

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

For the Fiscal Year Ended June 30, 2012

Prepared by:

Karl S. Daughtrey, Director of Finance

Jacqueline Green, Interim Controller

and

The Department of Finance

**CITY OF HAMPTON, VIRGINIA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 JUNE 30, 2012**

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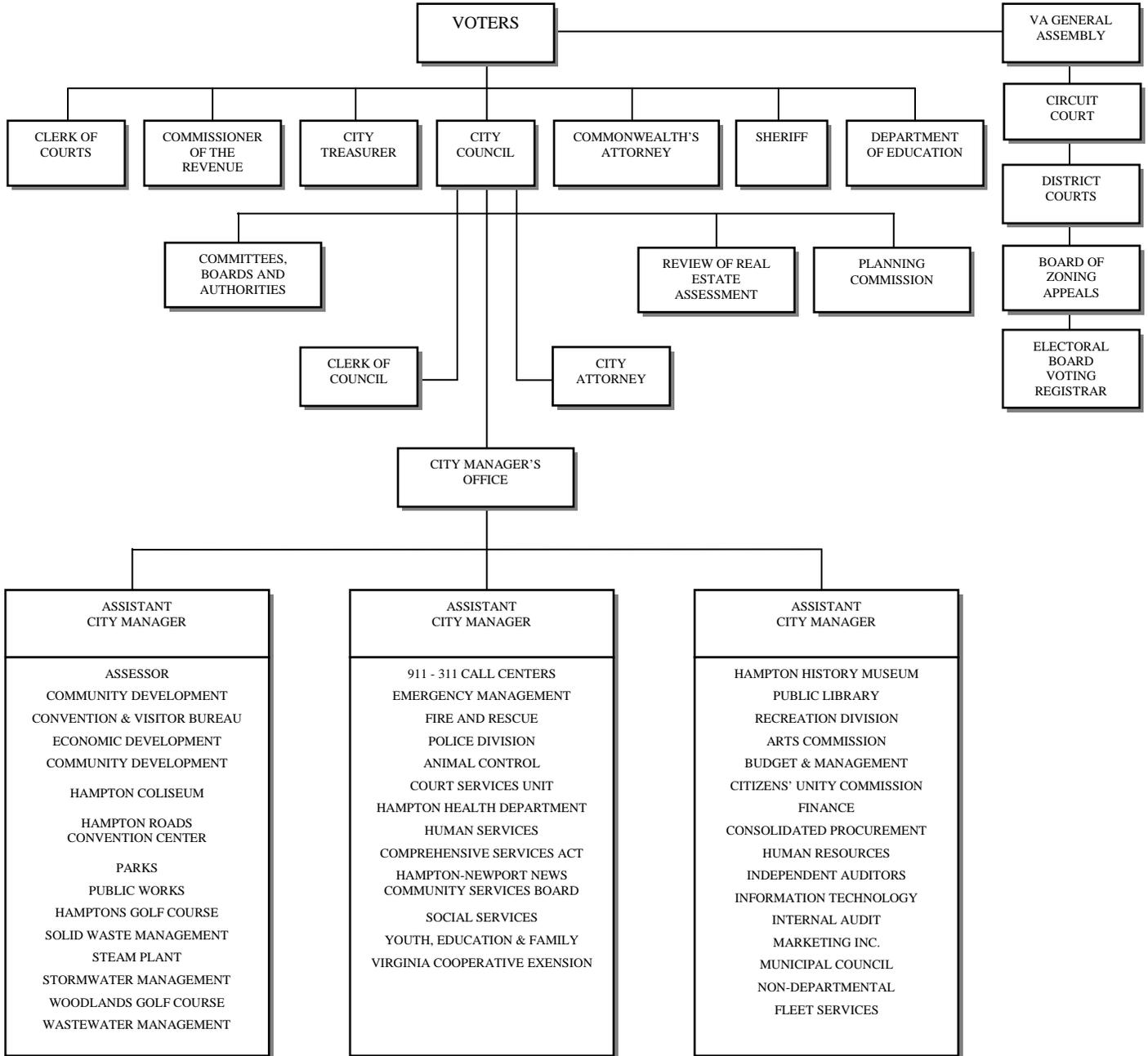
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CITY OF HAMPTON, VIRGINIA
June 30, 2012



CITY OF HAMPTON, VIRGINIA
June 30, 2012

ELECTED OFFICIALS

CITY COUNCIL

Molly Joseph Ward, Mayor
George E. Wallace, Vice Mayor
Ross A. Kearney, II
Will J. Moffett
Joseph H. Spencer, II
Christopher G. Stuart
Donnie R. Tuck

CONSTITUTIONAL OFFICERS

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

APPOINTED OFFICIALS

CITY ADMINISTRATION

Mary B. Bunting - City Manager
James A. Peterson - Assistant City Manager
James A. Gray - Assistant City Manager
Karl S. Daughtrey - Director of Finance
Gloria L. Washington - Director of Budget
Jacqueline Green - Interim City Controller

CITY OF HAMPTON, VIRGINIA
June 30, 2012

SCHOOL BOARD

Fred A. Brewer, Jr., Chairman

Phyllis Taylor Henry, Vice Chairman
Linwood D. Harper
William Pearson

Joseph Kilgore
Jennifer Phillips
Martha Mugler

SCHOOL ADMINISTRATION

Dr. Linda Shifflette - Superintendent
Dr. Patricia Johnson - Deputy Superintendent for Curriculum and Instruction
Dr. G. Victor Hellman, Jr. - Deputy Superintendent for Business and Finance
Suzanna Scott - Director of Finance
Dr. John Caggiano - Executive Director of School Leadership Elementary
Dr. Patricia Leary - Executive Director of School Leadership Elementary
Dr. Donna Woods - Executive Director of School Leadership Secondary
Paula Brown - Director of Instructional Accountability
Robbin Ruth - Executive Director of Human Resources
Carolyn Bowers, Clerk of the School Board

HAMPTON EMPLOYEES' RETIREMENT SYSTEM

BOARD OF TRUSTEES

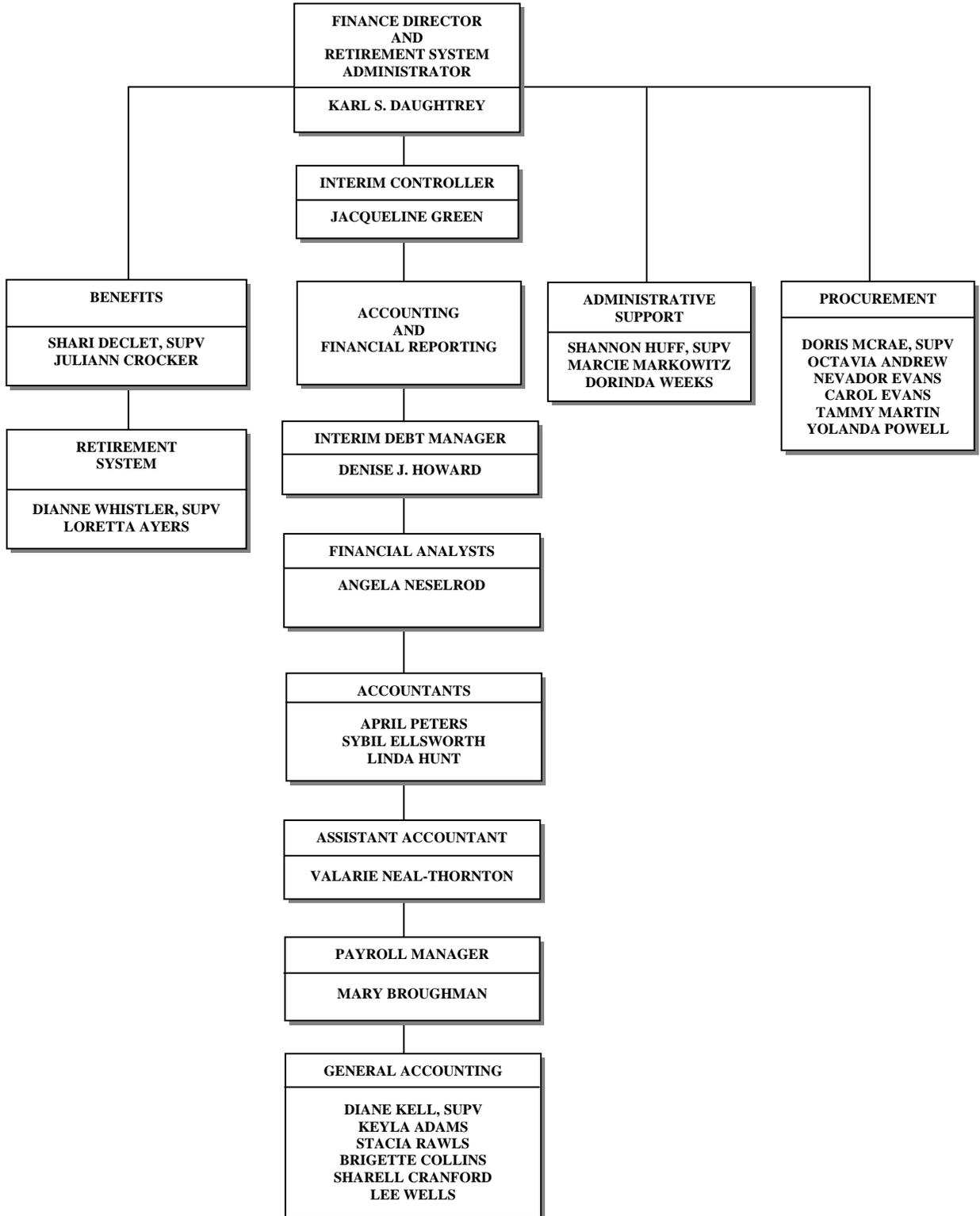
James A. Peterson, Vice Chairman
Karen James, Legal Counsel
Sue Ange
Anton Schmidt
Ron Davis

A. G. Womble, Jr., Chairman

Joe Sanders
Suzanna Scott
Ann Stephens
William F. Trimble, Jr.

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

**CITY OF HAMPTON, VIRGINIA
DEPARTMENT OF FINANCE
June 30, 2012**



Letter of Transmittal



City of Hampton

November 30, 2012

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, 2012. State law requires the City to publish, at the close of each fiscal year, a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with Government Auditing Standards by a firm of licensed certified public accountants. This report has been prepared by the Department of Finance and the report does comply with state law and guidelines and of the Auditor of Public Accounts of the Commonwealth of Virginia.

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

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

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

Hampton's financial statements for the year ended June 30, 2012. 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 the July 1, 2011, current estimated population in Hampton was 137,372. This indicates a decrease in population of 0.05% or 64 from the April 1, 2010 census of 137,436.

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 2012, several awards and recognitions were received by the City of Hampton. They are listed below:

- Hampton's Office of the Assessor of Real Estate received the Certificate of Excellence in Assessment Administration (CEAA) from the International Association of Assessing Officers (IAAO). This award recognizes governmental units and individuals involved with assessment that integrate best practices in the workplace. Hampton is the first jurisdiction in Virginia to receive the CEAA.
- The Hampton/NASA Steam Plant won a 2012 Federal Energy and Water Management Award from the U.S. Department of Energy. This award honors individuals and organizations making significant contributions to the efficient use of energy and water resources.
- For the tenth year in a row, Hampton was named one of the most technology-advanced cities in America by the Center for Digital Government. The annual study examines how city governments are using digital technologies "to better serve their citizens and streamline operation." The City of Hampton placed sixth in the 125,000-249,999 population category.

Budgetary Systems

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

Component Units

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

Economic Conditions and Outlook

Local Economy

The City's central location in the Norfolk-Virginia Beach-Newport News, Metropolitan Statistical Area ("MSA") affords its businesses the ability to take advantage of resources

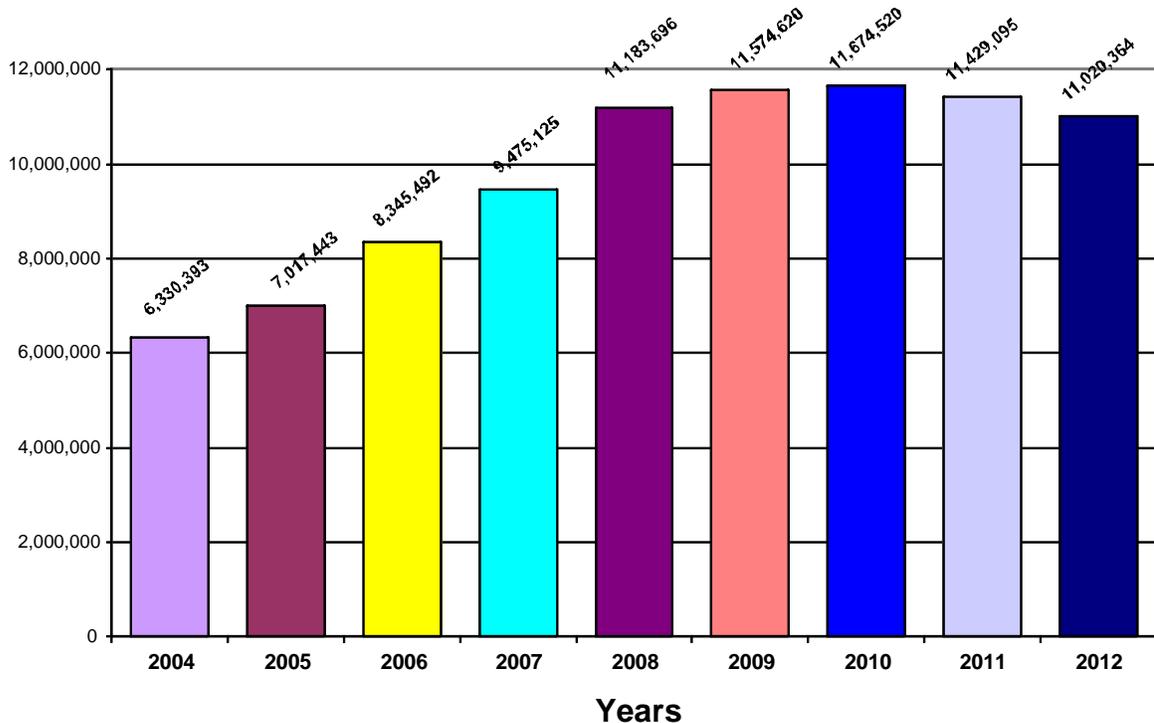
offered throughout the area. Hampton's many business amenities have attracted a long list of prosperous and well-known national and international companies. Manufacturing, technology, retail services, distribution and federal installations comprise the major components of economic activity within the City.

The City's strategic location and economic development activities offer its residential civilian labor force a wide range of employment opportunities. Hampton businesses draw from the largest regional workforce between Washington, D.C. and Atlanta, with over 838,000 highly educated, skilled, and technically trained workers. Each year over 13,000 trained and disciplined personnel exit the military. Many of these persons elect to stay in the area and look for private sector employment, and there are over 30,000 military spouses available to work. In addition, there are over 96,000 students enrolled in the region's 12 traditional colleges and universities with an estimated 14,000 degrees conferred annually.

The effects of the economic downturn are still evidenced in the national, state and local economy. Housing values in the Norfolk-Virginia Beach-Newport News MSA showed an average decrease of 11.46% as of the 4th quarter of 2011. The City's unemployment rate is currently at 7.8%. This percentage is below the national rate of 8.4%.

The assessed value of the City's residential and commercial real property decreased by \$408.7 million or 3.58% from fiscal year 2011 to fiscal year 2012.

Assessed Value of Taxable Real Property In Thousands



Economic Development

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

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

The Department of Economic Development has a Business Development Team whose primary goals are to retain and expand businesses in the city of Hampton; they also specialize in new and entrepreneur developments. During fiscal year 2012, this team was involved in 11 commercial projects totaling \$6.3 million in private investment, creating 45 new jobs and retaining 178 jobs within the office, manufacturing and warehouse sectors. A summary of some of the commercial activity/development that has occurred during fiscal year 2012 is as follows:

Proton Systems purchased 35 Research Drive consisting of 10,078 square feet in Langley Research and Development Park. The company created 6 new, high paying jobs and invested \$1.8 million.

Stinger Ghaffarian Technologies leased 25,000 square feet at 130 Research Drive in Langley Research and Development Park. The company invested \$1.8 million and retained 157 jobs.

Science and Technology Corporation leased 6,577 square feet at Lakefront Plaza in Hampton Roads Center South. The company invested \$1 million and retained 21 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 12,852 military and civilian employees.

The Fiscal Year 2010-2011, Langley Air Force Base's economic impact analysis stated the base had a total economic impact of \$1.3 billion to the local community.

The National Aeronautics and Space Administration's NASA Langley Research Center is located in Hampton adjacent to Langley Air Force Base. In 2012, NASA Langley Research Center celebrated its 95th anniversary. 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 1,900 civil service employees and 1,700 private-sector employees. The Virginia Air and Space Center, located in downtown Hampton, serves as the official welcome center for NASA Langley. NASA Langley's economic output to Virginia was nearly \$1 billion which generated over 9,000 high tech jobs throughout the Commonwealth of Virginia and Hampton Roads region in fiscal year 2012.

General Government Financial Operations

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

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

	000's Omitted		
	<u>2012</u>	<u>2011</u>	Percent Increase (Decrease)
<u>Revenues and Other Financing Sources:</u>			
General Fund	\$ 297,049*	\$ 295,128*	0.65
School Operating	<u>119,640*</u>	<u>120,875*</u>	<u>(1.02)</u>
Total	<u>416,689</u>	<u>416,003</u>	<u>0.16</u>
<u>Expenditures and Other Financing Uses:</u>			
General Fund	240,452*	227,417*	5.73
School Operating	<u>187,597*</u>	<u>189,823*</u>	<u>(1.17)</u>
Total	<u>428,049</u>	<u>417,240</u>	<u>2.59</u>
Increase/(Decrease) to fund balance	<u>\$ (11,360)</u>	<u>\$(1,237)</u>	

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

The General Fund revenues and other financing sources increased by approximately \$2 million or 0.65% over fiscal year 2011 revenues. Revenues from real estate taxes declined by approximately \$2.5 million. Real estate assessed values decreased by 3.6% for this period. In the local taxes category, we experienced an increase of approximately \$1 million.

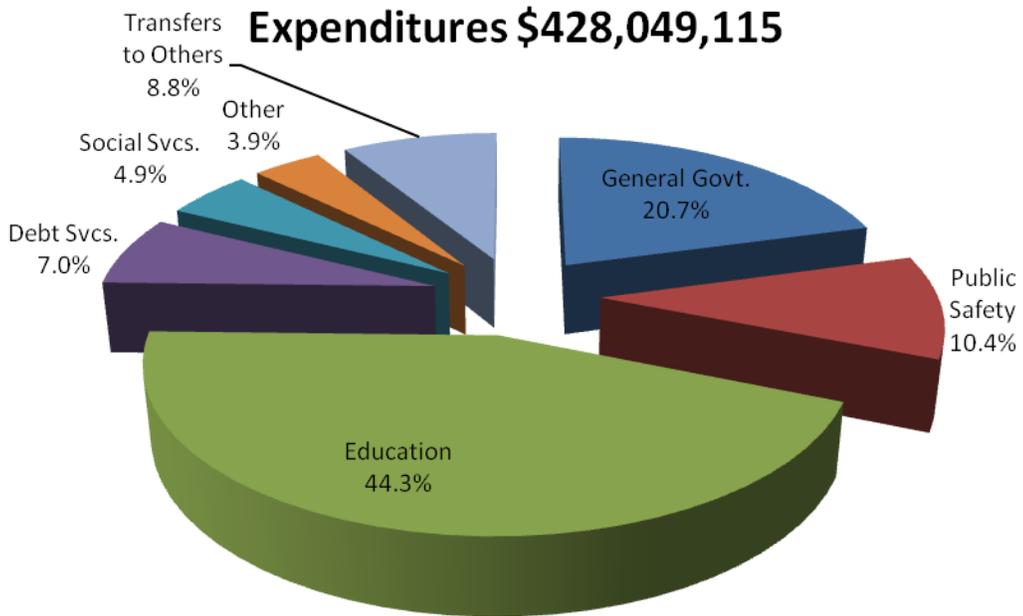
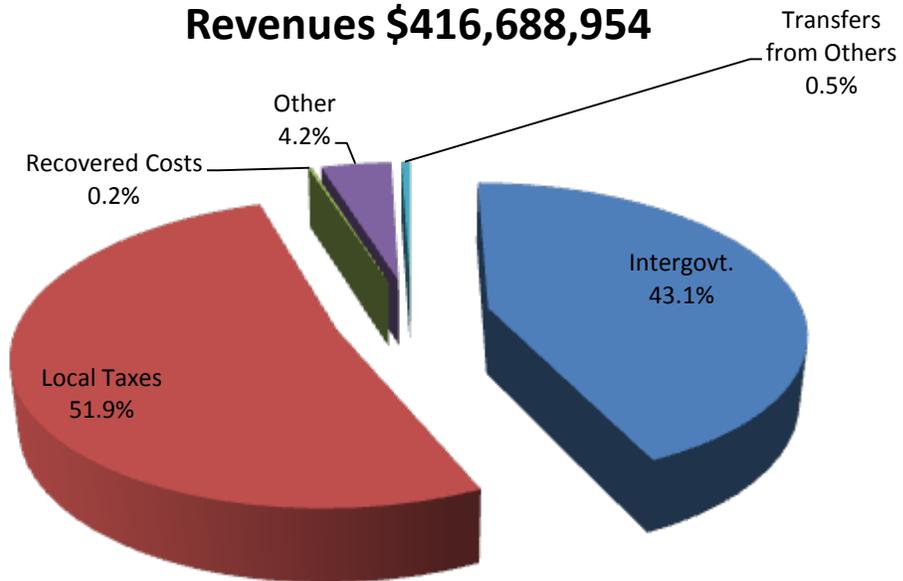
Meal taxes continued to grow beyond expectations. In addition, business license taxes recovered some from the decline in fiscal year 2012. For fiscal year 2012, we reported \$3.8 million in special assessments for the Community Development Authorities (CDA). The two Special Revenue Funds for the CDA's were merged with the General Fund during fiscal year 2012. Charges for services revenue increased by \$1.3 million over fiscal year 2011. Emergency medical service recovery fees increased due to an increase in the number of transports. In addition, revenues for the Arts Commission and New American Theatre were reported in the General Fund for the first time in fiscal year 2012. As a part of the fiscal year 2012 budget, the Excel Special Revenue Fund was combined with the General Fund.

The School Operating Fund revenues decreased approximately \$1.2 million or 1.02% over fiscal year 2011. The City contribution to the Schools decreased by \$706,383 in fiscal year 2012 due to a decline in estimated revenues from real property taxes which is one of the drivers in the City and School agreed upon funding formula. Public Law 874 funding (Impact Aid), which is contingent upon federal funds availability for distribution, decreased by \$1 million. State Fiscal Stabilization Funds have been discontinued by the federal government which resulted in a decrease of \$2.7 million. While federal and city funding declined \$4.5 million during the fiscal year, state funds increased by \$2.4 million due to basic aid and sales tax revenues.

General Fund expenditures increased by \$13 million or 5.73% over fiscal year 2011. In the culture and recreation category, we experienced an increase of \$1.8 million as a result of combining the Excel Special Revenue Fund with the General Fund. Special assessment collections of \$3.8 million were paid over to the CDA's for the first time in fiscal year 2012. As a part of the fiscal year 2012 budget, a one-time performance payment to employees in the amount of \$1.6 million was approved. Also, in fiscal year 2012, a one-time appropriation from fund balance of \$6.4 million along with other funding was used for a strategic property acquisition.

The School Board Operating Fund expenditures decreased \$2.2 million over fiscal year 2011. The operation and maintenance of school plant category decreased by \$1.8 million and public transportation services category decreased by \$1.6 million over the previous year. Expenditures in both categories declined in direct proportion to the decline in budgetary funding for the year.

The graphs of the 2012 General Fund and School Operating Fund revenues and expenditures are as follows:



Long Term Financial Planning

In the years 2012-2015, there is a total of \$105.1 million that is scheduled for City and School projects. The following summarizes these projects:

• School Construction/Maintenance	\$41.8 million
• Maintenance of Public Properties	22.7 million
• Street Resurfacing	16.2 million
• Public Safety	5.1 million
• Neighborhood Support	5.9 million
• North King/Coliseum Central Master Plan	6.7 million
• Strategic Property Acquisitions/Contingency	3.7 million
• Retail/Shopping Center Revitalization	.9 million
• Salt Ponds Channel Dredging	.4 million

Financial Policies

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

1. Debt Policy Limit. (a) General obligation debt shall not exceed 3% of the assessed value of all real estate within the City subject to taxation. At June 30, 2012, general obligation debt totaled \$259 million or 2.4 % 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, 2012, this would amount to \$457 million or 3.7% 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, 2012, 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, 2012, this would amount to \$36 million or 8.5% of total expenditures, which was within the policy parameter.

3. General Obligation Debt Retirement Policy. The City shall retire at least 60% of the principal balance of general bonded obligation debt within 10 years of the date the debt is issued. The City will retire approximately 73% of general bonded obligation debt in fiscal year 2022 that was outstanding as of June 30, 2012.

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, 2012, capital expenditures were \$26.7 million which is 9% of General Fund revenues. Also, a minimum of 10% to 15% of CIP projects over a rolling five-year period are to be funded from general fund revenues. For the five year period, 2012 through 2016, the City plans to use 48% of General Fund revenues on CIP projects.

5. Unassigned Fund Balance. The City will maintain an unassigned General Fund balance equal to 10% of total General Fund and School Operating Fund revenues. To the extent unassigned fund balance falls below the policy, the shortfall shall be replenished over a three-year period. The unassigned fund balance at June 30, 2012 was \$51.2 million or 12% of actual revenues.

The City is in compliance with the Financial Policy Guidelines.

Credit Ratings

The City's credit ratings are as follows: AA+ by Standard and Poor's, Aa1 by Moody's Investor Services and AA+ by Fitch Rating.

Major Initiatives and Accomplishments

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

Fort Monroe's greatest asset is its history. The history of Old Point Comfort extends to the very beginning of the settlement of America. Captain John Smith and the early settlers visited Old Point Comfort before establishing the Jamestown settlement in 1607. After surveying the area in 1608, Captain Smith pronounced this place a "little isle fit for a castle" and soon began the construction of Fort Algernourne in 1609 to protect the new settlement. This began a long line of fortifications on Old Point Comfort that culminated with the

establishment of Fort Monroe as a response to the War of 1812, when the British sailed unencumbered to wreak havoc up the Virginia coast, culminating with the burning of Washington DC and the White house. Construction of Fort Monroe began in 1819 and was completed in 1834.

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

Fort Monroe was identified for closure by the 2005 Base Realignment and Closure Commission and was closed by the Army on September 15, 2011. Since that time, the Commonwealth of Virginia and City of Hampton have been preparing for closure and reuse of the Fort to mitigate the impact of the lost economic activity from the closure. 371 of the 565 acres of the property automatically reverts to Commonwealth ownership based on deed language when it was originally conveyed to the federal government in the 1800s. The Commonwealth and Army are in negotiations over the disposition of the "non-revisionary" acres. As part of the State's partnership with the City, it was agreed that the City would receive a Payment In Lieu Of Taxes (PILOT) to cover the costs of City services that Hampton provides to state controlled property at Fort Monroe. The PILOT is based on the City's real estate tax assessment and tax rate as if it were any other private property in the City, but excludes any property owned by the federal government or used by the City.

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

Hampton's Economic Gardening Program was established in fiscal year 2012. The purpose of the program is to assist Hampton small businesses that will increase employment, capital investment and provide innovativeness of products or services within the City.

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, 2011.

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

Acknowledgments

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

Respectfully submitted,


Karl S. Daughtrey
Director of Finance


Jacqueline M. Green
Interim 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, 2011

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.



Christophe P. Morinell

President

Jeffrey R. Enner

Executive Director

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Auditor's Report



Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Hampton, Virginia (the "City"), as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Downtown Hampton Development Partnership, Inc., which represents 0.9% and 0.3%, respectively, of the total assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinions on the basic financial statements insofar as they relate to the amounts included for Downtown Hampton Development Partnership, Inc., are based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and *Specifications for Audits of Counties, Cities and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide 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, 2012, 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.

As discussed in Note 15 to the financial statements, certain errors resulting an overstatement of previously reported assets of the Hampton Industrial Development Authority, a discretely presented component unit, as of June 30, 2011, were discovered by management during the current year. Accordingly, an adjustment has been made to net assets as of June 30, 2011 to correct the error.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2012, 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.

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

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund statements, other supporting schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is also presented for the purpose of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Such information is the responsibility of management and was derived from and relates to the underlying accounting and other records used to prepare the financial statements. The combining and individual fund statements and other supporting schedules, including the schedule of expenditures of federal awards, have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or provide any assurance on them.

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

Virginia Beach, Virginia
November 29, 2012

Management's Discussion and Analysis

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Hampton's (City's) Comprehensive Annual Financial Report (CAFR) presents Management's Discussion and Analysis (MD&A) of the City's financial performance during the fiscal year ended June 30, 2012. The MD&A should be read in conjunction with the transmittal letter and the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The General Fund, on a current financial resource basis, reported expenditures in excess of revenues and other financing sources and uses by \$9.7 million (Exhibit A-4) after making a \$66.3 million payment to Hampton City Schools, \$26.7 million transfer to Capital Projects, \$8.9 million transfer to Enterprise Funds, \$2 million to Special Revenue Funds and \$30 million to Debt Service Fund.
- On a government-wide basis for governmental activities, the City's net assets decreased by \$15.4 million (Exhibit A-2).
- In the City's business-type activities, on a government-wide basis, net assets increased by \$2 million (Exhibit A-2).
- The City's net assets, excluding component units, on the government-wide basis, totaled \$799.8 million at June 30, 2012. Of this amount, \$114 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. The *Statement of Net Assets* (Exhibit A-1) presents information on all of the City's assets and liabilities, reported using the full accrual basis of accounting. The *Statement of Activities* (Exhibit A-2) presents all of the City's current year's revenues and expenses, regardless of when cash is received or paid.

The two government-wide statements report the City's net assets and changes in net assets. The City's net assets, which is the difference between assets and liabilities, is one way to measure the City's overall financial health. Over time, increases or decreases in the City's net assets are one indicator of whether its financial position is improving or deteriorating. However, other non-

financial factors will need to be considered, such as changes in the City's property tax base and the condition of the City's infrastructure.

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

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

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

The City has three types of funds:

- Governmental funds – Most of the City's basic services are reported in governmental funds, which focus on (1) the inflows and outflows of cash and other financial assets that can readily be converted into cash and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements (Exhibits A-3, A-4 and A-5) provide a short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the future to finance the City's programs. Because this information does not address the long-term focus of the government-wide statements, additional information is provided at the bottom of the governmental funds statements that explains the relationship (or differences) between these statements. The city maintains nine individual governmental funds.
- Proprietary funds – Services for which the City charges customers a fee are generally reported in proprietary funds. These funds, like the government-wide statements, provide both long- and short-term financial information. The City's enterprise funds (one type of proprietary fund) are its business-type activities, but the fund financial statements provide more detail and additional information, such as cash flow. The City maintains eight

individual enterprise funds. The City uses four internal service funds (the other type of proprietary fund) to report activities that provide supplies and services for the City's other programs and activities. These funds provide for the accumulation of money to replace capital equipment used in the City's operations, maintenance services for the City's vehicle fleet, risk management and computer and telecommunication services. The basic proprietary funds financial statements can be found in Exhibits A-6, A-7 and A-8 of this report.

- Fiduciary funds – The City is the trustee, or fiduciary, for its employees' pension plan. All of the City's fiduciary activities are reported in separate statements of fiduciary net 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, 2012 and 2011

	Governmental Activities		Business-type Activities		Total Primary Government		Component Units	
	2012	2011	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 188,268	\$ 231,116	\$ 45,558	\$ 45,366	\$ 233,826	\$ 276,482	\$ 46,341	\$ 53,111
Capital assets	859,781	852,973	165,059	168,974	1,024,840	1,021,947	35,276	35,646
Total assets	1,048,049	1,084,089	210,617	214,340	1,258,666	1,298,429	81,617	88,757
Current Liabilities	58,691	64,841	8,846	9,241	67,537	74,082	21,229	24,795
Long-term liabilities	297,386	311,849	93,923	99,263	391,309	411,112	18,123	15,820
Total liabilities	356,077	376,690	102,769	108,504	458,846	485,194	39,352	40,615
Net assets:								
Invested in capital assets, net of related debt	588,035	586,847	69,002	68,697	657,037	655,544	35,120	35,415
Restricted	11,809	10,900	16,844	18,721	28,653	29,621	8,391	1,476
Unrestricted	92,128	109,652	22,002	18,418	114,130	128,070	(1,246)	11,251
Total net assets	\$ 691,972	\$ 707,399	\$ 107,848	\$ 105,836	\$ 799,820	\$ 813,235	\$ 42,265	\$ 48,142

The City's combined net assets (which is the City's bottom line) decreased by \$13.4 million in fiscal year 2012, of which approximately 3% 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 82% 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 total \$114 million.

Table II
Summary of Changes in Net Assets (In Thousands)
For the Fiscal Years Ended June 30, 2012 and 2011

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>		<u>(as restated) Component Units</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Revenues:								
Program revenues:								
Charges for services	\$ 21,022	\$ 19,620	\$ 42,045	\$ 40,108	\$ 63,067	\$ 59,728	\$ 6,363	\$ 6,478
Operating grants and contributions	77,821	82,270	1,303	3,132	79,124	85,402	149,729	145,912
Capital grants and contributions	2,782	2,569	613	592	3,395	3,161		
General revenues:								
Property taxes	146,757	149,797			146,757	149,797		
Other taxes	70,847	69,828			70,847	69,828		
Other	3,159	3,112	744	457	3,903	3,569	69,688	67,924
Total revenues	<u>322,388</u>	<u>327,196</u>	<u>44,705</u>	<u>44,289</u>	<u>367,093</u>	<u>371,485</u>	<u>225,780</u>	<u>220,314</u>
Expenses:								
General government	128,783	114,765	-	-	128,783	114,765	4,093	4,471
Public safety	49,635	49,063			49,635	49,063		
Highways and streets	11,862	13,068			11,862	13,068		
Sanitation	3,899	3,630	23,831	22,923	27,730	26,553		
Health	3,056	3,161			3,056	3,161		
Human services	29,142	31,574			29,142	31,574	89	141
Culture and recreation	13,540	14,531	27,727	27,766	41,267	42,297	107	665
Education - payment to school board	66,345	67,051			66,345	67,051		
Educational	14,337	8,627			14,337	8,627	226,341	219,360
Interest on long-term debt	8,351	11,052	-	-	8,351	11,052		
Total expenses	<u>328,950</u>	<u>316,522</u>	<u>51,558</u>	<u>50,689</u>	<u>380,508</u>	<u>367,211</u>	<u>230,630</u>	<u>224,637</u>
Increase (decrease) in net assets before transfers	(6,562)	10,674	(6,853)	(6,400)	(13,415)	4,274	(4,850)	(4,323)
Special items								
Transfers	<u>(8,865)</u>	<u>(10,322)</u>	<u>8,865</u>	<u>10,322</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net assets	(15,427)	352	2,012	3,922	(13,415)	4,274	(4,850)	(4,323)
Net assets, July 1	<u>707,399</u>	<u>707,047</u>	<u>105,836</u>	<u>101,914</u>	<u>813,235</u>	<u>808,961</u>	<u>47,115</u>	<u>51,438</u>
Net assets, June 30	<u>\$ 691,972</u>	<u>\$ 707,399</u>	<u>\$ 107,848</u>	<u>\$ 105,836</u>	<u>\$ 799,820</u>	<u>\$ 813,235</u>	<u>\$ 42,265</u>	<u>\$ 47,115</u>

GOVERNMENTAL ACTIVITIES

For the fiscal year ended June 30, 2012, revenues from governmental activities totaled \$322 million. Revenues from governmental activities decreased by \$4.8 million; primarily in property taxes and operating grants and contributions.

Property taxes, the City's largest revenue source, were \$146.7 million, a decrease of \$3.0 million when compared to fiscal year 2011. This decrease is primarily due to declining real estate values. Real estate assessed values declined by 3.6%. Total program revenue for governmental activities was \$101.6 million. Program revenues are derived from the program itself and reduce the cost of the function to the City. One of the most significant of these revenues is the revenue category "Operating Grants and Contributions". These revenues totaled \$77.8 million for the year ended June 30, 2012, a decrease of \$4.4 million when compared to the previous year. Federal American Recovery and Reinvestment Act revenue decreased by \$3.3 million which contributed significantly to this change over fiscal year 2011.

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 \$70.8 million. This represents a \$1 million increase compared to the previous year mainly due to a \$0.5 million increase in business license tax revenues and a \$0.6 million increase in tobacco tax revenues.

For the fiscal year ended June 30, 2012, expenditures for governmental activities, excluding transfers, totaled \$328.9 million, an increase of \$12.4 million over the previous year. In fiscal year 2012, the Excel Special Revenue Fund was combined with the General Fund which increased expenditures by \$1.8 million. In addition, the two Special Revenue Funds for the Community Development Authorities (CDA) were combined with the General Fund. Special assessment collections of \$3.8 million were paid to the CDA's. Also, contributing to this increase was a one-time performance payment to employees in the amount of \$1.6 million and Council approval of a one-time appropriation from fund balance of \$6.4 million along with other funding to purchase strategic property in the City.

BUSINESS-TYPE ACTIVITIES

Business-type activities generated revenues of \$44.7 million, an increase of \$0.4 million when compared to the previous year. The majority of this change is attributed to a \$1.9 million increase in charges for services and a \$1.8 million decrease in operating grants. Expenses for the City's business-type activities totaled \$51.5 million, an increase of \$0.8 million when compared to the previous year. The Coliseum experienced a \$2.3 million increase in operating revenues along with a \$2 million increase in expenses due to an increase in the number of events over fiscal year 2011.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The General Fund's fund balance decreased by \$9.7 million over fiscal year 2011. This decrease is due primarily to appropriations that were made from fund balance for non-recurring

expenditures. During fiscal year 2012, these appropriations were used to fund capital projects, a one-time performance payment to employees and a retirement incentive program.

The Capital Projects Fund reflected a decrease in fund balance of \$23 million. This decrease is primarily a result of expenditures totaling \$21.4 million on capital projects funded by the 2005, 2007, and 2010 general obligation bond issues.

The Risk Management Fund showed an increase in net assets of \$1 million. This increase is mainly due to a reduction in Workmen's Compensation claims for fiscal year 2012.

The Wastewater Fund recorded an increase in net assets of \$0.8 million in fiscal year 2012. This increase is primarily due to personnel savings from job vacancies and fewer than anticipated consent order projects occurring in fiscal year 2012. The DEQ's regional consent order is designed to address sanitary sewer overflows.

The Refuse-Steam Plant's net assets increased by \$0.8 million due to fewer boiler repairs than anticipated and personnel savings from job vacancies.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the year, the City Council revised the budget on several occasions. City Council appropriated \$19.4 million from committed fund balance to fund uncompleted projects in the Capital Projects Fund. These projects were funded from the General Fund in fiscal year 2011 but the appropriations lapsed at the end of the fiscal year. Under the City's budget savings program, the remaining budget savings of \$3.2 million was rolled from fiscal year 2011 to fiscal year 2012. City Council adopted a budget savings program whereby departments will retain 65 percent of their end of the fiscal year budget savings, 10 percent will be put into an innovations pool and \$415,000 will be designated for drainage projects. In addition, the City reappropriated grant, donation, and other revenues.

Actual expenditures and transfers were \$24 million below the final budget. A significant amount of this variance (\$13.9 million) occurred in the general government function, which was related to unused funding of \$2.5 million for the Home Elevation Loan Program, \$2.8 million for Community Development Authorities and \$2 million for activities associated with providing services for Fort Monroe. This variance was also due to unused budget savings under the City's budget savings program of \$3.2 million and personnel savings of \$3.2 million from vacant positions. A \$5.4 million variance was noted in transfers to other funds. The majority of this variance occurred from projects in the Capital Projects Fund that were at various stages of completion. Typically, funding for these projects is appropriated in the subsequent fiscal year.

Revenues came in at \$4.7 million below budget. The special assessment revenues were less than budgeted, primarily from \$2.8 million in special assessments for Community Development Authorities (CDA), and \$2 million in payment in lieu of taxes for the Fort Monroe Authority. As part of the Fort Monroe Authority's partnership with the City, it was agreed that the City would receive a Payment in Lieu of Taxes (PILOT) to cover the costs of City services that Hampton provides to state property at Fort Monroe. For fiscal year 2012, the estimate for the PILOT was

an initiative estimate assuming that the majority of the property would be owned or controlled by the Fort Monroe Authority. The actual PILOT was based on the property currently under the control of the Fort Monroe Authority.

The Special Assessments budget for 2012 for the CDA was based on the budget for 2011, as the updated information was not available before the City's budget was approved, therefore the \$2.8 million variance in special assessments.

CAPITAL ASSETS

The total increase over fiscal year 2011 in the City's investment in capital assets for the current fiscal year is \$2.9 million. At the end of fiscal year 2012, the City had invested over \$1 billion in a variety of capital assets and infrastructure, as reflected in the following schedule:

Table III Capital Assets (In Thousands)

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Non-depreciable assets:						
Land and land improvements	\$ 509,452	\$ 507,416	\$ 10,804	\$ 10,804	\$ 520,256	\$ 518,220
Easements	6,189	532	21	\$ 13	6,210	545
Construction in progress	28,593	141,842	452	5,512	29,045	147,354
Other capital assets:						
Buildings and improvements	167,524	68,137	137,698	134,392	305,222	202,529
Improvements other than buildings	67,759	67,722	34,783	32,020	102,542	99,742
Equipment and vehicles	62,359	58,916	26,040	25,578	88,399	84,494
Exhibits			13,950	13,950	13,950	13,950
Landfill			3,866	3,866	3,866	3,866
Infrastructure	175,014	151,138	65,222	64,946	240,236	216,084
Computer software	952	952	59	48	1,011	1,000
Other Assets	4,218	4,001			4,218	4,001
Accumulated depreciation	(162,279)	(147,683)	(127,836)	(122,155)	(290,115)	(269,838)
Total	\$ 859,781	\$ 852,973	\$ 165,059	\$ 168,974	\$ 1,024,840	\$ 1,021,947

Component Units	School Board		Industrial Development Authority		Coliseum Central Business Improvement District, Inc.	
	2012	2011	2012	2011	2012	2011
Non-depreciable assets:						
Land and land improvements	\$ 5,111	\$ 5,111	\$ 15,803	\$ 15,803	\$ 209	\$ -
Other capital assets:						
Buildings and improvements	48,963	48,963				
Improvements other than buildings	310	310	-	383		
Infrastructure			2,049	2,545		
Computer software					4	4
Equipment and vehicles	43,445	41,342	-	50	143	141
Accumulated depreciation	(80,145)	(78,051)	(861)	(1,229)	(88)	(64)
Total	\$ 17,684	\$ 17,675	\$ 16,991	\$ 17,552	\$ 268	\$ 81

Component Units	Downtown Hampton		Healthy Families		Total Component Unit	
	2012	2011	2012	2011	2012	2011
Non-depreciable assets:						
Land and land improvements	\$ -	\$ -	\$ -	\$ -	\$ 21,123	\$ 20,914
Other capital assets:						
Buildings and improvements					48,963	48,963
Improvements other than buildings					-	-
Infrastructure	425	425			310	693
Computer software					2,474	2,970
Equipment and vehicles	120	103	12	12	4	4
Accumulated depreciation	(212)	(190)	(12)	(12)	43,720	41,648
	<u>\$ 333</u>	<u>\$ 338</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 81,318</u>	<u>\$ (79,546)</u>
					<u>\$ 35,276</u>	<u>\$ 35,646</u>

In response to the current economic climate, a very conservative approach was taken in recommending capital projects for funding in the City's fiscal year 2013 capital budget. This budget sets forth \$25.2 million to be spent during fiscal year 2013 in various projects including \$5.3 million in school building maintenance and renovations projects, \$6.9 million in street and infrastructure projects, \$3.7 million in maintenance of public properties, \$2.9 million in improvements to Hampton's waterways and \$3 million in the construction of a new regional animal shelter facility. 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 2012, the City had \$261.1 million in outstanding general obligation bonds and \$91.8 million in outstanding revenue bonds. The City issued \$26.4 million in General Obligation Public Improvement Refunding Bonds, Series 2012A and \$18.4 million in General Obligation Public Improvement Refunding Bonds, Series 2012B to refund portions of the City's Series 2002, 2002A, 2004 and 2005A General Obligation Bonds. The City also issued \$33.7 million in Convention Center Refunding Revenue Bonds, Series 2012A to refund a portion of the City's Convention Center Revenue Bonds, Series 2002. 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, 2012, the City's aggregate general obligation indebtedness is \$841 million below this limit.

Table IV
City of Hampton
Change in General Obligation and Revenue Bonds (In Thousands)
June 30, 2012 and 2011

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
General Obligation bonds	\$ 261,100	\$ 279,360	\$ -	\$ -	\$ 261,100	\$ 279,360
Revenue bonds			91,800	100,120	91,800	100,120
Unamortized premium	15,948	13,138	12,659	8,088	28,607	21,226
Less deferred amount for						
advance refunding	(8,196)	(3,516)	(6,841)	(5,941)	(15,037)	(9,457)
Total primary government	<u>\$ 268,852</u>	<u>\$ 288,982</u>	<u>\$ 97,618</u>	<u>\$ 102,267</u>	<u>\$ 366,470</u>	<u>\$ 391,249</u>

Component Unit - Industrial Development Authority

Revenue bonds					\$ 6,844	\$ 7,380
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NEXT YEAR'S BUDGET

The City's staff and City Council considered many factors when developing the fiscal year 2013 budget, with the economy as one of the major factors. The fiscal year 2013 approved budget for the General Fund is \$431 million, a 0.52% increase over fiscal year 2012. The City faced a reduction in current real estate tax revenues of \$4.6 million over the fiscal year 2012 adopted budget based on a 4.16% decline in real estate assessments. The budget includes a salary offset for the General Assembly required VRS employee contribution shift and increased State mandated line of duty payments for public safety personnel. Major tax and fee rate changes include: the restaurant/meal tax is increasing from 6.5% to 7.5%, the cigarette tax is increasing from \$0.75 to \$0.80 per pack, the right-of-way fee is increasing from \$0.83 to \$0.91 per line per month, the motor vehicle license fee is increasing by \$5.00, the stormwater user fee is increasing from \$4.60 to \$6.41 per month and the wastewater surcharge is increasing from \$0.44 to \$0.66 per 100 cubic feet of water consumption.

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, 7th Floor, Hampton, Virginia 23669, telephone (757) 727-6230.

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Basic Financial Statements

**City of Hampton
Statement of Net Assets
June 30, 2012**

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total Primary Government	
ASSETS				
Cash and cash equivalents	\$ 125,877,224	\$ 15,652,170	\$ 141,529,394	\$ 8,372,842
Cash with fiscal agent	366,225		366,225	11,586,009
Investments	36,316,245		36,316,245	12,827
Accounts receivables	25,181,124	5,285,709	30,466,833	521,072
Lease receivable			-	8,910,534
Due from component unit	91,042	9,464	100,506	
Due from primary government			-	174,588
Internal balances	(536,317)	536,317	-	
Due from other governments			-	7,287,447
Inventories	175,434	390,149	565,583	111,056
Prepaid items	174,498	26,218	200,716	12,194
Temporarily restricted assets:				
Cash and cash equivalents		2,485,824	2,485,824	1,166,917
Cash with fiscal agent		2,956,550	2,956,550	
Investments		16,562,381	16,562,381	
Notes receivable	5,314	8,708	14,022	1,024,638
Deferred charges	617,212	1,644,924	2,262,136	
Land held for sale			-	7,161,361
Capital assets not being depreciated	544,234,767	11,276,730	555,511,497	20,913,814
Capital assets, net of accumulated depreciation	315,546,725	153,782,226	469,328,951	14,361,673
Total assets	<u>\$ 1,048,049,493</u>	<u>\$ 210,617,370</u>	<u>\$ 1,258,666,863</u>	<u>\$ 81,616,972</u>
LIABILITIES				
Accounts payable and other liabilities	\$ 25,526,536	\$ 1,032,601	\$ 26,559,137	\$ 13,129,516
Due to component units	174,588		174,588	
Due to primary government				100,506
Unearned revenue	1,935,264	454,048	2,389,312	2,474,437
Matured bonds and coupons payable			-	
Current liabilities payable from restricted assets		2,335,598	2,335,598	
Notes and other long-term payables:				
Due within one year	10,535,455	595,540	11,130,995	4,955,142
Due in more than one year	49,053,342	732,679	49,786,021	11,848,411
Bonds payable:				
Due within one year	20,519,427	4,428,183	24,947,610	569,617
Due in more than one year	248,332,687	93,190,395	341,523,082	6,274,497
Total liabilities	<u>356,077,299</u>	<u>102,769,044</u>	<u>458,846,343</u>	<u>39,352,126</u>
NET ASSETS				
Invested in capital assets, net of related debt	588,034,503	69,002,637	657,037,140	35,120,106
Restricted for:				
Capital projects	7,770,959		7,770,959	
Debt service	82,112	16,844,401	16,926,513	1,166,917
Economic development projects	1,616,949		1,616,949	
Public safety projects	1,918,613		1,918,613	
Stormwater management	420,972		420,972	
Food nutrition service				5,277,059
Grant projects				382,941
Small business loans				1,564,231
Unrestricted	<u>92,128,086</u>	<u>22,001,288</u>	<u>114,129,374</u>	<u>(1,246,408)</u>
Total net assets	<u>691,972,194</u>	<u>107,848,326</u>	<u>799,820,520</u>	<u>42,264,846</u>
Total liabilities and net assets	<u>\$ 1,048,049,493</u>	<u>\$ 210,617,370</u>	<u>\$ 1,258,666,863</u>	<u>\$ 81,616,972</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, 2012**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Change in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Component Units
Primary government								
Governmental activities:								
General government	\$ 128,783,185	\$ 7,771,628	\$ 30,604,669	\$ 38,548	\$ (90,368,340)	\$ -	\$ (90,368,340)	\$ -
Public safety	49,634,850	2,100,667	10,719,779		(36,814,404)		(36,814,404)	
Highways and streets	11,861,402		13,674,233	2,743,851	4,556,682		4,556,682	
Sanitation	3,899,182	5,006,899			1,107,717		1,107,717	
Health	3,056,244	3,520,232			463,988		463,988	
Human Services	29,142,251	16,791	22,485,274		(6,640,186)		(6,640,186)	
Culture and recreation	13,539,606	2,561,304	176,413		(10,801,889)		(10,801,889)	
Education (payment to school district)	66,345,093	44,005	160,602	-	(66,140,486)		(66,140,486)	
Education and educational services	14,336,614	-			(14,336,614)		(14,336,614)	
Interest on long-term debt	8,351,484	-	-	-	(8,351,484)		(8,351,484)	
Total governmental activities	<u>328,949,911</u>	<u>21,021,526</u>	<u>77,820,970</u>	<u>2,782,399</u>	<u>(227,325,016)</u>		<u>(227,325,016)</u>	
Business-type activities:								
Culture and recreation	27,726,704	15,602,570	1,305,464	613,420		(10,205,250)	(10,205,250)	
Sanitation	23,831,294	26,442,680	(2,927)	-		2,608,459	2,608,459	
Total business-type activities	<u>51,557,998</u>	<u>42,045,250</u>	<u>1,302,537</u>	<u>613,420</u>	<u>-</u>	<u>(7,596,791)</u>	<u>(7,596,791)</u>	
Total primary government	\$ 380,507,909	\$ 63,066,776	\$ 79,123,507	\$ 3,395,819	\$ (227,325,016)	\$ (7,596,791)	\$ (234,921,807)	
Component units								
Public school system	\$ 226,340,624	\$ 5,873,075	\$ 149,591,737	\$ -				(70,875,812)
Industrial development	2,599,246	99,598						(2,499,648)
Business improvement	933,838	29,800						(904,038)
Downtown development	559,478	281,206	127,617					(150,655)
Healthy families	89,196	78,875	4,152					(6,169)
Museum support	107,338	-	5,600	-				(101,738)
Total component units	\$ 230,629,720	\$ 6,362,554	\$ 149,729,106	\$ -				\$ (74,538,060)

	Net (Expense) Revenue and Change in Net Assets			
	Primary Government			Component Units
	Governmental	Business-type	Total	
General revenues				
Taxes:				
Property taxes	\$ 146,757,853	\$ -	\$ 146,757,853	\$ -
Sales taxes	13,962,426		13,962,426	
Lodging, meal and amusement taxes	20,100,184		20,100,184	
Motor vehicle taxes	3,691,782		3,691,782	
Business license taxes	12,125,676		12,125,676	
Utility taxes	5,356,640		5,356,640	
Tobacco taxes	4,363,663		4,363,663	
Recordation taxes	1,421,950		1,421,950	
Bank stock taxes	467,883		467,883	
Pari-mutuel license taxes	65,664		65,664	
Short-term rental taxes	94,383		94,383	
Communication sales tax	9,173,944		9,173,944	
Mobile home titling tax	23,001		23,001	
Payments from (to) City of Hampton			-	69,068,858
Investment earnings	284,798	663,572	948,370	614,379
Miscellaneous	2,874,118	80,143	2,954,261	4,702
Transfers	(8,865,394)	8,865,394	-	-
Total general revenues and transfers	<u>211,898,571</u>	<u>9,609,109</u>	<u>221,507,680</u>	<u>69,687,939</u>
Change in net assets	(15,426,445)	2,012,318	(13,414,127)	(4,850,121)
Net assets, beginning, as restated	<u>707,398,639</u>	<u>105,836,008</u>	<u>813,234,647</u>	<u>47,114,967</u>
Net assets, ending	<u>\$ 691,972,194</u>	<u>\$ 107,848,326</u>	<u>\$ 799,820,520</u>	<u>\$ 42,264,846</u>

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

**CITY OF HAMPTON, VIRGINIA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2012**

	<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>
ASSETS						
Cash and cash equivalents	\$ 82,091,823	\$ 6,963,768	\$ 700,516	\$ 225	\$ 6,959,188	\$ 96,715,520
Investments	12,071,148			24,245,097		36,316,245
Accounts receivables:						
Taxes (net of allowance for uncollectible)	8,197,568					8,197,568
Due from other governments	9,571,411			1,651,629	2,709,677	13,932,717
Other	2,207,717	6,993	57		738,894	2,953,661
Notes receivable					5,314	5,314
Due from other funds	6,745,183			5,409,402	389,701	12,544,286
Due from component units	10,829	4,992				15,821
Inventories	44,419					44,419
Advances to other funds	-	-	4,630,243	-	-	4,630,243
Total assets	<u>\$ 120,940,098</u>	<u>\$ 6,975,753</u>	<u>\$ 5,330,816</u>	<u>\$ 31,306,353</u>	<u>\$ 10,802,774</u>	<u>\$ 175,355,794</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 4,797,793	\$ 50,000	\$ 166,242	\$ 2,529,848	\$ 1,327,682	\$ 8,871,565
Accrued health insurance	8,600,579					8,600,579
Accrued liabilities	1,698,067				7,099	1,705,166
Due to other funds	5,799,058			920,000	677,723	7,396,781
Due to component units	114,588	60,000			-	174,588
Deferred revenue	7,272,950	8,425	-	-	943,319	8,224,694
Total liabilities	<u>28,283,035</u>	<u>118,425</u>	<u>166,242</u>	<u>3,449,848</u>	<u>2,955,823</u>	<u>34,973,373</u>
Fund balances:						
Nonspendable	44,419		4,630,243			4,674,662
Restricted	871,505	1,616,949	82,112	1,666,192	7,572,847	11,809,605
Committed	32,858,086	1,840,883		24,281,004		58,979,973
Assigned	7,708,043	3,399,496	452,219	1,909,309	274,104	13,743,171
Unassigned	51,175,010	-	-	-	-	51,175,010
Total fund balances	<u>92,657,063</u>	<u>6,857,328</u>	<u>5,164,574</u>	<u>27,856,505</u>	<u>7,846,951</u>	<u>140,382,421</u>
Total liabilities and fund balances	<u>\$ 120,940,098</u>	<u>\$ 6,975,753</u>	<u>\$ 5,330,816</u>	<u>\$ 31,306,353</u>	<u>\$ 10,802,774</u>	<u>\$ 175,355,794</u>

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

Total fund balances of governmental funds	\$	140,382,421
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)		842,984,688
Other assets are not available to pay current-period expenditures and, therefore, are deferred in the funds.		6,946,121
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets.		
Net assets on Combining Statement of Net Assets - Internal Service Funds (Exhibit E-1)		34,520,313
Other liabilities not paid from current-period revenues are not reported in the funds for:		
Accrued interest		(5,613,911)
Interfund balances related to amounts eliminated in the Statement of Net Assets		(10,314,069)
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>(316,933,369)</u>
Net assets of governmental activities	\$	<u>691,972,194</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, 2012

	General Fund	Special Revenue - Economic Development	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES						
General property taxes	\$ 141,076,041	\$ -	\$ -	\$ -	\$ -	\$ 141,076,041
Other local taxes	70,465,716					70,465,716
Special assessment	4,557,827				-	4,557,827
Intergovernmental revenues:						
From the Commonwealth of Virginia	52,144,362			233,259	8,906,161	61,283,782
From the Federal government	9,817,579		271,533	1,927,051	5,014,522	17,030,685
Permits, privilege fees and regulatory licenses	1,071,791					1,071,791
Fines and forfeitures	2,492,535					2,492,535
Revenues from use of money and property	540,879	330,779	222	82,112	396,421	1,350,413
Charges for services	8,024,242				4,997,902	13,022,144
Payment from component units	2,000,338					2,000,338
Miscellaneous	3,951,881			99,315	2,296,672	6,347,868
Recovered costs	906,000	-	238,628			1,144,628
Total revenues	<u>297,049,191</u>	<u>330,779</u>	<u>510,383</u>	<u>2,341,737</u>	<u>21,611,678</u>	<u>321,843,768</u>
EXPENDITURES						
Current:						
General government	88,632,449	1,870,282			5,868,574	96,371,305
Public safety	44,327,527				4,132,151	48,459,678
Highways and streets	1,979,652					1,979,652
Sanitation	-				3,948,781	3,948,781
Health	2,441,394					2,441,394
Human services	20,814,994				8,335,964	29,150,958
Culture and recreation	12,387,293				176,413	12,563,706
Education (payment to school district)	66,345,093					66,345,093
Education and educational services	2,098,388					2,098,388
Capital improvements				52,536,365		52,536,365
Debt service:						
Principal retirement			18,713,635			18,713,635
Interest and fiscal charges			12,619,430			12,619,430
Bond issuance costs	-	-	312,617		-	312,617
Total expenditures	<u>239,026,790</u>	<u>1,870,282</u>	<u>31,645,682</u>	<u>52,536,365</u>	<u>22,461,883</u>	<u>347,541,002</u>
Excess (deficiency) of revenues over (under)	<u>58,022,401</u>	<u>(1,539,503)</u>	<u>(31,135,299)</u>	<u>(50,194,628)</u>	<u>(850,205)</u>	<u>(25,697,234)</u>
OTHER FINANCING SOURCES (USES)						
Refunding bonds issued			44,770,000			44,770,000
Premium on bonds issued			5,118,224			5,118,224
Payment to refunded bond escrow agent			(49,561,690)			(49,561,690)
Transfers in	-		30,510,130	26,902,446	2,237,867	59,650,443
Transfers out	(67,770,377)	(142,829)	-	(15,374)	(472,353)	(68,400,933)
Net other financing sources (uses)	<u>(67,770,377)</u>	<u>(142,829)</u>	<u>30,836,664</u>	<u>26,887,072</u>	<u>1,765,514</u>	<u>(8,423,956)</u>
Net change in fund balances	<u>(9,747,976)</u>	<u>(1,682,332)</u>	<u>(298,635)</u>	<u>(23,307,556)</u>	<u>915,309</u>	<u>(34,121,190)</u>
Fund balances, beginning of year	<u>102,405,039</u>	<u>8,539,660</u>	<u>5,463,209</u>	<u>51,164,061</u>	<u>6,931,642</u>	<u>174,503,611</u>
Fund balances, end of year	<u>\$ 92,657,063</u>	<u>\$ 6,857,328</u>	<u>\$ 5,164,574</u>	<u>\$ 27,856,505</u>	<u>\$ 7,846,951</u>	<u>\$ 140,382,421</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	\$ (34,121,190)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Loss on disposal of assets are not reported in the governmental funds but are reflected in the statement of activities.	
Capital acquisitions	14,261,443
Depreciation expense	(14,519,431)
Loss on disposal of assets	(352,465)
Donated assets are not reported in the governmental funds but are reflected in the statement of activities	583,540
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.	102,512
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	333,429
Net other postemployment benefits liability	(4,767,181)
Proceeds from debt issuance	(44,770,000)
Repayment of debt principal	69,628,713
Bond issuance costs	(87,534)
Premium on bonds	(5,118,224)
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.	369,969
Expenses incurred during the period related to liabilities that are still outstanding and not yet due at year-end for accrued interest	963,214
Amortization of premiums	<u>2,066,760</u>
Change in net assets of governmental activities	<u>\$ (15,426,445)</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 Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental:				
State funds	\$ 37,188,010	\$ 53,255,211	\$ 52,144,362	\$ (1,110,849)
Federal funds (includes pass through)	10,050,002	10,050,002	9,817,579	(232,423)
Local taxes	227,522,838	212,068,909	211,541,757	(527,152)
Special assessments	6,585,301	6,585,301	4,557,827	(2,027,474)
Licenses and permits	1,215,920	1,215,920	1,071,791	(144,129)
Fines and forfeitures	1,946,000	1,946,000	2,492,535	546,535
Revenue from use of money and property	555,075	555,075	540,879	(14,196)
Charges for services	7,398,729	7,398,729	8,024,242	625,513
Recovered costs	906,000	906,000	906,000	-
Payment from component units	2,000,000	2,000,000	2,000,338	338
Miscellaneous	5,739,287	5,739,287	3,951,881	(1,787,406)
Total revenues	<u>301,107,162</u>	<u>301,720,434</u>	<u>297,049,191</u>	<u>(4,671,243)</u>
EXPENDITURES				
Current:				
General government	101,652,755	102,549,064	88,632,449	(13,916,615)
Public safety	44,850,756	45,445,379	44,327,527	(1,117,852)
Highways and streets	2,083,667	2,001,097	1,979,652	(21,445)
Health	2,843,633	2,863,370	2,441,394	(421,976)
Human services	23,907,975	23,945,116	20,814,994	(3,130,122)
Culture and recreation	12,843,298	12,721,969	12,387,293	(334,676)
Education	68,487,337	68,487,835	68,443,481	(44,354)
Total expenditures	<u>256,669,421</u>	<u>258,013,830</u>	<u>239,026,790</u>	<u>(18,987,040)</u>
Excess of revenues over (under) expenditures	<u>44,437,741</u>	<u>43,706,604</u>	<u>58,022,401</u>	<u>14,315,797</u>
OTHER FINANCING SOURCES (USES)				
Transfers in				-
Transfers out	(53,574,102)	(73,218,440)	(67,770,377)	(5,448,063)
Total other financing sources (uses)	<u>(53,574,102)</u>	<u>(73,218,440)</u>	<u>(67,770,377)</u>	<u>(5,448,063)</u>
Excess of revenues and other sources over (under) expenditures and other uses	(9,136,361)	(29,511,836)	(9,747,976)	<u>\$ 19,763,860</u>
Appropriations from fund balance	9,136,361	32,765,347		
Appropriations - encumbrances	<u>-</u>	<u>(3,253,511)</u>		
Budget - excess of revenues and appropriations from fund balance over (under) expenditures		-		
Fund balance - July 1	<u>-</u>	<u>-</u>	<u>102,405,039</u>	
Fund balance - June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 92,657,063</u>	

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

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**CITY OF HAMPTON, VIRGINIA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2012**

	Business-Type Activities - Enterprise Funds						Governmental
	Wastewater Management	The Hamptons	Museum	Convention Center	Non-major Enterprise	Totals	Internal Service Funds
ASSETS							
Current assets:							
Cash and cash equivalents	\$ 6,903,122	\$ 800	\$ 304,648	\$ -	\$ 8,443,600	\$ 15,652,170	\$ 29,161,704
Cash with fiscal agent						-	366,225
Restricted assets to be used to liquidate current liabilities:						-	-
Revenue bond indenture:						-	-
Cash and cash equivalents				847,712		847,712	
Cash with fiscal agent			964,402	1,992,148		2,956,550	
Accounts receivable	1,966,348	6,549	244,507	245,689	2,822,616	5,285,709	97,178
Notes and mortgage receivable	8,708					8,708	
Due from other funds					40,910	40,910	
Due from component units					9,464	9,464	75,221
Inventories	196,416	23,409	70,117		100,207	390,149	131,015
Prepaid expense			20,882			20,882	174,498
Restricted assets:						-	-
Revenue bond indenture:						-	-
Cash and cash equivalents		153,862	1,481,554	2,696		1,638,112	
Investments	-	311,271	-	16,251,110	-	16,562,381	-
Total current assets	<u>9,074,594</u>	<u>495,891</u>	<u>3,086,110</u>	<u>19,339,355</u>	<u>11,416,797</u>	<u>43,412,747</u>	<u>30,005,841</u>
Noncurrent Assets:							
Deferred charges		1,595	26,147	1,622,518		1,650,260	
Capital assets:						-	
Land	145,615		1,921,420	5,332,401	3,404,805	10,804,241	
Easements	20,421					20,421	
Buildings and improvements	1,706,026	2,398,794	30,176,398	89,858,045	13,558,409	137,697,672	
Improvements	290,651	3,719,882	6,800	3,455,520	27,310,330	34,783,183	248,062
Computer Software	58,832					58,832	185,625
Equipment	4,033,753	426,317	4,264,170	874,428	16,441,627	26,040,295	35,911,683
Construction in progress	415,238		-	24,300	12,530	452,068	5,586,713
Exhibits			13,950,306			13,950,306	
Landfill					3,865,986	3,865,986	
Infrastructure	65,222,073					65,222,073	
Less accumulated depreciation	<u>(30,085,434)</u>	<u>(5,886,950)</u>	<u>(34,125,562)</u>	<u>(18,210,150)</u>	<u>(39,528,025)</u>	<u>(127,836,121)</u>	<u>(25,135,279)</u>
Net capital assets	<u>41,807,175</u>	<u>658,043</u>	<u>16,193,532</u>	<u>81,334,544</u>	<u>25,065,662</u>	<u>165,058,956</u>	<u>16,796,804</u>
Total noncurrent assets	<u>41,807,175</u>	<u>659,638</u>	<u>16,219,679</u>	<u>82,957,062</u>	<u>25,065,662</u>	<u>166,709,216</u>	<u>16,796,804</u>
Total assets	<u>\$ 50,881,769</u>	<u>\$ 1,155,529</u>	<u>\$ 19,305,789</u>	<u>\$ 102,296,417</u>	<u>\$ 36,482,459</u>	<u>\$ 210,121,963</u>	<u>\$ 46,802,645</u>

	Business-Type Activities - Enterprise Funds						Governmental
	Wastewater Management	The Hamptons	Museum	Convention Center	Non-major Enterprise	Totals	Internal Service Funds
LIABILITIES							
Current liabilities:							
Accounts payable	\$ 173,397	\$ 8,551	\$ -	\$ -	\$ 454,050	\$ 635,998	\$ 734,906
Accrued liabilities				48,529		48,529	
Accrued interest payable		1,475			56,252	57,727	
Accrued leave	118,718	14,452	54,637		229,258	417,065	69,479
Due to other funds		2,886,510	993,430		1,308,475	5,188,415	
Deferred revenue		1,700	129,321		323,027	454,048	39,480
Current portion of long-term debt		468,727	1,504,051	2,994,287	4,748	4,971,813	4,995,101
Current liabilities payable from restricted assets:							
Accounts payable			1,143,293	405,908		1,549,201	
Accrued interest payable				786,397		786,397	
Other liabilities	758	13,654	-	75,147	200,788	290,347	404
Total current liabilities	<u>292,873</u>	<u>3,395,069</u>	<u>3,824,732</u>	<u>4,310,268</u>	<u>2,576,598</u>	<u>14,399,540</u>	<u>5,839,370</u>
Noncurrent liabilities:							
Claims payable						-	800,325
Accrued leave	55,378	16,139			257,994	329,511	55,854
Bonds payable			1,278,634	91,546,606		92,825,240	
Obligations under capital leases		403,168				403,168	5,586,783
Advances from other funds	-	-	-	-	4,630,243	4,630,243	-
Total noncurrent liabilities	<u>55,378</u>	<u>419,307</u>	<u>1,278,634</u>	<u>91,546,606</u>	<u>4,888,237</u>	<u>98,188,162</u>	<u>6,442,962</u>
Total liabilities	<u>348,251</u>	<u>3,814,376</u>	<u>5,103,366</u>	<u>95,856,874</u>	<u>7,464,835</u>	<u>112,587,702</u>	<u>12,282,332</u>
NET ASSETS							
Invested in capital assets, net of related debt	41,807,175	(213,852)	13,410,847	(11,062,447)	25,060,914	69,002,637	10,259,630
Restricted						-	41,091
Debt service		465,133	1,302,663	15,076,605		16,844,401	
Unrestricted	<u>8,726,343</u>	<u>(2,910,128)</u>	<u>(511,087)</u>	<u>2,425,385</u>	<u>3,956,710</u>	<u>11,687,223</u>	<u>24,219,592</u>
Total net assets (deficit)	<u>50,533,518</u>	<u>(2,658,847)</u>	<u>14,202,423</u>	<u>6,439,543</u>	<u>29,017,624</u>	<u>97,534,261</u>	<u>34,520,313</u>
Total liabilities and net assets	<u>\$ 50,881,769</u>	<u>\$ 1,155,529</u>	<u>\$ 19,305,789</u>	<u>\$ 102,296,417</u>	<u>\$ 36,482,459</u>	<u>\$ 210,121,963</u>	<u>\$ 46,802,645</u>

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

Net assets of enterprise funds	\$ 97,534,261
Amounts reported for business-type activities in the Statement of Net Assets are different because:	
Net revenue of internal service funds are allocated to funds receiving services	458,625
Interfund reimbursement for allocated overhead costs	<u>9,855,440</u>
Net assets business-type activities	<u>\$ 107,848,326</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, 2012

	Business-Type Activities - Enterprise Funds		
	Wastewater Management	The Hamptons	Museum
Operating revenues:			
Charges for services	\$ 8,413,477	\$ 903,726	\$ 1,605,964
Federal revenues			243,552
Other	400	-	1,722,853
Total operating revenues	<u>8,413,877</u>	<u>903,726</u>	<u>3,572,369</u>
Operating expenses:			
Personal services	1,918,090	346,812	1,312,232
Fringe benefits	778,407	100,075	366,746
Promoters' fees			
City-sponsored events			
Cost of goods sold	98,308	33,064	144,516
Utilities	224,834	46,686	323,769
Insurance	43,250	31,478	63,692
Operating supplies	267,255	92,175	791,373
Equipment rental	15,930	232,434	144,153
Equipment and building repairs	331,852	72,390	130,991
Telephone and postage	26,136	6,842	22,448
Amusement tax			
General expense	59,567	3,723	519,814
Claims			
Landfill costs			
Contractual services	2,104,330	67,236	143,637
Indirect cost	456,000		
Depreciation and amortization	1,252,857	279,898	1,636,824
Total operating expenses	<u>7,576,816</u>	<u>1,312,813</u>	<u>5,600,195</u>
Operating income (loss)	<u>837,061</u>	<u>(409,087)</u>	<u>(2,027,826)</u>
Nonoperating revenues (expenses):			
Interest income		57	64,383
Interest and fiscal charges		(90,342)	(182,000)
Other			
Gain (loss) on disposal of capital assets	4,750		
Net increase (decrease) in fair value of investments	-	-	-
Total nonoperating revenues (expenses)	<u>4,750</u>	<u>(90,285)</u>	<u>(117,617)</u>
Income (loss) before transfers and capital contributions	841,811	(499,372)	(2,145,443)
Capital contributions		-	613,420
Transfers in (out)	-	630,000	1,586,905
Change in net assets	841,811	130,628	54,882
Net assets, (deficit) beginning of year	<u>49,691,707</u>	<u>(2,789,475)</u>	<u>14,147,541</u>
Net assets, (deficit) end of year	<u>\$ 50,533,518</u>	<u>\$ (2,658,847)</u>	<u>\$ 14,202,423</u>

Exhibit A-7

Business-Type Activities - Enterprise Funds			Governmental Activities
Convention Center	Non-major Enterprise	Totals	Internal Service Funds
\$ 2,116,156	\$ 28,325,130	\$ 41,364,453	\$ 18,496,518
-	-	243,552	-
<u>2,116,156</u>	<u>28,325,130</u>	<u>43,331,258</u>	<u>18,496,518</u>
1,015,891	5,116,798	9,709,823	1,453,818
339,933	1,906,280	3,491,441	532,239
	4,282,611	4,282,611	
	918,446	918,446	
	279,025	554,913	6,071,104
894,267	751,109	2,240,665	46,655
69,723	577,967	786,110	2,003,610
1,014,284	1,391,569	3,556,656	204,236
	61,008	453,525	27,291
161,147	2,903,635	3,600,015	197,593
40,494	42,837	138,757	902,055
	-	-	
179,675	1,336,946	2,099,725	107,623
		-	3,031,196
	3,974,154	3,974,154	
215,741	860,968	3,391,912	615,275
	574,470	1,030,470	
<u>2,919,074</u>	<u>2,391,441</u>	<u>8,480,094</u>	<u>2,320,826</u>
<u>6,850,229</u>	<u>27,369,264</u>	<u>48,709,317</u>	<u>17,513,521</u>
<u>(4,734,073)</u>	<u>955,866</u>	<u>(5,378,059)</u>	<u>982,997</u>
878,734	4,364	947,538	36,534
(3,371,280)	(235,528)	(3,879,150)	(41,428)
		-	61,134
	91,922	96,672	(554,364)
(283,966)	-	(283,966)	-
<u>(2,776,512)</u>	<u>(139,242)</u>	<u>(3,118,906)</u>	<u>(498,124)</u>
(7,510,585)	816,624	(8,496,965)	484,873
		613,420	
<u>6,703,489</u>	<u>(55,000)</u>	<u>8,865,394</u>	<u>(114,904)</u>
(807,096)	761,624	981,849	369,969
<u>7,246,639</u>	<u>28,256,000</u>	<u>96,552,412</u>	<u>34,150,344</u>
<u>\$ 6,439,543</u>	<u>\$ 29,017,624</u>	<u>\$ 97,534,261</u>	<u>\$ 34,520,313</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	\$ 981,849
Interfund reimbursement of overhead costs	1,030,469
Change in net assets-business type activities	<u>\$ 2,012,318</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 June 30, 2012

	Business-Type Activities- Enterprise Funds					Totals	Governmental Activities Internal Service Funds
	Wastewater Management	The Hamptons	Museum	Convention Center	Non-major Enterprise		
CASH FLOWS FROM OPERATING ACTIVITIES							
Cash received from customers	\$ 8,390,958	\$ 904,367	\$ 3,493,850	\$ 2,046,831	\$ 28,202,078	\$ 43,038,084	\$ 18,708,014
Cash payments to suppliers for goods and services	(4,590,471)	(801,053)	(2,228,925)	(2,738,984)	(20,095,666)	(30,455,099)	(14,133,405)
Cash payments to employees for services	(1,992,285)	(360,403)	(1,376,796)	(1,009,898)	(5,310,362)	(10,049,744)	(1,947,786)
Net cash provided by (used in) operating activities	<u>1,808,202</u>	<u>(257,089)</u>	<u>(111,871)</u>	<u>(1,702,051)</u>	<u>2,796,050</u>	<u>2,533,241</u>	<u>2,626,823</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
Transfers in from other funds	-	630,000	1,831,335	7,079,348	(55,000)	9,485,683	(115,478)
Net cash provided by (used in) noncapital financing activities	<u>-</u>	<u>630,000</u>	<u>1,831,335</u>	<u>7,079,348</u>	<u>(55,000)</u>	<u>9,485,683</u>	<u>(115,478)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Acquisition and construction of capital assets	(462,232)	(19,500)	(1,800)	(53,849)	(2,798,946)	(3,336,327)	(9,869,900)
Proceeds from issuance of long-term debt						-	5,586,712
Principal paid on revenue bond maturities and long-term debt		(391,374)	(1,370,000)	(3,293,596)	(322,067)	(5,377,037)	(197,424)
Interest paid on revenue bonds and long-term debt		(91,767)	(290,125)	(4,062,628)	(238,933)	(4,683,453)	(41,428)
Sale of capital assets	4,750	-	-	-	108,466	113,216	83,966
Net cash provided by (used in) capital and related financing activities	<u>(457,482)</u>	<u>(502,641)</u>	<u>(1,661,925)</u>	<u>(7,410,073)</u>	<u>(3,251,480)</u>	<u>(13,283,601)</u>	<u>(4,438,074)</u>
CASH FLOWS FROM INVESTING ACTIVITIES							
Purchase of investment securities				(2,504,121)		(2,504,121)	
Sale of investment securities				3,385,083		3,385,083	
Interest and dividends on investments	-	24	333	115,846	4,621	120,824	35,286
Net cash provided by (used in) investing activities	<u>-</u>	<u>24</u>	<u>333</u>	<u>996,808</u>	<u>4,621</u>	<u>1,001,786</u>	<u>35,286</u>
Net increase (decrease) in cash and cash equivalents (including restricted amounts)	1,350,720	(129,706)	57,872	(1,035,968)	(505,809)	(262,891)	(1,891,443)
Cash and cash equivalents (including restricted), July 1	<u>5,552,402</u>	<u>284,368</u>	<u>2,692,732</u>	<u>3,878,524</u>	<u>8,949,409</u>	<u>21,357,435</u>	<u>31,419,372</u>
Cash and cash equivalents (including restricted), June 30	<u>\$ 6,903,122</u>	<u>\$ 154,662</u>	<u>\$ 2,750,604</u>	<u>\$ 2,842,556</u>	<u>\$ 8,443,600</u>	<u>\$ 21,094,544</u>	<u>\$ 29,527,929</u>

	Business-Type Activities- Enterprise Funds						Governmental
	Wastewater Management	The Hamptons	Museum	Convention Center	Non-major Enterprise	Totals	Internal Service Funds
Operating income (loss)	\$ 837,061	\$ (409,087)	\$ (2,027,826)	\$ (4,734,073)	\$ 955,866	\$ (5,378,059)	\$ 982,997
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:							
Depreciation and amortization expense	1,252,857	279,898	1,636,824	2,919,074	2,391,441	8,480,094	2,320,826
Decrease (increase) in:							
Accounts receivable	(22,919)	12	(78,519)	(69,325)	(25,952)	(196,703)	(38,725)
Due from other funds		-			39,923	39,923	574
Due from component units					9,565	9,565	175,637
Inventories	(141,821)	7,384	25,296		(12,367)	(121,508)	27,821
Prepaid expenses			7,051			7,051	(31,327)
Deferred charges				(4,980)		(4,980)	
Increase (decrease) in:							
Accounts payable	(42,781)	(14,494)			(134,264)	(191,539)	(277,034)
Accrued leave	22,080	4,566	2,862		28,019	57,527	(11,339)
Due to other funds		(107,840)			(78,429)	(186,269)	(574)
Other liabilities	(71,289)	(12,019)		5,993	(194,329)	(271,644)	(53,229)
Nonoperating revenues reported as operating revenues							61,134
Deferred revenue		1,200	52,778		(148,999)	(95,021)	11,628
Accrued liabilities				6,838		6,838	
Current liabilities payable from restricted assets			269,663	174,422		444,085	
Current portion of long-term accrued claims reported as operating activity						-	(553,790)
Due to other funds reported as nonoperating activities						-	574
Accounts receivable reported as nonoperating activities					(256)	(256)	1,248
Accounts payable reported as nonoperating activities						-	74,938
Long-term accrued leave reported as operating activity	(24,986)	(6,709)			(34,168)	(65,863)	(26,593)
Long-term accrued insurance claims reported as operating activity	-	-	-	-	-	-	(37,943)
Total adjustments	<u>971,141</u>	<u>151,998</u>	<u>1,915,955</u>	<u>3,032,022</u>	<u>1,840,184</u>	<u>7,911,300</u>	<u>1,643,826</u>
Net cash provided by (used in) operating activities	\$ <u>1,808,202</u>	\$ <u>(257,089)</u>	\$ <u>(111,871)</u>	\$ <u>(1,702,051)</u>	\$ <u>2,796,050</u>	\$ <u>2,533,241</u>	\$ <u>2,626,823</u>
Non-cash transactions affecting investing capital and related financing activities:							
Acquisition of capital assets through outside capital contribution	\$ -	\$ -	\$ 613,420	\$ -	\$ -	\$ 613,420	\$ -
Capital lease							5,586,712
Capitalized depreciation expense as part of self-constructed asset	674,775					674,775	
Net increase (decrease) in fair value of investments	-	-	-	(283,966)	-	(283,966)	-
Total non-cash transactions	\$ <u>674,775</u>	\$ <u>-</u>	\$ <u>613,420</u>	\$ <u>(283,966)</u>	\$ <u>-</u>	\$ <u>1,004,229</u>	\$ <u>5,586,712</u>

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

CITY OF HAMPTON, VIRGINIA
STATEMENT OF FIDUCIARY NET ASSETS
June 30, 2012

	<u>Pension Trust</u> Hampton Employees' Retirement System	<u>Agency Funds</u>
ASSETS		
Cash and cash equivalents	\$ 48,655	\$ 1,095,234
Investments:		
Bond mutual funds	43,508,017	
Common stock	789	
Stock mutual funds	75,846,871	
Receivables:		
Accounts	15,041	
Property, Plant, and Equipment		
Office and operating equipment	7,342	
Less accumulated depreciation	(6,145)	-
Total assets	<u>\$ 119,420,570</u>	<u>\$ 1,095,234</u>
LIABILITIES		
Deposits	\$ -	\$ 1,070,003
Accounts payable	<u>23,592</u>	<u>25,231</u>
Total liabilities	<u>23,592</u>	<u>\$ 1,095,234</u>
NET ASSETS		
Held in trust for pension benefits and other purposes	<u>\$ 119,396,978</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, 2012**

	Hampton Employees' Retirement System
ADDITIONS	
Investment income:	
Net appreciation (depreciation) in fair value of investments	\$ 1,113,627
Dividends	3,094,258
Other	3,085
Total investment earnings (losses)	4,210,970
Less investment expenses	(19,666)
Net investment earnings (losses)	4,191,304
Employer contributions	3,368,463
Total additions (losses)	7,559,767
DEDUCTIONS	
Benefits	16,737,632
Administrative expenses	236,078
Total deductions	16,973,710
Change in net assets	(9,413,943)
Net assets, July 1	128,810,921
Net assets, June 30	\$ 119,396,978

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, 2012**

	Governmental Activities		Business Type Activities				Total
	School Board	Industrial Development Authority	Coliseum Central Business Improvement District, Inc.	Downtown Hampton Development Partnership, Inc.	Healthy Families Partnership, Inc.	Foundation of the Virginia Air and Space Center	
ASSETS							
Cash and cash equivalents	\$ 5,820,888	\$ 1,177,745	\$ 747,417	\$ 421,293	\$ 205,499	\$ -	\$ 8,372,842
Cash with fiscal agent	9,210,585	2,375,424					11,586,009
Investments	11,919	890				18	12,827
Accounts receivable	157,261	46,014	311,797	6,000			521,072
Lease receivable		8,910,534					8,910,534
Due from primary government	67,259	107,329					174,588
Due from other governments	7,287,447						7,287,447
Inventories	111,056						111,056
Prepaid items		2,400	7,498	2,296			12,194
Temporarily restricted assets:							
Cash and cash equivalents		1,166,917					1,166,917
Notes receivable		1,024,638					1,024,638
Land held for sale		7,161,361					7,161,361
Capital assets not being depreciated	5,111,045	15,802,769					20,913,814
Capital assets, net of accumulated depreciation	12,572,953	1,188,138	267,717	332,865	-	-	14,361,673
Total assets	<u>\$ 40,350,413</u>	<u>\$ 38,964,159</u>	<u>\$ 1,334,429</u>	<u>\$ 762,454</u>	<u>\$ 205,499</u>	<u>\$ 18</u>	<u>\$ 81,616,972</u>
LIABILITIES							
Accounts payable and other liabilities	\$ 12,242,405	\$ 584,912	\$ 30,279	\$ 36,397	\$ -	\$ 235,523	13,129,516
Due to primary government	85,168	15,338					100,506
Unearned revenue	39,321	2,435,116					2,474,437
Notes and other long-term payables:							
Due within one year	2,855,142					2,100,000	4,955,142
Due in more than one year	11,848,411						11,848,411
Bonds payable:							
Due within one year		569,617					569,617
Due in more than one year	-	6,274,497	-	-	-	-	6,274,497
Total liabilities	<u>27,070,447</u>	<u>9,879,480</u>	<u>30,279</u>	<u>36,397</u>	<u>-</u>	<u>2,335,523</u>	<u>39,352,126</u>
NET ASSETS							
Invested in capital assets, net of related debt	17,528,617	16,990,907	267,717	332,865			35,120,106
Restricted for:							
Food nutrition service	5,277,059						5,277,059
Grant projects	382,941						382,941
Small business loans		1,564,231					1,564,231
Debt service		1,166,917					1,166,917
Unrestricted	(9,908,651)	9,362,624	1,036,433	393,192	205,499	(2,335,505)	(1,246,408)
Total net assets	<u>13,279,966</u>	<u>29,084,679</u>	<u>1,304,150</u>	<u>726,057</u>	<u>205,499</u>	<u>(2,335,505)</u>	<u>42,264,846</u>
Total liabilities and net assets	<u>\$ 40,350,413</u>	<u>\$ 38,964,159</u>	<u>\$ 1,334,429</u>	<u>\$ 762,454</u>	<u>\$ 205,499</u>	<u>\$ 18</u>	<u>\$ 81,616,972</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, 2012**

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	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	\$ 226,340,624	\$ 5,873,075	\$ 149,591,737	\$ -	\$ (70,875,812)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (70,875,812)
Business type activities											
Industrial development	2,599,246	99,598				(2,499,648)					(2,499,648)
Business improvement	933,838	29,800					(904,038)				(904,038)
Downtown development	559,478	281,206	127,617					(150,655)			(150,655)
Healthy families	89,196	78,875	4,152						(6,169)		(6,169)
Museum support	107,338	-	5,600							(101,738)	(101,738)
Total component units	\$ 230,629,720	\$ 6,362,554	\$ 149,729,106	\$ -	\$ (70,875,812)	\$ (2,499,648)	\$ (904,038)	\$ (150,655)	\$ (6,169)	\$ (101,738)	\$ (74,538,060)
Payments from (to) City of Hampton					66,345,093	1,471,767	1,073,668	178,330			69,068,858
Investment earnings						610,354	4,025				614,379
Miscellaneous						870		3,832			4,702
Total general revenues, special items and transfers					66,345,093	2,082,991	1,077,693	182,162			69,687,939
Change in net assets					(4,530,719)	(416,657)	173,655	31,507	(6,169)	(101,738)	(4,850,121)
Net assets, beginning, as restated					17,810,685	29,501,336	1,130,495	694,550	211,668	(2,233,767)	47,114,967
Net assets, ending					\$ 13,279,966	\$ 29,084,679	\$ 1,304,150	\$ 726,057	\$ 205,499	\$ (2,335,505)	\$ 42,264,846

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

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

The following is a summary of the significant accounting policies.

Reporting Entity

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

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

Component Unit Disclosures

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

Discretely Presented Component Units

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

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued:

Hampton City School Board

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

Hampton Industrial Development Authority

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

Healthy Families Partnership, Inc.

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

Coliseum Central Business Improvement District, Inc.

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

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued:

renewal of the Coliseum BID through June 2013. 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 2013. Downtown Hampton is included in the City's reporting entity because the resources of Downtown Hampton are for the direct benefit of the City's constituents. A copy of the separately issued financial statements for Downtown Hampton may be obtained by writing to Downtown Hampton Development Partnership, 756 Settlers Landing Road, Hampton, Virginia 23669 or by calling (757) 727-1271.

Foundation of the Virginia Air and Space Center

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

Other Related Organizations

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

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued:

Peninsula Airport Commission

The Peninsula Airport Commission (PAC) operates the Newport News/Williamsburg International Airport. Board membership is allocated among and appointed by the various localities. The PAC's operating and capital expenditures, including debt service, are financed by its operations and contributions from the participating localities. The City has no budgetary authority, is not responsible for deficits or debt service and cannot set rates for services or uses of the airport facilities.

Other

There are certain other agencies and commissions that service the City of Hampton and surrounding localities whose board membership is allocated among and appointed by the various localities. These agencies include: Hampton Roads Transit (HRT), Hampton Roads Planning District Commission (HRPDC), Virginia Peninsula Public Service Authority (VPPSA), Hampton Roads Economic Development Alliance (HREDA) and the Peninsula Council for Workforce Development (PCFWD). Expenditures of these agencies are financed by federal and state grants, fees, and contributions. During the year ended June 30, 2012, the City provided operating and capital support of \$3,617,623 to HRT, \$153,815 to HRPDC, \$9,750 to VPPSA, \$137,024 to HREDA and \$74,435 to PCFWD.

Jointly Governed Organizations

Hampton-Newport News Community Services Board

The City of Hampton has one jointly governed organization, the Hampton-Newport News Community Services Board (CSB). The CSB operates as an agent for the Cities of Hampton and Newport News in the establishment and operation of community mental health, mental retardation and substance abuse programs as provided for in Chapter 10 of Title 37.1 of the Code of Virginia, relating to the Virginia Department of Mental Health and Mental Retardation. The CSB designates its own management and adopts its own budget. The operations are financed principally by state and federal funds. The City provided operating support of \$1,413,162 to the CSB during fiscal year 2012.

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.

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued:

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.

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

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

Basis of Accounting

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

The government-wide financial statements, all Proprietary Funds, the Pension Trust Fund, and Discretely Presented Component Units are accounted for using the economic resources

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued:

measurement focus. This measurement focus is the same as that used by commercial enterprises. This approach includes not just current assets and liabilities (such as cash and accounts payable) but also capital assets and long-term liabilities (such as buildings and infrastructures, including bridges and roads, and general obligation debt). The accrual basis of accounting also reports all of the revenues and cost of providing services each year, not just those received or paid in the current year or soon thereafter.

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

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

Under the modified accrual basis of accounting, followed by the General, Special Revenue, Debt Service, and Capital Projects Funds, revenues are recognized when they become both measurable and available to finance operations of the current year. Revenues considered susceptible to accrual consist primarily of property taxes, certain grants and sales and utility taxes. Accordingly, real and personal property taxes are recorded as revenue when levied and billed, net of allowances for uncollectible amounts. Property taxes not collected within 45 days after year-end are reflected as 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.

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued:

Budgets and Budgetary Accounting

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

1. The City Manager submits to the City Council a recommended budget no later than April 15th, for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted by City Council to obtain taxpayer comments.
3. The budget is legally enacted through the passage of an ordinance by City Council no later than May 15th.
4. The City Manager or his/her designee is authorized to transfer budgeted amounts within departments within the General Fund. Revisions that alter the total appropriations for a department must be approved by City Council. Therefore, the level of control at which expenditures may not exceed appropriations is the total expenditure level of each department. Transfers within the School Operating Fund are under the control of the School Board.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund and School Board Component Unit Operating Fund.
6. Budgets for the General and School Board Component Unit Operating Fund are legally adopted on a basis consistent with Generally Accepted Accounting Principles.

Budgeted amounts are as originally adopted or as amended by City Council and the School Board during fiscal year 2012. 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

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued:

personal property. Taxes are due and payable in two equal installments on June 5th and December 5th.

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

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund and School Operating Fund. Encumbered amounts for specific purposes for which amounts have not been previously restricted, committed or assigned will be reported within committed or assigned fund balance, as appropriate.

Investments

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

Receivables

Receivables of the General Fund are stated net of an allowance for uncollectible taxes of \$1,113,573. Management has determined that the allowance is sufficient to provide for any losses that may be sustained on realization of the accounts receivable.

Inventories

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

Prepays

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

Land Held for Resale

Land held for resale by the Industrial Development Authority (IDA) is stated at cost or, if donated, at fair market value as of the date received. Development costs of the IDA are added to

**CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued:

the cost of the land when incurred. Total land and development costs are allocated to total saleable acreage under development and are charged to expenses on a prorated basis when the land is sold.

Interfund Activity

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

Restricted Assets

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

	<u>The Hamptons</u>	<u>Museum</u>	<u>Convention Center</u>	<u>Component Unit - IDA</u>
Restricted Assets				
Cash:				
Operating and Maintenance Account	\$ 29,816	\$ 193,870	\$	\$
Operating Reserve Fund			2,772,634	
Bond Fund	124,046	964,402	67,226	
Debt Service Reserve Fund		1,287,684	2,696	1,166,917
Investments:				
Operating Reserve Fund			6,616,635	
Bond Fund			2,757,530	
Debt Service Reserve Fund	311,271		6,876,945	
	<u>\$ 465,133</u>	<u>\$ 2,445,956</u>	<u>\$ 19,093,666</u>	<u>\$ 1,166,917</u>

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

Capital Assets

Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), and intangible assets (e.g., easements and computer software), are reported at historical cost, or estimated historical cost if actual cost is not available, less accumulated depreciation for the primary government in the applicable governmental or business-type activities columns in the government-wide financial statements and in the

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued:

proprietary fund financial statements. Capital assets, other than computer equipment, computer software, and infrastructure assets, are defined by the City as assets with an initial, individual cost of more than \$2,500 and an estimated useful life greater than one year. Computer equipment and computer software are capitalized when the initial, individual cost exceeds \$1,000 and \$5,000, respectively. Infrastructure assets that meet the capitalization threshold, generally \$10,000, are capitalized and reported in the government-wide financial statements. Major outlays for capital assets and improvements are capitalized as projects are constructed. Historical cost of self-constructed infrastructure includes direct labor, direct materials and overhead costs allocated based on direct labor hours charged to the project. Capital assets capitalized at a lower threshold continue to be reported on the basis of past practice. The cost of normal maintenance and repairs that do not add to the value or materially extend asset lives are not capitalized. Donated capital assets are recorded at estimated fair market value at the date of donation. When assets are retired or otherwise disposed of, the related cost and accumulated depreciation are eliminated and any resulting gain or loss is reflected as non-operating revenue or expense.

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

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

The City capitalizes interest costs on funds borrowed to finance the construction of capital assets in the proprietary funds.

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

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

The capital assets of the discretely presented component units – School Board, Industrial Development Authority, Healthy Families Partnership, Inc., Downtown Hampton Development Partnership, Inc., and the Coliseum Central Business Improvement District, Inc. are stated at

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued:

cost. Depreciation has been provided using the straight-line method over the estimated useful lives of the assets.

Deferred Revenue

Deferred revenue consists of the following:

Primary Government:

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Enterprise Funds</u>	<u>Internal Service Funds</u>
Property taxes accrued but not collected within 45 days	\$ 6,057,897	\$	\$	\$
Advance property tax collections	1,080,032			
Accounts receivable		271,012		
Advance ticket sales	12,300		315,767	
Unearned grant funds		678,492		
Unearned rental income		2,240		
Unearned miscellaneous income	122,721		138,281	39,480
Total Primary Government	<u>\$ 7,272,950</u>	<u>\$ 951,744</u>	<u>\$ 454,048</u>	<u>\$ 39,480</u>

Discretely Presented Component Units:

	<u>School Board</u>	<u>Industrial Development Authority</u>
Unearned grant funds	\$ 175	\$
Tuition	39,146	
Other		2,435,116
Total Discretely Presented Component Unit	<u>\$ 39,321</u>	<u>\$ 2,435,116</u>

Fund Balance

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

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

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued:

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

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

Authority to Commit – Commitments for specific purposes require a formal action (resolution) of the City Council. A majority vote is required to approve or remove a commitment.

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

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

Unassigned Fund Balance – The residual classification for the General Fund. This category represents fund balance that has not been restricted, committed or assigned to specific purposes within the General Fund.

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

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

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

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued:

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

	General	Economic Development	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
Fund Balances:						
Nonspendable:						
Inventory	\$ 44,419	\$ -	\$ -	\$ -	\$ -	\$ 44,419
Advances to other funds			4,630,243			4,630,243
Restricted:						
Debt service			82,112			82,112
Donations for parks projects	15,000					15,000
Donations for Police Firing Range	23,000					23,000
Health Insurance	517,318					517,318
Economic development projects		1,616,949				1,616,949
Public safety	28,833				1,889,780	1,918,613
Human services	138,446				-	138,446
Physical environment	148,908					148,908
Capital projects				1,666,192		1,666,192
Stormwater management					5,533,575	5,533,575
Building operations					24,696	24,696
Law library					124,796	124,796
Committed:						
Budget savings program	6,275,273					6,275,273
Economic development projects		1,840,883				1,840,883
Community development	222,296					222,296
Capital projects	12,562,909					12,562,909
Debt service	10,189,417					10,189,417
Home elevation loan program	2,500,000					2,500,000
Estate proceeds	100,327					100,327
Maintenance of driving range	134,114					134,114
Public safety projects				469,927		469,927
Drainage projects	830,000			3,509,303		4,339,303
Improvement to infrastructure				8,067,285		8,067,285
Parks projects				886,161		886,161
Land acquisitions				2,301,422		2,301,422
School projects				940,448		940,448
Capital projects				8,106,458		8,106,458
Physical environment / IDA	43,750					43,750
Assigned:						
Donations for parks projects	61,469					61,469
Subsequent year expense	3,961,682					3,961,682
Economic development projects		3,399,496				3,399,496
Public safety projects	486,827				274,104	760,931
Encumbrances	3,142,085					3,142,085
Capital projects				1,909,309		1,909,309
Debt service			452,219			452,219
Channel 47	55,980					55,980
Unassigned:	51,175,010					51,175,010
Total Fund Balances:	\$ 92,657,063	\$ 6,857,328	\$ 5,164,574	\$ 27,856,505	\$ 7,846,951	\$ 140,382,421

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued:

Net Assets - Enterprise Funds and Internal Service Funds

The net assets at June 30, 2012 in the Enterprise Funds are as follows:

	Primary Government	Discretely Presented Component Units
Wastewater Management	\$ 50,533,518	
The Hamptons Golf Course	(2,658,847)	
Virginia Air & Space Museum	14,202,423	
Hampton Roads Convention Center	6,439,543	
Non-Major Enterprise:		
Hampton Coliseum	10,338,317	
The Woodlands Golf Course	1,494,361	
Solid Waste	10,772,763	
Refuse-Steam Plant	6,412,183	
Component Units:		
School Board		13,279,966
Industrial Development Authority		29,084,679
Coliseum Central Business Improvement District, Inc.		1,304,150
Downtown Hampton Development Partnership, Inc.		726,057
Healthy Families Partnership, Inc.		205,499
Foundation of the Virginia Air & Space Center		(2,335,505)

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

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

Internal Service:		
Equipment Replacement	\$	18,110,327
Fleet Management		1,179,970
Risk Management		13,743,051

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

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued:

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, 2012 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 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.

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

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

2. BASIS OF PRESENTATION - FUND ACCOUNTING, Continued:

transferred to other funds, principally to fund the operations of the City of Hampton Public Schools and debt service requirements of the City. Expenditures include, among other things, those for general government, public safety, highways and streets, culture and recreation, health and human services.

Debt Service Fund

The Debt Service Fund accounts for and reports financial resources that are restricted, committed or assigned to expenditure for principal and interest. Primary resources of the Debt Service Fund are derived from transfers from the General Fund and the proceeds from the issuance of refunding bonds.

Capital Projects Fund

The Capital Projects Fund accounts for all general City and School construction projects and reports financial resources that are restricted, committed or assigned to expenditure for capital outlays which are financed through general obligation debt and general operating funds, with the exception of projects related to Enterprise and Internal Service Funds.

Special Revenue Funds

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes other than debt service or capital projects.

The Federal Grants Fund accounts for revenues and expenditures of all federal, state and recovery act grants awarded to the City except the Community Development entitlement. The Federal Grants Fund also accounts for program income and matching requirements related to all awarded City grants. Federal grants received by the Component Unit - School Board are included in the discretely presented component unit.

The Community Development Fund accounts for revenues and expenditures related to entitlements received by the City under the Community Development Act of 1974, administered by the United States Department of Housing and Urban Development, to foster the development of the Healthy Neighborhoods Initiative. Other revenues include program income that is generated from repayments of loans, the sale of rehabilitated homes and the Revolving Loan Fund.

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

The Stormwater Management Fund accounts for revenues and expenditures related to

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

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

maintaining the storm drainage system and the quality of our surface waters. Revenues are derived from a service charge levied on all developed property in the City.

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

The Law Library Fund accounts for receipts and disbursements of funds specifically held for the purpose of purchasing law books. Revenues are derived from a court case fee, which is legally mandated to support the operations of the law library,

Enterprise Funds

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

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

Internal Service Funds

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

The Equipment Replacement Fund owns all on-road rolling stock of the City and leases the equipment to the various operating departments. Leasing income is used for replacement of the equipment. The Fleet Services Fund accounts for the operation of the City's central automotive maintenance service facility. The Risk Management Fund accounts for the costs of providing

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

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

insurance coverage and certain self-insured liabilities of the City and the School Board. The Information Technology Fund accounts for the costs of providing the following services: personal computer support, mailing and telecommunications services.

Fiduciary Funds

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

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."

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.

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

3. INTERFUND BALANCES, Continued:

Interfund Receivables and Payables:

<u>Primary Government:</u>	<u>Due From</u>	<u>Due To</u>
General Fund	\$ 6,745,183	\$ 5,799,058
Capital Projects	5,409,402	920,000
Non-Major Governmental Funds	389,701	677,723
Proprietary Funds:		
The Hamptons		2,886,510
Museum		993,430
Non-Major Enterprise Funds	40,910	1,308,475
Total Primary Government	<u>\$ 12,585,196</u>	<u>\$ 12,585,196</u>

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

	<u>Due From</u>	<u>Due To</u>	<u>Due From</u>	<u>Due To</u>
	<u>Primary</u>	<u>Component</u>	<u>Component</u>	<u>Primary</u>
	<u>Government</u>	<u>Unit</u>	<u>Unit</u>	<u>Government</u>
Primary Government - General Fund	\$	\$ 114,588	\$ 10,829	\$
Primary Government - Economic Development		60,000	4,992	
Primary Government - Other Governmental Funds		-		
Primary Government - Non-Major Enterprise Funds			9,464	
Primary Government - Enterprise Funds		-		
Primary Government - Internal Service Funds			75,221	
Component Unit - School Board Operating Fund	67,259			85,168
Component Unit - IDA	107,329			15,338
Total	<u>\$ 174,588</u>	<u>\$ 174,588</u>	<u>\$ 100,506</u>	<u>\$ 100,506</u>

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

3. INTERFUND BALANCES, Continued:

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, 2012 are as follows:

<u>Primary Government:</u>	<u>Transfer From</u>	<u>Transfer To</u>
General Fund	\$ -	\$ 67,770,377
Special Revenue:		
Economic Development	-	142,829
Debt Service	30,510,130	
Capital Projects	26,902,446	15,374
Non-Major Governmental Funds	2,237,867	472,353
Proprietary Funds:		
The Hamptons	630,000	
Museum	1,586,905	
Convention Center	6,703,489	
Non-Major Enterprise Funds		55,000
Internal Service Funds		114,904
Total Primary Government	<u>\$ 68,570,837</u>	<u>\$ 68,570,837</u>

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	\$ -	\$ 68,597,758	\$ 2,000,338	\$ -
Primary Government - Economic Development		374,862		
Primary Government - Capital Projects Fund		96,238		
Component Unit - School Board Operating Fund	66,345,093			2,000,000
Component Unit - IDA	1,471,767			338
Component Unit - Coliseum BID	1,073,668			
Component Unit - Downtown Hampton	178,330			
Total	<u>\$ 69,068,858</u>	<u>\$ 69,068,858</u>	<u>\$ 2,000,338</u>	<u>\$ 2,000,338</u>

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

3. INTERFUND BALANCES, Continued:

Advances from other funds in the amount of \$4,630,243 in the Refuse-Steam Plant represent an amount payable to the Debt Service Fund. The Refuse-Steam Plant was advanced \$6,062,962 from the April 2002 and April 2005 General Obligation Bond Issues to make certain required capital improvements to its facilities. The advance is to be repaid in semi-annual installments on January 15th and July 15th, which includes interest. These installments will be used to meet a pro-rata share of the annual debt service costs on the General Obligation Series 2002 and 2005 Bonds.

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

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, 2012, the carrying value of the City's deposits was \$13,554,231 and the bank balance was \$11,382,924. All of the bank balances are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the "Act") Section 2.2-4400 et. seq. of the Code of Virginia. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial institutions may choose between two collateralization methodologies and depending upon that choice will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. The Commonwealth of Virginia Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and notifying local governments of compliance by financial institutions. All deposits are considered fully collateralized.

Investments

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

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

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

4. DEPOSITS AND INVESTMENTS, Continued:

reported value of the pool is the same as the fair value of the pool shares.

HERS Investments

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

Investment Policy

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

HERS Investment Policy

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

Credit Risk

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

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

4. DEPOSITS AND INVESTMENTS, Continued:

U. S. Government Securities

The City invested in U. S. Government Securities which consisted of FHLB, FCAR and FFCB discount notes. U. S. Government Securities are subject to interest rate risk.

Custodial Credit Risk

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

Interest Rate Risk

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

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

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

4. DEPOSITS AND INVESTMENTS, Continued:

As of June 30, 2012, the City had the following investments and maturities:

<u>Primary Government</u>	<u>Fair Value</u>	<u>Actual Credit Rating</u>	<u>Investment Maturities (in years)</u>	
			<u>Less than 1 year</u>	<u>1-5 years</u>
Repurchase Agreements	\$ 26,300,000	AAA	\$ 26,300,000	\$ -
Commercial Paper	7,989,504	A-1 + P-1	7,989,504	
U.S. Government securities	21,801,525	AAA		21,801,525
Corporate bonds and debentures	4,074,474	AAA		4,074,474
State Local Government Investment Pool-City	99,000,000	AAAm	99,000,000	
State Non-Arbitrage Fund-City	27,002,627	AAAm	27,002,627	
Mutual and Money Market Funds	1,638,147	Unrated	1,638,147	
 Total Investments Controlled by City	 187,806,277		 \$ 161,930,278	 \$ 25,875,999
 Pension Plan Investments	 119,355,677		 119,355,677	 \$ -
Total	307,161,954		\$ 281,285,955	\$ 25,875,999

Reconciliation to Total Cash and Investments:

Add:

Cash on Hand and in Banks-City	10,231,456
Cash With Fiscal Agent	3,322,775
Total Deposits and Investments Primary Government and Fiduciary Funds Per Exhibits A-1 and A-9	\$ 320,716,185

Component Unit -School Board

	<u>Investment Maturities (in years)</u>	
	<u>Fair Value</u>	<u>Less than 1 year</u>
Repurchase Agreements	\$ 1,900,000	\$ 1,900,000
Mutual and Money Market Funds	11,919	11,919
Total Investments School Board	\$ 1,911,919	\$ 1,911,919

Other Component Units

	<u>Investment Maturities (in years)</u>	
	<u>Fair Value</u>	<u>Less than 1 year</u>
Stock	\$ 890	\$ 890
Mutual and Money Market Funds	1,266,935	1,266,935
Total Investments Other Component Units	\$ 1,267,825	\$ 1,267,825

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

4. DEPOSITS AND INVESTMENTS, Continued:

Reconciliation of total deposits and investments to the government-wide statements at June 30, 2012:

<u>Primary Government</u>	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Fiduciary Responsibilities</u>	<u>Total</u>
Cash Deposits-City	\$ 4,620,989	\$ 5,466,578	\$ 143,889	\$ 10,231,456
Cash With Fiscal Agent-City	366,225	2,956,550		3,322,775
Mutual and Money Market Funds	2,731	1,635,416		1,638,147
Investments-City	157,569,749	27,598,381	120,355,677	305,523,807
Total Primary Government	<u>\$ 162,559,694</u>	<u>\$ 37,656,925</u>	<u>\$ 120,499,566</u>	<u>\$ 320,716,185</u>
<u>Component Unit - School Board</u>				
Cash Deposits	\$ 3,920,888			\$ 3,920,888
Cash With Fiscal Agent	9,210,585			9,210,585
Investments	1,911,919			1,911,919
Total Component Units School Board	<u>\$ 15,043,392</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,043,392</u>
<u>Other Component Units</u>				
Cash Deposits	\$ 2,551,954			\$ 2,551,954
Cash With Fiscal Agent	2,375,424			2,375,424
Investments	1,167,825			1,167,825
Total Other Component Units	<u>\$ 6,095,203</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,095,203</u>

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

5. ACCOUNTS RECEIVABLE:

Accounts receivable at June 30, 2012 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 (\$1,113,573))	\$ 8,197,568	\$	\$	\$	\$
Due from Commonwealth of Virginia	8,833,745			1,651,629	1,582,928
Due from Federal Government	737,666				1,126,749
Other	<u>2,207,717</u>	<u>6,993</u>	<u>57</u>		<u>738,894</u>
Total Primary Government	<u>\$ 19,976,696</u>	<u>\$ 6,993</u>	<u>\$ 57</u>	<u>\$ 1,651,629</u>	<u>\$ 3,448,571</u>

Discretely Presented Component Unit -

School Board:

Due from Commonwealth of Virginia	\$ 3,307,952
Due from federal government	3,979,495
Other	<u>157,261</u>
Total Component Unit	<u>\$ 7,444,708</u>

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

6. CAPITAL ASSETS:

Capital asset activity for the year ended June 30, 2012 is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 507,415,880	\$ 2,036,144	\$ -	\$ 509,452,024
Easements	532,416	70,238	-	602,654
Construction in progress	141,841,814	17,216,717	(124,878,442)	34,180,089
Total capital assets not being depreciated	<u>649,790,110</u>	<u>19,323,099</u>	<u>(124,878,442)</u>	<u>544,234,767</u>
Capital assets being depreciated:				
Buildings	68,136,849	99,585,614	(198,500)	167,523,963
Improvements	67,722,204	36,956	-	67,759,160
Computer Software	952,380	-	-	952,380
Machinery & Equipment	58,915,484	5,700,637	(2,258,670)	62,357,451
Infrastructure	151,137,690	25,423,018	(1,546,335)	175,014,373
Other Assets	4,000,723	217,577	-	4,218,300
Total capital assets being depreciated	<u>350,865,330</u>	<u>130,963,802</u>	<u>(4,003,505)</u>	<u>477,825,627</u>
Less accumulated depreciation for:				
Buildings	(35,551,456)	(1,549,945)	-	(37,101,401)
Improvements	(36,577,832)	(2,864,025)	-	(39,441,857)
Computer Software	(260,005)	(188,766)	-	(448,771)
Machinery & Equipment	(41,026,080)	(4,356,861)	2,096,110	(43,286,831)
Infrastructure	(33,867,398)	(7,680,624)	148,088	(41,399,934)
Other Assets	(400,072)	(200,036)	-	(600,108)
Total accumulated depreciation	<u>(147,682,843)</u>	<u>(16,840,257)</u>	<u>2,244,198</u>	<u>(162,278,902)</u>
Total capital assets being depreciated, net	<u>203,182,487</u>	<u>114,123,545</u>	<u>(1,759,307)</u>	<u>315,546,725</u>
Governmental activities capital assets, net	<u>\$ 852,972,597</u>	<u>\$ 133,446,644</u>	<u>\$ (126,637,749)</u>	<u>\$ 859,781,492</u>

Primary Government:

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

General capital assets	\$ 842,984,688
Internal service funds	16,796,804
	<u>\$ 859,781,492</u>

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

6. CAPITAL ASSETS, Continued:

	Beginning Balance	Additions	Reductions	Ending Balance
Business-type Activities:				
Capital assets not being depreciated:				
Land	\$ 10,804,241	\$ -	\$ -	\$ 10,804,241
Easements	12,862	7,559	-	20,421
Construction in progress	5,511,768	1,112,014	(6,171,714)	452,068
Total capital assets not being depreciated	16,328,871	1,119,573	(6,171,714)	11,276,730
Capital assets being depreciated:				
Buildings	134,392,334	3,328,627	(23,289)	137,697,672
Improvements	32,019,582	2,830,323	(66,722)	34,783,183
Computer Software	48,353	10,479	-	58,832
Machinery & Equipment	25,577,762	2,556,170	(2,093,637)	26,040,295
Exhibits	13,950,306	-	-	13,950,306
Landfill	3,865,986	-	-	3,865,986
Infrastructure	64,945,783	276,290	-	65,222,073
Total capital assets being depreciated	274,800,106	9,001,889	(2,183,648)	281,618,347
Less accumulated depreciation for:				
Buildings	(44,715,164)	(3,451,875)	9,801	(48,157,238)
Improvements	(20,161,321)	(1,183,308)	64,101	(21,280,528)
Computer Software	(7,300)	(12,620)	-	(19,920)
Machinery & Equipment	(16,724,073)	(1,659,278)	2,093,200	(16,290,151)
Exhibits	(12,439,731)	(532,912)	-	(12,972,643)
Landfill	(3,646,318)	(3,397)	-	(3,649,715)
Infrastructure	(24,460,680)	(1,005,246)	-	(25,465,926)
Total accumulated depreciation	(122,154,587)	(7,848,636)	2,167,102	(127,836,121)
Total capital assets being depreciated, net	152,645,519	1,153,253	(16,546)	153,782,226
Business-type activities capital assets, net	\$ 168,974,390	\$ 2,272,826	\$ (6,188,260)	\$ 165,058,956

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

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>
Governmental activities:			
General government	\$ 3,340,872	\$ 2,320,826	\$ 5,661,698
Health	773,394		773,394
Public welfare	69,114		69,114
Public safety	1,739,681		1,739,681
Streets and highways	6,194,561		6,194,561
Culture and recreation	379,344		379,344
Education	2,022,465		2,022,465
Total depreciation expense - governmental activities	<u>\$ 14,519,431</u>	<u>\$ 2,320,826</u>	<u>\$ 16,840,257</u>
Business - type activities:			
Culture and recreation	\$ 4,791,625		
Sanitation	3,057,011		
Total depreciation expense - business-type activities	<u>\$ 7,848,636</u> *		

*Depreciation expense in the amount of \$674,775 was capitalized as part of self-constructed assets in the Wastewater Management Fund.

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

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Construction in Progress	\$ 18,781,253	\$ -
Buildings		2,064,368
Improvements	157,589	
Computer Software	171,225	
Machinery and equipment	2,896,016	182,487
Less accumulated depreciation	(1,179,601)	(1,965,895)
Capital assets, net	<u>\$ 20,826,482</u>	<u>\$ 280,960</u>

The total amount of equipment acquired through a capital lease during fiscal year ended June 30, 2012, was \$41,672. Depreciation expense on the leased assets totaled \$385,360 for the fiscal year ended June 30, 2012.

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

6. CAPITAL ASSETS, Continued:

Discretely Presented Component Units

School Board:

	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets not being depreciated:				
Land	\$ 5,111,045	\$ -	\$ -	\$ 5,111,045
Total capital assets not being depreciated	5,111,045	-	-	5,111,045
Capital assets being depreciated:				
Buildings	48,962,686			48,962,686
Improvements	310,100			310,100
Machinery & Equipment	41,340,624	3,950,475	(1,846,141)	43,444,958
Total capital assets being depreciated	90,613,410	3,950,475	(1,846,141)	92,717,744
Less accumulated depreciation for:				
Buildings	(47,419,269)	(383,173)		(47,802,442)
Improvements	(151,174)	(15,505)		(166,679)
Machinery & Equipment	(30,480,108)	(3,533,336)	1,837,774	(32,175,670)
Total accumulated depreciation	(78,050,551)	(3,932,014)	1,837,774	(80,144,791)
Total capital assets being depreciated, net	12,562,859	18,461	(8,367)	12,572,953
School Board capital assets, net	\$ 17,673,904	\$ 18,461	\$ (8,367)	\$ 17,683,998

Industrial Development Authority:

	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets not being depreciated:				
Land	\$ 15,802,769	\$ -	\$ -	\$ 15,802,769
Total capital assets not being depreciated	15,802,769	-	-	15,802,769
Capital assets being depreciated:				
Improvements	383,042		(383,042)	-
Infrastructure	2,545,299		(495,949)	2,049,350
Machinery & Equipment	50,080		(50,080)	-
Total capital assets being depreciated	2,978,421	-	(929,071)	2,049,350
Less accumulated depreciation for:				
Improvements	(383,042)		383,042	-
Infrastructure	(805,032)	(102,468)	46,288	(861,212)
Machinery & Equipment	(41,555)		41,555	-
Total accumulated depreciation	(1,229,629)	(102,468)	470,885	(861,212)
Total capital assets being depreciated, net	1,748,792	(102,468)	(458,186)	1,188,138
Industrial Development Authority capital assets, net	\$ 17,551,561	\$ (102,468)	\$ (458,186)	\$ 16,990,907

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

6. CAPITAL ASSETS, Continued:

Healthy Families Partnership, Inc:

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

Downtown Hampton Development Partnership, Inc:

	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets being depreciated:				
Improvements	\$ 424,442	\$ -	\$ -	\$ 424,442
Machinery & Equipment	102,970	17,047		120,017
Total capital assets being depreciated	527,412	17,047	-	544,459
Less accumulated depreciation	(189,604)	(21,990)		(211,594)
Downtown Hampton Development Partnership capital assets, net	\$ 337,808	\$ (4,943)	\$ -	\$ 332,865

Coliseum Central Business Improvement District, Inc:

	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets being depreciated:				
Improvements	\$ -	\$ 209,231	\$ -	\$ 209,231
Computer Software	4,117	-		4,117
Machinery & Equipment	141,533	1,131		142,664
Total capital assets being depreciated	145,650	210,362	-	356,012
Less accumulated depreciation	(64,352)	(23,943)		(88,295)
Coliseum Central Business Improvement District capital assets, net	\$ 81,298	\$ 186,419	\$ -	\$ 267,717

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

6. CAPITAL ASSETS, Continued:

Construction in Progress

Several capital projects were in various stages of completion on June 30, 2012. 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, 2012, construction in progress by project was comprised as follows:

	Project Authorization	Expended to June 30, 2012
<u>General Capital Assets</u>		
City - Infrastructure	\$ 41,664,918	\$ 8,409,074
City - Construction & Renovation	16,809,824	10,135,641
City - Public Service Radio System, 911 Telephone System Replacement Project & GIS Service Upgrade	15,852,033	15,635,374
	\$ 74,326,775	\$ 34,180,089
 <u>Enterprise Funds</u>		
Wastewater Management - Sewer Projects	\$ 922,950	\$ 415,238
Coliseum - Exhibition Hall Door Renovation	15,730	12,530
Convention Center - Acoustical Modifications	27,000	24,300
	\$ 965,680	\$ 452,068

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
JUNE 30, 2012

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, 2012:

	<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	\$ 276,320,000	\$ 44,770,000	\$ (62,065,000)	\$ 259,025,000	\$ 18,880,000
Unamortized premium	13,138,406	5,118,224	(2,308,843)	15,947,787	1,217,780
Less deferred amount of advance refunding	(3,516,066)	(4,921,690)	242,083	(8,195,673)	(593,353)
Bonds payable (VRS)	3,040,000		(965,000)	2,075,000	1,015,000
Capital leases	14,011,509		(1,353,385)	12,658,124	1,407,676
Capital leases - Internal Service Funds	1,147,886	5,586,713	(197,425)	6,537,174	950,391
Long-term notes payable	177,223		(177,223)	-	-
Literary loans payable	320,127		(146,412)	173,715	92,000
Compensated absences	6,776,389	3,637,770	(3,971,199)	6,442,960	3,971,199
Compensated absences-Internal Service Funds	163,265	31,547	(69,479)	125,333	69,479
Claims and judgments-Internal Service Funds	5,436,768	1,092,766	(1,684,499)	4,845,035	4,044,710
Net pension obligation	3		(3)	-	-
Net OPEB obligation	24,039,275	6,847,560	(2,080,379)	28,806,456	
Governmental activities long-term liabilities	<u>\$ 341,054,785</u>	<u>\$ 62,162,890</u>	<u>\$ (74,776,764)</u>	<u>\$ 328,440,911</u>	<u>\$ 31,054,882</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, 2012:

Long-term liabilities (detail above)	\$ 328,440,911
Less debt - Internal Service Fund	<u>(11,507,542)</u>
Combined adjustment	<u>\$ 316,933,369</u>

Section 148 of the Internal Revenue Code of 1986 requires public entities to refund interest earned in excess of interest paid over the first five years outstanding on tax exempt borrowings. The regulations are applicable to borrowings incurred subsequent to August 1986. The City has calculated the rebate due as of June 30, 2012 and reflected the liability, if any, in the governmental activities column of the Statement of Net Assets.

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

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-type Activities:					
Bonds payable:					
Revenue bonds	\$ 100,120,000	\$ 33,750,000	\$ (42,070,000)	\$ 91,800,000	\$ 4,075,000
Unamortized premium	8,087,991	5,725,440	(1,154,168)	12,659,263	718,338
Less deferred amount for advance refunding	(5,940,942)	(1,541,454)	641,711	(6,840,685)	(365,155)
Total bonds payable	<u>102,267,049</u>	<u>37,933,986</u>	<u>(42,582,457)</u>	<u>97,618,578</u>	<u>4,428,183</u>
Capital leases	748,392	-	(166,749)	581,643	178,475
Compensated absences	<u>754,912</u>	<u>354,092</u>	<u>(362,428)</u>	<u>746,576</u>	<u>417,065</u>
Business-type activities long-term liabilities	<u>\$ 103,770,353</u>	<u>\$ 38,288,078</u>	<u>\$ (43,111,634)</u>	<u>\$ 98,946,797</u>	<u>\$ 5,023,723</u>
Component Units:					
School Board:					
Compensated absences	\$ 5,480,156	\$ 3,996,791	\$ (2,781,397)	\$ 6,695,550	\$ 2,781,397
Capital leases	229,126	-	(73,745)	155,381	73,745
Net OPEB obligation	<u>5,816,548</u>	<u>2,558,611</u>	<u>(522,537)</u>	<u>7,852,622</u>	<u></u>
Total School Board	<u>\$ 11,525,830</u>	<u>\$ 6,555,402</u>	<u>\$ (3,377,679)</u>	<u>\$ 14,703,553</u>	<u>\$ 2,855,142</u>
Industrial Development Authority:					
Revenue bonds payable	<u>\$ 7,380,841</u>	<u>\$ -</u>	<u>\$ (536,727)</u>	<u>\$ 6,844,114</u>	<u>\$ 569,617</u>
Foundation of the Virginia Air and Space Center and Hampton Roads History Center:					
Notes payable	<u>\$ 2,100,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,100,000</u>	<u>\$ 2,100,000</u>

**CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

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, 2012, \$295,000 in Bonds remains outstanding.

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, 2012 are as follows:

	<u>Series 2004</u>
Outstanding debt	\$2,955,000
Interest rate	5%
Years of maturity	2013 – 2014

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

The net proceeds of the refunding bonds of \$40,022,769 (net of underwriter’s discount and issuance costs of \$481,267) were deposited with U.S. Bank, Richmond, Virginia (Trustee) under a refunding trust agreement dated as of June 13, 2012. The Trustee used such proceeds to purchase direct, non-callable obligations of the U.S. Treasury including state and local government series (collectively, government obligations). The government obligations will mature and bear interest at times and in amounts sufficient to pay debt service requirements on the refunded bonds until their redemption date.

The Debt Service Reserve for the 2002 Convention Center Bonds was reduced by \$1.05 million which was used as an equity contribution to reduce the par amount of the 2012A Refunding Bonds. The refunding generated a net present value savings of \$4.62 million or 12% of the refunded par amount. The \$1.05 million equity contribution is excluded from the \$4.62 million net present value savings. Debt service on the Series 2002 Bonds will decrease by approximately \$9.5 million for the period fiscal year 2013 to fiscal year 2035. The advance refunding resulted in an economic gain of \$5.7 million. This transaction is in substance a defeasance of debt and accordingly, the refunded bonds (of which \$38,150,000 remain outstanding at June 30, 2012) have been removed from the financial statements and the government obligations will not be recorded in the financial statements.

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

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

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

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

Revenue bond debt service requirements to maturity are as follows:

<u>Fiscal year ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 4,075,000	\$ 4,306,002
2014	3,760,000	4,307,210
2015	2,325,000	4,145,854
2016	2,435,000	4,035,929
2017	2,555,000	3,917,435
2018-2022	14,835,000	17,522,647
2023-2027	19,015,000	13,337,972
2028-2032	24,650,000	7,855,812
2033-2035	18,150,000	1,399,135
	<u>\$ 91,800,000</u>	<u>\$ 60,827,996</u>

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

The City entered into a capital lease for the Hamptons Golf Course Clubhouse Facility in July 1990 at an interest rate of 9.875%. The lease is payable in 36 remaining equal monthly installments of \$18,581.

**CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

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

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

Year	Capital Leases	
	Principal	Interest
2013	\$ 178,475	\$ 49,297
2014	191,680	31,291
2015	211,488	11,485
	\$ 581,643	\$ 92,073

Discretely Presented Component Unit-IDA:

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

Details at June 30, 2012 are as follows:

	2002 Revenue Bonds
	<u>Tax-Exempt</u>
Outstanding Debt	\$ 6,844,114
Interest	6.17%
Years of Maturity	2013 – 2022

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

Year	Revenue Bonds	
	Principal	Interest
2013	\$ 569,617	\$ 420,441
2014	607,020	383,040
2015	645,586	344,473
2016	686,603	303,456
2017	729,460	260,599
2018 - 2022	3,605,828	551,290
	\$ 6,844,114	\$ 2,263,299

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

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

Discretely Presented Component Unit-Foundation:

As of June 30, 2012, 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%.

Discretely Presented Component Unit-School Board:

On August 13, 2009, the School Board entered into a master lease purchase agreement with SunTrust Equipment Finance and Leasing Corporation to purchase five school buses. The lease is payable in quarterly installments of \$19,991 at an interest rate of 3.48%. At June 30, 2012 the outstanding balance on the lease is \$155,381.

Internal Service Funds:

The City is self-insured for workmen's compensation benefits and general liability insurance claims. At June 30, 2012, the liability for existing claims amounted to \$4,845,035. Workmen's compensation benefit claims are payable weekly or monthly through 2020.

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

Equipment Replacement Fund:

On July 9, 2009 the City entered into a master lease purchase agreement with SunTrust Equipment Finance and Leasing Corporation to purchase rolling-stock equipment. During fiscal year 2010, the City financed a fire truck through this agreement. The lease is payable in 30 quarterly remaining equal installments of \$16,899 at an interest rate of 4.52%. At June 30, 2012 the outstanding balance on the lease is \$427,844. On June 25, 2012 the City extended the term under this master lease purchase agreement and financed the replacement of eight fire trucks. The lease is payable in 28 quarterly equal installments of \$216,134 at an interest rate of 2.24%. At June 30, 2012 the outstanding balance on the lease is \$5,586,713.

During fiscal year 2005, the City entered into a master lease purchase agreement with Bank of America Leasing and Capital, LLC. The lease is to be repaid in equal quarterly installments of \$22,978 at an interest rate of 3.75%. At June 30, 2012 the outstanding balance on the lease is \$258,718.

Fleet Services Fund

On December 7, 2010, the City entered into a lease purchase agreement with SunTrust Equipment Finance and Leasing Corporation to purchase a fuel maintenance system. The lease is payable in quarterly installments of \$19,836 at an interest rate of 2.75%. At June 30, 2012 the outstanding balance on the lease is \$263,899.

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

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

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

<u>Year</u>	<u>Accrued Insurance</u>	<u>Capital Lease</u>		
	<u>Claims</u>	<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 4,044,710	2013	\$ 950,391	\$ 152,998
2014	181,404	2014	974,857	128,531
2015	144,967	2015	999,883	103,393
2016	141,802	2016	892,735	79,070
2017	126,365	2017	874,060	58,073
2018- 2020	205,787	2018 - 2020	1,845,248	52,812
	<u>\$ 4,845,035</u>		<u>\$ 6,537,174</u>	<u>\$ 574,877</u>

General Long-Term Debt:

Details of general obligation bonds and loans reported in the government-wide statements at June 30, 2012 are as follows:

General Obligation Bonds Outstanding	\$259,025,000
Coupon interest rate	2.0% to 5.63%
Years of maturity	2013 – 2030

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

<u>General Obligation Bonds</u>		
<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 18,880,000	\$ 10,839,038
2014	19,310,000	10,420,677
2015	21,500,000	9,582,770
2016	22,480,000	8,567,435
2017	23,390,000	7,642,174
2018 - 2022	83,175,000	26,205,371
2023 - 2027	59,375,000	11,174,535
2028 - 2030	10,915,000	620,617
	<u>\$ 259,025,000</u>	<u>\$ 85,052,617</u>

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

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

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

Improvement Refunding Bonds, Series 2012B (Taxable) with interest rates ranging from .51% to 5%. The proceeds of the bonds were used to refund portions of the City's Series 2002, 2002A, 2004 and 2005A General Obligation Bonds.

The net proceeds from the refunding bonds of \$49,561,690 (net of underwriter's discount and issuance costs of \$312,617) were deposited with Regions Bank, Richmond, Virginia (Trustee), under a refunding trust agreement dated as of June 20, 2012. The Trustee used such proceeds to purchase direct, non-callable obligations of the U.S. Treasury including state and local government series (collectively, government obligations). The government obligations will mature and bear interest at times and in amounts sufficient to pay debt service requirements on the refunded bonds until their redemption date.

This transaction is in substance a defeasance of debt and, accordingly, the refunded bonds (of which \$44,640,000 remain outstanding at June 30, 2012) have been removed from the financial statements and the government obligations will not be recorded in the financial statements.

As a result of the refunding, the City will reduce its total debt service costs by approximately \$3,485,398 for a net present value savings of \$3,105,321 in aggregate between the two series. The present value savings represents approximately 6.96% of the refunded bonds. In the government-wide statements this transaction resulted in an economic loss of \$4,921,690.

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

On March 3, 2010, the City issued \$65,595,000 in General Obligation Public Improvement and Refunding Bonds, Series 2010A with interest ranging from 2% to 5% and \$7,190,000 in General Obligation Public Improvement Direct Pay Build America and Recovery Zone Economic Development Bonds, Series 2010B with interest ranging from 4.34% to 5.63%. The proceeds of the bonds were used to refund portions of the City's Series 1998, 2002, 2002A, 2005A, and 2007 General Obligation Bonds and the remaining balance will be used to finance the cost of general capital improvement projects of the City.

On October 25, 2007, the City issued \$145,815,000 in General Obligation Public Improvement and Refunding Bonds, Series 2008 with interest ranging from 4.00% to 5.00%. The proceeds of the bonds were used to refund bond anticipation notes issued by the City in April 2007 in the amount of \$29,540,000 and the remaining balance will be used to finance the cost of general capital improvement projects of the City.

**CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

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

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

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

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

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

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

In prior years, the City defeased certain general obligation bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the City's financial statements. On June 30, 2012, \$140,060,000 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 with an interest rate of 4.75%.

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

Taxable General Obligation Bonds		
<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 1,015,000	\$ 98,563
2014	1,060,000	50,349
	<u>\$ 2,075,000</u>	<u>\$ 148,912</u>

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

Literary Loans:

The City's indebtedness includes \$173,715 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

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

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

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:

Year	Literary Loans	
	Principal	Interest
2013	\$ 92,000	\$ 5,211
2014	81,715	2,452
	\$ 173,715	\$ 7,663

Capital Leases:

An enterprise-wide network server and storage system was also financed through the master lease purchase agreement with SunTrust Equipment Finance and Leasing Corporation in fiscal year 2010. The lease is payable in 10 remaining equal installments of \$13,285 at an interest rate of 3.19%. At June 30, 2012 the outstanding balance on the lease is \$132,850.

On February 27, 2009, the City entered into an equipment lease/purchase agreement with Motorola, Inc. for \$14,506,267 for the purpose of upgrading and replacing the existing radio system of the city and to provide infrastructure site improvements to the City 911 Center and three transmit/receive sites. The lease is to be repaid in 8 remaining equal yearly installments of \$1,864,288 at an interest rate of 4.04%. The first payment was due on March 2011 and the final payment is due March 1, 2020.

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

Year	Capital Leases	
	Principal	Interest
2013	\$ 1,407,676	\$ 509,754
2014	1,464,146	453,283
2015	1,496,209	394,650
2016	1,529,344	334,945
2017	1,591,134	273,155
2018-2020	5,169,615	423,243
	\$ 12,658,124	\$ 2,389,030

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

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

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, 2012 the City's aggregate general obligation indebtedness was \$261,273,715 which is \$840,762,687 less than the State limit.

Overlapping Debt:

There are no overlapping or underlying tax jurisdictions.

9. DEFINED BENEFIT PENSION PLANS:

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

Plan Description - HERS:

HERS is a single employer public employee defined benefit pension plan established and administered by the City to augment the retirement benefits provided to full-time permanent City and School Board employees under the Virginia Retirement System (VRS). The authority to establish and amend benefit provisions of HERS is governed by statute as set out in Chapter 28 of the Code of the City of Hampton, Virginia. HERS is considered part of the City of Hampton's financial reporting entity and is included in the City's financial reports as a pension trust fund. HERS issues a publicly available financial report that includes financial statements and required supplementary information for HERS. The financial report may be obtained by writing to City of Hampton, Finance Department, 22 Lincoln Street, Hampton, Virginia, 23669 or by calling (757) 727-6230.

Funding Policy - HERS:

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

**CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

9. DEFINED BENEFIT PENSION PLANS, Continued:

Annual Pension Cost and Net Pension Obligation – HERS:

For fiscal year 2012, the City of Hampton’s annual pension cost and net pension obligation were as follows:

	City of Hampton	Component Unit- School Board
Annual required contribution	\$ 2,293,841	\$ 1,074,622
Interest on net pension obligation		
Adjustment to annual required contribution		
Annual pension cost	2,293,841	1,074,622
Contributions made	(2,293,841)	(1,074,622)
Increase (decrease) in net pension obligation	-	-
Net pension obligation, July 1, 2011		
Net pension obligation, June 30, 2012	\$ -	\$ -

The annual required contribution was determined as a part of the July 1, 2009 actuarial valuation using the entry age normal cost method with normal cost calculated on an aggregate basis. The actuarial assumptions included (a) 7.5% investment rate of return and (b) projected salary increases of 5% per year. The actuarial assumptions include a future inflation rate of 3.5% a year. The plan was amended in 2000 to provide for a one-time cost of living adjustment of 3.0% to members who retired prior to July 2, 1998. Effective July 1, 2001, the Board authorized a one-time 3.5% cost of living adjustment to members who retired prior to July 1, 1999. The actuarial value of assets was determined using market value, but with the difference between expected and actual return recognized over a five-year period. The unfunded actuarial liability is amortized on a level dollar basis. The remaining amortization period at June 30, 2012 was 11 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

**CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

9. DEFINED BENEFIT PENSION PLANS, Continued:

reported at estimated fair value.

Trend Information – HERS:

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/10	\$ 2,258,645	100%	\$ -
6/30/11	3,368,463	100	-
6/30/12	3,368,463	100	-

Plan Description - VRS:

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

All full-time, salaried permanent (professional) employees of participating employers are automatically covered by VRS upon employment. Benefits vest after five years of service credit. Members earn one month of service credit for each month they are employed and their employer is paying into the VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as a credit in their plan.

VRS administers two defined benefit plans for local government employees – Plan 1 and Plan 2:

- Members hired before July 1, 2010 and who have service credits before July 1, 2010 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit as early as age 55 with at least 10 years of service credit or age 50 with at least five years of service credit.
- Members hired or rehired on or after July 1, 2010 and who have no service credits before July 1, 2010 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.
- Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. These members include participating law enforcement officers

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

9. DEFINED BENEFIT PENSION PLANS, Continued:

and firefighters. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provision of the member's plan apply.

The VRS Basic Benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the member's average final compensation multiplied by the member's total service credit. Under Plan 1, average final compensation is the average of the member's 36 consecutive months of highest compensation. Under Plan 2, average final compensation is the average of the member's 60 consecutive months of highest compensation. The retirement multiplier for non-hazardous duty members is 1.7%. At retirement, members can elect the Basic Benefit, the Survivor Option, a Partial Lump-Sum option Payment (PLOP) or the Advance Pension Option. A retirement reduction factor is applied to the Basic Benefit amount for members electing the Survivor Option, PLOP or Advance Pension Option or those retiring with a reduced benefit.

Retirees are eligible for an annual cost-of-living adjustment (COLA) effective July 1 of the second calendar year of retirement. Under Plan 1, the COLA cannot exceed 5.00%; under Plan 2, the COLA cannot exceed 6.00%. During years of no inflation or deflation, the COLA is 0.00%. 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 or from the VRS Web site at <http://www.varetire.org/Pdf/Publications/2010-annual-report.pdf>.

Funding Policy - VRS:

Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5% of their annual reported compensation to the VRS. The 5% member contribution has been assumed by the City of Hampton and the Component Unit - School Board. In addition, the City of Hampton and the Component Unit - School Board are required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the *Code of Virginia* and approved by the VRS Board of Trustees. The City of Hampton's and Component Unit - School Board's nonprofessional employees contribution rates for the fiscal year ended 2012 were 20.34% and 15.48% respectively. The Component Unit - School Board's contributions to VRS for professional employees for the fiscal years ending June 30, 2012, 2011, and 2010 of \$12,050,108 (11.33%), \$9,521,688 (8.93%) and \$12,781,750 (13.81%) respectively, were equal to the required contributions for each year.

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

9. DEFINED BENEFIT PENSION PLANS, Continued:

Annual Pension Cost and Net Pension Obligation:

For 2012, the City of Hampton's and Component Unit - School Board's nonprofessional employees annual pension cost and net pension obligation were as follows:

	<u>City of Hampton</u>	<u>Component Unit- School Board</u>
Annual required contribution	\$ 16,113,128	\$ 1,140,918
Interest on net pension obligation		
Adjustment to annual required contribution		
Annual pension cost	16,113,128	1,140,918
Contributions made	(16,113,128)	(1,140,918)
Increase in net pension obligation	-	-
Net pension obligation, July 1, 2011	3	
Adjustment to net pension obligation	(3)	
Net pension obligation, June 30, 2012	\$ -	\$ -

The fiscal year 2012 required contribution for the City of Hampton and Component Unit-School Board was determined as part of the June 30, 2009 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions include (a) 7.0% investment rate of return, (b) projected salary increase of 3.75% to 5.60% per year, (c) cost of living adjustments for the City of Hampton and Component Unit-School Board of 2.50% 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 open basis over 30 years from the valuation date.

Trend Information - VRS:

	Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
<u>City of Hampton</u>	June 30, 2010	\$ 15,745,975	100.0	\$ 3
	June 30, 2011	16,368,660	100.0	3
	June 30, 2012	16,113,128	100.0	
<u>Component Unit- School Board</u>	June 30, 2010	\$ 1,281,741	100.0	\$ -
	June 30, 2011	1,165,979	100.0	
	June 30, 2012	1,140,918	100.0	

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

9. DEFINED BENEFIT PENSION PLANS, Continued:

Funded Status and Funding Progress:

Based on the most recent actuarial valuation dated June 30, 2011 for the City and School Board and June 30, 2012 for HERS, the funded status of the plans were as follows:

	City of Hampton	Component Unit School Board	Hampton Employees' Retirement System
Actuarial accrued liability (AAL)	\$ 497,890,137	\$ 29,775,570	\$ 178,621,123
Actuarial value of plan assets	336,215,028	21,662,488	119,647,671
Unfunded actuarial accrued liability (UAAL)	<u>\$ 161,675,109</u>	<u>\$ 8,113,082</u>	<u>\$ 58,973,452</u>
Funded ratio (actuarial value of plan assets/AAL)	67.53%	72.75%	67.00%
Covered payroll (active plan members)	\$ 80,174,542	\$ 7,478,645	\$ 10,228,275
UAAL as a percentage of covered payroll	201.65%	108.48%	577.00%

Actuarial Methods and Assumptions :

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

10. DEFERRED COMPENSATION PLAN:

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

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

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

10. DEFERRED COMPENSATION PLAN, Continued:

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

11. JOINT VENTURE:

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

The Authority opened the jail facility on March 16, 1998. Summarized financial information for the Authority for fiscal year ending June 30, 2011 is below. This information shows the jail is well able to meet its obligations. The City does not currently expect a financial benefit from its participation in this joint venture.

Revenues and other sources	\$	32,385,439
Expenditures and other uses		<u>(34,779,341)</u>
Change in fund equity		(2,393,902)
Fund equity, July 1, 2010		<u>23,650,952</u>
Fund equity, June 30, 2011	\$	<u><u>21,257,050</u></u>

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

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

11. JOINT VENTURE, Continued

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

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

Land	\$	431,933
Buildings		12,470,614
Improvements		10,336,429
Less accumulated depreciation		(17,785,454)
Capital Assets, net	\$	5,453,522

A summary of future minimum rental payments under the operating leases at June 30, 2012 is as follows:

<u>Year Ending June 30,</u>	<u>Operating Leases</u>	<u>Future Rental Income</u>
2013	\$ 591,328	\$ 214,441
2014	462,274	149,356
2015	332,881	113,470
2016	131,717	10,202
2017	135,669	2,552
2018-2039	18	44
	\$ 1,653,887	\$ 490,065

The City's rental expense and rental income for the year ended June 30, 2012 amounted to \$1,674,383 and \$296,518 respectively.

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

12. COMMITMENT AND CONTINGENCIES, Continued:

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 \$3,032,406 for the lease of the garage facility through 2017. (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 Harbour Center at June 30, 2012 is as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2013	\$ 505,401
2014	505,401
2015	505,401
2016	505,401
2017	505,401
2018	505,401
	<u>\$ 3,032,406</u>

Self-Insurance:

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

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

	<u>City</u>	<u>Hampton City Schools</u>
Workers' Compensation	\$ 600,000	\$ 600,000
General Liability	1,000,000	1,000,000
Property Coverage	100,000	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.

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

12. COMMITMENT AND CONTINGENCIES, Continued:

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 \$13,737,220 at June 30, 2012 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 2012, 2011 and 2010 were:

	Claims Liability July 1	Incurred Claims	Claims Payment	Claims Liability June 30
Risk Management Fund				
Fiscal Year 2012	\$ 5,436,768	\$ 1,092,766	\$ 1,684,499	\$ 4,845,035
Fiscal Year 2011	5,079,820	2,362,572	2,005,624	5,436,768
Fiscal Year 2010	3,491,324	4,076,768	2,488,272	5,079,820
	Claims Liability July 1	Incurred Claims	Claims Payment	Claims Liability June 30
General Fund				
Fiscal Year 2012	\$ (9,506)	15,067,147	14,727,197	330,444
Fiscal Year 2011	(139,862)	14,715,335	14,584,979	(9,506)
Fiscal Year 2010	(2,485)	13,693,909	13,831,286	(139,862)

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 a standby Letter of Credit totaling \$3,500,000 on behalf of the IDA in connection with its commitment under certain agreements for the development of the Bass Pro Project. During fiscal year 2005, Old Point National Bank issued a standby Letter of Credit in the amount of \$3,000,000 on behalf of the IDA in connection with its commitment under certain agreements for the National Institute of Aerospace Associates project. In fiscal year 2011 the Old Point National Bank Letter of Credit was reduced to \$1,800,000. 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, 2012, no draws were made under the Letters of Credit.

Capital Projects

Commitments for completion of capital projects in the Governmental Activities authorized at June 30, 2012 are \$12,562,909.

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

13. POST-RETIREMENT HEALTH CARE BENEFITS:

Plan Description:

The City and Component Unit - Hampton City School Board (School Board) each administer a single-employer defined benefit healthcare plan in addition to the pension benefits described in Note 9. The City and School Board Other Postemployment Benefit Plans provide post-retirement health care benefits, in accordance with the Personnel Policies and Procedures, to all full-time, salaried permanent employees and public safety officers who retire on or after attaining age 55 and 50 respectively, with at least 5 years of service, as well as to employees who qualify for a disability retirement. Currently, 780 City retirees meet these eligibility requirements. Hampton City School Board employees accumulate an unlimited number of sick leave days. The School Board's post-retirement health care plan allows employees at retirement, instead of taking payment for these sick leave days, the employee may elect to take a specified credit toward their post retirement health insurance costs. During fiscal year 2012, 96 employees were participating in this plan and the cost was \$202,998. Separate, stand-alone statements are not issued for this plan.

Funding Policy:

The City Council and Hampton School Board has the authority to establish and amend the funding policy of their respective plans. The employer's contribution ranges from 0% to 100% of the premiums based on the retiree's years of continuous health care coverage and the health care option selected by the retirees. The employer contributions are financed on a pay-as-you-go basis. During fiscal year 2012, the City contributed \$2,080,379, or approximately 43% of total premiums for post-retirement health care benefits. Plan members receiving benefits contributed \$2,296,271 or approximately 48% of total premiums. Member contributions are 2.9% of covered payroll. The School Board contributed \$522,537 in fiscal year 2012.

Annual OPEB Cost and Net OPEB Obligation:

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

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

13. POST-RETIREMENT HEALTH CARE BENEFITS, Continued:

	Component Unit	
	City of Hampton	School Board
Annual required contribution	\$ 7,276,183	\$ 2,662,321
Interest on net OPEB obligation	961,571	232,662
Adjustment to ARC	(1,390,194)	(336,372)
Annual OPEB cost	6,847,560	2,558,611
Contributions made	(2,080,379)	(522,537)
Increase in net OPEB obligation	4,767,181	2,036,074
Net OPEB obligation - beginning of year	24,039,275	5,816,548
Net OPEB obligations - end of year	<u>\$ 28,806,456</u>	<u>\$ 7,852,622</u>

The City and School Board's annual OPEB cost, employer contributions, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010, 2011 and 2012 are as follows:

City of Hampton

Fiscal year ended	Annual OPEB Cost	Employer Contributions	Percentage of Annual	
			OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$ 8,187,430	\$ 1,793,321	22%	\$ 19,891,837
June 30, 2011	6,561,681	2,414,243	37%	24,039,275
June 30, 2012	6,847,560	2,080,379	30%	28,806,456

Component Unit-School Board

Fiscal year ended	Annual OPEB Cost	Employer Contributions	Percentage of Annual	
			OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$ 2,289,869	\$ 1,385,664	61%	\$ 3,907,130
June 30, 2011	2,424,483	515,065	21%	5,816,548
June 30, 2012	2,558,611	522,537	20%	7,852,622

**CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

13. POST-RETIREMENT HEALTH CARE BENEFITS, Continued:

Funded Status and Funding Progress:

Based on the most recent actuarial valuation dated June 30, 2012 for the City and School Board the funded status of the plans were as follows:

	<u>City of Hampton</u>	<u>Component Unit School Board</u>
Actuarial accrued liability (AAL)	\$ 60,603,562	\$ 11,658,220
Actuarial value of plan assets	-	-
Unfunded actuarial accrued liability (UAAL)	<u>\$ 60,603,562</u>	<u>\$ 11,658,220</u>
Funded ratio (actuarial value of plan assets/AAL)	0%	0%
Covered payroll (active plan members)	\$ 79,259,453	\$ 130,679,774
UAAL as a percentage of covered payroll	76%	9%

Actuarial Methods and Assumptions:

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

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

In the June 30, 2012 actuarial valuation for the City and School Board, the projected unit credit (PUC) cost method was used. The objective under PUC is to fund each participant's benefits under the plan as they would accrue. The unfunded actuarial liability is amortized as an open level dollar amount over a period of 30 years. A discount rate of 4% per annum net of expenses was used for an unfunded plan. Healthcare cost trend rates ranged from an initial rate of 9% for

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

13. POST-RETIREMENT HEALTH CARE BENEFITS, Continued:

2012 to an ultimate rate of 5.25% for the 2028 fiscal year. Retiree medical contributions are assumed to increase at the same rates as incurred claims.

14. LEASE RECEIVABLES:

The IDA issued Revenue Bonds (Note 8) to construct the Peninsula Workforce Development Center (PWDC). Under terms of agreements with this organization, revenue generated from the lease of the building is used to make the bond payments with the lease term being equivalent to the life of the bond. As of June 30, 2012, future lease receivable is \$8,910,534 from PWDC.

The minimum lease payments for the next five years are:

2014	\$	990,059
2015		990,059
2016		990,059
2017		990,059
2018-2022		<u>3,960,239</u>
Total	\$	<u><u>8,910,534</u></u>

As of June 30, 2012, the balance of unearned interest income associated with the PWDC is \$2,435,117.

15. RESTATEMENT OF BEGINNING NET ASSETS:

Beginning net assets of the Industrial Development Authority were restated to reflect the disposal of land that was donated to other entities in a prior year. This change had the following effect on the Industrial Development Authority's net assets as previously reported:

Industrial Development Authority

Net assets, beginning of year	\$ 30,528,759
Adjustment for land held for sale	<u>(1,027,423)</u>
Net assets, beginning of year, as restated	<u><u>\$ 29,501,336</u></u>

Component Units

Net assets, beginning of year	\$ 48,142,390
Adjustment for land held for sale	<u>(1,027,423)</u>
Net assets, beginning of year, as restated	<u><u>\$ 47,114,967</u></u>

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

CITY OF HAMPTON, VIRGINIA
SCHEDULE OF FUNDING PROGRESS - PENSION PLANS
UNAUDITED
Fiscal Year Ended June 30, 2012

Hampton Employees' Retirement System

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability Entry Age Normal Cost Method (b)	Unfunded AAL (Funding Excess) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL (Funding Excess) as a percentage of Covered Payroll ((b-a)/c)
6/30/09	\$155,494,920	\$177,893,905	\$22,398,985	87.4 %	\$20,815,242	107.6 %
6/30/10	142,584,616	176,478,838	33,894,222	80.8	17,457,017	194.0
6/30/11	132,979,634	181,787,402	48,807,768	73.2	13,617,358	358.0
6/30/12	119,647,671	178,621,123	58,973,452	67.0	10,228,275	577.0

Virginia Retirement System

City of Hampton

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) (b)	Unfunded AAL (Funding Excess) (b) - (a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a percentage of Covered Payroll ((b-a)/c)
6/30/08	\$330,128,742	\$413,286,693	\$83,157,952	79.9 %	\$84,283,138	98.66 %
6/30/09	333,431,262	442,241,939	108,810,677	75.4	86,570,241	125.69
6/30/10	332,415,961	481,139,775	148,723,814	69.1	84,767,391	175.45
6/30/11	336,215,028	497,890,137	161,675,109	67.5	80,174,542	201.65

Component Unit-School Board non-professional employees

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) (b)	Unfunded AAL (Funding Excess) (b) - (a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a percentage of Covered Payroll ((b-a)/c)
6/30/08	\$21,235,409	\$25,874,017	\$4,638,608	82.1 %	\$7,026,437	66.02 %
6/30/09	21,315,544	27,011,833	5,696,289	78.9	7,204,225	79.07
6/30/10	21,400,757	29,079,698	7,678,941	73.6	8,084,806	94.98
6/30/11	21,662,488	29,775,570	8,113,082	72.8	7,478,645	108.48

CITY OF HAMPTON, VIRGINIA
SCHEDULE OF FUNDING PROGRESS-
POST-RETIREMENT HEALTH CARE BENEFITS
UNAUDITED
Fiscal Year Ended June 30, 2012

City of Hampton:

City of Hampton:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL)-Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
6/30/2010	-	\$ 64,140,895	\$ 64,140,895	0 %	\$ 83,000,000	77 %
6/30/2011	-	67,451,558	67,451,588	0	80,458,038	84
6/30/2012	-	60,603,562	60,603,562	0	79,259,453	76

Component Unit-School Board:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL)-Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
6/30/2010	-	\$ 18,840,917	\$ 18,840,917	0 %	\$ 114,470,663	16 %
6/30/2011	-	20,473,923	20,473,923	0	115,200,000	18
6/30/2012	-	11,658,220	11,658,220	0	130,679,774	9

General Fund

**CITY OF HAMPTON, VIRGINIA
GENERAL FUND
BALANCE SHEET
June 30, 2012**

ASSETS

Cash and cash equivalents	\$ 82,024,930
Investments	12,071,148
Accounts receivables:	
Taxes (net of allowance for uncollectible of \$1,113,573)	8,197,568
Due from other governments	9,571,411
Other	2,207,708
Due from other funds	6,745,183
Due from component units	10,829
Inventories	44,419
Total assets	<u>\$ 120,873,196</u>

LIABILITIES AND FUND BALANCES

Liabilities:	
Accounts payable	\$ 4,797,793
Accrued health insurance	8,600,579
Accrued liabilities	1,698,067
Due to other funds	5,799,058
Due to component units	114,588
Deferred revenue	7,272,950
Total liabilities	<u>28,283,035</u>
Fund balances:	
Nonspendable	44,419
Restricted	804,603
Committed	32,858,086
Assigned	7,708,043
Unassigned	51,175,010
Total fund balances	<u>92,590,161</u>
Total liabilities and fund balances	<u>\$ 120,873,196</u>

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

CITY OF HAMPTON, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental:				
State funds	\$ 37,188,010	\$ 53,255,211	\$ 52,144,362	\$ (1,110,849)
Federal funds (includes pass through)	10,050,002	10,050,002	9,817,579	(232,423)
Local taxes	227,522,838	212,068,909	211,541,757	(527,152)
Special assessments	6,585,301	6,585,301	4,557,827	(2,027,474)
Licenses and permits	1,215,920	1,215,920	1,071,791	(144,129)
Fines and forfeitures	1,946,000	1,946,000	2,492,535	546,535
Revenue from use of money and property	555,075	555,075	540,799	(14,276)
Charges for services	7,398,729	7,398,729	8,024,242	625,513
Recovered costs	906,000	906,000	906,000	-
Payment from component units	2,000,000	2,000,000	2,000,338	338
Miscellaneous	5,739,287	5,739,287	3,951,881	(1,787,406)
Total revenues	<u>301,107,162</u>	<u>301,720,434</u>	<u>297,049,111</u>	<u>(4,671,323)</u>
EXPENDITURES				
Current:				
General government	101,652,755	102,549,064	88,632,449	(13,916,615)
Public safety	44,850,756	45,445,379	44,327,527	(1,117,852)
Highways and streets	2,083,667	2,001,097	1,979,652	(21,445)
Health	2,843,633	2,863,370	2,441,394	(421,976)
Human services	23,907,975	23,945,116	20,814,994	(3,130,122)
Culture and recreation	12,843,298	12,721,969	12,387,293	(334,676)
Education	68,487,337	68,487,835	68,443,481	(44,354)
Total expenditures	<u>256,669,421</u>	<u>258,013,830</u>	<u>239,026,790</u>	<u>(18,987,040)</u>
Excess of revenues over (under) expenditures	<u>44,437,741</u>	<u>43,706,604</u>	<u>58,022,321</u>	<u>14,315,717</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(53,574,102)	(73,218,440)	(67,770,377)	(5,448,063)
Total other financing sources (uses)	<u>(53,574,102)</u>	<u>(73,218,440)</u>	<u>(67,770,377)</u>	<u>(5,448,063)</u>
Excess of revenues and other sources over (under) expenditures and other uses	(9,136,361)	(29,511,836)	(9,748,056)	<u>\$ 19,763,780</u>
Appropriations from fund balance	9,136,361	32,765,347		
Appropriations - encumbrances	<u>-</u>	<u>(3,253,511)</u>		
Budget - excess of revenues and appropriations from fund balance over (under) expenditures		-		
Fund balance - July 1	<u>-</u>	<u>-</u>	<u>102,338,217</u>	
Fund balance - June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 92,590,161</u>	

**CITY OF HAMPTON, VIRGINIA
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER CREDITS-BUDGET AND ACTUAL
For the Year Ended June 30, 2012**

	Budget July 1, 2011	Net Changes	Final June 30, 2012	Actual	Variance Over (Under)
General property taxes:					
Real estate	\$ 113,243,745	\$ -	\$ 113,243,745	\$ 114,487,727	\$ 1,243,982
Public service	3,212,326		3,212,326	3,150,788	(61,538)
Personal property	36,161,875	(15,453,929)	20,707,946	19,726,202	(981,744)
Mobile homes	46,984		46,984	47,181	197
Machinery and tools	2,211,854		2,211,854	2,149,902	(61,952)
Delinquent taxes	450,000		450,000	392,480	(57,520)
Penalty	984,000	-	984,000	1,121,761	137,761
Total general property taxes	<u>156,310,784</u>	<u>(15,453,929)</u>	<u>140,856,855</u>	<u>141,076,041</u>	<u>219,186</u>
Other local taxes:					
Utility - electric and gas	5,000,000		5,000,000	4,929,238	(70,762)
Communications sales tax	9,757,000		9,757,000	9,173,944	(583,056)
Tobacco	3,965,000		3,965,000	4,363,663	398,663
Business license	12,568,930		12,568,930	12,125,676	(443,254)
Short-term rental	130,000		130,000	94,383	(35,617)
Sales and use	14,300,000		14,300,000	13,962,426	(337,574)
Recordation	1,126,000		1,126,000	1,063,470	(62,530)
Public right of way	490,000		490,000	427,402	(62,598)
Lodging and transit	3,200,000		3,200,000	2,910,888	(289,112)
Amusement	1,305,394		1,305,394	1,396,490	91,096
Meal	15,100,000		15,100,000	15,792,807	692,807
Motor vehicle	3,744,730		3,744,730	3,691,782	(52,948)
Bank stock	450,000		450,000	467,883	17,883
License tax - pari-mutuel	75,000	-	75,000	65,664	(9,336)
Total other local taxes	<u>71,212,054</u>	<u>-</u>	<u>71,212,054</u>	<u>70,465,716</u>	<u>(746,338)</u>
License, permits and privilege fees:					
Animal licenses	72,000		72,000	43,926	(28,074)
Street and taxi permits	90,000		90,000	139,359	49,359
Zoning and land use	205,000		205,000	144,869	(60,131)
Building permits	824,720		824,720	727,021	(97,699)
Miscellaneous	24,200	-	24,200	16,616	(7,584)
Total license, permits and privilege fees	<u>1,215,920</u>	<u>-</u>	<u>1,215,920</u>	<u>1,071,791</u>	<u>(144,129)</u>
Total fines and forfeitures	<u>1,946,000</u>	<u>-</u>	<u>1,946,000</u>	<u>2,492,535</u>	<u>546,535</u>
Special assessments:					
Peninsula Town Center CDA	5,250,000		5,250,000	2,392,668	(2,857,332)
H2O CDA	568,532		568,532	1,418,805	850,273
Coliseum BID	536,497		536,497	524,673	(11,824)
Downtown BID	178,330		178,330	169,193	(9,137)
Elizabeth Lakes	51,942		51,942	52,488	546
Total special assessments	<u>6,585,301</u>	<u>-</u>	<u>6,585,301</u>	<u>4,557,827</u>	<u>(2,007,059)</u>
Revenue from use of money and property:					
Interest on investments	251,547		251,547	214,554	(36,993)
Rental of property	102,109		102,109	126,277	24,168
Sale of materials and property	59,019		59,019	81,978	22,959
Vending machines	-		-	3,517	3,517
Parking fees	82,400		82,400	52,430	(29,970)
Billboard revenue	60,000		60,000	120,000	60,000
Net increase (decrease) in fair value of investments	-	-	-	(57,957)	(57,957)
Total revenue from use of money and property	<u>555,075</u>	<u>-</u>	<u>555,075</u>	<u>540,799</u>	<u>(14,276)</u>

continued

**CITY OF HAMPTON, VIRGINIA
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER CREDITS-BUDGET AND ACTUAL
For the Year Ended June 30, 2012**

	Budget July 1, 2011	Net Changes	Final June 30, 2012	Actual	Variance Over (Under)
Charges for services:					
Fees:					
Court costs	\$ 1,000	\$ -	\$ 1,000	\$ 1,112	\$ 112
Clerk	54,000		54,000	45,041	(8,959)
Court officers	26,000		26,000	35,851	9,851
Parks & Recreation	1,235,961		1,235,961	886,035	(349,926)
Youth, Education & Family Services	1,623,833		1,623,833	1,401,899	(221,934)
Arts Commission	419,585		419,585	441,934	22,349
Sheriff	15,741		15,741	328,481	312,740
Legal services	7,200		7,200	1,200	(6,000)
Library	70,000		70,000	44,005	(25,995)
Jail admission fee	8,350		8,350	12,209	3,859
Ambulance services	3,125,742		3,125,742	3,520,232	394,490
Public education grant fees	146,317		146,317	202,297	55,980
Passport applications	25,000		25,000	50,270	25,270
Miscellaneous charges for services	40,000		40,000	118,613	78,613
Landfill host fees	600,000	-	600,000	935,063	335,063
Total charges for services	<u>7,398,729</u>	<u>-</u>	<u>7,398,729</u>	<u>8,024,242</u>	<u>625,513</u>
Miscellaneous revenue:					
Payment in lieu of taxes-Fort Monroe	2,400,000	-	2,400,000	391,898	(2,008,102)
Payment in lieu of taxes-other	75,000		75,000	81,486	6,486
Returned check charges	14,010		14,010	10,618	(3,392)
Unemployment fees	4,000		4,000	3,740	(260)
School reimbursement	1,210,532		1,210,532	1,184,783	(25,749)
Indirect cost	935,745		935,745	935,745	-
Other	1,100,000	-	1,100,000	1,343,611	243,611
Total miscellaneous revenue	<u>5,739,287</u>	<u>-</u>	<u>5,739,287</u>	<u>3,951,881</u>	<u>(1,787,406)</u>
Recovered costs:					
Jail operation	703,096		703,096	819,256	116,160
Probation	8,500		8,500	9,795	1,295
NASA fire services	906,000		906,000	906,000	-
Miscellaneous	150,000	-	150,000	202,564	52,564
Total recovered cost	<u>1,767,596</u>	<u>-</u>	<u>1,767,596</u>	<u>1,937,615</u>	<u>170,019</u>
Noncategorical aid - state:					
Reduction in state aid to local governments	(1,300,000)		(1,300,000)	(1,243,410)	56,590
Personal property tax relief reimbursement	-	15,453,929	15,453,929	15,453,929	-
Vehicle rental	306,000		306,000	373,448	67,448
Railroad rolling stock tax	-		-	13,867	13,867
Mobile home titling tax	36,959		36,959	23,001	(13,958)
Tax on deeds	356,086		356,086	358,480	2,394
State Share - (FEMA)	-	-	-	34,652	34,652
DMV Animal License Plates	-		-	1,646	1,646
State Board of Elections	-		-	2,250	2,250
Total noncategorical aid - state	<u>(600,955)</u>	<u>15,453,929</u>	<u>14,852,974</u>	<u>15,017,863</u>	<u>160,993</u>
Shared expenses - state:					
Sheriff	6,120,444		6,120,444	6,024,377	(96,067)
Commonwealth Attorney	1,244,049		1,244,049	1,215,439	(28,610)
Commissioner of Revenue	268,934		268,934	269,129	195
Treasurer	236,419		236,419	237,129	710
Clerk of Courts	741,303		741,303	772,792	31,489
Registrar - election board	50,341	-	50,341	77,986	27,645
Total shared expenses - state	<u>8,661,490</u>	<u>-</u>	<u>8,661,490</u>	<u>8,596,852</u>	<u>(64,638)</u>

continued

**CITY OF HAMPTON, VIRGINIA
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER CREDITS-BUDGET AND ACTUAL
For the Year Ended June 30, 2012**

	Budget July 1, 2011	Net Changes	Final June 30, 2012	Actual	Variance Over (Under)
Categorical aid - state:					
Public assistance	\$ 7,796,869		\$ 7,796,869	\$ 6,432,995	\$ (1,363,874)
Police	6,524,180		6,524,180	6,523,452	(728)
Street and highway maintenance	13,051,898	613,272	13,665,170	13,665,170	-
E911 wireless grant	409,000		409,000	400,110	(8,890)
Public library books	165,200		165,200	160,602	(4,598)
Virginia juvenile block grant	313,732		313,732	315,703	1,971
Arts Commission	5,000		5,000	-	(5,000)
Total categorical aid - state	<u>28,265,879</u>	<u>613,272</u>	<u>28,879,151</u>	<u>27,498,032</u>	<u>(1,381,119)</u>
Categorical aid - federal:					
Pass thru - public assistance	9,529,507		9,529,507	8,641,816	(887,691)
Pass thru - Healthy Families	271,995		271,995	419,750	147,755
Pass thru - Federal Rad. Emergency Response	20,500		20,500	-	(20,500)
Federal Funds (DHHS-ERRP)	-		-	517,318	517,318
Total categorical aid - federal	<u>9,822,002</u>	<u>-</u>	<u>9,822,002</u>	<u>9,578,884</u>	<u>(243,118)</u>
Noncategorical aid - federal					
Federal Share - (FEMA)			-	10,695	10,695
Indirect costs - total	228,000	-	228,000	228,000	-
Total noncategorical aid - federal	<u>228,000</u>	<u>-</u>	<u>228,000</u>	<u>238,695</u>	<u>10,695</u>
Total revenues	<u>299,107,162</u>	<u>613,272</u>	<u>299,720,434</u>	<u>295,048,773</u>	<u>(4,655,142)</u>
Other credits:					
Component Unit - IDA Fund			-	338	338
Component Unit - Schools	2,000,000	-	2,000,000	2,000,000	-
Total transfers	<u>2,000,000</u>	<u>-</u>	<u>2,000,000</u>	<u>2,000,338</u>	<u>338</u>
Total revenues and transfers	<u>301,107,162</u>	<u>613,272</u>	<u>301,720,434</u>	<u>297,049,111</u>	<u>(4,654,804)</u>
Appropriations from fund balance	9,136,361	22,118,425	31,254,786	31,254,786	-
Appropriations - encumbrances	-	1,510,561	1,510,561	1,510,561	-
Total appropriations	<u>9,136,361</u>	<u>23,628,986</u>	<u>32,765,347</u>	<u>32,765,347</u>	<u>-</u>
Total revenues and other credits	<u>\$ 310,243,523</u>	<u>\$ 24,242,258</u>	<u>\$ 334,485,781</u>	<u>\$ 329,814,458</u>	<u>\$ (4,654,804)</u>

**CITY OF HAMPTON, VIRGINIA
GENERAL FUND
SCHEDULE OF APPROPRIATIONS AND EXPENDITURES
For the Year Ended June 30, 2012**

	Appropriations			Expenditures				Variance Under (Over)
	Budget July 1, 2011	Net Changes	Final June 30, 2012	Personal Services	Operating Expenditures	Capital Outlay	Total	
General Government								
Legislative:								
Municipal Council	\$ 440,570	\$ (4,676)	\$ 435,894	\$ 323,475	\$ 77,696	\$ 5,927	\$ 407,098	\$ 28,796
Legislative - Total	<u>440,570</u>	<u>(4,676)</u>	<u>435,894</u>	<u>323,475</u>	<u>77,696</u>	<u>5,927</u>	<u>407,098</u>	<u>28,796</u>
Executive:								
City Manager	964,755	34,383	999,138	854,076	64,263	-	918,339	80,799
Budget and Management Analysis	374,499	26,167	400,666	349,304	11,707	938	361,949	38,717
Citizens Unity Commission	123,565	2,178	125,743	93,874	22,397		116,271	9,472
Marketing, INC	796,881	(1,924)	794,957	383,750	275,162	4,681	663,593	131,364
Internal Audit	169,835	-	169,835	147,468	17,011	1,526	166,005	3,830
Executive - Total	<u>2,429,535</u>	<u>60,804</u>	<u>2,490,339</u>	<u>1,828,472</u>	<u>390,540</u>	<u>7,145</u>	<u>2,226,157</u>	<u>264,182</u>
City Attorney:								
Law - City Attorney	1,040,575	1,140	1,041,715	870,675	96,081	-	966,756	74,959
City Attorney - Total	<u>1,040,575</u>	<u>1,140</u>	<u>1,041,715</u>	<u>870,675</u>	<u>96,081</u>	<u>-</u>	<u>966,756</u>	<u>74,959</u>
Human Resources - Total	<u>672,254</u>	<u>117,890</u>	<u>790,144</u>	<u>501,688</u>	<u>80,777</u>	<u>-</u>	<u>582,465</u>	<u>207,679</u>
Judicial:								
Clerk of Courts	898,319	107,987	1,006,306	750,794	82,189	-	832,983	173,323
Circuit Court	384,839	8,859	393,698	299,299	47,727	2,193	349,219	44,479
General District Court	251,950	(593)	251,357	46,406	132,258		178,664	72,693
District Court - J.D.R.	56,017	4,683	60,700		40,586	4,655	45,241	15,459
Commonwealth Attorney	1,566,630	23,064	1,589,694	1,325,787	75,428	1,287	1,402,502	187,192
City Sheriff - Administration	1,874,401	(90,520)	1,783,881	1,473,721	204,680		1,678,401	105,480
City Sheriff - Jail	6,605,442	107,127	6,712,569	4,813,203	1,848,656	40,108	6,701,967	10,602
Court Service Unit	1,855,254	576,772	2,432,026	161,091	1,241,442	80	1,402,613	1,029,413
Judicial - Subtotal	<u>13,492,852</u>	<u>737,379</u>	<u>14,230,231</u>	<u>8,870,301</u>	<u>3,672,966</u>	<u>48,323</u>	<u>12,591,590</u>	<u>1,638,641</u>
Less amount reflected as transfers	<u>(2,055)</u>	<u>(32,348)</u>	<u>(34,403)</u>	<u>-</u>	<u>(32,348)</u>	<u>-</u>	<u>(32,348)</u>	<u>(2,055)</u>
Judicial - Total	<u>13,490,797</u>	<u>705,031</u>	<u>14,195,828</u>	<u>8,870,301</u>	<u>3,640,618</u>	<u>48,323</u>	<u>12,559,242</u>	<u>1,636,586</u>

continued

Exhibit B-4

	Appropriations			Expenditures			Variance Under (Over)	
	Budget July 1, 2011	Net Changes	Final June 30, 2012	Personal Services	Operating Expenditures	Capital Outlay		Total
General Government, continued:								
Boards and Commissions:								
Community Development	\$ 2,973,908	\$ (31,131)	\$ 2,942,777	\$ 2,460,228	\$ 397,430	\$ 6,054	\$ 2,863,712	\$ 79,065
Elections Board	187,112	-	187,112	116,857	59,019	4,500	180,376	6,736
Registrar	279,365	5,241	284,606	203,651	30,397	-	234,048	50,558
Development	1,251,618	352,219	1,603,837	836,922	406,530	16,033	1,259,485	344,352
Boards and Commissions-Subtotal	4,692,003	326,329	5,018,332	3,617,658	893,376	26,587	4,537,621	480,711
Less amount reflected as transfers	(213,144)	(55,520)	(268,664)	-	(268,308)	-	(268,308)	(356)
Boards and Commissions - Total	4,478,859	270,809	4,749,668	3,617,658	625,068	26,587	4,269,313	480,355
Agriculture - Extension Agent - Total	68,041	2,100	70,141	42,933	24,915	-	67,848	2,293
Nondepartmental:								
Nondepartmental	27,161,149	579,212	27,740,361	196,342	19,010,389	25,000	19,231,731	8,508,630
Civic and community support	1,085,744	(85,000)	1,000,744	-	999,854	-	999,854	890
Other	2,148,807	(850,730)	1,298,077	-	1,065,434	-	1,065,434	232,643
Nondepartmental - Subtotal	30,395,700	(356,518)	30,039,182	196,342	21,075,677	25,000	21,297,019	8,742,163
Less amount reflected as transfers	(306,134)	-	(306,134)	-	(262,175)	-	(262,175)	(43,959)
Nondepartmental - Total	30,089,566	(356,518)	29,733,048	196,342	20,813,502	25,000	21,034,844	8,698,204
Finance:								
Commissioner of Revenue	1,180,438	(239)	1,180,199	968,604	194,036	-	1,162,640	17,559
Assessor of Real Estate	1,144,901	18,658	1,163,559	971,041	151,891	-	1,122,932	40,627
City Treasurer	1,579,479	(21,814)	1,557,665	1,054,635	399,432	25,842	1,479,909	77,756
Consolidated Procurement	351,589	2,468	354,057	297,191	48,723	-	345,914	8,143
Independent Auditors	200,475	13,429	213,904	-	198,146	-	198,146	15,758
Finance	773,125	338,502	1,111,627	675,223	55,527	12,074	742,824	368,803
Information Technology	2,105,045	(107,291)	1,997,754	909,791	578,952	160,227	1,648,970	348,784
Finance - Total	7,335,052	243,713	7,578,765	4,876,485	1,626,707	198,143	6,701,335	877,430
Retirement and Employee Benefits								
Total	35,978,857	(297,546)	35,681,311	2,607,786	31,582,600	-	34,190,386	1,490,925

**CITY OF HAMPTON, VIRGINIA
GENERAL FUND
SCHEDULE OF APPROPRIATIONS AND EXPENDITURES
For the Year Ended June 30, 2012**

	Appropriations			Expenditures			Variance Under (Over)	
	Budget July 1, 2011	Net Changes	Final June 30, 2012	Personal Services	Operating Expenditures	Capital Outlay		Total
General Government, concluded:								
Public Works:								
Administration	\$ 151,742	\$ 53,307	\$ 205,049	\$ 159,236	\$ 41,261	\$ 2,540	\$ 203,037	\$ 2,012
Engineering	533,925	49,818	583,743	508,803	52,007	3,892	564,702	19,041
Property Maintenance	4,131,898	37,113	4,169,011	1,102,153	3,017,222	19,119	4,138,494	30,517
Parking Facilities	811,084	13,324	824,408	27,802	692,970	-	720,772	103,636
Public Works - Total	<u>5,628,649</u>	<u>153,562</u>	<u>5,782,211</u>	<u>1,797,994</u>	<u>3,803,460</u>	<u>25,551</u>	<u>5,627,005</u>	<u>155,206</u>
General Government - Total	<u>101,652,755</u>	<u>896,309</u>	<u>102,549,064</u>	<u>25,533,809</u>	<u>62,761,964</u>	<u>336,676</u>	<u>88,632,449</u>	<u>13,916,615</u>
Public Safety:								
Police Division	20,823,722	(131,407)	20,692,315	16,780,202	3,499,506		20,279,708	412,607
Traffic Engineering	3,028,193	(20,570)	3,007,623	661,056	2,112,075		2,773,131	234,492
Fire Division	16,927,693	736,778	17,664,471	14,399,184	3,056,398	204,449	17,660,031	4,440
Emergency Management	277,688	16,800	294,488	192,802	44,250	18,600	255,652	38,836
911/311 Call Centers	3,007,832	(47,629)	2,960,203	2,184,066	348,721	6,307	2,539,094	421,109
Animal Control	785,628	79,224	864,852	262,499	536,333	57,414	856,246	8,606
Public Safety - Subtotal	<u>44,850,756</u>	<u>633,196</u>	<u>45,483,952</u>	<u>34,479,809</u>	<u>9,597,283</u>	<u>286,770</u>	<u>44,363,862</u>	<u>1,120,090</u>
Less amount reflected as transfers	<u>-</u>	<u>(38,573)</u>	<u>(38,573)</u>	<u>-</u>	<u>(36,335)</u>	<u>-</u>	<u>(36,335)</u>	<u>(2,238)</u>
Public Safety - Total	<u>44,850,756</u>	<u>594,623</u>	<u>45,445,379</u>	<u>34,479,809</u>	<u>9,560,948</u>	<u>286,770</u>	<u>44,327,527</u>	<u>1,117,852</u>
Highways and Streets - Total	<u>2,083,667</u>	<u>(82,570)</u>	<u>2,001,097</u>	<u>910,992</u>	<u>958,782</u>	<u>109,878</u>	<u>1,979,652</u>	<u>21,445</u>

continued

Exhibit B-4

	Appropriations			Expenditures			Variance Under (Over)	
	Budget July 1, 2011	Net Changes	Final June 30, 2012	Personal Services	Other Expenditures	Capital Outlay		Total
Health:								
Preventive Medicine	\$ 1,436,530	17,634	\$ 1,454,164	\$ -	\$ 1,364,286	\$ -	\$ 1,364,286	\$ 89,878
Drainage Maintenance	1,407,103	2,103	1,409,206	613,815	460,970	2,323	1,077,108	332,098
Health - Total	<u>2,843,633</u>	<u>19,737</u>	<u>2,863,370</u>	<u>613,815</u>	<u>1,825,256</u>	<u>2,323</u>	<u>2,441,394</u>	<u>421,976</u>
Human Services:								
Administration	10,468,005	425,000	10,893,005	6,792,272	3,680,074	3,662	10,476,008	416,997
Public Assistance	819,737	-	819,737		653,920		653,920	165,817
Purchase of Services	8,632,452	(425,000)	8,207,452		6,076,364		6,076,364	2,131,088
Youth, Education and Family Services	3,987,781	37,141	4,024,922	2,763,042	751,018	94,642	3,608,702	416,220
Human Services - Total	<u>23,907,975</u>	<u>37,141</u>	<u>23,945,116</u>	<u>9,555,314</u>	<u>11,161,376</u>	<u>98,304</u>	<u>20,814,994</u>	<u>3,130,122</u>
Culture and Recreation:								
Recreation	3,665,031	(61,633)	3,603,398	2,394,496	1,040,191	53,761	3,488,448	114,950
Parks	5,118,330	(154,260)	4,964,070	1,792,716	2,950,985	52,234	4,795,935	168,135
Conventions and Tourism	2,343,948	(10,011)	2,333,937	828,097	1,461,886	23,887	2,313,870	20,067
Hampton History Museum	314,948	20,000	334,948	191,043	128,757		319,800	15,148
Arts Commission	1,401,041	84,575	1,485,616	390,838	1,075,903	2,499	1,469,240	16,376
Culture and Recreation - Subtotal	<u>12,843,298</u>	<u>(121,329)</u>	<u>12,721,969</u>	<u>5,597,190</u>	<u>6,657,722</u>	<u>132,381</u>	<u>12,387,293</u>	<u>334,676</u>
Less amount reflected as transfers	-	-	-	-	-	-	-	-
Culture and Recreation - Total	<u>12,843,298</u>	<u>(121,329)</u>	<u>12,721,969</u>	<u>5,597,190</u>	<u>6,657,722</u>	<u>132,381</u>	<u>12,387,293</u>	<u>334,676</u>

**CITY OF HAMPTON, VIRGINIA
GENERAL FUND
SCHEDULE OF APPROPRIATIONS AND EXPENDITURES
For the Year Ended June 30, 2012**

	Appropriations			Expenditures			Variance Under (Over)	
	Budget July 1, 2011	Net Changes	Final June 30, 2012	Personal Services	Other Expenditures	Capital Outlay		Total
Education:								
School Operations	\$ 66,345,093	\$ -	\$ 66,345,093	\$ -	\$ 66,345,093	\$ -	\$ 66,345,093	\$ -
Public Library	2,142,244	498	2,142,742	1,374,754	695,634	28,000	2,098,388	44,354
Education - Subtotal	68,487,337	498	68,487,835	1,374,754	67,040,727	28,000	68,443,481	44,354
Less amount reflected as transfers	-	-	-	-	-	-	-	-
Education - Total	<u>68,487,337</u>	<u>498</u>	<u>68,487,835</u>	<u>1,374,754</u>	<u>67,040,727</u>	<u>28,000</u>	<u>68,443,481</u>	<u>44,354</u>
Total expenditures	<u>256,669,421</u>	<u>1,344,409</u>	<u>258,013,830</u>	<u>78,065,683</u>	<u>159,966,775</u>	<u>994,332</u>	<u>239,026,790</u>	<u>18,987,040</u>
Operating Transfers Out:								
Capital Projects Funds	11,556,767	19,373,417	30,930,184		26,715,463		26,715,463	4,214,721
Enterprise Funds	8,760,354	1,032,205	9,792,559		8,920,395		8,920,395	872,164
Special Revenue Funds	2,282,284	70,921	2,353,205		2,040,613		2,040,613	312,592
Debt Service Funds	30,974,697	(832,205)	30,142,492	-	30,093,906	-	30,093,906	48,586
Transfers - Total	<u>53,574,102</u>	<u>19,644,338</u>	<u>73,218,440</u>	<u>-</u>	<u>67,770,377</u>	<u>-</u>	<u>67,770,377</u>	<u>5,448,063</u>
Total expenditures and transfers	<u>\$ 310,243,523</u>	<u>\$ 20,988,747</u>	<u>\$ 331,232,270</u>	<u>\$ 78,065,683</u>	<u>\$ 227,737,152</u>	<u>\$ 994,332</u>	<u>\$ 306,797,167</u>	<u>\$ 24,435,103</u>

Non-Major Governmental Funds

**CITY OF HAMPTON, VIRGINIA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2012**

	Special Revenue					Total Non-major Governmental Funds
	Federal Grants	Community Development	Stormwater Management	Pembroke Complex	Law Library	
ASSETS						
Cash and cash equivalents	\$ 925,188	\$ 312,029	\$ 5,565,068	\$ 29,110	\$ 127,793	\$ 6,959,188
Accounts receivables:						
Due from other governments	2,630,325	79,352				2,709,677
Other	276,046	198,004	264,827		17	738,894
Notes receivable		5,314				5,314
Due from other funds	389,701		-	-	-	389,701
Total assets	<u>\$ 4,221,260</u>	<u>\$ 594,699</u>	<u>\$ 5,829,895</u>	<u>\$ 29,110</u>	<u>\$ 127,810</u>	<u>\$ 10,802,774</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 1,220,975	\$ 68,287	\$ 31,043	\$ 4,414	\$ 2,963	\$ 1,327,682
Accrued liabilities	6,481	117	450		51	7,099
Due to other funds	652,723	25,000				677,723
Due to component units						-
Deferred revenue	177,197	501,295	264,827	-	-	943,319
Total liabilities	<u>2,057,376</u>	<u>594,699</u>	<u>296,320</u>	<u>4,414</u>	<u>3,014</u>	<u>2,955,823</u>
Fund balances:						
Restricted	1,889,780		5,533,575	24,696	124,796	7,572,847
Assigned	274,104	-	-	-	-	274,104
Total fund balances	<u>2,163,884</u>	<u>-</u>	<u>5,533,575</u>	<u>24,696</u>	<u>124,796</u>	<u>7,846,951</u>
Total liabilities and fund balances	<u>\$ 4,221,260</u>	<u>\$ 594,699</u>	<u>\$ 5,829,895</u>	<u>\$ 29,110</u>	<u>\$ 127,810</u>	<u>\$ 10,802,774</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, 2012

	<u>Special Revenue</u>					Total Non-major Governmental Funds
	Federal Grants	Community Development	Stormwater Management	Pembroke Complex	Law Library	
REVENUES						
Intergovernmental revenues:						
From the Commonwealth of Virginia	\$ 8,906,161					\$ 8,906,161
From the Federal government	2,842,583	2,171,939				5,014,522
Revenues from use of money and property	1,091			395,178	152	396,421
Charges for services			4,997,902			4,997,902
Miscellaneous	<u>1,024,735</u>	<u>1,218,471</u>		<u>-</u>	<u>53,466</u>	<u>2,296,672</u>
Total revenues	<u>12,774,570</u>	<u>3,390,410</u>	<u>4,997,902</u>	<u>395,178</u>	<u>53,618</u>	<u>21,611,678</u>
EXPENDITURES						
Current:						
General government	2,039,337	3,390,410		388,064	50,763	5,868,574
Public safety	4,132,151					4,132,151
Sanitation			3,948,781			3,948,781
Human services	8,335,964					8,335,964
Culture and recreation	176,413					176,413
Total expenditures	<u>14,683,865</u>	<u>3,390,410</u>	<u>3,948,781</u>	<u>388,064</u>	<u>50,763</u>	<u>22,461,883</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,909,295)</u>	<u>-</u>	<u>1,049,121</u>	<u>7,114</u>	<u>2,855</u>	<u>(850,205)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	2,237,867					2,237,867
Transfers out	<u>(1,750)</u>	<u>-</u>	<u>(470,603)</u>	<u>-</u>	<u>-</u>	<u>(472,353)</u>
Net other financing sources (uses)	<u>2,236,117</u>	<u>-</u>	<u>(470,603)</u>	<u>-</u>	<u>-</u>	<u>1,765,514</u>
Net change in fund balances	326,822		578,518	7,114	2,855	915,309
Fund balances, beginning of year	<u>1,837,062</u>	<u>-</u>	<u>4,955,057</u>	<u>17,582</u>	<u>121,941</u>	<u>6,931,642</u>
Fund balances, end of year	<u>\$ 2,163,884</u>	<u>\$ -</u>	<u>\$ 5,533,575</u>	<u>\$ 24,696</u>	<u>\$ 124,796</u>	<u>\$ 7,846,951</u>

Non-Major Enterprise Funds

CITY OF HAMPTON, VIRGINIA
NON-MAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF NET ASSETS
June 30, 2012

	Business-Type Activities - Non-Major Enterprise Funds				Totals
	Coliseum	Woodlands	Solid Waste	Refuse-Steam Plant	
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 4,305,861	\$ 800	\$ 422,094	\$ 3,714,845	\$ 8,443,600
Accounts receivable	249,662	16,866	2,316,456	239,632	2,822,616
Due from other funds	38,905	2,005			40,910
Due from component units			9,464		9,464
Inventories	<u>74,714</u>	<u>25,493</u>	<u>-</u>	<u>-</u>	<u>100,207</u>
Total current assets	<u>4,669,142</u>	<u>45,164</u>	<u>2,748,014</u>	<u>3,954,477</u>	<u>11,416,797</u>
Noncurrent assets:					
Capital assets:					
Land and improvements	164,079	2,295,538	945,188		3,404,805
Buildings and improvements	12,556,583	1,001,826			13,558,409
Improvements other than buildings	5,989,624	661,032	2,971	20,656,703	27,310,330
Equipment	723,569	458,079	12,223,941	3,036,038	16,441,627
Landfill			3,865,986		3,865,986
Construction in progress	12,530				12,530
Less accumulated depreciation	<u>(13,085,306)</u>	<u>(1,605,036)</u>	<u>(8,511,832)</u>	<u>(16,325,851)</u>	<u>(39,528,025)</u>
Net capital assets	<u>6,361,079</u>	<u>2,811,439</u>	<u>8,526,254</u>	<u>7,366,890</u>	<u>25,065,662</u>
Total noncurrent assets	<u>6,361,079</u>	<u>2,811,439</u>	<u>8,526,254</u>	<u>7,366,890</u>	<u>25,065,662</u>
Total assets	<u>\$ 11,030,221</u>	<u>\$ 2,856,603</u>	<u>\$ 11,274,268</u>	<u>\$ 11,321,367</u>	<u>\$ 36,482,459</u>
LIABILITIES					
Current liabilities:					
Accounts payable	\$ 62,875	\$ 6,821	\$ 282,879	\$ 101,475	\$ 454,050
Accrued interest payable				56,252	56,252
Accrued leave	35,538	6,361	134,640	52,719	229,258
Due to other funds		1,308,431		44	1,308,475
Deferred revenue	315,767	7,260			323,027
Current portion of long-term debt	4,748				4,748
Other liabilities	<u>189,211</u>	<u>10,813</u>	<u>691</u>	<u>73</u>	<u>200,788</u>
Total current liabilities	<u>608,139</u>	<u>1,339,686</u>	<u>418,210</u>	<u>210,563</u>	<u>2,576,598</u>
Noncurrent liabilities:					
Accrued leave	83,765	22,556	83,295	68,378	257,994
Obligations under capital leases					-
Advances from other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,630,243</u>	<u>4,630,243</u>
Total noncurrent liabilities	<u>83,765</u>	<u>22,556</u>	<u>83,295</u>	<u>4,698,621</u>	<u>4,888,237</u>
Total liabilities	<u>691,904</u>	<u>1,362,242</u>	<u>501,505</u>	<u>4,909,184</u>	<u>7,464,835</u>
NET ASSETS					
Invested in capital assets, net of related debt	6,356,331	2,811,439	8,526,254	7,366,890	25,060,914
Unrestricted	<u>3,981,986</u>	<u>(1,317,078)</u>	<u>2,246,509</u>	<u>(954,707)</u>	<u>3,956,710</u>
Total net assets	<u>10,338,317</u>	<u>1,494,361</u>	<u>10,772,763</u>	<u>6,412,183</u>	<u>29,017,624</u>
Total liabilities and net assets	<u>\$ 11,030,221</u>	<u>\$ 2,856,603</u>	<u>\$ 11,274,268</u>	<u>\$ 11,321,367</u>	<u>\$ 36,482,459</u>

CITY OF HAMPTON, VIRGINIA
NON-MAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For the Year Ended June 30, 2012

	Business-Type Activities - Non-Major Enterprise Funds				Totals
	Coliseum	Woodlands	Solid Waste	Refuse-Steam Plant	
Operating revenues:					
Charges for services	\$ 9,663,070	\$ 739,247	\$ 10,004,344	\$ 7,918,469	\$ 28,325,130
Total operating revenues	<u>9,663,070</u>	<u>739,247</u>	<u>10,004,344</u>	<u>7,918,469</u>	<u>28,325,130</u>
Operating expenses:					
Personal services	1,175,656	337,090	2,074,407	1,529,645	5,116,798
Fringe benefits	365,064	109,334	883,078	548,804	1,906,280
Promoter fees	4,282,611				4,282,611
City-sponsored events	918,446				918,446
Cost of goods sold	237,013	42,012			279,025
Utilities	256,639	53,883	992	439,595	751,109
Insurance	173,820	20,065	121,483	262,599	577,967
Operating supplies	206,426	88,435	149,907	946,801	1,391,569
Equipment rental	14,285	34,980	1,792	9,951	61,008
Equipment and building repairs	166,016	39,309	1,471,162	1,227,148	2,903,635
Telephone and postage	19,573	3,562	3,645	16,057	42,837
General expense	774,694	2,990	526,986	32,276	1,336,946
Landfill costs			3,229,303	744,851	3,974,154
Contractual services	328,531	48,027	339,539	144,871	860,968
Indirect cost			356,470	218,000	574,470
Depreciation and amortization	519,711	67,576	1,070,738	733,416	2,391,441
Total operating expenses	<u>9,438,485</u>	<u>847,263</u>	<u>10,229,502</u>	<u>6,854,014</u>	<u>27,369,264</u>
Operating income (loss)	<u>224,585</u>	<u>(108,016)</u>	<u>(225,158)</u>	<u>1,064,455</u>	<u>955,866</u>
Nonoperating revenues (expenses):					
Interest income				4,364	4,364
Interest and fiscal charges	(306)			(235,222)	(235,528)
Gain (loss) on disposal of capital assets	(13,488)	(130)	108,466	(2,926)	91,922
Total nonoperating revenues (expenses)	<u>(13,794)</u>	<u>(130)</u>	<u>108,466</u>	<u>(233,784)</u>	<u>(139,242)</u>
Income (loss) before transfers	210,791	(108,146)	(116,692)	830,671	816,624
Transfers in (out)	-	-	(55,000)	-	(55,000)
Change in net assets	210,791	(108,146)	(171,692)	830,671	761,624
Net assets, beginning of year	<u>10,127,526</u>	<u>1,602,507</u>	<u>10,944,455</u>	<u>5,581,512</u>	<u>28,256,000</u>
Net assets, end of year	<u>\$ 10,338,317</u>	<u>\$ 1,494,361</u>	<u>\$ 10,772,763</u>	<u>\$ 6,412,183</u>	<u>\$ 29,017,624</u>

**CITY OF HAMPTON, VIRGINIA
NON-MAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
Fiscal Year Ended June 30, 2012**

	Coliseum	Woodlands	Solid Waste	Refuse-Steam Plant	Totals
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	\$ 9,436,605	\$ 728,257	\$ 10,014,073	\$ 8,023,143	\$ 28,202,078
Cash payments to suppliers for goods and services	(7,843,391)	(441,316)	(7,159,633)	(4,651,326)	(20,095,666)
Cash payments to employees for services	(1,222,999)	(347,734)	(2,169,578)	(1,570,051)	(5,310,362)
Net cash provided by (used in) operating activities	<u>370,215</u>	<u>(60,793)</u>	<u>684,862</u>	<u>1,801,766</u>	<u>2,796,050</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Operating transfers in from (out to) other funds	-	-	(55,000)	-	(55,000)
Net cash provided by (used in) noncapital financing activities	-	-	(55,000)	-	(55,000)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition and construction of capital assets	(196,052)		(2,419,470)	(183,424)	(2,798,946)
Sale of capital assets			108,466		108,466
Principal paid on revenue bond maturities and long-term debt	(9,294)			(312,773)	(322,067)
Interest paid on revenue bonds and long-term debt	(306)	-	-	(238,627)	(238,933)
Net cash provided by (used in) capital and related financing activities	<u>(205,652)</u>	<u>-</u>	<u>(2,311,004)</u>	<u>(734,824)</u>	<u>(3,251,480)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest and dividends on investments	-	-	-	4,621	4,621
Net cash provided by (used in) investing activities	-	-	-	4,621	4,621
Net increase (decrease) in cash and cash equivalents (including restricted amounts)	164,563	(60,793)	(1,681,142)	1,071,563	(505,809)
Cash and cash equivalents, July 1	<u>4,141,298</u>	<u>61,593</u>	<u>2,103,236</u>	<u>2,643,282</u>	<u>8,949,409</u>
Cash and cash equivalents, June 30	<u>\$ 4,305,861</u>	<u>\$ 800</u>	<u>\$ 422,094</u>	<u>\$ 3,714,845</u>	<u>\$ 8,443,600</u>
Operating income (loss)	<u>\$ 224,585</u>	<u>\$ (108,016)</u>	<u>\$ (225,158)</u>	<u>\$ 1,064,455</u>	<u>\$ 955,866</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization expense	519,711	67,576	1,070,738	733,416	2,391,441
Decrease (increase) in:					
Accounts receivable	(39,791)	(8,992)	(1,266)	24,097	(25,952)
Due from other funds	(38,905)	(2,005)		80,833	39,923
Due from component units			9,565		9,565
Inventories	(10,464)	(1,903)			(12,367)
Increase (decrease) in:					
Accounts payable	(82,832)	1,954	6,987	(60,372)	(134,263)
Accrued leave	8,008	(3,028)	27,147	(4,108)	28,019
Due to other funds		2,360	(80,833)	44	(78,429)
Other liabilities	(54,364)	(11,715)	(75,247)	(53,004)	(194,330)
Deferred revenue	(147,769)	(1,230)			(148,999)
Accounts receivable reported as nonoperating activities				(256)	(256)
Long-term accrued leave reported as operating activity	(7,964)	4,206	(47,071)	16,661	(34,168)
Total adjustments	<u>145,630</u>	<u>47,223</u>	<u>910,020</u>	<u>737,311</u>	<u>1,840,184</u>
Net cash provided by (used in) operating activities	<u>\$ 370,215</u>	<u>\$ (60,793)</u>	<u>\$ 684,862</u>	<u>\$ 1,801,766</u>	<u>\$ 2,796,050</u>

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Internal Service Funds

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CITY OF HAMPTON, VIRGINIA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS
June 30, 2012

ASSETS	Equipment Replacement	Fleet Services	Risk Management	Information Technology	Totals
Current assets:					
Cash and cash equivalents	\$ 9,351,723	\$ 1,004,920	\$ 18,193,200	\$ 611,861	\$ 29,161,704
Cash with fiscal agent		41,091	325,134		366,225
Accounts receivable	1,271	70,959	2,468	22,480	97,178
Due from component units		74,821		400	75,221
Prepaid expense			109,811	64,687	174,498
Inventories	-	131,015	-	-	131,015
Total current assets	<u>9,352,994</u>	<u>1,322,806</u>	<u>18,630,613</u>	<u>699,428</u>	<u>30,005,841</u>
Noncurrent assets:					
Capital assets					
Improvements other than buildings		248,062			248,062
Computer software	14,400	171,225			185,625
Equipment	33,527,270	833,933	32,661	1,517,819	35,911,683
Construction in progress	5,586,713				5,586,713
Less accumulated depreciation	<u>(23,833,785)</u>	<u>(709,890)</u>	<u>(26,830)</u>	<u>(564,774)</u>	<u>(25,135,279)</u>
Total noncurrent assets (net capital assets)	<u>15,294,598</u>	<u>543,330</u>	<u>5,831</u>	<u>953,045</u>	<u>16,796,804</u>
Total assets	<u>\$ 24,647,592</u>	<u>\$ 1,866,136</u>	<u>\$ 18,636,444</u>	<u>\$ 1,652,473</u>	<u>\$ 46,802,645</u>
LIABILITIES					
Current liabilities:					
Accounts payable	\$ 263,990	\$ 320,181	\$ 35,154	\$ 115,581	\$ 734,906
Accrued leave		52,410	7,691	9,378	69,479
Deferred revenue				39,480	39,480
Current portion of long-term debt	877,556	72,835	4,044,710		4,995,101
Other liabilities	-	-	-	404	404
Total current liabilities	<u>1,141,546</u>	<u>445,426</u>	<u>4,087,555</u>	<u>164,843</u>	<u>5,839,370</u>
Noncurrent liabilities:					
Claims payable			800,325		800,325
Accrued leave		49,676	5,513	665	55,854
Obligations under capital leases	5,395,719	191,064	-	-	5,586,783
Total noncurrent liabilities	<u>5,395,719</u>	<u>240,740</u>	<u>805,838</u>	<u>665</u>	<u>6,442,962</u>
Total liabilities	<u>6,537,265</u>	<u>686,166</u>	<u>4,893,393</u>	<u>165,508</u>	<u>12,282,332</u>
NET ASSETS					
Invested in capital assets, net of related debt	9,021,323	279,431	5,831	953,045	10,259,630
Restricted		41,091			41,091
Unrestricted	9,089,004	859,448	13,737,220	533,920	24,219,592
Total net assets	<u>18,110,327</u>	<u>1,179,970</u>	<u>13,743,051</u>	<u>1,486,965</u>	<u>34,520,313</u>
Total liabilities and net assets	<u>\$ 24,647,592</u>	<u>\$ 1,866,136</u>	<u>\$ 18,636,444</u>	<u>\$ 1,652,473</u>	<u>\$ 46,802,645</u>

CITY OF HAMPTON, VIRGINIA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For the Year Ended June 30, 2012

	Equipment Replacement	Fleet Services	Risk Management	Information Technology	Totals
Operating revenues:					
Charges for services	\$ 1,347,501	\$ 8,237,049	\$ 7,289,277	\$ 1,622,691	\$ 18,496,518
Operating expenses:					
Personal services		1,069,508	238,338	145,972	1,453,818
Fringe benefits		402,807	82,796	46,636	532,239
Cost of goods sold		6,071,104			6,071,104
Utilities		46,655			46,655
Insurance		55,294	1,945,218	3,098	2,003,610
Operating supplies		155,516	3,598	45,122	204,236
Equipment rental		-	24,438	2,853	27,291
Equipment and building repairs		57,791	1,409	138,393	197,593
Telephone and postage		12,892	4,626	884,537	902,055
General expense		48,406	17,387	41,830	107,623
Claims			3,031,196		3,031,196
Contractual services		183,627	400,170	31,478	615,275
Depreciation and amortization	2,135,056	81,240	3,691	100,839	2,320,826
Total operating expenses	<u>2,135,056</u>	<u>8,184,840</u>	<u>5,752,867</u>	<u>1,440,758</u>	<u>17,513,521</u>
Operating income (loss)	<u>(787,555)</u>	<u>52,209</u>	<u>1,536,410</u>	<u>181,933</u>	<u>982,997</u>
Nonoperating revenues (expenses):					
Interest income	12,165	127	23,874	368	36,534
Interest and fiscal charges	(32,949)	(8,479)			(41,428)
Other	58,458	2,676			61,134
Gain (loss) on disposal of capital assets	39,830	(634)	(593,560)	-	(554,364)
Total nonoperating revenues (expenses)	<u>77,504</u>	<u>(6,310)</u>	<u>(569,686)</u>	<u>368</u>	<u>(498,124)</u>
Income (loss) before transfers	(710,051)	45,899	966,724	182,301	484,873
Transfers in (out)	<u>(114,904)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(114,904)</u>
Change in net assets	(824,955)	45,899	966,724	182,301	369,969
Net assets, beginning of year	<u>18,935,282</u>	<u>1,134,071</u>	<u>12,776,327</u>	<u>1,304,664</u>	<u>34,150,344</u>
Net assets, end of year	<u>\$ 18,110,327</u>	<u>\$ 1,179,970</u>	<u>\$ 13,743,051</u>	<u>\$ 1,486,965</u>	<u>\$ 34,520,313</u>

CITY OF HAMPTON, VIRGINIA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2012

	Equipment Replacement	Fleet Services	Risk Management	Information Technology	Totals
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	\$ 1,405,959	\$ 8,380,981	\$ 7,289,277	\$ 1,631,797	\$ 18,708,014
Cash payments to suppliers for goods and services		(6,522,251)	(6,342,906)	(1,268,248)	(14,133,405)
Cash payments to employees for services	-	(1,528,339)	(261,376)	(158,071)	(1,947,786)
Net cash provided by (used in) operating activities	<u>1,405,959</u>	<u>330,391</u>	<u>684,995</u>	<u>205,478</u>	<u>2,626,823</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Cash paid to other funds	(115,478)	-	-	-	(115,478)
Net cash provided by (used in) noncapital financing activities	<u>(115,478)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(115,478)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition and construction of capital assets	(9,209,228)	(60,973)	(594,697)	(5,002)	(9,869,900)
Proceeds from issuance on long-term debt	5,586,712	-			5,586,712
Principal paid on revenue bond maturities and long-term debt	(126,559)	(70,865)			(197,424)
Interest paid on revenue bonds and long-term debt	(32,949)	(8,479)			(41,428)
Sale of capital assets	83,966	-	-	-	83,966
Net cash provided by (used in) capital and related financing activities	<u>(3,698,058)</u>	<u>(140,317)</u>	<u>(594,697)</u>	<u>(5,002)</u>	<u>(4,438,074)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest and dividends on investments	11,866	127	22,925	368	35,286
Net cash provided by (used in) investing activities	<u>11,866</u>	<u>127</u>	<u>22,925</u>	<u>368</u>	<u>35,286</u>
Net increase (decrease) in cash and cash equivalents (including restricted amounts)	(2,395,711)	190,201	113,223	200,844	(1,891,443)
Cash and cash equivalents, July 1	<u>11,747,434</u>	<u>855,810</u>	<u>18,405,111</u>	<u>411,017</u>	<u>31,419,372</u>
Cash and cash equivalents, June 30	<u>\$ 9,351,723</u>	<u>\$ 1,046,011</u>	<u>\$ 18,518,334</u>	<u>\$ 611,861</u>	<u>\$ 29,527,929</u>

continued

	Equipment Replacement	Fleet Management	Risk Management	Information Technology	Totals
Operating income (loss)	\$ (787,555)	\$ 52,209	\$ 1,536,410	\$ 181,933	\$ 982,997
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization expense	2,135,056	81,240	3,691	100,839	2,320,826
Decrease (increase) in:					
Accounts receivable	(299)	(34,555)	(949)	(2,922)	(38,725)
Due from other funds		574	-		574
Due from component units		175,237	-	400	175,637
Inventories		27,821			27,821
Prepaid expenses			(14,027)	(17,300)	(31,327)
Increase (decrease) in:					
Accounts payable	(74,938)	81,213	(226,308)	(57,001)	(277,034)
Accrued leave		(4,646)	(6,848)	155	(11,339)
Due to other funds	(574)				(574)
Other liabilities		(36,186)	(10,849)	(6,194)	(53,229)
Nonoperating revenues reported as operating	58,458	2,676			61,134
Deferred revenue				11,628	11,628
Current portion of long-term accrued claims reported as operating activity			(553,790)		(553,790)
Accounts receivable reported as nonoperating activities	299		949		1,248
Due to other funds reported as nonoperating activities	574				574
Accounts payable reported as nonoperating activities	74,938				74,938
Long-term accrued leave reported as operating activities		(15,192)	(5,341)	(6,060)	(26,593)
Long-term accrued insurance claims reported as operating activity	-	-	(37,943)	-	(37,943)
Total adjustments	<u>2,193,514</u>	<u>278,182</u>	<u>(851,415)</u>	<u>23,545</u>	<u>1,643,826</u>
Net cash provided by (used in) operating activities	\$ <u>1,405,959</u>	\$ <u>330,391</u>	\$ <u>684,995</u>	\$ <u>205,478</u>	\$ <u>2,626,823</u>

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Fiduciary Funds

**CITY OF HAMPTON, VIRGINIA
FIDUCIARY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the Year Ended June 30, 2012**

	<u>Balance, July 1, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance, June 30, 2012</u>
<u>Special Welfare Fund</u>				
ASSETS				
Cash and cash equivalents	\$ 156,853	\$ 139,393	\$ 256,533	\$ 39,713
Accounts receivable	-	49	49	-
	<u>\$ 156,853</u>	<u>\$ 139,442</u>	<u>\$ 256,582</u>	<u>\$ 39,713</u>
LIABILITIES				
Deposits	\$ 148,801	\$ 133,360	\$ 249,055	\$ 33,106
Accounts payable	8,052	123,486	124,931	6,607
	<u>\$ 156,853</u>	<u>\$ 256,846</u>	<u>\$ 373,986</u>	<u>\$ 39,713</u>
<u>Agency Fund</u>				
ASSETS				
Cash and cash equivalents	\$ 1,038,143	\$ 458,620	\$ 441,242	\$ 1,055,521
Accounts receivable	-	62,531	62,531	-
	<u>\$ 1,038,143</u>	<u>\$ 521,151</u>	<u>\$ 503,773</u>	<u>\$ 1,055,521</u>
LIABILITIES				
Deposits	\$ 1,016,842	\$ 365,592	\$ 345,537	\$ 1,036,897
Accounts payable	21,301	480,402	483,079	18,624
	<u>\$ 1,038,143</u>	<u>\$ 845,994</u>	<u>\$ 828,616</u>	<u>\$ 1,055,521</u>
<u>Total - All Agency Funds</u>				
ASSETS				
Cash and cash equivalents	\$ 1,194,996	\$ 598,013	\$ 697,775	\$ 1,095,234
Accounts receivable	-	62,580	62,580	-
	<u>\$ 1,194,996</u>	<u>\$ 660,593</u>	<u>\$ 760,355</u>	<u>\$ 1,095,234</u>
LIABILITIES				
Deposits	\$ 1,165,643	\$ 498,952	\$ 594,592	\$ 1,070,003
Accounts payable and accrued liabilities	29,353	603,888	608,010	25,231
	<u>\$ 1,194,996</u>	<u>\$ 1,102,840</u>	<u>\$ 1,202,602</u>	<u>\$ 1,095,234</u>

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**Discretely Presented Component
Unit-School Board**

CITY OF HAMPTON, VIRGINIA
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
COMBINING BALANCE SHEET
June 30, 2012

	<u>Operating</u>	<u>Food Services</u>	<u>Reimbursable Projects</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 673,955	\$ 4,137,533	\$ 1,009,400	\$ 5,820,888
Cash with fiscal agent	9,210,585			9,210,585
Investments	11,919			11,919
Accounts receivables	112,611	14,920	29,730	157,261
Due from primary government	61,027	6,232	-	67,259
Due from other funds	3,078,200		-	3,078,200
Due from other governments	3,597,069	1,046,588	2,643,790	7,287,447
Inventories	-	111,056	-	111,056
Total assets	<u>\$ 16,745,366</u>	<u>\$ 5,316,329</u>	<u>\$ 3,682,920</u>	<u>\$ 25,744,615</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable and other liabilities	\$ 11,886,321	\$ 39,270	\$ 316,814	\$ 12,242,405
Due to other funds	-	-	3,078,200	3,078,200
Due to primary government	85,168			85,168
Deferred revenue	-	-	39,321	39,321
Total liabilities	<u>11,971,489</u>	<u>39,270</u>	<u>3,434,335</u>	<u>15,445,094</u>
Fund balance				
Nonspendable		111,056		111,056
Restricted		5,166,003	382,941	5,548,944
Assigned	4,773,877			4,773,877
Unassigned	-	-	(134,356)	(134,356)
Total fund balance	<u>4,773,877</u>	<u>5,277,059</u>	<u>248,585</u>	<u>10,299,521</u>
Total liabilities and fund balances	<u>\$ 16,745,366</u>	<u>\$ 5,316,329</u>	<u>\$ 3,682,920</u>	<u>\$ 25,744,615</u>

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

Total fund balance	\$ 10,299,521
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)	97,828,789
Accumulated depreciation on capital assets. (Note 6)	(80,144,791)
Net other post employment benefit liability (Note 8)	(7,852,622)
Capital lease (Note 8)	(155,381)
Long-term liability for compensated absences. (Note 8)	(6,695,550)
	<u>\$ 13,279,966</u>

CITY OF HAMPTON, VIRGINIA
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended June 30, 2012

	Operating	Food Services	Reimbursable Projects	Total
REVENUES				
State funds	\$ 116,648,449	\$ 180,212	\$ 857,989	\$ 117,686,650
Federal funds (includes pass through)	1,113,979	6,266,618	24,524,490	31,905,087
Other receipts	1,617,500	3,545,363	710,377	5,873,240
Payments from City	66,345,093			66,345,093
Net increase in fair value of investments	(165)	-	-	(165)
Total revenues	185,724,856	9,992,193	26,092,856	221,809,905
EXPENDITURES				
Education	187,597,041	8,886,033	26,689,921	223,172,995
Excess of revenues over (under) expenditures	(1,872,185)	1,106,160	(597,065)	(1,363,090)
OTHER FINANCING SOURCES (USES)				
Transfer from:				
Food Services Fund	260,000			260,000
School Operating Fund			535,343	535,343
Transfer to:				
School Operating Fund		(260,000)		
Reimbursable Projects Fund	(535,343)	-	-	(795,343)
Total other sources (uses)	(275,343)	(260,000)	535,343	-
Excess of revenues and other sources over (under) expenditures and other uses	(2,147,528)	846,160	(61,722)	(1,363,090)
Fund balance - July 1	6,921,405	4,430,899	310,307	11,662,611
Fund balance - June 30	\$ 4,773,877	\$ 5,277,059	\$ 248,585	\$ 10,299,521

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

Net change in fund balances - total school funds	\$ (1,363,090)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. (Note 6)	
Capital acquisitions	3,950,475
Depreciation expense	(3,932,014)
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 abandoned. (Note 6)	(8,367)
Capital lease financing for the acquisition of capital assets does not provide current financial resources. Capital assets acquired by capital lease financing are not reported as expenditures in the governmental funds. (Note 8)	73,745
Increase in other post employment benefit liability reported in the Statement of Activities does not provide current financial resources and therefore is not reported in the governmental funds. (Note 8)	(2,036,074)
Increase in compensated absences reported in the Statement of Activities does not provide current financial resources and therefore is not reported in the governmental funds. (Note 8)	(1,215,394)
Change in net assets of governmental activities	\$ (4,530,719)

CITY OF HAMPTON, VIRGINIA
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2012

	School Board - School Operating Fund			Variance with Final Budget Over (Under)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Intergovernmental:				
State funds	\$ 116,020,364	\$ 117,039,640	\$ 116,648,449	\$ (391,191)
Federal funds (includes pass through)	1,320,516	1,079,550	1,113,979	34,429
Miscellaneous	945,500	1,146,497	1,319,495	172,998
Payments from City	66,345,093	66,345,093	66,345,093	-
Total revenues	<u>184,631,473</u>	<u>185,610,780</u>	<u>185,427,016</u>	<u>(183,764)</u>
EXPENDITURES				
Current:				
Education	<u>184,070,371</u>	<u>187,282,025</u>	<u>187,098,261</u>	<u>(183,764)</u>
Total expenditures	<u>184,070,371</u>	<u>187,282,025</u>	<u>187,098,261</u>	<u>(183,764)</u>
Excess of revenues over (under) expenditures	<u>561,102</u>	<u>(1,671,245)</u>	<u>(1,671,245)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	260,000	260,000	260,000	-
Transfers out	<u>(821,102)</u>	<u>(821,102)</u>	<u>(821,102)</u>	<u>-</u>
Total other financing sources (uses)	<u>(561,102)</u>	<u>(561,102)</u>	<u>(561,102)</u>	<u>-</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>-</u>	<u>(2,232,347)</u>	<u>(2,232,347)</u>	<u>-</u>
Appropriations from fund balance		6,360,769		
Appropriations - encumbrances		<u>(4,128,422)</u>		
Fund balance - July 1	<u>-</u>	<u>-</u>	<u>6,360,769</u>	
Fund balance - June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,128,422</u>	

Special Revenues Fund is consolidated into the School Operating Fund for reporting purposes:

Miscellaneous	143,795
Special Revenue	(72,279)
Fund balance, beginning	<u>410,627</u>
Fund balance, ending	<u>482,143</u>

A legally budgeted Student Activities Fund is consolidated into the School Operating Fund for reporting purposes:

Miscellaneous	154,045
Transfer from Reimbursable Projects	(1,241)
Transfer from Operating fund	287,000
Athletics	(426,501)
Fund balance, beginning	<u>150,009</u>
Fund balance, ending	<u>163,312</u>
Fund balance, ending (Exhibit G-2)	<u>\$ 4,773,877</u>

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

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Supplementary Information

CITY OF HAMPTON, VIRGINIA
SCHEDULE OF THE TREASURER'S ACCOUNTABILITY
June 30, 2012

Assets held by the Treasurer:

Cash on hand	\$	7,050
Cash in banks:		
Old Point National Bank		11,382,924
Investments:		
Certificates of deposit		8,096,989
Commercial Paper		7,989,504
Repurchase agreement		26,300,000
Investment in mutual and money market funds		2,731
State Local Government Investment Pool		99,000,000
U.S. Government securities		7,999,834
Corporate bonds		4,133,509
Timing differences		(2,857)
Total assets	\$	<u>164,909,684</u>

Liabilities of the Treasurer:

Balance of City funds	\$	<u>164,909,684</u>
Cash and cash equivalents		
Primary Government per Exhibit A-1	\$	141,529,394
School Board per Exhibit A-11		5,820,888
Industrial Development Authority per Exhibit A-11		4,720,086
General Fund Investments per Exhibit A-3		12,071,148
Restricted cash and investments - Enterprise funds per Exhibit A-6		
Cash and cash equivalents		5,442,374
Investments		16,562,381
Cash and cash equivalents - Fiduciary Funds per Exhibit A-9		1,143,889
Investments - Component Unit - IDA per Exhibit A-11		890
Adjust investments in CAFR from fair value to cost		62,195
Timing differences		34,779
Less:		
Petty cash	\$	(18,295)
Cash and investments held by trustees		<u>(22,460,045)</u>
		(22,478,340)
Balance of City funds	\$	<u>164,909,684</u>

CITY OF HAMPTON, VIRGINIA
SCHEDULE OF CASH FLOWS
DISCRETELY PRESENTED COMPONENT UNIT
INDUSTRIAL DEVELOPMENT AUTHORITY
For the Year Ended June 30, 2012

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ (20,944)
Cash payments to suppliers for goods and services	(1,667,221)
Cash payments to employees for services	(4,200)
Other receipts (payments)	<u>2,994</u>
Net cash provided by (used in) operating activities	<u>(1,689,371)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Payment from primary government	
Net cash provided by (used in) noncapital financing activities	<u>1,471,767</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	
Principal paid on revenue bond maturities and long-term debt	(536,727)
Interest paid on revenue bonds and long-term debt	<u>(453,333)</u>
Net cash provided by (used in) capital and related financing activities	<u>(990,060)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends on investments	62,757
Proceeds from collection of loans	443,644
Proceeds from collection of lease receivable	552,204
Interest received on loans	40,841
Interest received on lease receivable	437,855
Disbursements for loans	<u>(458,000)</u>
Net cash provided by (used in) investing activities	<u>1,079,301</u>
Net increase (decrease) in cash and cash equivalents (including restricted amounts)	(128,363)
Cash and cash equivalents (including restricted), July 1	<u>4,848,449</u>
Cash and cash equivalents (including restricted), June 30	<u>\$ 4,720,086</u>

continued

Operating income (loss)	\$ <u>(1,639,525)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Depreciation and amortization expense	103,342
Bad Debt Expense	35,444
Decrease (increase) in:	
Notes receivable	(4,050)
Due from primary government	(107,329)
Prepaid expenses	(2,400)
Increase (decrease) in:	
Accounts payable	(80,346)
Due to primary government	6,147
Other liabilities	(15,727)
Deferred revenue	(32,776)
Nonoperating revenues reported as operating revenues	35,915
Accounts receivable reported as nonoperating activities	13,238
Notes receivable reported as nonoperating activities	(16,781)
Accounts payable reported as nonoperating activities	4,992
Other accrued expenses reported as nonoperating revenues	15,477
Due from/to other funds reported as nonoperating activities	<u>(4,992)</u>
Total adjustments	<u>(49,846)</u>
Net cash provided by (used in) operating activities	\$ <u><u>(1,689,371)</u></u>
Non-cash transactions affecting investing capital and related financing activities:	
Net increase (decrease) in fair value of investments	\$ <u>278</u>
Total non-cash transactions	\$ <u><u>278</u></u>

CITY OF HAMPTON, VIRGINIA
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
SCHOOL OPERATING FUND
SCHEDULE OF APPROPRIATIONS AND EXPENDITURES
For the Year Ended June 30, 2012

	<u>Appropriations</u>			<u>Expenditures</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Budget July 1, 2011</u>	<u>Net Changes</u>	<u>Final June 30, 2012</u>		
EXPENDITURES					
Administration/attendance and health	\$ 9,036,715	\$ 98,318	\$ 9,135,033	\$ 9,020,668	\$ (114,365)
Instructional	135,382,327	(1,556,919)	133,825,408	133,834,156	8,748
Public transportation service	9,564,644	(87,169)	9,477,475	9,477,475	
Operation and maintenance of school plant	19,823,335	(256,320)	19,567,015	19,488,869	(78,146)
Technology	<u>10,263,350</u>	<u>5,013,744</u>	<u>15,277,094</u>	<u>15,277,093</u>	<u>(1)</u>
Total expenditures	<u>184,070,371</u>	<u>3,211,654</u>	<u>187,282,025</u>	<u>187,098,261</u>	<u>(183,764)</u>
OPERATING TRANSFERS OUT					
To Student Activities Fund	287,000		287,000	287,000	
To Reimbursable Projects Fund	<u>534,102</u>	<u>-</u>	<u>534,102</u>	<u>534,102</u>	
Total transfers out	<u>821,102</u>	<u>-</u>	<u>821,102</u>	<u>821,102</u>	<u>-</u>
Total expenditures and transfers out	<u>\$ 184,891,473</u>	<u>\$ 3,211,654</u>	<u>\$ 188,103,127</u>	<u>\$ 187,919,363</u>	<u>\$ (183,764)</u>

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

CITY OF HAMPTON, VIRGINIA
DISCRETELY PRESENTED COMPONENT UNIT SCHOOL BOARD
SCHOOL OPERATING FUND
SCHEDULE OF REVENUES AND OTHER CREDITS - BUDGET AND ACTUAL
For the Year Ended June 30, 2012

	<u>Final Budgeted Revenues</u>	<u>Actual Revenues</u>	<u>Variance with Final Budget Over (Under)</u>
State funds:			
Basic appropriation	\$ 60,188,474	\$ 60,174,037	\$ (14,437)
At risk payment	2,000,820	2,002,106	1,286
Remedial education	2,063,028	2,064,556	1,528
K-3 Primary Class Size	2,548,714	2,475,381	(73,333)
Virginia Retirement System	3,644,181	3,646,881	2,700
Social security benefits	4,020,646	4,023,625	2,979
Group life insurance	150,586	150,698	112
Special education	11,249,690	11,111,301	(138,389)
Textbook payments	610,776	611,229	453
Remedial summer school	689,014	689,014	-
At risk 4 year old	2,706,162	2,706,162	-
Gifted	677,637	678,139	502
Hold Harmless	172,547	172,547	-
Foster home	161,659	161,659	-
Vocational education	1,609,860	1,620,140	10,280
VPSA education tech. grant	882,000	882,000	-
Virginia blind	11,160	7,290	(3,870)
ESL	254,368	254,368	-
Reading Intervention	255,423	255,423	-
SOL Algebra Readiness	270,718	268,607	(2,111)
Lottery	1,956,520	1,953,342	(3,178)
Sales tax	20,578,564	20,417,311	(161,253)
Medicaid Reimbursement	337,093	322,633	(14,460)
Total state funds	<u>117,039,640</u>	<u>116,648,449</u>	<u>(391,191)</u>
Federal funds:			
Public law 874	648,000	681,198	33,198
Impact aid special education	120,516	109,169	(11,347)
U.S. Army - ROTC	101,034	122,960	21,926
U.S. Air Force - ROTC	60,000	67,731	7,731
U.S. Navy - ROTC	80,000	72,566	(7,434)
U.S. Marine Corps - ROTC	70,000	60,355	(9,645)
SFSF(Stimulus)	-	-	-
Total federal funds	<u>1,079,550</u>	<u>1,113,979</u>	<u>34,429</u>
Other funds:			
Fees from students	43,000	41,879	(1,121)
Tuition from regular day students	-	10,000	10,000
Miscellaneous Revenue	400,000	595,867	195,867
Medicaid Reimbursement	-	7,200	7,200
Interest	2,500	1,841	(659)
Other	700,997	662,708	(38,289)
Total other funds	<u>1,146,497</u>	<u>1,319,495</u>	<u>172,998</u>
Total revenues	<u>119,265,687</u>	<u>119,081,923</u>	<u>(183,764)</u>
Other credits:			
Payment from the City	66,345,093	66,345,093	-
Transfer from Food Services Fund	260,000	260,000	-
Total other credits	<u>66,605,093</u>	<u>66,605,093</u>	<u>-</u>
Total revenues and other credits	<u>\$ 185,870,780</u>	<u>\$ 185,687,016</u>	<u>\$ (183,764)</u>

CITY OF HAMPTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2012

Federal Granting Agency/ Recipient State Agency/ Grant Program/Grant Number	Federal Catalogue Number	Expenditures
DEPARTMENT OF AGRICULTURE:		
FOOD STAMP CLUSTER:		
Pass-through payments:		
Department of Social Services:		
State Administrative Matching Grants for Food Stamp Program	10.561	\$ 1,670,964
Total Food Stamp Cluster		<u>1,670,964</u>
NUTRITION CLUSTER:		
Direct payments:		
Summer Food Service Program for Children	10.559	170,413
Pass-through payments:		
Department of Education:		
National School Breakfast Program	10.553	1,392,219
National School Lunch Program	10.555	4,874,399
Frest Fruit and Vegetables	10.586	41,480
Department of Agriculture and Consumer Services:		
Donated Commodities	10.555	<u>572,247</u>
Total Nutrition Cluster		<u>7,050,758</u>
Total Department of Agriculture		<u>8,721,722</u>
DEPARTMENT OF DEFENSE:		
Direct Payments:		
U.S. Army - ROTC	12.000	122,960
U.S. Air Force - ROTC	12.000	67,731
U.S. Navy - ROTC	12.000	72,566
U.S. Marine Corps - ROTC	12.000	<u>60,355</u>
Total Department of Defense		<u>323,612</u>
DEPARTMENT OF EDUCATION:		
Direct payments:		
Impact Aid	84.041	790,367
Pass-through payments:		
Department of Behavioral Health and Developmental Services:		
Early Intervention Services for Infants and Toddlers with Disabilities and their Families (00-01-15)	84.181	357,357
ARRA-Early Intervention Services for Infants and Toddlers with Disabilities and their Families (00-01-15)	84.181	65,915
Department of Education:		
Gear Up	84.334 A	542,137
Adult Education State-Administered Program	84.002	235,859
Title I, Part A Cluster:		
Educationally Deprived Children-LEA (112-00-1) (112-01-1)	84.010 A	8,247,598
School Improvement	84.377	504,345
ARRA Title I	84.389	2,230,320
Reach ED for Homeless Child (112-00-1) (112-01-1) Project Hope	84.196	<u>-</u> 10,982,263
ARRA-McKinney Vento	84.387	9,724

CITY OF HAMPTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED
For the Year Ended June 30, 2012

Title II:			
Title II Training and Recruiting	84.367 A		944,037
Title II Technology Ed	84.318		40,663
Title II D-ARRA	84.386		45,230
Title III LEP, Immigrant	84.365		28,517
Title VI :			
Title VI 21st Century	84.287 C		449,861
Title VIB	84.027 A		4,630,692
Title VIB Preschool	84.173 A		10,691
Title VIB ARRA	84.391		555,885
Carl Perkins	84.048		394,705
Parent Resource Center	84.310		16,121
Title IV Drug-Free Schools and Communities	84.186		61,847
Teaching American History	84.215 X		50,369
ARRA-Education Jobs Funds	84.410		5,410,867
State Fiscal Stabilization Cluster:			
ARRA-State Fiscal Stabilization Fund	84.394	113,722	
ARRA-State Fiscal Stabilization Fund	84.397	-	113,722
Total Department of Education			25,736,829
 DEPARTMENT OF ENERGY			
Direct payments:			
Energy Efficiency and Conservatin Block Grant ARRA	81.128		693,761
 DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
MEDICAID CLUSTER:			
Pass-through payments:			
Department of Social Services:			
Medical Assistance Program (Medicaid, Title XIX)	93.778		1,013,090
Total Medicaid Cluster			1,013,090
 OTHER:			
Pass-through payments:			
Department of Social Services:			
Promoting Safe and Stable Families	93.556		865,894
Temporary Assistance for Needy Families (TANF)	93.558		853,856
Healthy Families Partnership - (TANF)	93.558		419,750
Refugee & Entrant Assistance	93.566		32,250
Low-Income Home Energy Assistance (LIHEAP)	93.568		140,692
Child Care and Developmental Fund Cluster:			
Child Care and Development Block Grant (CCDBG)	93.575	531,430	
Child Care Development Fund	93.596	802,007	
ARRA-Child Care Development Fund	93.596	-	1,333,437
Independent Living Program - Education and Training Vouchers	95.599		17,763
Family Support	93.645		60,194
Foster Care - Title IV-E	93.658		574,809
Adoption Assistance	93.659		807,980
Social Services Block Grant (SSBG)	93.667		1,055,498
Independent Living	93.674		28,737
State Children's Insurance Program (CHIP)	93.767		49,474
Total Department of Health and Human Services (Other)			6,240,334

CITY OF HAMPTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED
For the Year Ended June 30, 2012

CORPORATION FOR NATIONAL AND COMMUNITY SERVICE:

FOSTER GRANDPARENT, SENIOR COMPANION CLUSTER:

Direct payments:

Foster Grandparent Program (08SFSVA004)	94.011	<u>352,980</u>
Total Foster Grandparent, Senior Companion Cluster		<u>352,980</u>

DEPARTMENT OF HOMELAND SECURITY:

Direct payments:

Assistance to Firefighters	97.044	180,421
Virginia's Operational Integrated Cyber Center of Excellence (VOICCE)	97.125	157,988

Pass-through payments:

Virginia Department of Emergency Management:

HAZMAT	97.073	23,000
Citizen Corp 2010	97.073	9,272
Citizen Corp 2008	97.073	11,178
Citizen Corp 2009	97.073	21,537
Assistant Secretary for Preparedness/Metropolitan Medical Response	97.073	119,679
Pre-Disaster Hazard Mitigation	97.017	<u>34,629</u>

Total Homeland Security 557,704

DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT:

Direct payments:

ARRA-Homelessness Prevention and Rapid Re-Housing Program	14.257	<u>2,866</u>
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DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:

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

Direct payments:

Community Development Block Grant Program, Entitlement Grants:

(\$2,402,223 provided to subrecipient)	14.218	1,677,983
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ARRA-Community Development Block Grant	14.253	51,306
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(\$51,306 provided to subrecipient)

OTHER

Direct payments:

Community Development Block Grant Program, Entitlement Grants:

Home Program (\$936,882 provided to subrecipient)	14.239	<u>442,650</u>
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Total CDBG-Entitlement and (HUD-Administered) Small Cities Cluster 2,171,939

DEPARTMENT OF JUSTICE:

Direct payments:

Bulletproof Vest Partnership Grant	16.607	16,088
COPS Technology	16.710	4,080

Department of Criminal Justice Services:

Juvenile Accountability Incentive Block Grant	16.523	15,736
Response Effort	16.588	96,844
Victim Witness	16.575	166,142
ARRA-Victim Witness	16.575	11,339
Criminal Justice Information Technology Improvements	16.738	33,506
Residential Substance Abuse Treatment	16.579	37,293
Edward Byrne/Justice Assistance Grant	16.738	66,621
Byrne/JAG: Prevention and Education	16.592	67,871
Proceeds of seized assets	16.922	<u>116,026</u>

Total Department of Justice 631,546

CITY OF HAMPTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED
For the Year Ended June 30, 2012

DEPARTMENT OF TRANSPORTATION:

Pass-through payments:

Department of Transportation:

Highway Planning and Construction	20.205	1,924,953
ARRA-Highway Planning and Construction	20.205	9,063

Department of Motor Vehicles:

Highway Safety Grant	20.607	36,416
Total Department of Transportation		1,970,432

ENVIRONMENTAL PROTECTION AGENCY:

Direct payments:

Brownfields Assessment	66.818	92,213
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Total Environmental Protection Agency		92,213
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NATIONAL AERONAUTICS AND SPACE ADMINISTRATION:

Direct payments:

NASA LaRC Visitor Center and Public Education Program (NCC-1-275)	43.000	150,000
NASA Steam Sales	43.000	5,344,967
Education Resource Center and Coop Agreement	43.000	93,552

Total National Aeronautics and Space Administration		5,588,519
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NATIONAL ENDOWMENT FOR HUMANITIES

Direct payments:

Preservation Assistance Grant	45.149	6,000
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Grand Total All Federally Assisted Programs and Grants		\$ 54,103,547
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Notes:

(A) General

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

The Schedule of Expenditures of Federal Awards does not include federal funding of \$228,000 in the General Fund. This amount represents indirect costs from other federally assisted programs administered by the City and is included in the federal revenue.

(B) Basis of Accounting

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

CITY OF HAMPTON, VIRGINIA
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
MUSEUM REVENUE BONDS
June 30, 2012

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2013	\$ 1,440,000	\$ 147,750	\$ 1,587,750
2014	1,515,000	75,750	1,590,750
	<u>\$ 2,955,000</u>	<u>\$ 223,500</u>	<u>\$ 3,178,500</u>

CITY OF HAMPTON, VIRGINIA
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
THE HAMPTONS REVENUE BONDS
June 30, 2012

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2013	\$ <u>295,000</u>	\$ <u>8,850</u>	\$ <u>303,850</u>

CITY OF HAMPTON, VIRGINIA
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
CONVENTION CENTER REVENUE BONDS
June 30, 2012

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2013	\$ 2,340,000	\$ 4,149,402	\$ 6,489,402
2014	2,245,000	4,231,460	6,476,460
2015	2,325,000	4,145,854	6,470,854
2016	2,435,000	4,035,929	6,470,929
2017	2,555,000	3,917,435	6,472,435
2018	2,680,000	3,791,388	6,471,388
2019	2,815,000	3,656,104	6,471,104
2020	2,960,000	3,511,919	6,471,919
2021	3,110,000	3,360,150	6,470,150
2022	3,270,000	3,203,088	6,473,088
2023	3,430,000	3,038,825	6,468,825
2024	3,610,000	2,861,751	6,471,751
2025	3,795,000	2,672,822	6,467,822
2026	3,990,000	2,482,332	6,472,332
2027	4,190,000	2,282,244	6,472,244
2028	4,410,000	2,062,394	6,472,394
2029	4,640,000	1,830,488	6,470,488
2030	4,935,000	1,585,128	6,520,128
2031	5,195,000	1,325,547	6,520,547
2032	5,470,000	1,052,256	6,522,256
2033	5,750,000	764,744	6,514,744
2034	6,045,000	471,547	6,516,547
2035	6,355,000	162,847	6,517,847
	<u>\$ 88,550,000</u>	<u>\$ 60,595,646</u>	<u>\$ 149,145,646</u>

CITY OF HAMPTON, VIRGINIA
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
INDUSTRIAL DEVELOPMENT AUTHORITY REVENUE BONDS
June 30, 2012

Fiscal Year Ending June 30,	2002 Tax-Exempt Principal	Interest	Total Debt Service
2013	\$ 569,618	\$ 420,441	\$ 990,059
2014	607,019	383,040	990,059
2015	645,586	344,473	990,059
2016	686,603	303,456	990,059
2017	729,460	260,599	990,059
2018	776,573	213,486	990,059
2019	825,913	164,146	990,059
2020	878,387	111,672	990,059
2021	933,997	56,062	990,059
2022	190,958	5,924	196,882
	<u>\$ 6,844,114</u>	<u>\$ 2,263,299</u>	<u>\$ 9,107,413</u>

CITY OF HAMPTON, VIRGINIA
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
GENERAL OBLIGATION BONDS
June 30, 2012

Serial Bonds:			
Fiscal Year			
Ending			Total
June 30,	Principal	Interest	Debt Service
2013	\$ 18,880,000	\$ 10,839,038	\$ 29,719,038
2014	19,310,000	10,420,677	29,730,677
2015	21,500,000	9,582,770	31,082,770
2016	22,480,000	8,567,435	31,047,435
2017	23,390,000	7,642,174	31,032,174
2018	24,245,000	6,760,576	31,005,576
2019	16,205,000	5,784,029	21,989,029
2020	16,070,000	5,214,758	21,284,758
2021	13,190,000	4,523,234	17,713,234
2022	13,465,000	3,922,774	17,387,774
2023	11,770,000	3,361,172	15,131,172
2024	12,270,000	2,825,633	15,095,633
2025	12,805,000	2,266,371	15,071,371
2026	13,370,000	1,672,166	15,042,166
2027	9,160,000	1,049,193	10,209,193
2028	9,395,000	492,276	9,887,276
2029	760,000	85,561	845,561
2030	760,000	42,780	802,780
	<u>\$ 259,025,000</u>	<u>\$ 85,052,617</u>	<u>\$ 344,077,617</u>

CITY OF HAMPTON, VIRGINIA
COMPUTATION OF LEGAL DEBT MARGIN
June 30, 2012

Assessed value:		
Real estate	\$ 10,930,777,502	
Public service corporations - real estate	31,079,115	
Newport News Waterworks	<u>58,507,400</u>	<u>\$ 11,020,364,017</u>
Debt limit at 10% of assessed value		<u>1,102,036,402</u>
General obligation bonded debt:		
General obligation bonds	259,025,000	
General obligation bonds (VRS)	<u>2,075,000</u>	261,100,000
Long term notes payable:		
State literary loan		<u>173,715</u>
Total long-term debt		<u>261,273,715</u>
Legal debt margin		<u>\$ 840,762,687</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, compensated absences, claims and judgements, net pension obligation and net OPEB obligation totaling \$59,415,082 at June 30, 2012.

There are no overlapping or underlying tax jurisdictions.

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Statistics

STATISTICAL SECTION

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

CONTENTS

TABLE

Financial Trends

I-IV

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

Revenue Capacity

V-VIII

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

Debt Capacity

IX-XI

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

Demographic and Economic Information

XII-XIII

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

Operating Information

XIV-XVI

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

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

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CITY OF HAMPTON, VIRGINIA
NET ASSETS BY COMPONENT

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental activities										
Invested in capital assets, net of related debt	\$ (23,248)	\$ (7,827)	\$ 9,067	\$ 503,004 (1)	\$ 503,514	\$ 558,006	\$ 568,771	\$ 573,018	\$ 586,847	\$ 588,035
Restricted	52,794	43,978	24,780	18,163	13,802	23,660	32,433	21,147	10,900	11,809
Unrestricted	43,730	51,040	71,580	96,304	118,758	130,457	118,932	112,882	109,652	92,128
Total governmental activities net assets	<u>\$ 73,276</u>	<u>\$ 87,191</u>	<u>\$ 105,427</u>	<u>\$ 617,471</u>	<u>\$ 636,074</u>	<u>\$ 712,123</u>	<u>\$ 720,136</u>	<u>\$ 707,047</u>	<u>\$ 707,399</u>	<u>\$ 691,972</u>
Business-type activities										
Invested in capital assets, net of related debt	\$ 87,471	\$ 93,712	\$ 77,764	\$ 76,141	\$ 92,152	\$ 62,230	\$ 58,780	\$ 58,666	\$ 68,697	\$ 69,003
Restricted	17,148	15,760	33,771	31,572	27,158	26,356	25,578	26,727	18,721	16,844
Unrestricted	7,894	14,308	18,922	23,828	24,823	11,017	15,035	16,521	18,418	22,001
Total business-type activities net assets	<u>\$ 112,513</u>	<u>\$ 123,780</u>	<u>\$ 130,457</u>	<u>\$ 131,541</u>	<u>\$ 144,133</u>	<u>\$ 99,603 (2)</u>	<u>\$ 99,393</u>	<u>\$ 101,914</u>	<u>\$ 105,836</u>	<u>\$ 107,848</u>
Primary government										
Invested in capital assets, net of related debt	\$ 64,223	\$ 85,885	\$ 86,831	\$ 579,145	\$ 595,666	\$ 620,236	\$ 627,551	\$ 631,684	\$ 655,544 (3)	\$ 657,038
Restricted	69,942	59,738	58,551	49,735	40,960	50,016	58,011	47,874	29,621 (3)	28,653
Unrestricted	51,624	65,348	90,502	120,132	143,581	141,474	133,967	129,403	128,070	114,129
Total primary government net assets	<u>\$ 185,789</u>	<u>\$ 210,971</u>	<u>\$ 235,884</u>	<u>\$ 749,012</u>	<u>\$ 780,207</u>	<u>\$ 811,726</u>	<u>\$ 819,529</u>	<u>\$ 808,961</u>	<u>\$ 813,235</u>	<u>\$ 799,820</u>

Note:

- (1) The significant increase in invested in capital assets, net of related debt for fiscal year 2006 is due to the capitalization of infrastructure prior to fiscal year 2002 under the transition provisions of GASB Statement 34.
- (2) The decrease in business-type activities for fiscal year 2008 is attributable to the reclassification of HRHA from a blended component unit in the business-type activities to a discretely presented component unit
- (3) The increase in capital assets, net of related debt for fiscal year 2011 is due to the related debt decreasing at a greater rate than the decrease in net assets. The decrease in restricted assets for fiscal year 2011 is due to the decrease in debt service.

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Expenses										
Governmental activities:										
General government	\$ 71,673	\$ 96,371	\$ 87,744	\$ 98,704	\$ 99,822	\$ 101,494	\$ 100,134	\$ 111,650	\$ 114,765	\$ 128,783
Public safety	35,779	39,821	41,700	43,839	46,315	50,039	51,052	51,937	49,063	49,635
Highways and streets	2,170	2,302	2,665	9,943	14,658	7,774	12,374 ⁽³⁾	12,078	13,068	11,861
Sanitation	1,861	2,370	2,589	2,346	2,867	4,959	4,641	3,471	3,630	3,899
Health	2,843	3,072	2,929	2,900	3,125	3,090	3,098	2,949	3,161	3,056
Human services	23,313	24,905	25,438	28,578	28,535	30,004	30,198	31,226	31,574	29,142
Culture and recreation	11,280	13,104	16,257	15,820	16,368	23,524	19,664 ⁽⁴⁾	17,771	14,531	13,540
Education (payment to school district)	52,588	54,321	56,362	59,929	62,211	66,517	69,217 ⁽⁵⁾	68,052	67,051	66,345
Education and educational services	3,339	3,473	3,541	4,464	6,519	5,133	9,336	7,388	8,627	14,337
Capital improvements	10,358	7,976	11,232							
Interest on long-term debt	9,817	7,911	7,616	9,723 ⁽¹⁾	8,822	12,389	15,161 ⁽⁶⁾	17,951	11,052	8,351
Total governmental activities expenses	<u>225,021</u>	<u>255,626</u>	<u>258,073</u>	<u>276,246</u>	<u>289,242</u>	<u>304,923</u>	<u>314,875</u>	<u>324,473</u>	<u>316,522</u>	<u>328,949</u>
Business-type activities										
Culture and recreation	19,131	17,894	24,115	30,344	31,799	34,409	32,295	30,454	27,766	27,727
Sanitation	12,962	13,499	13,426	14,415	19,479	20,379	21,487	22,067	22,923	23,831
Housing	20,483	22,149	24,465	23,433	24,013					
Total business-type activities expenses	<u>52,576</u>	<u>53,542</u>	<u>62,006</u>	<u>68,192</u>	<u>75,291</u>	<u>54,788</u>	<u>53,782</u>	<u>52,521</u>	<u>50,689</u>	<u>51,558</u>
Total primary government expenses	<u>\$ 277,597</u>	<u>\$ 309,168</u>	<u>\$ 320,079</u>	<u>\$ 344,438</u>	<u>\$ 364,533</u>	<u>\$ 359,711</u>	<u>\$ 368,657</u>	<u>\$ 376,994</u>	<u>\$ 367,211</u>	<u>\$ 380,507</u>
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 2,204	\$ 2,414	\$ 3,737	\$ 6,250	\$ 6,581	\$ 12,425	\$ 5,807	\$ 6,982	\$ 7,129	\$ 7,772
Public safety	1,608	1,872	3,157	2,361	2,770	2,353	1,962	2,086	2,049	2,101
Sanitation	9,635	10,015	10,530	9,459	3,836	5,006	4,905	4,869	4,856	5,007
Other activities	3,405	4,413	5,646	8,328	5,359	5,381	5,209	6,015	5,588	6,141
Operating grants and contributions	52,186	76,555	57,388	63,468	60,782	59,795 ⁽⁷⁾	76,025	79,412	82,269	77,821
Capital grants and contributions			9,355	12,590	10,066	57,530 ⁽⁷⁾	13,453	2,423	2,569	2,782
Total governmental activities program revenues	<u>69,038</u>	<u>95,269</u>	<u>89,813</u>	<u>102,456</u>	<u>89,394</u>	<u>142,490</u>	<u>107,361</u>	<u>101,787</u>	<u>104,460</u>	<u>101,624</u>
Business-type activities										
Charges for services:										
Culture and recreation	14,289	11,923	16,445	14,059	15,970	17,800	16,242	15,411	13,675	15,603
Sanitation	10,819	13,728	15,657	15,719	21,104	22,053	23,672	26,447	26,433	26,443
Housing	1,880	1,934	1,921	1,975	2,122					
Operating grants and contributions	16,890	19,109	21,136	22,990	24,859	2,848	2,528	2,522	3,132	1,302
Capital grants and contributions	5,558	2,068	2,604	2,572	6,049	1,531	1,180	1,472	592	613
Total business-type activities program revenues	<u>49,436</u>	<u>48,762</u>	<u>57,763</u>	<u>57,315</u>	<u>70,104</u>	<u>44,232</u>	<u>43,622</u>	<u>45,852</u>	<u>43,832</u>	<u>43,961</u>
Total primary government program revenues	<u>\$ 118,474</u>	<u>\$ 144,031</u>	<u>\$ 147,576</u>	<u>\$ 159,771</u>	<u>\$ 159,498</u>	<u>\$ 186,722</u>	<u>\$ 150,983</u>	<u>\$ 147,639</u>	<u>\$ 148,292</u>	<u>\$ 145,585</u>
Net (expenses)/revenue										
Governmental activities	\$ (155,983)	\$ (160,357)	\$ (168,260)	\$ (173,790)	\$ (199,848)	\$ (162,433)	\$ (207,514)	\$ (222,686)	\$ (212,062)	\$ (227,325)
Business-type activities	(3,140)	(4,780)	(4,243)	(10,877)	(5,187)	(10,556)	(10,160)	(6,669)	(6,857)	(7,597)
Total primary government net (expenses)/revenue	<u>\$ (159,123)</u>	<u>\$ (165,137)</u>	<u>\$ (172,503)</u>	<u>\$ (184,667)</u>	<u>\$ (205,035)</u>	<u>\$ (172,989)</u>	<u>\$ (217,674)</u>	<u>\$ (229,355)</u>	<u>\$ (218,919)</u>	<u>\$ (234,922)</u>

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Taxes										
Property taxes	\$ 110,700	\$ 116,385	\$ 123,937	\$ 138,079	\$ 148,851	\$ 160,158	\$ 145,607	\$ 146,261	\$ 149,797	\$ 146,758
Sales taxes	11,383	12,218	12,885	13,415	13,804	13,765	13,172	13,590	13,828	13,962
Lodging, meal and amusement taxes	15,280	16,373	17,351	17,547	17,864	18,241	18,188	18,621	19,606	20,100
Motor vehicle taxes	3,142	3,171	3,232	3,290	3,602	3,758	3,698	3,398	3,813	3,692
Alcoholic beverage taxes	341	362	176	176	176	176	(8)			
Business license taxes	9,572	10,435	11,019	11,750	12,391	12,783	12,207	12,349	11,562	12,126
Utility taxes	9,940	11,652	10,957	11,637	8,550	5,282	4,976	5,486	5,528	5,356
Tobacco taxes	2,952	4,567	4,084	3,889	3,942	3,760	3,629	3,538	3,681	4,364
Emergency 911 telephone taxes	2,132	2,160	2,077	2,034	956	421	408	(12)		
Recordation taxes	782	930	1,640	2,656	2,658	2,339	1,706	1,687	1,443	1,422
Bank stock taxes	299	304	306	358	309	307	407	453	505	468
Pari-mutuel license taxes	115	120	123	113	113	106	93	80	79	66
Short-term rental taxes	91	97	109	126	136	127	136	98	89	94
Franchise license taxes	1,203	1,230	1,260	1,315	1,341	1,364	1,448	1,327	(13)	
Communications sales tax					3,189	9,032	8,296	7,993	9,677	9,174
Mobile home titling tax	12	18	21	18	39	30	45	33	16	23
Investment earning	2,827	1,102	2,286	6,694	8,328	11,288	5,609	912 (9)	564	285
Miscellaneous	(1,593)	261	2,009	661	4,421	4,076	4,266	2,236 (10)	2,548	2,874
Transfers	(8,897)	(7,214)	(6,820)	(8,378)	(8,318)	(8,530)	(8,364)	(8,467)	(10,322)	(8,865)
Special Item - gain (loss) on disposal on assets	(1,925)	(608)	(157)							
Special Item - donated property	2,775	710								
Total governmental activities	<u>161,131</u>	<u>174,273</u>	<u>186,495</u>	<u>205,380</u>	<u>222,352</u>	<u>238,483</u>	<u>215,527</u>	<u>209,595</u>	<u>212,414</u>	<u>211,899</u>
Business-type activities:										
Investment earning	553	383	694	1,783	2,603	1,659	628	723	457	664
Gain(loss) on disposal of assets	(684)	1,248	696							
Miscellaneous	5,696	7,201	2,711	1,800	2,891	1,020	958	(11)	(11)	80
Transfers	8,897	7,214	6,820	8,378	8,318	8,530	8,364	8,467	10,322	8,865
Total business-type activities	<u>14,462</u>	<u>16,046</u>	<u>10,921</u>	<u>11,961</u>	<u>13,812</u>	<u>11,209</u>	<u>9,950</u>	<u>9,190</u>	<u>10,779</u>	<u>9,609</u>
Total primary government	<u>\$ 175,593</u>	<u>\$ 190,319</u>	<u>\$ 197,416</u>	<u>\$ 217,341</u>	<u>\$ 236,164</u>	<u>\$ 249,692</u>	<u>\$ 225,477</u>	<u>\$ 218,785</u>	<u>\$ 223,193</u>	<u>\$ 221,508</u>
Changes in Net Assets										
Governmental activities	\$ 5,148	\$ 13,916	\$ 18,235	\$ 31,590	\$ 22,504	\$ 76,050	\$ 8,013	\$ (13,090)	\$ 352	\$ (15,426)
Business-type activities	11,322	11,266	6,678	1,084	8,625	653	(210)	2,521	3,922	2,012
Total primary government	<u>\$ 16,470</u>	<u>\$ 25,182</u>	<u>\$ 24,913</u>	<u>\$ 32,674</u>	<u>\$ 31,129</u>	<u>\$ 76,703</u>	<u>\$ 7,803</u>	<u>\$ (10,569)</u>	<u>\$ 4,274</u>	<u>\$ (13,414)</u>

- (1) Beginning in Fiscal Year 2006 capital improvements were classified by function.
(2) In 2008 HRHA was reclassified from a blended component unit to a discretely presented component unit.
(3) Highways and streets expenses increased \$4.1million due to additional road improvements.
(4) Culture and recreation capitalized \$3.1 million of expenses for capital projects that included the Buckroe Pier and the Hampton Teen Center.
(5) Education payments to the school district \$32.7 million for SOQ programs per State Law. Budgeted \$36.4 million local contribution in excess of State Requirement.
(6) Interest on the 2008 Bonds came due in FY09 and was over \$8 million.
(7) Capital contributions for FY2008 included contributions for prior years.
(8) Alcoholic beverage tax revenue was cut from the budget of all localities in FY09.
(9) Rate of return decreased in FY10 due to the economy.
(10) Land sale of \$1.5M reflected in FY09.
(11) There were no miscellaneous changes that could not be applied to another category.
(12) Emergency 911 telephone tax is included in state aid.
(13) Franchise license tax is included in the Communication sales tax beginning FY11

Table III

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011*	2012
General fund										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 29	\$ 44
Restricted									4,305	872
Committed									45,848	32,858
Assigned									2,025	7,708
Unassigned									50,198	51,175
Reserved	\$ 1,248	\$ 1,819	\$ 1,563	\$ 1,235	\$ 1,727	\$ 2,204	\$ 1,142	\$ 1,290		
Unreserved	37,504	42,706	53,175	68,394	82,015	96,902	98,120	100,080		
Total general fund	<u>\$ 38,752</u>	<u>\$ 44,525</u>	<u>\$ 54,738</u>	<u>\$ 69,629</u>	<u>\$ 83,742</u>	<u>\$ 99,106</u>	<u>\$ 99,262</u>	<u>\$ 101,370</u>	<u>\$ 102,405</u>	<u>\$ 92,657</u>
All other governmental funds										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,943	\$ 4,630
Restricted									12,377	10,938
Committed									48,147	26,122
Assigned									6,631	6,035
Reserved	\$ 12,811	\$ 12,199	\$ 11,826	\$ 11,773	\$ 7,760	\$ 7,351	\$ 6,259	\$ 16,461		
Unreserved, reported in:										
Debt service							451	498		
Special revenue funds	11,723	10,226	9,440	13,888	12,659	18,225	18,830	13,451		
Capital projects funds	32,367	22,245	76,004	61,220	83,790	186,041	134,544	75,683		
Permanent funds	59	59	60	61	63	65	67	67		
Total all other governmental funds	<u>\$ 56,960</u>	<u>\$ 44,729</u>	<u>\$ 97,330</u>	<u>\$ 86,942</u>	<u>\$ 104,272</u>	<u>\$ 211,682</u>	<u>\$ 160,151</u>	<u>\$ 106,160</u>	<u>\$ 72,098</u>	<u>\$ 47,725</u>

* Implemented GASB Statement No. 54: Fund balance reporting and governmental fund type definitions in fiscal year 2011.

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues										
Taxes (see table V)	\$ 163,882	\$ 175,923	\$ 185,090	\$ 206,706	\$ 214,475	\$ 231,277	\$ 213,346	\$ 213,976	\$ 219,413	\$ 211,542
Intergovernmental revenues	43,463	67,984	58,021	56,585	55,427	59,721	82,874	82,565	81,849	78,314
Licenses and permits	1,448	1,662	1,651	1,686	2,030	1,082	939	1,078	1,024	1,072
Fines and forfeitures	1,300	1,638	2,211	2,088	2,142	2,269	2,209	2,004	2,189	2,493
Revenue from use of money and property	3,282	1,640	4,037	7,975	10,355	17,855	9,417	2,861	2,065	1,350
Charges for services	5,916	6,776	9,192	9,907	9,812	10,895	10,489	11,354	11,532	13,022
Payment from component unit									2,001	2,000
Miscellaneous	6,973	6,033	6,494	10,799	7,891	6,025	4,660	4,848	5,532	6,348
Special assessments										4,558
Recovered costs	9,618	9,484	9,406	9,834	10,558	10,489	2,057	1,170	1,158	1,145
Total revenues	<u>235,882</u>	<u>271,140</u>	<u>276,102</u>	<u>305,580</u>	<u>312,690</u>	<u>339,613</u>	<u>325,991</u>	<u>319,856</u>	<u>326,763</u>	<u>321,844</u>
Expenditures										
General government	62,179	88,538	75,711	82,671	87,791	89,137	91,568	98,305	99,066	96,371
Public safety	35,203	39,186	40,951	43,709	46,024	50,450	51,441	50,722	48,322	48,460
Highways and streets	2,157	2,211	2,454	2,587	2,405	2,395	2,362	2,200	1,812	1,980
Sanitation	1,861	2,370	2,589	2,346	2,883	3,656	3,543	3,455	3,637	3,949
Health	2,830	3,060	2,904	2,874	3,118	3,205	2,978	2,709	2,652	2,441
Human services	23,213	24,836	25,390	28,577	28,491	30,032	30,480	31,187	31,558	29,151
Culture and recreation	11,214	12,999	14,606	14,742	14,196	15,255	15,680	15,452	12,080	12,564
Education (payment to school district)	59,768	57,752	61,085	59,928	62,211	66,517	69,216	68,052	67,052	66,345
Education	2,065	2,147	2,252	2,295	2,314	2,404	2,394	2,262	2,133	2,098
Capital improvements	16,775	18,058	26,195	31,332	27,460	46,615	84,855	74,162	53,115	52,536
Debt service										
Principal	10,892	11,606	19,393	11,938	24,443	12,530	13,235	15,210	17,640	18,714
Interest and fiscal charges	8,873	8,255	7,545	9,701	9,348	8,825	15,757	12,939	12,901	12,619
Bond issuance cost								282	45	313
Total expenditures	<u>237,030</u>	<u>271,018</u>	<u>281,075</u>	<u>292,700</u>	<u>310,684</u>	<u>331,021</u>	<u>383,509</u>	<u>376,937</u>	<u>352,013</u>	<u>347,541</u>
Excess of revenues over (under) expenditures	<u>(1,148)</u>	<u>122</u>	<u>(4,973)</u>	<u>12,880</u>	<u>2,006</u>	<u>8,592</u>	<u>(57,518)</u>	<u>(57,081)</u>	<u>(25,250)</u>	<u>(25,697)</u>
Other financing sources (uses)										
Debt issuance and capital leases	7,503		73,895	350	29,540	116,275	14,506	7,435	2,545	
Proceeds from Refunding bonds issued	19,319		30,367			29,540		65,595		44,770
Payment to refunded bond escrow agent	(19,218)		(30,236)	(350)		(29,540)		(65,469)		(49,561)
Premium on bond issue			-			6,438		6,105		5,118
Transfers in	29,370	32,285	27,269	30,965	39,652	37,362	41,435	39,893	48,507	59,650
Transfers in from component units	91	634	580							
Transfers out	(37,266)	(39,499)	(34,088)	(39,343)	(47,854)	(45,893)	(49,798)	(48,360)	(58,829)	(68,401)
Total other financing source (uses)	<u>(201)</u>	<u>(6,580)</u>	<u>67,787</u>	<u>(8,378)</u>	<u>21,338</u>	<u>114,182</u>	<u>6,143</u>	<u>5,199</u>	<u>(7,777)</u>	<u>(8,424)</u>
Net change in fund balances	<u>\$ (1,349)</u>	<u>\$ (6,458)</u>	<u>\$ 62,814</u>	<u>\$ 4,502</u>	<u>\$ 23,344</u>	<u>\$ 122,774</u>	<u>\$ (51,375)</u>	<u>\$ (51,882)</u>	<u>\$ (33,027)</u>	<u>\$ (34,121)</u>
Debt service as a percentage of noncapital expenditures	12.0%	9.8%	13.2%	7.9%	11.9%	7.0%	9.0%	9.0%	8.7%	9.4%

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

Fiscal Year	General	Business Licenses	Sales Taxes	Utility Taxes	Tobacco Taxes	Communications	Meal Taxes	Other Taxes ³	Total
	Property Taxes					Sales Taxes			
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	13,308	206,706
2007	148,237	12,391	13,804	8,550	3,942	3,189	13,685	10,677	214,475
2008	160,329 ¹	12,784	13,765	5,703	3,760	9,032	13,974	11,930	231,277
2009	145,683 ²	12,207	13,172	4,976	3,629	8,296	13,912	11,471	213,346
2010	145,245	12,349	13,590	4,962	3,538	7,993	14,417	11,882	213,976
2011	144,302	11,562	13,828	5,063	3,681	9,677	15,269	16,031 ⁴	219,413
2012	141,076 ¹	12,126	13,962	4,929	4,364	9,174	15,793	10,118	211,542

Notes:

¹ The City was able to lower the real estate tax rate from \$1.14 per \$100 assessed value in 2007 to \$1.06 per \$100 assessed value in 2008 due to significant growth in assessments. The City lowered the real estate tax rate again in 2012 to \$1.04 per \$100 assessed value.

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

³ Other taxes include: short-term rental, recordation, lodging and transit, amusement, motor vehicle, bank stock, license - pari-mutuel, public right of way, and franchise taxes.

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

Fiscal Year	Real Estate			Total Taxable Assessed Value	Estimated Actual Taxable Value	Assessed Value as a Percent of Estimated Actual Value ²	Total Direct Tax Rate
	Citizens' Property	Public Service ¹	Newport News Waterworks				
2003	\$ 5,638,936	\$ 184,567	\$ 57,472	\$ 5,880,975	\$ 6,563,588	90%	1.27
2004	6,081,667	190,105	58,621	6,330,393	7,360,922	87%	1.27
2005	6,776,586	180,476	60,381	7,017,443	8,771,803	80%	1.25
2006	8,165,513	116,579	63,400	8,345,492	10,431,864	80%	1.20
2007	9,285,102	123,453	66,570	9,475,125	11,843,906	80%	1.14
2008	10,976,166	143,250	64,280	11,183,696	12,289,775	91%	1.06
2009	11,357,489	155,505	61,626	11,574,620	11,895,807	97%	1.04
2010	11,448,119	166,948	59,453	11,674,520	11,674,520	100%	1.04
2011	11,166,293	203,348	59,454	11,429,095	11,429,095	100%	1.04
2012	10,930,778	31,079	58,507	11,020,364	11,020,364	100%	1.04

Notes:

¹ Public service assessed values are furnished by the State Corporation Commission of Virginia with no indication of assessment rate or actual value. The state mandated conversion of personal property to real estate for taxing purposes whereby personal property values are converted at 5% a year over a 20-year period. State Corporation Commission has changed reporting the assessments for real estate (land) and personal property at the real estate rate in fiscal year 2012.

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

Table VII

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

<u>Taxpayer</u>	<u>2012</u>			<u>2003</u>		
	<u>Total Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>	<u>Total Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>
Peninsula Town Center LLC	\$ 139,527	1	1.3%			
City of Newport News/NN Waterworks	58,507	2	0.5%			
Hampton University	43,994	3	0.4%			
FCLA LP	38,620	4	0.4%			
Hampton Center LLC	36,213	5	0.3%			
MOLA LLC	33,871	6	0.3%			
Riverdale Apartments LLC	33,762	7	0.3%			
Cambridge Apartments LC	33,433	8	0.3%			
Bir Lakeridge LLC	33,256	9	0.3%			
John Q Hammons	32,400	10	0.3%			
Hampton Mall Association - shopping mall retail				\$ 63,690	1	1.1%
Liberty Property Limited Partnership				26,811	2	0.5%
Hampton Investors I LLC et al				22,811	3	0.4%
Hampton Training School NU				22,700	5	0.4%
Coliseum Crossing				20,681	4	0.4%
Gateway 2000				20,500	6	0.3%
HNN Associates				20,080	7	0.3%
Howmet Corporation				18,569	8	0.3%
Riverdale Plaza Shopping Center				18,533	9	0.3%
Megaplex Nine, Inc.				17,830	10	0.3%
	<u>\$ 483,583</u>		<u>4.4%</u>	<u>\$ 252,205</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 Ten Fiscal Years
(amounts expressed in thousands)

Fiscal Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2003	\$ 74,718	\$ 72,540	97.09%	\$ 2,165	\$ 74,705	99.98%
2004	80,265	78,024	97.21%	2,235	80,259	99.99%
2005	87,249	86,162	98.75%	1,078	87,240	99.99%
2006	100,038	98,636	98.60%	1,392	100,028	99.99%
2007	108,113	106,269	98.29%	1,812	108,081	99.97%
2008	118,381	116,623	98.51%	1,691	118,314	99.94%
2009	120,167	118,427	98.55%	1,592	120,019	99.88%
2010	121,523	119,081	97.99%	1,866	120,947	99.53%
2011	118,863	116,854	98.31%	360	117,214	98.61%
2012	114,612	112,370	98.04%	-	112,370	98.04%

Notes:

* 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 ¹				Percentage of Estimated Actual		
	General Obligation Bonds ²	Notes Payable	State Literary Loans	Total	Taxable Value of Property ³	Per Capita ⁴	Capital Leases
2003	\$ 165,124	\$ 4,054	\$ 1,704	\$ 170,882	2.60%	\$ 1,176.87	\$ 2,109
2004	154,079	1,988	1,517	157,584	2.14%	1,091.30	1,973
2005	209,490	1,590	1,328	212,408	2.42%	1,487.45	3,831
2006	198,045	1,192	1,140	200,377	1.92%	1,377.16	1,295
2007	203,635	886	952	205,473	1.49%	1,410.17	1,730
2008	307,745	709	764	309,218	2.52%	2,119.94	1,309
2009	294,835	532	616	295,983	2.49%	2,052.53	1,001
2010	294,130	355	468	294,953	2.53%	2,037.69	15,925
2011	279,360	177	320	279,857	2.45%	2,036.27	15,159
2012	261,100		174	261,274	2.35%	1,901.06	19,195

Fiscal Year	Business-Type Activities				Percentage of		
	Revenue Bonds	Notes Payable	Capital Leases	HRHA Notes Payable	Total Primary Government	Personal Income ⁴	Per Capita ⁴
2003	\$ 123,025	\$ -	\$ 1,747	\$ 1,160	\$ 298,923	7.44%	\$ 2,058.70
2004	121,435	-	1,611	10,810	293,413	6.89%	2,031.95
2005	120,060	-	1,497	1,062	338,858	8.52%	2,372.96
2006	118,715	-	1,379	971	322,737	7.09%	2,218.12
2007	117,300	-	1,250	870	326,623	6.84%	2,241.63
2008	115,850	-	1,124	-	427,501	8.20%	2,930.86
2009	114,360	-	1,006	-	412,350	7.89%	2,859.49
2010	112,810	-	900	-	424,588	7.99%	2,933.27
2011	100,120	-	748	-	395,884	N/A	2,880.50
2012	91,800	-	582	-	372,851	N/A	2,712.91

Notes:

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

² General obligation bond amounts exclude the unamortized premiums and deferred amounts for advance refunding.

³ See Table VI for estimated actual taxable value of property data.

⁴ See Table XII for personal income and population data. The most recent personal income data available from the Bureau of Economic analysis is 2010

N/A-Not available

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Debt limit	\$ 588,097	\$ 633,039	\$ 701,744	\$ 834,549	\$ 947,512	\$ 1,118,370	\$ 1,157,462	\$1,167,452	\$1,142,909	\$1,102,036
Total net debt applicable to limit	<u>170,882</u>	<u>157,584</u>	<u>212,408</u>	<u>200,377</u>	<u>205,473</u>	<u>309,218</u>	<u>295,983</u>	<u>294,953</u>	<u>279,857</u>	<u>261,274</u>
Legal debt margin	<u>\$ 417,215</u>	<u>\$ 475,455</u>	<u>\$ 489,336</u>	<u>\$ 634,172</u>	<u>\$ 742,039</u>	<u>\$ 809,152</u>	<u>\$ 861,479</u>	<u>\$ 872,499</u>	<u>\$ 863,052</u>	<u>\$ 840,762</u>
Total net debt applicable to the limit as a percentage of debt limit	29.06%	24.89%	30.27%	24.01%	21.69%	27.65%	25.57%	25.26%	24.49%	23.71%

Legal Debt Margin Calculation for Current Fiscal Year:

Assessed value	\$11,020,364
Debt limit (10% of total assessed value)	1,102,036
Debt applicable to limit:	
General obligation debt	<u>261,274</u>
Total net debt applicable to limit	<u>261,274</u>
Legal debt margin	<u>\$ 840,762</u>

Notes:

Virginia state statute limits bond issuing authority of Virginia cities to 10% of the assessed real estate value. The above calculation includes all debt secured by the full faith and credit of the City. The calculation excludes installment purchase contracts, accrued sick, annual leave, net pension obligation and net OPEB obligation totaling \$51,575,095 at June 30, 2012.

* 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 ¹	Operating Expenses ²	Net Revenue Available for Debt Service	Debt Service Requirements ³			Coverage
				Principal	Interest	Total	
The Hamptons Revenue Bonds							
2003	\$ 1,294	\$ 898	\$ 396	\$ 195	\$ 153	\$ 348	1.14
2004	1,291	995	296	200	141	341	0.87
2005	1,395	1,012	383	210	129	339	1.12
2006	1,567	1,074	493	215	116	331	1.49
2007	1,571	1,090	481	230	103	333	1.44
2008	1,676	1,164	512	240	89	329	1.56
2009	1,570	1,143	427	250	74	324	1.32
2010	1,426	1,037	389	260	59	319	1.22
2011	1,526	1,072	454	270	43	313	1.45
2012	1,534	1,033	501	285	26	311	1.61
Museum Revenue Bonds							
2003	\$ 9,336	\$ 4,645	\$ 4,691	\$ 940	\$ 798	\$ 1,738	2.70
2004	10,924	5,136	5,788	990	798	1,788	3.24
2005	6,767	5,450	1,317	1,165	428	1,593	0.83
2006	7,820	5,155	2,665	1,130	460	1,590	1.68
2007	9,682	5,729	3,953	1,185	403	1,588	2.49
2008	8,025	6,130	1,895	1,210	365	1,575	1.20
2009	7,368	5,561	1,807	1,240	351	1,591	1.14
2010	7,193	5,456	1,737	1,290	301	1,591	1.09
2011	7,405	5,299	2,106	1,330	238	1,568	1.34
2012	5,224	3,963	1,261	1,370	182	1,552	0.81

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

Industrial Development Authority Revenue Bonds

2003	\$	8,287	\$	6,740	\$	1,547	\$	211	\$	784	\$	995	1.55
2004		5,098		1,588		3,510		385		771		1,156	3.04
2005		5,944		4,298		1,646		410		750		1,160	1.42
2006		8,890		4,946		3,944		432		719		1,151	3.43
2007		5,007		4,420		587		392		693		1,085	0.54
2008		3,456		3,166		290		417		561		978	0.30
2009		6,940		4,126		2,814		445		528		973	2.89
2010		5,066		4,420		646		475		501		976	0.66
2011		2,568		2,813		(245)		505		470		975	(0.25)
2012		2,248		1,601		647		537		453		990	0.65

Convention Center Revenue Bonds ⁴

2005	\$	6,174	\$	1,211	\$	4,963	\$	-	\$	5,360	\$	5,360	0.93
2006		8,775		3,660		5,115		-		5,368		5,368	0.95
2007		9,288		2,993		6,295		-		5,363		5,363	1.17
2008		9,989		3,885		6,104		-		5,335		5,335	1.14
2009		8,626		3,092		5,534		-		5,362		5,362	1.03
2010		8,625		2,859		5,766		-		5,363		5,363	1.08
2011		10,535		3,371		7,164		2,155		4,151		6,306	1.14
2012		9,698		3,931		5,767		2,265		3,371		5,636	1.02

Notes:

¹ Gross revenues include transfers in.

² Total operating expenses exclusive of depreciation.

³ Includes principal and interest of revenue bonds only.

⁴ Operation of the Convention Center began in March 2005.

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

Fiscal Year	Population ¹	Personal Income ² (in thousands)	Per Capita Income ³	School Membership ⁴	Unemployment Rate Percentage ⁵
2003	145,200	\$ 4,018,000	\$ 27,628	22,996	5.4%
2004	144,400	4,261,000	29,388	23,009	5.2%
2005	142,800	3,976,299	30,389	22,938	4.6%
2006	145,500	4,551,991	31,057	22,229	4.2%
2007	145,708	4,775,904	32,608	22,176	3.6%
2008	145,862	5,215,071	35,903	21,189	4.9%
2009	144,204	5,228,880	36,252	21,411	8.2%
2010	144,749	5,311,551	38,678	20,804	8.6%
2011	137,436	N/A	N/A	20,762	8.0%
2012	137,372	N/A	N/A	21,622	7.8%

Notes:

¹ Source: Weldon Cooper Center for Public Service as of 7/1/2011 estimate since 2010 Census

² Source: Bureau of Economic Analysis. Most recent information available is 2010.

³ Source: Bureau of Economic Analysis. Most recent information available is 2010.

⁴ Source: Hampton City Schools

⁵ Source: LAUS Unit and Bureau of Labor Statistics

N/A-Not available

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

2012	2003
Over 600 Employees:	500 + Employees:
Alcoa Howmet	Association for Retarded Citizens, Inc.
City of Hampton	Gateway
Hampton City Schools	Hampton University
Hampton University	Howmet Corporation
Hampton Veteran's Affairs Medical Center	Lockheed Technical Operations, Inc.
Langley Air Force Base	Newport News, Inc.
NASA Langley Research Center	Science Applicats Int'l Corp.
Sentara Hampton General Hospital	Sentara Hampton General Hospital
Sprint	Spiegel Group Teleservice. Inc.
Thomas Nelson Community College	Teletech Customer Care
	Walmart Associates, Inc.
	West Telemarketing Corporation
300 - 599 Employees:	250 - 499 Employees:
Cubic Applications (subsidiary of Cubic Corporation)	American Red Cross
Jacobs Technology (subsidiary of Jacobs Engineering)	Computer Sciences Corp.
Riverside Regional Medical Centers	Cubic Applications, Inc.
Top Guard	Farm Fresh, LLC
TRG Customer Solutions	Federal Mogul
Verizon	Food Lion
	Headway Corp Staffing of NC, Inc.
	Humana Military 2 5 Inc.
	JC Penny Co.
	Peninsula Behavioral Center
	Raytheon Company
	7 Eleven Stores

Source: City of Hampton, Department of Economic Development

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

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Function										
Governmental activities										
General government	534	541	581	588	588	578	588	588	574	562
Public safety	620	648	663	686	695	707	695	645	649	663
Highway and streets	26	29	30	31	30	29	30	27	24	24
Sanitation	35	35	31	35	41	47	48	47	46	51
Health	25	29	24	23	24	22	22	22	16	16
Human services	266	254	249	237	242	245	232	236	225	229
Culture and recreation	151	171	176	173	172	167	159	137	128	123
Total governmental activities	<u>1,657</u>	<u>1,707</u>	<u>1,754</u>	<u>1,773</u>	<u>1,792</u>	<u>1,795</u>	<u>1,774</u>	<u>1,702</u>	<u>1,662</u>	<u>1,668</u>
Business-type activities										
Culture and recreation	44	44	70	43	45	44	38	37	36	37
Sanitation	149	151	150	154	152	146	147	140	143	141
Housing ¹	74	75	71	68	68					
Total business-type activities	<u>267</u>	<u>270</u>	<u>291</u>	<u>265</u>	<u>265</u>	<u>190</u>	<u>185</u>	<u>177</u>	<u>179</u>	<u>178</u>
Total	<u><u>1,924</u></u>	<u><u>1,977</u></u>	<u><u>2,045</u></u>	<u><u>2,038</u></u>	<u><u>2,057</u></u>	<u><u>1,985</u></u>	<u><u>1,959</u></u>	<u><u>1,879</u></u>	<u><u>1,841</u></u>	<u><u>1,846</u></u>

Sources: City of Hampton, Department of Human Resources

¹ There is no housing expense for business-type activities beginning 2008 because HRHA was reclassified from a blended component unit to a discreetly presented component unit.

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Table XV

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

Function/Program	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General government										
Building permits issued	3,611	3,742	3,547	3,342	3,509	3,167	2,241	2,195	2,123	2,162
Building inspections conducted	8,705	9,158	9,267	9,500	9,349	9,459	7,853	6,988	6,131	7,021
311 customer call center										
Number of calls received	265,867	307,034	288,155	290,000	242,158	191,727	170,971	168,492	148,351	147,458
Public safety										
Police										
Physical arrests	17,693	18,850	19,681	19,587	20,071	22,626	18,711	12,621	16,886	16,733
Traffic summons	21,428	28,584	32,438	30,601	30,321	34,334	34,781	30,121	30,225	30,459
Fire										
Emergency responses	21,351	19,645	19,840	22,641	21,592	22,928	22,651	22,271	22,394	23,718
Fires extinguished	352	367	319	689	332	168	278	378	450	320
Patients transported	8,345	10,283	10,517	10,730	7,678	12,105	12,015	12,133	11,620	12,149
Code inspections	139	103	218	335	740	1,553	2,165	2,572	2,210	2,658
Highway and streets										
Roads paved or resurfaced (miles)	20.9	24	20	15.17	15.11	22.25	27.5	106	68.76	68
Sanitation										
Yard waste collected (tons)	15,000	15,000	16,000	14,000	13,000	10,240	14,160	14,106	11,965	15,244
Debris removed (tons)	80,000	73,600	72,245	70,000	84,000	104,236	109,204	113,234	114,773	155,011
Cleanups	237	272	267	416	417	366	935	518	819	764
Street sweeping	4,500	4,500	4,500	4,500	3,060	2,689	3,339	3,231	3,364	3,384
Storm drains cleaned (linear feet)	101,161	108,533	103,989	104,962	99,913	71,619	76,202	97,046	73,901	109,767
Health										
Preventive health										
Family practice visits (closed 3/31/11)	5,905	3,223	4,217	3,986	3,522	3,183	2,602	2,755	1,615	N/A
Immunization visits	5,991	5,694	6,943	6,623	6,201	5,485	5,794	7,053	6,511	6,948
Prescriptions filled (closed 5/25/10)	35,273	33,125	35,454	39,559	34,296	30,739	26,103	22,786	N/A	N/A
Human services										
Healthy families partnership										
Number of families assessed	602	553	611	613	610	525	617	567	590	760
Number of families served	985	973	855	790	1,183	1,079	888	1,026	930	979
Number of adult participants in the parenting classes	1,175	1,469	1,733	1,500	1,602	1,595	1,430	1,242	1,875	2,585

Table XV

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

Function/Program	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Social Services										
Food stamp participants	4,227	4,860	5,318	5,850	5,384	5,365	6,027	8,040	8,939	10,372
Culture and recreation										
Senior citizens attendance at Senior Center	33,941	26,278	25,645	26,414	27,338	28,021	17,047	13,730	12,985	13,050
Community center admissions										
Youth	138,071	160,555	66,975	57,663	60,602	63,632	67,421	82,134	13,512	55,558
Teen	95,079	99,043	103,995	72,428	65,888	67,535	49,802	37,359	15,033	20,369
Adult	57,681	63,904	69,655	75,500	79,124	80,706	94,481	113,178	135,786	80,605
Education										
School membership (total)	22,996	23,009	22,938	22,229	22,176	21,189	21,411	20,804	20,762	21,622
High schools	6,634	6,775	6,883	6,914	6,657	6,659	6,494	6,784	6,749	6,781
Middle schools	5,805	5,709	5,680	5,450	5,433	5,156	4,837	4,743	6,837	4,069
Elementary schools	10,557	10,525	10,375	9,865	10,086	9,374	10,080	9,277	7,849	9,876
Combined schools									2,327	896
School board personnel	2,763	2,841	2,903	2,906	2,902	2,866	3,194	3,138	2,992	2,821
Wastewater										
Average daily sewage treatment (thousands of gallons)	11,601	11,691	11,610	11,604	11,600	11,300	11,410	10,566	10,794	10,460

N/A-Not available

Source: City of Hampton, various departments.

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

Function/Program	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Public safety										
Police										
Patrol units	227	227	227	227	246	254	278	272	195	211
Patrol boats	3	3	3	3	4	2	3	4	3	5
Fire										
Stations	10	10	10	10	10	10	10	10	10	11
Pumpers	19	19	19	19	19	19	19	19	18	18
Ambulances	18	18	18	18	17	18	18	18	17	17
Rescue vehicles	3	3	3	3	3	3	3	3	3	3
Ladder trucks	2	2	2	2	2	2	2	2	4	4
Fire Boats							2	2	4	4
Highways and streets										
Streets (miles)	435.35	435.35	437.68	437.68	439.08	445.6	459	455	460	475
Traffic signals	161	163	174	177	177	181	179	180	180	185
Bridges	40	41	41	41	41	40	40	40	40	40
Sanitation/solid waste										
Collection trucks	44	44	44	44	43	48	49	56	56	58
Culture and recreation										
Parks acreage ¹	1575	1628	1628	1628	1789	1789	1791	1791	1,791	1,791
School parks acreage	675	675	675	675	675	675	751	751	751	751
Parks	17	17	23	23	23	23	23	23	23	23
Amphitheater	1	1	1	1	2	2	2	2	2	2
Baseball fields	38	38	38	38	38	38	38	39	39	39
Basketball courts	35	35	35	35	35	35	35	35	35	36
Boat ramps	3	3	3	3	3	3	3	3	3	3
Coliseum	1	1	1	1	1	1	1	1	1	1
Community centers	4	5	5	5	5	5	5	5	5	6
Convention center	0	0	1	1	1	1	1	1	1	1
Fitness trails	N/A	N/A	12	12	12	12	12	12	12	12
Football fields	20	20	20	20	20	20	20	21	21	21
Football stadium	1	1	1	1	1	1	1	1	1	1
Golf courses	2	2	2	2	2	2	2	2	2	2
Indoor swimming pools	1	1	1	1	1	1	2	2	2	3
Municipal beaches	3	3	3	3	3	3	3	3	3	3

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

Function/Program	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Municipal parks	N/A	N/A	10	10	10	10	11	11	11	11
Museums	2	2	2	2	2	2	2	2	2	2
Outreach centers	4	4	4	4	4	4	4	4	4	4
Picnic shelters	28	28	28	28	26	26	26	26	26	26
Playgrounds	41	41	41	41	41	41	40	46	46	46
Senior citizens center	1	1	1	1	1	1	1	1	1	1
Soccer fields	28	28	28	28	30	30	30	33	33	33
Softball fields	15	15	15	15	16	16	17	17	17	17
Tennis courts	66	66	66	66	66	66	66	66	66	67
Theatres	1	1	1	1	1	1	1	1	1	1
Fort Wool	1	1	1	1	1	1	1	1	1	1
Fishing Pier										1
Education										
High schools	4	4	4	4	4	4	4	4	4	4
Middle schools	6	6	6	6	6	6	6	5	8	8
Elementary schools	24	24	24	24	23	23	23	20	20	20
Wastewater										
Sanitary sewers lines (miles)	465	468	471	465	482	469	469	469	426	426
Sewer Pumping stations	103	104	105	107	107	108	108	108	108	108

Notes:

¹ Park land currently developed.

N/A-Not available

Source: Various city departments.

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Financial Compliance Reports for Federal Funds



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

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

Compliance

We have audited the compliance of the City of Hampton, Virginia (the "City") with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on its major federal programs for the year ended June 30, 2012. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

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

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

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

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

Cherry, Bekant → Holland, L. L. P.

Virginia Beach, Virginia
November 29, 2012



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

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Hampton, Virginia (the "City"), as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 29, 2012. Our report includes a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and *Specifications for Audits of Counties, Cities and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia.

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

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described at 2012-1 in the accompanying schedule of findings and questioned costs to be a material weakness.

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 discussed instances of noncompliance and other matters that are required to be reported in accordance with the *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2012-2, 2012-3, 2012-4, and 2012-5.

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

This report is intended solely for the information and use of the City Council, management, federal awarding agencies and pass-through entities, and the Virginia Auditor of Public Accounts 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 29, 2012

CITY OF HAMPTON, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2012

A. Summary of Auditors' Results

Financial Statements:

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

Federal Awards:

Type of auditor's report issued on compliance for major programs:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified:	No
Significant deficiencies identified:	None reported
Any audit findings disclosed that are required to be reported in Accordance with Section 510(a) of OMB Circular A-133?	No

Identification of major federal programs:

<u>Program Description</u>	<u>CFDA #</u>
Energy Efficiency Conservation Block Grant	81.128
Title I	84.010/84.389
Education Jobs Fund	84.410

Dollar threshold to distinguish between Types A and B Programs:	\$1,623,106
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The City of Hampton was qualified as a low risk auditee?	Yes
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B. Findings - Financial Statement Audit

2012-1 Internal Control over Financial Reporting

Criteria:

Donations of property should be recorded in the period incurred.

Condition:

While performing our audit procedures on land held for sale by the Hampton Industrial Development Authority (IDA), we determined that current year disposals were for land donated in prior periods.

Cause:

While City Finance receives appropriate supporting documentation for purchases and sales of land held for sale, they did not receive documentation for land that was donated to another entity.

Effect:

Land held for resale was overstated in the financial statements.

Recommendation:

We recommend the City's fund accountant during the preparation of IDA's fund statements for the annual audit specifically inquire of appropriate individuals within the Development Authority whether any land held for sale has been donated.

Management Response:

We recently instituted a process of reconciling the fiscal year real estate activity as reported by the City Assessor to the IDA's accounting records. This reconciliation process identified the land disposals that were donated in prior accounting periods. Therefore, we made the adjustments in the current fiscal year to remove these assets from the books. In addition, we will work with the Economic Development staff to develop procedures for timely reporting to the fund accountant of all land donated by the IDA to another entity.

C. Findings and Questioned Costs – Major Federal Awards

None

D. Findings and Questioned Costs – State Compliance

2012-2 Compliance related to Unclaimed Property

Criteria:

Outstanding checks unclaimed for more than a year are considered abandoned and should be reported and escheated to the State Treasurer annually.

Condition:

While performing our audit procedures on bank accounts held by the Hampton Sheriff, we identified several checks on the bank reconciliations that had been outstanding greater than one year.

Cause:

Long-term reconciling items on the bank accounts held by the Hampton Sheriff are not being analyzed to determine appropriate resolution of the reconciling item.

Effect:

Certain cash held in bank accounts by the Hampton Sheriff has not and should be escheated to the State Treasurer.

Recommendation:

We recommend the Hampton Sheriff's Office review the June 30 bank reconciliations and resolve all outstanding items greater than one year. For all outstanding checks greater than one year, the Hampton Sheriff should report and escheat these amounts to the State Treasurer by November 1.

Management Response:

The Hampton Sheriff's Office has reviewed the June 30, 2012 bank reconciliations and resolved all outstanding checks noted in the audit findings. In addition, two checks have been escheated to the State Treasury. As we move forward, all outstanding checks as well as unclaimed checks greater than one year old will be reported on the Unclaimed Property Report and forwarded to the State Treasurer annually by November 1st.

2012-3 Compliance related to Social Services

Criteria:

Interest on Special Welfare Accounts should be credited to the recipient's account when earned.

Condition:

While performing our audit procedures on Special Welfare Accounts, we determined that interest was being credited to the recipients' accounts several months after it was earned.

Cause:

The Special Welfare bank account is held and reconciled by the Hampton Treasurer. Hampton Social Services maintains subsidiary ledgers for each child, which they reconcile to the Treasurer's records. Interest is credited monthly to the bank account when earned, and is allocated and recorded in the child's subsidiary ledger by Social Services. Delays occurring in both processes ultimately result in the untimely posting to the subsidiary ledgers.

Effect:

Subsidiary ledgers for each child are not reflective of their actual balances due to these posting delays.

Recommendation:

We recommend Hampton Social Services work with the Hampton Treasurer's Office to receive the reconciled balances within 30 days of month end. We then recommend Hampton Social Services abide by their internal policy to reconcile and post to the child's subsidiary ledger within 15 days of receiving the Treasurer's reports.

Management Response:

The Hampton Social Services Accounting Supervisor will ensure they document receipt of the Treasurer's reconciliation and will reconcile each subsidiary account and post the prorated

interest to each account within 15 days of receiving the Treasurer's reconciliation.

2012-4 Compliance related to Social Services

Criteria:

When a user leaves the Local Department of Social Services, their access privileges must be immediately removed from all systems they were authorized to use (within 3 days).

Condition:

While performing our audit procedures on compliance with terminated users' access rights, we found two instances where it took one or more weeks for terminated users' access rights to be removed.

Cause:

One instance was due to a miscommunication with Human Resources in the user's termination date, and the other instance was due to delays resulting from the additional protocols of removing user's access rights from a "Security Officer."

Effect:

Terminated users have access to the Department of Social Services systems which have extremely sensitive data.

Recommendation:

We recommend Social Services establish procedures with their Security Officers to be more timely and correctly notified of terminated users.

Management Response:

Hampton Social Services has implemented email notification between the Hampton Human Services Personnel Liaison and the Hampton Security Officer when there is a termination to ensure terminated employees are removed from the Social Services systems within 3 working days.

2012-5 Compliance related to Social Services

Criteria:

Each Local Department of Social Services should document a Business Continuity Plan in compliance with the Virginia Department of Emergency Management's (VDEM) requirements, which include establishing procedures which address disruptions for loss of access to facility, loss of services due to reduced workforce and loss of services due to equipment or systems failure.

Condition:

While performing our audit procedures on compliance with a documented Business Continuity Plan, we determined that the Hampton Social Services plan does not address disruption for loss of services due to reduced workforce.

Cause:

Hampton Social Services failed to address this element in revising their Business Continuity Plan.

Effect:

Hampton Social Services Business Continuity Plan is not in compliance with VDEM requirements.

Recommendation:

We recommend Hampton Social Services review the requirements of a Business Continuity Plan as outlined on VDEM's website, and revise their current plan so it is compliant.

Management Response:

The Hampton Department of Human Services Continuity of Operations Plan (COOP) was originally modeled on the Virginia Department of Social Services Plan. We developed our Business Continuity Plan of Operation based on different emergency scenarios. After reviewing your finding in our COOP program, the Financial and Operations Administrator will review our plan and develop a more detail plan that specifically address how the Department of Human Services will operate due to a loss of services cause by a reduced work force.

E. Resolution of Prior Year's Findings

None reported