

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

**For the Fiscal Year Ended June 30, 2009**

Prepared by:

Karl S. Daughtrey, Director of Finance

Sylvia L. Shanahan, Controller

and

The Department of Finance



**CITY OF HAMPTON, VIRGINIA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
JUNE 30, 2009**

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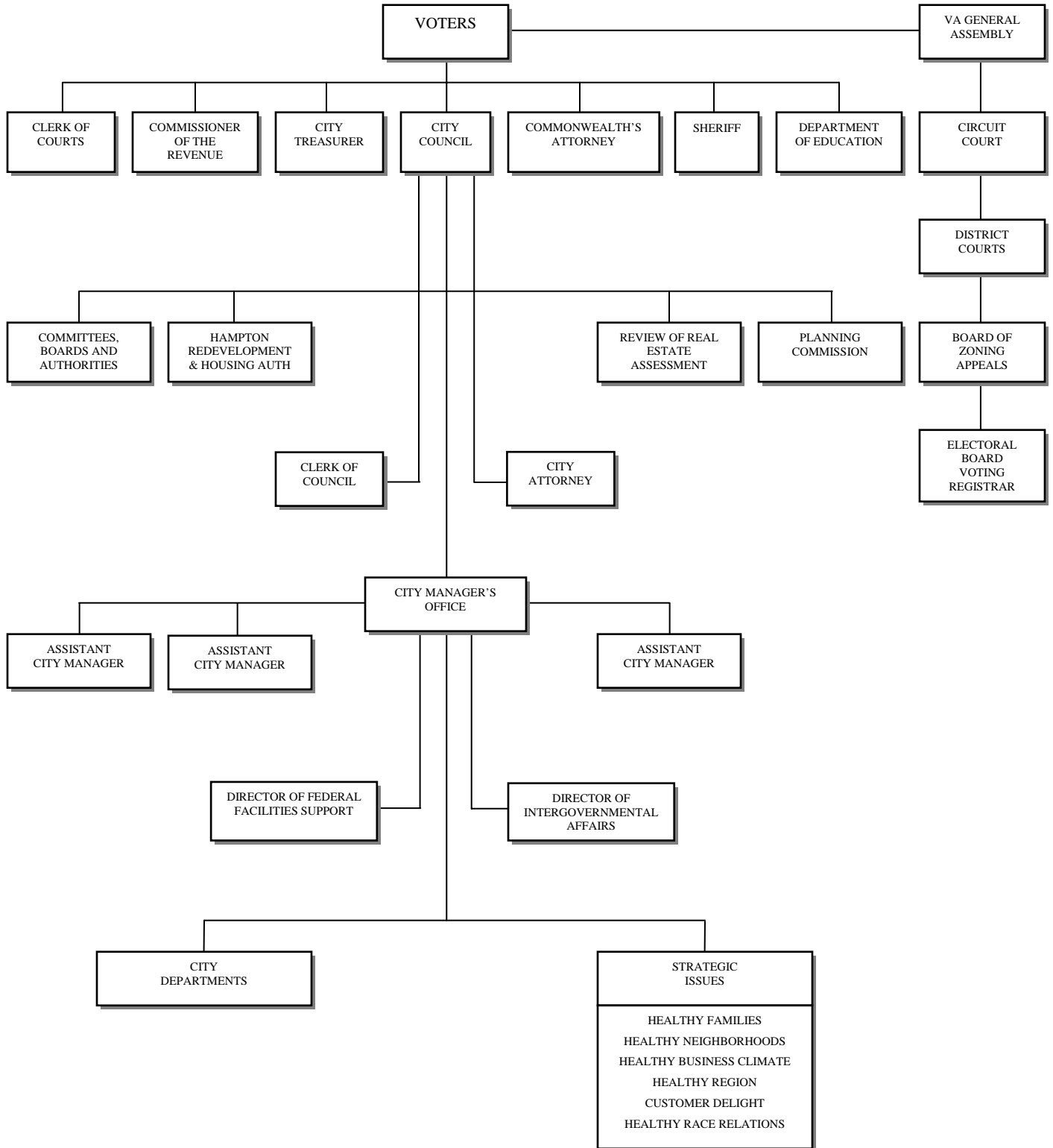
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Cover photo courtesy of Hampton Convention and Visitors Bureau

**CITY OF HAMPTON, VIRGINIA**  
**June 30, 2009**



**CITY OF HAMPTON, VIRGINIA**  
**June 30, 2009**

**ELECTED OFFICIALS**

**CITY COUNCIL**

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

**CONSTITUTIONAL OFFICERS**

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

**APPOINTED OFFICIALS**

**CITY ADMINISTRATION**

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



**CITY OF HAMPTON, VIRGINIA**  
**June 30, 2009**

**SCHOOL BOARD**

Fred A. Brewer, Jr., Chairman

Phyllis Taylor Henry, Vice Chairman  
Linwood D. Harper  
William Pearson  
Frank Miller, Student Liaison

Henry J. Godfrey  
Martha Mugler  
Lennie Routten  
Seth Warren, Alt. Student Liaison

**SCHOOL ADMINISTRATION**

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

**HAMPTON EMPLOYEES' RETIREMENT SYSTEM**

**BOARD OF TRUSTEES**

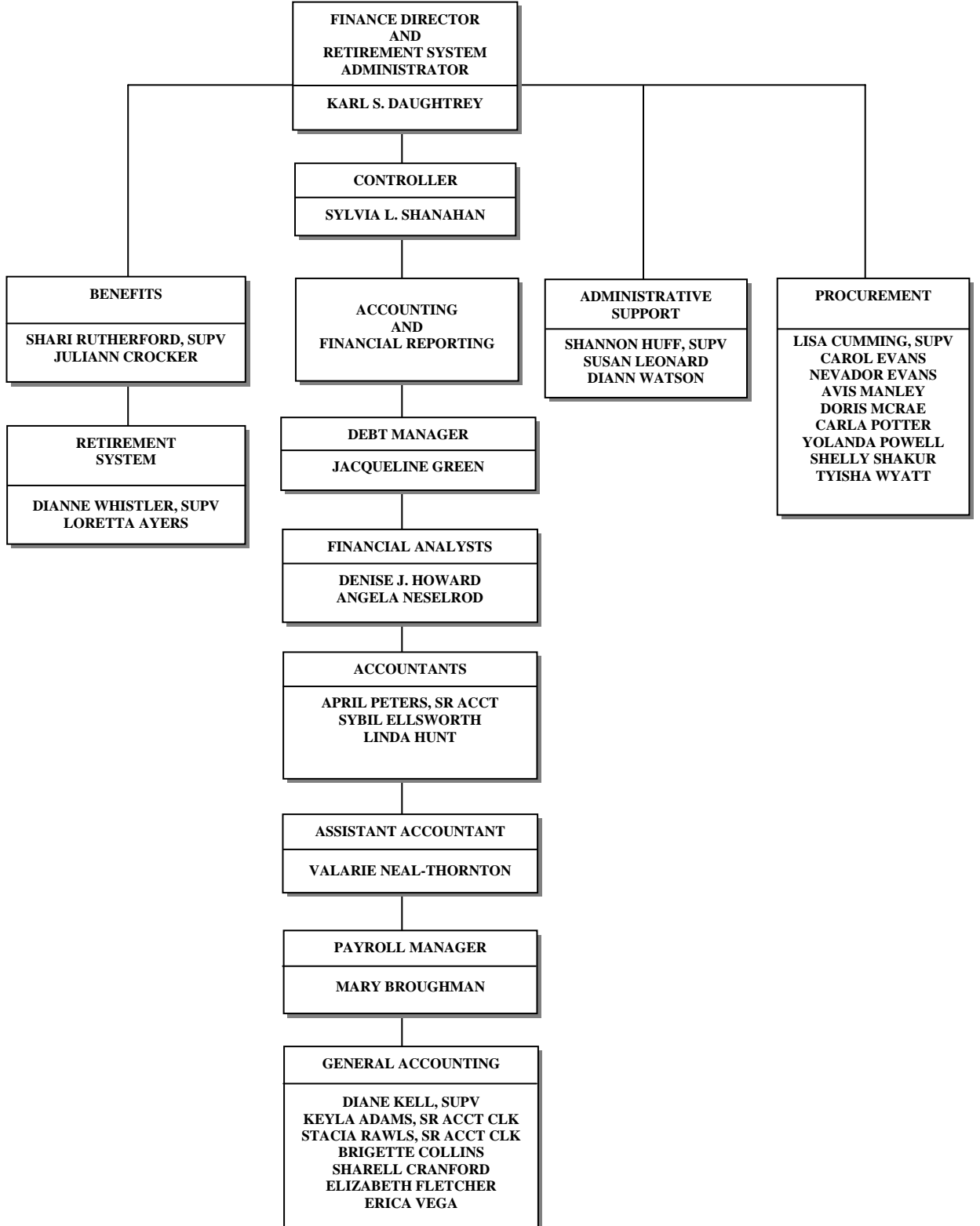
James A. Peterson, Vice Chairman  
Cynthia Hudson, Legal Counsel  
Sue Ange  
James Cross  
Randolph Lewis

A. G. Womble, Jr., Chairman

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

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

**CITY OF HAMPTON, VIRGINIA  
DEPARTMENT OF FINANCE  
June 30, 2009**





## City of Hampton

November 24, 2009

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, 2009. State law requires the City to publish, at the close of each fiscal year, a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with Government Auditing Standards by a firm of licensed certified public accountants. This report has been prepared by the Department of Finance and the report does comply with these guidelines and the Auditor of Public Accounts of the Commonwealth of Virginia.

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

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

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

City of Hamptons' financial statements for the year ended June 30, 2009. The independent auditor's report is presented as the first component of the financial section of this report.

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

## **Profile of the City**

### *Background*

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

As of July 1, 2008, current estimated population in Hampton is 144,204. This indicates a decrease in population of 1.1% or 1,658 from the July 1, 2007 estimate of 145,862.

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 2009, several awards and recognitions were received by the City of Hampton. They are listed below:

- The City of Hampton was recently named one of the top 20 hot spots for young professionals to live and work as ranked by Next Generation Consulting (NGC). The ranking was based on earning and future job growth, educational opportunities, vitality, ability to get around town, after hours activities, cost of lifestyle and social capital. Hampton ranked number 20 on the list in the “Mighty Micro” population category of 100,000 to 200,000.
- Hampton was named one of the most technology-advanced cities in America by the Center for Digital Government. The annual study examines how city governments are using digital technologies “to create a seamless environment between local government and constituents.” The City of Hampton ranked 7<sup>th</sup> in its population category of 125,000-249,999.
- Hampton’s Media and Community Relations department was recently chosen as a recipient of the 2009 Communicator and Videographer Awards. Channel 47’s print ads and the “Spotlight on Citizens” program each received a Silver Communicator Award. This award is given for creative excellence among communications professionals. The “Spotlight on Citizens” program also received a Videographer Award which is given to recognize production and communication professionals whose work exceeds industry standards.
- The Virginia Air and Space Center won the 2008 Nickelodeon’s Parents’ Picks Awards for the Best Museum for Little Kids, Best Museum for Big Kids, Best Day Camp for Big Kids and Best Day Camp for Teens. The Parents’ Pick Awards identifies the best oriented places and resources in 52 major U. S. Cities.
- This year marks the 10<sup>th</sup> anniversary of Hampton’s 311 Call Center. In September 1999, Hampton became the first Virginia locality to offer citizens unlimited access to city services and information through their 311 Call Center.

### *Budgetary Systems*

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

### *Component Units*

The financial reporting entity includes all funds of the primary government (the City), as well as its component units. Component units are legally separate entities for which the City is financially accountable for and provides operating and capital funding. Their economic resources are either significant to the City or will impose a financial burden on the City. In accordance with GASB 39, the City has included the financial data of eight discrete component

units which are legally separate entities: Hampton City School Board, Hampton Redevelopment and Housing Authority (HRHA), Industrial Development Authority (IDA), Federal Area Development Authority (FADA), Healthy Families Partnership, Inc., Coliseum Central Business Improvement District, Inc., Downtown Hampton Development Partnership, Inc., and Foundation of the Virginia Air and Space Center.

### **Economic Conditions and Outlook**

#### *Local Economy*

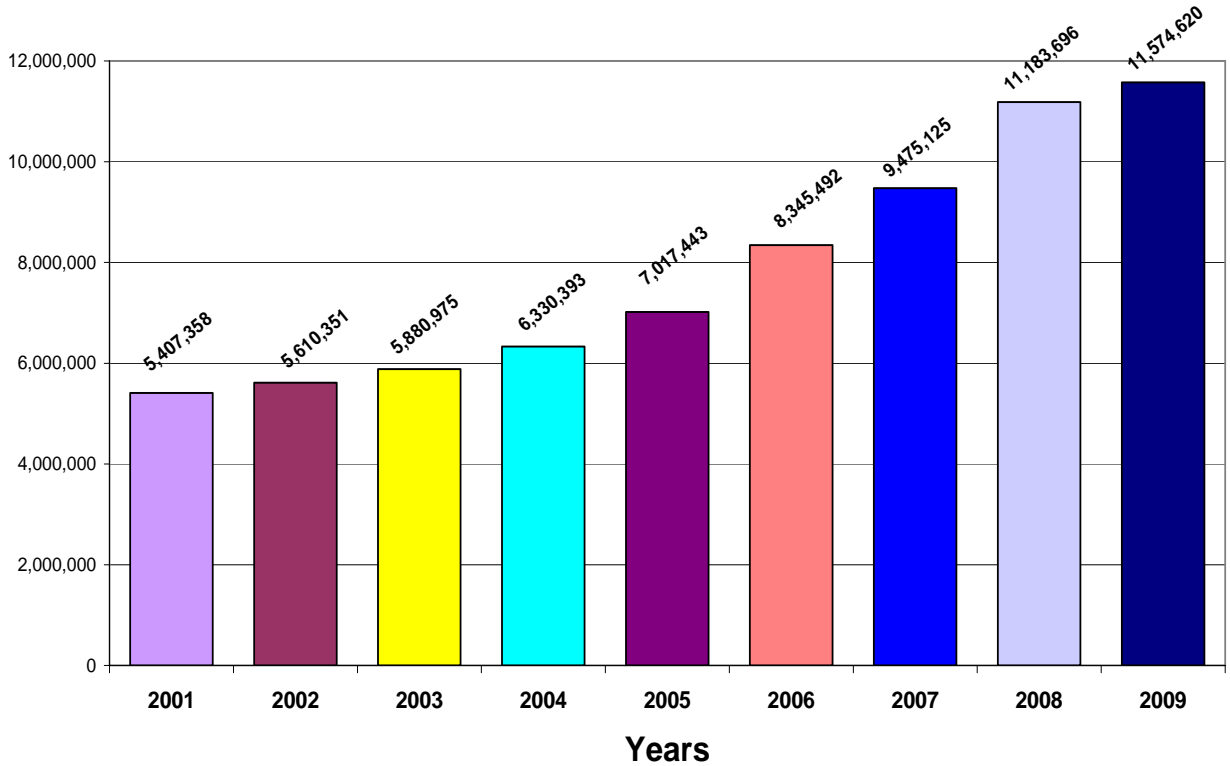
The City's central location in the Norfolk-Virginia Beach-Newport News, Metropolitan Statistical Area ("MSA") affords its businesses the ability to take advantage of resources offered throughout the area. Hampton's many business amenities have attracted a long list of prosperous and well-known national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

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

The effects of the national economic downturn are evidenced in Hampton's local economy, most notably in the real estate and jobs markets. Housing values in Hampton showed a modest average decline of 3.5% as compared to declines of 16% for Virginia and 20% for the nation. The City's unemployment rate is closer to state and national averages and is currently at a ten year high of 8.2%. This percentage is above our state's rate of 7.3% but below the national rate of 9.7%.

The assessed value of the City's residential and commercial real property increased by \$390.9 million or 3.5% from fiscal Year 2008 to fiscal year 2009.

### Assessed Value of Taxable Real Property In Billions



#### *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. During the last few decades, Hampton University has built an environment that produces research rivaling that of major universities across the nation. The University is home to a number of exceptional research centers including the Virtual Parts Modeling and Simulation Center, the Center for Atmospheric Sciences, Center of Advanced Medical Instrumentation, the Aero Propulsion Center, the Data Conversion and Management Lab, the Center for Laser Spectroscopy and Science, and the Center for the Study of the Origin and Structure of Matter. It is located in Hampton Virginia's downtown area on the waterfront.

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 2009, this team was involved in 20 commercial projects totaling \$33.8 million in private investment, creating 417 new jobs and retaining 286 jobs within the office, manufacturing and warehouse sectors. A summary of some of the commercial activity/development that has occurred during fiscal year 2009 is as follows:

Howmet Alcoa announced a \$25 million expansion to its Industrial Gas Turbine manufacturing operations. This expansion will add approximately 18,000 square feet to the company and create 25 new jobs initially.

Sprint/Nextel created 150 new jobs as a result of a new contract award.

Abbott General Contracting invested \$1,000,000 to build a new facility located at 2503 58th Street in Copeland Industrial Park and created 27 new jobs.

Vogel Lubrications relocated from Newport News and is leasing 48,850 square feet in Enterchange at Hampton, 2101 Aluminum Avenue in the Copeland Industrial Park. The company will create 60 jobs now and anticipates adding 20 new jobs in the next couple of years.

The Phoebus Shopping Center expansion has resulted in the completion of a new 20,000 square foot, two-story building which will ultimately be tenanted by a variety of retail and office uses including one or more restaurants.

Sentara CarePlex Hospital's third tower expansion received approval by the State Health Commissioner and broke ground in 2008. This 55,000 square-foot, two-story addition to the 194-bed acute care facility will be dedicated exclusively to orthopedic services. The expansion will be the region's only dedicated orthopedic hospital and is anticipated to open in early 2010.



### Military and Federal Research Facility

Langley Air Force Base is the oldest continuously active air base in the United States and headquarters for the Air Combat Command. It is also home to the U.S. Air Force's First Fighter Wing. Covering 2,900 acres, Langley has more than 8,900 military personnel and approximately 1,600 civilian employees with a combined payroll of over \$650 million.

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

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

### **General Government Financial Operations**

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

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

	<u>000's Omitted</u>		
	<u>2009</u>	<u>2008</u>	<u>Percent Increase (Decrease)</u>
<u>Revenues and Other Financing Sources:</u>			
General Fund	\$ 292,625*	\$ 297,262*	(1.56)
School Operating	<u>146,085*</u>	<u>138,833*</u>	<u>5.22</u>
Total	<u>438,710</u>	<u>436,095</u>	<u>.59</u>
<u>Expenditures and Other Financing Uses:</u>			
General Fund	223,252*	215,518*	3.59
School Operating	<u>212,468*</u>	<u>207,878*</u>	<u>2.21</u>
Total	<u>435,720</u>	<u>423,396</u>	<u>2.91</u>
Excess (deficiency) funded to (from) fund balance	<u>\$ 2,990</u>	<u>\$12,699</u>	

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

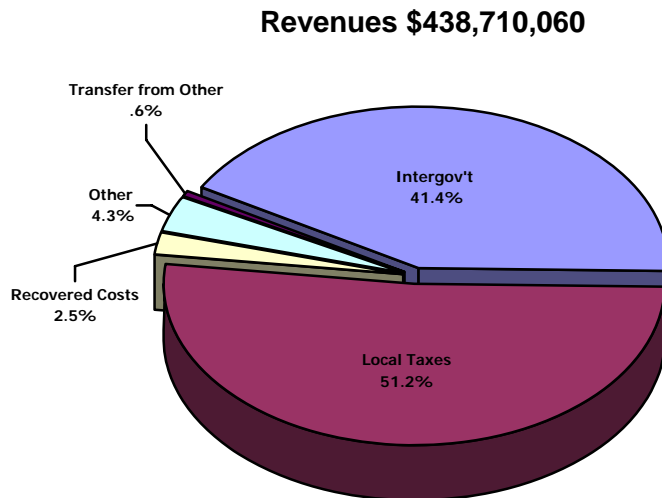
The General Fund revenues and other financing sources reflected the downturn of the nation's economy. This was evidenced by a decrease in business activities, fewer home sales, lower than expected investment returns, and a reduction of state revenues. The decrease in business activities resulted in lower tax revenues for Communication sales, Business License, and Sales and Use taxes. Fewer home sales meant recordation fees were down approximately \$600,000. Interest rates averaged 4.2% in fiscal year 2008 but only 1.64% in fiscal year 2009. This correlated to a \$2.4 million drop in investment income. Finally, budget cuts by the Commonwealth of Virginia decreased funds to localities. This caused a reduction of \$1.1 million in state revenues for the City.

The School Operating Fund revenues increased approximately \$7.2 million over fiscal year 2008. The majority of this increase was attributed to the per pupil amount allocated by the State. For Basic Aid, there was an increase of \$8.8 million; the per pupil amount increased from \$5,306 to \$5,916 in fiscal year 2009. The Special Education expenditure increase \$2.7 million because the per pupil amount increased from \$529 to \$667.

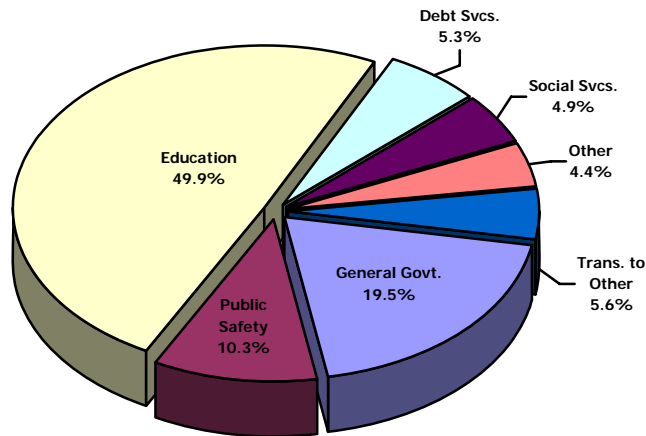
General Fund expenditures increased by \$7.7 million or 3.59% over fiscal year 2008. The City's retirement benefits increased \$1.3 million because of the rise in health insurance and the increase in the City's contribution to HERS. There was also an increase of \$1.3 million in the Social Services category. The number of special needs children increased which in turn increased the Foster Care and Adoption expenditures. The Day Care expenditures increased when the enrollment for Day Care services went up. Transfers to the Debt Service Fund increased because the first interest payment of \$8.2 million was paid on the 2007 bonds.

The School Board Operating Fund expenditures increased \$4.6 million over fiscal year 2008. Transportation expense increased \$3.5 million largely due to the purchase of (40) school buses.

The graphs of the 2009 General Fund and School Operating Fund revenues and expenditures are as follows:



**Expenditures \$435,719,539**



**Long Term Financial Planning**

In the years 2010-2014, there is a total of \$239.6 million that is scheduled for City and School projects. The following summarizes the largest of these projects:

- School Construction/Maintenance \$78.7 million
- New Circuit Court Building 29.0 million
- Street Resurfacing 20.1 million
- Public Safety Radio System 15.2 million
- Saunders Road Improvements 15.0 million
- Building Maintenance 12.0 million
- Blighted/Strategic Property Acquisition 8.9 million
- Buckroe Community Center 8.0 million
- Redevelopment of Bluebird Gap Farm 8.0 million
- North King Street Master Plan 6.4 million
- Newmarket Creek Park and Trail System 5.0 million
- Parks and Recreation Maintenance 4.9 million
- 911/311 Relocation 4.5 million
- North Phoebus/Other Master Plans 3.4 million
- Neighborhood Curb and Gutter Program 2.9 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, 2009, general obligation debt totaled \$297 million or 2.6 % 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, 2009, this would amount to \$517 million or 4.1% of the assessed value of all taxable real and personal property which was within the policy parameter.

(c) Debt of certain special purpose entities, such as community development authorities, shall not exceed 1% of the assessed value of all real and personal property subject to taxation within the City. At June 30, 2009, 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, 2009, this would amount to \$35.0 million or 8.8% 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 64% of general bonded obligation debt in FY2019 that was outstanding as of June 30, 2009.

**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, 2009, capital expenditures were \$11 million which is 3.8% of General Fund revenues. Also, a minimum of 10% to 15% of CIP projects over a rolling five-year period are to be funded from general fund revenues. For the 5 year period, 2009 through 2013, the City plans to use 23% of General Fund revenues on CIP projects.

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

over a three-year period. The undesignated fund balance at June 30, 2009 was \$53.7 million or 12.3% of actual revenues.

The City is in compliance with the Financial Policy Guidelines.

### **Credit Ratings**

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

### **Major Initiatives and Accomplishments**

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

Hampton University's Proton Therapy Institute (HUPTI) broke ground in 2007 and is scheduled to open in 2010. HUPTI will be the only proton therapy cancer treatment center in Virginia and will treat over 2,000 patients per year. At 98,000 square feet, it will be the largest free-standing proton therapy institute in the world. HUPTI will be a state-of-the-art research and training facility as the first proton center in the nation to provide proton-specific medical career training at a variety of levels, radiation therapist to MD/PhD, and an additional beam line is dedicated to proton therapy research.

Peninsula Town Center is a complete redevelopment of the existing 30-year old regional shopping center, Coliseum Mall. The new 1-million square foot mixed-use town center is opening in phases. Macy's, JC Penney, Barnes & Noble, Outback Steakhouse, Lenscrafters, Target and Chipotle Mexican Grill are currently serving customers, and The Chapman apartments have been filling quickly since opening in May 2009. Five Guys Burgers & Fries and The Pub will both open in September. The majority of remaining fashion and specialty stores are expected to open during Peninsula Town Center's official Grand Opening on March 11, 2010. The incredible blend of retail, restaurant, entertainment, residential, office, and public space constitutes a private investment in excess of \$250 million. The development is designed to create a pedestrian oriented town center environment. This is the largest private investment in the history of Hampton.

### **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

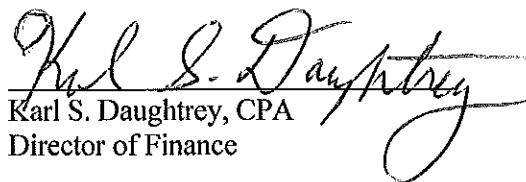
of Hampton has received this award for its comprehensive annual financial report for the fiscal year ended June 30, 2008.


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

**Acknowledgments**

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

Respectfully submitted,

  
Karl S. Daughtrey, CPA  
Director of Finance

  
Sylvia L. Shanahan  
Controller

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Hampton  
Virginia

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2008

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.



A handwritten signature in black ink, appearing to read "K. L. R. R.", written over the printed name.

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer", written over the printed name.

Executive Director

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## 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, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Hampton Redevelopment and Housing Authority as of December 31, 2008, the Downtown Hampton Development Partnership, Inc., and the Healthy Families Partnership, Inc., which represent 38.1% and 10.8%, respectively, of the total assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinions on the basic financial statements insofar as they relate to the amounts included for the Hampton Redevelopment and Housing Authority, the Downtown Hampton Development Partnership, Inc., and the Healthy Families Partnership, Inc., are based on the reports of the other auditors.

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

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 24, 2009, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

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

Virginia Beach, Virginia  
November 24, 2009

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

The following discussion and analysis of the City of Hampton's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2009. Please read it in conjunction with the transmittal letter and the City's financial statements, which follow this section.

### **FINANCIAL HIGHLIGHTS**

- The General Fund, on a current financial resource basis, reported revenues in excess of expenditures and other financing sources and uses by \$.2 million (Exhibit A-4) after making a \$69.2 million payment to Hampton City Schools, \$11.0 million transfer to Capital Projects, \$8.4 million transfer to Enterprise Funds, \$2.3 million to Special Revenue Funds and \$27.0 million to Debt Service Fund.
- On a government-wide basis for governmental activities, the City's net assets increased by \$8.0 million (Exhibit A-2).
- In the City's business-type activities, on a government-wide basis, net assets decreased by \$.2 million (Exhibit A-2).
- The City's net assets, excluding component units, on the government-wide basis, totaled \$819.5 million at June 30, 2009. Of this amount, \$134.0 million is available for spending at the government's discretion (unrestricted net assets - Exhibit A-1).

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

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

### **GOVERNMENT-WIDE STATEMENTS**

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

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

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

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

## FUND FINANCIAL STATEMENTS

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

The City has three kinds of funds:

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

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

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

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

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

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

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

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

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

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

## FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Table I  
Summary of Statement of Net Assets (In Thousands)  
June 30, 2009 and 2008

	Governmental Activities		Business-type Activities		Total Primary Government		Component Units	
	2009	2008	2009	2008	2009	2008	2009	2008
Current and other assets	\$ 318,152	\$ 366,743	\$ 49,704	\$ 47,332	\$ 367,856	\$ 414,075	\$ 74,484	\$ 69,110
Capital assets	782,554	718,234	172,770	177,760	955,324	895,994	62,601	76,867
Total assets	1,100,706	1,084,977	222,474	225,092	1,323,180	1,310,069	137,085	145,977
Current Liabilities	61,583	59,367	7,797	8,552	69,380	67,919	26,149	23,662
Long-term liabilities	318,987	313,487	115,284	116,937	434,271	430,424	15,551	21,143
Total liabilities	380,570	372,854	123,081	125,489	503,651	498,343	41,700	44,805
Net assets:								
Invested in capital assets, net of related debt	568,771	558,007	58,780	62,230	627,551	620,237	61,974	68,753
Restricted	32,433	23,701	25,578	26,356	58,011	50,057	5,016	5,039
Unrestricted	118,932	130,415	15,035	11,017	133,967	141,432	28,395	27,380
Total net assets	\$ 720,136	\$ 712,123	\$ 99,393	\$ 99,603	\$ 819,529	\$ 811,726	\$ 95,385	\$101,172

The City’s combined net assets (which is the City’s bottom line) increased by 1%, or \$7.8 million in fiscal year 2009, of which approximately 7% 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 77% of net assets. These assets are used to provide services to citizens and consequently are not available for future spending. The City’s unrestricted net assets – the part of net assets that can be used to finance day-to-day operations – were \$134.0 million.

**Table II**  
**Summary of Changes in Net Assets (In Thousands)**  
**For the Fiscal Years Ended June 30, 2009 and 2008**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>		<b>Component Units</b>		
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>	
<b>Revenues:</b>									
Program revenues:									
Charges for services	\$ 17,883	\$ 25,165	\$ 39,914	\$ 39,854	\$ 57,797	\$ 65,019	\$ 11,149	\$ 9,109	
Operating grants and contributions	76,025	59,795	2,528	2,848	78,553	62,643	188,232	180,475	
Capital grants and contributions	13,453	57,530	1,180	1,531	14,633	59,061	1,063	886	
General revenues:									
Property taxes	145,607	160,158			145,607	160,158			
Other taxes	68,409	71,492			68,409	71,492			
Other	9,875	15,363	1,586	2,679	11,461	18,042	77,222	77,425	
Total revenues	<u>331,252</u>	<u>389,503</u>	<u>45,208</u>	<u>46,912</u>	<u>376,460</u>	<u>436,415</u>	<u>277,666</u>	<u>267,895</u>	
<b>Expenses:</b>									
General government	\$ 100,134	\$ 101,494	\$ -	\$ -	\$ 100,134	\$ 101,494	\$ 42,739	\$ 35,075	
Public safety	51,052	50,040			51,052	50,040			
Highways and streets	12,374	7,774			12,374	7,774			
Sanitation	4,641	4,959	21,487	20,379	26,128	25,338			
Health	3,098	3,090			3,098	3,090			
Human services	30,198	30,004			30,198	30,004	233	194	
Culture and recreation	19,664	23,524	32,295	34,409	51,959	57,933	859	1,174	
Education - payment to School Board	69,217	66,517			69,217	66,517			
Educational	9,336	5,133			9,336	5,133	239,622	233,993	
Housing					-	-			
Interest on long-term debt	15,161	12,389	-	-	15,161	12,389			
Total expenses	<u>314,875</u>	<u>304,924</u>	<u>53,782</u>	<u>54,788</u>	<u>368,657</u>	<u>359,712</u>	<u>283,453</u>	<u>270,436</u>	
Increase (decrease) in net assets before transfers	16,377	84,579	(8,574)	(7,876)	7,803	76,703	(5,787)	(2,541)	
Transfers	(8,364)	(8,530)	8,364	8,530	-	-	-	-	
Increase (decrease) in net assets	8,013	76,049	(210)	654	7,803	76,703	(5,787)	(2,541)	
Net assets, July 1	712,123	636,074	99,603	98,949	811,726	735,023	101,172	103,713	
Net assets, June 30	<u>\$ 720,136</u>	<u>\$ 712,123</u>	<u>\$ 99,393</u>	<u>\$ 99,603</u>	<u>\$ 819,529</u>	<u>\$ 811,726</u>	<u>\$ 95,385</u>	<u>\$101,172</u>	

## GOVERNMENTAL ACTIVITIES

For the fiscal year ended June 30, 2009, revenues from governmental activities totaled \$331.3 million. Revenues from governmental activities decreased by \$58.3 million; primarily in capital grants and contributions which decreased \$44.1 million due to fewer capital contributions for streets and roads (a decrease of \$42.2 million).

General property taxes, the City's largest revenue source, were \$145.6 million, a decrease of \$14.6 million when compared to fiscal year 2008. This revenue decrease is due to personal property tax relief tax (PPTRA) of \$15.5 million being reclassified from property taxes to state non-categorical revenue.

Program revenues are derived from the program itself and reduce the cost of the function to the City. Total program revenue for governmental activities was \$107.4 million. One of the most significant of these revenues is the revenue category “Operating Grants and Contributions”. These revenues totaled \$76.0 million for the year ended June 30, 2009, an increase of \$16.2 million over the previous year. This increase is mainly due to the \$15.5 million reclass of personal property tax relief tax.

The other taxes revenue category, which includes taxes on general sales, utilities purchases, cigarettes, hotel rooms, restaurant meals, amusements, and business and automobile licenses, totaled \$68.4 million. This represents a \$3.1 million decrease over the previous year. This decrease is mainly the result of the economic recession with sales tax revenue dropping \$.6 million, \$.6 million decrease in recordation tax revenue and another \$.6 million decrease in business license taxes.

For the fiscal year ended June 30, 2009, expenses for governmental activities, excluding transfers, totaled \$314.9 million, an increase of \$9.6 million over the previous year. The majority of this increase was for the City’s increased funding for the public school system. In addition, highways and streets increased \$4.1 million over fiscal year 2008 due to an increase in road improvements.

#### BUSINESS-TYPE ACTIVITIES

Business-type activities generated revenues of \$45.2 million, a decrease of \$1.7 million when compared to the previous year. This is primarily due to interest income being down \$.8 million as a result of the drop in interest rates in fiscal year 2009. In addition, there were also decreases in operating and capital contributions of \$.3 million and \$.7 million respectively to the Museum Fund.

Expenses for the City’s business-type activities totaled \$53.8 million, a decrease of \$1.0 million when compared to the previous year. The Coliseum, Convention Center and Museum Funds all showed a decline in events/admissions, another indicator of the economic recession.

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

The General Fund’s fund balance increased by \$.2 million over fiscal year 2008. This is the net effect of a decrease in revenues (\$1.7 million under budget) and an increase in expenditures and transfers out.

The Debt Service Fund finished out fiscal year 2009 with a reduction in fund balance of \$.8 million. This decrease is due to the use of \$.5 million in 1978 bond funds to pay debt service.



The Capital Projects Fund ended the fiscal year with a \$51.5 million decrease in fund balance. Construction continues on the two new K-8 schools due to open in the spring of 2010. School construction expenditures totaled \$51.0 million in fiscal year 2009.

The Stormwater Fund, a governmental fund, showed an increase in net assets of \$.8 million. The savings were primarily due to the shortfall in personnel costs resulting from the hiring freeze in fiscal year 2009.

The Wastewater Fund received a \$1.1 million capital contribution of the Pine Chapel pump station which contributed to the increase in net assets of \$1.4 million at fiscal year end.

The Convention Center Fund recognized a decrease in net assets of \$2.6 million due to an unbudgeted \$2.6 million depreciation expense and a \$.6 million decrease in investment interest.

The Solid Waste Fund recognized a \$1.0 million increase in net assets due to a decrease in landfill and repair and maintenance costs. In addition, charges for services, a revenue stream which is not impacted by the recessed economy due to the nature of the services provided, exceeded total expenses by \$1.1 million.

Risk Management, an internal service fund, saw a \$4.1 million increase in net assets at fiscal year end due to a substantial decrease in general liability insurance claims in fiscal year 2009.

The Component Unit-IDA constructed a road in Hampton Roads Center for \$5.4 million and during fiscal year 2009 this road was contributed to the City of Hampton's road system. This contribution resulted in a \$4.3 million reduction to the IDA's net assets.

## GENERAL FUND BUDGETARY HIGHLIGHTS

During the year, the City Council revised the budget on several occasions. City Council appropriated \$12.2 million from designated fund balance to fund uncompleted projects in the Capital Projects Fund. These projects were funded from the General Fund in fiscal year 2008 but the appropriations lapsed at the end of the fiscal year. Under the City's budget savings program, the remaining budget savings of \$6.3 million was rolled from fiscal year 2008 to fiscal year 2009. City Council adopted a budget savings program whereby departments will retain 65 percent of their end of the fiscal year budget savings, 10 percent will be put into an innovations pool and \$415,000 will be designated for drainage projects. In addition, the City reappropriated grant, donation, and other revenues.

Actual expenditures and transfers were \$19.2 million below the final budget. A significant amount of this variance (\$10.7 million) occurred in the general government function, which was related to unused budget savings (\$5.1 million) under the City's budget savings program. A \$5.3 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 fell short of the budget by \$1.7 million. This negative variance was primarily due to a \$.9 million shortfall in sales taxes and a \$.6 million shortfall in business licenses. The recessed economy is the main contributor to the revenue shortfall in fiscal year 2009. Real estate assessments increased by approximately 3%.

## CAPITAL ASSETS

The total increase over fiscal year 2008 in the City's investment in capital assets for the current fiscal year is \$59.3 million. At the end of fiscal year 2009, the City had invested \$955.3 million 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	
	2009	2008	2009	2008	2009	2008
Non-depreciable assets:						
Land and land improvements	\$ 488,425	\$ 477,698	\$ 9,859	\$ 9,859	\$ 498,284	\$ 487,557
Construction in progress	78,495	21,400	1,085	1,504	79,580	22,904
Other capital assets:						
Buildings and improvements	67,881	67,585	134,424	134,768	202,305	202,353
Improvements other than buildings	62,198	60,927	32,219	31,742	94,417	92,669
Equipment and vehicles	60,533	68,651	22,144	21,650	82,677	90,301
Exhibits			13,887	13,887	13,887	13,887
Landfill			4,811	4,811	4,811	4,811
Infrastructure	147,576	137,913	64,289	62,713	211,865	200,626
Accumulated depreciation	(122,554)	(115,940)	(109,948)	(103,174)	(232,502)	(219,114)
Total	\$ 782,554	\$ 718,234	\$ 172,770	\$ 177,760	\$ 955,324	\$ 895,994

Component Units	School Board		Industrial Development Authority		Coliseum Central Business Improvement District, Inc.	
	2009	2008	2009	2008	2009	2008
Non-depreciable assets:						
Land and land improvements	\$ 5,111	\$ 5,111	\$ 15,803	\$ 15,803	\$ -	\$ -
Construction in progress				5,466		
Other capital assets:						
Buildings and improvements	48,963	48,963				
Improvements other than buildings	310	310	383	383		
Infrastructure			2,545	2,545		
Equipment and vehicles	34,792	34,323	50	50	82	78
Accumulated depreciation	(71,702)	(69,085)	(1,010)	(899)	(59)	(52)
Total	\$ 17,474	\$ 19,622	\$ 17,771	\$ 23,348	\$ 23	\$ 26

Component Units	Downtown Hampton Development Partnership, Inc.		Healthy Families Partnership, Inc.		Hampton Redevelopment and Housing Authority	
	2009	2008	2009	2008	2009	2008
Non-depreciable assets:						
Land and land improvements	\$ -	\$ -	\$ -	\$ -	\$ 6,824	\$ 7,928
Construction in progress					2,845	1,477
Other capital assets:						
Buildings and improvements					32,133	37,738
Improvements other than buildings					10	3
Infrastructure	427	427				
Equipment and vehicles	78	75	12	12	2,360	2,553
Accumulated depreciation	(161)	(142)	(12)	(12)	(17,183)	(16,187)
	<u>\$ 344</u>	<u>\$ 360</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,989</u>	<u>\$ 33,512</u>

Component Units	Total Component Unit	
	2009	2008
Non-depreciable assets:		
Land and land improvements	\$ 27,738	\$ 28,842
Construction in progress	2,845	6,943
Other capital assets:		
Buildings and improvements	81,096	86,701
Improvements other than buildings	703	696
Infrastructure	2,972	2,972
Equipment and vehicles	37,374	37,091
Accumulated depreciation	(90,127)	(86,377)
	<u>\$ 62,601</u>	<u>\$ 76,868</u>

The City's fiscal year 2010 capital budget sets forth \$239.6 million to be spent during fiscal year 2010 through 2014 in various projects: \$78.7 million in school construction and maintenance, \$36.9 million in street and infrastructure maintenance, \$29 million for a new circuit court building, \$8 million for a new community center, \$12 million in building maintenance, \$17.2 million in community enhancements, \$5.4 million in strategic property acquisition and \$2.9 million in Stormwater drainage projects. Construction began and/or was completed for a variety of street projects, building maintenance and infrastructure, education and other projects. Additional information about the City's capital assets can be found in Note 6 to the financial statements.

## LONG-TERM DEBT

At the end of fiscal year 2009, the City had \$300.8 million in outstanding general obligation bonds, a decrease of \$13.3 million or 4% over that held at June 30, 2008. This decrease is due to \$12.9 million in debt service payments made during the fiscal year. 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, 2009, the City's aggregate general obligation indebtedness is \$861.5 million below this limit.

Table IV  
 City of Hampton  
 Change in General Obligation and Revenue Bonds (In Thousands)  
 June 30, 2009 and 2008

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
General Obligation bonds	\$ 294,835	\$ 307,745	\$ -	\$ -	\$ 294,835	\$ 307,745
Revenue bonds			114,360	115,850	114,360	115,850
Unamortized premium	8,571	9,128	2,228	2,437	10,799	11,565
Less deferred amount for advance refunding	(2,645)	(2,820)	(819)	(1,005)	(3,464)	(3,825)
Total primary government	\$ 300,761	\$ 314,053	\$ 115,769	\$ 117,282	\$ 416,530	\$ 431,335

**Component Unit - Industrial Development Authority**

Revenue bonds	\$ 8,360	\$ 8,805
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**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The City's staff and City Council considered many factors when developing the fiscal year 2010 budget. One of the major factors considered was the economy.

- Growth in real estate assessments is slowing down due to the economy.
- Real Estate Tax is estimated to experience a natural growth of \$.7 million which is a 0.6% increase over fiscal year 2009 whereas Personal Property Tax is expected to decrease \$3.6 million or 11.9% when compared to the prior year.
- In order to fund the Department of Environmental Quality regional consent order obligations and enhance sewer rehabilitation efforts, a new sewer surcharge fee of \$.44 per 100 cubic feet will be effective on July 1, 2009.

The fiscal year 2010 approved budget for the General Fund is \$434.8 million, a 2.0% decrease over the fiscal year 2009 budget. No merit increases have been included in the FY10 budget; however, the City is absorbing the employees' share of the medical premium increase in fiscal year 2010. For fiscal year 2010 some of the new/enhanced programs and services are as follows: \$.9 million is being designated to fully fund the operations of the Buckroe Fishing Pier and Teen Center.

## CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

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**City of Hampton  
Statement of Net Assets  
June 30, 2009**

	<b>Primary Government</b>			<b>Component Units</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total Primary Government</b>	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 148,234,810	\$ 13,529,956	\$ 161,764,766	\$ 29,182,721
Cash with fiscal agent	180,000		180,000	2,995,408
Investments	127,220,125		127,220,125	386,142
Accounts receivables	24,547,745	4,507,670	29,055,415	1,501,197
Lease receivable			-	11,880,711
Due from component unit	130,088	24,017	154,105	
Due from primary government			-	3,541,799
Internal balances	2,406,398	(2,406,398)	-	
Due from other governments			-	9,506,468
Inventories	306,940	252,575	559,515	142,850
Prepaid items	108,942	81,061	190,003	10,107
Temporarily restricted assets:			-	
Cash and cash equivalents		2,693,221	2,693,221	2,073,906
Cash with fiscal agent	14,140,038	12,129,160	26,269,198	
Investments		16,980,680	16,980,680	
Notes receivable	33,822	10,385	44,207	1,581,213
Deferred charges	843,619	1,902,017	2,745,636	
Land held for sale			-	11,680,734
Capital assets not being depreciated	566,920,041	10,944,190	577,864,231	30,583,450
Capital assets, net of accumulated depreciation	215,633,970	161,825,423	377,459,393	32,017,950
Total assets	<u>\$ 1,100,706,538</u>	<u>\$ 222,473,957</u>	<u>\$ 1,323,180,495</u>	<u>\$ 137,084,656</u>
<b>LIABILITIES</b>				
Accounts payable and other liabilities	\$ 33,906,233	\$ 1,938,105	\$ 35,844,338	\$ 12,832,316
Due to other governments				245,954
Due to component units	3,541,799		3,541,799	
Due to primary government				154,105
Unearned revenue	1,807,438	150,916	1,958,354	7,576,082
Current liabilities payable from restricted assets		3,439,402	3,439,402	
Notes and other long-term payables:				
Due within one year	7,061,422	509,127	7,570,549	4,865,858
Due in more than one year	33,491,627	1,274,318	34,765,945	7,665,021
Bonds payable:				
Due within one year	15,265,902	1,758,902	17,024,804	474,515
Due in more than one year	285,495,805	114,010,057	399,505,862	7,885,504
Total liabilities	<u>380,570,226</u>	<u>123,080,827</u>	<u>503,651,053</u>	<u>41,699,355</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	568,770,517	58,779,959	627,550,476	61,974,205
Restricted for:				
Capital projects	26,433,243		26,433,243	
Debt service	5,982,446	25,577,957	31,560,403	
Other purposes	18,068		18,068	5,016,404
Unrestricted	<u>118,932,038</u>	<u>15,035,214</u>	<u>133,967,252</u>	<u>28,394,692</u>
Total net assets	<u>720,136,312</u>	<u>99,393,130</u>	<u>819,529,442</u>	<u>95,385,301</u>
Total liabilities and net assets	<u>\$ 1,100,706,538</u>	<u>\$ 222,473,957</u>	<u>\$ 1,323,180,495</u>	<u>\$ 137,084,656</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, 2009**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Assets			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
<b>Primary government</b>								
Governmental activities:								
General government	\$ 100,133,765	\$ 5,806,649	\$ 25,977,848	\$ -	\$ (68,349,268)	\$ -	\$ (68,349,268)	\$ -
Public safety	51,051,698	1,962,036	13,524,454		(35,565,208)		(35,565,208)	
Highways and streets	12,373,607		12,438,480	13,452,611	13,517,484		13,517,484	
Sanitation	4,641,263	4,905,525			264,262		264,262	
Health	3,097,875	2,384,456			(713,419)		(713,419)	
Human Services	30,198,082	34,178	23,884,726		(6,279,178)		(6,279,178)	
Culture and recreation	19,664,514	2,723,180			(16,941,334)		(16,941,334)	
Education (payment to school district)	69,216,564		199,597		(69,016,967)		(69,016,967)	
Education and educational services	9,336,303	67,263			(9,269,040)		(9,269,040)	
Interest on long-term debt	15,161,314	-	-	-	(15,161,314)		(15,161,314)	
Total governmental activities	<u>314,874,985</u>	<u>17,883,287</u>	<u>76,025,105</u>	<u>13,452,611</u>	<u>(207,513,982)</u>		<u>(207,513,982)</u>	
Business-type activities:								
Culture and recreation	32,294,886	16,241,941	2,527,828	73,418		(13,451,699)	(13,451,699)	
Sanitation	<u>21,487,053</u>	<u>23,672,474</u>	<u>-</u>	<u>1,106,960</u>	<u>-</u>	<u>3,292,381</u>	<u>3,292,381</u>	
Total business-type activities	<u>53,781,939</u>	<u>39,914,415</u>	<u>2,527,828</u>	<u>1,180,378</u>	<u>-</u>	<u>(10,159,318)</u>	<u>(10,159,318)</u>	
<b>Total primary government</b>	<b>\$ 368,656,924</b>	<b>\$ 57,797,702</b>	<b>\$ 78,552,933</b>	<b>\$ 14,632,989</b>	<b>\$ (207,513,982)</b>	<b>\$ (10,159,318)</b>	<b>\$ (217,673,300)</b>	
<b>Component units</b>								
Public school system	\$ 239,621,924	\$ 5,321,951	\$ 166,475,082	\$ -				(67,824,891)
Industrial development	12,007,756	2,625,647						(9,382,109)
HRHA	29,151,856	2,211,419	21,483,921	1,063,087				(4,393,429)
Federal area development	-							-
Business improvement	1,036,992	609,744						(427,248)
Downtown development	543,141	347,012	108,506					(87,623)
Healthy families	232,637	33,222	158,723					(40,692)
Museum support	<u>858,588</u>	<u>-</u>	<u>5,874</u>	<u>-</u>				<u>(852,714)</u>
<b>Total component units</b>	<b>\$ 283,452,894</b>	<b>\$ 11,148,995</b>	<b>\$ 188,232,106</b>	<b>\$ 1,063,087</b>				<b>\$ (83,008,706)</b>



	<b>Net (Expense) Revenue and Change in Net Assets</b>			
	<b>Primary Government</b>			<b>Component Units</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	
<b>General revenues</b>				
Taxes:				
Property taxes	\$ 145,606,981	\$ -	\$ 145,606,981	\$ -
Sales taxes	13,171,671		13,171,671	
Lodging, meal and amusement taxes	18,187,727		18,187,727	
Motor vehicle taxes	3,698,080		3,698,080	
Business license taxes	12,207,091		12,207,091	
Utility taxes	4,976,365		4,976,365	
Tobacco taxes	3,628,702		3,628,702	
Emergency 911 telephone taxes	408,447		408,447	
Recordation taxes	1,705,844		1,705,844	
Bank stock taxes	407,274		407,274	
Pari-mutuel license taxes	93,363		93,363	
Short-term rental taxes	135,514		135,514	
Franchise license taxes	1,447,873		1,447,873	
Communication sales tax	8,295,946		8,295,946	
Mobile home titling tax	44,917		44,917	
Payments from (to) City of Hampton			-	72,048,654
Investment earnings	5,608,835	627,508	6,236,343	1,114,333
Miscellaneous	4,266,056	958,513	5,224,569	4,059,153
Transfers	<u>(8,363,687)</u>	<u>8,363,687</u>	<u>-</u>	<u>-</u>
Total general revenues and transfers	<u>215,526,999</u>	<u>9,949,708</u>	<u>225,476,707</u>	<u>77,222,140</u>
<b>Change in net assets</b>	8,013,017	(209,610)	7,803,407	(5,786,566)
<b>Net assets, beginning</b>	<u>712,123,295</u>	<u>99,602,740</u>	<u>811,726,035</u>	<u>101,171,867</u>
<b>Net assets, ending</b>	<u>\$ 720,136,312</u>	<u>\$ 99,393,130</u>	<u>\$ 819,529,442</u>	<u>\$ 95,385,301</u>

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

**CITY OF HAMPTON, VIRGINIA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2009**

	General Fund	Special Revenue - Economic Development	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and cash equivalents	\$ 94,865,615	\$ 14,541,630	\$ 451,027	\$ 4,513,709	\$ 5,990,589	\$ 120,362,570
Investments	11,659,882			115,560,243		127,220,125
Accounts receivables:						
Taxes (net of allowance for uncollectible)	6,501,877					6,501,877
Due from other governments	10,156,019			3,226,465	2,339,367	15,721,851
Other	1,806,155	12,024	23	1,113	474,927	2,294,242
Notes receivable					33,822	33,822
Due from other funds	7,408,879			5,101,483	480,409	12,990,771
Due from component units	2,663	6,438				9,101
Restricted assets:						
Cash with fiscal agent				14,140,038		14,140,038
Inventories	68,623					68,623
Advances to other funds	25,000	-	5,531,396	-	-	5,556,396
Total assets	<u>\$ 132,494,713</u>	<u>\$ 14,560,092</u>	<u>\$ 5,982,446</u>	<u>\$ 142,543,051</u>	<u>\$ 9,319,114</u>	<u>\$ 304,899,416</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts payable	\$ 5,510,382	\$ 27,000	\$ -	\$ 7,999,200	\$ 946,454	\$ 14,483,036
Accrued health insurance	7,493,390					7,493,390
Accrued liabilities	3,596,572				142,367	3,738,939
Due to other funds	7,737,065	49,655			1,839,096	9,625,816
Due to component units	3,467,458	74,341				3,541,799
Deferred revenue	5,427,978	11,811	-	-	1,163,944	6,603,733
Total liabilities	<u>33,232,845</u>	<u>162,807</u>	<u>-</u>	<u>7,999,200</u>	<u>4,091,861</u>	<u>45,486,713</u>
Fund balances:						
Reserved for:						
Encumbrances	1,099,334					1,099,334
Courthouse maintenance	8,595					8,595
Hazmat	9,473					9,473
Advances to other funds	25,000		5,531,396			5,556,396
Capital Projects				14,140,038		14,140,038
Grants compliance					727,906	727,906
Unreserved:						
Designated for:						
Succeeding fiscal year	44,376,251					44,376,251
Specific projects - Permanent fund					66,528	66,528
Specific projects - Special Revenue funds		5,966,499			425,968	6,392,467
Debt service			451,050			451,050
Construction projects				120,403,813		120,403,813
Undesignated, reported in:						
General fund	53,743,215					53,743,215
Special Revenue funds	-	8,430,786	-	-	4,006,851	12,437,637
Total fund balances	<u>99,261,868</u>	<u>14,397,285</u>	<u>5,982,446</u>	<u>134,543,851</u>	<u>5,227,253</u>	<u>259,412,703</u>
Total liabilities and fund balances	<u>\$ 132,494,713</u>	<u>\$ 14,560,092</u>	<u>\$ 5,982,446</u>	<u>\$ 142,543,051</u>	<u>\$ 9,319,114</u>	<u>\$ 304,899,416</u>

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

Total fund balances of governmental funds	\$ 259,412,703
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)	771,616,232
Other assets are not available to pay current-period expenditures and, therefore, are deferred in the funds.	5,685,802
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)	34,322,018
Other liabilities not paid from current-period revenues are not reported in the funds for:	
Accrued interest	(7,009,843)
Interfund balances related to amounts eliminated in the Statement of Net Assets	(7,222,659)
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>(336,667,941)</u>
Net assets of governmental activities	<u>\$ 720,136,312</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, 2009**

	General Fund	Special Revenue			Other Governmental Funds	Total Governmental Funds
		- Economic Development	Debt Service	Capital Projects		
<b>REVENUES</b>						
General property taxes	\$ 145,682,901	\$ -	\$ -	\$ -	\$ -	\$ 145,682,901
Other local taxes	66,215,413				1,447,873	67,663,286
Intergovernmental revenues:						
From the Commonwealth of Virginia	50,363,937			1,732,146	8,576,157	60,672,240
From the Federal government	11,719,411	328,923		3,439,386	4,459,369	19,947,089
Permits, privilege fees and regulatory licenses	939,030					939,030
Fines and forfeitures	2,209,117					2,209,117
Revenues from use of money and property	2,080,133	3,569,630	5,242	3,067,230	385,388	9,107,623
Charges for services	5,623,386				4,865,143	10,488,529
Payment from component units	2,254,720					2,254,720
Miscellaneous	3,755,477		10,090	-	1,204,102	4,969,669
Recovered costs	1,781,179	-	275,404	-	-	2,056,583
Total revenues	<u>292,624,704</u>	<u>3,898,553</u>	<u>290,736</u>	<u>8,238,762</u>	<u>20,938,032</u>	<u>325,990,787</u>
<b>EXPENDITURES</b>						
Current:						
General government	84,161,868	4,082,999			3,323,342	91,568,209
Public safety	46,669,498				4,771,260	51,440,758
Highways and streets	2,361,659					2,361,659
Sanitation	-				3,542,860	3,542,860
Health	2,977,750					2,977,750
Human services	21,873,119				8,606,463	30,479,582
Culture and recreation	14,005,274				1,675,030	15,680,304
Education (payment to school district)	69,216,564					69,216,564
Education and educational services	2,381,182				12,974	2,394,156
Capital improvements				84,854,504		84,854,504
Debt service:						
Principal retirement			13,235,275			13,235,275
Interest and fiscal charges			15,756,985			15,756,985
Total expenditures	<u>243,646,914</u>	<u>4,082,999</u>	<u>28,992,260</u>	<u>84,854,504</u>	<u>21,931,929</u>	<u>383,508,606</u>
Excess (deficiency) of revenues over (under) expenditures	<u>48,977,790</u>	<u>(184,446)</u>	<u>(28,701,524)</u>	<u>(76,615,742)</u>	<u>(993,897)</u>	<u>(57,517,819)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Issuance of debt and capital leases				14,506,267		14,506,267
Transfers in		-	27,901,024	11,102,832	2,430,847	41,434,703
Transfers out	(48,821,552)	(21)	-	(491,000)	(485,817)	(49,798,390)
Net other financing sources (uses)	<u>(48,821,552)</u>	<u>(21)</u>	<u>27,901,024</u>	<u>25,118,099</u>	<u>1,945,030</u>	<u>6,142,580</u>
<b>Net change in fund balances</b>	156,238	(184,467)	(800,500)	(51,497,643)	951,133	(51,375,239)
<b>Fund balances, beginning of year</b>	<u>99,105,630</u>	<u>14,581,752</u>	<u>6,782,946</u>	<u>186,041,494</u>	<u>4,276,120</u>	<u>310,787,942</u>
<b>Fund balances, end of year</b>	<u>\$ 99,261,868</u>	<u>\$ 14,397,285</u>	<u>\$ 5,982,446</u>	<u>\$ 134,543,851</u>	<u>\$ 5,227,253</u>	<u>\$ 259,412,703</u>

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

Net change in fund balances - total governmental funds	\$ (51,375,239)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. This is the amount by which new capital assets exceeded capital expenditures in the period. (Note 6)	60,258,256
In the statement of activities, the loss on disposal of capital assets is reported. However in the governmental funds, only the proceeds from sale increase financial resources. The change in net assets differs from the change in fund balance by the net book value of the capital assets disposed.	
Cost of capital assets disposed	(10,630,943)
Accumulated depreciation on capital assets disposed	7,369,533
Donated assets are not reported in the governmental funds but are reflected in the statement of activities	8,281,079
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.	(3,303,623)
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	(468,381)
Net other postemployment benefits liability	(6,117,659)
Proceeds from capital lease	(14,506,267)
Repayment of debt principal	13,235,275
Bond issuance costs	(61,980)
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.	4,934,332
Expenses incurred during the period related to liabilities that are still outstanding and not yet due at year-end for accrued interest	17,732
Amortization of premiums	<u>380,902</u>
Change in net assets of governmental activities	<u>\$ 8,013,017</u>

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

**CITY OF HAMPTON, VIRGINIA**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**For the Fiscal Year Ended June 30, 2009**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Intergovernmental:				
State funds	\$ 48,972,177	\$ 49,741,759	\$ 50,363,937	\$ 622,178
Federal funds (includes pass through)	12,905,019	13,201,359	11,719,411	(1,481,948)
Local taxes	213,676,354	213,676,354	211,898,314	(1,778,040)
Licenses and permits	1,258,200	1,258,200	939,030	(319,170)
Fines and forfeitures	1,965,000	1,965,000	2,209,117	244,117
Revenue from use of money and property	1,726,900	1,726,900	2,080,133	353,233
Charges for services	5,684,491	5,684,491	5,623,386	(61,105)
Recovered costs	2,254,429	2,254,429	1,781,179	(473,250)
Payment from component units	2,000,000	2,000,000	2,254,720	254,720
Miscellaneous	2,767,744	2,767,744	3,755,477	987,733
Total revenues	<u>293,210,314</u>	<u>294,276,236</u>	<u>292,624,704</u>	<u>(1,651,532)</u>
<b>EXPENDITURES</b>				
Current:				
General government	92,083,394	94,844,218	84,161,868	(10,682,350)
Public safety	45,718,326	48,205,499	46,669,498	(1,536,001)
Highways and streets	2,408,991	2,563,477	2,361,659	(201,818)
Health	3,112,288	3,158,014	2,977,750	(180,264)
Human services	21,209,735	22,360,942	21,873,119	(487,823)
Culture and recreation	13,238,047	14,745,048	14,005,274	(739,774)
Education	71,573,292	71,664,997	71,597,746	(67,251)
Total expenditures	<u>249,344,073</u>	<u>257,542,195</u>	<u>243,646,914</u>	<u>(13,895,281)</u>
Excess of revenues over (under) expenditures	<u>43,866,241</u>	<u>36,734,041</u>	<u>48,977,790</u>	<u>12,243,749</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	<u>(47,866,241)</u>	<u>(54,104,094)</u>	<u>(48,821,552)</u>	<u>(5,282,542)</u>
Total other financing sources (uses)	<u>(47,866,241)</u>	<u>(54,104,094)</u>	<u>(48,821,552)</u>	<u>(5,282,542)</u>
Excess of revenues and other sources over (under) expenditures and other uses	(4,000,000)	(17,370,053)	156,238	<u>\$ 17,526,291</u>
<b>Appropriations from fund balance</b>	4,000,000	18,469,387		
<b>Appropriations - encumbrances</b>	<u>-</u>	<u>(1,099,334)</u>		
Budget - excess of revenues and appropriations from fund balance over (under) expenditures		-		
<b>Fund balance - July 1</b>	<u>-</u>	<u>-</u>	<u>99,105,630</u>	
<b>Fund balance - June 30</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 99,261,868</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, 2009**

	Business-Type Activities - Enterprise Funds						Governmental
	Wastewater Management	The Hamptons	Museum	Convention Center	Non-major Enterprise	Totals	Internal Service Funds
<b>ASSETS</b>							
Current assets:							
Cash and cash equivalents	\$ 2,363,622	\$ 106,318	\$ 2,573	\$ -	\$ 11,057,443	\$ 13,529,956	\$ 27,872,240
Cash with fiscal agent						-	180,000
Restricted assets to be used to liquidate current liabilities:						-	-
Revenue bond indenture:						-	-
Cash and cash equivalents				803,641		803,641	
Cash with fiscal agent			1,037,624	11,091,536		12,129,160	
Accounts receivable	1,528,507		95,203	229,510	2,654,450	4,507,670	29,775
Notes and mortgage receivable	10,385					10,385	
Due from other funds	303		397,423	1,008,230	154,139	1,560,095	927,840
Due from component units					24,017	24,017	120,987
Inventories	45,109	36,141	96,630		74,695	252,575	238,317
Prepaid expense			75,439	5,622		81,061	108,942
Restricted assets:						-	-
Revenue bond indenture:						-	-
Cash and cash equivalents		285,452	1,418,156	185,972		1,889,580	
Investments	-	362,236	-	16,618,444	-	16,980,680	-
Total current assets	<u>3,947,926</u>	<u>790,147</u>	<u>3,123,048</u>	<u>29,942,955</u>	<u>13,964,744</u>	<u>51,768,820</u>	<u>29,478,101</u>
Noncurrent Assets:							
Deferred charges		9,023	78,441	1,814,553		1,902,017	
Capital assets:							
Land and improvements	145,615	3,710,566	1,921,420	5,332,401	7,270,791	18,380,793	
Buildings and improvements	1,706,026	2,342,593	26,785,742	89,858,046	13,731,289	134,423,696	
Improvements other than buildings	254,189	9,316	6,800	3,228,109	25,009,844	28,508,258	4,475
Equipment	3,395,055	683,922	3,783,967	877,330	13,403,748	22,144,022	31,644,441
Construction in progress	129,866		835,294		119,977	1,085,137	78,002
Exhibits			13,886,509			13,886,509	
Infrastructure	64,289,664					64,289,664	
Less accumulated depreciation	<u>(26,377,557)</u>	<u>(5,449,333)</u>	<u>(28,207,118)</u>	<u>(10,739,822)</u>	<u>(39,174,636)</u>	<u>(109,948,466)</u>	<u>(20,789,141)</u>
Net capital assets	<u>43,542,858</u>	<u>1,297,064</u>	<u>19,012,614</u>	<u>88,556,064</u>	<u>20,361,013</u>	<u>172,769,613</u>	<u>10,937,777</u>
Total noncurrent assets	<u>43,542,858</u>	<u>1,306,087</u>	<u>19,091,055</u>	<u>90,370,617</u>	<u>20,361,013</u>	<u>174,671,630</u>	<u>10,937,777</u>
Total assets	<u>\$ 47,490,784</u>	<u>\$ 2,096,234</u>	<u>\$ 22,214,103</u>	<u>\$ 120,313,572</u>	<u>\$ 34,325,757</u>	<u>\$ 226,440,450</u>	<u>\$ 40,415,878</u>



	Business-Type Activities - Enterprise Funds						Governmental
	Wastewater Management	The Hamptons	Museum	Convention Center	Non-major Enterprise	Totals	Internal Service Funds
<b>LIABILITIES</b>							
Current liabilities:							
Accounts payable	\$ 216,104	\$ 40,467	\$ 100	\$ -	\$ 992,726	\$ 1,249,397	\$ 1,135,193
Accrued liabilities				44,977		44,977	
Accrued interest payable		5,550	150,700		65,960	222,210	-
Accrued leave	114,441	10,510	57,364		197,472	379,787	71,973
Due to other funds	51,406	2,910,673	840,796		1,829,882	5,632,757	220,133
Deferred revenue		2,300	124,832		23,784	150,916	45,888
Current portion of long-term debt		389,340	1,354,051	144,851		1,888,242	3,338,537
Current liabilities payable from restricted assets:							
Accounts payable			774,962	207,576		982,538	
Accrued interest payable				2,456,864		2,456,864	
Other liabilities	65,062	18,936	-	27,784	309,738	421,520	45,831
Total current liabilities	447,013	3,377,776	3,302,805	2,882,052	3,419,562	13,429,208	4,857,555
Noncurrent liabilities:							
Claims payable						-	476,211
Accrued leave	62,014	19,358			315,889	397,261	82,631
Bonds payable		836,115	5,074,003	108,099,939		114,010,057	
Obligations under capital leases		877,057				877,057	677,463
Advances from other funds	-	-	25,000	-	5,531,396	5,556,396	-
Total noncurrent liabilities	62,014	1,732,530	5,099,003	108,099,939	5,847,285	120,840,771	1,236,305
Total liabilities	509,027	5,110,306	8,401,808	110,981,991	9,266,847	134,269,979	6,093,860
<b>NET ASSETS</b>							
Invested in capital assets, net of related debt	43,542,858	(805,448)	12,584,560	(16,903,024)	20,361,013	58,779,959	9,936,890
Restricted						-	
Debt service		647,688	1,680,818	23,249,451		25,577,957	
Unrestricted	3,438,899	(2,856,312)	(453,083)	2,985,154	4,697,897	7,812,555	24,385,128
Total net assets (deficit)	46,981,757	(3,014,072)	13,812,295	9,331,581	25,058,910	92,170,471	34,322,018
Total liabilities and net assets	\$ 47,490,784	\$ 2,096,234	\$ 22,214,103	\$ 120,313,572	\$ 34,325,757	\$ 226,440,450	\$ 40,415,878

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

Net assets of enterprise funds	\$ 92,170,471
Amounts reported for business-type activities in the Statement of Net Assets are different because:	
Net revenue of internal service funds are allocated to funds receiving services	458,626
Interfund reimbursement for allocated overhead costs	6,764,033
Net assets business-type activities	<u>\$ 99,393,130</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, 2009**

	Business-Type Activities - Enterprise Funds		
	Wastewater Management	The Hamptons	Museum
<b>Operating revenues:</b>			
Charges for services	\$ 7,085,631	\$ 929,141	\$ 2,397,766
Federal revenues			614,667
Other	-		2,690,132
Total operating revenues	<u>7,085,631</u>	<u>929,141</u>	<u>5,702,565</u>
<b>Operating expenses:</b>			
Personal services	2,003,291	443,385	1,830,661
Fringe benefits	805,169	111,274	486,631
Promoters' fees			
City-sponsored events			
Cost of goods sold	215,326	21,653	177,161
Utilities	163,251	44,912	385,664
Insurance	45,100	29,737	65,225
Operating supplies	296,252	91,521	1,978,543
Equipment rental	512	254,930	215,564
Equipment and building repairs	592,405	87,973	158,149
Telephone and postage	19,346	5,932	30,788
Amusement tax			
General expense	61,458	5,610	
Claims			
Landfill costs			
Contractual services	951,687	46,546	232,951
Indirect cost	456,000		
Depreciation and amortization	<u>1,220,584</u>	<u>275,016</u>	<u>2,504,054</u>
Total operating expenses	<u>6,830,381</u>	<u>1,418,489</u>	<u>8,065,391</u>
Operating income (loss)	<u>255,250</u>	<u>(489,348)</u>	<u>(2,362,826)</u>
<b>Nonoperating revenues (expenses):</b>			
Interest income	469	10,956	82,407
Interest and fiscal charges		(178,596)	(326,200)
Other			
Gain (loss) on sale of capital assets	(19,146)		
Net increase (decrease) in fair value of investments	-	(160)	-
Total nonoperating revenues (expenses)	<u>(18,677)</u>	<u>(167,800)</u>	<u>(243,793)</u>
Income (loss) before transfers and capital contributions	236,573	(657,148)	(2,606,619)
Capital contributions	1,126,106		73,418
Transfers in (out)	<u>-</u>	<u>630,000</u>	<u>1,583,513</u>
<b>Change in net assets</b>	1,362,679	(27,148)	(949,688)
<b>Net assets, (deficit) beginning of year</b>	<u>45,619,078</u>	<u>(2,986,924)</u>	<u>14,761,983</u>
<b>Net assets, (deficit) end of year</b>	<u>\$ 46,981,757</u>	<u>\$ (3,014,072)</u>	<u>\$ 13,812,295</u>

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

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

**Exhibit A-7**

Business-Type Activities - Enterprise Funds			Governmental Activities
Convention Center	Non-major Enterprise	Totals	Internal Service Funds
\$ 1,724,986	\$ 27,776,892	\$ 39,914,416	\$ 17,208,537
-	-	614,667	-
<u>1,724,986</u>	<u>27,776,892</u>	<u>43,219,215</u>	<u>17,208,537</u>
981,249	5,436,435	10,695,021	1,462,093
354,666	1,972,597	3,730,337	519,195
-	5,149,194	5,149,194	-
-	821,812	821,812	-
-	324,374	738,514	4,321,070
921,200	855,383	2,370,410	53,570
56,379	604,275	800,716	1,758,321
204,945	775,512	3,346,773	180,752
-	65,944	536,950	117,317
77,008	2,311,953	3,227,488	189,706
46,220	43,230	145,516	864,231
-	-	-	-
277,296	980,614	1,324,978	67,485
-	-	-	837,292
-	3,747,542	3,747,542	-
172,554	1,096,926	2,500,664	14,391
-	574,470	1,030,470	-
<u>2,640,064</u>	<u>1,867,174</u>	<u>8,506,892</u>	<u>2,379,356</u>
<u>5,731,581</u>	<u>26,627,435</u>	<u>48,673,277</u>	<u>12,764,779</u>
<u>(4,006,595)</u>	<u>1,149,457</u>	<u>(5,454,062)</u>	<u>4,443,758</u>
695,375	7,142	796,349	427,539
(5,361,826)	(272,512)	(6,139,134)	(59,698)
-	1,447	1,447	5,779
(12,784)	59,558	27,628	31,047
(168,679)	-	(168,839)	-
<u>(4,847,914)</u>	<u>(204,365)</u>	<u>(5,482,549)</u>	<u>404,667</u>
<u>(8,854,509)</u>	<u>945,092</u>	<u>(10,936,611)</u>	<u>4,848,425</u>
-	133,320	1,332,844	85,907
6,205,174	(55,000)	8,363,687	-
(2,649,335)	1,023,412	(1,240,080)	4,934,332
<u>11,980,916</u>	<u>24,035,498</u>	<u>93,410,551</u>	<u>29,387,686</u>
<u>\$ 9,331,581</u>	<u>\$ 25,058,910</u>	<u>\$ 92,170,471</u>	<u>\$ 34,322,018</u>
		\$ (1,240,080)	
		1,030,470	
		<u>\$ (209,610)</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, 2009**

	Business-Type Activities- Enterprise Funds					Totals	Governmental
	Wastewater Management	The Hamptons	Museum	Convention Center	Non-major Enterprise		Internal Service Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>							
Cash received from customers	\$ 6,440,443	\$ 931,924	\$ 5,622,528	\$ 1,806,046	\$ 27,169,327	\$ 41,970,268	\$ 17,114,711
Cash payments to suppliers for goods and services	(2,860,360)	(729,644)	(3,838,958)	(2,753,177)	(19,644,968)	(29,827,107)	(10,236,184)
Cash payments to employees for services	(2,787,998)	(405,914)	(1,835,755)	(986,975)	(5,322,751)	(11,339,393)	(1,775,175)
Net cash provided by (used in) operating activities	792,085	(203,634)	(52,185)	(1,934,106)	2,201,608	803,768	5,103,352
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>							
Transfers in from other funds	-	630,000	1,568,031	6,205,174	(55,000)	8,348,205	111,386
Net cash provided by (used in) noncapital financing activities	-	630,000	1,568,031	6,205,174	(55,000)	8,348,205	111,386
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>							
Acquisition and construction of capital assets	(311,886)	(3,500)	(95,640)	(26,048)	(1,365,921)	(1,802,995)	(878,566)
Principal paid on revenue bond maturities and long-term debt		(360,230)	(1,240,000)		(276,239)	(1,876,469)	(308,370)
Interest paid on revenue bonds and long-term debt		(190,197)	(351,000)	(5,361,826)	(275,403)	(6,178,426)	(59,698)
Proceeds from sale of capital assets	-	-	-	-	-	-	49,716
Net cash provided by (used in) capital and related financing activities	(311,886)	(553,927)	(1,686,640)	(5,387,874)	(1,917,563)	(9,857,890)	(1,196,918)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>							
Purchase of investment securities				(56,094,927)		(56,094,927)	
Sale of investment securities		(9,622)		65,696,782		65,687,160	
Interest and dividends on investments	469	10,956	18,357	526,696	8,289	564,767	436,127
Net cash provided by (used in) investing activities	469	1,334	18,357	10,128,551	8,289	10,157,000	436,127
Net increase (decrease) in cash and cash equivalents (including restricted amounts)	480,668	(126,227)	(152,437)	9,011,745	237,334	9,451,083	4,453,947
Cash and cash equivalents (including restricted), July 1	1,882,954	517,997	2,610,790	3,069,404	10,820,109	18,901,254	23,598,293
Cash and cash equivalents (including restricted), June 30	\$ 2,363,622	\$ 391,770	\$ 2,458,353	\$ 12,081,149	\$ 11,057,443	\$ 28,352,337	\$ 28,052,240

	Business-Type Activities- Enterprise Funds					Governmental	
	Wastewater Management	The Hamptons	Museum	Convention Center	Non-major Enterprise	Totals	Internal Service Funds
Operating income (loss)	\$ 255,250	\$ (489,348)	\$ (2,362,826)	\$ (4,006,595)	\$ 1,149,457	\$ (5,454,062)	\$ 4,443,758
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:							
Depreciation and amortization expense	1,220,584	275,016	2,504,054	2,640,064	1,867,174	8,506,892	2,379,356
Decrease (increase) in:							
Accounts receivable	(657,828)		(80,037)	81,060	(725,794)	(1,382,599)	23,841
Due from other funds	(303)	208	(1,278)	(421,477)	(123,974)	(546,824)	(111,290)
Due from component units					(12,523)	(12,523)	6,614
Due to other governments					244,451	244,451	
Inventories	21,110	(12,585)	6,693		13,314	28,532	(7,713)
Prepaid expenses		974	13,105	(5,622)	-	8,457	13,064
Notes and mortgage receivable	12,943					12,943	
Deferred charges		4,606				4,606	
Increase (decrease) in:							
Accounts payable	(86,919)	(23,338)	100		(514,899)	(625,056)	427,262
Accrued leave	261	(1,584)	(5,094)		(16,564)	(22,981)	(23,209)
Due to other funds	6,786	36,653	10,796		243,014	297,249	182,700
Other liabilities	8,564	2,312		(5,726)	147,406	152,556	10,439
Deferred revenue		1,600		(68,473)	(107,096)	(173,969)	(2,936)
Accrued liabilities			(27,260)	(2,488)		(29,748)	
Current liabilities payable from restricted assets			(100,920)			(100,920)	
Current portion of long-term accrued claims reported as operating activity						-	(1,485,241)
Due to other funds reported as nonoperating activities			(9,518)			(9,518)	(111,386)
Accounts receivable reported as nonoperating activities					(1,147)	(1,147)	(8,588)
Accounts payable reported as nonoperating activities						-	(469,622)
Long-term accrued leave reported as operating activity	11,637	1,852			36,654	50,143	41,575
Long-term accrued insurance claims reported as operating activity				(144,849)		(144,849)	(205,272)
Nonoperating revenues reported as operating revenues	-	-	-	-	2,135	2,135	-
Total adjustments	536,835	285,714	2,310,641	2,072,489	1,052,151	6,257,830	659,594
Net cash provided by (used in) operating activities	\$ 792,085	\$ (203,634)	\$ (52,185)	\$ (1,934,106)	\$ 2,201,608	\$ 803,768	\$ 5,103,352
Non-cash transactions affecting investing capital and related financing activities:							
Acquisition of capital assets through outside capital contribution	\$ 1,126,106	\$ -	\$ 73,418	\$ -	\$ 133,320	\$ 1,332,844	\$ 85,907
Net increase (decrease) in fair value of investments	-	(160)	-	(168,679)	-	(168,839)	-
Total non-cash transactions	\$ 1,126,106	\$ (160)	\$ 73,418	\$ (168,679)	\$ 133,320	\$ 1,164,005	\$ 85,907

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

**CITY OF HAMPTON, VIRGINIA**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**June 30, 2009**

	<u>Pension Trust Hampton Employees' Retirement System</u>	<u>Agency Funds</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 454,715	\$ 1,148,305
Investments:		
Bond mutual funds	49,915,157	
Common stock	10,157	
Stock mutual funds	67,043,456	
Receivables:		
Accrued interest	26	
Accounts	15,464	39
Property, Plant, and Equipment		
Office and operating equipment	5,350	
Less accumulated depreciation	(5,156)	-
Total assets	<u>\$ 117,439,169</u>	<u>\$ 1,148,344</u>
<b>LIABILITIES</b>		
Deposits	\$ -	\$ 1,088,383
Accounts payable	106,014	59,961
Total liabilities	<u>106,014</u>	<u>\$ 1,148,344</u>
<b>NET ASSETS</b>		
Held in trust for pension benefits and other purposes	<u>\$ 117,333,155</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, 2009**

	Hampton Employees' Retirement System
<b>ADDITIONS</b>	
Investment income:	
Net appreciation (depreciation) in fair value of investments	\$ (28,988,866)
Interest	502
Dividends	4,541,894
Other	4,500
Total investment earnings (losses)	(24,441,970)
Less investment expenses	(28,800)
Net investment earnings (losses)	(24,470,770)
Employer contributions	2,034,545
Total additions (losses)	(22,436,225)
<b>DEDUCTIONS</b>	
Benefits	15,288,930
Administrative expenses	172,207
Total deductions	15,461,137
<b>Change in net assets</b>	(37,897,362)
<b>Net assets, July 1</b>	155,230,517
<b>Net assets, June 30</b>	\$ 117,333,155

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, 2009**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>		
	School Board	Industrial Development Authority	Hampton Redevelopment and Housing Authority	Federal Area Development Authority
<b>ASSETS</b>				
Cash and cash equivalents	\$ 6,977,229	\$ 819,994	\$ 20,176,756	
Cash with fiscal agent	917,171	2,078,237		
Investments	8,591	2,003	-	
Accounts receivable	309,896	-	462,042	
Lease receivable		11,880,711		
Due from primary government	3,266,564	275,235		
Due from other governments	9,506,468			
Inventories	103,153		39,697	
Prepaid items			3,458	
Temporarily restricted assets:				
Cash and cash equivalents		2,073,906		
Notes receivable		1,449,177	132,036	
Land held for sale		8,188,784	3,491,950	
Capital assets not being depreciated	5,111,045	15,802,769	9,669,636	
Capital assets, net of accumulated depreciation	12,362,561	1,968,701	17,319,663	-
Total assets	<u>\$ 38,562,678</u>	<u>\$ 44,539,517</u>	<u>\$ 51,295,238</u>	<u>\$ -</u>
<b>LIABILITIES</b>				
Accounts payable and other liabilities	\$ 10,698,015	\$ 1,206,348	\$ 855,907	
Due to other governments			245,954	
Due to primary government	147,255	6,850		
Unearned revenue	48,721	4,010,789	3,500,522	
Notes and other long-term payables:				
Due within one year	2,468,906		296,952	
Due in more than one year	6,696,967		968,054	
Bonds payable:				
Due within one year		474,515		
Due in more than one year	-	7,885,504	-	-
Total liabilities	<u>20,059,864</u>	<u>13,584,006</u>	<u>5,867,389</u>	<u>-</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	17,473,606	17,771,470	26,362,104	
Restricted for:				
Other purposes		2,073,906	2,942,498	
Unrestricted	1,029,208	11,110,135	16,123,247	-
Total net assets	<u>18,502,814</u>	<u>30,955,511</u>	<u>45,427,849</u>	<u>-</u>
Total liabilities and net assets	<u>\$ 38,562,678</u>	<u>\$ 44,539,517</u>	<u>\$ 51,295,238</u>	<u>\$ -</u>



<b>Business-Type Activities</b>				
Coliseum Central Business Improvement District, Inc.	Downtown Hampton Development Partnership, Inc.	Healthy Families Partnership, Inc.	Foundation of the Virginia Air and Space Center	Total
\$ 661,051	\$ 323,201	\$ 222,909	\$ 1,581	\$ 29,182,721
				2,995,408
			375,548	386,142
263,562	8,000	-	457,697	1,501,197
				11,880,711
				3,541,799
				9,506,468
				142,850
4,353	2,296			10,107
				2,073,906
				1,581,213
				11,680,734
				30,583,450
<u>23,201</u>	<u>343,824</u>	<u>-</u>	<u>-</u>	<u>32,017,950</u>
<u>\$ 952,167</u>	<u>\$ 677,321</u>	<u>\$ 222,909</u>	<u>\$ 834,826</u>	<u>\$ 137,084,656</u>
\$ 50,904	\$ 20,586	\$ 556		12,832,316
				245,954
				154,105
		16,050		7,576,082
			2,100,000	4,865,858
				7,665,021
				474,515
				7,885,504
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>41,699,355</u>
<u>50,904</u>	<u>20,586</u>	<u>16,606</u>	<u>2,100,000</u>	
23,201	343,824			61,974,205
				5,016,404
<u>878,062</u>	<u>312,911</u>	<u>206,303</u>	<u>(1,265,174)</u>	<u>28,394,692</u>
<u>901,263</u>	<u>656,735</u>	<u>206,303</u>	<u>(1,265,174)</u>	<u>95,385,301</u>
<u>\$ 952,167</u>	<u>\$ 677,321</u>	<u>\$ 222,909</u>	<u>\$ 834,826</u>	<u>\$ 137,084,656</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, 2009**

Functions/Programs	Program Revenues				Net (Expenses) Revenues and Changes in Net Assets								
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	School Board	Industrial Development Authority	Hampton Redevelopment and Housing Authority	Federal Area Development Authority	Coliseum Central Business Improvement District, Inc.	Downtown Hampton Development Partnership, Inc.	Healthy Families Partnership, Inc.	Foundation of the Virginia Air and Space Center	Total
Governmental type activities													
Public school system	\$ 239,621,924	\$ 5,321,951	\$ 166,475,082	\$ -	\$(67,824,891)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$(67,824,891)
Business type activities													
Industrial development	12,007,756	2,625,647				(9,382,109)							(9,382,109)
Hampton redevelopment	29,151,856	2,211,419	21,483,921	1,063,087			(4,393,429)						(4,393,429)
Federal area development								-					-
Business improvement	1,036,992	609,744						(427,248)					(427,248)
Downtown development	543,141	347,012	108,506						(87,623)				(87,623)
Healthy families	232,637	33,222	158,723							(40,692)			(40,692)
Museum support	858,588	-	5,874								(852,714)		(852,714)
<b>Total component units</b>	<b>\$ 283,452,894</b>	<b>\$ 11,148,995</b>	<b>\$ 188,232,106</b>	<b>\$ 1,063,087</b>	<b>\$(67,824,891)</b>	<b>\$(9,382,109)</b>	<b>\$(4,393,429)</b>	<b>\$ -</b>	<b>\$(427,248)</b>	<b>\$(87,623)</b>	<b>\$(40,692)</b>	<b>\$(852,714)</b>	<b>\$(83,008,706)</b>
Payments from (to) City of Hampton					67,216,564	4,342,305		(249,806)	542,868	196,723			72,048,654
Investment earnings						671,303	410,119		11,576		1,030	20,305	1,114,333
Miscellaneous						22,727	3,995,593		1,352	7,983	31,498		4,059,153
<b>Total general revenues, special items and transfers</b>					<b>67,216,564</b>	<b>5,036,335</b>	<b>4,405,712</b>	<b>(249,806)</b>	<b>555,796</b>	<b>204,706</b>	<b>32,528</b>	<b>20,305</b>	<b>77,222,140</b>
<b>Change in net assets</b>					<b>(608,327)</b>	<b>(4,345,774)</b>	<b>12,283</b>	<b>(249,806)</b>	<b>128,548</b>	<b>117,083</b>	<b>(8,164)</b>	<b>(832,409)</b>	<b>(5,786,566)</b>
<b>Net assets, beginning</b>					<b>19,111,141</b>	<b>35,301,285</b>	<b>45,415,566</b>	<b>249,806</b>	<b>772,715</b>	<b>539,652</b>	<b>214,467</b>	<b>(432,765)</b>	<b>101,171,867</b>
<b>Net assets, ending</b>					<b>\$ 18,502,814</b>	<b>\$ 30,955,511</b>	<b>\$ 45,427,849</b>	<b>\$ -</b>	<b>\$ 901,263</b>	<b>\$ 656,735</b>	<b>\$ 206,303</b>	<b>\$(1,265,174)</b>	<b>\$ 95,385,301</b>

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

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

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

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

The following is a summary of the significant accounting policies.

Reporting Entity

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

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

Component Unit Disclosures

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

Discretely Presented Component Units

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

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2009**

**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 Redevelopment and Housing Authority

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

Hampton Industrial Development Authority

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

Healthy Families Partnership, Inc.

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

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2009**

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

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

Coliseum Central Business Improvement District, Inc.

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

Downtown Hampton Development Partnership, Inc.

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

Foundation of the Virginia Air and Space Center

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

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2009**

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

Federal Area Development Authority

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

Other Related Organizations

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

Peninsula Airport Commission

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

Other

There are certain other agencies and commissions that service the City of Hampton and surrounding localities whose board membership is allocated among and appointed by the various localities. These agencies include: Hampton Roads Transit (HRT), Hampton Roads Planning District Commission (HRPDC), Virginia Peninsula Public Service Authority (VPPSA), Hampton Roads Economic Development Alliance (HREDA) and the Peninsula Council for Workforce Development (PCFWD). Expenditures of these agencies are financed by federal and state

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2009**

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

grants, fees, and contributions. During the year ended June 30, 2009, the City provided operating and capital support of \$3,297,953 to HRT, \$161,854 to HRPDC, \$9,500 to VPPSA, \$145,017 to HREDA and \$74,435 to PCFWD.

**Jointly Governed Organizations**

Hampton-Newport News Community Services Board

The City of Hampton has one jointly governed organization, the Hampton-Newport News Community Services Board (CSB). The CSB operates as an agent for the Cities of Hampton and Newport News in the establishment and operation of community mental health, mental retardation and substance abuse programs as provided for in Chapter 10 of Title 37.1 of the Code of Virginia, relating to the Virginia Department of Mental Health and Mental Retardation. The CSB designates its own management and adopts its own budget. The operations are financed principally by state and federal funds. The City provided operating support of \$1,488,162 to the CSB during fiscal year 2009.

Government-wide and Fund Financial Statements

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

Statement of Net Assets

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

Statement of Activities

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

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2009**

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

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

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

Basis of Accounting

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

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

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

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



**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2009**

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

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

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

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

Budgets and Budgetary Accounting

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

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

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2009**

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

year for the General Fund and School Board Component Unit Operating Fund.

6. Budgets for the General and School Board Component Unit Operating Fund are legally adopted on a basis consistent with Generally Accepted Accounting Principles.

Budgeted amounts are as originally adopted or as amended by City Council and the School Board during fiscal 2009. Unencumbered appropriations lapse at year-end in the General and School Operating Funds. Appropriations which are encumbered at year-end are carried forward into the following year's appropriation to allow liquidation of the encumbrances.

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

General Property Tax Calendar

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

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

Encumbrances

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

Investments

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

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2009**

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

Receivables

Receivables of the General Fund are stated net of an allowance for uncollectible taxes of \$1,206,238. Management has determined that the allowance is sufficient to provide for any losses that may be sustained on realization of the accounts receivable.

Inventories

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

Prepays

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

Land Held for Resale

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

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

Interfund Activity

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

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:

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2009**

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

	<u>The Hamptons</u>	<u>Museum</u>	<u>Convention Center</u>	<u>Component Unit - IDA</u>
Restricted Assets				
Cash:				
Operating and Maintenance Account	\$ 20,830	\$ 129,031	\$	\$
Operating Reserve Fund			11,895,177	
Bond Fund	264,622	1,037,624		
Debt Service Reserve Fund		1,289,125	185,972	2,073,906
Investments:				
Operating Reserve Fund			5,147,970	
Bond Fund			3,525,362	
Debt Service Reserve Fund	362,236		7,945,112	
	<u>\$ 647,688</u>	<u>\$2,455,780</u>	<u>\$28,699,593</u>	<u>\$ 2,073,906</u>

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

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported at historical cost, or estimated historical cost if actual cost is not available, less accumulated depreciation for the primary government in the applicable governmental or business-type activities columns in the government-wide financial statements and in the proprietary fund financial statements. Capital assets, other than computer equipment and infrastructure assets, are defined by the City as assets with an initial, individual cost of more than \$2,500 and an estimated useful life greater than one year. Computer equipment is capitalized when the initial, individual cost exceeds \$1,000. Infrastructure assets 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. 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.

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2009**

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

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

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

The City capitalizes interest costs on funds borrowed to finance the construction of capital assets in the proprietary funds. No interest costs were capitalized during fiscal year ended June 30, 2009.

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

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

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

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2009**

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

Deferred Revenue

Deferred revenue consists of the following:

	<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	\$ 4,624,582	\$	\$	\$
Advance property tax collections	768,161			
Accounts receivable		217,601		
Advance ticket sales			8,544	
Unearned grant funds		953,269	53,000	
Unearned rental income		4,885		
Unearned miscellaneous income	35,235		89,372	45,888
Total Primary Government	<u>\$ 5,427,978</u>	<u>\$ 1,175,755</u>	<u>\$ 150,916</u>	<u>\$ 45,888</u>

Discretely Presented Component Units:

	<u>School Board</u>	<u>Industrial Development Authority</u>	<u>Hampton Redevelopment and Housing Authority</u>	<u>Healthy Families Partnership, Inc.</u>
Unearned grant funds	\$ 48,721	\$	\$	\$
Other	250	4,010,789	3,500,522	16,050
Total Discretely Presented Component Unit	<u>\$ 48,971</u>	<u>\$ 4,010,789</u>	<u>\$ 3,500,522</u>	<u>\$ 16,050</u>

Fund Equity

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

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

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2009**

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

Steam Plant Fund. The reserve for grant compliance represents resources which must be expended for specific grants.

Designated Fund Balances - Fund balance designations are established to indicate tentative plans for future utilization of current financial resources. Designation of fund balance under the General Fund represents amounts appropriated by City Council for the succeeding fiscal year. Designations in the Special Revenue Funds, Capital Projects Fund and Component Unit - School Board represent unexpended appropriations at June 30, 2009 authorized to be expended in fiscal year 2010 or when the applicable projects are completed.

Net Assets - Enterprise Funds and Internal Service Funds

The net assets at June 30, 2009 in the Enterprise Funds are as follows:

	<b>Primary Government</b>	<b>Discretely Presented Component Units</b>
Wastewater Management	\$ 46,981,757	
The Hamptons Golf Course	(3,014,072)	
Virginia Air & Space Museum	13,812,295	
Hampton Roads Convention Center	9,331,581	
Non-Major Enterprise:		
Hampton Coliseum	10,062,574	
The Woodlands Golf Course	1,486,456	
Solid Waste	9,709,178	
Refuse-Steam Plant	3,800,702	
Component Units:		
Industrial Development Authority		30,955,511
Hampton Redevelopment & Housing Authority		45,427,849
Coliseum Central Business Improvement District, Inc.		901,263
Downtown Hampton Development Partnership, Inc.		656,735
Healthy Families Partnership, Inc.		206,303
Foundation of the Virginia Air & Space Center		(1,265,174)

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

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2009**

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

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

Internal Service:

Equipment Replacement	\$	19,944,576
Fleet Management		912,281
Risk Management		12,244,158
Information Technology		1,221,003

Pension Expense

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

Compensated Absences

It is the City's policy to permit employees to accumulate a limited amount of earned but unused annual and sick leave benefits, which will be utilized in future periods or will be paid to employees upon separation from City service. In governmental fund types, the cost of annual and sick benefits is recognized when payments are made to employees. The current and long-term liability for accrued annual and sick leave benefits at June 30, 2009 has been reported in the government-wide statements, representing the City's commitment to fund such costs from future operations. Proprietary fund types accrue annual and sick leave benefits in the period they are earned. Such benefits are included in accounts payable and other liabilities in the government-wide statements. In prior years, the General, Federal Grants, Community Development, EXCEL (Environmental Excellence for Community Enjoyment and Livability), and Stormwater Management Funds have been used to liquidate the liability for compensated absences.

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

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

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



**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2009**

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

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

General Fund

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

Debt Service Fund

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

Capital Projects Fund

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

Special Revenue Funds

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

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

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

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

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2009**

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

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

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

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

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

Permanent Fund

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

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

Enterprise Funds

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

The City's Enterprise Funds account for the operations of the Hampton Coliseum, The Woodlands Golf Course, The Hamptons (Golf Course), Solid Waste, the Virginia Air and Space Center (Museum), Convention Center, Wastewater Management, and the Refuse-Steam Plant. Revenues of the Hampton Coliseum, Woodlands Golf Course, The Hamptons, the Solid Waste Fund, the Refuse-Steam Plant Fund and the Wastewater Management Fund are derived primarily from user fees. The Convention Center Fund revenues are derived from user fees and meal and

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2009**

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

lodging taxes. The Museum's operating revenue is derived from donations and user fees, including \$614,667 in federal funds from the National Aeronautics and Space Administration for educational/user fee subsidy. The Museum fund accounts for all operational and Revenue Bond Trust activity.

Internal Service Funds

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

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

Fiduciary Funds

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

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

**3. INTERFUND BALANCES:**

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

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2009**

**3. INTERFUND BALANCES, Continued:**

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

Interfund Receivables and Payables:

<b><u>Primary Government:</u></b>	<b><u>Due From</u></b>	<b><u>Due To</u></b>
General Fund	\$ 7,408,879	\$ 7,737,065
Special Revenue:		
Economic Development		49,655
Capital Projects	5,101,483	
Non-Major Governmental Funds	480,409	1,839,096
Proprietary Funds:		
Wastewater Management	303	51,406
The Hamptons		2,910,673
Museum	397,423	840,796
Convention Center	1,008,230	
Non-Major Enterprise Funds	154,139	1,829,882
Internal Service Funds	927,840	220,133
Total Primary Government	<u>\$ 15,478,706</u>	<u>\$ 15,478,706</u>
<b><u>Component Units:</u></b>	<b><u>Due From</u></b>	<b><u>Due To</u></b>
School Board Operating	\$ 10,386,561	\$ 43,474
Student Activities	23,355	12,672
Food Services		1,213,314
Special Revenue:		
Shenandoah Life		500
Reimbursable Projects	43,474	9,183,430
Total Component Units	<u>10,453,390</u>	<u>10,453,390</u>
Total Reporting Entity	<u>\$ 25,932,096</u>	<u>\$ 25,932,096</u>

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2009**

**3. INTERFUND BALANCES, Continued:**

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

	<u>Due From Primary Government</u>	<u>Due To Component Unit</u>	<u>Due From Component Unit</u>	<u>Due To Primary Government</u>
Primary Government - General Fund	\$	\$ 3,467,458	\$ 2,663	\$
Primary Government - Economic Development		74,341	6,438	
Primary Government - Non-Major Enterprise Funds			24,017	
Primary Government - Internal Service Funds			120,987	
Component Unit - School Board Operating Fund	3,266,564			147,255
Component Unit - IDA	275,235			6,850
Total	<u>\$ 3,541,799</u>	<u>\$ 3,541,799</u>	<u>\$ 154,105</u>	<u>\$ 154,105</u>

Individual fund interfund transfers for the primary government were made for operating as well as capital purposes. Interfund transfers for the year ended June 30, 2009 are as follows:

<u>Primary Government:</u>	<u>Transfer From</u>	<u>Transfer To</u>
General Fund	\$	\$ 48,821,552
Special Revenue:		
Economic Development		21
Debt Service	27,901,024	
Capital Projects	11,102,832	491,000
Non-Major Governmental Funds	2,430,847	485,817
Internal Service Funds	111,386	111,386
Proprietary Funds:		
The Hamptons	630,000	
Museum	1,583,513	
Convention Center	6,205,174	
Non-Major Enterprise Funds		55,000
Total Primary Government	<u>\$ 49,964,776</u>	<u>\$ 49,964,776</u>

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2009**

**3. INTERFUND BALANCES, Continued:**

<u>Component Unit:</u>	<u>Transfer From</u>	<u>Transfer To</u>
School Board Operating	\$ 260,000	\$ 316,000
Student Activities	325,988	
Food Services		260,000
Reimbursable Projects		9,988
Total Component Unit	585,988	585,988
Total Reporting Entity	\$ 50,550,764	\$ 50,550,764

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	\$ -	\$ 70,789,041	\$ 2,254,720	\$ -
Primary Government - Economic Development		3,213,950		
Primary Government - Capital Projects Fund		300,383		
Component Unit - School Board Operating Fund	69,216,564			2,000,000
Component Unit - IDA	4,347,219			4,914
Component Unit - Coliseum BID	542,868			
Component Unit - Downtown Hampton	196,723			
Component Unit - FADA				249,806
Total	\$74,303,374	\$ 74,303,374	\$ 2,254,720	\$ 2,254,720

Advances from other funds in the amount of \$5,531,396 in the Refuse-Steam Plant represent an amount payable to the Debt Service Fund. The Refuse-Steam Plant was advanced \$6,062,962 from the April 2002 and April 2005 General Obligation Bond Issues to make certain required capital improvements to its facilities. The advance is to be repaid in semi-annual installments on January 15<sup>th</sup> and July 15<sup>th</sup>, which includes interest. These installments will be used to meet a pro-rata share of the annual debt service costs on the General Obligation Series 2002 and 2005 Bonds.

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

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

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2009**

**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, 2009, the carrying value of the City's deposits was \$38,297,424 and the bank balance was \$11,792,850. All of the bank balances are covered by Federal Depository Insurance or collateralized in accordance with the Virginia Security for Public Deposits Act. Under the Act, banks holding public deposits in excess of the amount insured by the FDIC must pledge collateral in the amount of 50% of excess deposits to a collateral pool in the name of the State Treasury Board. Savings and loan institutions are required to collateralize 100% of deposits in excess of FDIC limits. The State Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and for notifying local governments of compliance by banks and savings and loans.

Investments

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

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

HERS Investments

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

Investment Policy

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

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2009**

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

anticipated needs in order to minimize any exposure to fair value losses. The City's policy does not address foreign currency risk.

HERS Investment Policy:

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

Credit Risk

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

U. S. Government Securities

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

Custodial Credit Risk

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

Interest Rate Risk

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



**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2009**

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

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

As of June 30, 2009, 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	\$ 8,934,210	AAA	\$ 8,934,210	\$ -
U.S. Government securities	25,115,199	AAA	25,115,199	
State Local Government Investment Pool-City	135,000,000	AAAm	135,000,000	
State Non-Arbitrage Fund-City	119,085,606	AAA	119,085,606	
Mutual and Money Market Funds	10,278,571	Unrated	10,278,571	
<b>Total Investments Controlled by City</b>	<b>\$ 298,413,586</b>		<b>\$ 298,413,586</b>	<b>\$ -</b>
Pension Plan Investments	\$ 116,968,770		\$ 116,968,770	\$ -
<b>Total</b>	<b>\$ 415,382,356</b>		<b>\$ 415,382,356</b>	<b>\$ -</b>

Reconciliation to Total Cash and Investments:

Add:

Cash on Hand and in Banks-City	\$ 11,848,226
Cash With Fiscal Agent	26,449,198
<b>Total Deposits and Investments Primary Government and Fiduciary Funds Per Exhibits A-1 and A-9</b>	<b>\$ 453,679,780</b>

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2009**

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

**Component Unit -School Board**

	<u>Investment Maturities (in years)</u>	
	<u>Fair Value</u>	<u>Less than 1 year</u>
Repurchase Agreements	\$ 5,665,790	\$ 5,665,790
Mutual and Money Market Funds	8,591	8,591
Total Investments School Board	<u>\$ 5,674,381</u>	<u>\$ 5,674,381</u>

**Other Component Units**

	<u>Investment Maturities (in years)</u>	
	<u>Fair Value</u>	<u>Less than 1 year</u>
Stock	\$ 2,003	\$ 2,003
Mutual and Money Market Funds	12,880,583	12,880,583
Total Investments Other Component Units	<u>\$ 12,882,586</u>	<u>\$ 12,882,586</u>

Reconciliation of total deposits and investments to the government-wide statements at June 30, 2009:

<u>Primary Government</u>	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Fiduciary Responsibilities</u>	<u>Total</u>
Cash Deposits-City	\$ 5,014,609	\$ 6,160,597	\$ 673,020	\$ 11,848,226
Cash With Fiscal Agent-City	14,320,038	12,129,160		26,449,198
Mutual and Money Market Funds	8,388,991	1,889,580		10,278,571
Investments-City	262,051,335	25,153,680	117,898,770	405,103,785
Total Primary Government	<u>\$ 289,774,973</u>	<u>\$ 45,333,017</u>	<u>\$ 118,571,790</u>	<u>\$ 453,679,780</u>
<u>Component Unit - School Board</u>				
Cash Deposits	\$ 1,311,439			\$ 1,311,439
Cash With Fiscal Agent	917,171			917,171
Investments	5,674,381			5,674,381
Total Component Units School Board	<u>\$ 7,902,991</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,902,991</u>
<u>Other Component Units</u>				
Cash Deposits	\$ 10,755,679			\$ 10,755,679
Cash With Fiscal Agent	3,096,921			3,096,921
Investments	12,882,586			12,882,586
Total Other Component Units	<u>\$ 26,735,186</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,735,186</u>

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2009**

**5. ACCOUNTS RECEIVABLE:**

Accounts receivable at June 30, 2009 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 \$1,206,238)	\$ 6,501,877	\$	\$	\$	\$
Due from Commonwealth of Virginia	10,133,201			3,226,465	1,304,806
Due from Federal Government	22,818				1,034,561
Other	1,806,155	12,024	23	1,113	474,927
Total Primary Government	<u>\$ 18,464,051</u>	<u>\$ 12,024</u>	<u>\$ 23</u>	<u>\$ 3,227,578</u>	<u>\$ 2,814,294</u>

Discretely Presented Component Unit -  
School Board:

Due from Commonwealth of Virginia	\$ 2,402,798
Due from federal government	7,103,670
Other	309,896
Total Component Unit	<u>\$ 9,816,364</u>

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2009**

**6. CAPITAL ASSETS:**

Capital asset activity for the year ended June 30, 2009 are as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 477,698,367	\$ 10,726,810	\$ -	\$ 488,425,177
Construction in progress	21,400,015	60,249,580	(3,154,731)	78,494,864
Total capital assets not being depreciated	<u>499,098,382</u>	<u>70,976,390</u>	<u>(3,154,731)</u>	<u>566,920,041</u>
Capital assets being depreciated:				
Buildings	67,584,897	295,552	-	67,880,449
Improvements	60,926,716	1,271,523	-	62,198,239
Machinery & Equipment	68,651,397	3,918,547	(12,037,080)	60,532,864
Infrastructure	137,913,203	9,662,951	-	147,576,154
Total capital assets being depreciated	<u>335,076,213</u>	<u>15,148,573</u>	<u>(12,037,080)</u>	<u>338,187,706</u>
Less accumulated depreciation for:				
Buildings	(30,929,336)	(1,540,551)	-	(32,469,887)
Improvements	(27,606,129)	(2,855,592)	-	(30,461,721)
Machinery & Equipment	(43,347,947)	(4,471,487)	8,759,069	(39,060,365)
Infrastructure	(14,056,946)	(6,504,817)	-	(20,561,763)
Total accumulated depreciation	<u>(115,940,358)</u>	<u>(15,372,447)</u>	<u>8,759,069</u>	<u>(122,553,736)</u>
Total capital assets being depreciated, net	<u>219,135,855</u>	<u>(223,874)</u>	<u>(3,278,011)</u>	<u>215,633,970</u>
Governmental activities capital assets, net	<u>\$ 718,234,237</u>	<u>\$ 70,752,516</u>	<u>\$ (6,432,742)</u>	<u>\$ 782,554,011</u>

**Primary Government:**

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

General capital assets	\$ 771,616,234
Internal service funds	10,937,777
	<u>\$ 782,554,011</u>

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2009**

**6. CAPITAL ASSETS, Continued:**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Business-type Activities:				
Capital assets not being depreciated:				
Land	\$ 9,859,053	\$ -	\$ -	\$ 9,859,053
Construction in progress	1,504,232	723,601	(1,142,696)	1,085,137
Total capital assets not being depreciated	<u>11,363,285</u>	<u>723,601</u>	<u>(1,142,696)</u>	<u>10,944,190</u>
Capital assets being depreciated:				
Buildings	134,768,046	15,356	(359,706)	134,423,696
Improvements	31,742,096	585,381	(108,653)	32,218,824
Machinery & Equipment	21,649,768	3,909,134	(3,414,880)	22,144,022
Exhibits	13,886,509	-	-	13,886,509
Landfill	4,811,174	-	-	4,811,174
Infrastructure	62,713,362	1,576,302	-	64,289,664
Total capital assets being depreciated	<u>269,570,955</u>	<u>6,086,173</u>	<u>(3,883,239)</u>	<u>271,773,889</u>
Less accumulated depreciation for:				
Buildings	(34,554,254)	(3,691,006)	359,706	(37,885,554)
Improvements	(17,277,643)	(1,100,669)	82,628	(18,295,684)
Machinery & Equipment	(16,762,869)	(1,354,233)	946,696	(17,170,406)
Exhibits	(9,452,280)	(1,047,591)	-	(10,499,871)
Landfill	(3,637,241)	(2,436)	-	(3,639,677)
Infrastructure	(21,489,776)	(967,498)	-	(22,457,274)
Total accumulated depreciation	<u>(103,174,063)</u>	<u>(8,163,433)</u>	<u>1,389,030</u>	<u>(109,948,466)</u>
Total capital assets being depreciated, net	<u>166,396,892</u>	<u>(2,077,260)</u>	<u>(2,494,209)</u>	<u>161,825,423</u>
Business-type activities capital assets, net	<u>\$ 177,760,177</u>	<u>\$ (1,353,659)</u>	<u>\$ (3,636,905)</u>	<u>\$ 172,769,613</u>

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2009**

**6. CAPITAL ASSETS, Continued:**

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

	<u>General Capital Assets</u>	<u>Internal Service Funds</u>	<u>Total</u>
<b>Governmental activities:</b>			
General government	\$ 3,391,321	\$ 2,379,356	\$ 5,770,677
Health	711,645		711,645
Public welfare	63,207		63,207
Public safety	1,654,353		1,654,353
Streets and highways	5,280,090		5,280,090
Culture and recreation	207,208		207,208
Education	1,685,267		1,685,267
Total depreciation expense - governmental activities	<u>\$ 12,993,091</u>	<u>\$ 2,379,356</u>	<u>\$ 15,372,447</u>

**Business - type activities:**

Culture and recreation	\$ 5,669,207
Sanitation	2,494,226
Total depreciation expense - business-type activities	<u>\$ 8,163,433</u> *

\* Depreciation expense in the amount of \$752,744 was capitalized as part of self-constructed assets in the Wastewater Management Fund.

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

Capital Outlay	\$ 84,854,504
Depreciation expense	(12,993,091)
Capital outlay not capitalized	(11,603,157)
Total adjustment	<u>\$ 60,258,256</u>

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2009**

**6. CAPITAL ASSETS, Continued:**

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

	Governmental Activities	Business-type Activities
Buildings	\$ -	\$ 2,064,368
Machinery and equipment	2,068,890	154,996
Less accumulated depreciation	(449,619)	(1,677,862)
Capital assets, net	<u>\$ 1,619,271</u>	<u>\$ 541,502</u>

There was no equipment acquired through a capital lease during the fiscal year. Depreciation expense on the leased assets totaled \$239,876 for the fiscal year ended June 30, 2009.

**Discretely Presented Component Units**

**School Board:**

	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets not being depreciated:				
Land	\$ 5,111,045	\$ -	\$ -	\$ 5,111,045
Total capital assets not being depreciated	<u>5,111,045</u>	<u>-</u>	<u>-</u>	<u>5,111,045</u>
Capital assets being depreciated:				
Buildings	48,962,686	-	-	48,962,686
Improvements	310,100	-	-	310,100
Machinery & Equipment	34,323,155	1,671,404	(1,202,241)	34,792,318
Total capital assets being depreciated	<u>83,595,941</u>	<u>1,671,404</u>	<u>(1,202,241)</u>	<u>84,065,104</u>
Less accumulated depreciation for:				
Buildings	(46,046,671)	(536,257)	-	(46,582,928)
Improvements	(104,659)	(15,505)	-	(120,164)
Machinery & Equipment	(22,934,168)	(3,234,357)	1,169,074	(24,999,451)
Total accumulated depreciation	<u>(69,085,498)</u>	<u>(3,786,119)</u>	<u>1,169,074</u>	<u>(71,702,543)</u>
Total capital assets being depreciated, net	<u>14,510,443</u>	<u>(2,114,715)</u>	<u>(33,167)</u>	<u>12,362,561</u>
School Board capital assets, net	<u>\$ 19,621,488</u>	<u>\$(2,114,715)</u>	<u>\$ (33,167)</u>	<u>\$ 17,473,606</u>

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2009**

**6. CAPITAL ASSETS, Continued:**

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

Capital Outlay	\$ 1,671,404
Depreciation expense	<u>(3,786,119)</u>
Total adjustment	<u>\$ (2,114,715)</u>

**Industrial Development Authority:**

	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets not being depreciated:				
Land	\$ 15,802,769			\$ 15,802,769
Construction in progress	5,466,168	-	(5,466,168)	-
Total capital assets not being depreciated	<u>21,268,937</u>	<u>-</u>	<u>(5,466,168)</u>	<u>15,802,769</u>
Capital assets being depreciated:				
Improvements	383,042			383,042
Infrastructure	2,545,299	5,466,168	(5,466,168)	2,545,299
Machinery & Equipment	50,080	-	-	50,080
Total capital assets being depreciated	<u>2,978,421</u>	<u>5,466,168</u>	<u>(5,466,168)</u>	<u>2,978,421</u>
Less accumulated depreciation for:				
Improvements	(383,042)	-	-	(383,042)
Infrastructure	(477,792)	(109,080)	-	(586,872)
Machinery & Equipment	(38,931)	(875)	-	(39,806)
Total accumulated depreciation	<u>(899,765)</u>	<u>(109,955)</u>	<u>-</u>	<u>(1,009,720)</u>
Total capital assets being depreciated, net	<u>2,078,656</u>	<u>5,356,213</u>	<u>(5,466,168)</u>	<u>1,968,701</u>
Industrial Development Authority capital assets, net	<u>\$ 23,347,593</u>	<u>\$ 5,356,213</u>	<u>\$(10,932,336)</u>	<u>\$ 17,771,470</u>



**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2009**

**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, Inc. capital assets, net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Downtown Hampton Development Partnership, Inc.:

	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets being depreciated:				
Improvements	\$ 426,942	\$ -	\$ -	\$ 426,942
Machinery & Equipment	74,979	2,782	-	77,761
Total capital assets being depreciated	501,921	2,782	-	504,703
Less accumulated depreciation	(141,756)	(19,123)	-	(160,879)
Downtown Hampton Development Partnership capital assets, net	<u>\$ 360,165</u>	<u>\$ (16,341)</u>	<u>\$ -</u>	<u>\$ 343,824</u>

Coliseum Central Business Improvement District, Inc.:

	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets being depreciated:				
Machinery & Equipment	\$ 77,523	\$ 5,299	\$ (381)	\$ 82,441
Less accumulated depreciation for:				
Machinery & Equipment	(51,658)	(7,874)	292	(59,240)
Coliseum Central Business Improvement District capital assets, net	<u>\$ 25,865</u>	<u>\$ (2,575)</u>	<u>\$ (89)</u>	<u>\$ 23,201</u>

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2009**

**6. CAPITAL ASSETS, Continued:**

Hampton Redevelopment and Housing Authority:

	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets not being depreciated:				
Land	\$ 7,928,402	\$ 257,702	\$ (1,361,830)	\$ 6,824,274
Construction in progress	1,477,187	1,384,975	(16,800)	2,845,362
Total capital assets not being depreciated	<u>9,405,589</u>	<u>1,642,677</u>	<u>(1,378,630)</u>	<u>9,669,636</u>
Capital assets being depreciated:				
Buildings	37,738,329	958,206	(6,564,166)	32,132,369
Improvements	2,788	10,008	(2,788)	10,008
Machinery & Equipment	2,552,397	194,302	(386,468)	2,360,231
Total capital assets being depreciated	<u>40,293,514</u>	<u>1,162,516</u>	<u>(6,953,422)</u>	<u>34,502,608</u>
Less accumulated depreciation for:				
Buildings	(14,350,001)	(1,111,020)	200,460	(15,260,561)
Improvements	-	-	-	-
Machinery & Equipment	(1,836,852)	(282,325)	196,793	(1,922,384)
Total accumulated depreciation	<u>(16,186,853)</u>	<u>(1,393,345)</u>	<u>397,253</u>	<u>(17,182,945)</u>
Total capital assets being depreciated, net	<u>24,106,661</u>	<u>(230,829)</u>	<u>(6,556,169)</u>	<u>17,319,663</u>
Hampton Redevelopment and Housing Authority capital assets, net	<u>\$ 33,512,250</u>	<u>\$ 1,411,848</u>	<u>\$ (7,934,799)</u>	<u>\$ 26,989,299</u>

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2009**

**6. CAPITAL ASSETS, Continued:**

Construction in Progress

Several capital projects were in various stages of completion on June 30, 2009. 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, 2009, construction in progress by project was comprised as follows:

	Project Authorization	Expended to June 30, 2009
<u>General Capital Assets</u>		
City - Infrastructure	\$ 43,799,190	\$ 16,746,048
City - Construction & renovation	11,314,282	6,837,650
City - Public Service Radio System	14,506,267	437,343
Fleet Management - Oil Tank removal & installation	222,232	78,002
School Board - Construction & renovation	104,322,892	54,395,821
	\$ 174,164,863	\$ 78,494,864
 <u>Enterprise Funds</u>		
Wastewater Management - Sewer projects	\$ 922,950	\$ 129,866
Virginia Air & Space Museum - Roof replacement	1,495,957	835,294
Coliseum - Renovations & upgrades	2,400,000	119,977
	\$ 4,818,907	\$ 1,085,137
 <u>Discretely Presented Component Units</u>		
HRHA - New homes & renovations	\$ 5,500,000	\$ 2,845,362

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

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

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2009**

**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, 2009:

	<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	\$ 302,060,000	\$ -	\$ (12,070,000)	\$ 289,990,000	\$ 14,005,000
Unamortized premium	9,128,465	-	(557,206)	8,571,259	557,206
Less deferred amount of advance refunding	(2,820,856)		176,304	(2,644,552)	(176,304)
Bonds payable (VRS)	5,685,000		(840,000)	4,845,000	880,000
Capital leases	-	14,506,267	-	14,506,267	
Capital leases - Internal Service Funds	1,309,257		(308,370)	1,000,887	323,424
Long-term notes payable	708,898		(177,225)	531,673	177,225
Literary loans payable	764,277		(148,050)	616,227	148,050
Compensated absences	6,285,955	3,794,018	(3,325,637)	6,754,336	3,325,637
Compensated absences-Internal Service Funds	136,238	90,339	(71,973)	154,604	71,973
Claims and judgments-Internal Service Funds	5,181,837	1,041,166	(2,731,679)	3,491,324	3,015,113
Net pension obligation	3	-	-	3	
Net OPEB obligation	7,380,069	7,951,044	(1,833,385)	13,497,728	
	<u>7,380,069</u>	<u>7,951,044</u>	<u>(1,833,385)</u>	<u>13,497,728</u>	
Governmental activities long-term liabilities	<u>\$ 335,819,143</u>	<u>\$ 27,382,834</u>	<u>\$ (21,887,221)</u>	<u>\$ 341,314,756</u>	<u>\$ 22,327,324</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, 2009:

Long-term liabilities (detail above)	\$ 341,314,756
Less debt - Internal Service Fund	<u>(4,646,815)</u>
Combined adjustment	<u>\$ 336,667,941</u>

Section 148 of the Internal Revenue Code of 1986 requires public entities to refund interest earned in excess of interest paid over the first five years outstanding on tax exempt borrowings. The regulations are applicable to borrowings incurred subsequent to August 1986. The City has calculated the rebate due as if June 30, 2009 was the settlement date, and reflected the liability, if any, in the governmental activities column of the Statement of Net Assets.

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2009**

**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	\$ 115,850,000	\$ -	\$ (1,490,000)	\$ 114,360,000	\$ 1,550,000
Unamortized premium	2,436,918		(208,900)	2,228,018	208,902
Less deferred amount for advance refunding	(1,004,983)	-	185,924	(819,059)	
Total bonds payable	117,281,935	-	(1,512,976)	115,768,959	1,758,902
Capital leases	1,123,623		(117,226)	1,006,397	129,340
Compensated absences	749,886	406,949	(379,787)	777,048	379,787
Business-type activities long-term liabilities	<u>\$ 119,155,444</u>	<u>\$ 406,949</u>	<u>\$ (2,009,989)</u>	<u>\$ 117,552,404</u>	<u>\$ 2,268,029</u>
Component Units:					
School Board:					
Compensated absences	\$ 7,005,625	\$ 1,806,229	\$ (2,648,906)	\$ 6,162,948	\$ 2,468,906
Net OPEB obligation	1,502,159	2,222,109	(721,343)	3,002,925	
Total School Board	<u>\$ 8,507,784</u>	<u>\$ 4,028,338</u>	<u>\$ (3,370,249)</u>	<u>\$ 9,165,873</u>	<u>\$ 2,468,906</u>
Industrial Development Authority:					
Revenue bonds payable	<u>\$ 8,804,723</u>	<u>\$ -</u>	<u>\$ (444,704)</u>	<u>\$ 8,360,019</u>	<u>\$ 474,515</u>
HRHA:					
Revenue bonds	\$ 5,750,000	\$ -	\$ (5,750,000)	\$ -	\$ -
Long-term notes payable	801,745	64,166	(107,651)	758,260	89,695
Compensated absences	447,291	200,691	(207,257)	440,725	207,257
Net OPEB obligation		66,021		66,021	
Total HRHA	<u>\$ 6,999,036</u>	<u>\$ 330,878</u>	<u>\$ (6,064,908)</u>	<u>\$ 1,265,006</u>	<u>\$ 296,952</u>
Downtown Hampton Development Partnership, Inc:					
Notes payable	<u>\$ 60,000</u>	<u>\$ -</u>	<u>\$ (60,000)</u>	<u>\$ -</u>	<u>\$ -</u>
Foundation of the Virginia Air and Space Center and Hampton Roads History Center:					
Notes payable	<u>\$ 2,100,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,100,000</u>	<u>\$ 2,100,000</u>

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2009**

**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, 2009, \$1,110,000 in Bonds remains outstanding.

The unamortized amount deferred on the refunding of \$13,885 is reported in the accompanying financial statements as a reduction of bonds payable and is being charged to operations through the year 2013, using the interest method.

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

Details at June 30, 2009 are as follows:

	<u>Series 2004</u>
Outstanding debt	\$6,945,000
Interest rate	2% to 5%
Years of maturity	2010 - 2014

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

Revenue bond debt service requirements to maturity are as follows:

<u>Fiscal year ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 1,550,000	\$ 5,720,631
2011	3,755,000	5,662,807
2012	3,920,000	5,495,182
2013	4,075,000	5,330,006
2014	3,940,000	5,164,331
2015-2019	14,560,000	23,392,519
2020-2024	20,185,000	18,935,268
2025-2029	24,225,000	13,352,488
2030-2034	30,990,000	6,589,000
2035	7,160,000	358,000
	<u>\$ 114,360,000</u>	<u>\$ 90,000,232</u>

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2009**

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

The City entered into a capital lease for the Hamptons Golf Course Clubhouse Facility in July 1990 at an interest rate of 9.875%. The lease is payable in 72 remaining equal monthly installments of \$18,581.

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

<b>Capital Leases</b>		
<b>Year</b>	<b>Principal</b>	<b>Interest</b>
2010	\$ 129,340	\$ 93,632
2011	142,707	80,265
2012	157,455	65,517
2013	173,727	49,245
2014	191,680	31,291
2015	211,488	11,485
	\$ 1,006,397	\$ 331,435

Discretely Presented Component Unit – HRHA:

The following is a description of HRHA debt:

Virginia Housing and Development Authority Mortgage Notes:

As of December 31, 2008, HRHA was indebted to the Virginia Housing Development Authority for a mortgage note of \$155,521. The note is payable in monthly installments of \$1,918. The interest rate on the note is 7.8637% and the payments are for 476 months beginning on January 1, 1979. Maturities for future years are as follows:

<b>Year</b>	<b>Principal</b>	<b>Interest</b>
2009	\$ 11,188	\$11,832
2010	12,100	10,920
2011	13,087	9,933
2012	14,154	8,866
2013	15,308	7,712
2014 - 2018	89,684	17,747
	\$155,521	\$67,010

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2009**

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

As of December 31, 2008, HRHA was indebted to the Virginia Housing Development Authority for a mortgage note of \$6,637. The note is payable in monthly installments of \$2,220. The interest rate on the note is 2% and the payments are for 180 months beginning May 1, 1994. Maturities for the future year is as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2009	<u>\$ 6,637</u>	<u>\$ 22</u>
	<u>\$ 6,637</u>	<u>\$ 22</u>

As of December 31, 2008, HRHA was indebted to SunTrust Bank for mortgage financing secured on commercial space in the amount of \$465,037. The interest rate is 4.42% and the note is payable in 120 monthly installments of \$6,869. Maturities for future years are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 57,776	\$17,786
2010	65,751	16,680
2011	68,716	13,714
2012	71,817	10,614
2012	75,055	7,375
2014 - 2015	125,922	4,693
	<u>\$ 465,037</u>	<u>\$70,862</u>

Other Notes:

As of December 31, 2008, HRHA was indebted to the City of Hampton for property under a 15 year lease in the amount of \$37,361. The interest rate is 6.5% and the lease is payable in 180 monthly installments of \$903 beginning May 15, 1997. Maturities for future years are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 7,914	\$ 2,014
2010	9,187	1,644
2011	9,802	1,028
2012	10,458	372
	<u>\$ 37,361</u>	<u>\$ 5,058</u>



**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2009**

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

As of December 31, 2008, HRHA as indebted to the City of Hampton in the amount of \$29,538. The loan is secured by land and improvements on property located in the City of Hampton. The interest rate on the loan is 0% and it is payable in 300 monthly installments of \$213. Maturities for future years are as follows:

<u>Year</u>	<u>Principal</u>
2009	\$ 2,550
2010	2,550
2011	2,550
2012	2,550
2013 - 2020	19,338
	<u>\$ 29,538</u>

As of December 31, 2008, HRHA was indebted to the City of Hampton in the aggregate amount of \$64,166 for loans made to City of Hampton homeowners through the revolving loan fund program for home improvement. The interest rate is 3% for each of these loans with varying maturities. The notes are secured by a Deed of Trust on the homeowner's property.

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, 2009 are as follows:

	2002 Revenue Bonds
	<u>Tax-Exempt</u>
Outstanding Debt	\$ 8,360,019
Interest	6.17%
Years of Maturity	2010 – 2022

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2009**

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

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

<b>Revenue Bonds</b>		
<b>Year</b>	<b>Principal</b>	<b>Interest</b>
2010	\$ 474,515	\$ 515,544
2011	504,663	485,396
2012	536,727	453,332
2013	569,618	420,441
2014	607,019	383,040
2015 - 2019	3,664,135	1,286,160
2020 - 2022	2,003,342	173,658
	<u>\$ 8,360,019</u>	<u>\$ 3,717,571</u>

Discretely Presented Component Unit-Foundation:

As of June 30, 2009, the Foundation has \$2,100,000 outstanding on a line of credit with SunTrust Bank. The line of credit is collateralized by existing and future receivables, inventories, equipment and other assets of the Foundation. Interest is paid monthly at LIBOR plus 1.75%. This line of credit is due to expire on February 2011.

Internal Service Funds:

The City is self-insured for workmen's compensation benefits and general liability insurance claims. At June 30, 2009, the liability for existing claims amounted to \$3,491,324. Workmen's compensation benefit claims are payable weekly or monthly through 2019.

The long-term debt in the Equipment Replacement Fund represents obligations under capital leases. During fiscal year 2005, the City entered into a master lease purchase agreement with Bank of America Leasing and Capital, LLC to purchase \$1,300,000 in rolling-stock equipment. The lease is to be repaid in equal quarterly installments of \$22,978 at an interest rate of 3.751%. At June 30, 2009 the outstanding balance on the lease is \$488,487.

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

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2009**

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

<u>Year</u>	<u>Accrued Insurance</u>	<u>Capital Lease</u>		
	<u>Claims</u>	<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 3,015,113	2010	\$ 323,424	\$ 44,644
2011	117,165	2011	339,221	28,848
2012	93,855	2012	79,638	12,274
2013	93,855	2013	82,852	9,059
2014	83,359	2014	86,194	5,717
2015 - 2019	87,977	2015	89,558	2,241
	<u>\$ 3,491,324</u>		<u>\$ 1,000,887</u>	<u>\$ 102,783</u>

General Long-Term Debt:

Details of general obligation bonds and loans reported in the government-wide statements at June 30, 2009 are as follows:

General Obligation Bonds Outstanding	\$289,990,000
Coupon interest rate	2.0% to 7.00%
Years of maturity	2010 – 2028

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

<u>General Obligation Bonds</u>		
<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 14,005,000	\$ 13,508,806
2011	15,610,000	12,916,435
2012	16,355,000	12,220,967
2013	17,290,000	11,522,915
2014	18,105,000	10,740,535
2015 - 2019	102,245,000	38,974,990
2020 - 2024	64,120,000	17,977,263
2025 - 2028	42,260,000	4,378,548
	<u>\$ 289,990,000</u>	<u>\$ 122,240,459</u>

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

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

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2009**

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

proceeds of the Bonds will be used to finance capital improvements in the City.

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

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

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

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

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

In prior years, the City defeased certain general obligation bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the City's financial statements. On June 30, 2009, \$66,545,000 of bonds outstanding are considered defeased.

Taxable General Obligation Bonds:

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

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

<b>Taxable General Obligation Bonds</b>		
<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 880,000	\$ 230,138
2011	925,000	188,338
2012	965,000	144,400
2013	1,015,000	98,563
2014	1,060,000	50,349
	<u>\$ 4,845,000</u>	<u>\$ 711,788</u>

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

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2009**

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

The City's indebtedness includes \$616,227 in loans from the State Literary Loan Fund. One loan was used to fund the City's share of the New Horizons Technical Center, a regional high school vocational and technical center. The other loans were used for major repairs or renovations to four elementary schools and Hampton High School. Repayment is in annual installments over a 20-year term at 3% interest.

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

<b>Literary Loans</b>		
<b>Year</b>	<b>Principal</b>	<b>Interest</b>
2010	\$ 148,050	\$ 18,487
2011	148,050	14,045
2012	146,412	9,604
2013	92,000	5,211
2014	81,715	2,452
	\$ 616,227	\$ 49,799

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

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

<b>Capital Leases</b>		
<b>Year</b>	<b>Principal</b>	<b>Interest</b>
2011	\$ 670,085	\$ 1,194,203
2012	1,305,265	559,023
2013	1,358,002	506,286
2014	1,412,869	451,419
2015	1,469,953	394,335
2016 - 2020	8,290,093	1,031,350
	\$ 14,506,267	\$ 4,136,616

The City has a line-of-credit with a bank for \$8,000,000 for the acquisition of real property which is strategic to the City's future planning and/or economic development. On February 13, 1997, the City borrowed \$761,760 and \$520,000 under the line-of-credit for the acquisition of real property. The notes were repaid in full on February 13, 2008. On November 26, 2001, the City borrowed \$1,772,248 under the line-of-credit for the acquisition of real property. This note is payable in annual installments of \$177,225 through November 26, 2010 and one annual

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2009**

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

installment of \$177,223 due November 26, 2011, plus interest accrued weekly at 95% of the London Interbank Offered Rate (LIBOR) rate. At June 30, 2009, the outstanding balance was \$531,673. The notes are secured by the full faith and credit of the City. This line of credit expired October 1, 2004.

Debt Limit:

The Commonwealth of Virginia imposes a legal limit of 10% of assessed valuation on the amount of general obligation borrowings which may be issued by the City. As of June 30, 2009, the City's aggregate general obligation indebtedness was \$295,982,900 which is less than the State limit.

Overlapping Debt:

There are no overlapping or underlying tax jurisdictions.

**9. DEFINED BENEFIT PENSION PLANS**

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

Plan Description - HERS:

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

Funding Policy - HERS:

The contribution requirements of plan members, the City of Hampton and the Component Unit – School Board are established and may be amended by City Council. Plan members do not contribute. The City and Component Unit – School Board are required to contribute an actuarially determined rate; the current rate is 15.85% and 1.38% respectively of annual covered payroll.

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2009**

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

Annual Pension Cost and Net Pension Obligation – HERS:

For fiscal year 2009, the City of Hampton’s annual pension cost and net pension obligation were as follows:

	<u>City of Hampton</u>	<u>Component Unit- School Board</u>
Annual required contribution	\$ 1,866,492	\$ 168,053
Interest on net pension obligation	-	-
Adjustment to annual required contribution	-	-
Annual pension cost	1,866,492	168,053
Contributions made	(1,866,492)	(168,053)
Increase (decrease) in net pension obligation	-	-
Net pension obligation, July 1, 2008	-	-
Net pension obligation, June 30, 2009	\$ -	\$ -

The annual required contribution was determined as a part of the July 1, 2007 actuarial valuation using the entry age normal cost method with normal cost calculated on an aggregate basis. The actuarial assumptions included (a) 8% investment rate of return and (b) projected salary increases of 5% per year. The actuarial assumptions include a future inflation rate of 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, 2009 was 14 years. The amortization period is closed.

Summary of Significant Accounting Policies - HERS

Basis of Accounting:

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

Method Used to Value Investments:

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

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2009**

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

Trend Information – HERS:

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/07	\$ 1,885,505	100%	\$ -
6/30/08	1,715,011	100	-
6/30/09	2,034,545	100	-

Plan Description - VRS:

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

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

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

Funding Policy - VRS:

Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5% of their annual reported compensation to the VRS. The 5% member contribution has been assumed by the City of Hampton, the Component Unit - School Board, and Component Unit - HRHA. In addition, the City of Hampton and the Component Unit - School Board are required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the *Code of Virginia* and approved by the VRS Board of Trustees. The City of Hampton's, Component Unit - School Board's nonprofessional employees, and Component Unit - HRHA's contribution rates for the fiscal year ended 2009 were 18.45%,



**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2009**

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

15.819%, and 9.16%, respectively. The Component Unit - School Board's contributions to VRS for professional employees for the fiscal years ending June 30, 2009, 2008, and 2009 of \$16,508,388 (13.81%), \$17,637,140 (15.3%) and \$16,093,905 (14.2%) respectively, were equal to the required contributions for each year.

Annual Pension Cost and Net Pension Obligation:

For 2009, the City of Hampton's, Component Unit - School Board's nonprofessional employees, and Component Unit - HRHA's annual pension cost and net pension obligation were as follows:

	<u>City of Hampton</u>	<u>Component Unit- School Board</u>	<u>Component Unit- HRHA</u>
Annual required contribution	\$ 15,954,314	\$ 1,139,553	\$ 223,638
Interest on net pension obligation	-	-	-
Adjustment to annual required contribution	-	-	-
Annual pension cost	15,954,314	1,139,553	223,638
Contributions made	(15,954,314)	(1,139,553)	(223,638)
Increase in net pension obligation	-	-	-
Net pension obligation, July 1, 2008	3	-	-
Net pension obligation, June 30, 2009	\$ 3	\$ -	\$ -

The required contribution for the City of Hampton and Component Unit-School Board was determined as part of the June 30, 2008 actuarial valuation using the entry age normal actuarial cost method. The required contribution for Component Unit - HRHA was determined as part of the June 30, 2007 actuarial valuation using the entry age normal cost method. The actuarial assumptions include (a) 7.5% investment rate of return, (b) projected salary increase of 3.75% to 5.60% per year, (c) cost of living adjustments for the City of Hampton, Component Unit-School Board and Component Unit - HRHA of 2.5% per year. Both (a) and (b) included an inflation component of 2.5% for the City of Hampton and Component Unit-School Board. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The unfunded actuarial accrued liability for the City of Hampton and Component Unit-School Board is being amortized as a level percentage of payroll on an closed basis over 20 years from the valuation date. Component Unit - HRHA's unfunded actuarial accrued liability is being amortized as a level percentage of payroll on an open basis within a period of 20 years.

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2009**

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

Trend Information - VRS:

	Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
<u>City of Hampton</u>	June 30, 2007	\$ 14,896,488	100.0	% \$ 2
	June 30, 2008	15,431,279	100.0	3
	June 30, 2009	15,954,314	100.0	3
<u>Component Unit- School Board</u>	June 30, 2007	1,074,593	100.0	\$ -
	June 30, 2008	1,129,884	100.0	-
	June 30, 2009	1,139,553	100.0	-
<u>Component Unit- HRHA</u>	June 30, 2007	191,155	100.0	\$ -
	June 30, 2008	221,311	100.0	-
	June 30, 2009	223,638	100.0	-

**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 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.

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2009**

**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, 2008 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	\$ 32,144,471
Expenditures and other uses	<u>(32,693,563)</u>
Change in fund equity	(549,092)
Fund equity, July 1, 2007	<u>29,225,913</u>
Fund equity, June 30, 2008	<u>\$ 28,676,821</u>

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

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

**12. COMMITMENT AND CONTINGENCIES:**

Grants:

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

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2009**

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

Leases:

The City leases various types of equipment under capital lease agreements (see Note 8). Under an operating lease, the City leases the Pembroke Community Service Center building from the Hampton Redevelopment and Housing Authority at an annual rent of \$343,872. In addition, the City leases space under operating leases for use as branches of the City's public library. The City also leases various City properties to other governmental agencies and businesses under operating lease agreements. Included in Capital Assets are the following amounts that are applicable to the operating leases:

Land	\$	155,325
Buildings		3,098,353
Improvements		2,195,046
Less accumulated depreciation		(3,074,278)
Capital Assets, net	\$	2,374,446

A summary of future minimum rental payments under the operating leases at June 30, 2009 is as follows:

<b>Year Ending June 30,</b>	<b>Operating Leases</b>	<b>Future Rental Income</b>
2010	\$ 780,174	\$ 70,535
2011	667,541	69,057
2012	632,753	58,748
2013	205,000	13,960
2014	205,000	
2015-2020	205,000	
	\$ 2,695,468	\$ 212,300

The City's rental expense and rental income for the year ended June 30, 2009 amounted to \$1,777,672 and \$309,898 respectively.

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

The City has entered into a three-party agreement with the Hampton Redevelopment and Housing Authority (HRHA) and private developers related to the Harbour Center in the downtown area. The future lease commitment for this project is \$4,548,609 for the lease of the garage facility through 2018. (A portion of the garage lease payments will be offset by fees charged for parking.)

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2009**

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

A summary of future minimum rent payments under the operating lease with Harbour Center at June 30, 2009 is as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2010	\$ 505,401
2011	505,401
2012	505,401
2013	505,401
2014	505,401
2015-2019	2,021,604
	<u>\$ 4,548,609</u>

**Self-Insurance:**

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

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

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

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

All funds of the City participate in the program and make payments to the Risk Management and General Fund based on historical cost information. The unrestricted net assets of \$12,227,723 at June 30, 2009 are designated as a reserve for claims in the Risk Management Fund. The City accrues claims and judgments as incurred by a review of all claims on a case-by-case basis. Claims incurred, but not reported, were considered in the determination of the claims liability.

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2009**

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

Changes in the Funds' claims liability amount in fiscal years 2009, 2008 and 2007 were:

	<b>Claims Liability July 1</b>	<b>Incurred Claims</b>	<b>Claims Payment</b>	<b>Claims Liability June 30</b>
<b>Risk Management Fund</b>				
Fiscal Year 2009	\$ 5,181,837	\$ 1,041,166	\$ 2,731,679	3,491,324
Fiscal Year 2008	4,642,646	1,160,713	621,522	5,181,837
Fiscal Year 2007	3,231,971	3,422,012	2,011,337	4,642,646
	<b>Claims Liability July 1</b>	<b>Incurred Claims</b>	<b>Claims Payment</b>	<b>Claims Liability June 30</b>
<b>General Fund</b>				
Fiscal Year 2009	\$ (8,883)	\$ 13,657,170	\$ 13,650,772	\$ (2,485)
Fiscal Year 2008	113,849	12,239,925	12,362,657	(8,883)
Fiscal Year 2007	623,654	11,422,811	11,932,616	113,849

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

Letters of Credit:

SunTrust Bank issued two Standby Letters of Credit totaling \$5,000,000 on the behalf of the IDA in connection with its commitment under certain agreements for the development of the Bass Pro Project. During fiscal year 2005, Old Point National Bank issued a standby Letter of Credit in the amount of \$3,000,000 on the behalf of the IDA in connection with its commitment under certain agreements for the National Institute of Aerospace Associates project. The City has agreed to pay the bank upon each drawing by the beneficiary under the Letters of Credit. During the fiscal year ended June 30, 2008, no draws were made under the Letters of Credit.

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

Plan Description:

The City and Component Unit - Hampton City School Board (School Board) and Component Unit - HRHA (HRHA) administer a single-employer defined benefit healthcare plan in addition to the pension benefits described in Note 9. The City, School Board and HRHA Other Postemployment Benefit Plans provide post-retirement health care benefits, in accordance with the 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, 729 City retirees and 23 HRHA 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

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2009**

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

health insurance costs. During fiscal year 2009 156 employees were participating in this plan and the cost was \$407,037. Separate, stand-alone statements are not issued for this plan.

Funding Policy:

The City Council, Hampton School Board and HRHA Board of Commissioners has the authority to establish and amend the funding policy of their respective plans. The employer's contribution ranges from 0% to 100% of the premiums based on the retiree's years of continuous health care coverage and the health care option selected by the retirees. The employer contributions are financed on a pay-as-you-go basis. During fiscal year 2009, the City contributed \$1,833,385, or approximately 52% of total premiums for post-retirement health care benefits. Plan members receiving benefits contributed \$2,046,297, or approximately 48% of total premiums. Member contributions are 2.55% of covered payroll. HRHA contributed \$181,000 for post-retirement health care benefits during fiscal year 2008 and the school board contributed \$721,343 in fiscal year 2009.

Annual OPEB Cost and Net OPEB Obligation:

The City, School Board and HRHA's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding, that if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City, School Board and HRHA's annual OPEB cost for the year, the amount actually contributed to the plans and changes in the net OPEB obligation:

	<b>Component Unit Component Unit</b>		
	<b>City of Hampton</b>	<b>School Board</b>	<b>HRHA</b>
Annual required contribution	\$ 8,082,632	\$ 2,249,000	249,000
Interest on net OPEB obligation	295,203	60,328	-
Adjustment to ARC	(426,791)	(87,219)	-
Annual OPEB cost	7,951,044	2,222,109	249,000
Contributions made	(1,833,385)	(721,343)	(181,000)
Increase in net OPEB obligation	6,117,659	1,500,766	68,000
Net OPEB obligation - beginning of year	7,380,069	1,502,159	-
Net OPEB obligations - end of year	<u>\$ 13,497,728</u>	<u>\$ 3,002,925</u>	<u>\$ 68,000</u>

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2009**

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

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

City of Hampton

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

Component Unit-School Board

Fiscal year ended	Annual OPEB Cost	Employer Contributions	Percentage of Annual	
			OPEB Cost Contributed	Net OPEB Obligation
June 30, 2008	\$ 1,933,629	\$ 431,470	22%	\$ 1,502,159
June 30, 2009	\$ 2,222,109	\$ 721,343	19%	\$ 3,002,925

Component Unit-Hampton Redevelopment and Housing Authority

Fiscal year ended	Annual OPEB Cost	Employer Contributions	Percentage of Annual	
			OPEB Cost Contributed	Net OPEB Obligation
December 31, 2008	\$ 249,000	\$ 181,000	73%	\$ 68,000

Funded Status and Funding Progress:

Based on the most recent actuarial valuation dated July 1, 2008 for the City and School Board and December 31, 2008 for HRHA, the funded status of the plans were as follows:

	City of Hampton	Component Unit School Board	Component Unit HRHA
Actuarial accrued liability (AAL)	\$ 81,234,951	\$ 16,367,587	\$ 2,743,000
Actuarial value of plan assets	-	-	-
Unfunded actuarial accrued liability (UAAL)	\$ 81,234,951	\$ 16,367,587	\$ 2,743,000
Funded ratio (actuarial value of plan assets/AAL)	0%	0%	0%
Covered payroll (active plan members)	\$ 86,432,077	\$ 127,457,896	\$ 2,261,929
UAAL as a percentage of covered payroll	94%	13%	121%



**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2009**

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

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 July 1, 2008 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 a level dollar amount over a period of 30 years. A discount rate of 4% per annum net of expenses was used for an unfunded plan. Healthcare cost trend rates ranged from an initial rate of 10% for 2008 to an ultimate rate of 5% for the 2017 fiscal year. Retiree medical contributions are assumed to increase at the same rates as incurred claims.

In the January 1, 2008 actuarial valuation for HRHA, the entry age normal cost method was used. This method is known as a projected benefits method. The chief characteristic of projected benefits methods is that the actuarial present value of benefits is determined as of the valuation date and then allocated between the period before and after the valuation date. The unfunded actuarial accrued liability is paid over 30 years in level percentage of payroll payments, with payroll assumed to increase 4.5% per year. Healthcare cost trend rates ranged from an initial rate of 7.2% for 2008 to a rate of 5.3% for 2030. Retiree premium contributions are assumed to increase at the same rate as the cost of healthcare.

**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

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2009**

**14. LEASE RECEIVABLES, Continued:**

the life of the bond. As of June 30, 2009, future lease receivable is \$11,880,711 from PWDC. The minimum lease payments for the next five years are:

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

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

Required Supplementary Information  
Other than Management's Discussion and Analysis

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**CITY OF HAMPTON, VIRGINIA**  
**SCHEDULE OF FUNDING PROGRESS - PENSION PLANS**  
**UNAUDITED**  
**Fiscal Year Ended June 30, 2009**

**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)
6/30/06	\$162,214,805	\$178,547,557	\$ 16,332,752	90.9 %	\$ 32,316,632	50.5 %
6/30/07	166,205,076	179,789,828	13,584,752	92.4	24,671,868	55.1
6/30/08	165,961,649	179,465,512	13,503,863	92.5	25,623,273	52.7
6/30/09	155,494,920	177,893,905	22,398,985	87.4	20,815,242	107.6

**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)
6/30/05	\$250,399,226	\$329,738,788	\$ 79,339,562	75.9 %	\$ 73,842,561	107.44 %
6/30/06	266,208,467	342,880,605	76,672,138	77.6	77,859,246	98.48
6/30/07	300,902,577	384,657,166	83,754,589	78.2	81,418,501	102.87
6/30/08	330,128,742	413,286,693	83,157,952	79.9	84,283,138	98.66

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)
6/30/05	\$ 16,511,647	\$ 22,177,176	\$ 5,665,529	74.5 %	\$ 6,257,526	90.54 %
6/30/06	17,352,827	22,097,728	4,744,901	78.5	6,392,248	74.23
6/30/07	19,331,524	24,133,735	4,802,211	80.1	6,645,217	72.27
6/30/08	21,235,409	25,874,017	4,638,608	82.1	7,026,437	66.02

Component Unit-HRHA

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)
6/30/05	\$ 9,064,409	\$ 9,066,103	\$ 1,694	99.9 %	\$ 2,104,837	0.08 %
6/30/06	9,382,013	9,396,152	14,139	99.9	2,098,061	0.67
6/30/07	10,465,579	10,483,836	18,257	99.8	2,305,827	0.79
6/30/08	11,327,139	11,101,026	(22,613)	100.02	2,261,929	(10.00)

**CITY OF HAMPTON, VIRGINIA**  
**SCHEDULE OF FUNDING PROGRESS-**  
**POST-RETIREMENT HEALTH CARE BENEFITS**  
**UNAUDITED**  
**Fiscal Year Ended June 30, 2009**

**City of Hampton:**

Actuarial Valuation Date	Actuarial Value of Assets ( a )	Actuarial Accrued Liability (AAL)-Entry Age ( b )	Unfunded AAL (UAAL) ( b - a )	Funded Ratio ( a / b )	Covered Payroll ( c )	UAAL as a Percentage of Covered Payroll (( b - a ) / c )
7/1/2007	-	\$98,144,280	\$ 98,144,280	0 %	\$ 84,217,803	117 %
7/1/2008	-	81,234,951	81,234,951	0	86,432,077	94

**Component Unit-School Board:**

Actuarial Valuation Date	Actuarial Value of Assets ( a )	Actuarial Accrued Liability (AAL)-Entry Age ( b )	Unfunded AAL (UAAL) ( b - a )	Funded Ratio ( a / b )	Covered Payroll ( c )	UAAL as a Percentage of Covered Payroll (( b - a ) / c )
7/1/2007	-	\$16,349,633	\$ 16,349,633	0 %	\$123,001,281	13 %
7/1/2008	-	16,367,587	16,367,587	0	127,457,896	13

**Component Unit-Hampton Redevelopment and Housing Authority:**

Actuarial Valuation Date	Actuarial Value of Assets ( a )	Actuarial Accrued Liability (AAL)-Entry Age ( b )	Unfunded AAL (UAAL) ( b - a )	Funded Ratio ( a / b )	Covered Payroll ( c )	UAAL as a Percentage of Covered Payroll (( b - a ) / c )
7/1/2007	-	\$ 3,295,000	\$ 3,295,000	0 %	\$ 2,305,827	143 %
7/1/2008	-	2,743,000	2,743,000	0	\$ 2,261,929	121

**CITY OF HAMPTON, VIRGINIA  
GENERAL FUND  
BALANCE SHEET  
June 30, 2009**

**ASSETS**

Cash and cash equivalents	\$ 94,865,615
Investments	11,659,882
Accounts receivables:	
Taxes (net of allowance for uncollectible of \$1,206,238)	6,501,877
Due from other governments	10,156,019
Other	1,806,155
Due from other funds	7,408,879
Due from component units	2,663
Inventories	68,623
Advances to other funds	25,000
Total assets	<u>\$ 132,494,713</u>

**LIABILITIES AND FUND BALANCES**

Liabilities:	
Accounts payable	\$ 5,510,382
Accrued health insurance	7,493,390
Accrued liabilities	3,596,572
Due to other funds	7,737,065
Due to component units	3,467,458
Deferred revenue	5,427,978
Total liabilities	<u>33,232,845</u>
Fund balances:	
Reserved for:	
Encumbrances	1,099,334
Courthouse maintenance	8,595
Hazmat	9,473
Advances to other funds	25,000
Unreserved:	
Designated for succeeding year	44,376,251
Undesignated	53,743,215
Total fund balances	<u>99,261,868</u>
Total liabilities and fund balances	<u>\$ 132,494,713</u>

**CITY OF HAMPTON, VIRGINIA  
GENERAL FUND  
SCHEDULE OF REVENUES AND OTHER CREDITS-BUDGET AND ACTUAL  
Fiscal Year Ended June 30, 2009**

	<b>Budget July 1, 2008</b>	<b>Net Changes</b>	<b>Final June 30, 2009</b>	<b>Actual</b>	<b>Variance Over (Under)</b>
General property taxes:					
Real estate	\$ 117,669,035	\$ -	\$ 117,669,035	\$ 118,541,151	\$ 872,116
Real estate BID	772,285		772,285	822,458	50,173
Public service	2,574,748		2,574,748	2,568,556	(6,192)
Personal property	20,463,895		20,463,895	20,229,547	(234,348)
Mobile homes	41,839		41,839	45,658	3,819
Machinery and tools	1,988,680		1,988,680	1,968,549	(20,131)
Delinquent taxes	700,000		700,000	539,329	(160,671)
Penalty	<u>1,010,000</u>	<u>-</u>	<u>1,010,000</u>	<u>967,653</u>	<u>(42,347)</u>
Total general property taxes	<u>145,220,482</u>	<u>-</u>	<u>145,220,482</u>	<u>145,682,901</u>	<u>462,419</u>
Other local taxes:					
Utility - electric and gas	4,875,000		4,875,000	4,976,365	101,365
Communications sales tax	8,789,293		8,789,293	8,295,946	(493,347)
Tobacco	3,900,000		3,900,000	3,628,702	(271,298)
Business license	12,840,000		12,840,000	12,207,091	(632,909)
Short-term rental	130,000		130,000	135,514	5,514
Sales and use	14,100,000		14,100,000	13,171,671	(928,329)
Recordation	1,500,000		1,500,000	1,275,290	(224,710)
Public right of way	510,000		510,000	446,685	(63,315)
Lodging and transit	3,250,000		3,250,000	3,218,278	(31,722)
Amusement	1,305,394		1,305,394	1,057,204	(248,190)
Meal	13,798,000		13,798,000	13,912,245	114,245
Motor vehicle	2,989,185		2,989,185	3,389,785	400,600
Bank stock	357,000		357,000	407,274	50,274
License tax - pari-mutuel	<u>112,000</u>	<u>-</u>	<u>112,000</u>	<u>93,363</u>	<u>(18,637)</u>
Total other local taxes	<u>68,455,872</u>	<u>-</u>	<u>68,455,872</u>	<u>66,215,413</u>	<u>(2,240,459)</u>
License, permits and privilege fees					
Animal licenses	20,000		20,000	53,056	33,056
Street and taxi permits	61,600		61,600	64,638	3,038
Zoning and land use	205,000		205,000	142,451	(62,549)
Building permits	950,000		950,000	651,233	(298,767)
Miscellaneous	<u>21,600</u>	<u>-</u>	<u>21,600</u>	<u>27,652</u>	<u>6,052</u>
Total license, permits and privilege fees	<u>1,258,200</u>	<u>-</u>	<u>1,258,200</u>	<u>939,030</u>	<u>(319,170)</u>
Total fines and forfeitures	<u>1,965,000</u>	<u>-</u>	<u>1,965,000</u>	<u>2,209,117</u>	<u>244,117</u>
Revenue from use of money and property					
Interest on investments	1,500,000		1,500,000	1,829,334	329,334
Rental of property	135,000		135,000	147,167	12,167
Vending machine commissions	9,500		9,500	75	(9,425)
Parking fees	82,400		82,400	71,081	(11,319)
Net increase (decrease) in fair value of investments	<u>-</u>	<u>-</u>	<u>-</u>	<u>32,476</u>	<u>32,476</u>
Total revenue from use of money and property	<u>1,726,900</u>	<u>-</u>	<u>1,726,900</u>	<u>2,080,133</u>	<u>353,233</u>

continued



**CITY OF HAMPTON, VIRGINIA**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES AND OTHER CREDITS-BUDGET AND ACTUAL**  
**Fiscal Year Ended June 30, 2009**

	<b>Budget</b>	<b>Net</b>	<b>Final</b>		<b>Variance</b>
	<b>July 1, 2008</b>	<b>Changes</b>	<b>June 30, 2009</b>	<b>Actual</b>	<b>Over</b>
					<b>(Under)</b>
Charges for services:					
Fees:					
Court costs	\$ 1,000	\$ -	\$ 1,000	\$ 1,406	\$ 406
Clerk	475,000		475,000	266,286	(208,714)
Court officers	26,000		26,000	28,129	2,129
Parks & Recreation	2,060,200		2,060,200	2,365,860	305,660
Healthy Start/ Healthy Families	50,000		50,000	34,178	(15,822)
Animal Control	12,000		12,000	9,745	(2,255)
Sheriff	99,741		99,741	68,550	(31,191)
Legal services	7,200		7,200	7,200	-
Library	70,000		70,000	67,263	(2,737)
Jail admission fee	8,350		8,350	12,396	4,046
Nonconsecutive Jail Fee	-		-	61	61
Ambulance services	2,250,000		2,250,000	2,384,456	134,456
Public education grant	-		-	31,054	31,054
Passport applications	25,000		25,000	8,750	(16,250)
Landfill host fees	600,000	-	600,000	338,052	(261,948)
Total charges for services	<u>5,684,491</u>	<u>-</u>	<u>5,684,491</u>	<u>5,623,386</u>	<u>(61,105)</u>
Miscellaneous revenue:					
Payment in lieu of taxes	75,000		75,000	71,166	(3,834)
Returned check charges	12,500		12,500	11,527	(973)
Unemployment fees	5,300		5,300	3,983	(1,317)
School reimbursement	1,108,799		1,108,799	1,074,518	(34,281)
Indirect cost	945,745		945,745	935,745	(10,000)
Other	620,400	-	620,400	1,658,538	1,038,138
Total miscellaneous revenue	<u>2,767,744</u>	<u>-</u>	<u>2,767,744</u>	<u>3,755,477</u>	<u>987,733</u>
Recovered costs:					
Jail operation	1,189,929		1,189,929	903,023	(286,906)
Probation	8,500		8,500	7,250	(1,250)
NASA fire services	906,000		906,000	830,500	(75,500)
Miscellaneous	150,000	-	150,000	40,406	(109,594)
Total recovered cost	<u>2,254,429</u>	<u>-</u>	<u>2,254,429</u>	<u>1,781,179</u>	<u>(473,250)</u>
Noncategorical aid - state:					
Reduction in state aid to local governments	(1,078,499)		(1,078,499)	(1,115,715)	(37,216)
Personal property tax relief tax	15,453,929		15,453,929	15,453,929	-
Vehicle rental	385,060		385,060	308,295	(76,765)
Railroad tax	2,592		2,592	2,592	-
Mobile home titling tax	16,408		16,408	42,325	25,917
Tax on deeds	350,000	-	350,000	430,554	80,554
Total noncategorical aid - state	<u>15,129,490</u>	<u>-</u>	<u>15,129,490</u>	<u>15,121,980</u>	<u>(7,510)</u>
Shared expenses - state:					
Sheriff	5,194,116		5,194,116	4,193,849	(1,000,267)
Commonwealth Attorney	1,381,655		1,381,655	1,298,568	(83,087)
Commissioner of Revenue	340,529		340,529	321,647	(18,882)
Treasurer	330,592		330,592	317,996	(12,596)
Clerk of Courts	751,510		751,510	787,545	36,035
Registrar - election board	63,000		63,000	68,627	5,627
Medical examinations	1,000	-	1,000	-	(1,000)
Total shared expenses - state	<u>8,062,402</u>	<u>-</u>	<u>8,062,402</u>	<u>6,988,232</u>	<u>(1,074,170)</u>

continued

**CITY OF HAMPTON, VIRGINIA  
GENERAL FUND  
SCHEDULE OF REVENUES AND OTHER CREDITS-BUDGET AND ACTUAL  
Fiscal Year Ended June 30, 2009**

	<b>Budget July 1, 2008</b>	<b>Net Changes</b>	<b>Final June 30, 2009</b>	<b>Actual</b>	<b>Variance Over (Under)</b>
Categorical aid - state:					
Public assistance	\$ 4,609,525	\$ 569,300	\$ 5,178,825	\$ 7,159,013	\$ 1,980,188
Police	7,755,903		7,755,903	7,464,361	(291,542)
Street and highway maintenance	11,941,858	496,622	12,438,480	12,438,480	-
E911 wireless grant	400,000		400,000	408,447	8,447
Public library books	192,832		192,832	199,597	6,765
Virginia juvenile block grant	430,167		430,167	430,167	-
Healthy start program	450,000	(296,340)	153,660	153,660	-
Total categorical aid - state	<u>25,780,285</u>	<u>769,582</u>	<u>26,549,867</u>	<u>28,253,725</u>	<u>1,703,858</u>
Categorical aid - federal:					
Pass thru - public assistance	10,701,291	296,340	10,997,631	9,455,683	(1,541,948)
Pass thru - Federal Rad. Emergency Response	20,500		20,500	20,500	-
American Recovery and Reinvestment Act	1,965,228	-	1,965,228	1,965,228	-
Total categorical aid - federal	<u>12,687,019</u>	<u>296,340</u>	<u>12,983,359</u>	<u>11,441,411</u>	<u>(1,541,948)</u>
Noncategorical aid - federal					
Indirect costs - total	<u>218,000</u>	<u>-</u>	<u>218,000</u>	<u>278,000</u>	<u>60,000</u>
Total revenues	<u>291,210,314</u>	<u>1,065,922</u>	<u>292,276,236</u>	<u>290,369,984</u>	<u>(1,906,252)</u>
Other credits:					
Component Unit - IDA Fund				4,914	4,914
Component Unit - Schools	2,000,000		2,000,000	2,000,000	-
Payments from component units	-	-	-	249,806	249,806
Total transfers	<u>2,000,000</u>	<u>-</u>	<u>2,000,000</u>	<u>2,254,720</u>	<u>254,720</u>
Total revenues and transfers	<u>293,210,314</u>	<u>1,065,922</u>	<u>294,276,236</u>	<u>292,624,704</u>	<u>(1,651,532)</u>
Appropriations from fund balance	4,000,000	12,353,987	16,353,987	16,353,987	-
Appropriations - encumbrances	<u>-</u>	<u>2,115,400</u>	<u>2,115,400</u>	<u>2,115,400</u>	<u>-</u>
Total appropriations	<u>4,000,000</u>	<u>14,469,387</u>	<u>18,469,387</u>	<u>18,469,387</u>	<u>-</u>
Total revenues and other credits	<u>\$ 297,210,314</u>	<u>\$ 15,535,309</u>	<u>\$ 312,745,623</u>	<u>\$ 311,094,091</u>	<u>\$ (1,651,532)</u>

**CITY OF HAMPTON, VIRGINIA  
GENERAL FUND  
SCHEDULE OF APPROPRIATIONS AND EXPENDITURES  
Fiscal Year Ended June 30, 2009**

	Appropriations			Expenditures			Variance Under (Over)	
	Budget July 1, 2008	Net Changes	Final June 30, 2009	Personal Services	Operating Expenditures	Capital Outlay		Total
<b>General Government</b>								
Legislative:								
Municipal Council	\$ 443,295	\$ 16,813	\$ 460,108	\$ 344,985	\$ 105,344	\$ 1,235	\$ 451,564	\$ 8,544
Legislative - Total	443,295	16,813	460,108	344,985	105,344	1,235	451,564	8,544
Executive:								
City Manager	1,127,170	128,339	1,255,509	1,090,550	130,185	3,425	1,224,160	31,349
Budget and Management Analysis	368,009	78,041	446,050	381,619	31,489	1,457	414,565	31,485
Citizens Unity Commission	184,112	35,311	219,423	92,299	64,424	24,206	180,929	38,494
Community and International Relations	679,256	185,585	864,841	517,674	244,968	10,331	772,973	91,868
Internal Audit	153,782	20,234	174,016	106,070	18,115	17,147	141,332	32,684
311 Customer Call Center	584,447	94,920	679,367	502,071	59,369	39,517	600,957	78,410
Executive - Total	3,096,776	542,430	3,639,206	2,690,283	548,550	96,083	3,334,916	304,290
City Attorney:								
Law - City Attorney	1,195,625	47,499	1,243,124	1,127,068	110,126	1,272	1,238,466	4,658
City Attorney - Total	1,195,625	47,499	1,243,124	1,127,068	110,126	1,272	1,238,466	4,658
Human Resources - Total	732,738	140,022	872,760	530,473	114,957	20,735	666,165	206,595
Judicial:								
Clerk of Courts	900,673	211,149	1,111,822	705,510	252,794	-	958,304	153,518
Circuit Court	406,966	70,128	477,094	335,818	53,015	24,121	412,954	64,140
General District Court	197,115	34,419	231,534	65,506	154,562	-	220,068	11,466
District Court - J.D.R.	51,619	16,028	67,647	-	45,226	17,004	62,230	5,417
Commonwealth Attorney	1,551,282	120,529	1,671,811	1,480,630	126,636	2,790	1,610,056	61,755
City Sheriff - Administration	1,891,531	(20,022)	1,871,509	1,627,798	221,232	-	1,849,030	22,479
City Sheriff - Jail	6,506,023	266,121	6,772,144	4,880,829	1,784,249	57,646	6,722,724	49,420
Court Service Unit	1,979,775	1,229,112	3,208,887	114,887	1,832,362	25,292	1,972,541	1,236,346
Judicial - Subtotal	13,484,984	1,927,464	15,412,448	9,210,978	4,470,076	126,853	13,807,907	1,604,541
Less amount reflected as transfers	-	(40,867)	(40,867)	-	(33,484)	-	(33,484)	(7,383)
Judicial - Total	13,484,984	1,886,597	15,371,581	9,210,978	4,436,592	126,853	13,774,423	1,597,158

continued

	Appropriations			Expenditures				Variance Under (Over)
	Budget July 1, 2008	Net Changes	Final June 30, 2009	Personal Services	Operating Expenditures	Capital Outlay	Total	
<b>General Government, continued:</b>								
Boards and Commissions:								
Planning	\$ 1,012,293	\$ 72,807	\$ 1,085,100	\$ 853,092	\$ 61,563	\$ 15,010	\$ 929,665	\$ 155,435
Elections Board	147,678	70,000	217,678	98,483	67,940	3,179	169,602	48,076
Registrar	221,855	43,549	265,404	237,491	22,013		259,504	5,900
Development	1,765,967	326,422	2,092,389	1,173,721	340,060	10,669	1,524,450	567,939
Neighborhood Services	637,046	66,200	703,246	508,936	133,742	5,407	648,085	55,161
Boards and Commissions-Subtotal	3,784,839	578,978	4,363,817	2,871,723	625,318	34,265	3,531,306	832,511
Less amount reflected as transfers	(90,400)	(82,274)	(172,674)	-	(83,798)	-	(83,798)	(88,876)
Boards and Commissions - Total	3,694,439	496,704	4,191,143	2,871,723	541,520	34,265	3,447,508	743,635
Agriculture - Extension Agent - Total	102,850	8,580	111,430	64,860	43,469	-	108,329	3,101
Nondepartmental:								
Nondepartmental	15,152,881	1,770,349	16,923,230	43,335	14,001,210	107,584	14,152,129	2,771,101
Civic and community support	1,295,215	(158,500)	1,136,715		1,135,765		1,135,765	950
Other	2,606,868	(420,912)	2,185,956	-	832,886	-	832,886	1,353,070
Nondepartmental - Subtotal	19,054,964	1,190,937	20,245,901	43,335	15,969,861	107,584	16,120,780	4,125,121
Less amount reflected as transfers	(364,655)	-	(364,655)	-	(256,175)	-	(256,175)	(108,480)
Nondepartmental - Total	18,690,309	1,190,937	19,881,246	43,335	15,713,686	107,584	15,864,605	4,016,641
Finance:								
Commissioner of Revenue	1,256,014	7,291	1,263,305	1,021,692	135,007	19,893	1,176,592	86,713
Assessor of Real Estate	1,406,212	136,540	1,542,752	1,027,681	217,441	35,457	1,280,579	262,173
City Treasurer	1,508,343	(27,379)	1,480,964	1,002,584	420,010	38,763	1,461,357	19,607
Consolidated Procurement	433,730	12,287	446,017	388,683	52,947		441,630	4,387
Independent Auditors	194,266	13,429	207,695		189,147		189,147	18,548
Finance	1,009,714	377,822	1,387,536	880,109	76,087	18,484	974,680	412,856
Information Technology	2,591,047	229,335	2,820,382	1,622,097	836,428	98,984	2,557,509	262,873
Finance - Total	8,399,326	749,325	9,148,651	5,942,846	1,927,067	211,581	8,081,494	1,067,157
Retirement and Employee Benefits								
Total	36,106,977	(2,852,684)	33,254,293	720,958	30,153,648	-	30,874,606	2,379,687

**CITY OF HAMPTON, VIRGINIA**  
**GENERAL FUND**  
**SCHEDULE OF APPROPRIATIONS AND EXPENDITURES**  
**Fiscal Year Ended June 30, 2009**

	Appropriations			Expenditures				Variance Under (Over)
	Budget July 1, 2008	Net Changes	Final June 30, 2009	Personal Services	Operating Expenditures	Capital Outlay	Total	
<b>General Government, concluded:</b>								
Public Works:								
Administration	\$ 335,271	\$ 221,753	\$ 557,024	\$ 298,688	\$ 86,581	\$ 10,581	\$ 395,850	\$ 161,174
Engineering	808,053	34,989	843,042	667,059	80,294	5,911	753,264	89,778
Property Maintenance	4,179,385	191,832	4,371,217	1,215,006	3,048,398	8,474	4,271,878	99,339
Parking Facilities	813,366	86,027	899,393	32,632	847,864	18,304	898,800	593
Public Works - Total	6,136,075	534,601	6,670,676	2,213,385	4,063,137	43,270	6,319,792	350,884
<b>General Government - Total</b>	<b>92,083,394</b>	<b>2,760,824</b>	<b>94,844,218</b>	<b>25,760,894</b>	<b>57,758,096</b>	<b>642,878</b>	<b>84,161,868</b>	<b>10,682,350</b>
<b>Public Safety:</b>								
Police Division	20,939,298	1,285,821	22,225,119	16,967,695	4,288,143	53,100	21,308,938	916,181
Traffic Engineering	2,763,032	101,306	2,864,338	770,711	1,794,934	25,966	2,591,611	272,727
Fire Division	16,303,040	1,210,732	17,513,772	14,053,323	3,054,258	323,974	17,431,555	82,217
Codes Compliance	2,100,238	77,981	2,178,219	1,816,022	316,553	1,121	2,133,696	44,523
E911	2,779,849	80,085	2,859,934	2,204,328	326,299	61,305	2,591,932	268,002
Animal Control	832,869	2,732	835,601	277,154	509,958	287	787,399	48,202
Public Safety - Subtotal	45,718,326	2,758,657	48,476,983	36,089,233	10,290,145	465,753	46,845,131	1,631,852
Less amount reflected as transfers	-	(271,484)	(271,484)	-	(175,633)	-	(175,633)	(95,851)
<b>Public Safety - Total</b>	<b>45,718,326</b>	<b>2,487,173</b>	<b>48,205,499</b>	<b>36,089,233</b>	<b>10,114,512</b>	<b>465,753</b>	<b>46,669,498</b>	<b>1,536,001</b>
<b>Highways and Streets - Total</b>	<b>2,408,991</b>	<b>154,486</b>	<b>2,563,477</b>	<b>1,337,285</b>	<b>992,060</b>	<b>32,314</b>	<b>2,361,659</b>	<b>201,818</b>

continued

	Appropriations			Expenditures				Variance Under (Over)
	Budget July 1, 2008	Net Changes	Final June 30, 2009	Personal Services	Other Expenditures	Capital Outlay	Total	
<b>Health:</b>								
Preventive Medicine	\$ 1,440,528	\$ 34,444	\$ 1,474,972	\$ -	\$ 1,397,060	\$ -	\$ 1,397,060	\$ 77,912
Drainage Maintenance	1,671,760	11,282	1,683,042	814,741	763,481	2,468	1,580,690	102,352
<b>Health - Total</b>	<u>3,112,288</u>	<u>45,726</u>	<u>3,158,014</u>	<u>814,741</u>	<u>2,160,541</u>	<u>2,468</u>	<u>2,977,750</u>	<u>180,264</u>
<b>Human Services:</b>								
Administration	9,944,964	(60,585)	9,884,379	6,364,784	3,262,496	257,099	9,884,379	-
Employment Services	1,063,319	51,414	1,114,733	732,492	380,080	2,161	1,114,733	-
Public Assistance	766,441	(54,771)	711,670		711,670		711,670	-
Purchase of Services	5,798,674	1,035,369	6,834,043		6,834,033		6,834,033	10
Emergency Fuel	21,044	24,000	45,044	32,925	6,580		39,505	5,539
Food Stamps	24,961	(12,904)	12,057		9,815	61	9,876	2,181
VISTA (Volunteers in Service to America)	403,334	(64,284)	339,050	190,640	143,717	4,292	338,649	401
Healthy Families Partnership	2,733,420	157,620	2,891,040	2,064,429	387,430	2,603	2,454,462	436,578
Coalition for Youth	453,578	75,348	528,926	206,452	273,191	6,169	485,812	43,114
<b>Human Services - Total</b>	<u>21,209,735</u>	<u>1,151,207</u>	<u>22,360,942</u>	<u>9,591,722</u>	<u>12,009,012</u>	<u>272,385</u>	<u>21,873,119</u>	<u>487,823</u>
<b>Culture and Recreation:</b>								
Recreation	4,214,907	477,933	4,692,840	3,391,802	1,235,560	31,675	4,659,037	33,803
Parks	5,843,334	303,549	6,146,883	2,904,456	3,068,518	81,067	6,054,041	92,842
Conventions and Tourism	2,749,084	687,227	3,436,311	998,518	1,835,985	24,620	2,859,123	577,188
Hampton History Museum	438,222	38,292	476,514	183,379	239,881	9,813	433,073	43,441
Culture and Recreation - Subtotal	<u>13,245,547</u>	<u>1,507,001</u>	<u>14,752,548</u>	<u>7,478,155</u>	<u>6,379,944</u>	<u>147,175</u>	<u>14,005,274</u>	<u>747,274</u>
Less amount reflected as transfers	<u>(7,500)</u>	<u>-</u>	<u>(7,500)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(7,500)</u>
<b>Culture and Recreation - Total</b>	<u>13,238,047</u>	<u>1,507,001</u>	<u>14,745,048</u>	<u>7,478,155</u>	<u>6,379,944</u>	<u>147,175</u>	<u>14,005,274</u>	<u>739,774</u>

**CITY OF HAMPTON, VIRGINIA  
GENERAL FUND  
SCHEDULE OF APPROPRIATIONS AND EXPENDITURES  
Fiscal Year Ended June 30, 2009**

	Appropriations			Expenditures			Variance Under (Over)	
	Budget July 1, 2008	Net Changes	Final June 30, 2009	Personal Services	Other Expenditures	Capital Outlay		Total
<b>Education:</b>								
School Operations	\$ 69,216,564	\$ -	\$ 69,216,564	\$ -	\$ 69,216,564	\$ -	\$ 69,216,564	\$ -
Public Library	<u>2,356,728</u>	<u>96,255</u>	<u>2,452,983</u>	<u>1,625,927</u>	<u>745,200</u>	<u>14,596</u>	<u>2,385,723</u>	<u>67,260</u>
Education - Subtotal	71,573,292	96,255	71,669,547	1,625,927	69,961,764	14,596	71,602,287	67,260
Less amount reflected as transfers	-	(4,550)	(4,550)	-	(4,541)	-	(4,541)	(9)
<b>Education - Total</b>	<u>71,573,292</u>	<u>91,705</u>	<u>71,664,997</u>	<u>1,625,927</u>	<u>69,957,223</u>	<u>14,596</u>	<u>71,597,746</u>	<u>67,251</u>
<b>Total expenditures</b>	<u>249,344,073</u>	<u>8,198,122</u>	<u>257,542,195</u>	<u>82,697,957</u>	<u>159,371,388</u>	<u>1,577,569</u>	<u>243,646,914</u>	<u>13,895,281</u>
<b>Operating Transfers Out:</b>								
Capital Projects Funds	9,706,219	6,003,952	15,710,171		11,044,660		11,044,660	4,665,511
Enterprise Funds	8,357,554	62,000	8,419,554		8,418,687		8,418,687	867
Special Revenue Funds	2,410,141	186,901	2,597,042		2,347,247		2,347,247	249,795
Debt Service Funds	<u>27,392,327</u>	<u>(15,000)</u>	<u>27,377,327</u>	<u>-</u>	<u>27,010,958</u>	<u>-</u>	<u>27,010,958</u>	<u>366,369</u>
<b>Transfers - Total</b>	<u>47,866,241</u>	<u>6,237,853</u>	<u>54,104,094</u>	<u>-</u>	<u>48,821,552</u>	<u>-</u>	<u>48,821,552</u>	<u>5,282,542</u>
<b>Total expenditures and transfers</b>	<u>\$ 297,210,314</u>	<u>\$ 14,435,975</u>	<u>\$ 311,646,289</u>	<u>\$ 82,697,957</u>	<u>\$ 208,192,940</u>	<u>\$ 1,577,569</u>	<u>\$ 292,468,466</u>	<u>\$ 19,177,823</u>

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**CITY OF HAMPTON, VIRGINIA  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
June 30, 2009**

	Special Revenue		
	Federal Grants	Community Development	EXCEL
<b>ASSETS</b>			
Cash and cash equivalents	\$ 825,895	\$ 677,811	\$ 119,767
Accounts receivables:			
Due from other governments	1,971,365	368,002	
Other	23,284		240,895
Notes receivable		33,822	
Due from other funds	358,442	-	54,630
Total assets	\$ 3,178,986	\$ 1,079,635	\$ 415,292
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 682,327	\$ 105,759	\$ 109,951
Accrued liabilities	67,018	9,134	12,207
Due to other funds	1,512,874	221,913	5,713
Deferred revenue	188,861	742,829	21,579
Total liabilities	2,451,080	1,079,635	149,450
Fund balances:			
Reserved for grants compliance	727,906		
Unreserved:			
Designated for:			
Specific projects - Permanent fund			
Specific projects			265,842
Undesignated	-	-	-
Total fund balances	727,906	-	265,842
Total liabilities and fund balances	\$ 3,178,986	\$ 1,079,635	\$ 415,292

**Exhibit C-1**

Special Revenue			Permanent Fund		
Stormwater Management	Pembroke Complex	Law Library	Pearl I. Young		Total Non-major Governmental Funds
\$ 4,166,404	\$ 13,706	\$ 120,504	\$ 66,502		\$ 5,990,589
					2,339,367
210,675		47	26		474,927
					33,822
-	67,337	-	-		480,409
<u>\$ 4,377,079</u>	<u>\$ 81,043</u>	<u>\$ 120,551</u>	<u>\$ 66,528</u>		<u>\$ 9,319,114</u>
\$ 21,585	\$ 24,232	\$ 2,600	\$ -	\$	946,454
51,305	2,410	293			142,367
86,663	11,933				1,839,096
<u>210,675</u>	<u>-</u>	<u>-</u>	<u>-</u>		<u>1,163,944</u>
<u>370,228</u>	<u>38,575</u>	<u>2,893</u>	<u>-</u>		<u>4,091,861</u>
					727,906
			66,528		66,528
	42,468	117,658			425,968
<u>4,006,851</u>	<u>-</u>	<u>-</u>	<u>-</u>		<u>4,006,851</u>
<u>4,006,851</u>	<u>42,468</u>	<u>117,658</u>	<u>66,528</u>		<u>5,227,253</u>
<u>\$ 4,377,079</u>	<u>\$ 81,043</u>	<u>\$ 120,551</u>	<u>\$ 66,528</u>	<u>\$</u>	<u>\$ 9,319,114</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, 2009**

	<u>Special Revenue</u>		
	<u>Federal Grants</u>	<u>Community Development</u>	<u>EXCEL</u>
<b>REVENUES</b>			
Other local taxes	\$ -	\$ -	\$ 1,447,873
Intergovernmental revenues:			
From the Commonwealth of Virginia	8,571,157		5,000
From the Federal government	2,856,848	1,602,521	
Revenues from use of money and property	1,310		9,293
Charges for services			
Miscellaneous	248,353	501,358	407,490
Total revenues	<u>11,677,668</u>	<u>2,103,879</u>	<u>1,869,656</u>
<b>EXPENDITURES</b>			
Current:			
General government	383,838	2,103,879	321,781
Public safety	4,771,260		
Sanitation			
Human services	8,606,463		
Culture and recreation	10,000		1,665,030
Education and educational services	12,974	-	-
Total expenditures	<u>13,784,535</u>	<u>2,103,879</u>	<u>1,986,811</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,106,867)</u>	<u>-</u>	<u>(117,155)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	2,266,956		163,891
Transfers out	-	-	-
Net other financing sources (uses)	<u>2,266,956</u>	<u>-</u>	<u>163,891</u>
<b>Net change in fund balances</b>	160,089		46,736
<b>Fund balances, beginning of year</b>	<u>567,817</u>	<u>-</u>	<u>219,106</u>
<b>Fund balances, end of year</b>	<u>\$ 727,906</u>	<u>\$ -</u>	<u>\$ 265,842</u>

**Exhibit C-2**

<u>Special Revenue</u>			<u>Permanent Fund</u>		
<u>Stormwater Management</u>	<u>Pembroke Complex</u>	<u>Law Library</u>	<u>Pearl I. Young</u>	<u>Total Non-major Governmental Funds</u>	
\$ -	\$ -	\$ -	\$ -	\$	1,447,873
					8,576,157
					4,459,369
	371,872	1,880	1,033		385,388
4,865,143	-	46,859	-		4,865,143
42	-	46,859	-		1,204,102
<u>4,865,185</u>	<u>371,872</u>	<u>48,739</u>	<u>1,033</u>		<u>20,938,032</u>
	468,368	45,476			3,323,342
					4,771,260
3,542,860					3,542,860
					8,606,463
					1,675,030
-	-	-	-		12,974
<u>3,542,860</u>	<u>468,368</u>	<u>45,476</u>	<u>-</u>		<u>21,931,929</u>
<u>1,322,325</u>	<u>(96,496)</u>	<u>3,263</u>	<u>1,033</u>		<u>(993,897)</u>
					2,430,847
(485,817)	-	-	-		(485,817)
<u>(485,817)</u>	<u>-</u>	<u>-</u>	<u>-</u>		<u>1,945,030</u>
836,508	(96,496)	3,263	1,033		951,133
<u>3,170,343</u>	<u>138,964</u>	<u>114,395</u>	<u>65,495</u>		<u>4,276,120</u>
<u>\$ 4,006,851</u>	<u>\$ 42,468</u>	<u>\$ 117,658</u>	<u>\$ 66,528</u>	<u>\$</u>	<u>5,227,253</u>

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**CITY OF HAMPTON, VIRGINIA**  
**NON-MAJOR ENTERPRISE FUNDS**  
**COMBINING STATEMENT OF NET ASSETS**  
**June 30, 2009**

	Business-Type Activities - Non-Major Enterprise Funds				Totals
	Coliseum	Woodlands	Solid Waste	Refuse-Steam Plant	
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ 5,241,146	\$ 800	\$ 5,023,158	\$ 792,339	\$ 11,057,443
Accounts receivable	77,399	5,820	2,452,089	119,142	2,654,450
Due from other funds	123,743	345	30,051		154,139
Due from component units			24,017		24,017
Inventories	<u>52,223</u>	<u>22,472</u>	-	-	74,695
Total current assets	<u>5,494,511</u>	<u>29,437</u>	<u>7,529,315</u>	<u>911,481</u>	<u>13,964,744</u>
Noncurrent assets:					
Capital assets:					
Land and improvements	164,079	2,295,538	4,811,174		7,270,791
Buildings and improvements	12,729,463	1,001,826			13,731,289
Improvements other than buildings	3,613,020	661,032	2,971	20,732,821	25,009,844
Equipment	1,096,463	405,634	9,035,077	2,866,574	13,403,748
Construction in progress	119,977				119,977
Less accumulated depreciation	<u>(12,527,106)</u>	<u>(1,379,811)</u>	<u>(10,498,037)</u>	<u>(14,769,682)</u>	<u>(39,174,636)</u>
Net capital assets	<u>5,195,896</u>	<u>2,984,219</u>	<u>3,351,185</u>	<u>8,829,713</u>	<u>20,361,013</u>
Total noncurrent assets	<u>5,195,896</u>	<u>2,984,219</u>	<u>3,351,185</u>	<u>8,829,713</u>	<u>20,361,013</u>
Total assets	<u>\$ 10,690,407</u>	<u>\$ 3,013,656</u>	<u>\$ 10,880,500</u>	<u>\$ 9,741,194</u>	<u>\$ 34,325,757</u>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	\$ 279,741	\$ 36,674	\$ 573,798	\$ 102,513	\$ 992,726
Accrued interest payable				65,960	65,960
Accrued leave	53,681	9,621	81,496	52,674	197,472
Due to other funds	54,491	1,431,905	281,856	61,630	1,829,882
Deferred revenue	8,544	15,240			23,784
Other liabilities	<u>180,116</u>	<u>17,054</u>	<u>60,286</u>	<u>52,282</u>	<u>309,738</u>
Total current liabilities	<u>576,573</u>	<u>1,510,494</u>	<u>997,436</u>	<u>335,059</u>	<u>3,419,562</u>
Noncurrent liabilities:					
Accrued leave	51,260	16,706	173,886	74,037	315,889
Advances from other funds	-	-	-	5,531,396	5,531,396
Total noncurrent liabilities	<u>51,260</u>	<u>16,706</u>	<u>173,886</u>	<u>5,605,433</u>	<u>5,847,285</u>
Total liabilities	<u>627,833</u>	<u>1,527,200</u>	<u>1,171,322</u>	<u>5,940,492</u>	<u>9,266,847</u>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	5,195,896	2,984,219	3,351,185	8,829,713	20,361,013
Unrestricted	<u>4,866,678</u>	<u>(1,497,763)</u>	<u>6,357,993</u>	<u>(5,029,011)</u>	<u>4,697,897</u>
Total net assets	<u>10,062,574</u>	<u>1,486,456</u>	<u>9,709,178</u>	<u>3,800,702</u>	<u>25,058,910</u>
Total liabilities and net assets	<u>\$ 10,690,407</u>	<u>\$ 3,013,656</u>	<u>\$ 10,880,500</u>	<u>\$ 9,741,194</u>	<u>\$ 34,325,757</u>

**CITY OF HAMPTON, VIRGINIA**  
**NON-MAJOR ENTERPRISE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**Fiscal Year Ended June 30, 2009**

	Business-Type Activities - Non-Major Enterprise Funds				Totals
	Coliseum	Woodlands	Solid Waste	Refuse-Steam Plant	
<b>Operating revenues:</b>					
Charges for services	\$ 10,521,593	\$ 668,455	\$ 10,264,928	\$ 6,321,916	\$ 27,776,892
Total operating revenues	<u>10,521,593</u>	<u>668,455</u>	<u>10,264,928</u>	<u>6,321,916</u>	<u>27,776,892</u>
<b>Operating expenses:</b>					
Personal services	1,273,423	420,056	2,186,867	1,556,089	5,436,435
Fringe benefits	422,409	124,278	881,984	543,926	1,972,597
Promoters' fees	5,149,194				5,149,194
City-sponsored events	821,812				821,812
Cost of goods sold	279,614	44,760			324,374
Utilities	315,749	106,420	1,076	432,138	855,383
Insurance	185,756	18,701	156,648	243,170	604,275
Operating supplies	107,704	92,797	7,559	567,452	775,512
Equipment rental	22,111	38,182		5,651	65,944
Equipment and building repairs	160,716	41,274	1,122,230	987,733	2,311,953
Telephone and postage	20,065	4,323	1,802	17,040	43,230
General expense	462,840	2,151	490,068	25,555	980,614
Landfill costs			3,077,700	669,842	3,747,542
Contractual services	449,837	55,100	464,242	127,747	1,096,926
Indirect cost	-		356,470	218,000	574,470
Depreciation and amortization	513,998	79,534	455,034	818,608	1,867,174
Total operating expenses	<u>10,185,228</u>	<u>1,027,576</u>	<u>9,201,680</u>	<u>6,212,951</u>	<u>26,627,435</u>
Operating income (loss)	<u>336,365</u>	<u>(359,121)</u>	<u>1,063,248</u>	<u>108,965</u>	<u>1,149,457</u>
<b>Nonoperating revenues (expenses):</b>					
Interest income				7,142	7,142
Interest and fiscal charges				(272,512)	(272,512)
Other	-	(688)	-	2,135	1,447
Gain (loss) on sale of capital assets	-	-	59,558	-	59,558
Total nonoperating revenues (expenses)	<u>-</u>	<u>(688)</u>	<u>59,558</u>	<u>(263,235)</u>	<u>(204,365)</u>
Income (loss) before transfers and capital contributions	336,365	(359,809)	1,122,806	(154,270)	945,092
Capital contributions		133,320			133,320
Transfers in (out)	-	-	(55,000)	-	(55,000)
<b>Change in net assets</b>	336,365	(226,489)	1,067,806	(154,270)	1,023,412
<b>Net assets, beginning of year</b>	<u>9,726,209</u>	<u>1,712,945</u>	<u>8,641,372</u>	<u>3,954,972</u>	<u>24,035,498</u>
<b>Net assets, end of year</b>	<u>\$ 10,062,574</u>	<u>\$ 1,486,456</u>	<u>\$ 9,709,178</u>	<u>\$ 3,800,702</u>	<u>\$ 25,058,910</u>



**CITY OF HAMPTON, VIRGINIA  
NON-MAJOR ENTERPRISE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
Fiscal Year Ended June 30, 2009**

	Coliseum	Woodlands	Solid Waste	Refuse-Steam Plant	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash received from customers	\$ 10,393,541	\$ 667,875	\$ 9,803,548	\$ 6,304,363	\$ 27,169,327
Cash payments to suppliers for goods and services	(8,804,921)	(519,837)	(6,390,219)	(3,929,991)	(19,644,968)
Cash payments to employees for services	(1,273,759)	(294,573)	(2,162,971)	(1,591,448)	(5,322,751)
Net cash provided by (used in) operating activities	<u>314,861</u>	<u>(146,535)</u>	<u>1,250,358</u>	<u>782,924</u>	<u>2,201,608</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Operating transfers out to other funds	-	-	(55,000)	-	(55,000)
Net cash provided by (used in) noncapital financing activities	<u>-</u>	<u>-</u>	<u>(55,000)</u>	<u>-</u>	<u>(55,000)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Acquisition and construction of capital assets	(202,009)	(12,082)	(1,092,542)	(59,288)	(1,365,921)
Principal paid on revenue bond maturities and long-term debt				(276,239)	(276,239)
Interest paid on revenue bonds and long-term debt	-	-	-	(275,403)	(275,403)
Net cash provided by (used in) capital and related financing activities	<u>(202,009)</u>	<u>(12,082)</u>	<u>(1,092,542)</u>	<u>(610,930)</u>	<u>(1,917,563)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest and dividends on investments	-	-	-	8,289	8,289
Net cash provided by (used in) investing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,289</u>	<u>8,289</u>
Net increase (decrease) in cash and cash equivalents (including restricted amounts)	112,852	(158,617)	102,816	180,283	237,334
Cash and cash equivalents, July 1	<u>5,128,294</u>	<u>159,417</u>	<u>4,920,342</u>	<u>612,056</u>	<u>10,820,109</u>
Cash and cash equivalents, June 30	<u>\$ 5,241,146</u>	<u>\$ 800</u>	<u>\$ 5,023,158</u>	<u>\$ 792,339</u>	<u>\$ 11,057,443</u>
Operating income (loss)	<u>\$ 336,365</u>	<u>\$ (359,121)</u>	<u>\$ 1,063,248</u>	<u>\$ 108,965</u>	<u>\$ 1,149,457</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization expense	513,998	79,534	455,034	818,608	1,867,174
Decrease (increase) in:					
Accounts receivable	(21,506)	315	(686,062)	(18,541)	(725,794)
Due from other funds	(116,383)	(345)	(7,246)		(123,974)
Due from component units			(12,523)		(12,523)
Due from other governments			244,451		244,451
Inventories	10,031	3,283			13,314
Increase (decrease) in:					
Accounts payable	(414,550)	7,421	(16,033)	(91,737)	(514,899)
Accrued leave	15,123	(221)	(14,961)	(16,505)	(16,564)
Due to other funds	(365)	125,485	185,594	(67,700)	243,014
Other liabilities	125,434	1,583	7,459	12,930	147,406
Nonoperating revenues reported as operating				2,135	2,135
Deferred revenue	(106,546)	(550)	-	-	(107,096)
Accounts receivable reported as nonoperating activities				(1,147)	(1,147)
Long-term accrued leave reported as operating activity	(26,740)	(3,919)	31,397	35,916	36,654
Total adjustments	<u>(21,504)</u>	<u>212,586</u>	<u>187,110</u>	<u>673,959</u>	<u>1,052,151</u>
Net cash provided by (used in) operating activities	<u>\$ 314,861</u>	<u>\$ (146,535)</u>	<u>\$ 1,250,358</u>	<u>\$ 782,924</u>	<u>\$ 2,201,608</u>
Acquisition of fixed assets through capital contributions					
	-	133,320	-	-	133,320
Total non-cash transactions	<u>\$ -</u>	<u>\$ 133,320</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 133,320</u>

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**CITY OF HAMPTON, VIRGINIA**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF NET ASSETS**  
**June 30, 2009**

<b>ASSETS</b>	Equipment Replacement	Fleet Management	Risk Management	Information Technology	Totals
<b>Current assets:</b>					
Cash and cash equivalents	\$ 11,379,782	\$ 168,776	\$ 15,816,009	\$ 507,673	\$ 27,872,240
Cash with fiscal agent			180,000		180,000
Accounts receivable	4,613	2,206	6,222	16,734	29,775
Due from other funds	223,273	575,909	3,086	125,572	927,840
Due from component units		120,987			120,987
Prepaid expense			69,609	39,333	108,942
Inventories	-	238,317	-	-	238,317
Total current assets	<u>11,607,668</u>	<u>1,106,195</u>	<u>16,074,926</u>	<u>689,312</u>	<u>29,478,101</u>
<b>Noncurrent assets:</b>					
<b>Capital assets</b>					
Improvements other than buildings		4,475			4,475
Equipment	29,339,417	799,131	31,524	1,474,369	31,644,441
Construction in progress		78,002			78,002
Less accumulated depreciation	<u>(19,933,127)</u>	<u>(566,163)</u>	<u>(15,089)</u>	<u>(274,762)</u>	<u>(20,789,141)</u>
Total noncurrent assets (net capital assets)	<u>9,406,290</u>	<u>315,445</u>	<u>16,435</u>	<u>1,199,607</u>	<u>10,937,777</u>
Total assets	<u>\$ 21,013,958</u>	<u>\$ 1,421,640</u>	<u>\$ 16,091,361</u>	<u>\$ 1,888,919</u>	<u>\$ 40,415,878</u>
<b>LIABILITIES</b>					
<b>Current liabilities:</b>					
Accounts payable	\$ 469,622	\$ 282,303	\$ 326,659	\$ 56,609	\$ 1,135,193
Accrued leave		46,827	9,394	15,752	71,973
Due to other funds	111,386	98,557	4,630	5,560	220,133
Deferred revenue				45,888	45,888
Current portion of long-term debt	73,581		3,015,113	249,843	3,338,537
Other liabilities	-	28,876	6,735	10,220	45,831
Total current liabilities	<u>654,589</u>	<u>456,563</u>	<u>3,362,531</u>	<u>383,872</u>	<u>4,857,555</u>
<b>Noncurrent liabilities:</b>					
Claims payable			476,211		476,211
Accrued leave		52,796	8,461	21,374	82,631
Obligations under capital leases	414,793	-	-	262,670	677,463
Total noncurrent liabilities	<u>414,793</u>	<u>52,796</u>	<u>484,672</u>	<u>284,044</u>	<u>1,236,305</u>
Total liabilities	<u>1,069,382</u>	<u>509,359</u>	<u>3,847,203</u>	<u>667,916</u>	<u>6,093,860</u>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	8,917,916	315,445	16,435	687,094	9,936,890
Unrestricted	<u>11,026,660</u>	<u>596,836</u>	<u>12,227,723</u>	<u>533,909</u>	<u>24,385,128</u>
Total net assets	<u>19,944,576</u>	<u>912,281</u>	<u>12,244,158</u>	<u>1,221,003</u>	<u>34,322,018</u>
Total liabilities and net assets	<u>\$ 21,013,958</u>	<u>\$ 1,421,640</u>	<u>\$ 16,091,361</u>	<u>\$ 1,888,919</u>	<u>\$ 40,415,878</u>

**CITY OF HAMPTON, VIRGINIA**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**Fiscal Year Ended June 30, 2009**

	Equipment Replacement	Fleet Management	Risk Management	Information Technology	Totals
<b>Operating revenues:</b>					
Charges for services	\$ 2,802,929	\$ 5,740,209	\$ 6,771,563	\$ 1,893,836	\$ 17,208,537
<b>Operating expenses:</b>					
Personal services		908,949	237,135	316,009	1,462,093
Fringe benefits		342,195	75,790	101,210	519,195
Cost of goods sold		4,321,070			4,321,070
Utilities		53,570			53,570
Insurance		43,036	1,711,683	3,602	1,758,321
Operating supplies		71,598	3,142	106,012	180,752
Equipment rental		14,080	24,293	78,944	117,317
Equipment and building repairs		48,318	1,848	139,540	189,706
Telephone and postage		5,229	5,450	853,552	864,231
General expense		33,614	6,508	27,363	67,485
Claims			837,292		837,292
Contractual services		8,171	929	5,291	14,391
Depreciation and amortization	2,238,249	39,350	3,691	98,066	2,379,356
Total operating expenses	2,238,249	5,889,180	2,907,761	1,729,589	12,764,779
Operating income (loss)	564,680	(148,971)	3,863,802	164,247	4,443,758
<b>Nonoperating revenues (expenses):</b>					
Interest income	157,530		264,677	5,332	427,539
Interest and fiscal charges	(21,184)			(38,514)	(59,698)
Other	-	5,779	-	-	5,779
Gain (loss) on sale of capital assets	31,351	(304)	-	-	31,047
Total nonoperating revenues (expenses)	167,697	5,475	264,677	(33,182)	404,667
Income (loss) before transfers and capital contributions	732,377	(143,496)	4,128,479	131,065	4,848,425
Capital contributions	6,411	78,002	-	1,494	85,907
Transfers in (out)	(111,386)	111,386	-	-	-
<b>Change in net assets</b>	627,402	45,892	4,128,479	132,559	4,934,332
<b>Net assets, beginning of year</b>	19,317,174	866,389	8,115,679	1,088,444	29,387,686
<b>Net assets, end of year</b>	\$ 19,944,576	\$ 912,281	\$ 12,244,158	\$ 1,221,003	\$ 34,322,018

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**CITY OF HAMPTON, VIRGINIA**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF CASH FLOWS**  
**Fiscal Year Ended June 30, 2009**

	Equipment Replacement	Fleet Management	Risk Management	Information Technology	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash received from customers	\$ 2,818,261	\$ 5,607,998	\$ 6,783,732	\$ 1,904,720	\$ 17,114,711
Cash payments to suppliers for goods and services		(4,603,863)	(4,264,356)	(1,367,965)	(10,236,184)
Cash payments to employees for services	-	(1,234,939)	(233,215)	(307,021)	(1,775,175)
Net cash provided by (used in) operating activities	<u>2,818,261</u>	<u>(230,804)</u>	<u>2,286,161</u>	<u>229,734</u>	<u>5,103,352</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Operating transfers in from other funds	-	111,386	-	-	111,386
Net cash provided by (used in) noncapital financing activities	<u>-</u>	<u>111,386</u>	<u>-</u>	<u>-</u>	<u>111,386</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Acquisition and construction of capital assets	(856,002)	(5,216)	(17,348)	-	(878,566)
Principal paid on revenue bond maturities and long-term debt	(70,727)			(237,643)	(308,370)
Interest paid on revenue bonds and long-term debt	(21,184)			(38,514)	(59,698)
Proceeds from sale of capital assets	49,716	-	-	-	49,716
Net cash provided by (used in) capital and related financing activities	<u>(898,197)</u>	<u>(5,216)</u>	<u>(17,348)</u>	<u>(276,157)</u>	<u>(1,196,918)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest and dividends on investments	166,118	-	264,677	5,332	436,127
Net cash provided by (used in) investing activities	<u>166,118</u>	<u>-</u>	<u>264,677</u>	<u>5,332</u>	<u>436,127</u>
Net increase (decrease) in cash and cash equivalents (including restricted amounts)	2,086,182	(124,634)	2,533,490	(41,091)	4,453,947
Cash and cash equivalents, July 1	<u>9,293,600</u>	<u>293,410</u>	<u>13,462,519</u>	<u>548,764</u>	<u>23,598,293</u>
Cash and cash equivalents, June 30	<u>\$ 11,379,782</u>	<u>\$ 168,776</u>	<u>\$ 15,996,009</u>	<u>\$ 507,673</u>	<u>\$ 28,052,240</u>

continued

	Equipment Replacement	Fleet Management	Risk Management	Information Technology	Totals
Operating income (loss)	\$ 564,680	\$ (148,971)	\$ 3,863,802	\$ 164,247	\$ 4,443,758
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization expense	2,238,249	39,350	3,691	98,066	2,379,356
Decrease (increase) in:					
Accounts receivable	8,773	5,184	12,169	(2,285)	23,841
Due from other funds	15,147	(144,008)	1,468	16,103	(111,290)
Due from component units		6,614	-		6,614
Inventories		(7,713)			(7,713)
Prepaid expenses			22,057	(8,993)	13,064
Increase (decrease) in:					
Accounts payable	469,622	(69,135)	69,567	(42,792)	427,262
Accrued leave		(16,886)	(254)	(6,069)	(23,209)
Due to other funds	111,386	71,668	312	(666)	182,700
Other liabilities		6,993	914	2,532	10,439
Deferred revenue				(2,936)	(2,936)
Current portion of long-term accrued claims reported as operating activity			(1,485,241)		(1,485,241)
Accounts receivable reported as nonoperating activities	(8,588)				(8,588)
Due to other funds reported as nonoperating activities	(111,386)				(111,386)
Accounts payable reported as nonoperating activities	(469,622)				(469,622)
Long-term accrued leave reported as operating activities		26,100	2,948	12,527	41,575
Long-term accrued insurance claims reported as operating activity	-	-	(205,272)	-	(205,272)
Total adjustments	<u>2,253,581</u>	<u>(81,833)</u>	<u>(1,577,641)</u>	<u>65,487</u>	<u>659,594</u>
Net cash provided by (used in) operating activities	<u>\$ 2,818,261</u>	<u>\$ (230,804)</u>	<u>\$ 2,286,161</u>	<u>\$ 229,734</u>	<u>\$ 5,103,352</u>
Non-cash transactions affecting investing capital and related financing activities:					
Acquisition of capital assets through other funds' capital contributions	\$ 6,411	\$ 78,002	\$ -	\$ 1,494	\$ 85,907
Total non-cash transactions	<u>\$ 6,411</u>	<u>\$ 78,002</u>	<u>\$ -</u>	<u>\$ 1,494</u>	<u>\$ 85,907</u>

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**CITY OF HAMPTON, VIRGINIA  
FIDUCIARY FUNDS  
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
Fiscal Year Ended June 30, 2009**

	Balance, July 1, 2008	Additions	Deductions	Balance, June 30, 2009
<b><u>Special Welfare Fund</u></b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 185,226	\$ 229,852	\$ 196,924	\$ 218,154
Accounts receivable	-	39	-	39
	<u>\$ 185,226</u>	<u>\$ 229,891</u>	<u>\$ 196,924</u>	<u>\$ 218,193</u>
<b>LIABILITIES</b>				
Deposits	\$ 177,986	174,674	\$ 142,431	\$ 210,229
Accounts payable	7,240	16,459	15,735	7,964
	<u>\$ 185,226</u>	<u>\$ 191,133</u>	<u>\$ 158,166</u>	<u>\$ 218,193</u>
<b><u>Agency Fund</u></b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,206,408	\$ 748,877	\$ 1,025,134	\$ 930,151
Accounts receivable	-	49,344	49,344	-
	<u>\$ 1,206,408</u>	<u>\$ 798,221</u>	<u>\$ 1,074,478</u>	<u>\$ 930,151</u>
<b>LIABILITIES</b>				
Deposits	\$ 1,171,300	\$ 247,890	\$ 541,036	\$ 878,154
Accounts payable	35,108	1,391,588	1,374,699	51,997
	<u>\$ 1,206,408</u>	<u>\$ 1,639,478</u>	<u>\$ 1,915,735</u>	<u>\$ 930,151</u>
<b><u>Total - All Agency Funds</u></b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,391,634	\$ 978,729	\$ 1,222,058	\$ 1,148,305
Accounts receivable	-	49,383	49,344	39
	<u>\$ 1,391,634</u>	<u>\$ 1,028,112</u>	<u>\$ 1,271,402</u>	<u>\$ 1,148,344</u>
<b>LIABILITIES</b>				
Deposits	\$ 1,349,286	\$ 422,564	\$ 683,467	\$ 1,088,383
Accounts payable and accrued liabilities	42,348	1,408,047	1,390,434	59,961
	<u>\$ 1,391,634</u>	<u>\$ 1,830,611</u>	<u>\$ 2,073,901</u>	<u>\$ 1,148,344</u>

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**CITY OF HAMPTON, VIRGINIA**  
**DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD**  
**COMBINING BALANCE SHEET**  
**June 30, 2009**

	<u>Operating</u>	<u>Student Activities</u>	<u>Food Services</u>	<u>Special Revenue</u>	<u>Reimbursable Projects</u>	<u>Total</u>
<b>ASSETS</b>						
Cash and cash equivalents	\$ 10,869	\$ 53,340	\$ 3,169,367	\$ 204,097	\$ 3,539,556	\$ 6,977,229
Cash with fiscal agent	917,171					917,171
Investments				8,591		8,591
Accounts receivables	205,147		75,441		29,308	309,896
Due from primary government	3,266,564					3,266,564
Due from other funds	10,386,561	23,355			43,474	10,453,390
Due from other governments	2,894,211		269,586		6,342,671	9,506,468
Inventories	-	-	103,153	-	-	103,153
Total assets	<u>\$ 17,680,523</u>	<u>\$ 76,695</u>	<u>\$ 3,617,547</u>	<u>\$ 212,688</u>	<u>\$ 9,955,009</u>	<u>\$ 31,542,462</u>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities</b>						
Accounts payable and other liabilities	\$ 10,427,535	\$ 2,745	\$ 99,087	\$ -	\$ 168,648	\$ 10,698,015
Due to other funds	43,474	12,672	1,213,314	500	9,183,430	10,453,390
Due to primary government	145,251	2,004				147,255
Deferred revenue	250	-	-	-	48,721	48,971
Total liabilities	<u>10,616,510</u>	<u>17,421</u>	<u>1,312,401</u>	<u>500</u>	<u>9,400,799</u>	<u>21,347,631</u>
<b>Fund balance</b>						
Reserved for encumbrances	5,704,341					5,704,341
Unreserved						-
Designated for schools	1,359,672	59,274	2,305,146	212,188	554,210	4,490,490
Total fund balance	<u>7,064,013</u>	<u>59,274</u>	<u>2,305,146</u>	<u>212,188</u>	<u>554,210</u>	<u>10,194,831</u>
Total liabilities and fund balances	<u>\$ 17,680,523</u>	<u>\$ 76,695</u>	<u>\$ 3,617,547</u>	<u>\$ 212,688</u>	<u>\$ 9,955,009</u>	<u>\$ 31,542,462</u>

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

Total fund balance	\$ 10,194,831
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)	89,176,149
Accumulated depreciation on capital assets. (Note 6)	(71,702,543)
Net other post employment benefit liability (Note 8)	(3,002,925)
Other assets not available to pay current-period expenditures and, therefore, are deferred in the funds.	250
Long-term liability for compensated absences. (Note 8)	<u>(6,162,948)</u>
Net assets of governmental activities	<u>\$ 18,502,814</u>

**CITY OF HAMPTON, VIRGINIA**  
**DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**Fiscal Year Ended June 30, 2009**

	<u>Operating</u>	<u>Student Activities</u>	<u>Food Services</u>	<u>Special Revenue</u>	<u>Reimbursable Projects</u>	<u>Total</u>
<b>REVENUES</b>						
State funds	\$ 143,302,739	\$ -	\$ 274,149	\$ -	\$ 1,292,786	\$ 144,869,674
Federal funds (includes pass through)	1,459,481		5,677,094		14,468,583	21,605,158
Other receipts	1,063,136	145,241	3,296,497	8,691	811,530	5,325,095
Payments from City	69,216,564					69,216,564
Net decrease in fair value of investments	-	-	-	(3,144)	-	(3,144)
Total revenues	<u>215,041,920</u>	<u>145,241</u>	<u>9,247,740</u>	<u>5,547</u>	<u>16,572,899</u>	<u>241,013,347</u>
<b>EXPENDITURES</b>						
Education	<u>212,151,637</u>	<u>418,591</u>	<u>9,584,763</u>	<u>-</u>	<u>16,660,962</u>	<u>238,815,953</u>
Excess of revenues over (under) expenditures	<u>2,890,283</u>	<u>(273,350)</u>	<u>(337,023)</u>	<u>5,547</u>	<u>(88,063)</u>	<u>2,197,394</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfer from:						
Food Services Fund	260,000					260,000
School Operating Fund		316,000				316,000
Reimbursable Projects Fund		9,988				9,988
Transfer to:						
School Operating Fund			(260,000)			(260,000)
Student Activities Fund	(316,000)	-	-	-	(9,988)	(325,988)
Total other sources (uses)	<u>(56,000)</u>	<u>325,988</u>	<u>(260,000)</u>	<u>-</u>	<u>(9,988)</u>	<u>-</u>
Excess of revenues and other sources over (under) expenditures and other uses	2,834,283	52,638	(597,023)	5,547	(98,051)	2,197,394
<b>Fund balance - July 1</b>	<u>4,229,730</u>	<u>6,636</u>	<u>2,902,169</u>	<u>206,641</u>	<u>652,261</u>	<u>7,997,437</u>
<b>Fund balance - June 30</b>	<u>\$ 7,064,013</u>	<u>\$ 59,274</u>	<u>\$ 2,305,146</u>	<u>\$ 212,188</u>	<u>\$ 554,210</u>	<u>\$ 10,194,831</u>

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

Net change in fund balances - total school funds	\$ 2,197,394
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. (Note 6)	
Capital outlay	1,671,404
Depreciation expense	(3,786,119)
In the statement of activities, the gain on disposal of capital assets is reported. However, in the governmental funds, only the proceeds from sale increase financial resources. The change in net assets differs from the change in fund balance by the net book value of the capital assets abandoned. (Note 6)	(33,167)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	250
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)	(1,500,766)
Decrease 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)	842,677
Change in net assets of governmental activities	<u>\$ (608,327)</u>

**CITY OF HAMPTON, VIRGINIA**  
**DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**Fiscal Year Ended June 30, 2009**

	<b>School Board - School Operating Fund</b>			<b>Variance with Final Budget Over (Under)</b>
	<b>Budgeted Amounts</b>		<b>Actual</b>	
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Intergovernmental:				
State funds	\$144,193,899	\$144,193,899	\$143,302,739	\$ (891,160)
Federal funds (includes pass through)	1,397,909	1,397,909	1,459,481	61,572
Miscellaneous	811,870	811,870	1,063,136	251,266
Payments from City	69,216,564	69,216,564	69,216,564	-
Total revenues	<u>215,620,242</u>	<u>215,620,242</u>	<u>215,041,920</u>	<u>(578,322)</u>
<b>EXPENDITURES</b>				
Current:				
Education	215,564,242	212,950,188	212,151,637	(798,551)
Total expenditures	<u>215,564,242</u>	<u>212,950,188</u>	<u>212,151,637</u>	<u>(798,551)</u>
Excess of revenues over (under) expenditures	<u>56,000</u>	<u>2,670,054</u>	<u>2,890,283</u>	<u>220,229</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	260,000	260,000	260,000	-
Transfers out	<u>(316,000)</u>	<u>(316,000)</u>	<u>(316,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(56,000)</u>	<u>(56,000)</u>	<u>(56,000)</u>	<u>-</u>
Excess of revenues and other sources over (under) expenditures and other uses	-	2,614,054	2,834,283	<u>220,229</u>
<b>Appropriations from fund balance</b>		3,090,287		
<b>Appropriations - encumbrances</b>		<u>(5,704,341)</u>		
<b>Fund balance - July 1</b>	-	-	4,229,730	
<b>Fund balance - June 30</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,064,013</u>	

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**CITY OF HAMPTON, VIRGINIA**  
**SCHEDULE OF THE TREASURER'S ACCOUNTABILITY**  
**June 30, 2009**

Assets held by the Treasurer:	
Cash on hand	\$ 8,050
Cash in banks:	
Old Point National Bank	11,563,281
Bank of America	229,569
Investments:	
State Local Government Investment Pool	135,000,000
Investment in mutual and money market funds	8,390,525
U.S. Government securities	11,609,475
Certificates of deposit	4,097,000
Repurchase agreement	<u>14,600,000</u>
Total assets	<u>\$ 185,497,900</u>
Liabilities of the Treasurer:	
Balance of City funds	<u>\$ 185,497,900</u>
Cash and cash equivalents	
Primary Government per Exhibit A-1	\$ 176,084,804
School Board per Exhibit A-11	6,977,229
Industrial Development Authority per Exhibit A-11	4,972,137
General Fund Investments per Exhibit A-3	11,659,882
Restricted cash and investments - Enterprise funds per Exhibit A-6	
Cash and cash equivalents	14,822,381
Investments	16,980,680
Cash and cash equivalents - Fiduciary Funds per Exhibit A-9	
	1,603,020
Investments - Component Unit - IDA per Exhibit A-11	
	2,003
Adjust investments in CAFR from fair value to cost	
	(50,407)
Less: Adjustments to School Board General Ledger	
Less:	
Petty cash	\$ (25,946)
Cash and investments held by trustees	<u>(47,527,883)</u>
	<u>(47,553,829)</u>
Balance of city funds	<u>\$ 185,497,900</u>

**CITY OF HAMPTON, VIRGINIA**  
**SCHEDULE OF CASH FLOWS**  
**DISCRETELY PRESENTED COMPONENT UNIT**  
**INDUSTRIAL DEVELOPMENT AUTHORITY**  
**Fiscal Year Ended June 30, 2009**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Cash received from customers	\$ 3,069,562
Cash payments to suppliers for goods and services	(2,807,926)
Cash payments to employees for services	(4,050)
Other receipts (payments)	<u>73,198</u>
Net cash provided by (used in) operating activities	<u>330,784</u>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

Payment from primary government	<u>2,749,518</u>
Net cash provided by (used in) noncapital financing activities	<u>2,749,518</u>

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

Acquisition and construction of capital assets	(2,315,109)
Principal paid on revenue bond maturities and long-term debt	(444,704)
Interest paid on revenue bonds and long-term debt	<u>(545,356)</u>
Net cash provided by (used in) capital and related financing activities	<u>(3,305,169)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest and dividends on investments	32,731
Proceeds from collection of loans	112,644
Proceeds from collection of lease receivable	444,704
Interest received on loans	76,075
Interest received on lease receivable	545,356
Disbursements for loans	<u>(425,753)</u>
Net cash provided by (used in) investing activities	<u>785,757</u>
Net increase (decrease) in cash and cash equivalents (including restricted amounts)	560,890
Cash and cash equivalents (including restricted), July 1	<u>4,411,247</u>
Cash and cash equivalents (including restricted), June 30	<u>\$ 4,972,137</u>

continued



**Schedule 2**

Operating income (loss)	\$ <u>(1,642,942)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Depreciation and amortization expense	109,954
Cost of land sold	460,175
Decrease (increase) in:	
Accounts receivable	68,564
Notes receivable	134,434
Due from primary government	649,465
Increase (decrease) in:	
Accounts payable	355,649
Due to primary government	(62,982)
Other liabilities	(39,000)
Deferred revenue	(19,856)
Nonoperating revenues reported as operating revenues	37,678
Notes receivable reported as nonoperating activities	310,781
Accounts payable reported as nonoperating activities	560,774
Due from/to other funds reported as nonoperating activities	<u>(591,910)</u>
Total adjustments	<u>1,973,726</u>
Net cash provided by (used in) operating activities	\$ <u><u>330,784</u></u>
Non-cash transactions affecting investing capital and related financing activities:	
Net increase (decrease) in fair value of investments	\$ <u>5,231</u>
Total non-cash transactions	\$ <u>5,231</u>

**CITY OF HAMPTON, VIRGINIA**  
**DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD**  
**SCHOOL OPERATING FUND**  
**SCHEDULE OF APPROPRIATIONS AND EXPENDITURES**  
**Fiscal Year Ended June 30, 2009**

	<u>Appropriations</u>			<u>Expenditures</u>	<u>Variance Over (Under)</u>
	<u>Budget July 1, 2008</u>	<u>Net Changes</u>	<u>Final June 30, 2009</u>		
<b>EXPENDITURES</b>					
Administration/attendance and health	\$ 11,259,679	\$ (346,462)	\$ 10,913,217	\$ 10,424,055	\$ (489,162)
Instructional	159,598,214	(2,801,222)	156,796,992	156,512,377	(284,615)
Public transportation service	11,121,256	2,652,297	13,773,553	13,754,149	(19,404)
Operation and maintenance of school plant	20,837,201	(307,956)	20,529,245	20,524,628	(4,617)
Technology	<u>12,747,892</u>	<u>(1,810,711)</u>	<u>10,937,181</u>	<u>10,936,428</u>	<u>(753)</u>
Total expenditures	<u>215,564,242</u>	<u>(2,614,054)</u>	<u>212,950,188</u>	<u>212,151,637</u>	<u>(798,551)</u>
<b>OPERATING TRANSFERS OUT</b>					
To Student Activities Fund	<u>316,000</u>	<u>-</u>	<u>316,000</u>	<u>316,000</u>	<u>-</u>
Total transfers	<u>316,000</u>	<u>-</u>	<u>316,000</u>	<u>316,000</u>	<u>-</u>
Total expenditures and transfers	<u>\$ 215,880,242</u>	<u>\$ (2,614,054)</u>	<u>\$ 213,266,188</u>	<u>\$ 212,467,637</u>	<u>\$ (798,551)</u>

**CITY OF HAMPTON, VIRGINIA**  
**DISCRETELY PRESENTED COMPONENT UNIT SCHOOL BOARD**  
**SCHOOL OPERATING FUND**  
**SCHEDULE OF REVENUES AND OTHER CREDITS - BUDGET AND ACTUAL**  
**Fiscal Year Ended June 30, 2009**

	<u>Budget Revenues</u>	<u>Actual Revenues</u>	<u>Variance Over (Under)</u>
<b>State funds:</b>			
Basic appropriation	\$ 76,479,045	\$ 77,382,038	\$ 902,993
At risk payment	1,867,814	1,859,519	(8,295)
Remedial education	2,129,329	2,119,836	(9,493)
Reduced K-3 incentive	2,735,636	2,795,957	60,321
Teacher retirement	5,619,506	5,594,455	(25,051)
Social security benefits	4,338,707	4,319,365	(19,342)
Group life insurance	192,120	191,263	(857)
Special education	12,427,270	12,497,051	69,781
Textbook payments	1,897,504	1,889,045	(8,459)
Remedial summer school	1,143,605	1,263,400	119,795
At risk 4 year old	2,659,416	3,022,882	363,466
Gifted	720,450	717,238	(3,212)
Foster home	240,307	205,095	(35,212)
Vocational education	1,920,415	1,701,598	(218,817)
VPSA education tech. grant	960,000	960,000	-
Virginia blind	12,363	11,160	(1,203)
Reading intervention	398,589	358,730	(39,859)
ESL	406,372	284,639	(121,733)
Enrollment loss	945,874	1,197,913	252,039
SOL Algebra Readiness	285,037	268,525	(16,512)
Lottery	3,814,540	3,165,888	(648,652)
Sales tax	<u>23,000,000</u>	<u>21,497,142</u>	<u>(1,502,858)</u>
Total state funds	<u>144,193,899</u>	<u>143,302,739</u>	<u>(891,160)</u>
<b>Federal funds:</b>			
Public law 874	1,036,893	1,031,594	(5,299)
Impact aid special education	102,393	120,516	18,123
U.S. Army - ROTC	86,083	98,784	12,701
U.S. Air Force - ROTC	52,532	71,017	18,485
U.S. Navy - ROTC	64,374	76,452	12,078
U.S. Marine Corps - ROTC	<u>55,634</u>	<u>61,118</u>	<u>5,484</u>
Total federal funds	<u>1,397,909</u>	<u>1,459,481</u>	<u>61,572</u>
<b>Other funds:</b>			
Fees from students	35,102	43,035	7,933
Tuition from regular day students	-	2,500	2,500
Miscellaneous Revenue	303,774	409,950	106,176
Medicaid Reimbursement	30,000	283,214	253,214
Interest	33,615	8,789	(24,826)
Other	<u>409,379</u>	<u>315,648</u>	<u>(93,731)</u>
Total other funds	<u>811,870</u>	<u>1,063,136</u>	<u>251,266</u>
Total revenues	146,403,678	145,825,356	(578,322)
<b>Other credits:</b>			
Transfer from General Fund	69,216,564	69,216,564	-
Transfer from Cafeteria Fund	<u>260,000</u>	<u>260,000</u>	<u>-</u>
Total other credits	<u>69,476,564</u>	<u>69,476,564</u>	<u>-</u>
Total revenues and other credits	<u>\$ 215,880,242</u>	<u>\$ 215,301,920</u>	<u>\$ (578,322)</u>

**CITY OF HAMPTON**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended June 30, 2009**

<b>Federal Granting Agency/ Recipient State Agency/ Grant Program/Grant Number</b>	<b>Federal Catalogue Number</b>	<b>Expenditures</b>
DEPARTMENT OF AGRICULTURE:		
FOOD STAMP CLUSTER:		
Pass-through payments:		
Department of Social Services:		
State Administrative Matching Grants for Food Stamp Program	10.561	\$ 1,597,880
Total Food Stamp Cluster		<u>1,597,880</u>
NUTRITION CLUSTER:		
Direct payments:		
Summer Food Service Program for Children	10.559	129,431
Pass-through payments:		
Department of Education:		
National School Breakfast Program	10.553	1,328,367
National School Lunch Program	10.556	3,909,863
Department of Agriculture and Consumer Services:		
Donated Commodities	10.555	<u>438,864</u>
Total Nutrition Cluster		<u>5,806,525</u>
		<u>7,404,405</u>
DEPARTMENT OF DEFENSE:		
Direct Payments:		
U.S. Army - ROTC	12.000	98,784
U.S. Air Force - ROTC	12.000	71,017
U.S. Navy - ROTC	12.000	76,452
U.S. Marine Corps - ROTC	12.000	61,118
Office of Economic Adjustment:		
Joint Land Use Study (EN0635-09-01)	12.610	<u>40,065</u>
Total Department of Defense		<u>347,436</u>
DEPARTMENT OF EDUCATION:		
Direct payments:		
School Assistance in Federally Affected Areas	84.041	1,152,110
Pass-through payments:		
Department of Mental Health, Mental Retardation, and Substance Abuse Services:		
Early Intervention Services for Infants and Toddlers with Disabilities and their Families (00-01-15)	84.181	401,705
Department of Education:		
Gear Up	84.334 A	306,120
Adult Education State-Administered Program	84.002	166,930
Title I:		
Educationally Deprived Children-LEA (112-00-1) (112-01-1)	84.010 A	6,196,959
Reach ED for Homeless Child (112-00-1) (112-01-1) Project Hope (\$9,836 provided to subrecipient)	84.196	20,539

continued

Title II:		
Title II Training and Recruiting	84.367 A	1,027,028
Title II Technology Ed	84.318	19,948
Title III LEP, Immigrant	84.365	68,469
Title V Innovative Programs	84.298 A	82,974
Title VI :		
Title VI 21st Century	84.287 C	929,850
Title VIB	84.027 A	4,317,831
Title VIB Preschool	84.173 A	55,297
Carl Perkins	84.048	363,202
Drug-Free Schools and Communities	84.186	37,055
Teaching American History	84.215 X	391,887
ARRA-State Fiscal Stabilization Fund	84.397	<u>1,942,410</u>
Total Department of Education		<u>17,480,314</u>
DEPARTMENT OF HEALTH AND HUMAN SERVICES:		
MEDICAID CLUSTER:		
Pass-through payments:		
Department of Social Services:		
Medical Assistance Program (Medicaid, Title XIX)	93.778	<u>1,032,369</u>
Total Medicaid Cluster		<u>1,032,369</u>
OTHER:		
Pass-through payments:		
Department of Social Services:		
Promoting Safe and Stable Families	93.556	694,816
Temporary Assistance for Needy Families (TANF)	93.558	1,015,385
Healthy Families Partnership - (TANF)	93.558	477,230
Refugee & Entrant Assistance	93.566	19,476
Low-Income Home Energy Assistance (LIHEAP)	93.568	72,057
Child Care and Development Block Grant (CCDBG)	93.575	681,584
ARRA-Child Care and Development Block Grant (CCDBG)	93.575	6,605
Child Care Development Fund	93.596	1,099,614
ARRA-Child Care Development Fund	93.596	8,026
Independent Living Program - Education and Training Vouchers	95.599	15,945
Adoption Incentives	93.603	12,827
Family Support	93.645	50,676
VISSTA (00-004-SVC)	93.658	249,974
Foster Care - Title IV-E	93.658	861,053
ARRA-Foster Care - Title IV-E	93.658	2,336
Adoption Assistance	93.659	633,125
ARRA-Adoption Assistance	93.659	5,851
Social Services Block Grant (SSBG)	93.667	726,932
Independent Living	93.674	99,056
State Children's Insurance Program (CHIP)	93.767	<u>115,683</u>
Total Department of Health and Human Services (Other)		<u>6,848,251</u>
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE:		
FOSTER GRANDPARENT, SENIOR COMPANION CLUSTER:		
Direct payments:		
Foster Grandparent Program (08SF084203), (08SFSVA004)	94.011	<u>372,954</u>
Total Foster Grandparent, Senior Companion Cluster		<u>372,954</u>

continued

## DEPARTMENT OF HOMELAND SECURITY:

## Direct payments:

Assistance to Firefighters (EMW-2007-FO-06971)	97.044	91,804
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## Pass-through payments:

## Virginia Department of Emergency Management:

Buffer Zone Protection Program	97.078	59,992
HAZMAT	97.073	30,000
Citizen Corp 2005	97.073	982
Citizen Corp 2006	97.004	20,039
LETTP	97.004	(558)
LETTP	97.074	25,756
Homeland Security Critical Infrastructure (2006)	97.067	<u>700,000</u>

## Total Homeland Security

928,015

## DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:

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

## Direct payments:

Community Development Block Grant Program, Entitlement Grants: (\$989,892 provided to subrecipient)	14.218	1,096,384
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## OTHER

## Direct payments:

Community Development Block Grant Program, Entitlement Grants: Home Program (\$661,425 provided to subrecipient)	14.239	<u>506,137</u>
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## Total CDBG-Entitlement and (HUD-Administered) Small Cities Cluster

1,602,521

## DEPARTMENT OF JUSTICE:

## Direct payments:

Bulletproof Vest Partnership Grant	16.607	3,940
COPS in Schools (2008-CK-WX-006)	16.710	230,500

## Department of Criminal Justice Services:

Juvenile Accountability Incentive Block Grant (08-J3227JB06), (09-K3227JB06)	16.523	9,304
Detention Alternative Utilization (09-E4691JJ08)	16.540	12,376
Response Effort (09-M9367VA08), (09-E4708VA08), (08-L9367VA07)	16.588	75,627
Edward Byrne/Community Oriented Justice Grant (08-B5341AD06)	16.579	11,795
Victim Witness (09-08574VW08)	16.575	160,676
Crime Analyst (09-D4734AD07)	16.579	46,585
Information Improvement (09-A5823CR07)	16.738	28,595
Crisis Intervention Team (09-C5358AD08)	16.738	30,303
Edward Byrne/Justice Assistance Grant (09-C5341AD08)	16.738	8,867
Proceeds of seized assets	16.000	8,612

## Pass-through payments:

Virginia Department of Emergency Management Justice Assistance Grant (2007-DJ-BX-1412), (2008-DJ-BX-0239)	16.738	<u>144,702</u>
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## Total Department of Justice

771,882

continued

## DEPARTMENT OF LABOR:

## Direct Payments:

Youthful Offenders	17.261	<u>484,494</u>
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Total Department of Labor:		<u>484,494</u>
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## DEPARTMENT OF TRANSPORTATION:

## Pass-through payments:

## Department of Transportation:

Highway Planning and Construction	20.205	<u>3,772,079</u>
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Total Department of Transportation		<u>3,772,079</u>
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## ENVIRONMENTAL PROTECTION AGENCY:

## Direct payments:

Brownfields Assessment	66.818	<u>67,443</u>
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Total Environmental Protection Agency		<u>67,443</u>
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## FEDERAL EMERGENCY MANAGEMENT AGENCY:

## Pass-through payments:

## Department of Emergency Management:

Local Emergency Management Program (LEMP)	83.552	<u>11,372</u>
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Total Federal Emergency Management Agency		<u>11,372</u>
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## NATIONAL AERONAUTICS AND SPACE ADMINISTRATION:

## Direct payments:

NASA LaRC Visitor Center and Public Education Program (NCC-1-275)	43.000	274,667
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NASA Steam Sales	43.000	4,355,000
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Education Resource Center and Coop Agreement	43.000	<u>340,000</u>
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Total National Aeronautics and Space Administration		<u>4,969,667</u>
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Grand Total All Federally Assisted Programs and Grants		<u>\$ 46,093,202</u>
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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 \$278,000 in the General Fund. This amount represents indirect costs from other federally assisted programs administered by the City and is included in the federal revenue

## (B) Basis of Accounting

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

## (C) Discretely Presented Component Unit Financial Statements

The Hampton Redevelopment and Housing Authority (HRHA), a discretely presented component unit, was audited by other auditors for its year ended December 31, 2008. The auditor's report dated September 30, 2009 included reports on compliance and internal controls and the Schedule of Expenditures Awards. A copy of the report can be obtained from:

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

**CITY OF HAMPTON, VIRGINIA**  
**SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY**  
**MUSEUM REVENUE BONDS**  
**June 30, 2009**

<b>Fiscal Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Debt Service</b>
<b>2010</b>	\$ 1,290,000	\$ 301,400	\$ 1,591,400
<b>2011</b>	1,330,000	259,475	1,589,475
<b>2012</b>	1,370,000	216,250	1,586,250
<b>2013</b>	1,440,000	147,750	1,587,750
<b>2014</b>	<u>1,515,000</u>	<u>75,750</u>	<u>1,590,750</u>
	<u>\$ 6,945,000</u>	<u>\$ 1,000,625</u>	<u>\$ 7,945,625</u>



**CITY OF HAMPTON, VIRGINIA**  
**SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY**  
**THE HAMPTONS REVENUE BONDS**  
**June 30, 2009**

<b>Fiscal Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Debt Service</b>
<b>2010</b>	\$ 260,000	\$ 58,800	\$ 318,800
<b>2011</b>	270,000	42,900	312,900
<b>2012</b>	285,000	26,250	311,250
<b>2013</b>	<u>295,000</u>	<u>8,850</u>	<u>303,850</u>
	<u>\$ 1,110,000</u>	<u>\$ 136,800</u>	<u>\$ 1,246,800</u>

**CITY OF HAMPTON, VIRGINIA**  
**SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY**  
**CONVENTION CENTER REVENUE BONDS**  
**June 30, 2009**

<b>Fiscal Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Debt Service</b>
<b>2010</b>	\$ -	\$ 5,360,431	\$ 5,360,431
<b>2011</b>	2,155,000	5,360,432	7,515,432
<b>2012</b>	2,265,000	5,252,682	7,517,682
<b>2013</b>	2,340,000	5,173,406	7,513,406
<b>2014</b>	2,425,000	5,088,581	7,513,581
<b>2015</b>	2,555,000	4,961,269	7,516,269
<b>2016</b>	2,690,000	4,827,131	7,517,131
<b>2017</b>	2,830,000	4,685,907	7,515,907
<b>2018</b>	2,980,000	4,537,331	7,517,331
<b>2019</b>	3,505,000	4,380,881	7,885,881
<b>2020</b>	3,685,000	4,196,869	7,881,869
<b>2021</b>	3,920,000	4,003,406	7,923,406
<b>2022</b>	4,110,000	3,797,606	7,907,606
<b>2023</b>	4,310,000	3,581,831	7,891,831
<b>2024</b>	4,160,000	3,355,556	7,515,556
<b>2025</b>	4,375,000	3,142,356	7,517,356
<b>2026</b>	4,595,000	2,918,138	7,513,138
<b>2027</b>	4,835,000	2,682,644	7,517,644
<b>2028</b>	5,080,000	2,434,850	7,514,850
<b>2029</b>	5,340,000	2,174,500	7,514,500
<b>2030</b>	5,610,000	1,907,500	7,517,500
<b>2031</b>	5,890,000	1,627,000	7,517,000
<b>2032</b>	6,185,000	1,332,500	7,517,500
<b>2033</b>	6,490,000	1,023,250	7,513,250
<b>2034</b>	6,815,000	698,750	7,513,750
<b>2035</b>	7,160,000	358,000	7,518,000
	<u>\$ 106,305,000</u>	<u>\$ 88,862,807</u>	<u>\$ 195,167,807</u>

**CITY OF HAMPTON, VIRGINIA**  
**SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY**  
**INDUSTRIAL DEVELOPMENT AUTHORITY REVENUE BONDS**  
**June 30, 2009**

<b>Fiscal Year Ending June 30,</b>	<b>2002 Tax-Exempt Principal</b>	<b>Interest</b>	<b>Total Debt Service</b>
<b>2010</b>	\$ 474,515	\$ 515,544	\$ 990,059
<b>2011</b>	504,663	485,396	990,059
<b>2012</b>	536,727	453,332	990,059
<b>2013</b>	569,618	420,441	990,059
<b>2014</b>	607,019	383,040	990,059
<b>2015</b>	645,586	344,473	990,059
<b>2016</b>	686,603	303,456	990,059
<b>2017</b>	729,460	260,599	990,059
<b>2018</b>	776,573	213,486	990,059
<b>2019</b>	825,913	164,146	990,059
<b>2020</b>	878,387	111,672	990,059
<b>2021</b>	933,997	56,062	990,059
<b>2022</b>	190,958	5,924	196,882
	<u>\$ 8,360,019</u>	<u>\$ 3,717,571</u>	<u>\$ 12,077,590</u>

**CITY OF HAMPTON, VIRGINIA**  
**SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY**  
**GENERAL OBLIGATION BONDS**  
**June 30, 2009**

<b>Serial Bonds:</b>				
<b>Fiscal Year</b>				<b>Total</b>
<b>Ending</b>				<b>Debt Service</b>
<b>June 30,</b>	<b>Principal</b>	<b>Interest</b>		
<b>2010</b>	\$ 14,005,000	\$ 13,508,806		\$ 27,513,806
<b>2011</b>	15,610,000	12,916,435		28,526,435
<b>2012</b>	16,355,000	12,220,967		28,575,967
<b>2013</b>	17,290,000	11,522,915		28,812,915
<b>2014</b>	18,105,000	10,740,535		28,845,535
<b>2015</b>	20,160,000	9,884,606		30,044,606
<b>2016</b>	21,155,000	8,878,633		30,033,633
<b>2017</b>	22,200,000	7,840,563		30,040,563
<b>2018</b>	22,665,000	6,761,363		29,426,363
<b>2019</b>	16,065,000	5,609,825		21,674,825
<b>2020</b>	15,445,000	4,911,563		20,356,563
<b>2021</b>	12,670,000	4,171,381		16,841,381
<b>2022</b>	13,010,000	3,537,881		16,547,881
<b>2023</b>	11,250,000	2,929,569		14,179,569
<b>2024</b>	11,745,000	2,426,869		14,171,869
<b>2025</b>	12,275,000	1,902,037		14,177,037
<b>2026</b>	12,840,000	1,343,912		14,183,912
<b>2027</b>	8,380,000	760,087		9,140,087
<b>2028</b>	8,765,000	372,512		9,137,512
	<u>\$ 289,990,000</u>	<u>\$ 122,240,459</u>		<u>\$ 412,230,459</u>

**CITY OF HAMPTON, VIRGINIA**  
**COMPUTATION OF LEGAL DEBT MARGIN**  
**June 30, 2009**

<b>Assessed value:</b>			
Real estate	\$	11,357,489,453	
Public service corporations - real estate		155,504,975	
Newport News Waterworks		<u>61,625,700</u>	<u>\$ 11,574,620,128</u>
Debt limit at 10% of assessed value			<u>1,157,462,013</u>
<b>General obligation bonded debt:</b>			
General obligation tax-exempt bonds		289,990,000	
General obligation taxable bonds		4,845,000	
Notes payable		<u>531,673</u>	295,366,673
<b>Long term notes payable:</b>			
State literary loan			<u>616,227</u>
Total long-term debt			<u>295,982,900</u>
Legal debt margin			<u>\$ 861,479,113</u>

**Note:**

Virginia state statute limits bond issuing authority of Virginia cities to 10% of the assessed real estate value. The above calculation includes all debt secured by the full faith and credit of the City. The calculation excludes installment purchase contracts, accrued sick, annual leave, net pension obligation and net OPEB obligation totaling \$39,536,731 at June 30, 2009.

There are no overlapping or underlying tax jurisdictions.

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# 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.

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## 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

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

### Debt Capacity

IX-XI

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

### Demographic and Economic Information

XII-XIII

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

### Operating Information

XIV-XVI

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

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

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

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

Note:

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

<sup>2</sup> The decrease in business-type activities for fiscal year 2008 is attributable to the reclassification of HRHA from a blended component unit in the business-type activities to a discretely presented component unit



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

**Table II**

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

## Fiscal Year

## Table II

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

(1) In Fiscal Year 2006, the City chose to classify capital improvements by function.

(2) There is no housing expense in the business-type activities due to HRHA being 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.

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

	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
General fund										
Reserved	\$ 1,242	\$ 1,161	\$ 1,502	\$ 1,248	\$ 1,819	\$ 1,563	\$ 1,235	\$ 1,727	\$ 2,204	\$ 1,142
Unreserved	23,881	27,283	32,122	37,504	42,706	53,175	68,394	82,015	96,902	98,120
Total general fund	<u>\$ 25,123</u>	<u>\$ 28,444</u>	<u>\$ 33,624</u>	<u>\$ 38,752</u>	<u>\$ 44,525</u>	<u>\$ 54,738</u>	<u>\$ 69,629</u>	<u>\$ 83,742</u>	<u>\$ 99,106</u>	<u>\$ 99,262</u>
All other governmental funds										
Reserved	\$ 11,741	\$ 12,071	\$ 12,443	\$ 12,811	\$ 12,199	\$ 11,826	\$ 11,773	\$ 7,760	\$ 7,351	\$ 6,259
Unreserved, reported in:										
Debt service										451
Special revenue funds	8,095	7,474	9,781	11,723	10,226	9,440	13,888	12,659	18,225	18,830
Capital projects funds	45,104	36,793	41,154	32,367	22,245	76,004	61,220	83,790	186,041	134,544
Permanent funds	-	-	58	59	59	60	61	63	65	67
Total all other governmental funds	<u>\$ 64,940</u>	<u>\$ 56,338</u>	<u>\$ 63,436</u>	<u>\$ 56,960</u>	<u>\$ 44,729</u>	<u>\$ 97,330</u>	<u>\$ 86,942</u>	<u>\$ 104,272</u>	<u>\$ 211,682</u>	<u>\$ 160,151</u>

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

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

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

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

Fiscal Year	General					Communications			Total
	Property Taxes	Business Licenses	Sales Taxes	Utility Taxes	Tobacco Taxes	Sales Taxes	Meal Taxes	Other Taxes <sup>3</sup>	
2000	\$ 91,936	\$ 8,122	\$ 12,099	\$ 9,027	\$ 2,382		\$ 6,832	\$ 6,667	\$ 137,065
2001	96,755	8,873	11,422	9,897	2,772		8,575	7,611	145,905
2002	105,009	9,465	11,728	10,156	2,456		10,325	8,448	157,587
2003	110,700	9,572	11,383	9,941	2,952		10,470	8,864	163,882
2004	116,385	10,435	12,218	11,652	4,567		11,325	9,341	175,923
2005	123,709	11,019	12,885	10,957	4,084		12,449	9,987	185,090
2006	139,280	11,751	13,415	11,637	3,889		13,426 <sup>3</sup>	13,308 <sup>4</sup>	206,706
2007	148,237	12,391	13,804	8,550	3,942	3,189	13,685	10,677	214,475
2008	160,329 <sup>1</sup>	12,784	13,765	5,703	3,760	9,032	13,974	11,930	231,277
2009	145,683 <sup>2</sup>	12,207	13,172	4,976	3,629	8,296	13,912	11,471	213,346

## Notes:

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

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

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

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

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

Fiscal Year	Real Estate			Total Taxable Assessed Value	Estimated Actual Taxable Value	Assessed Value	Total Direct Tax Rate
	Citizens' Property	Public Service <sup>1</sup>	Newport News Waterworks			as a Percent of Estimated Actual Value <sup>2</sup>	
2000	4,984,196	180,111	49,852	5,214,159	5,471,310	96%	1.25
2001	5,157,140	198,396	51,822	5,407,358	5,740,295	95%	1.25
2002	5,361,262	195,595	53,494	5,610,351	6,144,963	92%	1.27
2003	5,638,936	184,567	57,472	5,880,975	6,563,588	90%	1.27
2004	6,081,667	190,105	58,621	6,330,393	7,360,922	87%	1.27
2005	6,776,586	180,476	60,381	7,017,443	8,771,803	80%	1.25
2006	8,165,513	116,579	63,400	8,345,492	10,431,864	80%	1.20
2007	9,285,102	123,453	66,570	9,475,125	11,843,906	80%	1.14
2008	10,976,166	143,250	64,280	11,183,696	12,289,775	91%	1.06
2009	11,357,489	155,505	61,626	11,574,620	11,895,807	97%	1.04

## Notes:

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

<sup>2</sup> The state requires all real estate to be assessed at 100% of its appraised value. There is no state statute or city charter limitation on the tax rate. The latest State Department of Taxation comparison of sales to appraisal indicates a true rate of 97.3%

Table VII

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

<u>Taxpayer</u>	<u>2009</u>			<u>2000</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>
Hampton Roads Associates	\$ 59,222	1	0.5%	\$ -		
John Q Hammons	46,293	2	0.4%			
Peninsula Town Center LLC	44,483	3	0.4%			
Liberty Property Limited Partnership	41,648	4	0.4%			
Coliseum Crossing Associates LP	31,857	5	0.3%			
Hampton Training School Nurses	25,702	6	0.2%			
Carrithers	25,642	7	0.2%			
Netcenter Partners LLC	24,500	8	0.2%			
Power Plant Hotels LLC	23,485	9	0.2%			
Armada/Hoffler-Hpt Centre Association	23,288	10	0.2%			
Hampton Mall Association				59,286	1	1.1%
Gateway 2000				25,411	2	0.5%
Riverdale Plaza Shopping Center				19,513	3	0.4%
Coliseum Crossing Associates LP				19,423	4	0.4%
HNN Associates				18,322	5	0.4%
EPT Downreit Incorporated				16,916	6	0.3%
Howmet Corporation				16,401	7	0.3%
Liberty Property Limited Partnership				15,469	8	0.3%
Olde Hampton Hotel Associates				15,298	9	0.3%
Armada/Hoffler-Hpt Centre Association				15,169	10	0.3%
	<u>\$ 346,120</u>		<u>3.0%</u>	<u>\$ 221,208</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 Seven Fiscal Years <sup>1</sup>**  
**(amounts expressed in thousands)**

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

## Notes:

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

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

\* There are no overlapping or underlying tax jurisdictions.



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

Fiscal Year	General Bonded Debt <sup>1</sup>				Percentage of Estimated Actual		
	General Obligation Bonds <sup>2</sup>	Notes Payable	State Literary Loans	Total	Taxable Value of Property <sup>3</sup>	Per Capita <sup>4</sup>	Capital Leases
2000	\$ 155,329	\$ 5,412	\$ 2,269	\$ 163,010	2.98%	\$ 1,194	\$ 1,163
2001	146,851	5,036	2,081	153,968	2.68%	1,051.43	886
2002	168,057	3,007	1,893	172,957	2.81%	1,174.18	2,234
2003	165,124	4,054	1,704	170,882	2.60%	1,176.87	2,109
2004	154,079	1,988	1,517	157,584	2.14%	1,091.30	1,973
2005	209,490	1,590	1,328	212,408	2.42%	1,487.45	3,831
2006	198,045	1,192	1,140	200,377	1.92%	1,377.16	1,295
2007	203,635	886	952	205,473	1.49%	1,410.17	1,730
2008	307,745	709	764	309,218	2.52%	2,119.94	1,309
2009	294,835	532	616	295,983	2.49%	2,052.53	1,001

Fiscal Year	Business-Type Activities				Percentage of		
	Revenue Bonds	Notes Payable	Capital Leases	HRHA Notes Payable	Total Primary Government	Personal Income <sup>4</sup>	Per Capita <sup>4</sup>
2000	\$ 19,980	\$ -	\$ 1,793	\$ 5,168	\$ 191,114	5.45%	\$ 1,400.10
2001	18,945	7,585	1,729	5,127	\$ 188,240	5.11%	1,285.47
2002	17,855	7,585	1,703	3,113	\$ 205,447	5.32%	1,394.75
2003	123,025		1,747	1,160	\$ 298,923	7.44%	2,058.70
2004	121,435		1,611	10,810	\$ 293,413	6.89%	2,031.95
2005	120,060		1,497	1,062	\$ 338,858	8.52%	2,372.96
2006	118,715		1,379	971	\$ 322,737	7.09%	2,218.12
2007	117,300		1,250	870	\$ 326,623	6.84%	2,241.63
2008	115,850		1,124		\$ 427,501	N/A	2,930.86
2009	114,360		1,006		\$ 412,350	N/A	2,859.49

Notes:

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

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

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

<sup>4</sup> See Table XII for personal income and population data. The most recent personal income data available from the Bureau of Economic analysis is 2007.

N/A-Not available

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

	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Debt limit	\$ 521,416	\$ 540,736	\$ 561,035	\$ 588,097	\$ 633,039	\$ 701,744	\$ 834,549	\$ 947,512	\$1,118,370	\$1,157,462
Total net debt applicable to limit	<u>163,010</u>	<u>153,968</u>	<u>172,957</u>	<u>170,882</u>	<u>157,584</u>	<u>212,408</u>	<u>200,377</u>	<u>205,473</u>	<u>309,218</u>	<u>295,983</u>
Legal debt margin	<u>\$ 358,406</u>	<u>\$ 386,768</u>	<u>\$ 388,078</u>	<u>\$ 417,215</u>	<u>\$ 475,455</u>	<u>\$ 489,336</u>	<u>\$ 634,172</u>	<u>\$ 742,039</u>	<u>\$ 809,152</u>	<u>\$ 861,479</u>
Total net debt applicable to the limit as a percentage of debt limit	31.26%	28.47%	30.83%	29.06%	24.89%	30.27%	24.01%	21.69%	27.65%	25.57%

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

Assessed value	\$ 11,574,620
Debt limit (10% of total assessed value)	1,157,462
Debt applicable to limit:	
General obligation debt	295,983
Less: Amount set aside for repayment of general obligation debt	<u>295,983</u>
Total net debt applicable to limit	<u>295,983</u>
Legal debt margin	<u>\$ 861,479</u>

Notes:

Virginia state statute limits bond issuing authority of Virginia cities to 10% of the assessed real estate value. The above calculation includes all debt secured by the full faith and credit of the City. The calculation excludes installment purchase contracts, accrued sick, annual leave, net pension obligation and net OPEP obligation totaling \$39,536,732 at June 30, 2009.

\* There are no overlapping or underlying tax jurisdictions.

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

Fiscal Year	Gross Revenues <sup>1</sup>	Operating Expenses <sup>2</sup>	Net Revenue Available for Debt Service	Debt Service Requirements <sup>3</sup>			Coverage
				Principal	Interest	Total	
<b>The Hamptons Revenue Bonds</b>							
2000	\$ 1,327	\$ 844	\$ 483	\$ 140	\$ 135	\$ 275	1.76
2001	1,335	892	443	175	174	349	1.27
2002	1,564	947	617	185	164	349	1.77
2003	1,294	898	396	195	153	348	1.14
2004	1,291	995	296	200	141	341	0.87
2005	1,395	1,012	383	210	129	339	1.12
2006	1,567	1,074	493	215	116	331	1.49
2007	1,571	1,090	481	230	103	333	1.44
2008	1,676	1,164	512	240	89	329	1.56
2009	1,570	1,143	427	250	74	324	1.32
<b>Museum Revenue Bonds</b>							
2000	\$ 5,374	\$ 4,152	\$ 1,222	\$ 825	\$ 917	\$ 1,742	0.70
2001	6,190	4,366	1,824	860	878	1,738	1.05
2002	7,108	4,270	2,838	905	839	1,744	1.63
2003	9,336	4,645	4,691	940	798	1,738	2.70
2004	10,924	5,136	5,788	990	798	1,788	3.24
2005	6,767	5,450	1,317	1,165	428	1,593	0.83
2006	7,820	5,155	2,665	1,130	460	1,590	1.68
2007	9,682	5,729	3,953	1,185	403	1,588	2.49
2008	8,025	6,130	1,895	1,210	365	1,575	1.20
2009	7,368	5,561	1,807	1,240	351	1,591	1.14
<b>Industrial Development Authority Revenue Bonds</b>							
1999	\$ 2,312	\$ 3,041	\$ (729)	\$ 41	\$ 125	\$ 166	(4.41)
2000	4,081	7,841	(3,760)	44	122	166	(22.72)
2001	959	603	356	47	118	165	2.15
2002	9,442	3,633	5,809	35	458	493	11.78
2003	8,287	6,740	1,547	211	784	995	1.55
2004	5,098	1,588	3,510	385	771	1,156	3.04
2005	5,944	4,298	1,646	410	750	1,160	1.42
2006	8,890	4,946	3,944	432	719	1,151	3.43
2007	5,007	4,420	587	392	693	1,085	0.54
2008	3,456	3,166	290	417	561	978	0.30
2009	6,940	4,126	2,814	445	528	973	2.89
<b>Convention Center Revenue Bonds <sup>4</sup></b>							
2005	\$ 6,174	\$ 1,211	\$ 4,963	\$ -	\$ 5,360	5,360	0.93
2006	8,775	3,660	5,115		5,368	5,368	0.95
2007	9,288	2,993	6,295		5,363	5,363	1.17
2008	9,989	3,885	6,104		5,335	5,335	1.14
2009	8,626	3,092	5,534		5,362	5,362	1.03

## Notes:

<sup>1</sup> Gross revenues include transfers in.

<sup>2</sup> Total operating expenses exclusive of depreciation.

<sup>3</sup> Includes principal and interest of revenue bonds only.

<sup>4</sup> Operation of the Convention Center began in March 2005.

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

<b>Fiscal Year</b>	<b>Population <sup>1</sup></b>	<b>Personal Income <sup>2</sup> (in thousands)</b>	<b>Per Capita Income <sup>3</sup></b>	<b>School Membership <sup>4</sup></b>	<b>Unemployment Rate Percentage <sup>5</sup></b>
2000	136,500	\$ 3,504,802	\$ 23,945	23,431	3.6%
2001	146,437	3,685,677	25,401	23,290	3.6%
2002	147,300	3,861,000	26,664	23,192	5.1%
2003	145,200	4,018,000	27,628	22,996	5.4%
2004	144,400	4,261,000	29,388	23,009	5.2%
2005	142,800	3,976,299	30,389	22,938	4.6%
2006	145,500	4,551,991	31,057	22,229	4.2%
2007	145,708	4,775,904	32,608	22,176	3.6%
2008	145,862	N/A	N/A	21,189	4.9%
2009	144,204	N/A	N/A	21,411	8.2%

## Notes:

<sup>1</sup> Source: Weldon Cooper Center for Public Service as of 7/1/2008

<sup>2</sup> Source: Bureau of Economic Analysis. Most recent information available is 2007.

<sup>3</sup> Source: Bureau of Economic Analysis. Most recent information available is 2007.

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

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

N/A-Not available

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

2009	2000
<b>Over 600 Employees:</b>	<b>Over 500 Employees:</b>
Air Force Command and Control Intelligence, Surveillance, and Reconnaissance Center	Newport News, Inc.
Alcoa Howmet	West Telemarketing
City of Hampton	Gateway
Fort Monroe	Howmet Corporation
Hampton City Schools	Verizon
Hampton University	Hampton University
Hampton Virginia Medical Center - Veteran's Hospital	Sentara Hampton General Hospital
Langley Air Force Base	Nextel Communications
NASA Langley Research Center	Langley Air Force Base
Sentara Healthcare System	Fort Monroe
Sprint-Nextel	Hampton City Schools
Thomas Nelson Community College	NASA - Langley
Verizon	City of Hampton
West Corporation	V.A. Hospital
<b>300 - 599 Employees:</b>	<b>150 - 500 Employees:</b>
AMSEC LLC	Anthem Alliance
Headway Corporate Resources	Catalina Cylinders
Northrop Grumman	Coliseum Park Nursing Home
Riverside Regional Medical Centers	Computer Sciences Corporation
SAIC	Federal Mogul
	Graham & Rollins, Inc.
	Measurement Specialties
	Maida Development Corporation
	Old Dominion Security, Inc.
	Peninsula Psychiatric Hospital
	Virginia Power
	Wyle Laboratories, Inc.
	Craft Machine Works, Inc.
	Hampton Roads Transit
	Langley Federal Credit Union
	Valeo Clutches and Transmissions

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 Eight Fiscal Years**

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

Sources: City of Hampton, Department of Human Resources

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

Table XV

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

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

N/A-Not available

Source: City of Hampton, various departments.

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

**Table XVI**

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

Notes:

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

N/A-Not available

Source: Various city departments.





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

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

***Compliance***

We have audited the compliance of the City of Hampton, Virginia (the "City") with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

The City's financial statements include the operations of the Hampton Redevelopment and Housing Authority (the "Authority"), which expended \$22,547,008 in federal awards which is not included in the Schedule of Expenditures of Federal Awards for the year ended June 30, 2009. Our audit did not include the operations of the Authority because the Authority engaged other auditors to perform an audit in accordance with OMB Circular A-133.

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

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

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

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

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

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

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

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

Virginia Beach, Virginia  
November 24, 2009



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

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the remaining fund information of the City of Hampton, Virginia (the "City"), as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 24, 2009. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and *Specifications for Audits of Counties, Cities and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia.

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

***Internal Control Over Financial Reporting***

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

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

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

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

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

We did identify one matter of noncompliance with State compliance requirements which is described in the accompanying schedule of findings and questioned costs as finding 2009-1.

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

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

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

Virginia Beach, Virginia  
November 24, 2009

**CITY OF HAMPTON, VIRGINIA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

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**Year Ended June 30, 2009**

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**1. SUMMARY OF AUDITORS' RESULTS**

- (a) The type of report issued on the basic financial statements: **Unqualified opinions**
- (b) Significant deficiencies in internal control were disclosed by the auditors of the financial statements: **No**
- Material weaknesses: **No**
- (c) Noncompliance which is material to the basic financial statements: **No**
- (d) Significant deficiencies in internal control over major programs: **No**
- Material weaknesses: **No**
- (e) The type of report issued on compliance for major programs: **Unqualified opinion**
- (f) Any audit findings which are required to be reported under Section .510(a) of OMB Circular A-133: **No**
- (g) Major Programs:
- Department of Education – Educationally Deprived Children (Title I); CFDA 84.010A
  - Department of Education – Title II Improving Teacher Quality; CFDA 84.367
  - Department of Education – ARRA - State Fiscal Stabilization Fund; CFDA 84.397
  - Department of Health and Human Services – Temporary Assistance to Needy Families (TANF); CFDA 93.558
  - Department of Health and Human Services – Child Care Cluster; 93.575/93.596
- (h) The dollar threshold used to distinguish between Type A and Type B programs is \$1,382,796.
- (i) The auditee qualified as a low-risk auditee.

**CITY OF HAMPTON, VIRGINIA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

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**Year Ended June 30, 2009**

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

None.

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

None

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

***2009-1 Child Welfare Trust Accounts***

***Criteria:***

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

***Condition:***

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

***Cause:***

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

***Effect:***

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

***Recommendation:***

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

***Management Response:***

Upon each foster child's exit from custody from the Hampton Department of Human Services Division of Social Service the Senior Eligibility Worker assigned to Foster Care Services will complete the Release of Foster Care Fund Request form. The request form along with a copy of the final court order will be submitted to the Account Clerk (Receivables) within 5 working days from the child's relief of custody. In the event, the Senior Eligibility Worker is unavailable; the documents will be completed and submitted by the supervisor, the Quality Assurance Specialist.

**CITY OF HAMPTON, VIRGINIA**

**SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS**

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**Year Ended June 30, 2008**

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2008 #1

Status: Completed

2008 #2

Status: Repeat Finding – See Finding 2009-1

2008 #3

Status: Completed

2008 #4

Status: Completed

2008 #5

Status: Completed

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