, the company invested \$1.56 million, created 24 new jobs and retained 15 jobs.

### Military and Federal Research Facility

*Langley Air Force Base* is the oldest continuously active air base in the United States and headquarters for the Air Combat Command. It is also home to the U.S. Air Force's First Fighter Wing. Covering 2,900 acres, Langley has more than 8,900 military personnel and approximately 1,600 civilian employees with a combined payroll of over \$500 million.

The *National Aeronautics and Space Administration's NASA Langley Research Center* is located in Hampton adjacent to Langley Air Force Base. The Center is an important national resource serving inherent government functions such as safety, national defense, environment and the air transportation system. The Center has approximately 3,600 civil service and contract employees. According to Langley's Economic Impact Summary, NASA Langley in Hampton generated \$1.9 billion in economic output and 15,800 jobs in the country in fiscal year 2007. The economic output of Langley Research Center was \$970 million with 9,771 jobs in the Hampton Roads region for the same fiscal year.

*Fort Monroe* serves as the United States Army's Training and Doctrine Command and as the Army's Reserve Officers Training Corps (ROTC) Cadet Command School. Fort Monroe employs 1,450 military personnel and 2,601 civilian personnel. Its combined payroll is \$201 million. Fort Monroe is slated for closure in 2011 as a result of the 2005 Base Closure and Realignment Commission decision.

### **General Government Financial Operations**

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

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

	<u>000's Omitted</u>		Percent Increase (Decrease)
	<u>2008</u>	<u>2007</u>	
<u>Revenues and Other Financing Sources:</u>			
General Fund	\$ 297,262*	\$ 280,351*	6.03
School Operating	<u>138,833*</u>	<u>137,877*</u>	<u>0.69</u>
Total	<u>436,095</u>	<u>418,228</u>	<u>4.27</u>
<u>Expenditures and Other Financing Uses:</u>			
General Fund	215,518*	204,028*	5.63
School Operating	<u>207,878*</u>	<u>198,411*</u>	<u>4.77</u>
Total	<u>423,396</u>	<u>402,439</u>	<u>5.21</u>
Excess (deficiency) funded to (from) fund balance	<u>\$ 12,699</u>	<u>\$15,789</u>	

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

The General Fund revenues and other financing sources increased by approximately \$16.9 million over fiscal year 2007. The significant increases in General Fund revenues for fiscal 2008 were in general property tax collections and communications sales tax. Real estate tax collections increased by \$10.1 million as a result of a 17.6% increase in assessed values. Personal property tax revenues increased \$1.7 million due to an increase of 18% in assessed values and the collection rate from enhanced collection efforts. During 2008, communication sales tax increased by \$5.8 million. Effective as of January 1, 2007, the state combined local telephone service, mobile telecommunication service, cable franchise fees, video programming excise tax and E911 service tax into one communication sales and use tax at a rate of 5%. The Enhanced Emergency Telephone Service Fund (E911) taxes were previously reported in a separate fund but have been combined with General Fund revenues in 2008.

The School Operating Fund revenues increased approximately \$1.0 million over fiscal year 2007. The State required a mandatory 3% merit increase for instructional and support personnel which accounted for an increase in salary contingencies of \$2.8 million while state funds for the School's basic appropriation revenues decreased by \$1.7 million.

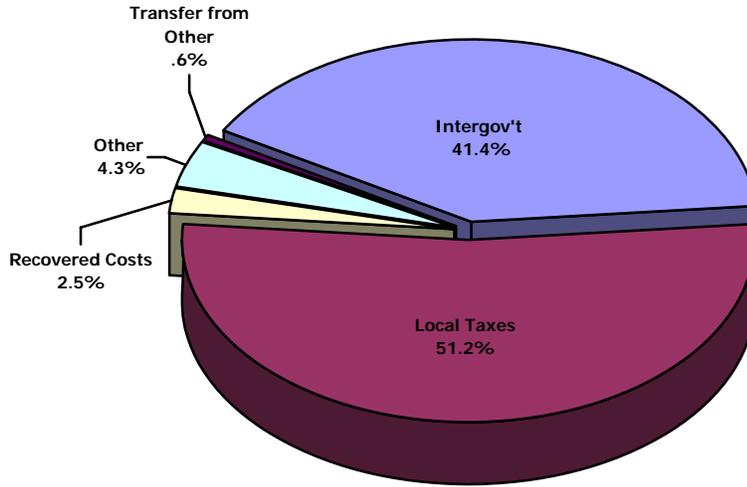
General Fund expenditures increased by \$11.5 million or 5.63% over fiscal year 2007. The majority of this increase is due to performance increases averaging 3.5%, a 10.8% increase to Hampton Roads Transit (HRT) due to increase in fuel and labor cost, retirement and employee benefits increased \$2.7 million due to the increase in salaries and the rise in health insurance costs. Public Safety expenditures also increased by \$2 million to support the salaries of E-911 personnel.

The School Board Operating Fund expenditures increased by \$9.5 million over fiscal year 2007. This increase was due primarily to a 4% salary increase for teachers and the associated fringe benefits that included a 15% increase in health insurance. Also, \$1.8 million was spent for

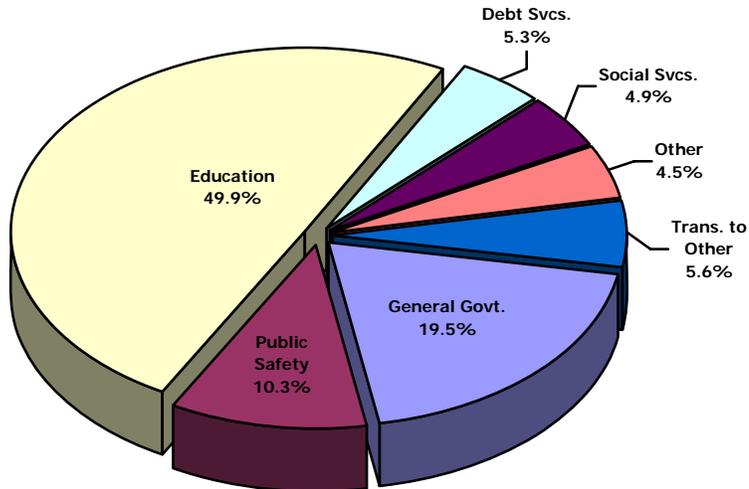
technology replacement, \$1.0 million for Debt Service Contingency and \$1.1 million for HVAC and boiler replacements.

The graphs of the 2008 General Fund and School Operating Fund revenues and expenditures are as follows:

### Revenues \$436,095,487



### Expenditures \$423,396,606



## Long Term Financial Planning

The City of Hampton issued \$145.8 million in General Obligation Public Improvement Bonds in fiscal year 2008 to refund bond anticipation notes that were previously issued by the City and to finance the cost of general capital improvement projects.

In the years 2009-2013, there is a total of \$179.6 million of General Obligations Bonds that are scheduled to be issued for City and School projects. The following summarizes these projects:

• School Construction/Maintenance	\$78.7 million
• New Circuit Court Building	30.0 million
• Public Safety Radio System	15.2 million
• Community Enhancement	12.3 million
• Economic Development	9.0 million
• Buckroe Center/Improvements	9.0 million
• North King Street Master Plan	5.9 million
• Downtown/ Old Hampton Center Improve.	5.7 million
• 911/311 Relocation	4.5 million
• North Phoebus Master Plan	4.0 million
• Wythe Fire Station	2.8 million
• Riverdale Plaza Infrastructure Improvements	2.5 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, 2008, general obligation debt totaled \$312 million or 2.8 % 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, 2008, this would amount to \$532 million or 4.4% 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, 2008, this would amount to \$102 million or .8% of the assessed value of all taxable real and personal property, which was within the policy parameter.

**2. Debt Service Policy Limit.** General obligation bonded debt and indirect debt shall not exceed 10% of the City's total General Fund and the School Operating Fund expenditures. At June 30, 2008, this would amount to \$27.3 million or 6.4% of total expenditures, which was within the policy parameter.

**3. General Obligation Debt Retirement Policy.** The City shall retire 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 61% of general bonded obligation debt in FY2018 that was outstanding as of June 30, 2008.

**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, 2008, capital expenditures were \$11.8 million which is 4.0% of General Fund revenues. Also, a minimum of 10% to 15% of CIP projects over a rolling five-year period are to be funded from general fund revenues. For the 5 year period, 2008 through 2012, the City plans to use 15% of General Fund revenues on CIP projects.

**5. Undesignated Fund Balance.** The City will maintain an undesignated General Fund balance equal to 10% of total General Fund and School Operating Fund revenues. To the extent undesignated fund balance falls below the policy, the shortfall shall be replenished over a three-year period. The undesignated fund balance at June 30, 2008 was \$56.0 million or 12.8% of actual revenues.

The City is in compliance with the Financial Policy Guidelines.

### **Credit Ratings**

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

### **Major Initiatives and Accomplishments**

The Power Plant of Hampton Roads is a lifestyle, retail-entertainment and big-box retail project developed by The Cordish Company. It has quickly become one of the premier entertainment districts in the Hampton Roads region. Anchored by Lowe's Home Improvement, BJ's Wholesale Club, and Bass Pro Shops Outdoor World, the Power Plant mixes retail, restaurants and nightlife around an 8-acre lake. Other tenants include eight restaurants and two select service hotels, SpringHill Suites by Marriott and Hilton Garden Inn. An additional 21,000 – 26,000 square feet of space is available. When completed, the Power Plant of Hampton Roads will constitute a private investment of up to \$110 million.

NASCAR Sports Grille is the most recent announcement of the Power Plant of Hampton Roads. This will be the third location in the nation, behind Orlando, Florida and Myrtle

Beach, South Carolina. This premium sports themed concept is a combination restaurant, sports viewing arena, interactive sports gaming experience and retail store. The restaurant is expected to open in 2009.

Peninsula Town Center is a complete redevelopment of the existing 30-year old regional shopping center, Coliseum Mall. The new 1-million square foot mixed-use town center is under construction and will open in spring of 2009. This incredible blend of retail, restaurant, entertainment, residential, office, and public space constitutes a private investment in excess of \$200 million. The development is designed to create a pedestrian oriented town center environment. This is one of the largest private investments in the history of Hampton.

*Boo Williams SportsPlex*, a 130,000 square foot sports facility, has opened and offers basketball, volleyball, indoor track and other sports related uses along with seating for 4,000. Over 75 AAU and other sporting events are being held at this facility each year. This represents a private investment of \$13.5 million. Since its opening this summer, the facility has hosted six national basketball championships. There is strong support for volleyball and track events and they are planning to market indoor soccer and martial arts. Since the announcement that the facility was going to be built, there have been over 40,000 room nights booked for this year and through 2010 bringing approximately 48,000 new attendees to Hampton with an estimated economic impact of over \$11M to the Hampton community.

Newmarket Creek Park is a 2.5 mile linear waterfront park that follows along Newmarket Creek, Lake Hampton, Coliseum Lake and Bass Pro Lake at the Power Plant, creating a picturesque environment. The multi-million dollar park will incorporate areas for entertainment, recreation and relaxation with water access, interactive fountains, and elevated boardwalks. It is designed to link major development projects and tourist attractions in Coliseum Central together, extending through the Crossroads community and the Power Plant. Construction on the first phase will begin in late fall of 2009.

*H2O Residential Community*, developed by L.M. Sandler & Sons, is located next to the Hampton Coliseum. This 516-unit residential community broke ground in 2006. Situated on New Market Creek and the Coliseum Lake, this development will include for-sale condominium flats, two-and three-story townhomes, and four-story “stacked” townhomes, representing an investment in excess of \$80 million. This premier community will be set apart by its enhanced streetscapes, distinctive water features, and a waterfront linear park in a unique urban setting.

### **Awards and Achievements**

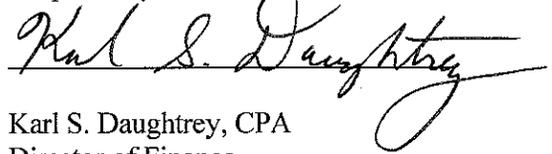
The Government Finance Officers Association of the United States and Canada (GFOA) awards a Certificate of Achievement for Excellence in Financial Reporting to governmental units that publish an easily readable and efficiently organized comprehensive annual financial report that meets all generally accepted 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, 2007.

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

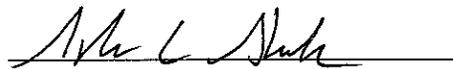
**Acknowledgments**

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

Respectfully submitted,

A handwritten signature in cursive script, reading "Karl S. Daughtrey", written over a horizontal line.

Karl S. Daughtrey, CPA  
Director of Finance

A handwritten signature in cursive script, reading "Sylvia L. Shanahan", written over a horizontal line.

Sylvia L. Shanahan  
Controller

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Hampton  
Virginia

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2007

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



*Cherie S. Cox*

President

*Jeffrey R. Emer*

Executive Director



## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Hampton, Virginia (the "City"), as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Hampton Redevelopment and Housing Authority as of December 31, 2007, the Coliseum Central Business Improvement District, Inc., the Downtown Hampton Development Partnership, Inc., the Healthy Families Partnership, Inc., or the Foundation of the Virginia Air and Space Center, which represents 42.8% and 11.8%, respectively, of the total assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinions on the basic financial statements insofar as they relate to the amounts included for the Hampton Redevelopment and Housing Authority, the Coliseum Central Business Improvement District, Inc., the Downtown Hampton Development Partnership, Inc., the Healthy Families Partnership, Inc., and the Foundation of the Virginia Air and Space Center, are based 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 *Specifications for Audits of Counties, Cities and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Coliseum Central Business Improvement District, Inc., the Downtown Hampton Development Partnership, Inc., the Healthy Families Partnership, Inc., and the Foundation of the Virginia Air and Space Center, which were audited by other auditors upon whose reports we are relying, were audited in accordance with auditing standards generally accepted in the United States of America, but not in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 24, 2008, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

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

Virginia Beach, Virginia  
November 24, 2008

## **MANAGEMENT’S DISCUSSION AND ANALYSIS**

The following discussion and analysis of the City of Hampton’s financial performance provides an overview of the City’s financial activities for the fiscal year ended June 30, 2008. Please read it in conjunction with the transmittal letter and the City’s financial statements, which follow this section.

### **FINANCIAL HIGHLIGHTS**

- The General Fund, on a current financial resource basis, reported revenues in excess of expenditures and other financing sources and uses by \$15.2 million (Exhibit A-4) after making a \$66.5 million payment to Hampton City Schools, \$11.9 million transfer to Capital Projects, \$8.6 million transfer to Enterprise Funds, \$4.6 million to Special Revenue Funds and \$20.8 million to Debt Service Fund.
- On a government-wide basis for governmental activities, the City’s net assets increased by \$76.0 million (Exhibit A-2).
- In the City’s business-type activities, on a government-wide basis, net assets increased by \$.7 million (Exhibit A-2).
- The City’s net assets, excluding component units, on the government-wide basis, totaled \$811.7 million at June 30, 2008. Of this amount, \$141.4 million is available for spending at the government’s discretion (unrestricted net assets - Exhibit A-1).

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

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

### **GOVERNMENT-WIDE STATEMENTS**

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

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

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

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

## FUND FINANCIAL STATEMENTS

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

The City has three kinds of funds:

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

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

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

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

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

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

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

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

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

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

## FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Table I  
Summary of Statement of Net Assets (In Thousands)  
June 30, 2008 and 2007

	Governmental Activities		Business-type Activities		Total Primary Government		Component Units	
	2008	2007	2008	2007	2008	2007	2008	2007
Current and other assets	\$ 366,743	\$ 234,695	\$ 47,332	\$ 68,815	414,075	\$ 303,510	\$ 69,110	\$ 46,641
Capital assets	718,234	647,108	177,760	209,913	895,994	857,021	76,867	41,507
Total assets	<u>1,084,977</u>	<u>881,803</u>	<u>225,092</u>	<u>278,728</u>	<u>1,310,069</u>	<u>1,160,531</u>	<u>145,977</u>	<u>88,148</u>
Current Liabilities	59,367	77,557	8,552	14,917	67,919	92,474	23,662	16,054
Long-term liabilities	313,487	168,172	116,937	119,678	430,424	287,850	21,143	13,564
Total liabilities	<u>372,854</u>	<u>245,729</u>	<u>125,489</u>	<u>134,595</u>	<u>498,343</u>	<u>380,324</u>	<u>44,805</u>	<u>29,618</u>
Net assets:								
Invested in capital assets, net of related debt	558,007	503,514	62,230	92,152	620,237	595,666	68,753	41,387
Restricted	23,701	13,802	26,356	27,158	50,057	40,960	5,039	5,175
Unrestricted	130,415	118,758	11,017	24,823	141,432	143,581	27,380	11,968
Total net assets	<u>\$ 712,123</u>	<u>\$ 636,074</u>	<u>\$ 99,603</u>	<u>\$ 144,133</u>	<u>\$ 811,726</u>	<u>\$ 780,207</u>	<u>\$101,172</u>	<u>\$ 58,530</u>

The City’s combined net assets (which is the City’s bottom line) increased by 4%, or \$31.5 million in fiscal year 2008, of which approximately 6% represents resources that are subject to external restrictions. Investment in capital assets, less any related debt used to acquire those assets that are still outstanding, represents 76% of net assets. These assets are used to provide services to citizens and consequently are not available for future spending. The City’s unrestricted net assets – the part of net assets that can be used to finance day-to-day operations – were \$141.4 million.

Table II  
Summary of Changes in Net Assets (In Thousands)  
For the Fiscal Years Ended June 30, 2008 and 2007

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>		<b>Component Units</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
Revenues:								
Program revenues:								
Charges for services	\$ 25,165	\$ 18,547	\$ 39,854	\$ 39,196	\$ 65,019	\$ 57,743	\$ 9,109	\$ 6,717
Operating grants and contributions	59,795	60,782	2,848	24,859	62,643	85,641	180,475	158,782
Capital grants and contributions	57,530	10,065	1,531	6,049	59,061	16,114	886	
General revenues:								
Property taxes	160,158	148,851			160,158	148,851		
Other taxes	71,492	69,070			71,492	69,070		624
Other	15,363	12,749	2,679	5,494	18,042	18,243	77,425	66,443
Total revenues	<u>389,503</u>	<u>320,064</u>	<u>46,912</u>	<u>75,598</u>	<u>436,415</u>	<u>395,662</u>	<u>267,895</u>	<u>232,566</u>
Expenses:								
General government	\$ 101,494	\$ 99,822	\$ -	\$ -	\$ 101,494	\$ 99,822	\$ 35,075	\$ 6,431
Public safety	50,040	46,315			50,040	46,315		
Highways and streets	7,774	14,658			7,774	14,658		
Sanitation	4,959	2,867	20,379	19,479	25,338	22,346		
Health	3,090	3,125			3,090	3,125		
Human services	30,004	28,535			30,004	28,535	194	175
Culture and recreation	23,524	16,368	34,409	31,799	57,933	48,167	1,174	91
Education - payment to School Board	66,517	62,211			66,517	62,211		
Educational	5,133	6,519			5,133	6,519	233,993	221,614
Housing				24,013	-	24,013		
Interest on long-term debt	12,389	8,822	-	-	12,389	8,822	-	-
Total expenses	<u>304,924</u>	<u>289,242</u>	<u>54,788</u>	<u>75,291</u>	<u>359,712</u>	<u>364,533</u>	<u>270,436</u>	<u>228,311</u>
Increase (decrease) in net assets before transfers	84,579	30,822	(7,876)	307	76,703	31,129	(2,541)	4,255
Transfers	(8,530)	(8,318)	8,530	8,318	-	-	-	-
Increase (decrease) in net assets	76,049	22,504	654	8,625	76,703	31,129	(2,541)	4,255
Net assets, July 1, as restated	636,074	613,570	98,949	135,508	735,023	749,078	103,713	54,275
Net assets, June 30	<u>\$ 712,123</u>	<u>\$ 636,074</u>	<u>\$ 99,603</u>	<u>\$ 144,133</u>	<u>\$ 811,726</u>	<u>\$ 780,207</u>	<u>\$ 101,172</u>	<u>\$ 58,530</u>

## GOVERNMENTAL ACTIVITIES

For the fiscal year ended June 30, 2008, revenues from governmental activities totaled \$389.5 million. Revenues from governmental activities increased by \$69.5 million; primarily in property taxes and other taxes.

General property taxes, the City's largest revenue source, were \$160.2 million, an increase of \$11.3 million over the previous year. This revenue increase is primarily attributable to an increase in real property assessments of \$1.7 billion for fiscal year 2008. For fiscal year 2008, the real estate tax rate was reduced from \$1.14 to \$1.06 per \$100 of assessed value in response to a projected 17.56% increase in real estate assessed values.

Program revenues are derived from the program itself and reduce the cost of the function to the City. Total program revenue for governmental activities was \$142.5 million. One of the most significant of these revenues is the revenue category "Capital Grants and Contributions". These revenues totaled \$57.5 million for the year ended June 30, 2008, an increase of \$47.5 million over the previous year. This increase is mainly due to contributions of infrastructure.

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 \$71.5 million. This represents a \$2.4 million increase over the previous year. The City continues to see positive growth in this year from investments in economic development projects.

For the fiscal year ended June 30, 2008, expenses for governmental activities totaled \$304.9 million, excluding transfers, an increase of \$15.7 million over the previous year. Most of this increase was for compensation and benefits and the City's share of educational funding for the public school system.

## BUSINESS-TYPE ACTIVITIES

Business-type activities generated revenues of \$46.9 million, a decrease of \$28.7 million over the previous year. This decrease is attributable to the reclassification of the HRHA fund from business-type activities to component units in fiscal year 2008, an increase in ticket sales in the Coliseum due to more money making events held in fiscal year 2008, a decrease in NASA contributions to the Museum Fund and capital contributions in the Wastewater Management Fund related to the Hampshire Glen project.

Expenses for the City's business-type activities totaled \$54.8 million, a decrease of \$20.5 million over the previous year. This decrease is attributable to the reclassification of the HRHA fund from business-type activities to component units in fiscal year 2008.

## FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The General Fund's fund balance increased by \$15.2 million over fiscal year 2007. This was due to growth in real and personal property assessments and increases in collection rates as well as designated fund balance appropriations of departmental savings from fiscal year 2007.

The Capital Projects Fund generated a \$102.3 million increase in fund balance from the issuance of \$145.8 million in Public Improvement and Refunding Bonds in fiscal year 2008.

The Wastewater Management Funds increase in net assets of \$.9 million was due to the increase in the number of sewer connection fees relating to new construction and neighborhoods connecting to the City sewer system.

The Economic Development Funds net assets increased \$4.8 million. This increase was primarily due to the sale of 19 acres of land to XL Development Corporation for the H2O project.

HRHA, a component unit, received a capital contribution during the fiscal year which contributed to their net asset increase of \$.2 million.

## GENERAL FUND BUDGETARY HIGHLIGHTS

During the year, the City Council revised the budget on several occasions. City Council appropriated \$7,418,143 from designated fund balance to fund uncompleted projects in the Capital Projects Fund. These projects were funded from the General Fund in fiscal year 2007 but the appropriations lapsed at the end of the fiscal year. Under the City's budget savings program, City Council appropriated \$3,085,904 from designated fund balance, which was based on fiscal year 2007 departmental savings. In addition, the remaining budget savings of \$4,191,237 from prior fiscal years were rolled over from fiscal year 2007 to fiscal year 2008. 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 the remaining balance of 25 percent will be designated for drainage projects. Also, the City reappropriated grant, donation, and other revenues.

Actual expenditures and transfers were \$32.2 million below the final budget. A significant amount of this variance (\$10.6 million) occurred in the general government function, which was related to unused budget savings (\$6.2 million) under the City's budget savings program. An \$18.1 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 reappropriated in the subsequent fiscal year.

Revenues exceeded the budget by \$9.7 million. This positive variance was primarily generated by \$2.2 million in real estate taxes, \$2.6 million in personal property taxes, \$1.5



Component Units	Downtown Hampton Development Partnership, Inc.		Healthy Families Partnership, Inc.		Hampton Redevelopment and Housing Authority	
	2008	2007	2008	2007	2008	2007
Non-depreciable assets:						
Land and land improvements	\$ -	\$ -	\$ -	\$ -	\$ 7,928	\$ 6,952
Construction in progress					1,477	3,066
Other capital assets:						
Buildings and improvements					37,738	30,881
Improvements other than buildings					3	
Infrastructure	427	427				
Equipment and vehicles	75	70	12	12	2,553	2,293
Accumulated depreciation	(142)	(122)	(12)	(12)	(16,187)	(15,132)
	<u>\$ 360</u>	<u>\$ 375</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,512</u>	<u>\$ 28,060</u>

Component Units	Total Component Unit	
	2008	2007
Non-depreciable assets:		
Land and land improvements	\$ 28,842	\$ 27,813
Construction in progress	6,943	8,455
Other capital assets:		
Buildings and improvements	86,701	80,389
Improvements other than buildings	696	693
Infrastructure	2,972	2,972
Equipment and vehicles	37,091	33,750
Accumulated depreciation	(86,377)	(84,505)
	<u>\$ 76,868</u>	<u>\$ 69,567</u>

The City's fiscal year 2009 capital budget sets forth \$257 million to be spent during fiscal year 2009 through 2013 in various projects: \$78.7 million in school construction and maintenance, \$41.8 million in street and infrastructure maintenance, \$10.5 million in building maintenance, \$23.1 million in community enhancements, \$4.2 million in strategic property acquisition and \$2.9 million in Stormwater drainage projects. Construction began and/or was completed for a variety of street projects, building maintenance and infrastructure, education and other projects. Additional information about the City's capital assets can be found in Note 6 to the financial statements.

## LONG-TERM DEBT

At the end of fiscal year 2008, the City had \$314.1 million in outstanding general obligation bonds, an increase of \$110.3 million or 54% over that held at June 30, 2007. This increase is

due to an issuance of \$145.8 million in public improvement and refunding bonds in fiscal year 2008. 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, 2008, the City's aggregate general obligation indebtedness is \$809.2 million below this limit.

Table IV  
City of Hampton  
Change in General Obligation and Revenue Bonds (In Thousands)  
June 30, 2008 and 2007

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
General Obligation bonds	\$ 307,745	\$ 203,636	\$ -	\$ -	\$ 307,745	\$ 203,636
Revenue bonds			115,850	117,300	115,850	117,300
Unamortized premium	9,128	3,139	2,437	2,646	11,565	5,785
Less deferred amount for advance refunding	(2,820)	(2,997)	(1,005)	(1,192)	(3,825)	(4,189)
Total primary government	<u>\$ 314,053</u>	<u>\$ 203,778</u>	<u>\$ 117,282</u>	<u>\$ 118,754</u>	<u>\$ 431,335</u>	<u>\$ 322,532</u>

**Component Unit - Industrial Development Authority**

Revenue bonds	<u>\$ 445</u>	<u>\$ 9,270</u>
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**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The City's staff and City Council considered many factors when developing the fiscal year 2009 budget. One of the major factors considered was the economy.

- Continued growth in the area is expected to continue to increase the tax base. As a result, the City's largest revenue sources, real estate and property taxes, will increase.
- Significant growth in real estate assessments coupled with some return on several of the City's retail economic development initiatives and savings from a review of the City's operations have generated enough revenue to support a real estate tax reduction of two-cents, from \$1.06 per \$100 of assessed value to \$1.04 per \$100 of assessed value.
- In order to fund the Department of Environmental Quality regional consent order obligations and enhance sewer rehabilitation efforts, sewer user fees increased by forty-one cents from \$1.07 per 100 cubic feet to \$1.48 per 100 cubic feet.

The fiscal year 2009 approved budget for the General Fund is \$443,873,992, a 1.9% increase over the fiscal year 2008 budget. New budget initiatives are as follows: city compensation package of \$3.9 million includes merit ranging from 2-4% for all employees and a 6% increase in City's share of health insurance; and increases in debt service (\$4.7 million) to pay for new redevelopment and school projects.

#### 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 Assets  
June 30, 2008**

	<b>Primary Government</b>			<b>Component Units</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total Primary Government</b>	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 138,613,162	\$ 12,944,933	\$ 151,558,095	\$ 23,200,432
Cash with fiscal agent	85,000		85,000	2,039,636
Investments	192,346,474		192,346,474	5,322,151
Accounts receivables	25,834,448	3,372,606	29,207,054	2,294,338
Lease receivable			-	12,870,771
Due from component unit	2,197,551	11,494	2,209,045	
Due from primary government			-	924,701
Internal balances	3,977,593	(3,977,593)	-	
Due from other governments			-	8,804,549
Inventories	297,701	281,107	578,808	323,824
Prepaid items	218,999	89,518	308,517	29,667
Temporarily restricted assets:			-	
Cash and cash equivalents		3,514,930	3,514,930	1,688,531
Cash with fiscal agent		2,441,391	2,441,391	
Investments		26,573,073	26,573,073	
Notes receivable	2,266,755	20,244	2,286,999	1,688,755
Deferred charges	905,595	2,059,553	2,965,148	
Land held for sale			-	9,922,160
Capital assets not being depreciated	499,098,382	11,363,285	510,461,667	35,785,571
Capital assets, net of accumulated depreciation	219,135,855	166,396,892	385,532,747	41,081,791
Total assets	<u>\$ 1,084,977,515</u>	<u>\$ 225,091,433</u>	<u>\$ 1,310,068,948</u>	<u>\$ 145,976,877</u>
<b>LIABILITIES</b>				
Accounts payable and other liabilities	\$ 34,292,022	\$ 2,440,783	\$ 36,732,805	\$ 7,247,287
Due to other governments				204,793
Due to component units	924,701		924,701	
Due to primary government				2,209,045
Unearned revenue	1,818,354	283,671	2,102,025	8,672,342
Current liabilities payable from restricted assets		3,608,795	3,608,795	
Notes and other long-term payables:				
Due within one year	9,041,339	519,994	9,561,333	4,884,221
Due in more than one year	12,725,195	1,353,515	14,078,710	7,032,599
Bonds payable:				
Due within one year	13,290,902	1,698,901	14,989,803	444,704
Due in more than one year	300,761,707	115,583,034	416,344,741	14,110,019
Total liabilities	<u>372,854,220</u>	<u>125,488,693</u>	<u>498,342,913</u>	<u>44,805,010</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	558,006,574	62,229,935	620,236,509	70,255,617
Restricted for:				
Capital projects	16,838,667		16,838,667	
Debt service	6,782,946	26,045,283	32,828,229	
Other purposes	38,374		38,374	5,039,263
Unrestricted	130,456,734	11,327,522	141,784,256	25,876,987
Total net assets	<u>712,123,295</u>	<u>99,602,740</u>	<u>811,726,035</u>	<u>101,171,867</u>
Total liabilities and net assets	<u>\$ 1,084,977,515</u>	<u>\$ 225,091,433</u>	<u>\$ 1,310,068,948</u>	<u>\$ 145,976,877</u>

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

**CITY OF HAMPTON, VIRGINIA  
STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2008**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Assets			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
<b>Primary government</b>								
Governmental activities:								
General government	\$ 101,494,275	\$ 12,424,530	\$ 11,570,902	\$ -	\$ (77,498,843)	\$ -	\$ (77,498,843)	\$ -
Public safety	50,039,435	2,353,341	13,327,555	50,467,409	16,108,870		16,108,870	
Highways and streets	7,774,379		11,941,858	7,062,543	11,230,022		11,230,022	
Sanitation	4,958,516	5,005,648			47,132		47,132	
Health	3,090,096	2,474,876			(615,220)		(615,220)	
Human Services	30,003,855	53,450	22,579,765		(7,370,640)		(7,370,640)	
Culture and recreation	23,523,727	2,782,768	173,133		(20,567,826)		(20,567,826)	
Education (payment to school district)	66,517,429		201,644		(66,315,785)		(66,315,785)	
Education and educational services	5,132,661	70,367			(5,062,294)		(5,062,294)	
Interest on long-term debt	12,389,166	-	-	-	(12,389,166)		(12,389,166)	
Total governmental activities	<u>304,923,539</u>	<u>25,164,980</u>	<u>59,794,857</u>	<u>57,529,952</u>	<u>(162,433,750)</u>		<u>(162,433,750)</u>	
Business-type activities:								
Culture and recreation	34,409,221	17,800,257	2,847,692	761,876		(12,999,396)	(12,999,396)	
Sanitation	<u>20,378,548</u>	<u>22,053,486</u>	<u>-</u>	<u>769,386</u>	<u>-</u>	<u>2,444,324</u>	<u>2,444,324</u>	
Total business-type activities	<u>54,787,769</u>	<u>39,853,743</u>	<u>2,847,692</u>	<u>1,531,262</u>	<u>-</u>	<u>(10,555,072)</u>	<u>(10,555,072)</u>	
<b>Total primary government</b>	<u>\$ 359,711,308</u>	<u>\$ 65,018,723</u>	<u>\$ 62,642,549</u>	<u>\$ 59,061,214</u>	<u>\$ (162,433,750)</u>	<u>\$ (10,555,072)</u>	<u>\$ (172,988,822)</u>	
<b>Component units</b>								
Public school system	\$ 233,992,873	\$ 5,384,796	\$ 160,154,327	\$ -				(68,453,750)
Industrial development	4,393,018	582,528						(3,810,490)
HRHA	29,282,353	2,265,057	19,817,612	886,164				(6,313,520)
Federal area development	4,547							(4,547)
Business improvement	804,688	500,862						(303,826)
Downtown development	590,773	333,865	133,023					(123,885)
Healthy families	194,425	41,455	189,197					36,227
Museum support	<u>1,173,528</u>	<u>-</u>	<u>180,931</u>	<u>-</u>				<u>(992,597)</u>
<b>Total component units</b>	<u>\$ 270,436,205</u>	<u>\$ 9,108,563</u>	<u>\$ 180,475,090</u>	<u>\$ 886,164</u>				<u>\$ (79,966,388)</u>

	<b>Net (Expense) Revenue and Change in Net Assets</b>			
	<b>Primary Government</b>			
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Component Units</u>
<b>General revenues</b>				
Taxes:				
Property taxes	\$ 160,158,097	\$ -	\$ 160,158,097	\$ -
Sales taxes	13,765,325		13,765,325	
Lodging, meal and amusement taxes	18,240,894		18,240,894	
Motor vehicle taxes	3,758,014		3,758,014	
Alcoholic beverage taxes	175,831		175,831	
Business license taxes	12,783,246		12,783,246	
Utility taxes	5,282,345		5,282,345	
Tobacco taxes	3,759,713		3,759,713	
Emergency 911 telephone taxes	420,987		420,987	
Recordation taxes	2,339,122		2,339,122	
Bank stock taxes	306,740		306,740	
Pari-mutuel license taxes	105,838		105,838	
Short-term rental taxes	127,088		127,088	
Franchise license taxes	1,364,362		1,364,362	
Communication sales tax	9,032,478		9,032,478	
Mobile home titling tax	30,104		30,104	
Payments from (to) City of Hampton			-	70,035,524
Investment earnings	11,287,630	1,658,417	12,946,047	1,569,966
Miscellaneous	4,075,560	1,019,841	5,095,401	5,819,404
Transfers	<u>(8,530,473)</u>	<u>8,530,473</u>	-	-
Total general revenues and transfers	<u>238,482,901</u>	<u>11,208,731</u>	<u>249,691,632</u>	<u>77,424,894</u>
<b>Change in net assets</b>	76,049,151	653,659	76,702,810	(2,541,494)
<b>Net assets, beginning (restated)</b>	<u>636,074,144</u>	<u>98,949,081</u>	<u>735,023,225</u>	<u>103,713,361</u>
<b>Net assets, ending</b>	<u>\$ 712,123,295</u>	<u>\$ 99,602,740</u>	<u>\$ 811,726,035</u>	<u>\$ 101,171,867</u>

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

**CITY OF HAMPTON, VIRGINIA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2008**

<b>ASSETS</b>	<u>General Fund</u>	<u>Special Revenue - Economic Development</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash and cash equivalents	\$ 82,434,995	\$ 15,302,765	\$ 984,791	\$ 11,871,959	\$ 4,505,358	\$ 115,099,868
Investments	18,900,430			173,446,045		192,346,475
Accounts receivables:						
Taxes (net of allowance for uncollectible)	6,535,103					6,535,103
Due from other governments	9,910,497			1,405,623	2,908,781	14,224,901
Other	4,488,602	32,700	610	11,690	487,225	5,020,827
Notes receivable		2,224,598			42,157	2,266,755
Due from other funds	6,603,509			5,262,957	227,105	12,093,571
Due from component units	2,001,386	68,564				2,069,950
Inventories	67,096					67,096
Prepaid expenses	96,993					96,993
Advances to other funds	50,000	-	5,797,545	-	-	5,847,545
Total assets	<u>\$ 131,088,611</u>	<u>\$ 17,628,627</u>	<u>\$ 6,782,946</u>	<u>\$ 191,998,274</u>	<u>\$ 8,170,626</u>	<u>\$ 355,669,084</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts payable	\$ 8,155,887	\$ 27,000	\$ -	\$ 5,955,025	\$ 1,321,551	\$ 15,459,463
Accrued health insurance	5,237,383					5,237,383
Accrued liabilities	5,695,666				128,612	5,824,278
Deferred revenue	5,672,149	2,235,524			977,193	8,884,866
Due to other funds	6,961,834	121,467			1,467,150	8,550,451
Due to component units	260,062	662,884	-	1,755	-	924,701
Total liabilities	<u>31,982,981</u>	<u>3,046,875</u>	<u>-</u>	<u>5,956,780</u>	<u>3,894,506</u>	<u>44,881,142</u>
Fund balances:						
Reserved for:						
Encumbrances	2,115,400					2,115,400
Courthouse maintenance	28,901					28,901
Hazmat	9,473					9,473
Advances to other funds	50,000		5,797,545			5,847,545
Grants compliance					567,817	567,817
Unreserved:						
Designated for:						
Succeeding fiscal year	40,914,834					40,914,834
Specific projects - Permanent fund					65,495	65,495
Specific projects - Special Revenue funds		6,833,152			472,465	7,305,617
Debt service			985,401			985,401
Construction projects				186,041,494		186,041,494
Undesignated, reported in:						
General fund	55,987,022					55,987,022
Special Revenue funds	-	7,748,600	-	-	3,170,343	10,918,943
Total fund balances	<u>99,105,630</u>	<u>14,581,752</u>	<u>6,782,946</u>	<u>186,041,494</u>	<u>4,276,120</u>	<u>310,787,942</u>
Total liabilities and fund balances	<u>\$ 131,088,611</u>	<u>\$ 17,628,627</u>	<u>\$ 6,782,946</u>	<u>\$ 191,998,274</u>	<u>\$ 8,170,626</u>	<u>\$ 355,669,084</u>

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

Total fund balances of governmental funds	\$ 310,787,942
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds. (Note 6)	706,338,306
Other assets are not available to pay current-period expenditures and, therefore, are deferred in the funds.	8,020,935
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets.	
Net assets on Combining Statement of Net Assets - Internal Service Funds	29,387,686
Other liabilities not paid from current-period revenues are not reported in the funds for:	
Accrued interest	(7,027,574)
Interfund balances related to amounts eliminated in the Statement of Net Assets	(6,192,189)
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>(329,191,811)</u>
Net assets of governmental activities	<u>\$ 712,123,295</u>

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

**CITY OF HAMPTON, VIRGINIA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2008**

	General Fund	Special Revenue - Economic Development	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>						
General property taxes	\$ 160,328,851	\$ -	\$ -	\$ -	\$ -	\$ 160,328,851
Other local taxes	69,583,544				1,364,363	70,947,907
Intergovernmental revenues:						
From the Commonwealth of Virginia	28,213,194			4,111,641	8,812,976	41,137,811
From the Federal government	9,684,609			2,950,902	3,940,165	16,575,676
Permits, privilege fees and regulatory licenses	1,082,085					1,082,085
Fines and forfeitures	2,268,829					2,268,829
Revenues from use of money and property	4,713,114	6,801,324	23,255	5,926,346	390,654	17,854,693
Charges for services	5,906,575				4,988,581	10,895,156
Payment from component unit	2,006,974					2,006,974
Miscellaneous	3,271,619	730		1,261,423	1,491,458	6,025,230
Recovered costs	10,202,920	-	286,510	-	-	10,489,430
Total revenues	<u>297,262,314</u>	<u>6,802,054</u>	<u>309,765</u>	<u>14,250,312</u>	<u>20,988,197</u>	<u>339,612,642</u>
<b>EXPENDITURES</b>						
Current:						
General government	82,125,877	3,493,507			3,517,126	89,136,510
Public safety	45,774,268				4,676,184	50,450,452
Highways and streets	2,395,114					2,395,114
Sanitation	-				3,656,032	3,656,032
Health	3,204,750					3,204,750
Human services	20,619,006				9,412,660	30,031,666
Culture and recreation	13,647,126				1,607,382	15,254,508
Education (payment to school district)	66,517,429					66,517,429
Education and educational services	2,404,300					2,404,300
Capital improvements				46,615,213		46,615,213
Debt service:						
Principal retirement			12,530,275			12,530,275
Interest and fiscal charges	-	-	8,825,259	-	-	8,825,259
Total expenditures	<u>236,687,870</u>	<u>3,493,507</u>	<u>21,355,534</u>	<u>46,615,213</u>	<u>22,869,384</u>	<u>331,021,508</u>
Excess (deficiency) of revenues over (under) expenditures	<u>60,574,444</u>	<u>3,308,547</u>	<u>(21,045,769)</u>	<u>(32,364,901)</u>	<u>(1,881,187)</u>	<u>8,591,134</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Proceeds from debt issuance and capital leases				116,275,000		116,275,000
Premium on bond issue				6,438,449		6,438,449
Proceeds from refunding bonds			29,540,000			29,540,000
Redemption of refunded bonds			(29,540,000)			(29,540,000)
Transfers in		1,500,000	20,803,607	11,903,103	3,155,681	37,362,391
Transfers out	(45,347,773)	(28,521)	-	-	(516,570)	(45,892,864)
Net other financing sources (uses)	<u>(45,347,773)</u>	<u>1,471,479</u>	<u>20,803,607</u>	<u>134,616,552</u>	<u>2,639,111</u>	<u>114,182,976</u>
<b>Net change in fund balances</b>	<u>15,226,671</u>	<u>4,780,026</u>	<u>(242,162)</u>	<u>102,251,651</u>	<u>757,924</u>	<u>122,774,110</u>
<b>Fund balances, beginning of year, as restated</b>	<u>83,878,959</u>	<u>9,801,726</u>	<u>7,025,108</u>	<u>83,789,843</u>	<u>3,518,196</u>	<u>188,013,832</u>
<b>Fund balances, end of year</b>	<u>\$ 99,105,630</u>	<u>\$ 14,581,752</u>	<u>\$ 6,782,946</u>	<u>\$ 186,041,494</u>	<u>\$ 4,276,120</u>	<u>\$ 310,787,942</u>

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

Net change in fund balances - total governmental funds	\$ 122,774,110
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. This is the amount by which new capital assets exceeded capital expenditures in the period. (Note 6)	21,693,802
In the statement of activities, the loss on disposal of capital assets is reported. However in the governmental funds, only the proceeds from sale increase financial resources. The change in net assets differs from the change in fund balance by the net book value of the capital assets disposed.	
Cost of capital assets disposed	(273,985)
Accumulated depreciation on capital assets disposed	74,967
Donated assets are not reported in the governmental funds but are reflected in the statement of activities	50,467,409
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.	(1,206,577)
Proceeds from bond issuance and capital leases provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.	
Debt increase for compensated absences and net pension obligation	(1,054)
Net other postemployment benefits liability	(7,380,069)
Proceeds from debt issuance	(152,253,449)
Repayment of debt principal	42,178,107
Bond issuance costs	310,769
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net income of the internal service funds is reported with governmental activities.	3,460,151
Expenses incurred during the period related to liabilities that are still outstanding and not yet due at year-end for accrued interest	(4,068,624)
Amortization of premiums	<u>273,594</u>
Change in net assets of governmental activities	<u>\$ 76,049,151</u>

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

**CITY OF HAMPTON, VIRGINIA**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**For the Fiscal Year Ended June 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Intergovernmental:				
State funds	\$ 27,393,578	\$ 27,792,040	\$ 28,213,194	\$ 421,154
Federal funds (includes pass through)	11,144,291	11,164,791	9,684,609	(1,480,182)
Local taxes	221,691,017	221,691,017	229,912,395	8,221,378
Licenses and permits	1,254,700	1,254,700	1,082,085	(172,615)
Fines and forfeitures	1,885,000	1,885,000	2,268,829	383,829
Revenue from use of money and property	3,002,353	3,002,353	4,713,114	1,710,761
Charges for services	5,587,941	5,587,941	5,906,575	318,634
Recovered costs	10,636,469	10,636,469	10,202,920	(433,549)
Payment from component unit	2,000,000	2,000,000	2,006,974	6,974
Miscellaneous	2,563,928	2,563,928	3,271,619	707,691
Total revenues	<u>287,159,277</u>	<u>287,578,239</u>	<u>297,262,314</u>	<u>9,684,075</u>
<b>EXPENDITURES</b>				
Current:				
General government	90,458,065	92,674,901	82,125,877	(10,549,024)
Public safety	44,721,600	47,326,904	45,774,268	(1,552,636)
Highways and streets	2,562,901	2,510,605	2,395,114	(115,491)
Health	3,214,191	3,393,915	3,204,750	(189,165)
Human services	21,072,390	21,092,731	20,619,006	(473,725)
Culture and recreation	13,671,998	14,757,978	13,647,126	(1,110,852)
Education	68,910,133	69,046,348	68,921,729	(124,619)
Total expenditures	<u>244,611,278</u>	<u>250,803,382</u>	<u>236,687,870</u>	<u>(14,115,512)</u>
Excess of revenues over (under) expenditures	<u>42,547,999</u>	<u>36,774,857</u>	<u>60,574,444</u>	<u>23,799,587</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	<u>(52,379,451)</u>	<u>(63,481,068)</u>	<u>(45,347,773)</u>	<u>(18,133,295)</u>
Total other financing sources (uses)	<u>(52,379,451)</u>	<u>(63,481,068)</u>	<u>(45,347,773)</u>	<u>(18,133,295)</u>
Excess of revenues and other sources over (under) expenditures and other uses	(9,831,452)	(26,706,211)	15,226,671	<u>\$ 41,932,882</u>
<b>Appropriations from fund balance</b>	9,831,452	28,821,611		
<b>Appropriations - encumbrances</b>	<u>-</u>	<u>(2,115,400)</u>		
Budget - excess of revenues and appropriations from fund balance over (under) expenditures		-		
<b>Fund balance - July 1, as restated</b>	<u>-</u>	<u>-</u>	<u>83,878,959</u>	
<b>Fund balance - June 30</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 99,105,630</u>	

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

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**CITY OF HAMPTON, VIRGINIA  
STATEMENT OF FUND NET ASSETS  
PROPRIETARY FUNDS  
June 30, 2008**

	Business-Type Activities - Enterprise Funds					Governmental	Activities
	Wastewater Management	The Hamptons	Museum	Convention Center	Non-major Enterprise	Totals	Internal Service Funds
<b>ASSETS</b>							
Current assets:							
Cash and cash equivalents	\$ 1,882,954	\$ 240,924	\$ 946	\$ -	\$ 10,820,109	\$ 12,944,933	\$ 23,513,293
Cash with fiscal agent						-	85,000
Restricted assets to be used to liquidate current liabilities:						-	
Revenue bond indenture:						-	
Cash and cash equivalents				1,331,878		1,331,878	
Cash with fiscal agent			817,761	1,623,630		2,441,391	
Accounts receivable	870,679		15,166	310,570	1,928,656	3,125,071	53,616
Notes and mortgage receivable	23,328					23,328	
Due from other funds		208	396,145	586,753	30,165	1,013,271	816,550
Due from component units					11,494	11,494	127,601
Due from other governments					244,451	244,451	
Inventories	66,219	23,556	103,323		88,009	281,107	230,604
Prepaid expense		974	88,544			89,518	122,006
Restricted assets:						-	
Revenue bond indenture:						-	
Cash and cash equivalents		277,073	1,792,083	113,896		2,183,052	
Investments	-	352,774	-	26,220,299	-	26,573,073	-
Total current assets	<u>2,843,180</u>	<u>895,509</u>	<u>3,213,968</u>	<u>30,187,026</u>	<u>13,122,884</u>	<u>50,262,567</u>	<u>24,948,670</u>
Noncurrent Assets:							
Deferred charges		13,629	95,873	1,950,051		2,059,553	
Capital assets:						-	
Land and improvements	145,615	3,710,566	1,921,420	5,332,401	7,270,791	18,380,793	
Buildings and improvements	1,706,026	2,342,593	26,770,386	89,858,046	14,090,995	134,768,046	
Improvements other than buildings	306,392	9,316	6,800	3,228,110	24,480,912	28,031,530	
Equipment	3,520,087	680,422	3,703,683	883,204	12,862,372	21,649,768	31,695,249
Construction in progress	365,309		761,876		377,047	1,504,232	
Exhibits			13,886,509			13,886,509	
Infrastructure	62,713,362					62,713,362	
Less accumulated depreciation	<u>(25,412,195)</u>	<u>(5,185,919)</u>	<u>(25,899,423)</u>	<u>(8,254,395)</u>	<u>(38,422,131)</u>	<u>(103,174,063)</u>	<u>(19,799,321)</u>
Net capital assets	<u>43,344,596</u>	<u>1,556,978</u>	<u>21,151,251</u>	<u>91,047,366</u>	<u>20,659,986</u>	<u>177,760,177</u>	<u>11,895,928</u>
Total noncurrent assets	<u>43,344,596</u>	<u>1,570,607</u>	<u>21,247,124</u>	<u>92,997,417</u>	<u>20,659,986</u>	<u>179,819,730</u>	<u>11,895,928</u>
Total assets	<u>\$ 46,187,776</u>	<u>\$ 2,466,116</u>	<u>\$ 24,461,092</u>	<u>\$ 123,184,443</u>	<u>\$ 33,782,870</u>	<u>\$ 230,082,297</u>	<u>\$ 36,844,598</u>

	Business-Type Activities - Enterprise Funds						Governmental
	Wastewater Management	The Hamptons	Museum	Convention Center	Non-major Enterprise	Totals	Internal Service Funds
<b>LIABILITIES</b>							
Current liabilities:							
Accounts payable	\$ 303,023	\$ 62,554	\$ -	\$ -	\$ 1,507,625	\$ 1,873,202	\$ 707,931
Accrued liabilities				47,465		47,465	
Accrued interest payable		6,800	175,500		68,851	251,151	-
Accrued leave	114,180	12,094	62,458		214,036	402,768	95,182
Due to other funds	44,620	2,874,020	830,000		1,586,868	5,335,508	37,433
Deferred revenue		700	152,092		130,880	283,672	48,824
Current portion of long-term debt		367,226	1,304,051	144,850		1,816,127	4,808,723
Current liabilities payable from restricted assets:							
Accounts payable			875,882	276,049		1,151,931	
Accrued interest payable				2,456,864		2,456,864	
Other liabilities	56,498	16,624	-	33,510	162,332	268,964	35,392
Total current liabilities	<u>518,321</u>	<u>3,340,018</u>	<u>3,399,983</u>	<u>2,958,738</u>	<u>3,670,592</u>	<u>13,887,652</u>	<u>5,733,485</u>
Noncurrent liabilities:							
Claims payable							681,483
Accrued leave	50,377	17,506			279,235	347,118	41,056
Bonds payable		1,089,119	6,249,126	108,244,789		115,583,034	
Obligations under capital leases		1,006,397				1,006,397	1,000,888
Advances from other funds	-	-	50,000	-	5,797,545	5,847,545	-
Total noncurrent liabilities	<u>50,377</u>	<u>2,113,022</u>	<u>6,299,126</u>	<u>108,244,789</u>	<u>6,076,780</u>	<u>122,784,094</u>	<u>1,723,427</u>
Total liabilities	<u>568,698</u>	<u>5,453,040</u>	<u>9,699,109</u>	<u>111,203,527</u>	<u>9,747,372</u>	<u>136,671,746</u>	<u>7,456,912</u>
<b>NET ASSETS</b>							
Invested in capital assets, net of related debt	43,344,596	(905,764)	13,693,947	(14,466,957)	20,659,986	62,325,808	10,586,671
Restricted						-	
Debt service		629,847	1,733,962	23,681,474		26,045,283	
Unrestricted	<u>2,274,482</u>	<u>(2,711,007)</u>	<u>(665,926)</u>	<u>2,766,399</u>	<u>3,375,512</u>	<u>5,039,460</u>	<u>18,801,015</u>
Total net assets (deficit)	<u>45,619,078</u>	<u>(2,986,924)</u>	<u>14,761,983</u>	<u>11,980,916</u>	<u>24,035,498</u>	<u>93,410,551</u>	<u>29,387,686</u>
Total liabilities and net assets	<u>\$ 46,187,776</u>	<u>\$ 2,466,116</u>	<u>\$ 24,461,092</u>	<u>\$ 123,184,443</u>	<u>\$ 33,782,870</u>	<u>\$ 230,082,297</u>	<u>\$ 36,844,598</u>

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

Net assets of enterprise funds	\$ 93,410,551
Amounts reported for business-type activities in the Statement of Net Assets are different because:	
Net revenue of internal service funds are allocated to funds receiving services	458,626
Interfund reimbursement for allocated overhead costs	<u>5,733,563</u>
Net assets business-type activities	<u>\$ 99,602,740</u>

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

**CITY OF HAMPTON, VIRGINIA**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2008**

	Business-Type Activities - Enterprise Funds		
	Wastewater Management	The Hamptons	Museum
<b>Operating revenues:</b>			
Charges for services	\$ 5,780,263	\$ 1,024,865	\$ 2,366,428
Federal revenues			464,000
Other	114,250	-	3,399,564
Total operating revenues	<u>5,894,513</u>	<u>1,024,865</u>	<u>6,229,992</u>
<b>Operating expenses:</b>			
Personal services	1,905,916	442,435	1,888,225
Fringe benefits	618,744	107,574	501,933
Promoters' fees			
City-sponsored events			
Cost of goods sold	156,217	36,783	225,369
Utilities	144,714	41,851	357,471
Insurance	45,100	26,644	70,078
Operating supplies	259,895	116,605	2,348,221
Equipment rental	6,420	235,258	239,341
Equipment and building repairs	663,445	107,386	180,824
Telephone and postage	16,780	5,700	46,474
Amusement tax			
General expense	32,130	2,109	
Claims			
Landfill costs			
Contractual services	463,729	41,940	272,234
Indirect cost	456,000		
Depreciation and amortization	1,301,882	279,044	2,630,330
Total operating expenses	<u>6,070,972</u>	<u>1,443,329</u>	<u>8,760,500</u>
Operating income (loss)	<u>(176,459)</u>	<u>(418,464)</u>	<u>(2,530,508)</u>
<b>Nonoperating revenues (expenses):</b>			
Interest income	216	21,289	233,222
Interest and fiscal charges		(204,326)	(365,369)
Other			
Gain (loss) on sale of capital assets	(2,654)		
Net increase (decrease) in fair value of investments	-	16,193	-
Total nonoperating revenues (expenses)	<u>(2,438)</u>	<u>(166,844)</u>	<u>(132,147)</u>
Income (loss) before transfers and capital contributions	(178,897)	(585,308)	(2,662,655)
Capital contributions	772,039		761,876
Transfers in (out)	<u>300,000</u>	<u>630,000</u>	<u>1,561,439</u>
<b>Change in net assets</b>	893,142	44,692	(339,340)
<b>Net assets, (deficit) beginning of year (as restated)</b>	<u>44,725,936</u>	<u>(3,031,616)</u>	<u>15,101,323</u>
<b>Net assets, (deficit) end of year</b>	<u>\$ 45,619,078</u>	<u>\$ (2,986,924)</u>	<u>\$ 14,761,983</u>

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

Change in net assets - total enterprise funds

The net revenue of the internal service fund is reported with governmental activities.  
Interfund reimbursement for allocated overhead costs

Change in net assets of business-type activities

Exhibit A-7

Business-Type Activities - Enterprise Funds			Governmental Activities
Convention Center	Non-major Enterprise	Totals	Internal Service Funds
\$ 2,568,433	\$ 28,113,757	\$ 39,853,746	\$ 16,968,743
-	-	464,000	-
<u>2,568,433</u>	<u>28,113,757</u>	<u>43,831,560</u>	<u>16,968,743</u>
1,352,865	5,335,076	10,924,517	1,460,497
350,461	1,890,527	3,469,239	509,577
	5,084,701	5,084,701	
	925,340	925,340	
11,741	256,332	686,442	3,756,553
923,210	780,561	2,247,807	45,624
38,906	568,751	749,479	1,661,319
316,711	933,611	3,975,043	130,878
	59,049	540,068	98,606
130,216	2,170,270	3,252,141	160,477
41,533	38,689	149,176	987,699
	741,176	741,176	
289,944	1,022,317	1,346,500	73,330
			2,950,347
	3,760,456	3,760,456	
428,923	932,990	2,139,816	21,495
	574,470	1,030,470	
<u>2,643,901</u>	<u>1,866,747</u>	<u>8,721,904</u>	<u>2,512,998</u>
<u>6,528,411</u>	<u>26,941,063</u>	<u>49,744,275</u>	<u>14,369,400</u>
<u>(3,959,978)</u>	<u>1,172,694</u>	<u>(5,912,715)</u>	<u>2,599,343</u>
1,326,859	29,172	1,610,758	817,396
(5,334,595)	(283,928)	(6,188,218)	(55,382)
	3,973	3,973	77,101
		(2,654)	
31,464	-	47,657	-
<u>(3,976,272)</u>	<u>(250,783)</u>	<u>(4,528,484)</u>	<u>839,115</u>
<u>(7,936,250)</u>	<u>921,911</u>	<u>(10,441,199)</u>	<u>3,438,458</u>
		1,533,915	21,693
<u>6,094,034</u>	<u>(55,000)</u>	<u>8,530,473</u>	<u>-</u>
(1,842,216)	866,911	(376,811)	3,460,151
<u>13,823,132</u>	<u>23,168,587</u>	<u>93,787,362</u>	<u>25,927,535</u>
<u>\$ 11,980,916</u>	<u>\$ 24,035,498</u>	<u>\$ 93,410,551</u>	<u>\$ 29,387,686</u>
		\$ (376,811)	
		1,030,470	
		<u>\$ 653,659</u>	

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

**CITY OF HAMPTON, VIRGINIA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Year Ended 6/30/2008**

	Business-Type Activities- Enterprise Funds					Totals	Governmental Activities
	Wastewater Management	The Hamptons	Museum	Convention Center	Non-major Enterprise		Internal Service Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>							
Cash received from customers	\$ 5,661,360	\$ 1,026,755	\$ 6,243,941	\$ 2,584,465	\$ 27,171,293	\$ 42,687,814	\$ 18,577,062
Cash payments to suppliers for goods and services	(2,107,927)	(785,102)	(3,895,500)	(2,704,796)	(19,053,265)	(28,546,590)	(8,442,707)
Cash payments to employees for services	(2,517,993)	(206,361)	(1,883,076)	(1,378,307)	(5,081,600)	(11,067,337)	(1,818,923)
Net cash provided by (used in) operating activities	<u>1,035,440</u>	<u>35,292</u>	<u>465,365</u>	<u>(1,498,638)</u>	<u>3,036,428</u>	<u>3,073,887</u>	<u>8,315,432</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>							
Transfers in from other funds	<u>300,000</u>	<u>630,000</u>	<u>1,376,905</u>	<u>6,094,034</u>	<u>(55,000)</u>	<u>8,345,939</u>	<u>-</u>
Net cash provided by (used in) noncapital financing activities	<u>300,000</u>	<u>630,000</u>	<u>1,376,905</u>	<u>6,094,034</u>	<u>(55,000)</u>	<u>8,345,939</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>							
Acquisition and construction of capital assets	(571,959)	(33,000)	(270,604)	(157,764)	(1,744,446)	(2,777,773)	(1,771,948)
Principal paid on revenue bond maturities and long-term debt		(338,153)	(1,210,000)		(285,107)	(1,833,260)	(312,685)
Interest paid on revenue bonds and long-term debt		(218,947)	(379,738)	(5,361,254)	(286,705)	(6,246,644)	(55,382)
Proceeds from sale of capital assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>77,833</u>
Net cash provided by (used in) capital and related financing activities	<u>(571,959)</u>	<u>(590,100)</u>	<u>(1,860,342)</u>	<u>(5,519,018)</u>	<u>(2,316,258)</u>	<u>(10,857,677)</u>	<u>(2,062,182)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>							
Purchase of investment securities				23,300,630		23,300,630	
Sale of investment securities				(23,607,699)		(23,607,699)	
Interest and dividends on investments	<u>216</u>	<u>7,964</u>	<u>169,172</u>	<u>1,358,323</u>	<u>32,130</u>	<u>1,567,805</u>	<u>830,764</u>
Net cash provided by (used in) investing activities	<u>216</u>	<u>7,964</u>	<u>169,172</u>	<u>1,051,254</u>	<u>32,130</u>	<u>1,260,736</u>	<u>830,764</u>
Net increase (decrease) in cash and cash equivalents (including restricted amounts)	763,697	83,156	151,100	127,632	697,300	1,822,885	7,084,014
Cash and cash equivalents (including restricted), July 1	<u>1,119,257</u>	<u>434,841</u>	<u>2,459,690</u>	<u>2,941,772</u>	<u>10,122,809</u>	<u>17,078,369</u>	<u>16,514,279</u>
Cash and cash equivalents (including restricted), June 30	<u>\$ 1,882,954</u>	<u>\$ 517,997</u>	<u>\$ 2,610,790</u>	<u>\$ 3,069,404</u>	<u>\$ 10,820,109</u>	<u>\$ 18,901,254</u>	<u>\$ 23,598,293</u>

	Business-Type Activities- Enterprise Funds					Governmental	
	Wastewater Management	The Hamptons	Museum	Convention Center	Non-major Enterprise	Totals	Internal Service Funds
Operating income (loss)	\$ (176,459)	\$ (418,464)	\$ (2,530,508)	\$ (3,959,978)	\$ 1,172,694	\$ (5,912,715)	\$ 2,599,343
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:							
Depreciation and amortization expense	1,301,882	279,044	2,630,330	2,643,901	1,866,747	8,721,904	2,512,998
Decrease (increase) in:							
Accounts receivable	(234,924)		13,949	16,032	(19,578)	(224,521)	33,330
Due from other funds	1,771	1,190	(265,534)	(70,490)	26,144	(306,919)	1,660,265
Due from component units					3,767	3,767	900,235
Due to other governments					(244,451)	(244,451)	
Inventories	(8,772)	9,004	20,933	11,196	(1,656)	30,705	(25,381)
Prepaid expenses		(974)	(29,765)		1,941	(28,798)	(122,006)
Deferred charges		5,328	103,094			108,422	
Increase (decrease) in:							
Accounts payable	248,429	(76,610)		2,736	599,082	773,637	106,988
Accrued leave	646				26,986	27,632	(31,894)
Due to other funds	(103,154)	237,853			308,125	442,824	11,636
Other liabilities	6,021	(1,779)		2,815	4,348	11,405	370
Deferred revenue		700	(40,750)		(711,694)	(751,744)	27,967
Current liabilities payable from restricted assets			292,933			292,933	
Current portion of long-term accrued claims reported as operating activity						-	585,057
Due to other funds reported as nonoperating activities			265,534			265,534	
Accounts receivable reported as nonoperating activities						-	(13,367)
Accounts payable reported as nonoperating activities						-	115,757
Long-term accrued leave reported as operating activity			5,149			5,149	(45,866)
Current portion of long-term debt reported as nonoperating activity				(144,850)		(144,850)	
Nonoperating revenues reported as operating revenues	-	-	-	-	3,973	3,973	-
Total adjustments	1,211,899	453,756	2,995,873	2,461,340	1,863,734	8,986,602	5,716,089
Net cash provided by (used in) operating activities	\$ 1,035,440	\$ 35,292	\$ 465,365	\$ (1,498,638)	\$ 3,036,428	\$ 3,073,887	\$ 8,315,432
Non-cash transactions affecting investing capital and related financing activities:							
Acquisition of capital assets through outside capital contribution	\$ 772,039	\$ -	\$ 761,876	\$ -	\$ -	\$ 1,533,915	\$ 21,693
Net increase (decrease) in fair value of investments	-	16,193	-	31,464	-	47,657	-
Total non-cash transactions	\$ 772,039	\$ 16,193	\$ 761,876	\$ 31,464	\$ -	\$ 1,581,572	\$ 21,693

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

**CITY OF HAMPTON, VIRGINIA**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**June 30, 2008**

	<u>Pension Trust Hampton Employees' Retirement System</u>	<u>Agency Funds</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 369,069	\$ 1,391,634
Investments:		
Bond mutual funds	53,063,735	
Common stock	38,253	
Stock mutual funds	101,724,078	
Receivables:		
Accrued interest	418	
Accounts	163,361	
Property, Plant, and Equipment		
Office and operating equipment	5,350	
Less accumulated depreciation	<u>(4,006)</u>	<u>-</u>
Total assets	<u>\$ 155,360,258</u>	<u>\$ 1,391,634</u>
<b>LIABILITIES</b>		
Deposits	\$ -	\$ 1,349,286
Accounts payable	<u>129,741</u>	<u>42,348</u>
Total liabilities	<u>129,741</u>	<u>\$ 1,391,634</u>
<b>NET ASSETS</b>		
Held in trust for pension benefits and other purposes	<u>\$ 155,230,517</u>	

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

**CITY OF HAMPTON, VIRGINIA**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**For the Year Ended June 30, 2008**

	Hampton Employees' Retirement System
<b>ADDITIONS</b>	
Investment income:	
Net appreciation (depreciation) in fair value of investments	\$ (15,825,766)
Interest	1,382
Dividends	5,135,932
Other	86,380
Total investment earnings (losses)	(10,602,072)
Less investment expenses	(27,198)
Net investment earnings (losses)	(10,629,270)
Employer contributions	1,715,011
Total additions (losses)	(8,914,259)
<b>DEDUCTIONS</b>	
Benefits	14,991,683
Administrative expenses	178,782
Total deductions	15,170,465
<b>Change in net assets</b>	(24,084,724)
<b>Net assets, July 1</b>	179,315,241
<b>Net assets, June 30</b>	\$ 155,230,517

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

**CITY OF HAMPTON, VIRGINIA**  
**COMBINING STATEMENT OF NET ASSETS**  
**DISCRETELY PRESENTED COMPONENT UNITS**  
**June 30, 2008**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>		
	School Board	Industrial Development Authority	Hampton Redevelopment and Housing Authority	Federal Area Development Authority
<b>ASSETS</b>				
Cash and cash equivalents	\$ 4,734,319	\$ 683,080	\$ 16,500,608	\$ 249,806
Cash with fiscal agent		2,039,636		
Investments	11,735	7,235	4,701,456	
Accounts receivable	138,731	68,564	788,313	
Lease receivable		12,870,771		
Due from primary government		924,701		
Due from other governments	8,804,549			
Inventories	256,800		67,024	
Prepaid items			23,545	
Temporarily restricted assets:				
Cash and cash equivalents		1,688,531		
Notes receivable		1,578,127	110,628	
Land held for sale		6,491,510	3,430,650	
Capital assets not being depreciated	5,111,045	21,268,937	9,405,589	
Capital assets, net of accumulated depreciation	14,510,443	2,078,656	24,106,662	-
Total assets	<u>\$ 33,567,622</u>	<u>\$ 49,699,748</u>	<u>\$ 59,134,475</u>	<u>\$ 249,806</u>
<b>LIABILITIES</b>				
Accounts payable and other liabilities	\$ 3,693,669	\$ 907,441	\$ 2,575,020	
Due to other governments			204,793	
Due to primary government	2,139,213	69,832		
Deferred revenue	115,815	4,616,467	3,940,060	
Notes and other long-term payables:				
Due within one year	2,457,705		266,516	
Due in more than one year	6,050,079		982,520	
Bonds payable:				
Due within one year		444,704		
Due in more than one year	-	8,360,019	5,750,000	-
Total liabilities	<u>14,456,481</u>	<u>14,398,463</u>	<u>13,718,909</u>	<u>-</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	19,621,488	23,347,593	26,960,506	
Restricted for:				
Other purposes		1,688,531	3,350,732	
Unrestricted	(510,347)	10,265,161	15,104,328	249,806
Total net assets	<u>19,111,141</u>	<u>35,301,285</u>	<u>45,415,566</u>	<u>249,806</u>
Total liabilities and net assets	<u>\$ 33,567,622</u>	<u>\$ 49,699,748</u>	<u>\$ 59,134,475</u>	<u>\$ 249,806</u>

<b>Business-Type Activities</b>				
Coliseum Central Business Improvement District, Inc.	Downtown Hampton Development Partnership, Inc.	Healthy Families Partnership, Inc.	Foundation of the Virginia Air and Space Center	Total
\$ 566,507	\$ 258,436	\$ 206,099	\$ 1,577	\$ 23,200,432
				2,039,636
214,539	6,000	14,258	601,725	5,322,151
			1,063,933	2,294,338
				12,870,771
				924,701
				8,804,549
				323,824
3,755	2,367			29,667
				1,688,531
				1,688,755
				9,922,160
				35,785,571
25,865	360,165	-	-	41,081,791
<u>\$ 810,666</u>	<u>\$ 626,968</u>	<u>\$ 220,357</u>	<u>\$ 1,667,235</u>	<u>\$ 145,976,877</u>
\$ 37,951	\$ 27,316	\$ 5,890		7,247,287
				204,793
				2,209,045
				8,672,342
	60,000		2,100,000	4,884,221
				7,032,599
				444,704
-	-	-	-	14,110,019
<u>37,951</u>	<u>87,316</u>	<u>5,890</u>	<u>2,100,000</u>	<u>44,805,010</u>
25,865	300,165			70,255,617
				5,039,263
<u>746,850</u>	<u>239,487</u>	<u>214,467</u>	<u>(432,765)</u>	<u>25,876,987</u>
<u>772,715</u>	<u>539,652</u>	<u>214,467</u>	<u>(432,765)</u>	<u>101,171,867</u>
<u>\$ 810,666</u>	<u>\$ 626,968</u>	<u>\$ 220,357</u>	<u>\$ 1,667,235</u>	<u>\$ 145,976,877</u>

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

**CITY OF HAMPTON, VIRGINIA  
COMBINING STATEMENT OF ACTIVITIES  
DISCRETELY PRESENTED COMPONENT UNITS  
For the Year Ended June 30, 2008**

Functions/Programs	Program Revenues				Net (Expenses) Revenues and Changes in Net Assets								
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	School Board	Industrial Development Authority	Hampton Redevelopment and Housing Authority	Federal Area Development Authority	Coliseum Central Business Improvement District, Inc.	Downtown Hampton Development Partnership, Inc.	Healthy Families Partnership, Inc.	Foundation of the Virginia Air and Space Center	Total
Governmental type activities													
Public school system	\$ 233,992,873	\$ 5,384,796	\$ 160,154,327	\$ -	\$(68,453,750)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$(68,453,750)
Business type activities													
Industrial development	4,393,018	582,528				(3,810,490)							(3,810,490)
Hampton redevelopment	29,282,353	2,265,057	19,817,612	886,164		(6,313,520)							(6,313,520)
Federal area development	4,547						(4,547)						(4,547)
Business improvement	804,688	500,862						(303,826)					(303,826)
Downtown development	590,773	333,865	133,023						(123,885)				(123,885)
Healthy families	194,425	41,455	189,197							36,227			36,227
Museum support	1,173,528	-	180,931								(992,597)		(992,597)
<b>Total component units</b>	<b>\$ 270,436,205</b>	<b>\$ 9,108,563</b>	<b>\$ 180,475,090</b>	<b>\$ 886,164</b>	<b>\$(68,453,750)</b>	<b>\$(3,810,490)</b>	<b>\$(6,313,520)</b>	<b>\$(4,547)</b>	<b>\$(303,826)</b>	<b>\$(123,885)</b>	<b>\$ 36,227</b>	<b>\$(992,597)</b>	<b>\$(79,966,388)</b>
Payments from (to) City of Hampton					66,517,429	2,873,179			453,950	190,966			70,035,524
Investment earnings						762,868	768,264		9,654		2,600	26,580	1,569,966
Miscellaneous						20,594	5,777,152		767	20,891			5,819,404
<b>Total general revenues, special items and transfers</b>					<b>66,517,429</b>	<b>3,656,641</b>	<b>6,545,416</b>	<b>-</b>	<b>464,371</b>	<b>211,857</b>	<b>2,600</b>	<b>26,580</b>	<b>77,424,894</b>
<b>Change in net assets</b>					<b>(1,936,321)</b>	<b>(153,849)</b>	<b>231,896</b>	<b>(4,547)</b>	<b>160,545</b>	<b>87,972</b>	<b>38,827</b>	<b>(966,017)</b>	<b>(2,541,494)</b>
<b>Net assets, beginning, (restated)</b>					<b>21,047,462</b>	<b>35,455,134</b>	<b>45,183,670</b>	<b>254,353</b>	<b>612,170</b>	<b>451,680</b>	<b>175,640</b>	<b>533,252</b>	<b>103,713,361</b>
<b>Net assets, ending</b>					<b>\$ 19,111,141</b>	<b>\$ 35,301,285</b>	<b>\$ 45,415,566</b>	<b>\$ 249,806</b>	<b>\$ 772,715</b>	<b>\$ 539,652</b>	<b>\$ 214,467</b>	<b>\$ (432,765)</b>	<b>\$ 101,171,867</b>

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

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

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

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

The following is a summary of the significant accounting policies.

Reporting Entity

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

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

Component Unit Disclosures

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

Discretely Presented Component Units

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

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2008**

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

Hampton City School Board

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

Hampton Redevelopment and Housing Authority

The Hampton Redevelopment and Housing Authority (HRHA) was established under the laws of the Commonwealth of Virginia to provide low rent housing for qualified individuals in accordance with the rules and regulations prescribed by the U.S. Department of Housing and Urban Development. HRHA operates on a calendar year basis (January 1 to December 31) which differs from the City's fiscal year (July 1 to June 30). HRHA is required to make annual payments in lieu of taxes to the City. The City is not fiscally responsible for HRHA's operating funds or debt. HRHA is included in the City's reporting entity because the economic resources of HRHA are for the direct benefit of the City's constituents. A copy of the separately issued financial statements for HRHA may be obtained by writing to HRHA, 22 Lincoln Street, Hampton, Virginia 23669 or by calling (757) 727-6337.

Hampton Industrial Development Authority

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

Healthy Families Partnership, Inc.

The Healthy Families Partnership, Inc. (HFP) is a non-stock corporation that provides programs and services that benefit families and children of the City. Programs offered by the HFP support goals which include promoting optimal child development and preventive care during early childhood; enhancing parenting skills; improving family support systems; and reducing undesirable health outcomes such as poor immunization rates, child abuse and neglect and repeat teenage pregnancies. The HFP derives financial support from the City in the form of in-kind services. HFP is included in the City's reporting entity because the resources of HFP are for the

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2008**

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

direct benefit of the City's constituents and the City can impose its will in the ability to appoint, hire, reassign, or dismiss those persons responsible for the day-to-day operations of the organization. A copy of the separately issued financial statements for HFP may be obtained by writing to HFP, 100 Old Hampton Lane, Hampton, Virginia 23669 or by calling (757) 727-1300.

Coliseum Central Business Improvement District, Inc.

The Coliseum Central Business Improvement District, Inc. (Coliseum BID) was incorporated on January 22, 1996, to promote, develop and market the Coliseum Central Business District in the City. Coliseum BID was created by action of the City Council under provisions of the *Code of Virginia*. An additional tax is assessed on commercial real estate located in the District to provide funds for the economic development of the District. The City Council approved the renewal of the Coliseum BID through June 2011. Coliseum BID is included in the City's reporting entity because the resources of Coliseum BID are for the direct benefit of the City's constituents. A copy of the separately issued financial statements for Coliseum BID may be obtained by writing to Coliseum BID, 2021 Cunningham Drive, Suite 101, Hampton, Virginia 23666 or by calling (757) 826-6351.

Downtown Hampton Development Partnership, Inc.

The Downtown Hampton Development Partnership, Inc. (Downtown Hampton) was incorporated on August 15, 1995, to promote, develop, and market the Downtown Hampton Business Improvement District. Downtown Hampton was created by action of the City Council under provisions of the *Code of Virginia*. The City assesses an additional tax on the value of the commercial real estate located in the District to provide funds for the economic development of the District. The City Council approved the renewal of Downtown Hampton through June 2009. Downtown Hampton is included in the City's reporting entity because the resources of Downtown Hampton are for the direct benefit of the City's constituents. A copy of the separately issued financial statements for Downtown Hampton may be obtained by writing to Downtown Hampton Development Partnership, 756 Settlers Landing Road, Hampton, Virginia 23669 or by calling (757) 727-1271.

Foundation of the Virginia Air and Space Center

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

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2008**

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

Federal Area Development Authority

The Federal Area Development Authority (FADA) is a political subdivision of the Commonwealth of Virginia with ordinances adopted by the City Council. FADA was created in order to enable more efficient cooperation with the federal government and to increase the value of federal installations in the City. This will be done by promoting the development of federal employee housing, including military housing, office buildings and other infrastructure through increased coordination between military, private industry and academic and research institutions located in the City and the Hampton Roads area. The creation of the FADA will benefit the citizens of the City by promoting increased employment opportunities, strengthening the economic base and increasing tax revenues as a result of development or redevelopment of that area in the City, other than Fort Monroe that are or have been occupied by the United States governmental activity or operation as well as areas adjacent to such authority. Members of the FADA Board are appointed by the City Council and the City funds the FADA's operating budget. The FADA does not issue separate financial statements.

Other Related Organizations

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

Peninsula Airport Commission

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

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2008**

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

grants, fees, and contributions. During the year ended June 30, 2008, the City provided operating and capital support of \$3,437,000 to HRT, \$161,972 to HRPDC, \$9,200 to VPPSA, \$145,579 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 \$ 1,417,297 to the CSB during fiscal year 2008.

Government-wide and Fund Financial Statements

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

Statement of Net Assets

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

Statement of Activities

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

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2008**

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

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 Projects. The major enterprise funds are: Convention Center, The Hamptons, Virginia Air and Space Center Museum, and Wastewater Management funds.

Basis of Accounting

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

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

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

All Governmental Funds and the Permanent Fund are accounted for using the current financial resources measurement focus and modified accrual basis of accounting. This means that generally only current assets and current liabilities are reflected on their balance sheets. Their

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2008**

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

operating statements present increases (revenues and other financing resources) and decreases (expenditures and other financing uses) in net current assets.

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

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

Budgets and Budgetary Accounting

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

1. Prior to April 15, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at City Hall to obtain taxpayer comments.
3. Prior to June 1, the budget is legally enacted through the passage of an ordinance.
4. The City Manager or his designee is authorized to transfer budgeted amounts within departments within the General Fund. Revisions that alter the total appropriations for a department must be approved by City Council. Therefore, the level of control at which expenditures may not exceed appropriations is the total expenditure level of each department. Transfers within the School Operating Fund are under the control of the School Board.
5. Formal budgetary integration is employed as a management control device during the

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2008**

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

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 2008. Unencumbered appropriations lapse at year-end in the General and School Operating Funds. Appropriations which are encumbered at year-end are carried forward into the following year's appropriation to allow liquidation of the encumbrances.

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

General Property Tax Calendar

Real property is assessed at fair market value as of July 1 of each year; personal property and public service corporation properties (real and personal) are assessed as of January 1 of each year. Taxes are levied on a fiscal-year basis for real property and a calendar year basis for personal property. Taxes are due and payable in two equal installments on June 5 and December 5. The City Treasurer mails tax bills to the taxpayers on May 5 for tax payments due June 5 and on November 5 for tax payments due December 5.

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. Encumbrances outstanding at year-end are reported as reservations of fund balances since they do not constitute expenditures or liabilities.

Investments

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

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2008**

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

Receivables

Receivables of the General Fund are stated net of an allowance for uncollectible taxes of \$1,319,047. 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 Hampton Redevelopment and Housing Authority Fund's inventory consists of consumable supplies 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.

Land Held for Resale

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

Real property held for resale by HRHA is stated at cost as of the acquisition or renovation completion date. Total land and redevelopment costs, where applicable, are allocated to total salable acreage under redevelopment, and are charged to the expense of sale on a prorated basis when the property is sold.

Interfund Activity

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

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2008**

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

Restricted Assets

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

	<u>The Hamptons</u>	<u>Museum</u>	<u>Convention Center</u>	<u>Component Unit - IDA</u>
Restricted Assets				
Cash:				
Operating and Maintenance Account	\$ 17,563	\$ 293,855	\$	\$
Operating Reserve Fund			2,955,508	
Bond Fund	259,510	817,761		
Debt Service Reserve Fund		1,498,228	113,896	1,688,531
Investments:				
Operating Reserve Fund			14,529,211	
Bond Fund			3,553,624	
Debt Service Reserve Fund	352,774		8,137,464	
	<u>\$ 629,847</u>	<u>\$2,609,844</u>	<u>\$29,289,703</u>	<u>\$ 1,688,531</u>

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

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), 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 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 is capitalized when the initial, individual cost exceeds \$1,000. Infrastructure assets are capitalized and reported in the government-wide financial statements regardless of their amount. 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. 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

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2008**

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

accumulated depreciation are eliminated and any resulting gain or loss is reflected as non-operating revenue or expense.

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

<u>Asset</u>	<u>Years</u>
Buildings and improvements	10 - 40
Improvements other than buildings	10 - 50
Equipment and vehicles	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. No interest costs were capitalized during fiscal year ended June 30, 2008.

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

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

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

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2008**

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

Deferred Revenue

Deferred revenue consists of the following:

	<b>General Fund</b>	<b>Special Revenue Funds</b>	<b>Enterprise Funds</b>	<b>Internal Service Funds</b>
Property taxes accrued but not collected within 45 days	\$ 4,700,502	\$	\$	\$
Advance property tax collections	914,357			
Accounts receivable		190,235		
Notes receivable		2,224,599		
Advance ticket sales		2,301	115,090	
Unearned grant funds		791,582		
Unearned rental income		4,000		
Unearned miscellaneous income	57,290		168,582	48,824
Total Primary Government	<u>\$ 5,672,149</u>	<u>\$ 3,212,717</u>	<u>\$ 283,672</u>	<u>\$ 48,824</u>

Discretely Presented Component Unit:

	<b>School Board</b>	<b>Industrial Development Authority</b>	<b>Hampton Redevelopment and Development Authority</b>
Unearned grant funds	\$ 30,976	\$	\$
Tuition	36,463		
Other	48,376	4,616,467	3,940,060
Total Discretely Presented Component Unit	<u>\$ 115,815</u>	<u>\$ 4,616,467</u>	<u>\$ 3,940,060</u>

Fund Equity

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

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

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2008**

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

Designated Fund Balances - Fund balance designations are established to indicate tentative plans for future utilization of current financial resources. Designation of fund balance under the General Fund represents amounts appropriated by City Council for the succeeding fiscal year. Designations in the Special Revenue Funds, Capital Projects Fund and Component Unit - School Board represent unexpended appropriations at June 30, 2008 authorized to be expended in fiscal year 2009 or when the applicable projects are completed.

Net Assets - Enterprise Funds and Internal Service Funds

The net assets at June 30, 2008 in the Enterprise Funds are as follows:

	<b>Primary Government</b>	<b>Discretely Presented Component Units</b>
Wastewater Management	\$ 45,619,078	
The Hamptons Golf Course	(2,986,924)	
Air & Space Museum	14,761,983	
Hampton Roads Convention Center	11,980,916	
Non-Major Enterprise:		
Hampton Coliseum	9,726,209	
The Woodlands Golf Course	1,712,945	
Solid Waste	8,641,372	
Refuse-Steam Plant	3,954,972	
Component Units:		
Industrial Development Authority		35,301,285
Hampton Redevelopment & Housing Authority		45,415,566
Federal Area Development Authority		249,806
Coliseum Central Business Improvement District, Inc.		772,715
Downtown Hampton Development Partnership, Inc.		539,652
Healthy Families Partnership, Inc.		214,467
Foundation of the Virginia Air & Space Center		(432,765)

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 or by increases in user charges.

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2008**

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

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

Internal Service:

Equipment Replacement	\$ 19,317,174
Fleet Management	866,389
Risk Management	8,115,679
Information Technology	1,088,444

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, 2008 has been reported in the government-wide statements, representing the City's commitment to fund such costs from future operations. Proprietary fund types accrue annual and sick leave benefits in the period they are earned. Such benefits are included in accounts payable and other liabilities in the government-wide statements. In prior years, the General, Federal Grants, Community Development, EXCEL (Environmental Excellence for Community Enjoyment and Livability), and Stormwater Management Funds have been used to liquidate the liability for compensated absences.

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

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

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

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2008**

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

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

General Fund

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

Debt Service Fund

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

Capital Projects Fund

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

Special Revenue Funds

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

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

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

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

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2008**

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

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

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

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

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

Permanent Fund

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

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

Enterprise Funds

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

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2008**

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

lodging taxes. The Museum's operating revenue is derived from donations and user fees, including \$464,000 in federal funds from the National Aeronautics and Space Administration for educational/user fee subsidy. The Museum fund accounts for all operational and Revenue Bond Trust activity.

Internal Service Funds

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

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

Fiduciary Funds

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

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

**3. INTERFUND BALANCES:**

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

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2008**

**3. INTERFUND BALANCES, Continued:**

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	\$ 6,603,509	\$ 6,961,834
Special Revenue:		
Economic Development		121,467
Capital Projects	5,262,957	
Non-Major Governmental Funds	227,105	1,467,150
Proprietary Funds:		
Wastewater Management		44,620
Museum	396,145	830,000
Convention Center	586,753	
Internal Service Funds	816,550	37,433
Total Primary Government	<u>\$ 13,923,392</u>	<u>\$ 13,923,392</u>
<b><u>Component Units:</u></b>	<b><u>Due From</u></b>	<b><u>Due To</u></b>
School Board Operating	\$ 6,386,382	\$ 43,474
Student Activities	13,367	32,800
Food Services		1,124,852
Special Revenue:		
Shenandoah Life		500
Reimbursable Projects	43,474	5,241,597
Total Component Units	<u>6,443,223</u>	<u>6,443,223</u>
Total Reporting Entity	<u><u>\$ 20,366,615</u></u>	<u><u>\$ 20,366,615</u></u>

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2008**

**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	\$	\$ 260,062	\$ 2,001,386	\$
Primary Government - Economic Development		662,884	68,564	
Primary Government - Capital Projects Fund		1,755		
Primary Government - Non-Major Enterprise Funds			11,494	
Primary Government - Internal Service Funds			127,601	
Component Unit - School Board Operating Fund				2,139,213
Component Unit - IDA	924,701			69,832
Total	<u>\$ 924,701</u>	<u>\$ 924,701</u>	<u>\$ 2,209,045</u>	<u>\$ 2,209,045</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, 2008 are as follows:

<u>Primary Government:</u>	<u>Transfer From</u>	<u>Transfer To</u>
General Fund	\$	\$ 45,347,773
Special Revenue:		
Economic Development	1,500,000	28,521
Debt Service	20,803,607	
Capital Projects	11,903,103	
Non-Major Governmental Funds	3,155,681	516,570
Proprietary Funds:		
Wastewater Management	300,000	
The Hamptons	630,000	
Museum	1,561,439	
Convention Center	6,094,034	
Non-Major Enterprise Funds		55,000
Total Primary Government	<u>\$ 45,947,864</u>	<u>\$ 45,947,864</u>

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2008**

**3. INTERFUND BALANCES, Continued:**

<u>Component Unit:</u>	<u>Transfer From</u>	<u>Transfer To</u>
School Board Operating	\$ 260,000	\$ 265,000
Student Activities	278,367	
Food Services		260,000
Reimbursable Projects		13,367
Total Component Unit	538,367	538,367
Total Reporting Entity	\$ 46,486,231	\$ 46,486,231

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

	<u>Payments From Primary Government</u>	<u>Payments to Component Unit</u>	<u>Payments From Component Unit</u>	<u>Payments To Primary Government</u>
Primary Government - General Fund		\$68,135,768	\$ 2,006,974	
Primary Government - Economic Development		1,809,192		
Primary Government - Capital Projects Fund		90,564		
Component Unit - School Board Operating Fund	66,517,429			2,000,000
Component Unit - IDA	2,873,179			6,974
Component Unit - Coliseum BID	453,950			
Component Unit - Downtown Hampton	190,966			
Total	\$70,035,524	\$70,035,524	\$ 2,006,974	\$ 2,006,974

Advances from other funds in the amount of \$5,797,545 in the Refuse-Steam Plant represents an amount payable to the Debt Service Fund. The Refuse-Steam Plant was advanced \$6,062,962 from the April 2002 and April 2005 General Obligation Bond Issues to make certain required capital improvements to its facilities. The advance is to be repaid in semi-annual installments on January 15<sup>th</sup> and July 15<sup>th</sup>, which includes interest. These installments will be used to meet a pro-rata share of the annual debt service costs on the General Obligation Series 2002 and 2005 Bonds.

Advances to other funds in the amount of \$50,000 in the General Fund represents an amount due from the Museum fund. Payments of \$25,000 are due annually beginning in March 2008 with the final payment due in March 2010.

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

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2008**

**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, 2008, the carrying value of the City's deposits was \$10,273,758 and the bank balance was \$18,616,844. All of the bank balances are covered by Federal Depository Insurance or collateralized in accordance with the Virginia Security for Public Deposits Act. Under the Act, banks holding public deposits in excess of the amount insured by the FDIC must pledge collateral in the amount of 50% of excess deposits to a collateral pool in the name of the State Treasury Board. Savings and loan institutions are required to collateralize 100% of deposits in excess of FDIC limits. The State Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and for notifying local governments of compliance by banks and savings and loans.

Investments

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

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

HERS Investments

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

Investment Policy

The City's investment policy requires that all investments and investment practices meet or exceed all statutes and guidelines governing the investment of public funds in Virginia, including the Code of Virginia and the guidelines established by the State Treasury Board and the Governmental Accounting Standards 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

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2008**

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

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

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

U. S. Government Securities

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

Custodial Credit Risk

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

Interest Rate Risk

As a means of limiting exposure to fair value losses arising from rising interest rates, the City manages the investment maturities of operating funds to coincide with the City's projected cash flow needs. Bond proceeds are invested in compliance with the specific requirements of the bond covenants.

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2008**

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

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

As of June 30, 2008, the City had the following investments and maturities:

<b>Primary Government</b>	<b>Fair Value</b>	<b>Actual Credit Rating</b>	<b>Maturities (in years) Less than 1 year</b>
Repurchase Agreements	\$ 11,903,519	AAA	\$ 11,903,519
Commercial paper	23,744,706	A-1 + P-1	23,744,706
U.S. Government securities	41,370,278	AAA	41,370,278
Corporate bonds and debentures	549,601	AAA	549,601
State Local Government Investment Pool-City	77,000,000	AAAAm	77,000,000
State Non-Arbitrage Fund-City	176,999,669	AAA	176,999,669
Mutual and Money Market Funds	36,353,135	Unrated	36,353,135
Total Investments Controlled by City	\$ 367,920,908		\$ 367,920,908
Pension Plan Investments	154,826,066		N/A
Total	<u>\$ 522,746,974</u>		<u>\$ 367,920,908</u>
Reconciliation to Total Cash and Investments:			
Add:			
Cash on Hand and in Banks-City	\$ 7,832,367		
Cash With Fiscal Agent	<u>2,526,391</u>		
Total Deposits and Investments Primary Government and Fiduciary Funds Per Exhibits A-1 and A-9	<u>\$ 533,105,732</u>		

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2008**

**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	\$ 4,443,353	\$ 4,443,353
Mutual and Money Market Funds	11,735	11,735
Total Investments School Board	<u>\$ 4,455,088</u>	<u>\$ 4,455,088</u>

**Other Component Units**

	<b>Investment Maturities (in years)</b>	
	<b>Fair Value</b>	<b>Less than 1 year</b>
U.S. Government Securities	\$ 4,701,456	\$ 4,701,456
Stock	7,235	7,235
Mutual and Money Market Funds	601,725	601,725
Total Investments Other Component Units	<u>\$ 5,310,416</u>	<u>\$ 5,310,416</u>

<b>Primary Government</b>	<b>Governmental Activities</b>	<b>Business Type Activities</b>	<b>Fiduciary Responsibilities</b>	<b>Total</b>
Cash Deposits-City	\$ 260,957	\$ 7,010,707	\$ 560,703	\$ 7,832,367
Cash With Fiscal Agent-City	85,000	2,441,391		2,526,391
Mutual and Money Market Funds	34,283,979	2,069,156		36,353,135
Investments-City	296,414,700	33,953,073	156,026,066	486,393,839
Total Primary Government	<u>\$ 331,044,636</u>	<u>\$ 45,474,327</u>	<u>\$ 156,586,769</u>	<u>\$ 533,105,732</u>

**Component Units School Board**

Cash Deposits	\$ 290,966			\$ 290,966
Investments	4,455,088			4,455,088
Total Component Units School Board	<u>\$ 4,746,054</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,746,054</u>

**Other Component Units**

Cash Deposits		\$ 20,154,644		\$ 20,154,644
Cash With Fiscal Agent		2,039,636		2,039,636
Investments		5,310,416		5,310,416
Total Other Component Units	<u>\$ -</u>	<u>\$ 27,504,696</u>	<u>\$ -</u>	<u>\$ 27,504,696</u>

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2008**

**5. ACCOUNTS RECEIVABLE:**

Accounts receivable at June 30, 2008 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 \$1,319,047)	\$ 6,535,103	\$	\$	\$	\$
Due from Commonwealth of Virginia	9,910,497			1,405,623	1,541,886
Due from Federal Government					1,366,895
Other	4,488,602	32,700	610	11,690	487,225
Total Primary Government	<u>\$ 20,934,202</u>	<u>\$ 32,700</u>	<u>\$ 610</u>	<u>\$ 1,417,313</u>	<u>\$ 3,396,006</u>

Discretely Presented Component Unit -  
School Board:

Due from federal government	\$ 5,920,952
Due from other municipalities	2,883,597
Other	<u>138,731</u>
Total Component Unit	<u>\$ 8,943,280</u>

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2008**

**6. CAPITAL ASSETS:**

Capital asset activity for the year ended June 30, 2008 are as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 464,642,402	\$ 13,055,965	\$ -	\$ 477,698,367
Construction in progress	5,314,725	20,180,075	(4,094,785)	21,400,015
Total capital assets not being depreciated	<u>469,957,127</u>	<u>33,236,040</u>	<u>(4,094,785)</u>	<u>499,098,382</u>
Capital assets being depreciated:				
Buildings	67,039,892	545,005	-	67,584,897
Improvements	52,886,762	8,039,954	-	60,926,716
Machinery & Equipment	65,726,388	4,514,271	(1,589,262)	68,651,397
Infrastructure	93,667,060	44,246,143	-	137,913,203
Total capital assets being depreciated	<u>279,320,102</u>	<u>57,345,373</u>	<u>(1,589,262)</u>	<u>335,076,213</u>
Less accumulated depreciation for:				
Buildings	(29,394,947)	(1,534,389)	-	(30,929,336)
Improvements	(24,779,691)	(2,826,438)	-	(27,606,129)
Machinery & Equipment	(40,089,746)	(4,647,715)	1,389,514	(43,347,947)
Infrastructure	(7,904,958)	(6,151,988)	-	(14,056,946)
Total accumulated depreciation	<u>(102,169,342)</u>	<u>(15,160,530)</u>	<u>1,389,514</u>	<u>(115,940,358)</u>
Total capital assets being depreciated, net	<u>177,150,760</u>	<u>42,184,843</u>	<u>(199,748)</u>	<u>219,135,855</u>
Governmental activities capital assets, net	<u>\$ 647,107,887</u>	<u>\$ 75,420,883</u>	<u>\$ (4,294,533)</u>	<u>\$ 718,234,237</u>

**Primary Government:**

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

General capital assets	\$ 706,338,309
Internal service funds	<u>11,895,928</u>
	<u>\$ 718,234,237</u>

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2008**

**6. CAPITAL ASSETS, Continued:**

	<b>Beginning Balance (as restated)</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
Business-type Activities:				
Capital assets not being depreciated:				
Land	\$ 9,859,053	\$ -	\$ -	\$ 9,859,053
Construction in progress	624,860	1,628,539	(749,167)	1,504,232
Total capital assets not being depreciated	10,483,913	1,628,539	(749,167)	11,363,285
Capital assets being depreciated:				
Buildings	134,715,933	52,113	-	134,768,046
Improvements	30,746,494	995,602	-	31,742,096
Machinery & Equipment	21,254,622	758,835	(363,689)	21,649,768
Exhibits	13,773,914	112,595	-	13,886,509
Landfill	4,811,174	-	-	4,811,174
Infrastructure	61,230,185	1,488,174	(4,997)	62,713,362
Total capital assets being depreciated	266,532,322	3,407,319	(368,686)	269,570,955
Less accumulated depreciation for:				
Buildings	(30,867,433)	(3,686,821)	-	(34,554,254)
Improvements	(16,253,165)	(1,024,477)	(1)	(17,277,643)
Machinery & Equipment	(15,567,594)	(1,558,964)	363,689	(16,762,869)
Exhibits	(8,261,383)	(1,190,897)	-	(9,452,280)
Landfill	(3,635,158)	(2,083)	-	(3,637,241)
Infrastructure	(20,578,732)	(913,387)	2,343	(21,489,776)
Total accumulated depreciation	(95,163,465)	(8,376,629)	366,031	(103,174,063)
Total capital assets being depreciated, net	171,368,857	(4,969,310)	(2,655)	166,396,892
Business-type activities capital assets, net	\$ 181,852,770	\$ (3,340,771)	\$ (751,822)	\$ 177,760,177

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2008**

**6. CAPITAL ASSETS, Continued:**

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

	<u>General Capital Assets</u>	<u>Internal Service Funds</u>	<u>Total</u>
<b>Governmental activities:</b>			
General government	\$ 3,401,538	\$ 2,512,998	\$ 5,914,536
Health	28,888		28,888
Public welfare	53,926		53,926
Public safety	858,776		858,776
Streets and highways	6,404,750		6,404,750
Culture and recreation	175,426		175,426
Education	1,724,228		1,724,228
Total depreciation expense - governmental activities	<u>\$ 12,647,532</u>	<u>\$ 2,512,998</u>	<u>\$ 15,160,530</u>
<b>Business - type activities:</b>			
Culture and recreation	\$ 5,781,069		
Sanitation	2,595,560		
Total depreciation expense - business-type activities	<u>\$ 8,376,629</u> *		

\* Depreciation expense in the amount of \$323,033 was capitalized as part of self-constructed assets in the Wastewater Management Fund.

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

Capital Outlay	\$ 46,615,213
Depreciation expense	(12,647,532)
Capital outlay not capitalized	<u>(12,273,879)</u>
Total adjustment	<u>\$ 21,693,802</u>

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2008**

**6. CAPITAL ASSETS, Continued:**

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

	Governmental Activities	Business-type Activities
Buildings	\$ -	\$ 2,064,368
Machinery and equipment	2,068,890	154,996
Less accumulated depreciation	(311,692)	(1,575,913)
Capital assets, net	<u>\$ 1,757,198</u>	<u>\$ 643,451</u>

There was no equipment acquired through a capital lease during the fiscal year. Depreciation expense on the leased assets totaled \$239,875 for the fiscal year ended June 30, 2008.

**Discretely Presented Component Units**

**School Board:**

	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets not being depreciated:				
Land	\$ 5,058,366	\$ 136,673	\$ (83,994)	\$ 5,111,045
Total capital assets not being depreciated	<u>5,058,366</u>	<u>136,673</u>	<u>(83,994)</u>	<u>5,111,045</u>
Capital assets being depreciated:				
Buildings	49,507,691	-	(545,005)	48,962,686
Improvements	310,100	-	-	310,100
Machinery & Equipment	31,253,315	5,308,602	(2,238,762)	34,323,155
Total capital assets being depreciated	<u>81,071,106</u>	<u>5,308,602</u>	<u>(2,783,767)</u>	<u>83,595,941</u>
Less accumulated depreciation for:				
Buildings	(45,903,332)	(688,344)	545,005	(46,046,671)
Improvements	(89,154)	(15,505)	-	(104,659)
Machinery & Equipment	(22,407,356)	(2,728,383)	2,201,571	(22,934,168)
Total accumulated depreciation	<u>(68,399,842)</u>	<u>(3,432,232)</u>	<u>2,746,576</u>	<u>(69,085,498)</u>
Total capital assets being depreciated, net	<u>12,671,264</u>	<u>1,876,370</u>	<u>(37,191)</u>	<u>14,510,443</u>
School Board capital assets, net	<u>\$ 17,729,630</u>	<u>\$ 2,013,043</u>	<u>\$ (121,185)</u>	<u>\$ 19,621,488</u>

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2008**

**6. CAPITAL ASSETS, Continued:**

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

Capital Outlay	\$ 5,445,275
Depreciation expense	(3,432,232)
Total adjustment	\$ 2,013,043

**Industrial Development Authority:**

	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets not being depreciated:				
Land	\$ 15,802,769			\$ 15,802,769
Construction in progress	5,388,572	77,596		5,466,168
Total capital assets not being depreciated	21,191,341	77,596	-	21,268,937
Capital assets being depreciated:				
Improvements	383,042			383,042
Infrastructure	2,545,299			2,545,299
Machinery & Equipment	50,080	-	-	50,080
Total capital assets being depreciated	2,978,421	-	-	2,978,421
Less accumulated depreciation for:				
Improvements	(383,042)	-	-	(383,042)
Infrastructure	(368,711)	(109,081)	-	(477,792)
Machinery & Equipment	(38,056)	(875)	-	(38,931)
Total accumulated depreciation	(789,809)	(109,956)	-	(899,765)
Total capital assets being depreciated, net	2,188,612	(109,956)	-	2,078,656
Industrial Development Authority capital assets, net	\$ 23,379,953	\$ (32,360)	\$ -	\$ 23,347,593

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2008**

**6. CAPITAL ASSETS, Continued:**

**Healthy Families Partnership, Inc.:**

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

**Downtown Hampton Development Partnership, Inc.:**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Capital assets being depreciated:				
Improvements	\$ 426,942	\$ -	\$ -	\$ 426,942
Machinery & Equipment	70,223	4,756	-	74,979
Total capital assets being depreciated	497,165	4,756	-	501,921
Less accumulated depreciation	(122,074)	(19,682)	-	(141,756)
Downtown Hampton Development Partnership capital assets, net	<u>\$ 375,091</u>	<u>\$ (14,926)</u>	<u>\$ -</u>	<u>\$ 360,165</u>

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Capital assets being depreciated:				
Machinery & Equipment	\$ 72,141	\$ 5,382	\$ -	\$ 77,523
Less accumulated depreciation for:				
Machinery & Equipment	(49,591)	(6,892)	4,825	(51,658)
Coliseum Central Business Improvement District capital assets, net	<u>\$ 22,550</u>	<u>\$ (1,510)</u>	<u>\$ 4,825</u>	<u>\$ 25,865</u>

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2008**

**6. CAPITAL ASSETS, Continued:**

**Hampton Redevelopment and Housing Authority:**

	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets not being depreciated:				
Land	\$ 6,951,964	\$ 1,034,122	\$ (57,684)	\$ 7,928,402
Construction in progress	3,066,349	181,142	(1,770,304)	1,477,187
Total capital assets not being depreciated	<u>10,018,313</u>	<u>1,215,264</u>	<u>(1,827,988)</u>	<u>9,405,589</u>
Capital assets being depreciated:				
Buildings	30,880,851	8,977,103	(2,119,625)	37,738,329
Improvements	-	2,788		2,788
Machinery & Equipment	2,292,866	342,476	(82,945)	2,552,397
Total capital assets being depreciated	<u>33,173,717</u>	<u>9,322,367</u>	<u>(2,202,570)</u>	<u>40,293,514</u>
Less accumulated depreciation for:				
Buildings	(13,590,413)	(1,177,853)	418,265	(14,350,001)
Improvements	-	-	-	-
Machinery & Equipment	(1,541,290)	(360,830)	65,268	(1,836,852)
Total accumulated depreciation	<u>(15,131,703)</u>	<u>(1,538,683)</u>	<u>483,533</u>	<u>(16,186,853)</u>
Total capital assets being depreciated, net	<u>18,042,014</u>	<u>7,783,684</u>	<u>(1,719,037)</u>	<u>24,106,661</u>
Hampton Redevelopment and Housing Authority capital assets, net	<u>\$ 28,060,327</u>	<u>\$ 8,998,948</u>	<u>\$(3,547,025)</u>	<u>\$ 33,512,250</u>

**Construction in Progress**

Several capital projects were in various stages of completion on June 30, 2008. 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, 2008, construction in progress by project was comprised as follows:

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2008**

**6. CAPITAL ASSETS, Continued:**

	Project Authorization	Expended to June 30, 2008
<u>General Capital Assets</u>		
Infrastructure	\$ 31,779,208	\$ 11,306,902
School Board - Construction & Renovations	103,743,925	10,093,113
	\$ 135,523,133	\$ 21,400,015
 <u>Enterprise Funds</u>		
Wastewater Management - Sewer Projects	\$ 922,950	\$ 365,309
Virginia Air & Space Musuem- Roof Replacement	1,495,957	761,876
Coliseum - Renovations & Upgrades	1,161,454	377,047
	\$ 3,580,361	\$ 1,504,232
 <u>Discretely Presented Component Units</u>		
HRHA - New homes & Renovations	\$ 3,066,349	\$ 1,477,187
IDA - Hampton Roads Center North Infrastructure	5,600,000	5,466,168
	\$ 8,666,349	\$ 6,943,355

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

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

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2008**

**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, 2008:

	<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	\$ 167,605,000	\$ 145,815,000	\$ (11,360,000)	\$ 302,060,000	\$ 12,070,000
Unamortized premium	3,139,914	6,438,449	(449,898)	9,128,465	557,206
Less deferred amount of advance refunding	(2,997,160)		176,304	(2,820,856)	(176,304)
Bonds payable (VRS)	6,490,000		(805,000)	5,685,000	840,000
Capital leases	107,832		(107,832)	-	-
Capital leases - Internal Service Funds	1,621,942		(312,685)	1,309,257	308,369
Long-term notes payable	886,123		(177,225)	708,898	177,225
General Obligation Bond Anticipation Notes	29,540,000		(29,540,000)	-	-
Literary loans payable	952,327		(188,050)	764,277	148,050
Compensated absences	6,284,901	3,813,213	(3,812,159)	6,285,955	3,812,159
Compensated absences-Internal Service Funds	165,848	65,573	(95,183)	136,238	95,182
Claims and judgments-Internal Service Funds	4,642,646	1,160,713	(621,522)	5,181,837	4,500,354
Net pension obligation	2	1	-	3	-
Net OPEB obligation	-	9,805,584	(2,425,515)	7,380,069	-
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Governmental activities long-term liabilities	<u>\$ 218,439,375</u>	<u>\$ 167,098,533</u>	<u>\$ (49,718,765)</u>	<u>\$ 335,819,143</u>	<u>\$ 22,332,241</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, 2008:

Long-term liabilities (detail above)	\$ 335,819,143
Less debt - Internal Service Fund	<u>(6,627,332)</u>
Combined adjustment	<u>\$ 329,191,811</u>

Section 148 of the Internal Revenue Code of 1986 requires public entities to refund interest earned in excess of interest paid over the first five years outstanding on tax exempt borrowings. The regulations are applicable to borrowings incurred subsequent to August 1986. The City has calculated the rebate due as if June 30, 2008 was the settlement date, and reflected the liability, if any, in the governmental activities column of the Statement of Net Assets.

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2008**

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

	Beginning Balance, as restated	Additions	Reductions	Ending Balance	Due Within One Year
Business-type Activities:					
Bonds payable:					
Revenue bonds	\$ 117,300,000	\$ -	\$ (1,450,000)	\$ 115,850,000	\$ 1,490,000
Unamortized premium	2,645,819	-	(208,901)	2,436,918	208,901
Less deferred amount for advance refunding	(1,192,003)	-	187,020	(1,004,983)	
Total bonds payable	118,753,816	-	(1,471,881)	117,281,935	1,698,901
Capital leases	1,249,559		(125,936)	1,123,623	117,226
Compensated absences	734,419	418,235	(402,768)	749,886	402,768
Business-type activities long-term liabilities	<u>\$ 120,737,794</u>	<u>\$ 418,235</u>	<u>\$ (2,000,585)</u>	<u>\$ 119,155,444</u>	<u>\$ 2,218,895</u>
Component Units:					
School Board:					
Compensated absences	\$ 6,694,565	\$ 2,768,765	\$ (2,457,705)	\$ 7,005,625	\$ 2,457,705
Net OPEB obligation	-	1,933,629	(431,470)	1,502,159	-
Total School Board	<u>\$ 6,694,565</u>	<u>\$ 4,702,394</u>	<u>\$ (2,889,175)</u>	<u>\$ 8,507,784</u>	<u>\$ 2,457,705</u>
Industrial Development Authority:					
Revenue bonds payable	\$ 9,270,419	\$ -	\$ (465,696)	\$ 8,804,723	\$ 444,704
HRHA:					
Revenue bonds	\$ -	\$ 5,750,000	\$ -	\$ 5,750,000	\$ -
Long-term notes payable	870,343	32,088	(100,686)	801,745	99,612
Compensated absences	402,099	212,096	(166,904)	447,291	166,904
Total HRHA	<u>\$ 1,272,442</u>	<u>\$ 5,994,184</u>	<u>\$ (267,590)</u>	<u>\$ 6,999,036</u>	<u>\$ 266,516</u>
Downtown Hampton Development Partnership, Inc:					
Notes payable	\$ 120,000	\$ -	\$ (60,000)	\$ 60,000	\$ 60,000
Foundation of the Virginia Air and Space Center and Hampton Roads History Center:					
Notes payable	\$ 1,650,000	\$ 450,000	\$ -	\$ 2,100,000	\$ 2,100,000

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2008**

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

Enterprise Funds

The Hamptons Golf Course Refunding Revenue Bonds, Series 1999 (Bonds), were issued by the City on August 31, 1999 with an interest rate of 6%. At June 30, 2008, \$1,360,000 in Bonds remains outstanding.

The unamortized amount deferred on the refunding of \$20,881 is reported in the accompanying financial statements as a reduction of bonds payable and is being charged to operations through the year 2013, using the interest method.

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

Details at June 30, 2008 are as follows:

	<u>Series 2004</u>
Outstanding debt	\$8,185,000
Interest rate	2% to 5%
Years of maturity	2008 - 2014

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

Revenue bond debt service requirements to maturity are as follows:

<u>Fiscal year ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 1,490,000	\$ 5,785,531
2010	1,550,000	5,720,631
2011	3,755,000	5,662,807
2012	3,920,000	5,495,182
2013	4,075,000	5,330,006
2014-2018	14,995,000	24,175,969
2019-2023	19,530,000	19,960,593
2024-2028	23,045,000	14,533,544
2029-2033	29,515,000	8,064,750
2034-2035	13,975,000	1,056,750
	<u>\$ 115,850,000</u>	<u>\$ 95,785,763</u>

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2008**

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

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 84 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>
2009	\$ 117,226	\$ 105,746
2010	129,340	93,632
2011	142,707	80,265
2012	157,455	65,517
2013	173,727	49,245
2014 - 2015	403,168	42,776
	\$ 1,123,623	\$ 437,181

Discretely Presented Component Unit – HRHA:

The following is a description of HRHA debt:

Virginia Housing and Development Authority Mortgage Notes:

As of December 31, 2007, HRHA was indebted to the Virginia Housing Development Authority for a mortgage note of \$165,866. The note is payable in monthly installments of \$1,918. The interest rate on the note is 7.8637% and the payments are for 476 months beginning on January 1, 1979. Maturities for future years are as follows:

<b>Year</b>	<b>Principal</b>	<b>Interest</b>
2008	\$ 10,345	\$12,676
2009	11,188	11,832
2010	12,100	10,920
2011	13,087	9,933
2012	14,154	8,866
2013 - 2018	104,992	25,459
	\$165,866	\$79,686

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2008**

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

As of December 31, 2007, HRHA was indebted to the Virginia Housing Development Authority for a mortgage note of \$32,861. The note is payable in monthly installments of \$2,220. The interest rate on the note is 2% and the payments are for 180 months beginning May 1, 1994. Maturities for future years are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 24,018	\$ 403
2009	8,843	37
	<u>\$ 32,861</u>	<u>\$ 440</u>

As of December 31, 2007, HRHA was indebted to SunTrust Bank for mortgage financing secured on commercial space in the amount of \$525,456. The interest rate is 4.42% and the note is payable in 120 monthly installments of \$6,869. Maturities for future years are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 55,282	\$20,279
2009	62,913	19,517
2010	65,751	16,680
2011	68,716	13,714
2012	71,817	10,614
2013 - 2015	200,977	12,067
	<u>\$525,456</u>	<u>\$92,871</u>

Other Notes:

As of December 31, 2007, HRHA was indebted to the City of Hampton for property under a 15 year lease in the amount of \$45,574. The interest rate is 6.5% and the lease is payable in 180 monthly installments of \$903 beginning May 15, 1997. Maturities for future years are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 7,417	\$ 2,511
2009	8,610	2,220
2010	9,187	1,644
2011	9,802	1,028
2012	10,458	372
	<u>\$ 45,474</u>	<u>\$ 7,775</u>

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2008**

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

As of December 31, 2007, HRHA as indebted to the City of Hampton in the amount of \$32,088. The loan is secured by land and improvements on property located in the City of Hampton. The interest rate on the loan is 0% and it is payable in 300 monthly installments of \$213. Maturities for future years are as follows:

<u>Year</u>	<u>Principal</u>
2008	\$ 2,550
2009	2,550
2010	2,550
2011	2,550
2012	2,550
2013	19,338
	<u>\$ 32,088</u>

As of December 31, 2007, HEDC, a wholly owned subsidiary of the Housing Authority, assumed an indebtedness of a First Mortgage Revenue Refunding Bond issue in the amount of \$5,750,000 for the purchase of the Hampton Marina Hotel. HEDC transferred this debt to the new owner at the time of sale of the property in April 2008.

Discretely Presented Component Unit - IDA:

On April 11, 1997, the Industrial Development Authority issued \$1,745,000 of Industrial Development Revenue Bonds. The proceeds from the bond issue were used to acquire and improve land and a building for lease to Whitney Rand Manufacturing Corporation. The bonds were payable from revenues generated from the lease of the land and building with the lease term being equivalent to the life of the bond issue. The bonds were retired on May 17, 2008.

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

Details at June 30, 2008 are as follows:

	2002 Revenue Bonds
	<u>Tax-Exempt</u>
Outstanding Debt	\$ 8,804,723
Interest	6.17%
Years of Maturity	2009 – 2022

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2008**

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

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

<b>Revenue Bonds</b>		
<b>Year</b>	<b>Principal</b>	<b>Interest</b>
2009	\$ 444,704	\$ 545,355
2010	474,515	515,544
2011	504,663	485,396
2012	536,727	453,332
2013	569,618	420,441
2014 - 2018	3,445,241	1,505,054
2019 - 2022	2,829,255	337,804
	\$ 8,804,723	\$ 4,262,926

Discretely Presented Component Unit-Downtown Hampton:

As of June 30, 2008, the Downtown Hampton Development Partnership, Inc. is indebted to Old Point National Bank for an unsecured note payable in the amount of \$60,000. Funds are disbursed annually in principal installments of \$60,000, plus interest payable monthly at 4%. The final payment is due in May 2009.

Discretely Presented Component Unit-Foundation:

As of June 30, 2008, the Foundation has \$2,100,000 outstanding on a line of credit with SunTrust Bank. The line of credit is collateralized by existing and future receivables, inventories, equipment and other assets of the Foundation. Interest is paid monthly at LIBOR plus 1.75%. This line of credit is due to expire on February 2011.

Internal Service Funds:

The City is self-insured for workmen's compensation benefits and general liability insurance claims. At June 30, 2008, the liability for existing claims amounted to \$5,181,837. Workmen's compensation benefit claims are payable weekly or monthly through 2018.

The long-term debt in the Equipment Replacement Fund represents obligations under capital leases. During fiscal year 2005, the City entered into a master lease purchase agreement with Bank of America Leasing and Capital, LLC to purchase \$1,300,000 in rolling-stock equipment. On May 31, 2006, this master lease purchase obligation was reduced by \$504,332. The lease is to be repaid in equal quarterly installments of \$22,978 at an interest rate of 3.751%.

On November 6, 2006, the City entered into a lease purchase agreement in the amount of \$1,269,094 with Avaya Financial Services to finance the purchase of a new telecommunications system. The lease is reflected in the Information Technology Fund and is to be repaid in five equal yearly installments of \$276,156 beginning November 2006 with the final payment due July 2010.

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2008**

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

<u>Year</u>	<u>Accrued Insurance</u>	<u>Capital Lease</u>		
	<u>Claims</u>	<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 4,500,354	2009	\$ 308,369	\$ 59,699
2010	133,240	2010	323,424	44,644
2011	122,437	2011	339,221	28,848
2012	108,102	2012	79,638	12,274
2013	108,102	2013	82,852	9,059
2014 - 2018	209,602	2014 - 2015	175,753	7,957
	<u>\$ 5,181,837</u>		<u>\$ 1,309,257</u>	<u>\$ 162,482</u>

General Long-Term Debt:

Details of general obligation bonds and loans reported in the government-wide statements at June 30, 2008 are as follows:

General Obligation Bonds Outstanding	\$302,060,000
Coupon interest rate	2.0% to 7.00%
Years of maturity	2009 – 2028

Debt service on the foregoing debt is 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>
2009	\$ 12,070,000	\$ 15,446,619
2010	14,005,000	13,508,806
2011	15,610,000	12,916,435
2012	16,355,000	12,220,967
2013	17,290,000	11,522,915
2014 - 2018	104,285,000	44,105,700
2019 - 2023	68,440,000	21,160,219
2024 - 2028	54,005,000	6,805,417
	<u>\$ 302,060,000</u>	<u>\$ 137,687,078</u>

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.

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2008**

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

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

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

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

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

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

The City was required to make sinking fund deposits through August 1986 to provide for the retirement of \$10,700,000 of 1978 General Obligation Refunding Bonds (Bonds) maturing in 2008. The Bonds were retired on March 1, 2008.

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, 2008, \$72,000,000 of bonds outstanding are considered defeased.

Taxable General Obligation Bonds:

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

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

<b>Taxable General Obligation Bonds</b>		
<b>Year</b>	<b>Principal</b>	<b>Interest</b>
2009	\$ 840,000	\$ 270,038
2010	880,000	230,138
2011	925,000	188,338
2012	965,000	144,400
2013	1,015,000	98,563
2014	1,060,000	50,349
	\$ 5,685,000	\$ 981,826

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

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2008**

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

The City's indebtedness includes \$764,277 in loans from the State Literary Loan Fund. One loan was used to fund the City's share of the New Horizons Technical Center, a regional high school vocational and technical center. The other loans were used for major repairs or renovations to four elementary schools and Hampton High School. Repayment is in annual installments over a 20-year term at 3% interest.

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

<b>Year</b>	<b>Literary Loans</b>	
	<b>Principal</b>	<b>Interest</b>
2009	\$ 148,050	\$ 22,928
2010	148,050	18,487
2011	148,050	14,045
2012	146,412	9,604
2013	92,000	5,211
2014	81,715	2,452
	\$ 764,277	\$ 72,727

The City has a line-of-credit with a bank for \$8,000,000 for the acquisition of real property which is strategic to the City's future planning and/or economic development. On February 13, 1997, the City borrowed \$761,760 and \$520,000 under the line-of-credit for the acquisition of real property. The notes were repaid in full on February 13, 2008. On November 26, 2001, the City borrowed \$1,772,248 under the line-of-credit for the acquisition of real property. This note is payable in annual installments of \$177,225 through November 26, 2010 and one annual installment of \$177,223 due November 26, 2011, plus interest accrued weekly at 95% of the London Interbank Offered Rate (LIBOR) rate. At June 30, 2008, the outstanding balance was \$708,898. The notes are secured by the full faith and credit of the City. This line of credit expired October 1, 2004.

**Debt Limit:**

The Commonwealth of Virginia imposes a legal limit of 10% of assessed valuation on the amount of general obligation borrowings which may be issued by the City. As of June 30, 2008, the City's aggregate general obligation indebtedness was \$309,218,175 which is less than the State limit.

**Overlapping Debt:**

There are no overlapping or underlying tax jurisdictions.

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2008**

**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 rate; the current rate is 11.75% and 1.84% respectively of annual covered payroll.

Annual Pension Cost and Net Pension Obligation – HERS:

For fiscal year 2008, 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	\$ 1,473,344	\$ 241,667
Interest on net pension obligation	-	-
Adjustment to annual required contribution	-	-
Annual pension cost	1,473,344	241,667
Contributions made	(1,473,344)	(241,667)
Increase (decrease) in net pension obligation	-	-
Net pension obligation, July 1, 2007	-	-
Net pension obligation, June 30, 2008	\$ -	\$ -

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2008**

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

The annual required contribution was determined as a part of the July 1, 2007 actuarial valuation using the entry age normal cost method with normal cost calculated on an aggregate basis. The actuarial assumptions included (a) 8% investment rate of return and (b) projected salary increases of 5% per year. The actuarial assumptions include a future inflation rate of 4.5% 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, 2008 was 15 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:

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/06	\$ 667,251	100%	\$ -
6/30/07	1,885,505	100	-
6/30/08	1,715,011	100	-

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2008**

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

Funding Progress – HERS (unaudited):

The amount shown below as actuarial accrued liability is computed using the Entry Age Normal Cost method of funding. The four most recent years of funding progress are as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability Entry Age Normal Cost Method (b)	Unfunded AAL (Funding Excess) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL (Funding Excess) as a percentage of Covered Payroll ((b-a)/c)
6/30/05	\$ 167,354,946	\$ 177,417,632	\$ 10,062,686	94.3 %	\$ 31,415,019	32.0 %
6/30/06	162,214,805	178,547,557	16,332,752	90.9	32,316,632	50.5
6/30/07	166,205,076	179,789,828	13,584,752	92.4	24,671,868	55.1
6/30/08	165,961,649	179,465,512	13,503,863	92.5	25,623,273	52.7

Plan Description - VRS:

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

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

Participating law enforcement officers and firefighters may receive a monthly benefit supplement if they retire prior to age 65. VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the State legislature. The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be obtained by writing the System at P.O. Box 2500, Richmond, VA 23218-2500.

Funding Policy - VRS:

Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5% of their annual reported compensation to the VRS. The 5% member contribution has been assumed by the City of Hampton, the Component Unit - School Board, and HRHA. In

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2008**

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

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, Component Unit - School Board's nonprofessional employees, and HRHA's contribution rates for the fiscal year ended 2008 were 18.32%, 16.29%, and 9.66%, respectively. The Component Unit - School Board's contributions to VRS for professional employees for the fiscal years ending June 30, 2008, 2007, and 2006 of \$17,637,140 (15.3%), \$16,093,905 (14.2%) and \$12,433,219 (11.62%) respectively, were equal to the required contributions for each year.

Annual Pension Cost and Net Pension Obligation:

For 2008, the City of Hampton's, Component Unit - School Board's nonprofessional employees, and HRHA's annual pension cost and net pension obligation were as follows:

	<b>Component Unit-</b>		
	<b>City of Hampton</b>	<b>School Board</b>	<b>HRHA</b>
Annual required contribution	\$ 15,431,278	\$ 1,129,884	\$ 221,311
Interest on net pension obligation	-	-	-
Adjustment to annual required contribution	1	-	-
Annual pension cost	15,431,279	1,129,884	221,311
Contributions made	(15,431,278)	(1,129,884)	(221,311)
Increase in net pension obligation	1	-	-
Net pension obligation, July 1, 2007	2	-	-
Net pension obligation, June 30, 2008	\$ 3	\$ -	\$ -

The required contribution for the City of Hampton and Component Unit-School Board was determined as part of the June 30, 2007 actuarial valuation using the entry age normal actuarial cost method. The required contribution for HRHA was determined as part of the June 30, 2006 actuarial valuation using the entry age normal cost method. The actuarial assumptions include (a) 7.5% investment rate of return, (b) projected salary increase of 3.75% to 5.60% per year, (c) cost of living adjustments for the City of Hampton, Component Unit-School Board and HRHA of 2.5% per year. Both (a) and (b) included an inflation component of 2.5% for the City of Hampton and Component Unit-School Board. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The unfunded actuarial accrued liability for the City of Hampton and Component Unit-School Board is being amortized as a level percentage of payroll on an closed basis over 20 years from the valuation date. HRHA's unfunded actuarial accrued liability is being amortized as a level percentage of payroll on an open basis within a period of 30 years or less.

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2008**

**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, 2006	\$ 13,696,710	100.0 %	\$ 3
	June 30, 2007	14,896,488	100.0	2
	June 30, 2008	15,431,279	100.0	3
<u>Component Unit- School Board</u>	June 30, 2006	857,862	100.0	\$ -
	June 30, 2007	1,074,593	100.0	-
	June 30, 2008	1,129,884	100.0	-
<u>HRHA</u>	June 30, 2006	186,391	100.0	\$ -
	June 30, 2007	191,155	100.0	-
	June 30, 2008	221,311	100.0	-

Funding Progress – VRS:

City of Hampton (unaudited):

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)
6/30/04	\$ 243,297,349	\$ 306,998,629	\$ 63,701,280	79.3 %	\$ 69,541,014	91.60 %
6/30/05	250,399,226	329,738,788	79,339,562	75.9	73,842,561	107.44
6/30/06	266,208,467	342,880,605	76,672,138	77.6	77,859,246	98.48
6/30/07	300,902,577	384,657,166	83,754,589	78.2	81,418,501	102.87

Component Unit – School Board (unaudited):

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)
6/30/04	\$ 16,277,178	\$ 19,739,676	\$ 3,462,498	82.5 %	\$ 5,973,456	57.95 %
6/30/05	16,511,647	22,177,176	5,665,529	74.5	6,257,526	90.54
6/30/06	17,352,827	22,097,728	4,744,901	78.5	6,392,248	74.23
6/30/07	19,331,524	24,133,735	4,802,211	80.1	6,645,217	72.27

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2008**

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

**HRHA (unaudited):**

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)
6/30/04	\$ 9,024,879	\$ 7,853,174	\$ (1,171,705)	114.9 %	\$ 2,334,064	(50.20) %
6/30/05	9,064,409	9,066,103	1,694	99.9	2,104,837	0.08
6/30/06	9,382,013	9,396,152	14,139	99.9	2,098,061	0.67
6/30/07	10,465,579	10,483,836	18,257	99.8	2,305,827	0.79

**10. DEFERRED COMPENSATION PLAN:**

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

**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, 2007 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.

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2008**

**11. JOINT VENTURE, Continued:**

Revenues and other sources	\$	31,534,561
Expenditures and other uses		<u>(31,165,696)</u>
Change in fund equity		368,865
Fund equity, July 1, 2006		<u>28,857,048</u>
Fund equity, June 30, 2007		<u>\$ 29,225,913</u>

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

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

**12. COMMITMENT AND CONTINGENCIES:**

Grants:

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

Leases:

The City leases various types of equipment under capital lease agreements (see Note 8). Under an operating lease, the City leases the Pembroke Community Service Center building from the Hampton Redevelopment and Housing Authority at an annual rent of \$343,842. 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	\$	155,325
Buildings		3,649,686
Improvements		2,195,046
Less accumulated depreciation		<u>(3,450,204)</u>
Capital Assets, net		<u>\$ 2,549,853</u>

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2008**

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

A summary of future minimum rental payments under the operating leases at June 30, 2008 is as follows:

<u>Year Ending June 30,</u>	<u>Operating Leases</u>	<u>Future Rental Income</u>
2009	\$ 654,434	\$ 48,900
2010	656,066	40,053
2011	618,893	41,218
2012	596,197	33,206
2013	180,000	8,960
2014-2018	360,000	
	<u>\$ 3,065,590</u>	<u>\$ 172,337</u>

The City's rental expense and rental income for the year ended June 30, 2008 amounted to \$1,800,923 and \$281,550 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 \$5,054,010 for the lease of the garage facility through 2018. (A portion of the garage lease payments will be offset by fees charged for parking.)

A summary of future minimum rent payments under the operating lease with Harbor Center at June 30, 2008 is as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2009	\$ 505,401
2010	505,401
2011	505,401
2012	505,401
2013	505,401
2014- 2018	2,527,005
	<u>\$ 5,054,010</u>

**Self-Insurance:**

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

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2008**

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

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

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

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

All funds of the City participate in the program and make payments to the Risk Management and General Fund based on historical cost information. The unrestricted net assets of \$8,112,901 at June 30, 2008 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.

Changes in the Funds' claims liability amount in fiscal years 2008, 2007 and 2006 were:

	<u>Claims Liability</u> <u>July 1</u>	<u>Incurred</u> <u>Claims</u>	<u>Claims</u> <u>Payment</u>	<u>Claims Liability</u> <u>June 30</u>
<u>Risk Management Fund</u>				
Fiscal Year 2008	\$ 4,642,646	\$ 1,160,713	\$ 621,522	\$ 5,181,837
Fiscal Year 2007	3,231,971	3,422,012	2,011,337	4,642,646
Fiscal Year 2006	2,291,298	1,720,883	780,210	3,231,971
	<u>Claims Liability</u> <u>July 1</u>	<u>Incurred</u> <u>Claims</u>	<u>Claims</u> <u>Payment</u>	<u>Claims Liability</u> <u>June 30</u>
<u>General Fund</u>				
Fiscal Year 2008	\$ 113,849	\$ 12,239,925	\$ 12,362,657	\$ (8,883)
Fiscal Year 2007	623,654	11,422,811	11,932,616	113,849
Fiscal Year 2006	487,837	10,922,018	10,786,201	623,654

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

Letters of Credit:

SunTrust Bank issued two Standby Letters of Credit totaling \$5,000,000 on the behalf of the IDA in connection with its commitment under certain agreements for the development of the

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2008**

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

Bass Pro Project. During fiscal year 2005, Old Point National Bank issued a standby Letter of Credit in the amount of \$3,000,000 on the behalf of the IDA in connection with its commitment under certain agreements for the National Institute of Aerospace Associates project. The City has agreed to pay the bank upon each drawing by the beneficiary under the Letters of Credit. During the fiscal year ended June 30, 2008, no draws were made under the Letters of Credit.

Cooperation agreement:

On October 1, 2007, the City entered into a cooperation agreement with the Hampton Redevelopment and Housing Authority to provide financial assistance in connection with a workout in lieu of foreclosure of a downtown hotel project acquired through a subsidiary of the Authority. The agreement requires the City to fund operating deficits of the hotel and debt service payments on \$5,750,000 of the project debt. Annual payments are estimated at \$1.4 million, which includes \$600,000 to fund the estimated operating deficit, and are subject to appropriation by the City Council. The hotel was sold in April 2008 and the City's obligation to fund debt service payments and operating deficits was terminated.

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

Plan Description:

The City and Hampton City School Board (School Board) administer a single-employer defined benefit healthcare plan in addition to the pension benefits described in Note 9. The City, School Board and HRHA Other Postemployment Benefit Plans provide post-retirement health care benefits, in accordance with the City's Personnel Policies and Procedures Ordinance, and The School Board and HRHA's 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, 725 City retirees and 23 HRHA retirees meet these eligibility requirements. Hampton City School Board employees accumulate an unlimited number of sick leave days. At retirement, instead of taking payment for these days, the employee may elect to take a specified credit toward their post retirement health insurance costs. During the year 161 employees were participating in this plan and the cost was \$431,470. Separate, stand-alone statements are not issued for the plan.

Funding Policy:

The City Council, Hampton School Board and HRHA Board of Commissioners has the authority to establish and amend the funding policy of their respective plans. The employer's contribution ranges from 0% to 100% of the premiums based on the retiree's years of continuous health care coverage and the health care option selected by the retirees. The employer contributions are financed on a pay-as-you-go basis. During fiscal year 2008, the City contributed \$2,425,515, or approximately 63% of total premiums for post-retirement health care benefits. Plan members receiving benefits contributed \$1,633,968, or approximately 37% of total premiums. Member

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2008**

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

contributions are 1.94% of covered payroll. HRHA recognized \$105,213 in expenditures for post-retirement health care benefits during fiscal year 2007 and the school board contributed \$431,470 in fiscal year 2008.

Annual OPEB Cost and Net OPEB Obligation:

The City's and School'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) over a period not to exceed thirty years. The following table shows the components of the City's and School's annual OPEB cost for the year, the amount actually contributed to the plan and changes in the City's net OPEB obligation:

	<b>Component Unit</b>	
	<b>City of Hampton</b>	<b>School Board</b>
Annual required contribution	\$ 9,428,446	\$ 1,859,259
Interest on net OPEB obligation	377,138	74,370
Adjustment to ARC	-	-
Annual OPEB cost	9,805,584	1,933,629
Contributions made	(2,425,515)	(431,470)
Increase in net OPEB obligation	7,380,069	1,502,159
Net OPEB obligation - beginning of year	-	-
Net OPEB obligations - end of year	\$ 7,380,069	\$ 1,502,159

HRHA has not implemented GASB 45.

The City's and School's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2008 were as follows:

City of Hampton

Fiscal year ended	Annual OPEB Cost	Employer Contributions	Percentage of Annual	
			OPEB Cost Contributed	Net OPEB Obligation
June 30, 2008	\$ 9,428,446	\$ 2,425,515	24%	\$ 7,380,069

Component Unit-School Board

Fiscal year ended	Annual OPEB Cost	Employer Contributions	Percentage of Annual	
			OPEB Cost Contributed	Net OPEB Obligation
June 30, 2008	\$ 1,859,259	\$ 431,470	22%	\$ 1,502,159

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2008**

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

Funded Status and Funding Progress:

Based on the most recent actuarial valuation for fiscal year ended July 1, 2007, the funded status of the plan was as follows:

	<u>City of Hampton</u>	<u>Component Unit School Board</u>
Actuarial accrued liability (AAL)	\$ 98,144,280	\$ 16,349,633
Actuarial value of plan assets	-	-
Unfunded actuarial accrued liability (UAAL)	<u>\$ 98,144,280</u>	<u>\$ 16,349,633</u>
Funded ratio (actuarial value of plan assets/AAL)	0%	0%
Covered payroll (active plan members)	\$ 84,217,803	\$ 123,001,281
UAAL as a percentage of covered payroll	117%	13%

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, presented below as required supplementary information, presents information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

In the July 1, 2007 actuarial valuation, 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 a level dollar amount over a period of 30 years. A discount rate of 4% per annum net of expenses was used for an unfunded plan. Healthcare cost trend rates ranged from an initial rate of 11% for 2007 to an ultimate rate of 5% for the 2017 fiscal year. Retiree medical contributions are assumed to increase at the same rates as incurred claims.

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2008**

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

Schedule of Funding Progress:

City of Hampton:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)-Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
7/1/2007	-	\$ 98,144,280	\$ 98,144,280	0%	\$ 84,217,803	117%

Component Unit-School Board:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)-Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
7/1/2007	-	\$ 16,349,633	\$ 16,349,633	0%	\$ 123,001,281	13%

**14 LEASE RECEIVABLES:**

The IDA issued Revenue Bonds (Note 8) to improve land and buildings used by Whitney Rand Corporation and to construct the Peninsula Workforce Development Center (PWDC). Under terms of agreements with these organizations, revenues generated from the lease of the buildings are used to make the bond payments with the lease term being equivalent to the life of the bond. As of June 30, 2008, future lease receivables were \$12,870,771 from PWDC. The Whitney Rand lease receivable was paid off in May of 2008. The minimum lease payments for the next five years are:

<u>June 30,</u>	<u>PWDC</u>
2009	\$ 990,059
2010	990,059
2011	990,059
2012	990,059
2013	990,059

Upon completion of PWDC, \$815,183 in unearned interest income was used to offset direct costs. This amount will be allocated over the life of the lease at \$40,466 per year.

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2008**

**15. RESTATED BEGINNING BALANCES:**

On July 1, 2007 (beginning balance), the Enhanced Emergency Telephone Service Special Revenue Fund (E-911 Fund) was merged in with the General Fund. As a result, the beginning balance as of July 1, 2007 for Non-Major Governmental (Exhibit C-2) was restated:

Fund Balance, beginning of year	\$ 3,655,644
Fund Balance for E-911 Fund removed from beginning balance	(137,448)
Fund Balance, beginning of year, as restated	<u>\$ 3,518,196</u>

On July 1, 2007 (beginning balance), the Enhanced Emergency Telephone Service Special Revenue Fund (E-911 Fund) was merged in with the General Fund. As a result, the beginning balance as of July 1, 2007 for Other Governmental Funds (Exhibit A-4) was restated:

Fund Balance, beginning of year	\$ 3,655,644
Fund Balance for E-911 Fund removed from beginning balance	(137,448)
Fund Balance, beginning of year, as restated	<u>\$ 3,518,196</u>

On July 1, 2007 (beginning balance), the Enhanced Emergency Telephone Service Special Revenue Fund (E-911 Fund) was merged in with the General Fund. As a result, the beginning balance as of July 1, 2007 for the General Fund (Exhibit A-4) was restated:

Fund Balance, beginning of year	\$ 83,741,511
Fund Balance for E-911 added to beginning balance	137,448
Fund Balance, beginning of year, as restated	<u>\$ 83,878,959</u>

Beginning net asset amount for Proprietary Funds in Exhibit A-7 was changed due to HRHA being reclassified from a Blended Enterprise Fund to a Component Unit as of July 1, 2007:

Net assets, beginning of year	\$ 138,971,032
Reclassified from Enterprise Fund to Component Unit	(45,183,670)
Net assets, beginning of year, as restated	<u>\$ 93,787,362</u>

Beginning net asset amount for Proprietary Funds in Exhibit A-8 was changed due to HRHA being reclassified from a Blended Enterprise Fund to a Component Unit as of July 1, 2007:

Net assets, beginning of year	\$ 30,880,875
Reclassified from Enterprise Fund to Component Unit	(13,802,506)
Net assets, beginning of year, as restated	<u>\$ 17,078,369</u>

Beginning net asset amount for Component Units in Exhibit A-11 was changed due to HRHA being reclassified from a Blended Enterprise Fund to a Component Unit as of July 1, 2007:

Net assets, beginning of year	\$ 58,529,691
Reclassified from Enterprise Fund to Component Unit	45,183,670
Net assets, beginning of year, as restated	<u>\$ 103,713,361</u>

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2008**

**15. RESTATED BEGINNING BALANCES, Continued**

Beginning net asset amount for Business-Type Activities in Exhibit A-2 was changed due to HRHA being reclassified from a Blended Enterprise Fund to a Component Unit as of July 1, 2007:

Net assets, beginning of year	\$ 144,132,751
Reclassified from Enterprise Fund to Component Unit	<u>(45,183,670)</u>
Net assets, beginning of year, as restated	<u><u>\$ 98,949,081</u></u>

Beginning net asset amount for Component Units in Exhibit A-2 was changed due to HRHA being reclassified from a Blended Enterprise Fund to a Component Unit as of July 1, 2007:

Net assets, beginning of year	\$ 58,529,691
Reclassified from Enterprise Fund to Component Unit	<u>45,183,670</u>
Net assets, beginning of year, as restated	<u><u>\$ 103,713,361</u></u>

Beginning net capital asset amount for Business-Type Activities in Footnote 6 was changed due to HRHA being reclassified from a Blended Enterprise Fund to a Component Unit as of July 1, 2007:

Business-type activites capital assets, net, beginning of year	\$ 209,913,097
Reclassified from Enterprise Fund to Component Unit	<u>(28,060,327)</u>
Business-type activites capital assets, net, beginning of year, as restated	<u><u>\$ 181,852,770</u></u>

**CITY OF HAMPTON, VIRGINIA  
GENERAL FUND  
BALANCE SHEET  
June 30, 2008**

**ASSETS**

Cash and cash equivalents	\$ 82,434,995
Investments	18,900,430
Accounts receivables:	
Taxes (net of allowance for uncollectible of \$1,319,047)	6,535,103
Due from other governments	9,910,497
Other	4,488,602
Due from other funds	6,603,509
Due from component units	2,001,386
Inventories	67,096
Prepaid expenses	96,993
Advances to other funds	50,000
Total assets	<u>\$ 131,088,611</u>

**LIABILITIES AND FUND BALANCES**

Liabilities:	
Accounts payable	\$ 8,155,887
Accrued health insurance	5,237,383
Accrued liabilities	5,695,666
Deferred revenue	5,672,149
Due to other funds	6,961,834
Due to component units	260,062
Total liabilities	<u>31,982,981</u>
Fund balances:	
Reserved for:	
Encumbrances	2,115,400
Courthouse maintenance	28,901
Hazmat	9,473
Advances to other funds	50,000
Unreserved:	
Designated for succeeding year	40,914,834
Undesignated	55,987,022
Total fund balances	<u>99,105,630</u>
Total liabilities and fund balances	<u>\$ 131,088,611</u>

**CITY OF HAMPTON, VIRGINIA**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES AND OTHER CREDITS-BUDGET AND ACTUAL**  
**Fiscal Year Ended June 30, 2008**

	<u>Budget</u> <u>July 1, 2007</u>	<u>Net</u> <u>Changes</u>	<u>Final</u> <u>June 30, 2008</u>	<u>Actual</u>	<u>Variance</u> <u>Over</u> <u>(Under)</u>
General property taxes:					
Real estate	\$ 114,193,121	\$ -	\$ 114,193,121	\$ 116,433,272	\$ 2,240,151
Real estate BID	712,198		712,198	766,559	54,361
Public service	2,291,355		2,291,355	2,562,829	271,474
Personal property	34,167,743		34,167,743	36,775,721	2,607,978
Mobile homes	39,110		39,110	52,618	13,508
Machinery and tools	1,909,161		1,909,161	2,007,165	98,004
Delinquent taxes	700,000		700,000	662,703	(37,297)
Penalty	935,000	-	935,000	1,067,984	132,984
Total general property taxes	<u>154,947,688</u>	<u>-</u>	<u>154,947,688</u>	<u>160,328,851</u>	<u>5,381,163</u>
Other local taxes:					
Utility - telephone	350,000		350,000	421,679	71,679
Utility - electric and gas	4,800,000		4,800,000	5,281,653	481,653
Communications sales tax	8,789,293		8,789,293	9,032,478	243,185
Tobacco	3,900,000		3,900,000	3,759,713	(140,287)
Business license	12,014,321		12,014,321	12,784,599	770,278
Short-term rental	120,000		120,000	127,088	7,088
Sales and use	13,400,000		13,400,000	13,765,325	365,325
Recordation	1,500,000		1,500,000	1,874,187	374,187
Public right of way	510,000		510,000	452,065	(57,935)
Lodging and transit	3,100,000		3,100,000	3,116,891	16,891
Amusement	1,305,394		1,305,394	1,148,346	(157,048)
Meal	13,598,000		13,598,000	13,974,304	376,304
Motor vehicle	2,889,321		2,889,321	3,432,638	543,317
Bank stock	357,000		357,000	306,740	(50,260)
License tax - pari-mutuel	110,000	-	110,000	105,838	(4,162)
Total other local taxes	<u>66,743,329</u>	<u>-</u>	<u>66,743,329</u>	<u>69,583,544</u>	<u>2,840,215</u>
License, permits and privilege fees					
Animal licenses	16,500		16,500	33,967	17,467
Street and taxi permits	61,600		61,600	48,761	(12,839)
Zoning and land use	205,000		205,000	168,213	(36,787)
Building permits	950,000		950,000	765,391	(184,609)
Miscellaneous	21,600	-	21,600	65,753	44,153
Total license, permits and privilege fees	<u>1,254,700</u>	<u>-</u>	<u>1,254,700</u>	<u>1,082,085</u>	<u>(172,615)</u>
Total fines and forfeitures	<u>1,885,000</u>	<u>-</u>	<u>1,885,000</u>	<u>2,268,829</u>	<u>383,829</u>
Revenue from use of money and property					
Interest on investments	2,738,453		2,738,453	4,282,324	1,543,871
Rental of property	135,000		135,000	150,736	15,736
Sale of materials and property	37,000		37,000	267,033	230,033
Vending machine commissions	9,500		9,500	385	(9,115)
Parking fees	82,400		82,400	77,498	(4,902)
Net increase (decrease) in fair value of investments	-	-	-	(64,862)	(64,862)
Total revenue from use of money and property	<u>3,002,353</u>	<u>-</u>	<u>3,002,353</u>	<u>4,713,114</u>	<u>1,710,761</u>

continued

**CITY OF HAMPTON, VIRGINIA  
GENERAL FUND  
SCHEDULE OF REVENUES AND OTHER CREDITS-BUDGET AND ACTUAL  
Fiscal Year Ended June 30, 2008**

	<u>Budget</u> <u>July 1, 2007</u>	<u>Net</u> <u>Changes</u>	<u>Final</u> <u>June 30, 2008</u>	<u>Actual</u>	<u>Variance</u> <u>Over</u> <u>(Under)</u>
Charges for services:					
Fees:					
Court costs	\$ -	\$ -	\$ -	\$ 1,567	\$ 1,567
Clerk	475,000		475,000	425,092	(49,908)
Court officers	26,000		26,000	29,797	3,797
Recreation	2,062,000		2,062,000	2,398,537	336,537
Healthy Start/ Healthy Families	325,000		325,000	53,450	(271,550)
Animal Control			-	12,359	12,359
Sheriff	89,741		89,741	102,631	12,890
Legal services	7,200		7,200	7,200	-
Library	70,000		70,000	70,367	367
Ambulance services	1,933,000		1,933,000	2,474,876	541,876
PEG fees	-		-	2,797	2,797
Landfill host fees	600,000	-	600,000	327,902	(272,098)
Total charges for services	<u>5,587,941</u>	<u>-</u>	<u>5,587,941</u>	<u>5,906,575</u>	<u>318,634</u>
Miscellaneous revenue:					
Payment in lieu of taxes	61,587		61,587	75,303	13,716
Returned check charges	10,714		10,714	13,603	2,889
Unemployment fees	8,665		8,665	4,584	(4,081)
School reimbursement	1,065,492		1,065,492	1,053,283	(12,209)
Indirect cost	954,470		954,470	935,745	(18,725)
Other	463,000	-	463,000	1,189,101	726,101
Total miscellaneous revenue	<u>2,563,928</u>	<u>-</u>	<u>2,563,928</u>	<u>3,271,619</u>	<u>707,691</u>
Recovered costs:					
Jail operation	1,460,301		1,460,301	1,385,353	(74,948)
Probation	8,500		8,500	9,501	1,001
Police	8,166,668		8,166,668	7,755,904	(410,764)
NASA fire services	851,000		851,000	999,750	148,750
Miscellaneous	150,000	-	150,000	52,412	(97,588)
Total recovered cost	<u>10,636,469</u>	<u>-</u>	<u>10,636,469</u>	<u>10,202,920</u>	<u>(433,549)</u>
Noncategorical aid - state:					
ABC profits	85,847		85,847	85,847	-
Wine taxes	89,984		89,984	89,984	-
Vehicle rental and railroad tax	385,060		385,060	325,376	(59,684)
Mobile home titling tax	18,200		18,200	30,104	11,904
Tax on deeds	342,420	-	342,420	464,935	122,515
Total noncategorical aid - state	<u>921,511</u>	<u>-</u>	<u>921,511</u>	<u>996,246</u>	<u>74,735</u>
Shared expenses - state:					
Sheriff	6,704,365		6,704,365	5,640,704	(1,063,661)
Commonwealth Attorney	1,295,759		1,295,759	1,319,196	23,437
Commissioner of Revenue	331,048		331,048	323,067	(7,981)
Treasurer	317,639		317,639	316,290	(1,349)
Clerk of Courts	725,564		725,564	837,149	111,585
Registrar - election board	63,000		63,000	65,429	2,429
Medical examinations	1,000	-	1,000	-	(1,000)
Total shared expenses - state	<u>9,438,375</u>	<u>-</u>	<u>9,438,375</u>	<u>8,501,835</u>	<u>(936,540)</u>

continued

**CITY OF HAMPTON, VIRGINIA  
GENERAL FUND  
SCHEDULE OF REVENUES AND OTHER CREDITS-BUDGET AND ACTUAL  
Fiscal Year Ended June 30, 2008**

	<u>Budget</u> <u>July 1, 2007</u>	<u>Net</u> <u>Changes</u>	<u>Final</u> <u>June 30, 2008</u>	<u>Actual</u>	<u>Variance</u> <u>Over</u> <u>(Under)</u>
Categorical aid - state:					
Public assistance	\$ 4,609,525	\$ -	\$ 4,609,525	\$ 5,987,784	\$ 1,378,259
Street and highway maintenance	11,543,396	398,462	11,941,858	11,941,858	-
Public library books	214,574		214,574	201,644	(12,930)
Virginia juvenile block grant	441,197		441,197	430,167	(11,030)
Healthy start program	225,000	-	225,000	153,660	(71,340)
Total categorical aid - state	<u>17,033,692</u>	<u>398,462</u>	<u>17,432,154</u>	<u>18,715,113</u>	<u>1,282,959</u>
Categorical aid - federal:					
Pass thru - public assistance	10,926,291	-	10,926,291	9,384,089	(1,542,202)
Pass thru - Federal Rad. Emergency Response	-	20,500	20,500	20,500	-
Total categorical aid - federal	<u>10,926,291</u>	<u>20,500</u>	<u>10,946,791</u>	<u>9,404,589</u>	<u>(1,542,202)</u>
Noncategorical aid - federal					
Indirect costs - total	<u>218,000</u>	<u>-</u>	<u>218,000</u>	<u>280,020</u>	<u>62,020</u>
Total revenues	<u>285,159,277</u>	<u>418,962</u>	<u>285,578,239</u>	<u>295,255,340</u>	<u>9,677,101</u>
Other credits:					
IDA Fund				6,974	6,974
Schools	<u>2,000,000</u>	<u>-</u>	<u>2,000,000</u>	<u>2,000,000</u>	<u>-</u>
Total transfers	<u>2,000,000</u>	<u>-</u>	<u>2,000,000</u>	<u>2,006,974</u>	<u>6,974</u>
Total revenues and transfers	<u>287,159,277</u>	<u>418,962</u>	<u>287,578,239</u>	<u>297,262,314</u>	<u>9,684,075</u>
Appropriations from fund balance	9,831,452	17,493,591	27,325,043	27,325,043	-
Appropriations - encumbrances	<u>-</u>	<u>1,496,568</u>	<u>1,496,568</u>	<u>1,496,568</u>	<u>-</u>
Total appropriations	<u>9,831,452</u>	<u>18,990,159</u>	<u>28,821,611</u>	<u>28,821,611</u>	<u>-</u>
Total revenues and other credits	<u>\$ 296,990,729</u>	<u>\$ 19,409,121</u>	<u>\$ 316,399,850</u>	<u>\$ 326,083,925</u>	<u>\$ 9,684,075</u>

**CITY OF HAMPTON, VIRGINIA**  
**GENERAL FUND**  
**SCHEDULE OF APPROPRIATIONS AND EXPENDITURES**  
**Fiscal Year Ended June 30, 2008**

	Appropriations			Expenditures			Variance Under (Over)	
	Budget July 1, 2007	Net Changes	Final June 30, 2008	Personal Services	Operating Expenditures	Capital Outlay		Total
<b>General Government</b>								
Legislative:								
Municipal Council	\$ 440,190	\$ 54,929	\$ 495,119	\$ 333,200	\$ 149,296	\$ 7,411	\$ 489,907	\$ 5,212
Legislative - Total	440,190	54,929	495,119	333,200	149,296	7,411	489,907	5,212
Executive:								
City Manager	1,131,489	116,689	1,248,178	1,007,660	121,796	3,228	1,132,684	115,494
Budget and Management Analysis	325,389	81,288	406,677	317,997	37,914	5,005	360,916	45,761
Citizens Unity Commission	181,198	52,144	233,342	104,535	69,973	1,329	175,837	57,505
Community and International Relations		570,381	570,381	314,637	79,193	2,059	395,889	174,492
Internal Audit		196,536	196,536	35,753	5,935	5,318	47,006	149,530
311 Customer Call Center	578,170	43,826	621,996	509,876	60,822	7,406	578,104	43,892
Executive - Total	2,216,246	1,060,864	3,277,110	2,290,458	375,633	24,345	2,690,436	586,674
City Attorney:								
Law - City Attorney	1,148,041	76,567	1,224,608	1,064,852	122,319	22,451	1,209,622	14,986
City Attorney - Total	1,148,041	76,567	1,224,608	1,064,852	122,319	22,451	1,209,622	14,986
Human Resources - Total	690,844	212,762	903,606	540,739	120,751	5,008	666,498	237,108
Judicial:								
Clerk of Courts	888,344	292,800	1,181,144	695,994	115,930	81,872	893,796	287,348
Circuit Court	395,032	70,125	465,157	327,771	43,595	2,703	374,069	91,088
General District Court	208,426	22,365	230,791	73,628	124,109	2,927	200,664	30,127
District Court - J.D.R.	56,223	16,636	72,859		44,337	4,957	49,294	23,565
Commonwealth Attorney	1,457,548	135,111	1,592,659	1,428,798	93,614	6,147	1,528,559	64,100
City Sheriff - Administration	1,793,678	41,240	1,834,918	1,584,181	206,145		1,790,326	44,592
City Sheriff - Jail	6,376,360	(3,840)	6,372,520	4,574,371	1,623,478	55,134	6,252,983	119,537
Court Service Unit	2,091,475	1,336,314	3,427,789	68,575	1,992,508	48,713	2,109,796	1,317,993
Judicial - Subtotal	13,267,086	1,910,751	15,177,837	8,753,318	4,243,716	202,453	13,199,487	1,978,350
Less amount reflected as transfers	(22,942)	-	(22,942)	-	(22,942)	-	(22,942)	-
Judicial - Total	13,244,144	1,910,751	15,154,895	8,753,318	4,220,774	202,453	13,176,545	1,978,350

	Appropriations			Expenditures				Variance Under (Over)
	Budget July 1, 2007	Net Changes	Final June 30, 2008	Personal Services	Operating Expenditures	Capital Outlay	Total	
<b>General Government, continued:</b>								
Boards and Commissions:								
Planning	\$ 976,106	\$ 111,531	\$ 1,087,637	\$ 835,830	\$ 88,970	\$ 15,525	\$ 940,325	\$ 147,312
Elections Board	147,678	32,701	180,379	108,779	48,743		157,522	22,857
Registrar	215,672	113,980	329,652	191,699	55,881	9,627	257,207	72,445
Development	1,757,213	402,504	2,159,717	1,147,899	430,036	1,509	1,579,444	580,273
Neighborhood Services	702,002	61,700	763,702	457,979	160,743	-	618,722	144,980
Boards and Commissions - Total	<u>3,798,671</u>	<u>722,416</u>	<u>4,521,087</u>	<u>2,742,186</u>	<u>784,373</u>	<u>26,661</u>	<u>3,553,220</u>	<u>967,867</u>
Agriculture - Extension Agent - Total	<u>110,339</u>	<u>14,008</u>	<u>124,347</u>	<u>50,132</u>	<u>43,239</u>	<u>-</u>	<u>93,371</u>	<u>30,976</u>
Nondepartmental:								
Nondepartmental	14,722,341	1,739,912	16,462,253	189,528	14,465,032	112,367	14,766,927	1,695,326
Civic and community support	1,388,614	50,000	1,438,614		1,425,268		1,425,268	13,346
Other	3,394,207	(1,162,429)	2,231,778	-	973,423	-	973,423	1,258,355
Nondepartmental - Subtotal	<u>19,505,162</u>	<u>627,483</u>	<u>20,132,645</u>	<u>189,528</u>	<u>16,863,723</u>	<u>112,367</u>	<u>17,165,618</u>	<u>2,967,027</u>
Less amount reflected as transfers	<u>-</u>	<u>(364,655)</u>	<u>(364,655)</u>	<u>-</u>	<u>(298,590)</u>	<u>-</u>	<u>(298,590)</u>	<u>(66,065)</u>
Nondepartmental - Total	<u>19,505,162</u>	<u>262,828</u>	<u>19,767,990</u>	<u>189,528</u>	<u>16,565,133</u>	<u>112,367</u>	<u>16,867,028</u>	<u>2,900,962</u>
Finance:								
Commissioner of Revenue	1,218,159	84,806	1,302,965	1,049,446	166,434	34,392	1,250,272	52,693
Assessor of Real Estate	1,306,952	167,660	1,474,612	1,042,908	165,434	8,678	1,217,020	257,592
City Treasurer	1,431,443	32,985	1,464,428	989,500	391,122	46,482	1,427,104	37,324
Consolidated Procurement	430,293	19,619	449,912	390,282	51,966		442,248	7,664
Independent Auditors	174,450	24,787	199,237		182,537		182,537	16,700
Finance	1,023,004	384,239	1,407,243	917,708	75,481	1,782	994,971	412,272
Information Technology	2,490,369	428,133	2,918,502	1,555,846	797,852	211,173	2,564,871	353,631
Finance - Total	<u>8,074,670</u>	<u>1,142,229</u>	<u>9,216,899</u>	<u>5,945,690</u>	<u>1,830,826</u>	<u>302,507</u>	<u>8,079,023</u>	<u>1,137,876</u>
Retirement and Employee Benefits								
Total	<u>35,440,840</u>	<u>(3,855,038)</u>	<u>31,585,802</u>	<u>977,955</u>	<u>28,498,817</u>	<u>-</u>	<u>29,476,772</u>	<u>2,109,030</u>

(Continued)

**CITY OF HAMPTON, VIRGINIA**  
**GENERAL FUND**  
**SCHEDULE OF APPROPRIATIONS AND EXPENDITURES**  
**Fiscal Year Ended June 30, 2008**

	Appropriations			Expenditures			Variance Under (Over)	
	Budget July 1, 2007	Net Changes	Final June 30, 2008	Personal Services	Operating Expenditures	Capital Outlay		Total
<b>General Government, concluded:</b>								
Public Works:								
Administration	\$ 332,147	\$ 388,453	\$ 720,600	\$ 307,683	\$ 68,200	\$ 22,721	\$ 398,604	\$ 321,996
Engineering	875,636	(72,272)	803,364	701,508	88,943		790,451	12,913
Property Maintenance	3,769,508	241,815	4,011,323	1,216,332	2,674,812	8,442	3,899,586	111,737
Parking Facilities	811,627	56,524	868,151	32,581	702,233	-	734,814	133,337
Public Works - Total	<u>5,788,918</u>	<u>614,520</u>	<u>6,403,438</u>	<u>2,258,104</u>	<u>3,534,188</u>	<u>31,163</u>	<u>5,823,455</u>	<u>579,983</u>
<b>General Government - Total</b>	<u>90,458,065</u>	<u>2,216,836</u>	<u>92,674,901</u>	<u>25,146,162</u>	<u>56,245,349</u>	<u>734,366</u>	<u>82,125,877</u>	<u>10,549,024</u>
<b>Public Safety:</b>								
Police Division	20,811,357	564,628	21,375,985	16,363,558	4,178,776	154,337	20,696,671	679,314
Traffic Engineering	2,875,643	96,004	2,971,647	688,645	2,039,501	80,931	2,809,077	162,570
Fire Division	15,939,363	1,239,534	17,178,897	13,705,296	2,960,919	359,884	17,026,099	152,798
Codes Compliance	2,015,969	199,609	2,215,578	1,797,783	322,435	37,922	2,158,140	57,438
E911	2,762,229	35,618	2,797,847	2,080,589	333,950	43,144	2,457,683	340,164
Animal Control	366,738	569,284	936,022	283,854	486,955	4,861	775,670	160,352
Public Safety - Subtotal	<u>44,771,299</u>	<u>2,704,677</u>	<u>47,475,976</u>	<u>34,919,725</u>	<u>10,322,536</u>	<u>681,079</u>	<u>45,923,340</u>	<u>1,552,636</u>
Less amount reflected as transfers	<u>(49,699)</u>	<u>(99,373)</u>	<u>(149,072)</u>	<u>-</u>	<u>(149,072)</u>	<u>-</u>	<u>(149,072)</u>	<u>-</u>
<b>Public Safety - Total</b>	<u>44,721,600</u>	<u>2,605,304</u>	<u>47,326,904</u>	<u>34,919,725</u>	<u>10,173,464</u>	<u>681,079</u>	<u>45,774,268</u>	<u>1,552,636</u>
<b>Highways and Streets - Total</b>	<u>2,562,901</u>	<u>(52,296)</u>	<u>2,510,605</u>	<u>1,316,889</u>	<u>1,036,732</u>	<u>41,493</u>	<u>2,395,114</u>	<u>115,491</u>

	Appropriations			Expenditures				Variance Under (Over)
	Budget July 1, 2007	Net Changes	Final June 30, 2008	Personal Services	Other Expenditures	Capital Outlay	Total	
<b>Health:</b>								
Preventive Medicine	\$ 1,396,449	\$ 150,145	\$ 1,546,594	\$ -	\$ 1,441,383	\$ 86,087	\$ 1,527,470	\$ 19,124
Drainage Maintenance	1,817,742	29,579	1,847,321	804,715	847,622	24,943	1,677,280	170,041
<b>Health - Total</b>	<u>3,214,191</u>	<u>179,724</u>	<u>3,393,915</u>	<u>804,715</u>	<u>2,289,005</u>	<u>111,030</u>	<u>3,204,750</u>	<u>189,165</u>
<b>Human Services:</b>								
Administration	9,047,765	368,477	9,416,242	6,250,305	3,159,008	6,928		9,416,242
Employment Services	1,474,375	(379,233)	1,095,142	746,846	322,917	21,841	1,091,604	3,538
Public Assistance	645,261	102,896	748,157		725,608		725,608	22,549
Purchase of Services	6,119,497	(209,028)	5,910,469		5,898,255		5,898,255	12,214
Emergency Fuel	42,720	(3,033)	39,687	33,439	6,247		39,686	1
Food Stamps	41,134	(32,582)	8,552		8,552		8,552	-
VISTA (Volunteers in Service to America)	467,390	(111,361)	356,029	200,763	147,872	7,101	355,736	293
Healthy Families Partnership	2,777,429	181,664	2,959,093	2,211,893	367,058	13,252	2,592,203	366,890
Coalition for Youth	456,819	102,541	559,360	218,165	272,956	-	491,121	68,239
<b>Human Services - Total</b>	<u>21,072,390</u>	<u>20,341</u>	<u>21,092,731</u>	<u>9,661,411</u>	<u>10,908,473</u>	<u>49,122</u>	<u>20,619,006</u>	<u>473,725</u>
<b>Culture and Recreation:</b>								
Recreation	4,057,322	604,603	4,661,925	3,330,797	1,228,027	6,418	4,565,242	96,683
Parks	6,425,086	(213,003)	6,212,083	2,837,033	2,898,430	122,273	5,857,736	354,347
Conventions and Tourism	2,859,983	545,405	3,405,388	997,689	1,843,365	-	2,841,054	564,334
Hampton History Museum	329,607	148,975	478,582	197,448	181,265	4,381	383,094	95,488
Culture and Recreation - Subtotal	<u>13,671,998</u>	<u>1,085,980</u>	<u>14,757,978</u>	<u>7,362,967</u>	<u>6,151,087</u>	<u>133,072</u>	<u>13,647,126</u>	<u>1,110,852</u>
<b>Culture and Recreation - Total</b>	<u>13,671,998</u>	<u>1,085,980</u>	<u>14,757,978</u>	<u>7,362,967</u>	<u>6,151,087</u>	<u>133,072</u>	<u>13,647,126</u>	<u>1,110,852</u>

(Continued)

**CITY OF HAMPTON, VIRGINIA**  
**GENERAL FUND**  
**SCHEDULE OF APPROPRIATIONS AND EXPENDITURES**  
**Fiscal Year Ended June 30, 2008**

	Appropriations			Expenditures				Variance Under (Over)
	Budget July 1, 2007	Net Changes	Final June 30, 2008	Personal Services	Other Expenditures	Capital Outlay	Total	
<b>Education:</b>								
School Operations	\$ 66,517,469	\$ -	\$ 66,517,469	\$ -	\$ 66,517,429	\$ -	\$ 66,517,429	\$ 40
Public Library	2,392,664	136,215	2,528,879	1,635,478	736,411	32,411	2,404,300	124,579
<b>Education - Total</b>	<u>68,910,133</u>	<u>136,215</u>	<u>69,046,348</u>	<u>1,635,478</u>	<u>67,253,840</u>	<u>32,411</u>	<u>68,921,729</u>	<u>124,619</u>
<b>Total expenditures</b>	<u>244,611,278</u>	<u>6,192,104</u>	<u>250,803,382</u>	<u>80,847,347</u>	<u>154,057,950</u>	<u>1,782,573</u>	<u>236,687,870</u>	<u>14,115,512</u>
<b>Operating Transfers Out:</b>								
Capital Projects Funds	19,816,366	(752,752)	19,063,614		11,781,642		11,781,642	7,281,972
Enterprise Funds	8,159,300	445,000	8,604,300		8,585,473		8,585,473	18,827
Special Revenue Funds	2,110,627	2,619,369	4,729,996		4,575,081		4,575,081	154,915
Debt Service Funds	22,293,158	8,790,000	31,083,158	-	20,405,577	-	20,405,577	10,677,581
<b>Transfers - Total</b>	<u>52,379,451</u>	<u>11,101,617</u>	<u>63,481,068</u>	<u>-</u>	<u>45,347,773</u>	<u>-</u>	<u>45,347,773</u>	<u>18,133,295</u>
<b>Total expenditures and transfers</b>	<u>\$ 296,990,729</u>	<u>\$ 17,293,721</u>	<u>\$ 314,284,450</u>	<u>\$ 80,847,347</u>	<u>\$ 199,405,723</u>	<u>\$ 1,782,573</u>	<u>\$ 282,035,643</u>	<u>\$ 32,248,807</u>

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**CITY OF HAMPTON, VIRGINIA  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
June 30, 2008**

	Special Revenue		
	Federal Grants	Community Development	EXCEL
<b>ASSETS</b>			
Cash and cash equivalents	\$ -	\$ 817,568	\$ 31,157
Accounts receivables:			
Due from other governments	2,698,479	210,302	
Other	8,586	74	237,586
Notes receivable		42,157	
Due from other funds	225,354	-	-
Total assets	\$ 2,932,419	\$ 1,070,101	\$ 268,743
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 899,305	\$ 352,670	\$ 28,479
Accrued liabilities	59,266	8,662	12,916
Deferred revenue	85,895	705,687	2,301
Due to other funds	1,320,136	3,082	5,941
Total liabilities	2,364,602	1,070,101	49,637
Fund balances:			
Reserved for grants compliance	567,817		
Unreserved:			
Designated for:			
Specific projects - Permanent fund			
Specific projects			219,106
Undesignated	-	-	-
Total fund balances	567,817	-	219,106
Total liabilities and fund balances	\$ 2,932,419	\$ 1,070,101	\$ 268,743

**Exhibit C-1**

<b>Special Revenue</b>			<b>Permanent Fund</b>		
<u>Stormwater Management</u>	<u>Pembroke Complex</u>	<u>Law Library</u>	<u>Pearl I. Young</u>		<u>Total Non-major Governmental Funds</u>
\$ 3,371,257	\$ 103,687	\$ 116,391	\$ 65,298		\$ 4,505,358
					2,908,781
183,310	57,312	160	197		487,225
					42,157
-	1,751	-	-		227,105
<u>\$ 3,554,567</u>	<u>\$ 162,750</u>	<u>\$ 116,551</u>	<u>\$ 65,495</u>		<u>\$ 8,170,626</u>
\$ 26,087	\$ 13,115	\$ 1,895	\$ -	\$	1,321,551
45,288	2,219	261			128,612
183,310					977,193
<u>129,539</u>	<u>8,452</u>	<u>-</u>	<u>-</u>		<u>1,467,150</u>
<u>384,224</u>	<u>23,786</u>	<u>2,156</u>	<u>-</u>		<u>3,894,506</u>
					567,817
			65,495		65,495
	138,964	114,395			472,465
<u>3,170,343</u>	<u>-</u>	<u>-</u>	<u>-</u>		<u>3,170,343</u>
<u>3,170,343</u>	<u>138,964</u>	<u>114,395</u>	<u>65,495</u>		<u>4,276,120</u>
<u>\$ 3,554,567</u>	<u>\$ 162,750</u>	<u>\$ 116,551</u>	<u>\$ 65,495</u>	<u>\$</u>	<u>8,170,626</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, 2008**

	<u>Special Revenue</u>		
	<u>Federal Grants</u>	<u>Community Development</u>	<u>EXCEL</u>
<b>REVENUES</b>			
Other local taxes	\$ -	\$ -	\$ 1,364,363
Intergovernmental revenues:			
From the Commonwealth of Virginia	8,807,976		5,000
From the Federal government	2,471,143	1,469,022	
Revenues from use of money and property	1,332		11,019
Charges for services			
Miscellaneous	298,610	759,594	385,627
Total revenues	<u>11,579,061</u>	<u>2,228,616</u>	<u>1,766,009</u>
<b>EXPENDITURES</b>			
Current:			
General government	518,913	2,228,616	326,874
Public safety	4,676,184		
Sanitation			
Human services	9,412,660		
Culture and recreation	130,633	-	1,476,749
Total expenditures	<u>14,738,390</u>	<u>2,228,616</u>	<u>1,803,623</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,159,329)</u>	<u>-</u>	<u>(37,614)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	2,991,790		163,891
Transfers out	-	-	-
Net other financing sources (uses)	<u>2,991,790</u>	<u>-</u>	<u>163,891</u>
<b>Net change in fund balances</b>	(167,539)		126,277
<b>Fund balances, beginning of year, as restated</b>	<u>735,356</u>	<u>-</u>	<u>92,829</u>
<b>Fund balances, end of year</b>	<u>\$ 567,817</u>	<u>\$ -</u>	<u>\$ 219,106</u>

Exhibit C-2

<u>Special Revenue</u>			<u>Permanent Fund</u>		
<u>Stormwater Management</u>	<u>Pembroke Complex</u>	<u>Law Library</u>	<u>Pearl I. Young</u>	<u>Total Non-major Governmental Funds</u>	
\$ -	\$ -	\$ -	\$ -	\$	1,364,363
					8,812,976
					3,940,165
	371,872	4,177	2,254		390,654
4,988,581					4,988,581
82	-	47,545	-		1,491,458
<u>4,988,663</u>	<u>371,872</u>	<u>51,722</u>	<u>2,254</u>		<u>20,988,197</u>
	395,228	47,495			3,517,126
					4,676,184
3,656,032					3,656,032
					9,412,660
-	-	-	-		1,607,382
<u>3,656,032</u>	<u>395,228</u>	<u>47,495</u>	<u>-</u>		<u>22,869,384</u>
<u>1,332,631</u>	<u>(23,356)</u>	<u>4,227</u>	<u>2,254</u>		<u>(1,881,187)</u>
					3,155,681
(516,570)	-	-	-		(516,570)
<u>(516,570)</u>	<u>-</u>	<u>-</u>	<u>-</u>		<u>2,639,111</u>
816,061	(23,356)	4,227	2,254		757,924
<u>2,354,282</u>	<u>162,320</u>	<u>110,168</u>	<u>63,241</u>		<u>3,518,196</u>
<u>\$ 3,170,343</u>	<u>\$ 138,964</u>	<u>\$ 114,395</u>	<u>\$ 65,495</u>	<u>\$</u>	<u>4,276,120</u>

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**CITY OF HAMPTON, VIRGINIA**  
**NON-MAJOR ENTERPRISE FUNDS**  
**COMBINING STATEMENT OF NET ASSETS**  
**June 30, 2008**

	Business-Type Activities - Non-Major Enterprise Funds				Totals
	Coliseum	Woodlands	Solid Waste	Refuse-Steam Plant	
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ 5,128,294	\$ 159,417	\$ 4,920,342	\$ 612,056	\$ 10,820,109
Accounts receivable	55,893	6,135	1,766,027	100,601	1,928,656
Due from other funds	7,360		22,805		30,165
Due from component units			11,494		11,494
Due from other governments			244,451		244,451
Inventories	<u>62,254</u>	<u>25,755</u>	-	-	88,009
Total current assets	<u>5,253,801</u>	<u>191,307</u>	<u>6,965,119</u>	<u>712,657</u>	<u>13,122,884</u>
Noncurrent assets:					
Capital assets:					
Land and improvements	164,079	2,295,538	4,811,174		7,270,791
Buildings and improvements	13,089,169	1,001,826			14,090,995
Improvements other than buildings	3,217,408	527,712	2,971	20,732,821	24,480,912
Equipment	1,304,692	461,885	8,298,599	2,797,196	12,862,372
Construction in progress	377,047				377,047
Less accumulated depreciation	<u>(12,644,510)</u>	<u>(1,367,922)</u>	<u>(10,458,625)</u>	<u>(13,951,074)</u>	<u>(38,422,131)</u>
Net capital assets	<u>5,507,885</u>	<u>2,919,039</u>	<u>2,654,119</u>	<u>9,578,943</u>	<u>20,659,986</u>
Total noncurrent assets	<u>5,507,885</u>	<u>2,919,039</u>	<u>2,654,119</u>	<u>9,578,943</u>	<u>20,659,986</u>
Total assets	<u>\$ 10,761,686</u>	<u>\$ 3,110,346</u>	<u>\$ 9,619,238</u>	<u>\$ 10,291,600</u>	<u>\$ 33,782,870</u>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	\$ 694,291	\$ 29,253	\$ 589,831	\$ 194,250	\$ 1,507,625
Accrued interest payable				68,851	68,851
Accrued leave	38,558	9,842	96,457	69,179	214,036
Due to other funds	54,856	1,306,420	96,262	129,330	1,586,868
Deferred revenue	115,090	15,790			130,880
Other liabilities	<u>54,682</u>	<u>15,471</u>	<u>52,827</u>	<u>39,352</u>	<u>162,332</u>
Total current liabilities	<u>957,477</u>	<u>1,376,776</u>	<u>835,377</u>	<u>500,962</u>	<u>3,670,592</u>
Noncurrent liabilities:					
Accrued leave	78,000	20,625	142,489	38,121	279,235
Advances from other funds	-	-	-	5,797,545	5,797,545
Total noncurrent liabilities	<u>78,000</u>	<u>20,625</u>	<u>142,489</u>	<u>5,835,666</u>	<u>6,076,780</u>
Total liabilities	<u>1,035,477</u>	<u>1,397,401</u>	<u>977,866</u>	<u>6,336,628</u>	<u>9,747,372</u>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	5,507,885	2,919,039	2,654,119	9,578,943	20,659,986
Unrestricted	<u>4,218,324</u>	<u>(1,206,094)</u>	<u>5,987,253</u>	<u>(5,623,971)</u>	<u>3,375,512</u>
Total net assets	<u>9,726,209</u>	<u>1,712,945</u>	<u>8,641,372</u>	<u>3,954,972</u>	<u>24,035,498</u>
Total liabilities and net assets	<u>\$ 10,761,686</u>	<u>\$ 3,110,346</u>	<u>\$ 9,619,238</u>	<u>\$ 10,291,600</u>	<u>\$ 33,782,870</u>

**CITY OF HAMPTON, VIRGINIA**  
**NON-MAJOR ENTERPRISE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**Fiscal Year Ended June 30, 2008**

	Business-Type Activities - Non-Major Enterprise Funds				Totals
	Coliseum	Woodlands	Solid Waste	Refuse-Steam Plant	
<b>Operating revenues:</b>					
Charges for services	\$ 11,006,662	\$ 833,869	\$ 10,590,764	\$ 5,682,462	\$ 28,113,757
Total operating revenues	<u>11,006,662</u>	<u>833,869</u>	<u>10,590,764</u>	<u>5,682,462</u>	<u>28,113,757</u>
<b>Operating expenses:</b>					
Personal services	1,283,575	421,923	2,179,816	1,449,762	5,335,076
Fringe benefits	416,431	121,660	865,573	486,863	1,890,527
Promoters' fees	5,084,701				5,084,701
City-sponsored events	925,340				925,340
Cost of goods sold	210,627	45,705			256,332
Utilities	286,927	104,643	1,138	387,853	780,561
Insurance	173,189	17,607	151,728	226,227	568,751
Operating supplies	131,084	78,545	89,912	634,070	933,611
Equipment rental	11,135	34,980		12,934	59,049
Equipment and building repairs	116,649	45,927	1,235,604	772,090	2,170,270
Telephone and postage	18,064	3,845	1,283	15,497	38,689
Amusement tax	741,176				741,176
General expense	575,633	(125)	401,271	45,538	1,022,317
Landfill costs			3,153,238	607,218	3,760,456
Contractual services	298,685	51,502	462,546	120,257	932,990
Indirect cost			356,470	218,000	574,470
Depreciation and amortization	496,339	76,730	502,214	791,464	1,866,747
Total operating expenses	<u>10,769,555</u>	<u>1,002,942</u>	<u>9,400,793</u>	<u>5,767,773</u>	<u>26,941,063</u>
Operating income (loss)	<u>237,107</u>	<u>(169,073)</u>	<u>1,189,971</u>	<u>(85,311)</u>	<u>1,172,694</u>
<b>Nonoperating revenues (expenses):</b>					
Interest income				29,172	29,172
Interest and fiscal charges		(194)		(283,734)	(283,928)
Other	-	-	-	3,973	3,973
Total nonoperating revenues (expenses)	<u>-</u>	<u>(194)</u>	<u>-</u>	<u>(250,589)</u>	<u>(250,783)</u>
Income (loss) before transfers and capital contributions	237,107	(169,267)	1,189,971	(335,900)	921,911
Transfers in (out)	-	-	(55,000)	-	(55,000)
<b>Change in net assets</b>	237,107	(169,267)	1,134,971	(335,900)	866,911
<b>Net assets, beginning of year</b>	<u>9,489,102</u>	<u>1,882,212</u>	<u>7,506,401</u>	<u>4,290,872</u>	<u>23,168,587</u>
<b>Net assets, end of year</b>	<u>\$ 9,726,209</u>	<u>\$ 1,712,945</u>	<u>\$ 8,641,372</u>	<u>\$ 3,954,972</u>	<u>\$ 24,035,498</u>

**CITY OF HAMPTON, VIRGINIA  
NON-MAJOR ENTERPRISE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
Fiscal Year Ended June 30, 2008**

	Coliseum	Woodlands	Solid Waste	Refuse-Steam Plant	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash received from customers	\$ 10,351,862	\$ 828,754	\$ 10,243,443	\$ 5,747,234	\$ 27,171,293
Cash payments to suppliers for goods and services	(8,497,847)	(570,169)	(6,573,623)	(3,411,626)	(19,053,265)
Cash payments to employees for services	(1,277,053)	(198,226)	(2,163,810)	(1,442,511)	(5,081,600)
Net cash provided by (used in) operating activities	<u>576,962</u>	<u>60,359</u>	<u>1,506,010</u>	<u>893,097</u>	<u>3,036,428</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Operating transfers in from other funds	-	-	(55,000)	-	(55,000)
Net cash provided by (used in) noncapital financing activities	<u>-</u>	<u>-</u>	<u>(55,000)</u>	<u>-</u>	<u>(55,000)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Acquisition and construction of capital assets	(645,476)	(8,000)	(427,107)	(663,863)	(1,744,446)
Principal paid on revenue bond maturities and long-term debt		(19,690)		(265,417)	(285,107)
Interest paid on revenue bonds and long-term debt	-	(194)	-	(286,511)	(286,705)
Net cash provided by (used in) capital and related financing activities	<u>(645,476)</u>	<u>(27,884)</u>	<u>(427,107)</u>	<u>(1,215,791)</u>	<u>(2,316,258)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest and dividends on investments	-	-	-	32,130	32,130
Net cash provided by (used in) investing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>32,130</u>	<u>32,130</u>
Net increase (decrease) in cash and cash equivalents (including restricted amounts)	(68,514)	32,475	1,023,903	(290,564)	697,300
Cash and cash equivalents, July 1	<u>5,196,808</u>	<u>126,942</u>	<u>3,896,439</u>	<u>902,620</u>	<u>10,122,809</u>
Cash and cash equivalents, June 30	<u>\$ 5,128,294</u>	<u>\$ 159,417</u>	<u>\$ 4,920,342</u>	<u>\$ 612,056</u>	<u>\$ 10,820,109</u>
Operating income (loss)	<u>\$ 237,107</u>	<u>\$ (169,073)</u>	<u>\$ 1,189,971</u>	<u>\$ (85,311)</u>	<u>\$ 1,172,694</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization expense	496,339	76,730	502,214	791,464	1,866,747
Decrease (increase) in:					
Accounts receivable	54,854	(3,077)	(132,155)	60,800	(19,578)
Due from other funds	626		25,518		26,144
Due from component units			3,767		3,767
Due from other governments			(244,451)		(244,451)
Inventories	(11,821)	10,165			(1,656)
Deferred charges	1,941				1,941
Increase (decrease) in:					
Accounts payable	491,829	(80,920)	126,490	61,683	599,082
Accrued leave	8,972	4,878	14,694	(1,558)	26,986
Due to other funds	11,230	223,696	19,962	53,237	308,125
Other liabilities	(4,461)			8,809	4,348
Nonoperating revenues reported as operating				3,973	3,973
Deferred revenue	(709,654)	(2,040)	-	-	(711,694)
Total adjustments	<u>339,855</u>	<u>229,432</u>	<u>316,039</u>	<u>978,408</u>	<u>1,863,734</u>
Net cash provided by (used in) operating activities	<u>\$ 576,962</u>	<u>\$ 60,359</u>	<u>\$ 1,506,010</u>	<u>\$ 893,097</u>	<u>\$ 3,036,428</u>

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**CITY OF HAMPTON, VIRGINIA**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF NET ASSETS**  
**June 30, 2008**

<b>ASSETS</b>	Equipment Replacement	Fleet Management	Risk Management	Information Technology	Totals
<b>Current assets:</b>					
Cash and cash equivalents	\$ 9,293,600	\$ 293,410	\$ 13,377,519	\$ 548,764	\$ 23,513,293
Cash with fiscal agent			85,000		85,000
Accounts receivable	13,386	7,390	18,391	14,449	53,616
Due from other funds	238,420	431,901	4,554	141,675	816,550
Due from component units		127,601			127,601
Prepaid expense			91,666	30,340	122,006
Inventories	-	230,604	-	-	230,604
Total current assets	<u>9,545,406</u>	<u>1,090,906</u>	<u>13,577,130</u>	<u>735,228</u>	<u>24,948,670</u>
<b>Noncurrent assets:</b>					
Capital assets					
Equipment	29,384,373	798,696	14,176	1,498,004	31,695,249
Less accumulated depreciation	<u>(19,053,504)</u>	<u>(532,594)</u>	<u>(11,398)</u>	<u>(201,825)</u>	<u>(19,799,321)</u>
Total noncurrent assets (net capital assets)	<u>10,330,869</u>	<u>266,102</u>	<u>2,778</u>	<u>1,296,179</u>	<u>11,895,928</u>
Total assets	<u>\$ 19,876,275</u>	<u>\$ 1,357,008</u>	<u>\$ 13,579,908</u>	<u>\$ 2,031,407</u>	<u>\$ 36,844,598</u>
<b>LIABILITIES</b>					
<b>Current liabilities:</b>					
Accounts payable	\$ -	\$ 351,438	\$ 257,092	\$ 99,401	\$ 707,931
Accrued leave		63,713	9,648	21,821	95,182
Due to other funds		26,889	4,318	6,226	37,433
Deferred revenue				48,824	48,824
Current portion of long-term debt	70,727		4,500,354	237,642	4,808,723
Other liabilities	-	21,883	5,821	7,688	35,392
Total current liabilities	<u>70,727</u>	<u>463,923</u>	<u>4,777,233</u>	<u>421,602</u>	<u>5,733,485</u>
<b>Noncurrent liabilities:</b>					
Claims payable			681,483		681,483
Accrued leave		26,696	5,513	8,847	41,056
Obligations under capital leases	488,374	-	-	512,514	1,000,888
Total noncurrent liabilities	<u>488,374</u>	<u>26,696</u>	<u>686,996</u>	<u>521,361</u>	<u>1,723,427</u>
Total liabilities	<u>559,101</u>	<u>490,619</u>	<u>5,464,229</u>	<u>942,963</u>	<u>7,456,912</u>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	9,771,768	266,102	2,778	546,023	10,586,671
Unrestricted	9,545,406	600,287	8,112,901	542,421	18,801,015
Total net assets	<u>19,317,174</u>	<u>866,389</u>	<u>8,115,679</u>	<u>1,088,444</u>	<u>29,387,686</u>
Total liabilities and net assets	<u>\$ 19,876,275</u>	<u>\$ 1,357,008</u>	<u>\$ 13,579,908</u>	<u>\$ 2,031,407</u>	<u>\$ 36,844,598</u>

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**CITY OF HAMPTON, VIRGINIA**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**Fiscal Year Ended June 30, 2008**

	Equipment Replacement	Fleet Management	Risk Management	Information Technology	Totals
<b>Operating revenues:</b>					
Charges for services	\$ 3,117,022	\$ 5,416,950	\$ 6,645,758	\$ 1,789,013	\$ 16,968,743
<b>Operating expenses:</b>					
Personal services		884,288	253,926	322,283	1,460,497
Fringe benefits		330,879	75,920	102,778	509,577
Cost of goods sold		3,756,553			3,756,553
Utilities		45,624			45,624
Insurance		40,597	1,617,349	3,373	1,661,319
Operating supplies	2,240	49,369	8,193	71,076	130,878
Equipment rental		18,014	22,766	57,826	98,606
Equipment and building repairs		32,972		127,505	160,477
Telephone and postage		4,530	6,499	976,670	987,699
General expense		28,361	19,019	25,950	73,330
Claims			2,950,347		2,950,347
Contractual services		9,094		12,401	21,495
Depreciation and amortization	2,362,179	54,882	1,667	94,270	2,512,998
Total operating expenses	2,364,419	5,255,163	4,955,686	1,794,132	14,369,400
Operating income (loss)	752,603	161,787	1,690,072	(5,119)	2,599,343
<b>Nonoperating revenues (expenses):</b>					
Interest income	295,051		503,364	18,981	817,396
Interest and fiscal charges	(23,927)			(31,455)	(55,382)
Other	77,101	-	-	-	77,101
Total nonoperating revenues (expenses)	348,225	-	503,364	(12,474)	839,115
Income (loss) before transfers and capital contributions	1,100,828	161,787	2,193,436	(17,593)	3,438,458
Capital contributions	21,693	-	-	-	21,693
<b>Change in net assets</b>	1,122,521	161,787	2,193,436	(17,593)	3,460,151
<b>Net assets, beginning of year</b>	18,194,653	704,602	5,922,243	1,106,037	25,927,535
<b>Net assets, end of year</b>	\$ 19,317,174	\$ 866,389	\$ 8,115,679	\$ 1,088,444	\$ 29,387,686

**CITY OF HAMPTON, VIRGINIA**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF CASH FLOWS**  
**Fiscal Year Ended June 30, 2008**

	Equipment Replacement	Fleet Management	Risk Management	Information Technology	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash received from customers	\$ 4,853,416	\$ 5,253,031	\$ 6,661,463	\$ 1,809,152	\$ 18,577,062
Cash payments to suppliers for goods and services		(3,891,245)	(3,184,583)	(1,366,879)	(8,442,707)
Cash payments to employees for services	-	(1,242,129)	(256,898)	(319,896)	(1,818,923)
Net cash provided by (used in) operating activities	<u>4,853,416</u>	<u>119,657</u>	<u>3,219,982</u>	<u>122,377</u>	<u>8,315,432</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Acquisition and construction of capital assets	(1,591,264)	(17,486)		(163,198)	(1,771,948)
Principal paid on revenue bond maturities and long-term debt	(67,984)			(244,701)	(312,685)
Interest paid on revenue bonds and long-term debt	(23,927)			(31,455)	(55,382)
Proceeds from sale of capital assets	77,833	-	-	-	77,833
Net cash provided by (used in) capital and related financing activities	<u>(1,605,342)</u>	<u>(17,486)</u>	<u>-</u>	<u>(439,354)</u>	<u>(2,062,182)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest and dividends on investments	308,418	-	503,364	18,982	830,764
Net cash provided by (used in) investing activities	<u>308,418</u>	<u>-</u>	<u>503,364</u>	<u>18,982</u>	<u>830,764</u>
Net increase (decrease) in cash and cash equivalents (including restricted amounts)	3,556,492	102,171	3,723,346	(297,995)	7,084,014
Cash and cash equivalents, July 1	<u>5,737,108</u>	<u>191,239</u>	<u>9,739,173</u>	<u>846,759</u>	<u>16,514,279</u>
Cash and cash equivalents, June 30	<u>\$ 9,293,600</u>	<u>\$ 293,410</u>	<u>\$ 13,462,519</u>	<u>\$ 548,764</u>	<u>\$ 23,598,293</u>

continued

	Equipment Replacement	Fleet Management	Risk Management	Information Technology	Totals
Operating income (loss)	\$ 752,603	\$ 161,787	\$ 1,690,072	\$ (5,119)	\$ 2,599,343
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization expense	2,362,179	54,882	1,667	94,270	2,512,998
Decrease (increase) in:					
Accounts receivable	13,367	(1,220)	15,703	5,480	33,330
Due from other funds	1,738,633	(62,934)	(2,127)	(13,307)	1,660,265
Due from component units		(99,765)	1,000,000		900,235
Inventories		(25,381)			(25,381)
Prepaid expenses			(91,666)	(30,340)	(122,006)
Increase (decrease) in:					
Accounts payable	(115,756)	112,048	70,115	40,581	106,988
Accrued leave		(26,962)	(6,950)	2,018	(31,894)
Due to other funds		7,202	3,977	457	11,636
Other liabilities				370	370
Deferred revenue				27,967	27,967
Current portion of long-term accrued claims reported as operating activity			585,057		585,057
Accounts receivable reported as nonoperating activities	(13,367)				(13,367)
Accounts payable reported as nonoperating activities	115,757				115,757
Long-term accrued insurance claims reported as operating activity	-	-	(45,866)	-	(45,866)
Total adjustments	<u>4,100,813</u>	<u>(42,130)</u>	<u>1,529,910</u>	<u>127,496</u>	<u>5,716,089</u>
Net cash provided by (used in) operating activities	<u>\$ 4,853,416</u>	<u>\$ 119,657</u>	<u>\$ 3,219,982</u>	<u>\$ 122,377</u>	<u>\$ 8,315,432</u>
Non-cash transactions affecting investing capital and related financing activities:					
Acquisition of capital assets through other funds' capital contributions	\$ 21,693	\$ -	\$ -	\$ -	\$ 21,693
Total non-cash transactions	<u>\$ 21,693</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,693</u>

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**CITY OF HAMPTON, VIRGINIA  
FIDUCIARY FUNDS  
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
Fiscal Year Ended June 30, 2008**

	Balance, July 1, 2007	Additions	Deductions	Balance, June 30, 2008
<b><u>Special Welfare Fund</u></b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 172,007	\$ 195,050	\$ 181,831	\$ 185,226
Accounts receivable	-	-	-	-
	<u>\$ 172,007</u>	<u>\$ 195,050</u>	<u>\$ 181,831</u>	<u>\$ 185,226</u>
<b>LIABILITIES</b>				
Deposits	\$ 164,435	165,792	\$ 152,241	\$ 177,986
Accounts payable	7,572	15,841	16,173	7,240
	<u>\$ 172,007</u>	<u>\$ 181,633</u>	<u>\$ 168,414</u>	<u>\$ 185,226</u>
<b><u>Agency Fund</u></b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 488,344	\$ 1,248,989	\$ 530,925	\$ 1,206,408
Accounts receivable	661,824	3,212	665,036	-
	<u>\$ 1,150,168</u>	<u>\$ 1,252,201</u>	<u>\$ 1,195,961</u>	<u>\$ 1,206,408</u>
<b>LIABILITIES</b>				
Deposits	\$ 1,074,777	\$ 483,427	\$ 386,904	\$ 1,171,300
Accounts payable	75,391	1,376,575	1,416,858	35,108
	<u>\$ 1,150,168</u>	<u>\$ 1,860,002</u>	<u>\$ 1,803,762</u>	<u>\$ 1,206,408</u>
<b><u>Total - All Agency Funds</u></b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 660,351	\$ 1,444,039	\$ 712,756	\$ 1,391,634
Accounts receivable	661,824	3,212	665,036	-
	<u>\$ 1,322,175</u>	<u>\$ 1,447,251</u>	<u>\$ 1,377,792</u>	<u>\$ 1,391,634</u>
<b>LIABILITIES</b>				
Deposits	\$ 1,239,212	\$ 649,219	\$ 539,145	\$ 1,349,286
Accounts payable and accrued liabilities	82,963	1,392,416	1,433,031	42,348
	<u>\$ 1,322,175</u>	<u>\$ 2,041,635</u>	<u>\$ 1,972,176</u>	<u>\$ 1,391,634</u>

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**COMBINING BALANCE SHEET**  
**June 30, 2008**

	<u>Operating</u>	<u>Student Activities</u>	<u>Food Services</u>	<u>Special Revenue</u>	<u>Reimbursable Projects</u>	<u>Total</u>
<b>ASSETS</b>						
Cash and cash equivalents	\$ 81,729	\$ 28,884	\$ 3,552,944	\$ 195,406	\$ 875,356	\$ 4,734,319
Investments				11,735		11,735
Accounts receivables	30,883		93,932		13,916	138,731
Due from other funds	6,386,382	13,367			43,474	6,443,223
Due from other governments	3,320,528		189,082		5,294,939	8,804,549
Inventories	-	-	256,800	-	-	256,800
Total assets	<u>\$ 9,819,522</u>	<u>\$ 42,251</u>	<u>\$ 4,092,758</u>	<u>\$ 207,141</u>	<u>\$ 6,227,685</u>	<u>\$ 20,389,357</u>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities</b>						
Accounts payable and other liabilities	\$ 3,407,105	\$ 2,815	\$ 65,737	\$ -	\$ 218,012	\$ 3,693,669
Due to other funds	43,474	32,800	1,124,852	500	5,241,597	6,443,223
Due to primary government	2,139,213					2,139,213
Deferred revenue	-	-	-	-	115,815	115,815
Total liabilities	<u>5,589,792</u>	<u>35,615</u>	<u>1,190,589</u>	<u>500</u>	<u>5,575,424</u>	<u>12,391,920</u>
<b>Fund balance</b>						
Reserved for encumbrances	3,090,287					3,090,287
Unreserved						
Designated for schools	1,139,443	6,636	2,902,169	206,641	652,261	4,907,150
Total fund balance	<u>4,229,730</u>	<u>6,636</u>	<u>2,902,169</u>	<u>206,641</u>	<u>652,261</u>	<u>7,997,437</u>
Total liabilities and fund balances	<u>\$ 9,819,522</u>	<u>\$ 42,251</u>	<u>\$ 4,092,758</u>	<u>\$ 207,141</u>	<u>\$ 6,227,685</u>	<u>\$ 20,389,357</u>

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

Total fund balance	\$ 7,997,437
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds. (Note 6)	88,706,986
Accumulated depreciation on capital assets. (Note 6)	(69,085,498)
Net other post employment benefit liability (Note 8)	(1,502,159)
Long-term liability for compensated absences. (Note 8)	<u>(7,005,625)</u>
Net assets of governmental activities	<u>\$ 19,111,141</u>

**CITY OF HAMPTON, VIRGINIA**  
**DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**Fiscal Year Ended June 30, 2008**

	<u>Operating</u>	<u>Student Activities</u>	<u>Food Services</u>	<u>Special Revenue</u>	<u>Reimbursable Projects</u>	<u>Total</u>
<b>REVENUES</b>						
State funds	\$ 136,248,610	\$ -	\$ 249,715	\$ -	\$ 1,838,108	\$ 138,336,433
Federal funds (includes pass through)	1,506,073		5,758,752		14,553,069	21,817,894
Other receipts	818,485	153,735	3,367,465	11,614	1,034,147	5,385,446
Payments from City	66,517,429					66,517,429
Net increase in fair value of investments	-	-	-	(650)	-	(650)
Total revenues	<u>205,090,597</u>	<u>153,735</u>	<u>9,375,932</u>	<u>10,964</u>	<u>17,425,324</u>	<u>232,056,552</u>
<b>EXPENDITURES</b>						
Education	<u>207,613,392</u>	<u>452,603</u>	<u>9,020,940</u>	<u>-</u>	<u>16,984,577</u>	<u>234,071,512</u>
Excess of revenues over (under) expenditures	<u>(2,522,795)</u>	<u>(298,868)</u>	<u>354,992</u>	<u>10,964</u>	<u>440,747</u>	<u>(2,014,960)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfer from:						
Food Services Fund	260,000					260,000
School Operating Fund		265,000				265,000
Reimbursable Projects Fund		13,367				13,367
Transfer to:						
School Operating Fund			(260,000)			(260,000)
Student Activities Fund	(265,000)	-	-	-	(13,367)	(278,367)
Total other sources (uses)	<u>(5,000)</u>	<u>278,367</u>	<u>(260,000)</u>	<u>-</u>	<u>(13,367)</u>	<u>-</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>(2,527,795)</u>	<u>(20,501)</u>	<u>94,992</u>	<u>10,964</u>	<u>427,380</u>	<u>(2,014,960)</u>
<b>Fund balance - July 1</b>	<u>6,757,525</u>	<u>27,137</u>	<u>2,807,177</u>	<u>195,677</u>	<u>224,881</u>	<u>10,012,397</u>
<b>Fund balance - June 30</b>	<u>\$ 4,229,730</u>	<u>\$ 6,636</u>	<u>\$ 2,902,169</u>	<u>\$ 206,641</u>	<u>\$ 652,261</u>	<u>\$ 7,997,437</u>

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

Net change in fund balances - total school funds	\$ (2,014,960)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. (Note 6)	
Capital outlay	5,445,275
Depreciation expense	(3,432,232)
In the statement of activities, the gain on disposal of capital assets is reported. However, in the governmental funds, only the proceeds from sale increase financial resources. The change in net assets differs from the change in fund balance by the net book value of the capital assets abandoned. (Note 6)	(121,185)
Net other post employment benefit liability (Note 8)	(1,502,159)
Increase of 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)	(311,060)
Change in net assets of governmental activities	<u>\$ (1,936,321)</u>

**CITY OF HAMPTON, VIRGINIA**  
**DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**Fiscal Year Ended June 30, 2008**

	<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	\$135,889,596	\$136,490,096	\$136,248,610	\$ (241,486)
Federal funds (includes pass through)	1,397,908	1,397,908	1,506,073	108,165
Miscellaneous	1,114,813	1,114,813	818,485	(296,328)
Payments from City	66,517,469	66,517,469	66,517,429	(40)
Total revenues	<u>204,919,786</u>	<u>205,520,286</u>	<u>205,090,597</u>	<u>(429,689)</u>
<b>EXPENDITURES</b>				
Current:				
Education	204,914,786	207,835,675	207,613,392	(222,283)
Total expenditures	<u>204,914,786</u>	<u>207,835,675</u>	<u>207,613,392</u>	<u>(222,283)</u>
Excess of revenues over (under) expenditures	<u>5,000</u>	<u>(2,315,389)</u>	<u>(2,522,795)</u>	<u>207,406</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	260,000	260,000	260,000	-
Transfers out	<u>(265,000)</u>	<u>(265,000)</u>	<u>(265,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(5,000)</u>	<u>(5,000)</u>	<u>(5,000)</u>	<u>-</u>
Excess of revenues and other sources over (under) expenditures and other uses	-	(2,320,389)	(2,527,795)	<u>(207,406)</u>
<b>Appropriations from fund balance</b>		5,410,676		
<b>Appropriations - encumbrances</b>		<u>(3,090,287)</u>		
Budget - excess of revenues and appropriations from fund balance over (under) expenditures		-		
<b>Fund balance - July 1</b>	-	-	<u>6,757,525</u>	
<b>Fund balance - June 30</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,229,730</u>	

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**CITY OF HAMPTON, VIRGINIA**  
**SCHEDULE OF THE TREASURER'S ACCOUNTABILITY**  
**June 30, 2008**

Assets held by the Treasurer:	
Cash on hand	\$ 8,050
Cash in banks:	
Old Point National Bank	6,061,364
Wachovia Bank	651,961
Investments:	
State Local Government Investment Pool	77,000,000
Investment in mutual and money market funds	33,746,812
U.S. Government securities	18,340,798
Corporate issues	541,699
Commercial paper	23,556,385
Certificates of deposit	8,650,000
Repurchase agreement	11,903,519
Less: Adjustment to Treasurer's general ledger	<u>(50)</u>
Total assets	<u>\$ 180,460,538</u>
Liabilities of the Treasurer:	
Balance of City funds	<u>\$ 180,460,538</u>
Cash and cash equivalents	
Primary Government per Exhibit A-1	\$ 151,643,095
School Board per Exhibit A-11	4,734,319
Industrial Development Authority per Exhibit A-11	4,411,247
Federal Area Development Authority	249,806
General Fund Investments per Exhibit A-3	18,900,430
Restricted cash and investments - Enterprise funds per Exhibit A-6	
Cash and cash equivalents	5,956,321
Investments	26,573,073
Cash and cash equivalents - Fiduciary Funds per Exhibit A-9	
Investments - Component Unit - IDA per Exhibit A-11	7,235
Adjust investments in CAFR from fair value to cost	(17,931)
Less: Adjustments to School Board General Ledger	(26)
Less:	
Petty cash	\$ (22,520)
Cash and investments held by trustees	<u>(33,735,214)</u>
	<u>(33,757,734)</u>
Balance of city funds	<u>\$ 180,460,538</u>

**CITY OF HAMPTON, VIRGINIA**  
**SCHEDULE OF CASH FLOWS**  
**DISCRETELY PRESENTED COMPONENT UNIT**  
**INDUSTRIAL DEVELOPMENT AUTHORITY**  
**Fiscal Year Ended June 30, 2008**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Cash received from customers	\$ 392,338
Cash payments to suppliers for goods and services	(4,073,692)
Cash payments to employees for services	(4,150)
Other receipts (payments)	<u>(68,564)</u>
Net cash provided by (used in) operating activities	<u>(3,754,068)</u>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

Transfers in from primary government	<u>2,316,719</u>
Net cash provided by (used in) noncapital financing activities	<u>2,316,719</u>

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

Acquisition and construction of capital assets	(143,241)
Principal paid on revenue bond maturities and long-term debt	(465,696)
Interest paid on revenue bonds and long-term debt	<u>(573,535)</u>
Net cash provided by (used in) capital and related financing activities	<u>(1,182,472)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Sale of investment securities	240,859
Interest and dividends on investments	95,668
Proceeds from collection of loans	361,497
Proceeds from collection of lease receivable	405,502
Interest received on loans	110,225
Interest received on lease receivable	556,293
Disbursements for loans	<u>(625,986)</u>
Net cash provided by (used in) investing activities	<u>1,144,058</u>
Net increase (decrease) in cash and cash equivalents (including restricted amounts)	(1,475,763)
Cash and cash equivalents (including restricted), July 1	<u>5,887,010</u>
Cash and cash equivalents (including restricted), June 30	<u>\$ 4,411,247</u>

continued

Operating income (loss)	\$ <u>(2,693,345)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Depreciation and amortization expense	109,955
Cost of land sold	91,335
Decrease (increase) in:	
Accounts receivable	(68,564)
Notes receivable	(253,467)
Due from primary government	(754,682)
Increase (decrease) in:	
Accounts payable	(632,929)
Due to primary government	68,662
Other liabilities	40,000
Deferred revenue	19,856
Accounts receivable reported as nonoperating activities	253,467
Accounts payable reported as nonoperating activities	(438,989)
Due from/to other funds reported as nonoperating activities	<u>504,633</u>
Total adjustments	<u>(1,060,723)</u>
Net cash provided by (used in) operating activities	\$ <u>(3,754,068)</u>
Non-cash transactions affecting investing capital and related financing activities:	
Net increase (decrease) in fair value of investments	\$ <u>19,033</u>
Total non-cash transactions	\$ <u>19,033</u>

**CITY OF HAMPTON, VIRGINIA**  
**SCHEDULE OF CASH FLOWS**  
**DISCRETELY PRESENTED COMPONENT UNIT**  
**FEDERAL AREA DEVELOPMENT AUTHORITY**  
**Fiscal Year Ended June 30, 2008**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Cash payments to suppliers for goods and services	\$ <u>(48,464)</u>
Net cash provided by (used in) operating activities	<u>(48,464)</u>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

Payments from primary government	<u>80,000</u>
Net cash provided by (used in) noncapital financing activities	<u>80,000</u>
Net increase (decrease) in cash and cash equivalents (including restricted amounts)	31,536
Cash and cash equivalents (including restricted), July 1	<u>218,270</u>
Cash and cash equivalents (including restricted), June 30	<u>\$ 249,806</u>

Operating income (loss)	\$ <u>(4,547)</u>
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Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:

Decrease (increase) in:	
Due from primary government	80,000
Increase (decrease) in:	
Accounts payable	(43,917)
Due to/from other funds reported as nonoperating activities	<u>(80,000)</u>
Total adjustments	<u>(43,917)</u>
Net cash provided by (used in) operating activities	<u>\$ (48,464)</u>

**CITY OF HAMPTON, VIRGINIA**  
**DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD**  
**SCHOOL OPERATING FUND**  
**SCHEDULE OF APPROPRIATIONS AND EXPENDITURES**  
**June 30, 2008**

	<u>Appropriations</u>			<u>Expenditures</u>	<u>Variance Over (Under)</u>
	<u>Budget July 1, 2007</u>	<u>Net Changes</u>	<u>Final June 30, 2008</u>		
<b>EXPENDITURES</b>					
Administration/attendance and health	\$ 11,083,697	\$ (534,561)	\$ 10,549,136	\$ 10,352,525	\$ (196,611)
Instructional	164,003,395	515,309	164,518,704	164,518,641	(63)
Public transportation service	9,309,838	868,321	10,178,159	10,178,063	(96)
Operation and maintenance of school plant	<u>20,517,856</u>	<u>2,071,820</u>	<u>22,589,676</u>	<u>22,564,163</u>	<u>(25,513)</u>
Total expenditures	<u>204,914,786</u>	<u>2,920,889</u>	<u>207,835,675</u>	<u>207,613,392</u>	<u>(222,283)</u>
<b>OPERATING TRANSFERS OUT</b>					
To Student Activities Fund	<u>265,000</u>	<u>-</u>	<u>265,000</u>	<u>265,000</u>	<u>-</u>
Total transfers	<u>265,000</u>	<u>-</u>	<u>265,000</u>	<u>265,000</u>	<u>-</u>
Total expenditures and transfers	<u>\$ 205,179,786</u>	<u>\$ 2,920,889</u>	<u>\$ 208,100,675</u>	<u>\$ 207,878,392</u>	<u>\$ (222,283)</u>

**CITY OF HAMPTON, VIRGINIA**  
**DISCRETELY PRESENTED COMPONENT UNIT SCHOOL BOARD**  
**SCHOOL OPERATING FUND**  
**SCHEDULE OF REVENUES AND OTHER CREDITS - BUDGET AND ACTUAL**  
**Fiscal Year Ended June 30, 2008**

	<u>Budget Revenues</u>	<u>Actual Revenues</u>	<u>Variance Over (Under)</u>
<b>State funds:</b>			
Basic appropriation	\$ 68,607,444	\$ 68,574,491	\$ (32,953)
At risk payment	1,883,116	1,882,864	(252)
Remedial education	1,747,643	1,747,438	(205)
Reduced K-3 incentive	2,697,083	2,697,083	-
Teacher retirement	5,760,749	5,760,075	(674)
Social security benefits	3,851,287	3,850,836	(451)
Group life insurance	194,183	194,160	(23)
Special education	10,213,349	10,236,385	23,036
Textbook payments	1,622,719	1,622,529	(190)
Remedial summer school	1,143,605	1,143,605	-
At risk 4 year old	2,119,887	2,119,887	-
Gifted	663,457	663,379	(78)
Foster home	221,726	221,726	-
Vocational education	1,709,557	1,487,677	(221,880)
VPSA education tech. grant	960,000	960,000	-
Virginia blind	12,363	11,451	(912)
Reading intervention	345,696	345,696	-
ESL	360,556	360,556	-
Enrollment loss	1,019,165	1,024,792	5,627
SOL Algebra Readiness	271,201	271,200	(1)
Salary Contingency	4,644,200	4,643,656	(544)
Lottery	3,603,866	3,604,901	1,035
Sales tax	22,837,244	22,824,223	(13,021)
Total state funds	<u>136,490,096</u>	<u>136,248,610</u>	<u>(241,486)</u>
<b>Federal funds:</b>			
Public law 874	1,036,893	1,101,253	64,360
Impact aid special education	102,393	125,922	23,529
U.S. Army - ROTC	86,083	93,417	7,334
U.S. Air Force - ROTC	52,532	56,434	3,902
U.S. Navy - ROTC	64,374	72,408	8,034
U.S. Marine Corps - ROTC	55,633	56,639	1,006
Total federal funds	<u>1,397,908</u>	<u>1,506,073</u>	<u>108,165</u>
<b>Other funds:</b>			
Fees from students	35,102	40,389	5,287
Tuition from regular day students	-	14,000	14,000
Miscellaneous Revenue	332,943	242,048	(90,895)
Medicaid Reimbursement	303,774	198,522	(105,252)
Interest	33,615	42,996	9,381
Other	409,379	280,530	(128,849)
Total other funds	<u>1,114,813</u>	<u>818,485</u>	<u>(296,328)</u>
Total revenues	139,002,817	138,573,168	(429,649)
<b>Other credits:</b>			
Transfer from General Fund	66,517,469	66,517,429	(40)
Transfer from Cafeteria Fund	260,000	260,000	-
Total other credits	<u>66,777,469</u>	<u>66,777,429</u>	<u>(40)</u>
Total revenues and other credits	<u>\$ 205,780,286</u>	<u>\$ 205,350,597</u>	<u>\$ (429,689)</u>

**CITY OF HAMPTON**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended June 30, 2008**

<b>Federal Granting Agency/ Recipient State Agency/ Grant Program/Grant Number</b>	<b>Federal Catalogue Number</b>	<b>Expenditures</b>
DEPARTMENT OF AGRICULTURE:		
FOOD STAMP CLUSTER:		
Pass-through payments:		
Department of Social Services:		
State Administrative Matching Grants for Food Stamp Program	10.561	\$ 1,407,568
Total Food Stamp Cluster		<u>1,407,568</u>
NUTRITION CLUSTER:		
Direct payments:		
Summer Food Service Program for Children	10.559	169,388
Pass-through payments:		
Department of Education:		
National School Breakfast Program	10.553	1,388,380
National School Lunch Program	10.556	3,726,001
Department of Agriculture and Consumer Services:		
Donated Commodities	10.555	<u>644,371</u>
Total Nutrition Cluster		<u>5,928,140</u>
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:		
CDBG-ENTITLEMENT AND (HUD-ADMINISTERED) SMALL CITIES CLUSTER:		
Direct payments:		
Community Development Block Grant Program, Entitlement Grants: (\$929,272 provided to subrecipient)	14.218	849,159
OTHER		
Direct payments:		
Community Development Block Grant Program, Entitlement Grants: Home Program (\$551,597 provided to subrecipient)	14.239	<u>619,863</u>
Total CDBG-Entitlement and (HUD-Administered) Small Cities Cluster		<u>1,469,022</u>
DEPARTMENT OF JUSTICE:		
Direct payments:		
Bulletproof Vest Partnership Grant	16.607	11,507
COPS in Schools (2005-CK-WX-0312)	16.710	96,258
State Criminal Alien Assistance Program (2006-AP-BX-0546)	16.606	2,828
Emergency Response Plans	84.184 E	278
Department of Criminal Justice Services:		
Juvenile Accountability Incentive Block Grant (08-J322JB06)	16.523	6,824
Detention Alternative Utilization (07-C4691JJ06), (08-D4691JJ07)	16.540	25,942
Response Effort (07-K9367VA06), (07-C4708VA06),(08-L9367VA07),(08D4708VA07)	16.588	97,598
Edward Byrne/Community Oriented Justice Grant (07-A5341AD05), (08-B5341AD06)	16.579	75,670
Victim Witness (08-N8574VW07)	16.575	173,364
Crime Analyst (08-C4734AD06)	16.579	53,817
Proceeds of seized assets	16.000	167,100

continued

Pass-through payments:		
Virginia Department of Emergency Management Justice Assistance Grant (2007-DJ-BX-1412)	16.738	28,638
Total Department of Justice		<u>739,824</u>
FEDERAL EMERGENCY MANAGEMENT AGENCY:		
Pass-through payments:		
Department of Emergency Management: Local Emergency Management Program (LEMP)	83.552	<u>6,982</u>
Total Federal Emergency Management Agency		<u>6,982</u>
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION:		
Direct payments:		
NASA LaRC Visitor Center and Public Education Program (NCC-1-275)	43.000	274,000
NASA Steam Sales	43.000	4,004,000
Education Resource Center and Coop Agreement	43.000	<u>190,000</u>
Total National Aeronautics and Space Administration		<u>4,468,000</u>
DEPARTMENT OF EDUCATION:		
Direct payments:		
School Assistance in Federally Affected Areas	84.041	1,227,175
Pass-through payments:		
Department of Mental Health, Mental Retardation, and Substance Abuse Services:		
Early Intervention Services for Infants and Toddlers with Disabilities and their Families (00-01-15)	84.181	570,356
Department of Education:		
Comprehensive School Reform (CSR)	84.332	89,892
Adult Education State-Administered Program	84.002	177,365
Title I:		
Educationally Deprived Children-LEA (112-00-1) (112-01-1)	84.010 A	6,627,042
Reach ED for Homeless Child (112-00-1) (112-01-1) Project Hope (\$9,836 provided to subrecipient)	84.196	28,794
Title II:		
Title II Training and Recruiting	84.367 A	1,260,872
Title II Technology Ed	84.318 X	39,031
Title III LEP, Immigrant	84.365	52,142
Title V Innovative Programs	84.298 A	55,678
Title VI :		
Title VI 21st Century	84.287 C	1,012,855
Title VIB	84.027 A	4,153,273
Title IVB--Sliver Grant (112-9900SL)(112-0001SL)	84.027 A	77,350
Carl Perkins	84.048	448,583
High Schools That Work(VA-00-HSTW-201-HAMPKECOUG)	84.048 A	9,165
Drug-Free Schools and Communities	84.186	155,040
Teaching American History	84.215 X	357,089
Learn & Serve-Mary Peake	94.004	<u>8,619</u>
Total Department of Education		<u>16,350,321</u>

continued

## DEPARTMENT OF HEALTH AND HUMAN SERVICES:

## MEDICAID CLUSTER:

## Pass-through payments:

## Department of Social Services:

Medical Assistance Program (Medicaid, Title XIX)	93.778	<u>1,027,519</u>
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Total Medicaid Cluster		<u>1,027,519</u>
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## OTHER:

## Pass-through payments:

## Department of Social Services:

Promoting Safe and Stable Families	93.556	432,387
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Temporary Assistance for Needy Families (TANF)	93.558	1,008,278
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Healthy Families Partnership - (TANF)	93.558	477,230
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Refugee & Entrant Assistance	93.566	15,434
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Low-Income Home Energy Assistance (LIHEAP)	93.568	35,014
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Child Care and Development Block Grant (CCDBG)	93.575	275,400
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Day Care Provider Training (LIC-00-036)	93.596	31,767
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Child Care Development Fund	93.596	1,021,162
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Family Support	93.645	33,463
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VISSTA (00-004-SVC)	93.658	218,226
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Foster Care - Title IV-E	93.658	958,510
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Adoption Assistance	93.659	467,101
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Social Services Block Grant (SSBG)	93.667	1,861,522
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Independent Living	93.674	26,057
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State Children's Insurance Program (CHIP)	93.767	<u>71,859</u>
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Total Department of Health and Human Services (Other)		<u>6,933,410</u>
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## CORPORATION FOR NATIONAL AND COMMUNITY SERVICE:

## FOSTER GRANDPARENT, SENIOR COMPANION CLUSTER:

## Direct payments:

Foster Grandparent Program (08SF084203), (05SFSVA004)	94.011	<u>366,732</u>
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Total Foster Grandparent, Senior Companion Cluster		<u>366,732</u>
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## ENVIRONMENTAL PROTECTION AGENCY:

## Direct payments:

Brownfields Assessment	66.818	<u>20,145</u>
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Total Environmental Protection Agency:		<u>20,145</u>
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## DEPARTMENT OF HOMELAND SECURITY:

## Pass-through payments:

## Virginia Department of Emergency Management:

Buffer Zone Protection Program	97.078	20,097
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Home Elevation Program	83.580	38,462
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Homeland Security	16.592	50,079
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LETPP	97.004	47,293
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Citizen Corp 2005, 2006	97.004	15,781
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Homeland Security Critical Infrastructure (2006)	97.067	<u>686,000</u>
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Total Homeland Security:		<u>857,712</u>
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## DEPARTMENT OF TRANSPORTATION:

## Pass-through payments:

## Department of Transportation:

Fatality Reduction/DUI Enforcement	20.000	2,400
Highway Planning and Construction	20.205	<u>2,134,354</u>
Total Department of Transportation:		<u>2,136,754</u>

## UNITED STATES DEPARTMENT OF THE TREASURY:

## Direct Payments:

U.S. Army - ROTC	12.000	93,417
U.S. Air Force - ROTC	12.000	56,434
U.S. Navy - ROTC	12.000	72,408
U.S. Marine Corps - ROTC	12.000	<u>56,639</u>

Total United States Department of the Treasury: 278,898

Grand Total All Federally Assisted Programs and Grants \$ 41,991,027

## Notes:

## (A) General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards of the City of Hampton, Virginia. 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 \$268,000 in the General Fund. This amount represents indirect costs from other federally assisted programs administered by the City and is included in the federal revenues of the applicable program.

## (B) Basis of Accounting

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

## (C) Discretely Presented Component Unit Financial Statements

The Hampton Redevelopment and Housing Authority (HRHA), a discretely presented component unit, was audited by other auditors for its year ended December 31, 2007. The auditor's report dated September 18, 2008 included reports on compliance and internal controls and the Schedule of Expenditures of Federal Awards. A copy of the report can be obtained from:

Board of Commissioners  
Hampton Redevelopment and Housing Authority  
22 Lincoln Street  
Hampton, VA 23669

**CITY OF HAMPTON, VIRGINIA**  
**SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY**  
**MUSEUM REVENUE BONDS**  
**June 30, 2008**

<b>Fiscal Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Debt Service</b>
<b>2009</b>	\$ 1,240,000	\$ 351,000	\$ 1,591,000
<b>2010</b>	1,290,000	301,400	1,591,400
<b>2011</b>	1,330,000	259,475	1,589,475
<b>2012</b>	1,370,000	216,250	1,586,250
<b>2013</b>	1,440,000	147,750	1,587,750
<b>2014</b>	1,515,000	75,750	1,590,750
	<u>\$ 8,185,000</u>	<u>\$ 1,351,625</u>	<u>\$ 9,536,625</u>

**CITY OF HAMPTON, VIRGINIA**  
**SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY**  
**THE HAMPTONS REVENUE BONDS**  
**June 30, 2008**

<b>Fiscal Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Debt Service</b>
<b>2009</b>	\$ 250,000	\$ 74,100	\$ 324,100
<b>2010</b>	260,000	58,800	318,800
<b>2011</b>	270,000	42,900	312,900
<b>2012</b>	285,000	26,250	311,250
<b>2013</b>	<u>295,000</u>	<u>8,850</u>	<u>303,850</u>
	<u>\$ 1,360,000</u>	<u>\$ 210,900</u>	<u>\$ 1,570,900</u>

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

**June 30, 2008**

<b>Fiscal Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Debt Service</b>
<b>2009</b>	\$ -	\$ 5,360,431	\$ 5,360,431
<b>2010</b>		5,360,431	5,360,431
<b>2011</b>	2,155,000	5,360,432	7,515,432
<b>2012</b>	2,265,000	5,252,682	7,517,682
<b>2013</b>	2,340,000	5,173,406	7,513,406
<b>2014</b>	2,425,000	5,088,581	7,513,581
<b>2015</b>	2,555,000	4,961,269	7,516,269
<b>2016</b>	2,690,000	4,827,131	7,517,131
<b>2017</b>	2,830,000	4,685,907	7,515,907
<b>2018</b>	2,980,000	4,537,331	7,517,331
<b>2019</b>	3,505,000	4,380,881	7,885,881
<b>2020</b>	3,685,000	4,196,869	7,881,869
<b>2021</b>	3,920,000	4,003,406	7,923,406
<b>2022</b>	4,110,000	3,797,606	7,907,606
<b>2023</b>	4,310,000	3,581,831	7,891,831
<b>2024</b>	4,160,000	3,355,556	7,515,556
<b>2025</b>	4,375,000	3,142,356	7,517,356
<b>2026</b>	4,595,000	2,918,138	7,513,138
<b>2027</b>	4,835,000	2,682,644	7,517,644
<b>2028</b>	5,080,000	2,434,850	7,514,850
<b>2029</b>	5,340,000	2,174,500	7,514,500
<b>2030</b>	5,610,000	1,907,500	7,517,500
<b>2031</b>	5,890,000	1,627,000	7,517,000
<b>2032</b>	6,185,000	1,332,500	7,517,500
<b>2033</b>	6,490,000	1,023,250	7,513,250
<b>2034</b>	6,815,000	698,750	7,513,750
<b>2035</b>	7,160,000	358,000	7,518,000
	<u>\$ 106,305,000</u>	<u>\$ 94,223,238</u>	<u>\$ 200,528,238</u>

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

**June 30, 2008**

<b>Fiscal Year Ending June 30,</b>	<b>2002 Tax-Exempt Principal</b>	<b>Interest</b>	<b>Total Debt Service</b>
<b>2009</b>	\$ 444,704	\$ 545,355	\$ 990,059
<b>2010</b>	474,515	515,544	990,059
<b>2011</b>	504,663	485,396	990,059
<b>2012</b>	536,727	453,332	990,059
<b>2013</b>	569,618	420,441	990,059
<b>2014</b>	607,019	383,040	990,059
<b>2015</b>	645,586	344,473	990,059
<b>2016</b>	686,603	303,456	990,059
<b>2017</b>	729,460	260,599	990,059
<b>2018</b>	776,573	213,486	990,059
<b>2019</b>	825,913	164,146	990,059
<b>2020</b>	878,387	111,672	990,059
<b>2021</b>	933,997	56,062	990,059
<b>2022</b>	190,958	5,924	196,882
	<u>\$ 8,804,723</u>	<u>\$ 4,262,926</u>	<u>\$ 13,067,649</u>

**CITY OF HAMPTON, VIRGINIA**  
**SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY**  
**GENERAL OBLIGATION BONDS**  
**June 30, 2008**

<b>Serial Bonds:</b>			
<b>Fiscal Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Debt Service</b>
<b>2009</b>	\$ 12,070,000	\$ 15,446,619	\$ 27,516,619
<b>2010</b>	14,005,000	13,508,806	27,513,806
<b>2011</b>	15,610,000	12,916,435	28,526,435
<b>2012</b>	16,355,000	12,220,967	28,575,967
<b>2013</b>	17,290,000	11,522,915	28,812,915
<b>2014</b>	18,105,000	10,740,535	28,845,535
<b>2015</b>	20,160,000	9,884,606	30,044,606
<b>2016</b>	21,155,000	8,878,633	30,033,633
<b>2017</b>	22,200,000	7,840,563	30,040,563
<b>2018</b>	22,665,000	6,761,363	29,426,363
<b>2019</b>	16,065,000	5,609,825	21,674,825
<b>2020</b>	15,445,000	4,911,563	20,356,563
<b>2021</b>	12,670,000	4,171,381	16,841,381
<b>2022</b>	13,010,000	3,537,881	16,547,881
<b>2023</b>	11,250,000	2,929,569	14,179,569
<b>2024</b>	11,745,000	2,426,869	14,171,869
<b>2025</b>	12,275,000	1,902,037	14,177,037
<b>2026</b>	12,840,000	1,343,912	14,183,912
<b>2027</b>	8,380,000	760,087	9,140,087
<b>2028</b>	8,765,000	372,512	9,137,512
	<u>\$ 302,060,000</u>	<u>\$ 137,687,078</u>	<u>\$ 439,747,078</u>

**CITY OF HAMPTON, VIRGINIA**  
**COMPUTATION OF LEGAL DEBT MARGIN**  
**June 30, 2008**

<b>Assessed value:</b>			
Real estate	\$	10,976,166,164	
Public service corporations - real estate		143,250,253	
Newport News Waterworks		<u>64,279,500</u>	<u>\$ 11,183,695,917</u>
Debt limit at 10% of assessed value			<u>1,118,369,592</u>
<b>General obligation bonded debt:</b>			
General obligation tax-exempt bonds		302,060,000	
General obligation taxable bonds		5,685,000	
Notes payable		<u>708,898</u>	308,453,898
<b>Long term notes payable:</b>			
State literary loan			<u>764,277</u>
Total long-term debt			<u>309,218,175</u>
Legal debt margin			<u>\$ 809,151,417</u>

**Note:**

Virginia state statute limits bond issuing authority of Virginia cities to 10% of the assessed real estate value. The above calculation includes all debt secured by the full faith and credit of the City. The calculation excludes installment purchase contracts, accrued sick, annual leave, net pension obligation and net OPEC obligation totaling \$19,945,980 at June 30, 2008.

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

## TABLE

### Financial Trends

I-IV

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

### Revenue Capacity

V-VIII

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

### Debt Capacity

IX-XI

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

### Demographic and Economic Information

XII-XIII

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

### Operating Information

XIV-XVI

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

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

**CITY OF HAMPTON, VIRGINIA**  
**NET ASSETS BY COMPONENT**  
**Last Seven Fiscal Years**  
**(accrual basis of accounting)**  
**(amounts expressed in thousands)**

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

Note:

<sup>1</sup> The significant increase in invested in capital assets, net of related debt for fiscal year 2006 is due to the capitalization of infrastructure prior to fiscal year 2002 under the transition provisions of GASB Statement 34.

<sup>2</sup> 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

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

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

Table II

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

(1) There is no housing expense in the business-type activities due to HRHA being reclassified from a blended component unit+A33 to a discretely presented component unit

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

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General fund										
Reserved	\$ 2,041	\$ 1,242	\$ 1,161	\$ 1,502	\$ 1,248	\$ 1,819	\$ 1,563	\$ 1,235	\$ 1,727	\$ 2,204
Unreserved	25,735	23,881	27,283	32,122	37,504	42,706	53,175	68,394	82,015	96,902
Total general fund	<u>\$ 27,776</u>	<u>\$ 25,123</u>	<u>\$ 28,444</u>	<u>\$ 33,624</u>	<u>\$ 38,752</u>	<u>\$ 44,525</u>	<u>\$ 54,738</u>	<u>\$ 69,629</u>	<u>\$ 83,742</u>	<u>\$ 99,106</u>
All other governmental funds										
Reserved	\$ 20,438	\$ 11,741	\$ 12,071	\$ 12,443	\$ 12,811	\$ 12,199	\$ 11,826	\$ 11,773	\$ 7,760	\$ 7,351
Unreserved, reported in:										
Special revenue funds	8,159	8,095	7,474	9,781	11,723	10,226	9,440	13,888	12,659	18,225
Capital projects funds	11,024	45,104	36,793	41,154	32,367	22,245	76,004	61,220	83,790	186,041
Permanent funds	-	-	-	58	59	59	60	61	63	65
Total all other governmental funds	<u>\$ 39,621</u>	<u>\$ 64,940</u>	<u>\$ 56,338</u>	<u>\$ 63,436</u>	<u>\$ 56,960</u>	<u>\$ 44,729</u>	<u>\$ 97,330</u>	<u>\$ 86,942</u>	<u>\$ 104,272</u>	<u>\$ 211,682</u>

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

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

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

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

Fiscal Year	General					Communications			Total
	Property Taxes	Business Licenses	Sales Taxes	Utility Taxes	Tobacco Taxes	Sales Taxes	Meal Taxes	Other Taxes <sup>3</sup>	
1999	\$ 88,117	\$ 7,785	\$ 12,145	\$ 8,857	\$ 2,413		\$ 6,739	\$ 6,372	\$ 132,428
2000	91,936	8,122	12,099	9,027	2,382		6,832	6,667	137,065
2001	96,755	8,873	11,422	9,897	2,772		8,575	7,611	145,905
2002	105,009	9,465	11,728	10,156	2,456		10,325	8,448	157,587
2003	110,700	9,572	11,383	9,941	2,952		10,470	8,864	163,882
2004	116,385	10,435	12,218	11,652	4,567		11,325	9,341	175,923
2005	123,709	11,019	12,885	10,957	4,084		12,449	9,987	185,090
2006	139,280	11,751	13,415	11,637	3,889		13,426 <sup>2</sup>	13,308 <sup>2</sup>	206,706
2007	148,237	12,391	13,804	8,550	3,942	3,189	13,685	10,677	214,475
2008	160,329 <sup>1</sup>	12,784	13,765	5,703	3,760	9,032	13,974	11,930	231,277

## Notes:

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

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

<sup>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>Fiscal Year</b>	<b>Real Estate</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>
	<b>Citizens' Property</b>	<b>Public Service <sup>1</sup></b>	<b>Newport News Waterworks</b>				
1999	\$4,840,618	\$ 184,456	\$ 48,954	\$5,074,028	\$ 5,290,957	96%	1.25
2000	4,984,196	180,111	49,852	5,214,159	5,471,310	96%	1.25
2001	5,157,140	198,396	51,822	5,407,358	5,740,295	95%	1.25
2002	5,361,262	195,595	53,494	5,610,351	6,144,963	92%	1.27
2003	5,638,936	184,567	57,472	5,880,975	6,563,588	90%	1.27
2004	6,081,667	190,105	58,621	6,330,393	7,360,922	87%	1.27
2005	6,776,586	180,476	60,381	7,017,443	8,771,803	80%	1.25
2006	8,165,513	116,579	63,400	8,345,492	10,431,864	80%	1.20
2007	9,285,102	123,453	66,570	9,475,125	11,843,906	80%	1.14
2008	10,976,166	143,250	64,280	11,183,696	12,289,775	91%	1.06

## Notes:

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

<sup>2</sup> The state requires all real estate to be assessed at 100% of its appraised value. There is no state statute or city charter limitation on the tax rate. The latest State Department of Taxation comparison of sales to appraisal indicates a true rate of 91%.

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

<u>Taxpayer</u>	<u>2008</u>			<u>1999</u>		
	<u>Total</u>			<u>Total</u>		
	<u>Assessed</u>	<u>Rank</u>	<u>Percentage of</u>	<u>Assessed</u>	<u>Rank</u>	<u>Percentage of</u>
	<u>Value</u>		<u>Assessed Value</u>	<u>Value</u>		<u>Assessed Value</u>
Peninsula Town Center LLC	\$ 56,430	1	0.5%	\$ -		
FCLA LP	47,732	2	0.4%			
Hampton University	46,762	3	0.4%			
John Q Hammons	46,280	4	0.4%			
Hampton Center LLC	43,178	5	0.4%			
BIR Lakeridge LLC	42,727	6	0.4%			
Cambridge Apartments LC	37,131	7	0.3%			
Riverdale Apartments LLC	32,870	8	0.3%			
Hampton Training School Nurses	31,502	9	0.3%			
CRIT-VA III LLC	29,888	10	0.3%			
Hampton Mall Association				58,123	1	1.1%
Gateway 2000				25,411	2	0.5%
Riverdale Plaza Shopping Center				20,699	3	0.4%
Coliseum Crossing Associates LP				19,769	4	0.4%
HNN Associates				19,258	5	0.4%
EPT Downreit Incorporated				16,584	6	0.3%
Howmet Corporation				16,079	7	0.3%
Liberty Property Limited Partnership				15,166	8	0.3%
Olde Hampton Hotel Associates				14,998	9	0.3%
Armada/Hoffler-Hpt Centre Association				14,871	10	0.3%
	<u>\$ 414,500</u>		<u>3.7%</u>	<u>\$ 220,958</u>		<u>4.3%</u>

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

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

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

## Notes:

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

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

\* There are no overlapping or underlying tax jurisdictions.

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

Fiscal Year	General Bonded Debt <sup>1</sup>				Percentage of Estimated Actual		
	General Obligation Bonds <sup>2</sup>	Notes Payable	State Literary Loans	Total	Taxable Value of Property <sup>3</sup>	Per Capita <sup>4</sup>	Capital Leases
1999	\$ 116,176	\$ 2,761	\$ 2,457	\$ 121,394	2.29%	\$ 889.33	\$ 1,561
2000	155,329	5,412	2,269	163,010	2.98%	1,194.21	1,163
2001	146,851	5,036	2,081	153,968	2.68%	1,051.43	886
2002	168,057	3,007	1,893	172,957	2.81%	1,174.18	2,234
2003	165,124	4,054	1,704	170,882	2.60%	1,176.87	2,109
2004	154,079	1,988	1,517	157,584	2.14%	1,091.30	1,973
2005	209,490	1,590	1,328	212,408	2.42%	1,487.45	3,831
2006	198,045	1,192	1,140	200,377	1.92%	1,377.16	1,295
2007	203,635	886	952	205,473	1.49%	1,410.17	1,730
2008	307,745	709	764	309,218	2.52%	2,119.94	1,309

Fiscal Year	Business-Type Activities					Total	Percentage of	Per Capita <sup>4</sup>
	Revenue Bonds	Notes Payable	Capital Leases	HRHA Bonds	HRHA Notes Payable	Primary Government	Personal Income <sup>4</sup>	
1999	\$ 20,900	\$ -	\$ 1,844	\$ 3,370	\$ 19,959	\$ 169,028	5.13%	\$ 1,238.30
2000	19,980		1,793		5,168	191,114	5.45%	1,400.10
2001	18,945	7,585	1,729		5,127	188,240	5.11%	1,285.47
2002	17,855	7,585	1,703		3,113	205,447	5.32%	1,394.75
2003	123,025		1,747		1,160	298,923	7.44%	2,058.70
2004	121,435		1,611		10,810	293,413	6.89%	2,031.95
2005	120,060		1,497		1,062	338,858	8.52%	2,372.96
2006	118,715		1,379		971	322,737	7.09%	2,218.12
2007	117,300		1,250		870	326,623	N/A	2,241.63
2008	115,850		1,124			427,501	N/A	2,930.86

Notes:

<sup>1</sup> Details regarding the City's outstanding debt can be found in the notes to the financial statements.<sup>2</sup> General obligation bond amounts exclude the unamortized premiums and deferred amounts for advance refunding.<sup>3</sup> See Table VI for estimated actual taxable value of property data.<sup>4</sup> See Table XII for personal income and population data. The most recent personal income data available from the Bureau of Economic analysis is 2006.

N/A-Not available

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

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Debt limit	\$ 507,403	\$ 521,416	\$ 540,736	\$ 561,035	\$ 588,097	\$ 633,039	\$ 701,744	\$ 834,549	\$ 947,512	\$1,118,370
Total net debt applicable to limit	<u>121,394</u>	<u>163,010</u>	<u>153,968</u>	<u>172,957</u>	<u>170,882</u>	<u>157,584</u>	<u>212,408</u>	<u>200,377</u>	<u>205,473</u>	<u>309,218</u>
Legal debt margin	<u>\$ 386,009</u>	<u>\$ 358,406</u>	<u>\$ 386,768</u>	<u>\$ 388,078</u>	<u>\$ 417,215</u>	<u>\$ 475,455</u>	<u>\$ 489,336</u>	<u>\$ 634,172</u>	<u>\$ 742,039</u>	<u>\$ 809,152</u>
Total net debt applicable to the limit as a percentage of debt limit	23.92%	31.26%	28.47%	30.83%	29.06%	24.89%	30.27%	24.01%	21.69%	27.65%

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

Assessed value	\$ 11,183,696
Debt limit (10% of total assessed value)	1,118,370
Debt applicable to limit:	
General obligation debt	309,218
Less: Amount set aside for repayment of general obligation debt	<u>309,218</u>
Total net debt applicable to limit	<u>309,218</u>
Legal debt margin	<u>\$ 809,152</u>

Notes:

Virginia state statute limits bond issuing authority of Virginia cities to 10% of the assessed real estate value. The above calculation includes all debt secured by the full faith and credit of the City. The calculation excludes installment purchase contracts, accrued sick, annual leave, net pension obligation and net OPEP obligation totaling \$19,945,980 at June 30, 2008.

\* There are no overlapping or underlying tax jurisdictions.

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

Fiscal Year	Gross Revenues <sup>1</sup>	Operating Expenses <sup>2</sup>	Net Revenue Available for Debt Service	Debt Service Requirements <sup>3</sup>			Coverage
				Principal	Interest	Total	
<b>The Hamptons Revenue Bonds</b>							
1999	\$ 1,351	\$ 829	522	\$ 130	\$ 240	\$ 370	1.41
2000	1,327	844	483	140	135	275	1.76
2001	1,335	892	443	175	174	349	1.27
2002	1,564	947	617	185	164	349	1.77
2003	1,294	898	396	195	153	348	1.14
2004	1,291	995	296	200	141	341	0.87
2005	1,395	1,012	383	210	129	339	1.12
2006	1,567	1,074	493	215	116	331	1.49
2007	1,571	1,090	481	230	103	333	1.44
2008	1,676	1,164	512	240	89	329	1.56
<b>Museum Revenue Bonds</b>							
1999	\$ 6,110	\$ 3,827	2,283	\$ 770	\$ 966	\$ 1,736	1.32
2000	5,374	4,152	1,222	825	917	1,742	0.70
2001	6,190	4,366	1,824	860	878	1,738	1.05
2002	7,108	4,270	2,838	905	839	1,744	1.63
2003	9,336	4,645	4,691	940	798	1,738	2.70
2004	10,924	5,136	5,788	990	798	1,788	3.24
2005	6,767	5,450	1,317	1,165	428	1,593	0.83
2006	7,820	5,155	2,665	1,130	460	1,590	1.68
2007	9,682	5,729	3,953	1,185	403	1,588	2.49
2008	8,025	6,130	1,895	1,210	365	1,575	1.20
<b>Industrial Development Authority Revenue Bonds</b>							
1999	\$ 2,312	\$ 3,041	\$ (729)	\$ 41	\$ 125	\$ 166	(4.41)
2000	4,081	7,841	(3,760)	44	122	166	(22.72)
2001	959	603	356	47	118	165	2.15
2002	9,442	3,633	5,809	35	458	493	11.78
2003	8,287	6,740	1,547	211	784	995	1.55
2004	5,098	1,588	3,510	385	771	1,156	3.04
2005	5,944	4,298	1,646	410	750	1,160	1.42
2006	8,890	4,946	3,944	432	719	1,151	3.43
2007	5,007	4,420	587	392	693	1,085	0.54
2008	3,456	3,166	290	417	561	978	0.30
<b>Convention Center Revenue Bonds <sup>4</sup></b>							
2005	\$ 6,174	\$ 1,211	\$ 4,963	\$ -	\$ 5,360	5,360	0.93
2006	8,775	3,660	5,115		5,368	5,368	0.95
2007	9,288	2,993	6,295		5,363	5,363	1.17
2008	9,989	3,885	6,104		5,335	5,335	1.14

## Notes:

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

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

<b>Fiscal Year</b>	<b>Population <sup>1</sup></b>	<b>Personal Income <sup>2</sup> (in thousands)</b>	<b>Per Capita Income <sup>3</sup></b>	<b>School Membership <sup>4</sup></b>	<b>Unemployment Rate Percentage <sup>5</sup></b>
1999	136,500	\$ 3,296,910	\$ 22,653	23,431	4.3%
2000	136,500	3,504,802	23,945	23,431	3.6%
2001	146,437	3,685,677	25,401	23,290	3.6%
2002	147,300	3,861,000	26,664	23,192	5.1%
2003	145,200	4,018,000	27,628	22,996	5.4%
2004	144,400	4,261,000	29,388	23,009	5.2%
2005	142,800	3,976,299	30,389	22,938	4.6%
2006	145,500	4,551,991	31,057	22,229	4.2%
2007	145,708	N/A	N/A	22,176	3.6%
2008	145,862	N/A	N/A	21,189	4.9%

## Notes:

<sup>1</sup> Source: Weldon Cooper Center for Public Service

<sup>2</sup> Source: Bureau of Economic Analysis. Most recent information available is 2006.

<sup>3</sup> Source: Bureau of Economic Analysis. Most recent information available is 2006.

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

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

N/A-Not available

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

2008	1999
<b>Over 600 Employees:</b>	<b>Over 500 Employees:</b>
Air Force Command and Control Intelligence, Surveillance, and Reconnaissance Center	Bell Atlantic Plus
Alcoa Howmet	City of Hampton
City of Hampton	Fort Monroe
Fort Monroe	Gateway
Hampton City Schools	Hampton City Schools
Hampton University	Hampton University
Hampton Virginia Medical Center - Veteran's Hospital	Howmet Corporation
Langley Air Force Base	Langley Air force Base
NASA Langley Research Center	NASA - Langley
Sentara Healthcare System	Newport News, Inc.
Sprint-Nextel	Nextel Communications
Thomas Nelson Community College	Sentara Hampton General Hospital
Verizon	V.A. Hospital
West Corporation	West Telemarketing
<b>300 - 599 Employees:</b>	<b>150 - 500 Employees:</b>
AMSEC LLC	Anthem Alliance
Headway Corporate Resources	Catalina Cylinders
Northrop Grumman	Coliseum Park Nursing Home
Raytheon	Computer Sciences Corporation
Riverside Regional Medical Centers	Federal Mogul
SAIC	Graham & Rollins, Inc.
Teletech	Lucas Control Systems Products
	Maida Development Corporation
	Old Dominion security, Inc.
	Peninsula Psychiatric Hospital
	Virginia Power
	Wyle Laboratories, Inc.

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 Seven Fiscal Years**

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

Sources: City of Hampton, Department of Human Resources

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

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

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

## Notes:

<sup>1</sup> Building permits are issued on a calendar year basis; therefore, only January through June 2008 is reported for the current fiscal year. Also, the prior year has been updated to include building permits issued July through December 2007.

<sup>2</sup> Calendar year information reported for fiscal years 2002 through 2006 has been updated with fiscal year figures.

<sup>3</sup> Year 2006 has been updated with actual figures to replace estimates.

<sup>4</sup> Estimated information reported for fiscal years 2002 through 2006 has been updated with actual information.

N/A-Not available

Source: City of Hampton, various departments.

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

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

Notes:

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

N/A-Not available

Source: Various city departments.



***REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH  
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133***

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

***Compliance***

We have audited the compliance of the City of Hampton, Virginia (the “City”) with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The City’s major federal programs are identified in the summary of auditors’ results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City’s management. Our responsibility is to express an opinion on the City’s compliance based on our audit.

The City’s financial statements include the operations of the Hampton Redevelopment and Housing Authority (the “Authority”), which expended \$20,703,776 in federal awards which is not included in the Schedule of Expenditures of Federal Awards for the year ended June 30, 2008. Our audit did not include the operations of the Authority because the Authority engaged other auditors to perform an audit in accordance with OMB Circular A-133.

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. Our audit does not provide a legal determination on the City’s compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

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

The management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

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

Virginia Beach, Virginia  
November 24, 2008



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
*GOVERNMENT AUDITING STANDARDS***

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the remaining fund information of the City of Hampton, Virginia (the “City”), as of and for the year ended June 30, 2008, which collectively comprise the City’s basic financial statements, and have issued our report thereon dated November 24, 2008. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and *Specifications for Audits of Counties, Cities and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia.

Other auditors audited the financial statements of certain component units of the City as described in our report on the City’s financial statements and Note 1 to the financial statements. This report does not include the results of the other auditors’ testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the Coliseum Central Business Improvement District, Inc., the Downtown Hampton Development Partnership, Inc., the Healthy Families Partnership, Inc., and the Foundation of the Virginia Air and Space Center, which were audited by other auditors upon whose reports we are relying, were audited in accordance with auditing standards generally accepted in the United States of America, but not in accordance with *Government Auditing Standards*.

***Internal Control Over Financial Reporting***

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A *control deficiency* 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 misstatements on a timely basis.

A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider deficiency 2008-1 described in the accompanying schedule of findings and questioned costs to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider deficiency 2008-1 in the accompanying schedule of findings and questioned costs to be a material weakness in internal control over financial reporting

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

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

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

Virginia Beach, Virginia  
November 24, 2008



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

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

We have audited the financial statements of the City of Hampton, Virginia (the "City"), as of and for the year ended June 30, 2008, and have issued our report thereon dated November 24, 2008.

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

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

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

Code of Virginia

- Budget and Appropriation Laws
- Cash and Investments
- Conflicts of Interest Act
- Retirement Systems
- Debt Provisions
- Procurement
- Unclaimed Property Act

State Agency Requirements

- Education
- Highway Maintenance Funds
- Social Services
- Comprehensive Services Act Funds

The results of our tests discovered immaterial instances of noncompliance with the provisions referred to in the preceding paragraph. These are indicated in the accompanying schedule of findings and questioned costs as state findings 08-2 through 08-5. These findings are considered immaterial

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

*Cherry, Bekant → Holland, L. L. P.*

Virginia Beach, Virginia  
November 24, 2008

**CITY OF HAMPTON, VIRGINIA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

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**Year Ended June 30, 2008**

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**1. SUMMARY OF AUDITORS' RESULTS**

- (a) The type of report issued on the basic financial statements: **Unqualified opinions**
- (b) Significant deficiencies in internal control were disclosed by the auditors of the financial statements: **Yes**
- Material weaknesses: **Yes**
- (c) Noncompliance which is material to the basic financial statements: **No**
- (d) Significant deficiencies in internal control over major programs: **No**
- Material weaknesses: **No**
- (e) The type of report issued on compliance for major programs: **Unqualified opinion**
- (f) Any audit findings which are required to be reported under Section .510(a) of OMB Circular A-133: **No**
- (g) Major Programs:
- Department of Transportation – Highway Planning and Construction (Federal-Aid Highway Program) ; CFDA 20.205
  - Department of Education – Special Education Cluster; CFDA 84.027A
  - Department of Education – Impact Aid (Title VIII of ESEA); CFDA 84.041
  - Department of Health and Human Services – Foster Care Title IV-E; CFDA 93.658
  - Department of Health and Human Services – Social Services Block Grant; CFDA 93.667
  - Department of Health and Human Services – Medical Assistance Program; CFDA 93.778
- (h) The dollar threshold used to distinguish between Type A and Type B programs is \$1,259,731.
- (i) The auditee qualified as a low-risk auditee.

*CITY OF HAMPTON, VIRGINIA*

*SCHEDULE OF FINDINGS AND QUESTIONED COSTS*

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**Year Ended June 30, 2008**

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**2. FINDINGS RELATING TO THE FINANCIAL STATEMENTS WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

*2008-1 Internal Control over Financial Reporting*

***Criteria:***

Ongoing street and road projects should be capitalized as construction in progress (CIP) in the government wide financial statements.

***Condition:***

While performing our audit procedures to test capital assets and capital outlay expenditures, we determined that street and road projects which had not been completed were being expensed on the government wide statements at June 30, 2008, rather than being capitalized in CIP.

***Cause:***

Ongoing street and road projects were not properly classified as CIP when the government wide statements were prepared.

***Effect:***

Construction in progress was understated and expenses were overstated on the June 30, 2008 government wide financial statements.

***Recommendation:***

We recommend the Finance and Public Works Departments coordinate their efforts to identify capital outlay expenditures which qualify as additions to capital assets based on the City's capitalization policy. This will allow the City to identify all capital assets that need to be capitalized and included when the government wide financial statements are prepared.

***Management Response:***

We agree with the recommendation. In order to identify all the non infrastructure capital outlay, Finance Staff will reconcile the capital outlay expenditures to capital asset additions. Also, Finance Staff will request from the Public Works Department a listing of all uncompleted infrastructure projects at year end. Finance staff will then evaluate the listing and determine if these projects should be included in construction in progress in the government wide statements.

**CITY OF HAMPTON, VIRGINIA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)**

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**Year Ended June 30, 2008**

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**3. FINDINGS AND QUESTIONED COSTS FOR MAJOR FEDERAL AWARDS PROGRAMS**

None

**4. FINDINGS AND QUESTIONED COSTS FOR STATE COMPLIANCE**

***2008-2 Child Welfare Trust Accounts***

***Criteria:***

Unexpended special welfare funds and dedicated funds should be returned to individuals who leave the agency's custody, refunded to applicable funding sources, or escheated to the state.

***Condition:***

While performing our audit procedures to ensure compliance with the Social Services section 3-15 of the *Specifications for Audits of Counties, Cities and Towns*, we determined that unexpended funds were not being returned when individuals leave the agency's custody.

***Cause:***

When an individual is released from the agency's custody, the case workers are not notifying the person maintaining the special welfare trust accounts.

***Effect:***

The agency is holding funds for individuals who are no longer in the agency's custody.

***Recommendation:***

We recommend a procedure be put in place to ensure that the individual caseworkers notify the person maintaining the trust accounts when an individual is released from the agency's custody. This will allow the person maintaining the trust accounts to properly refund the unexpended funds to the proper source in a timely manner.

***Management Response:***

Effective immediately, November 10, 2008, the Child Welfare Quality Assurance Specialist of the Hampton Department of Human Services will notify in writing, the person maintaining the special welfare accounts of individuals who are no longer in the Agency's custody.

### ***2008-3 Child Welfare Trust Accounts***

***Criteria:***

Interest on special welfare accounts should be properly credited to individual accounts as earned.

***Condition:***

While performing our audit procedures to ensure compliance with the Social Services section 3-15 of the *Specifications for Audits of Counties, Cities and Towns*, we determined that interest earned on special welfare accounts is not being credited to the ledger pages of the individual accounts in a timely manner.

***Cause:***

Posting of interest and reconciliation of the bank statements is not being performed timely.

***Effect:***

The individual ledger balances for special welfare accounts are not correct.

***Recommendation:***

We recommend bank reconciliations be performed each month and interest earned is posted to the individual ledger accounts during the reconciliation process. This will ensure that the individual ledger balances are accurate at the end of each month.

***Management Response:***

Effective immediately, November 10, 2008, bank reconciliations will be performed each month and interest earned will be posted to the individual ledger accounts during the reconciliation process. This will ensure that the individual ledger balances are accurate at the end of each month.

### ***2008-4 Systems Controls***

***Criteria:***

Computer Access Request Forms for all users of VDSS systems should be available documenting a user's access authority. Also, when a user leaves the local social service department, their access privileges must be immediately removed from all systems they were authorized to use.

***Condition:***

While performing our audit procedures to ensure compliance with the Social Services section 3-15 of the *Specifications for Audits of Counties, Cities and Towns*, we determined Computer Access Request Forms were not completed for one user of VDSS systems and the Employee Separation and Transfer Checklist, which shows access privileges were removed, was not properly completed for another.

***Cause:***

The computer access and access rights termination forms were not present in the employee files.

***Effect:***

Required documentation was not filed in employee files in accordance with the APA compliance regulations.

***Recommendation:***

We recommend all required forms regarding computer access and termination rights be properly completed and filed in a timely manner for any user of VDSS systems. This will ensure that the access rights are properly granted and terminated in accordance with APA regulations.

***Management Response:***

Effective immediately, November 10, 2008, all forms required regarding computer access and termination rights will be properly completed and filed in a timely manner for any user of VDSS systems.

***2008-5 Highway Maintenance***

***Criteria:***

Charges claimed on the Weldon Cooper Center Local Finance Survey are for eligible streets included on the Department of Transportation's annual listing of eligible streets.

***Condition:***

While performing our audit procedures to ensure compliance with the Highway Maintenance Funds section 3-13 of the *Specifications for Audits of Counties, Cities and Towns*, we determined that \$609 claimed on the Weldon Cooper Center Local Finance Survey were for a street not listed on the Department of Transportation's annual listing of eligible streets.

***Cause:***

The DOT's listing of eligible streets was not checked for streets reflected on the Weldon Cooper Center Local Finance Survey.

***Effect:***

Highway Maintenance funds were used for an ineligible street.

***Recommendation:***

We recommend a procedure be put in place to ensure that all streets where Highway Maintenance Funds are being used are checked to the Department of Transportation's annual listing of eligible streets. This could also be done again during the preparation of the Weldon Cooper Report. This would ensure all charges claimed on the Weldon Cooper report are for eligible streets.

***Management Response:***

The eligible streets on the VDOT listing have been put into a color coded map which shows eligible streets as green and all non-eligible streets as red. This has been distributed to all divisions who are responsible for performing VDOT eligible work. This will provide an easier method for determining if streets are eligible or not versus using the VDOT listing which is broken into many, many multiple short segments. Division managers have been instructed to emphasize the need for eligibility to be checked starting with the creation of the work order by field crews by checking the map (or listing) and for additional checking to be done by supervisors and work order data entry clerks.

***CITY OF HAMPTON, VIRGINIA***

***SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS***

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***Year Ended June 30, 2007***

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2007 #1

Status: Completed

2007 #2

Status: Completed