

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

For the Fiscal Year Ended June 30, 2011

Prepared by:

Karl S. Daughtrey, Director of Finance

Sylvia L. Shanahan, Controller

and

The Department of Finance

JUNE 30, 2011

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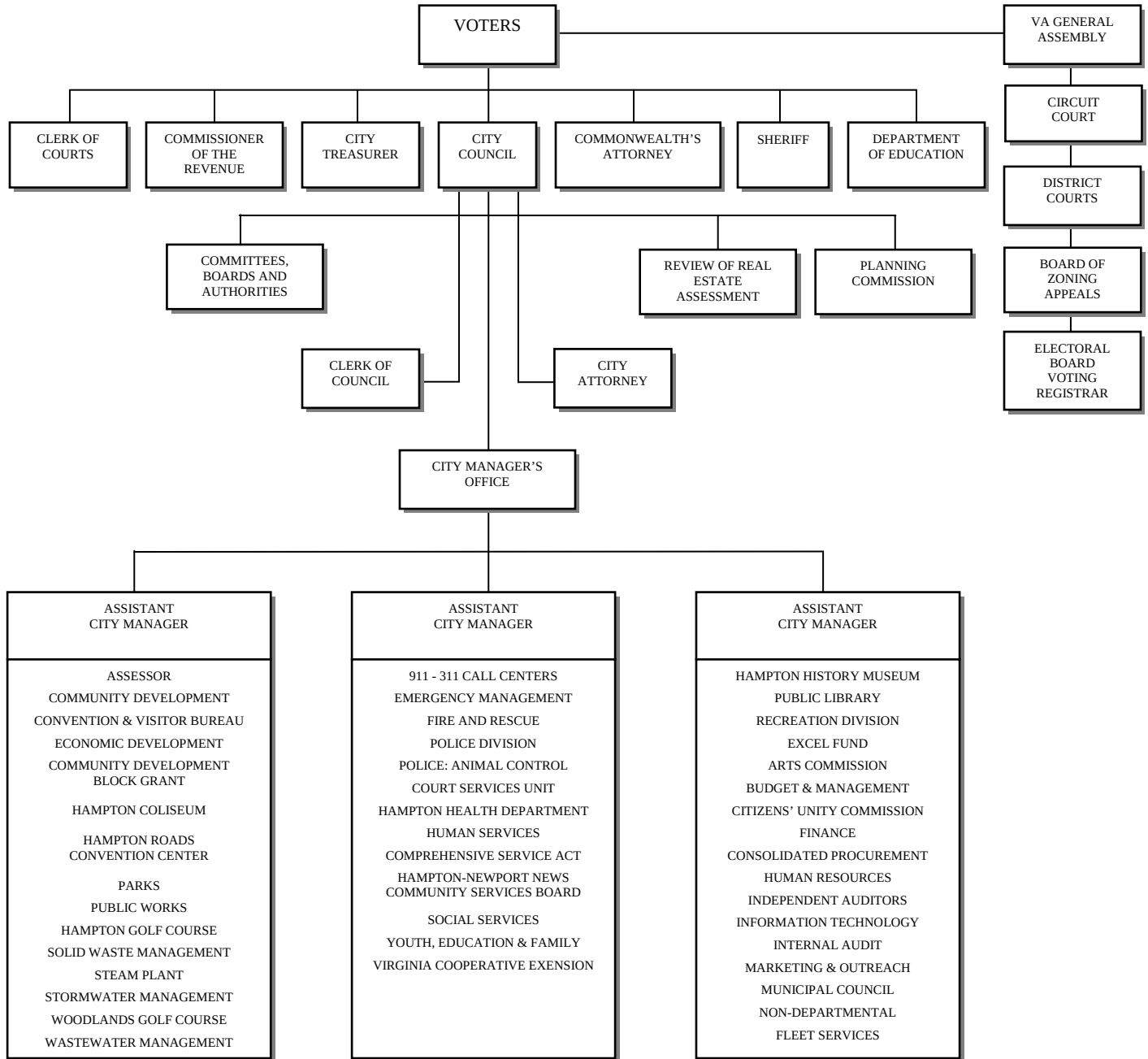
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CITY OF HAMPTON, VIRGINIA

June 30, 2011



CITY OF HAMPTON, VIRGINIA
June 30, 2011

ELECTED OFFICIALS

CITY COUNCIL

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

CONSTITUTIONAL OFFICERS

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

APPOINTED OFFICIALS

CITY ADMINISTRATION

Mary B. Bunting - City Manager
James A. Peterson, CPA - Assistant City Manager
James A. Gray - Assistant City Manager
Karl S. Daughtrey, CPA - Director of Finance
Gloria L. Washington - Director of Budget
Sylvia L. Shanahan - City Controller

CITY OF HAMPTON, VIRGINIA
June 30, 2011

SCHOOL BOARD

Fred A. Brewer, Jr., Chairman

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

Joseph Kilgore
 Jennifer Phillips
 Martha Mugler

SCHOOL ADMINISTRATION

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

HAMPTON EMPLOYEES' RETIREMENT SYSTEM

BOARD OF TRUSTEES

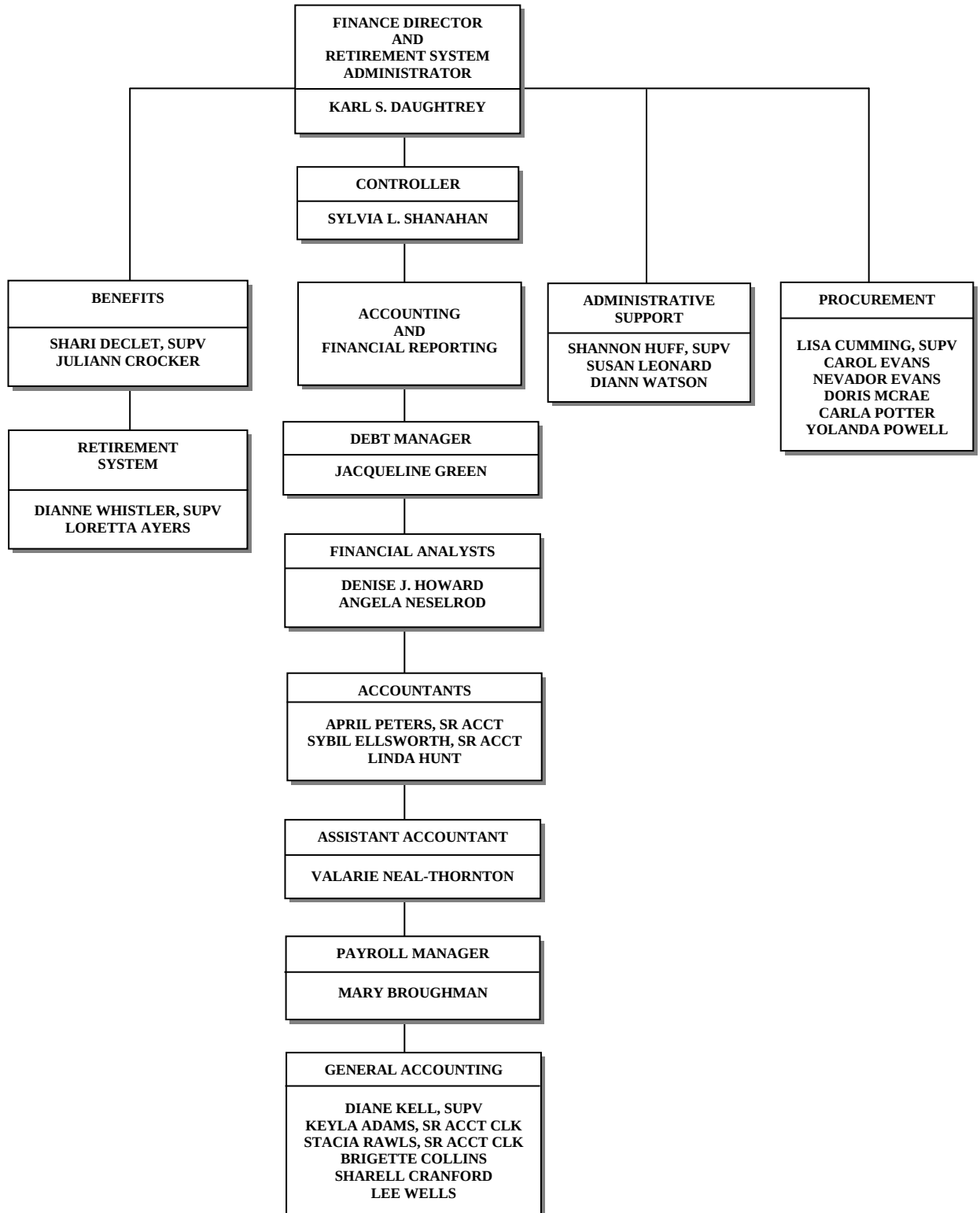
A. G. Womble, Jr., Chairman

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

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, 2011**



Letter of Transmittal



City of Hampton

November 30, 2011

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, 2011. State law requires the City to publish, at the close of each fiscal year, a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with Government Auditing Standards by a firm of licensed certified public accountants. This report has been prepared by the Department of Finance and the report does comply with state law and guidelines and of the Auditor of Public Accounts of the Commonwealth of Virginia.

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

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

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

Hampton's financial statements for the year ended June 30, 2011. The independent auditor's report is presented as the first component of the financial section of this report.

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

Profile of the City

Background

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

As of the April 1, 2010 census, population in Hampton was 137,436. This indicates a decrease in population of 5.05% or 7,313 from the July 1, 2009 estimate of 144,749.

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 2011, several awards and recognitions were received by the City of Hampton. They are listed below:

- Over the past year The City of Hampton has been recognized for its budget input process, the “I Value” Campaign. The City of Hampton received the 2010 Governor’s Technology Award for Innovation in Local Government for the use of audience polling technology during the citizen budget engagement process along with the City-County Communications and Marketing Association’s (3CMA) Savvy award in “Citizen Participation and Community Visioning”. The City also won the 2011 Thomas H. Muehlenbeck Award for Excellence in Local Government given by Alliance for Innovation. This award, given annually to a local government, is based on successfully and creatively addressing a public service dilemma.
- Hampton has been recognized by the state, nation and world for the input opportunities the City provides its citizens. Hampton gained international attention for its civic engagement efforts. The City placed fourth in the 2011 Reinhard Mohn Prize, presented by The Bertelsmann Foundation, the largest private non-profit foundation in Germany. Hampton was one of only two finalists from the U.S.
- For the ninth year in a row, Hampton was named one of the most technology-advanced cities in America by the Center for Digital Government. The annual study examines how city governments are using digital technologies “to create a seamless environment between local government and constituents.” The City of Hampton ranked 5th in its population category of 125,000-249,999.
- Hampton received the 2011 Donald E. Hunter Excellence in Economic Development Planning Award from the Economic Development Division of the American Planning Association for the development of the Peninsula Town Center. This award is given to a community that shows innovation and success with an economic development plan or project within the last 10 years.

Budgetary Systems

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

Component Units

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

accordance with GASB 14 and GASB 39, the City has included the financial data of six discrete component units which are legally separate entities: Hampton City School Board, Industrial Development Authority (IDA), Healthy Families Partnership, Inc., Coliseum Central Business Improvement District, Inc., Downtown Hampton Development Partnership, Inc., and Foundation of the Virginia Air and Space Center.

Economic Conditions and Outlook

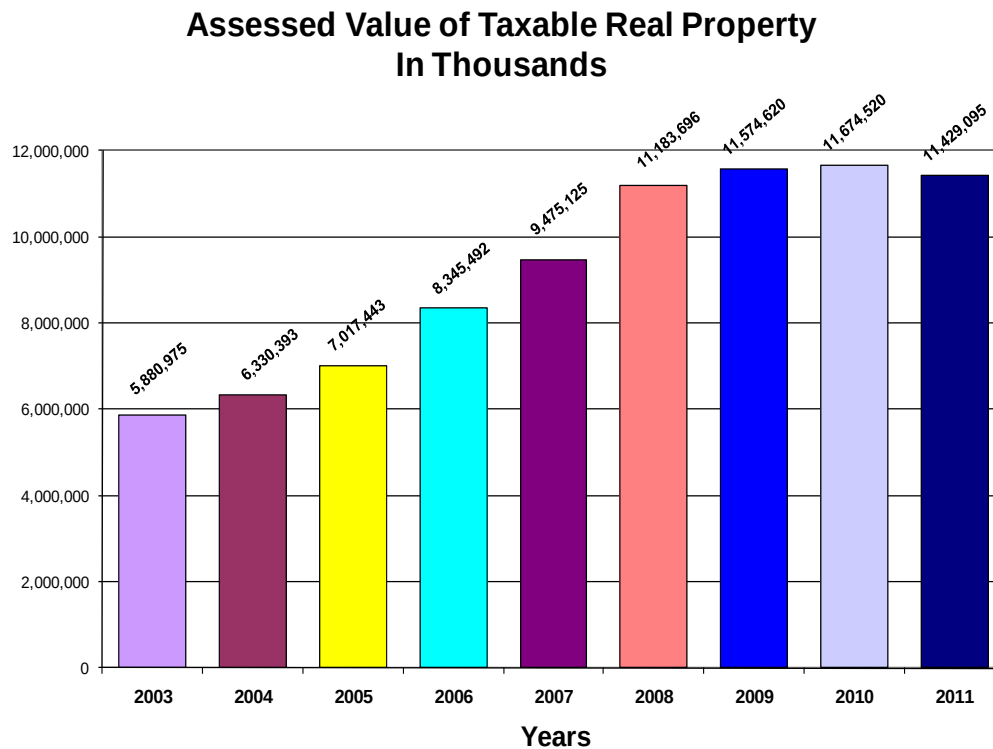
Local Economy

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

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

The effects of the economic downturn are still evidenced in the national, state and local economy. Housing values in the Norfolk-Virginia Beach-Newport News MSA showed an average decrease of 0.05%. The City's unemployment rate is currently at 8.0%. This percentage is below the national rate of 9.3%.

The assessed value of the City's residential and commercial real property decreased by \$245.4 million or 2.10% from fiscal year 2010 to fiscal year 2011.



Economic Development

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

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

The Peninsula Center offers 24 undergraduate and 25 graduate programs with over 200 classes scheduled each week.

The Department of Economic Development has a Business Development Team whose primary goals are to retain and expand businesses in the city of Hampton; they also specialize in new and entrepreneur developments. During fiscal year 2011, this team was involved in 11 commercial projects totaling \$19.7 million in private investment, creating 210 new jobs and retaining 633 jobs within the office, manufacturing and warehouse sectors. A summary of some of the commercial activity/development that has occurred during fiscal year 2011 is as follows:

Bay Recycling purchased 310 E Street which consist of 74,434 square foot and will construct an additional 30,000 square foot for a total of 104,434 square foot in Copeland Industrial Park. The company will create 65 new jobs. Its investment is estimated to be \$14.5 million.

TRG Customer Solutions, leased approximately 32,000 square foot in Hampton Roads Center South and created 120 new jobs. This project resulted in retaining 428 jobs in the City and an investment of \$3 million.

FoodBank of the Virginia Peninsula built a new office/distribution facility in the Copeland Industrial Park which was announced in FY2010. In FY2011, its investment increased by an additional \$900,000.

VA Medical Administrative Center leased 10,000 square foot in the Peninsula Town Center's Claiborne Building. The investment was \$1.33 million.

Specialty Foods Group leased 9,100 square foot at Lakefront Plaza in Hampton Roads Center South and brought 25 new jobs to the City of Hampton.

Military and Federal Research Facility

Langley Air Force Base is the oldest continuously active air base in the United States and headquarters for the Air Combat Command. It is also home to the U.S. Air Force's First Fighter Wing. Covering 2,900 acres, Langley has more than 9,400 military personnel and approximately 1,600 civilian employees with a combined payroll of over \$622 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.

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>2011</u>	<u>2010</u>	<u>Percent Increase (Decrease)</u>
<u>Revenues and Other Financing Sources:</u>			
General Fund	\$ 295,128*	\$ 291,344*	1.30
School Operating	<u>120,875*</u>	<u>136,005*</u>	<u>(11.12)</u>
Total	<u>416,003</u>	<u>427,349</u>	<u>(2.61)</u>
<u>Expenditures and Other Financing Uses:</u>			
General Fund	227,417*	221,183*	2.82
School Operating	<u>189,823*</u>	<u>202,628*</u>	<u>(6.32)</u>
Total	<u>417,240</u>	<u>423,811</u>	<u>(1.55)</u>
Increase/(Decrease) to fund balance	<u>\$ (1,237)</u>	<u>\$3,538</u>	

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

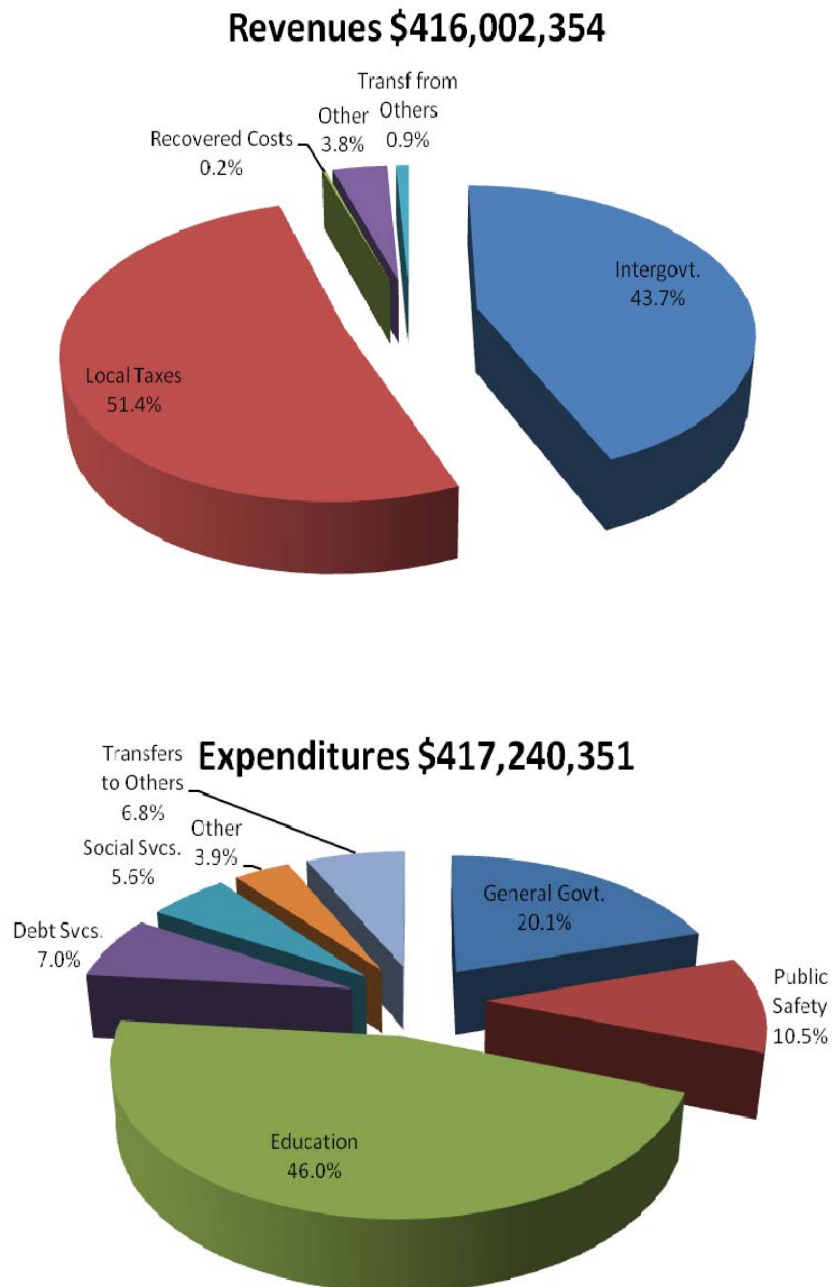
The General Fund revenues and other financing sources increased approximately \$4 million or 1.30% over fiscal year 2010 revenues. This was due to a \$1.7 million increase in communications sales taxes. The increase is also attributable to a \$.9 million increase in meal and \$.2 million increase in sales taxes due to the first full year of the Peninsula Town Center being opened. Landfill host fees also increased \$.4 million due to an increase in rates and tonnage deposited at the landfill.

The School Operating Fund revenues decreased approximately \$15.1 million or 11.12% over fiscal year 2010. This was attributable to a \$12.6 million decrease in state revenues relating to funding reductions made by the General Assembly. Federal revenues decreased approximately \$3.1 million due to reductions in the American Recovery and Reinvestment Act State Fiscal Stabilization funds over fiscal year 2010.

General Fund expenditures increased by \$6.2 million or 2.82% over fiscal year 2010. This was due to transfers to the Capital Project and Debt Service funds. Transfers to the Debt Service Fund increased by \$2.2 million due to interest that was due on general obligation public improvement and refunding bonds issued in 2010. Transfers to the Capital Projects Fund increased by \$6.1 million due to an increase in expenditures in City funded capital projects.

The School Board Operating Fund expenditures decreased \$12.9 million over fiscal year 2010. This was attributed to the reduction of State revenues.

The graphs of the 2011 General Fund and School Operating Fund revenues and expenditures are as follows:



Long Term Financial Planning

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

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

Financial Policies

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

1. Debt Policy Limit. (a) General obligation debt shall not exceed 3% of the assessed value of all real estate within the City subject to taxation. At June 30, 2011, general obligation debt totaled \$279 million or 2.4 % of taxable real estate value, which was within the policy parameter.

(b) General obligation bonded debt together with indirect debt, which includes certain revenue backed debt and subject-to-appropriation or moral obligation commitments, and debt of certain special purpose entities (i.e. Community Development Authority) shall not exceed 4.5% of the assessed value of all real and personal property subject to taxation within the City. At June 30, 2011, this would amount to \$486 million or 3.9% 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, 2011, 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, 2011, this would amount to \$36 million or 8.9% 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 70% of general bonded obligation debt in FY2021 that was outstanding as of June 30, 2011.

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, 2011, capital expenditures were \$15 million which is 5% of General Fund revenues. Also, a minimum of 10% to 15% of CIP projects over a rolling five-year period are to be funded from general fund revenues. For the five year period, 2011 through 2015, the City plans to use 51% of General Fund revenues on CIP projects.

5. Unassigned Fund Balance. The City will maintain an unassigned General Fund balance equal to 10% of total General Fund and School Operating Fund revenues. To the extent unassigned fund balance falls below the policy, the shortfall shall be replenished over a three-year period. The unassigned fund balance at June 30, 2011 was \$50 million or 12% of actual revenues.

The City is in compliance with the Financial Policy Guidelines.

Credit Ratings

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

Major Initiatives and Accomplishments

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

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

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

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

The key priority of the City and Commonwealth has been to keep Fort Monroe a living and vibrant community throughout the transition. One of the signature efforts in this regard is to have the National Parks Service establish a unit at Fort Monroe. On November 1, 2011, President Barack Obama took action to declare 324 acres of Fort Monroe a National Monument that will be managed by the National Park Service. Studies have shown the presence of a National Park increased the value of surrounding properties approximately 20%. Coupled with the history of Fort Monroe, the presence of the national park will also generate tourism to the City. The Fort Monroe Authority has also been successfully renting out the historic homes and has attracted some commercial tenants as well. Most of the existing developed area of the Fort will be subject to the PILOT and, in essence, be added to the City's tax roles.

The Buckroe Parade of Homes is a new housing project under construction and scheduled to open in September 2011. The parade of Homes will feature seven single family homes including a charity house and one multi-family residential mansion-style home. Two of the single family homes featured in the parade are located in the adjacent East Bay development. Sale of the city-owned land for these new developments, significant streetscaping, park and other public improvements is to spur new interest in Buckroe and increase private reinvestment in this resort neighborhood.

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

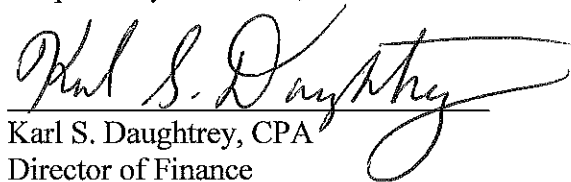
meets all generally accepted accounting principles and applicable legal requirements. The City of Hampton has received this award for its comprehensive annual financial report for the fiscal year ended June 30, 2010.

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

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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, 2010

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.



Linda C. Danison

President

Jeffrey R. Emer

Executive Director

Auditor's Report



INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Hampton, Virginia (the "City"), as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Downtown Hampton Development Partnership, Inc., which represents 0.8% and 0.3%, respectively, of the total assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinions on the basic financial statements insofar as they relate to the amounts included for Downtown Hampton Development Partnership, Inc., are based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and *Specifications for Audits of Counties, Cities and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit 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, 2011, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Notes 1 and 15 to the financial statements, the City of Hampton adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, during the year ended June 30, 2011.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2011, 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, Bekant & Holland, L.L.P.

Virginia Beach, Virginia
November 23, 2011

Management's Discussion and Analysis

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Hampton's (City's) Comprehensive Annual Financial Report (CAFR) presents Management's Discussion and Analysis (MD&A) of the City's financial performance during the fiscal year ended June 30, 2011. The MD&A should be read in conjunction with the transmittal letter and the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The General Fund, on a current financial resource basis, reported revenues in excess of expenditures and other financing sources and uses by \$.7 million (Exhibit A-4) after making a \$67.1 million payment to Hampton City Schools, \$14.9 million transfer to Capital Projects, \$10.4 million transfer to Enterprise Funds, \$3.3 million to Special Revenue Funds and \$29.4 million to Debt Service Fund.
- On a government-wide basis for governmental activities, the City's net assets increased by \$.4 million (Exhibit A-2).
- In the City's business-type activities, on a government-wide basis, net assets increased by \$3.9 million (Exhibit A-2).
- The City's net assets, excluding component units, on the government-wide basis, totaled \$813 million at June 30, 2011. Of this amount, \$128 million is available for spending at the government's discretion (unrestricted net assets - Exhibit A-1).

USING THE FINANCIAL SECTION OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT

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

GOVERNMENT-WIDE STATEMENTS

The *government-wide financial statements* are designed to provide the reader with a broad overview of the City of Hampton's finances, in a manner similar to a private-sector business. The *Statement of Net Assets* (Exhibit A-1) presents information on all of the City's assets and liabilities, reported using the full accrual basis of accounting. The *Statement of Activities* (Exhibit A-2) presents all of the City's current year's revenues and expenses, regardless of when cash is received or paid.

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

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

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

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

FUND FINANCIAL STATEMENTS

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

The City has three types of funds:

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

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

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

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Table I
Summary of Statement of Net Assets (In Thousands)
June 30, 2011 and 2010

	Governmental Activities		Business-type Activities		Total Primary Government		Component Units	
	2011	2010	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 231,116	\$ 265,762	\$ 45,366	\$ 52,700	\$ 276,482	\$ 318,462	\$ 53,111	\$ 51,835
Capital assets	852,973	831,298	168,974	171,012	1,021,947	1,002,310	35,646	38,216
Total assets	1,084,089	1,097,060	214,340	223,712	1,298,429	1,320,772	88,757	90,051
Current Liabilities	64,841	64,226	9,710	10,378	74,551	74,604	24,795	22,595
Long-term liabilities	311,849	325,787	98,794	111,420	410,643	437,207	15,820	14,991
Total liabilities	376,690	390,013	108,504	121,798	485,194	511,811	40,615	37,586
Net assets:								
Invested in capital assets, net of related debt	586,847	573,018	68,697	58,666	655,544	631,684	38,070	38,216
Restricted	10,900	21,147	18,721	26,727	29,621	47,874	1,337	1,359
Unrestricted	109,652	112,882	18,418	16,521	128,070	129,403	8,735	12,890
Total net assets	\$ 707,399	\$ 707,047	\$ 105,836	\$ 101,914	\$ 813,235	\$ 808,961	\$ 48,142	\$ 52,465

The City's combined net assets (which is the City's bottom line) increased by \$4.3 million in fiscal year 2011, of which approximately 4% 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 80% 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 \$126 million.

Table II
Summary of Changes in Net Assets (In Thousands)
For the Fiscal Years Ended June 30, 2011 and 2010

	Governmental Activities		Business-type Activities		Total Primary Government		Component Units	
	2011	2010	2011	2010	2011	2010	2011	2010
Revenues:								
Program revenues:								
Charges for services	\$ 19,620	\$ 19,952	\$ 40,108	\$ 41,858	\$ 59,728	\$ 61,810	\$ 6,478	\$ 6,213
Operating grants and contributions	82,270	79,412	3,132	2,521	85,402	81,933	145,912	162,361
Capital grants and contributions	2,569	2,424	592	1,472	3,161	3,896		
General revenues:								
Property taxes	149,797	146,262			149,797	146,262		
Other taxes	69,828	68,652			69,828	68,652		
Other	3,112	3,149	457	724	3,569	3,873	67,924	73,828
Total revenues	<u>327,196</u>	<u>319,851</u>	<u>44,289</u>	<u>46,575</u>	<u>371,485</u>	<u>366,426</u>	<u>220,314</u>	<u>242,402</u>
Expenses:								
General government	114,765	111,650	-	-	114,765	111,650	4,471	6,882
Public safety	49,063	51,937			49,063	51,937		
Highways and streets	13,068	12,078			13,068	12,078		
Sanitation	3,630	3,471	22,923	22,067	26,553	25,538		
Health	3,161	2,949			3,161	2,949		
Human services	31,574	31,226			31,574	31,226	141	189
Culture and recreation	14,531	17,771	27,766	30,454	42,297	48,225	665	362
Education - payment to school board	67,051	68,052			67,051	68,052		
Educational	8,627	7,388			8,627	7,388	219,360	232,461
Capital improvements					-	-		
Housing					-	-		
Interest on long-term debt	11,052	17,951	-	-	11,052	17,951		-
Total expenses	<u>316,522</u>	<u>324,473</u>	<u>50,689</u>	<u>52,521</u>	<u>367,211</u>	<u>376,994</u>	<u>224,637</u>	<u>239,894</u>
Increase (decrease) in net assets before transfers	10,674	(4,622)	(6,400)	(5,946)	4,274	(10,568)	(4,323)	2,508
Special items								
Transfers	<u>(10,322)</u>	<u>(8,467)</u>	<u>10,322</u>	<u>8,467</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net assets	352	(13,089)	3,922	2,521	4,274	(10,568)	(4,323)	2,508
Net assets, July 1	707,047	720,136	101,914	99,393	808,961	819,529	52,465	49,957
Net assets, June 30	<u>\$ 707,399</u>	<u>\$ 707,047</u>	<u>\$ 105,836</u>	<u>\$ 101,914</u>	<u>\$ 813,235</u>	<u>\$ 808,961</u>	<u>\$ 48,142</u>	<u>\$ 52,465</u>

GOVERNMENTAL ACTIVITIES

For the fiscal year ended June 30, 2011, revenues from governmental activities totaled \$327 million. Revenues from governmental activities increased by \$7.5 million; primarily in property taxes and operating and contributions.

Property taxes, the City's largest revenue source, were \$149.8 million, an increase of \$3.5 million when compared to fiscal year 2010. This \$3.5 million is attributed to increases of \$1.3 million in real estate taxes, \$1.4 million in personal property taxes, and \$.5 million in public service taxes. The addition of a Real Estate Lien Department within the Treasurer's office and the assignment of 2 full time employees to concentrate on personal property tax collections contributed to this increase in property taxes. 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 \$104.5 million. One of the most significant of these revenues is the revenue category "Operating Grants and Contributions". These revenues totaled \$82.5 million for the year ended June 30, 2011, an increase of \$3.1 million when compared to the previous year. This increase was primarily in the General Government area; \$3.1 million in Federal American Recovery and Reinvestment Act revenue was received for the purpose of two road projects, Mercury Boulevard resurfacing and Commander Shepard Boulevard Phase 2 right of way.

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 \$69.8 million. This represents a \$1 million increase compared to the previous year primarily due to a \$.4 million increase in meal tax revenues and a \$.2 million increase in utility tax revenues.

For the fiscal year ended June 30, 2011, expenditures for governmental activities, excluding transfers, totaled \$316.5 million, a decrease of \$8 million over the previous year. The majority of this decrease is found in the interest on long-term debt category with a decrease of \$6.8 million due to costs associated with the General Obligation Public Improvement and Refunding Bonds issued in fiscal year 2010. Also, Parks and Recreation Department experienced a \$2.3 million decrease in personnel costs in fiscal year 2011 due to planned budget reductions of \$1.9 million combined with position vacancies which created \$400,000 in personnel budget savings.

BUSINESS-TYPE ACTIVITIES

Business-type activities generated revenues of \$44.2 million, a decrease of \$2.4 million when compared to the previous year. The majority of this decrease is attributed to a \$1.8 million decrease in charges for services. Expenses for the City's business-type activities totaled \$50.8 million, a decrease of \$1.7 million when compared to the previous year. The Coliseum experienced a \$1.9 million decrease in operating revenues along with a \$1.6 million decrease in expenses due to fewer events held during fiscal year 2011. The majority of revenues and expenses for the Coliseum are event driven.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The General Fund's fund balance increased by \$.5 million over fiscal year 2011. This is primarily due to revenues exceeding the budget estimate and personnel budget savings from job vacancies.

The Capital Projects Fund reflected a decrease in fund balance of \$34.4 million due to approximately \$36 million in expenses for capital projects which were funded by the 2007 general obligation bond issue.

The Risk Management Fund showed an increase in net assets of \$.7 million. This is primarily due to a reduction in insurance claims for fiscal year 2011.

The Wastewater Fund recorded an increase in net assets of \$.9 million in fiscal year 2011. This increase is primarily due to personnel savings from job vacancies and fewer than anticipated consent order projects occurring in fiscal year 2011. The DEQ's regional consent order is designed to address sanitary sewer overflows.

The Refuse-Stream Plant's net assets increased by \$1 million due to fewer repairs than anticipated and personnel savings from job vacancies.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the year, the City Council revised the budget on several occasions. City Council appropriated \$13.6 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 2010 but the appropriations lapsed at the end of the fiscal year. Under the City's budget savings program, the remaining budget savings of \$4 million was rolled from fiscal year 2010 to fiscal year 2011. 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 \$22 million below the final budget. A significant amount of this variance (\$8.7 million) occurred in the general government function, which was related to unused budget savings (\$3.2 million) under the City's budget savings program, a \$1.6 million unused fringe budget for retirement incentives and a \$.9 million unused contingency budget. A \$10 million variance was noted in transfers to other funds. The majority of this variance occurred from projects in the Capital Projects Fund that were at various stages of completion. Typically, funding for these projects is appropriated in the subsequent fiscal year.

Revenues exceeded the budget by \$2.9 million. As previously stated, real estate and personal property taxes performed better than originally anticipated.

CAPITAL ASSETS

The total increase over fiscal year 2011 in the City's investment in capital assets for the current fiscal year is \$20 million. At the end of fiscal year 2011, the City had invested \$1.0 billion in a variety of capital assets and infrastructure, as reflected in the following schedule:

Table III Capital Assets (In Thousands)

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Non-depreciable assets:						
Land and land improvements	\$ 507,416	\$ 500,093	\$ 10,804	\$ 10,804	\$ 518,220	\$ 510,897
Easements	532	352	13		545	352
Construction in progress	141,842	118,398	5,512	2,891	147,354	121,289
Other capital assets:						
Buildings and improvements	68,137	67,881	134,392	134,530	202,529	202,411
Improvements other than buildings	67,722	66,492	32,020	32,311	99,742	98,803
Equipment and vehicles	58,916	61,403	25,578	25,429	84,494	86,832
Exhibits			13,950	13,950	13,950	13,950
Landfill			3,866	3,866	3,866	3,866
Infrastructure	151,138	148,874	64,946	64,809	216,084	213,683
Computer software	952	745	48		1,000	745
Other Assets	4,001	4,001			4,001	4,001
Accumulated depreciation	(147,683)	(136,941)	(122,155)	(117,578)	(269,838)	(254,519)
Total	<u>\$ 852,973</u>	<u>\$ 831,298</u>	<u>\$ 168,974</u>	<u>\$ 171,012</u>	<u>\$ 1,021,947</u>	<u>\$ 1,002,310</u>
	School Board		Industrial Development Authority		Coliseum Central Business Improvement District, Inc.	
	2011	2010	2011	2010	2011	2010
Component Units						
Non-depreciable assets:						
Land and land improvements	\$ 5,111	\$ 5,111	\$ 15,803	\$ 15,803	\$ -	\$ -
Construction in progress						
Other capital assets:						
Buildings and improvements	48,963	48,963				
Improvements other than buildings	310	310	383	383		
Infrastructure			2,545	2,545		
Computer software					4	4
Equipment and vehicles	41,342	40,650	50	50	141	162
Accumulated depreciation	(78,051)	(74,935)	(1,229)	(1,119)	(64)	(68)
Total	<u>\$ 17,675</u>	<u>\$ 20,099</u>	<u>\$ 17,552</u>	<u>\$ 17,662</u>	<u>\$ 81</u>	<u>\$ 98</u>

Component Units	Downtown Hampton		Healthy Families		Total Component Unit	
	2011	2010	2011	2010	2011	2010
Non-depreciable assets:						
Land and land improvements	\$ -	\$ -	\$ -	\$ -	\$ 20,914	\$ 20,914
Construction in progress					-	-
Other capital assets:						
Buildings and improvements					48,963	48,963
Improvements other than buildings					-	-
Infrastructure	425	425			693	693
Computer software					2,970	2,970
Equipment and vehicles	103	99	12	12	4	4
Accumulated depreciation	(190)	(167)	(12)	(12)	41,648	40,973
	<u>\$ 338</u>	<u>\$ 357</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,646</u>	<u>\$ 38,216</u>

In response to the current economic climate, a very conservative approach was taken in recommending capital projects for funding in the City's fiscal year 2012 capital budget. This budget sets forth \$27.6 million to be spent during fiscal year 2012 in various projects including \$5.3 million in school building maintenance, \$14.2 million in street and infrastructure projects, and \$5 million in maintenance of public properties. 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 2011, the City had \$279.4 million in outstanding general obligation bonds and \$100 million in outstanding revenue bonds. The City issued \$2.5 million in General Obligation Public School Authority Qualified School Construction Bonds, Series 2010 C to pay for the cost of lighting upgrades in the City schools. The City also issued \$52 million in Convention Center Refunding Revenue Bonds, Series 2011 to refund a portion of the City's Convention Center Revenue Bonds, Series 2002. More detailed information about the City's long-term liabilities is presented in Note 8 to the financial statements.

The Commonwealth of Virginia limits the amount of general obligation debt the City can issue to 10% of the assessed valuation of real property. As of June 30, 2011, the City's aggregate general obligation indebtedness is \$863 million below this limit.

Table IV
City of Hampton
Change in General Obligation and Revenue Bonds (In Thousands)
June 30, 2011 and 2010

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
General Obligation bonds	\$ 279,360	\$ 294,130	\$ -	\$ -	\$ 279,360	\$ 294,130
Revenue bonds			100,120	112,810	100,120	112,810
Unamortized premium	13,138	14,024	8,088	2,019	21,226	16,043
Less deferred amount for						
advance refunding	(3,516)	(3,758)	(5,941)	(635)	(9,457)	(4,393)
Total primary government	<u>\$ 288,982</u>	<u>\$ 304,396</u>	<u>\$ 102,267</u>	<u>\$ 114,194</u>	<u>\$ 391,249</u>	<u>\$ 418,590</u>

Component Unit - Industrial Development Authority

Revenue bonds	<u>\$ 7,380</u>	<u>\$ 7,886</u>
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NEXT YEAR'S BUDGET

The City's staff and City Council considered many factors when developing the fiscal year 2012 budget, with the economy as one of the major factors. The fiscal year 2012 approved budget for the General Fund is \$428.8 million, a 3.95% increase over fiscal year 2011. The City faced a reduction in current real estate tax revenues of \$2.4 million as compared to the fiscal year 2011 adopted budget based on a 2.7% residential assessment decline. The budget includes a new Home Elevation Revolving Loan Program totaling \$2.5 million for residents living in flood zones and approximately \$1 million for new firefighters and program cost for the new Fire Station 11. Taxes and fees remain constant, except for the cigarette tax is increasing from \$0.65 to \$0.75 per pack and the right-of-way fee, is increasing from \$0.76 to \$0.83 per line per month.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

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Basic Financial Statements

**City of Hampton
Statement of Net Assets
June 30, 2011**

	Primary Government			
	Governmental Activities	Business-type Activities	Total Primary Government	Component Units
ASSETS				
Cash and cash equivalents	\$ 142,838,909	\$ 14,809,919	\$ 157,648,828	\$ 7,288,580
Cash with fiscal agent	2,199,000		2,199,000	10,588,225
Investments	55,827,331		55,827,331	113,188
Accounts receivables	24,113,341	5,089,006	29,202,347	512,747
Lease receivable			-	9,900,593
Due from component unit	3,134,421	19,029	3,153,450	
Due from primary government			-	72,587
Internal balances	332,979	(332,979)	-	
Due from other governments			-	13,935,737
Inventories	188,020	268,642	456,662	138,887
Prepaid items	143,173	28,289	171,462	7,361
Temporarily restricted assets:				
Cash and cash equivalents		3,604,469	3,604,469	1,337,104
Cash with fiscal agent	1,618,701	2,943,047	4,561,748	
Investments		17,494,390	17,494,390	
Notes receivable	15,439	8,708	24,147	1,028,945
Deferred charges	704,746	1,433,285	2,138,031	
Land held for sale			-	8,188,784
Capital assets not being depreciated	649,790,110	16,328,871	666,118,981	20,913,814
Capital assets, net of accumulated depreciation	203,182,487	152,645,519	355,828,006	14,730,757
Total assets	<u>\$ 1,084,088,657</u>	<u>\$ 214,340,195</u>	<u>\$ 1,298,428,852</u>	<u>\$ 88,757,309</u>
LIABILITIES				
Accounts payable and other liabilities	\$ 33,612,993	\$ 1,601,904	\$ 35,214,897	\$ 13,418,895
Due to component units	72,587		72,587	
Due to primary government				3,153,450
Unearned revenue	1,949,653	549,069	2,498,722	3,035,903
Current liabilities payable from restricted assets		2,582,861	2,582,861	
Notes and other long-term payables:				
Due within one year	10,196,158	526,287	10,722,445	4,650,323
Due in more than one year	41,876,287	977,017	42,853,304	8,975,507
Bonds payable:				
Due within one year	19,009,201	3,981,319	22,990,520	536,727
Due in more than one year	269,973,139	98,285,730	368,258,869	6,844,114
Total liabilities	<u>376,690,018</u>	<u>108,504,187</u>	<u>485,194,205</u>	<u>40,614,919</u>
NET ASSETS				
Invested in capital assets, net of related debt	586,847,177	68,696,775	655,543,952	35,415,445
Restricted for:				
Capital projects	9,317,904		9,317,904	
Debt service	68,197	18,721,219	18,789,416	
Other purposes	1,513,561		1,513,561	1,475,991
Unrestricted	<u>109,651,800</u>	<u>18,418,014</u>	<u>128,069,814</u>	<u>11,250,954</u>
Total net assets	<u>707,398,639</u>	<u>105,836,008</u>	<u>813,234,647</u>	<u>48,142,390</u>
Total liabilities and net assets	<u>\$ 1,084,088,657</u>	<u>\$ 214,340,195</u>	<u>\$ 1,298,428,852</u>	<u>\$ 88,757,309</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, 2011

Functions/Programs	Program Revenues				Net (Expense) Revenue and Change in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units
					Governmental Activities	Business-type Activities	Total	
Primary government								
Governmental activities:								
General government	\$ 114,764,423	\$ 7,129,207	\$ 29,485,998	\$ 127,057	\$ (78,022,161)	\$ -	\$ (78,022,161)	\$ -
Public safety	49,063,091	2,049,342	12,163,381		(34,850,368)		(34,850,368)	
Highways and streets	13,067,684		16,192,767	2,442,414	5,567,497		5,567,497	
Sanitation	3,629,982	4,856,122			1,226,140		1,226,140	
Health	3,161,360	2,921,397			(239,963)		(239,963)	
Human Services	31,573,675	18,745	24,021,061		(7,533,869)		(7,533,869)	
Culture and recreation	14,531,328	2,594,295	243,462		(11,693,571)		(11,693,571)	
Education (payment to school district)	67,051,476		163,199		(66,888,277)		(66,888,277)	
Education and educational services	8,626,482	50,997			(8,575,485)		(8,575,485)	
Interest on long-term debt	11,052,167	-	-	-	(11,052,167)		(11,052,167)	
Total governmental activities	316,521,668	19,620,105	82,269,868	2,569,471	(212,062,224)		(212,062,224)	
Business-type activities:								
Culture and recreation	27,766,672	13,675,231	3,132,006	591,766		(10,367,669)	(10,367,669)	
Sanitation	22,923,043	26,433,212	-	-	-	3,510,169	3,510,169	
Total business-type activities	50,689,715	40,108,443	3,132,006	591,766	-	(6,857,500)	(6,857,500)	
Total primary government	\$ 367,211,383	\$ 59,728,548	\$ 85,401,874	\$ 3,161,237	\$ (212,062,224)	\$ (6,857,500)	\$ (218,919,724)	
Component units								
Public school system	\$ 219,359,972	\$ 5,126,201	\$ 145,598,025	\$ -				(68,635,746)
Industrial development	2,922,686	495,595						(2,427,091)
Business improvement	912,643	578,879						(333,764)
Downtown development	635,245	271,111	171,797					(192,337)
Healthy families	141,517	6,571	112,966					(21,980)
Museum support	664,910	-	29,719	-				(635,191)
Total component units	\$ 224,636,973	\$ 6,478,357	\$ 145,912,507	\$ -				\$ (72,246,109)

Net (Expense) Revenue and Change in Net Assets				
	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
General revenues				
Taxes:				
Property taxes	\$ 149,797,476	\$ -	\$ 149,797,476	\$ -
Sales taxes	13,827,610		13,827,610	
Lodging, meal and amusement taxes	19,605,626		19,605,626	
Motor vehicle taxes	3,812,570		3,812,570	
Business license taxes	11,562,347		11,562,347	
Utility taxes	5,527,912		5,527,912	
Tobacco taxes	3,680,981		3,680,981	
Recordation taxes	1,443,396		1,443,396	
Bank stock taxes	504,721		504,721	
Pari-mutuel license taxes	78,738		78,738	
Short-term rental taxes	89,437		89,437	
Communication sales tax	9,677,044		9,677,044	
Mobile home titling tax	16,229		16,229	
Payments from (to) City of Hampton			-	67,259,914
Investment earnings	563,629	457,459	1,021,088	621,915
Miscellaneous	2,548,340		2,548,340	41,763
Transfers	<u>(10,321,989)</u>	<u>10,321,989</u>	<u>-</u>	<u>-</u>
Total general revenues and transfers	<u>212,414,067</u>	<u>10,779,448</u>	<u>223,193,515</u>	<u>67,923,592</u>
Change in net assets	351,843	3,921,948	4,273,791	(4,322,517)
Net assets, beginning	<u>707,046,796</u>	<u>101,914,060</u>	<u>808,960,856</u>	<u>52,464,907</u>
Net assets, ending	<u>\$ 707,398,639</u>	<u>\$ 105,836,008</u>	<u>\$ 813,234,647</u>	<u>\$ 48,142,390</u>

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

**CITY OF HAMPTON, VIRGINIA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2011**

	General Fund	Special Revenue - Economic Development	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 93,536,843	\$ 8,559,461	\$ 520,165	\$ 470,980	\$ 8,762,664	\$ 111,850,113
Cash with fiscal agent	1,768,424					1,768,424
Investments	7,995,762			47,831,569		55,827,331
Accounts receivables:						
Taxes (net of allowance for uncollectible)	6,997,771					6,997,771
Due from other governments	9,598,110			474,293	4,447,662	14,520,065
Other	2,164,972	7,013	28		365,039	2,537,052
Notes receivable					15,439	15,439
Due from other funds	6,361,033			5,628,801	102,615	12,092,449
Due from component units	2,874,375	9,188				2,883,563
Restricted assets:						
Cash with fiscal agent				1,618,701		1,618,701
Inventories	29,185					29,185
Advances to other funds	-	-	4,943,016	-	-	4,943,016
Total assets	<u>\$ 131,326,475</u>	<u>\$ 8,575,662</u>	<u>\$ 5,463,209</u>	<u>\$ 56,024,344</u>	<u>\$ 13,693,419</u>	<u>\$ 215,083,109</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 4,113,138	\$ 25,000	\$ -	\$ 4,853,135	\$ 4,013,092	\$ 13,004,365
Accrued health insurance	8,504,176					8,504,176
Accrued liabilities	4,291,995				169,761	4,461,756
Due to other funds	6,099,830			7,148	1,311,909	7,418,887
Due to component units	70,730				1,857	72,587
Deferred revenue	5,841,567	11,002	-	-	1,265,158	7,117,727
Total liabilities	<u>28,921,436</u>	<u>36,002</u>	<u>-</u>	<u>4,860,283</u>	<u>6,761,777</u>	<u>40,579,498</u>
Fund balances:						
Nonspendable	29,185		4,943,016			4,972,201
Restricted	4,305,476	1,120,218	68,197	4,400,345	6,788,606	16,682,842
Committed	45,847,634	3,533,360		44,613,469		93,994,463
Assigned	2,025,318	3,886,082	451,996	2,150,247	143,036	8,656,679
Unassigned	50,197,426	-	-	-	-	50,197,426
Total fund balances	<u>102,405,039</u>	<u>8,539,660</u>	<u>5,463,209</u>	<u>51,164,061</u>	<u>6,931,642</u>	<u>174,503,611</u>
Total liabilities and fund balances	<u>\$ 131,326,475</u>	<u>\$ 8,575,662</u>	<u>\$ 5,463,209</u>	<u>\$ 56,024,344</u>	<u>\$ 13,693,419</u>	<u>\$ 215,083,109</u>

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

Total fund balances of governmental funds	\$	174,503,611
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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)		843,011,599
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Other assets are not available to pay current-period expenditures and, therefore, are deferred in the funds.		5,900,672
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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)		34,150,344
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Other liabilities not paid from current-period revenues are not reported in the funds for:

Accrued interest		(6,577,122)
Interfund balances related to amounts eliminated in the Statement of Net Assets		(9,283,599)

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>(334,306,866)</u>
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Net assets of governmental activities	\$	<u>707,398,639</u>
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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, 2011

	General Fund	Special Revenue - Economic Development	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES						
General property taxes	\$ 144,301,682	\$ -	\$ -	\$ -	\$ -	\$ 144,301,682
Other local taxes	69,472,842					69,472,842
Special assessment	-				5,638,188	5,638,188
Intergovernmental revenues:						
From the Commonwealth of Virginia	52,052,513			28,871	9,433,520	61,514,904
From the Federal government	10,591,129		257,643	591,052	8,893,989	20,333,813
Permits, privilege fees and regulatory licenses	1,024,355					1,024,355
Fines and forfeitures	2,189,158					2,189,158
Revenues from use of money and property	629,850	855,715	610	206,849	372,332	2,065,356
Charges for services	6,674,664				4,857,437	11,532,101
Payment from component units	2,000,582					2,000,582
Miscellaneous	3,916,262			10,542	1,606,117	5,532,921
Recovered costs	906,000	-	251,591			1,157,591
Total revenues	<u>293,759,037</u>	<u>855,715</u>	<u>509,844</u>	<u>837,314</u>	<u>30,801,583</u>	<u>326,763,493</u>
EXPENDITURES						
Current:						
General government	83,892,611	677,257			14,496,728	99,066,596
Public safety	43,841,337				4,480,282	48,321,619
Highways and streets	1,812,227					1,812,227
Sanitation	-				3,636,820	3,636,820
Health	2,652,224					2,652,224
Human services	23,318,142				8,239,592	31,557,734
Culture and recreation	11,841,997				237,744	12,079,741
Education (payment to school district)	67,051,476					67,051,476
Education and educational services	2,132,125				786	2,132,911
Capital improvements				53,115,019		53,115,019
Debt service:						
Principal retirement			17,640,275			17,640,275
Interest and fiscal charges			12,901,474			12,901,474
Bond issuance costs	-	-	-	45,000	-	45,000
Total expenditures	<u>236,542,139</u>	<u>677,257</u>	<u>30,541,749</u>	<u>53,160,019</u>	<u>31,091,952</u>	<u>352,013,116</u>
Excess (deficiency) of revenues over (under)	<u>57,216,898</u>	<u>178,458</u>	<u>(30,031,905)</u>	<u>(52,322,705)</u>	<u>(290,369)</u>	<u>(25,249,623)</u>
OTHER FINANCING SOURCES (USES)						
Issuance of debt and capital leases				2,545,000		2,545,000
Transfers in	1,368,351		29,753,399	15,385,307	1,999,918	48,506,975
Transfers out	(57,926,299)	(237,040)	-	-	(665,624)	(58,828,963)
Net other financing sources (uses)	<u>(56,557,948)</u>	<u>(237,040)</u>	<u>29,753,399</u>	<u>17,930,307</u>	<u>1,334,294</u>	<u>(7,776,988)</u>
Net change in fund balances	<u>658,950</u>	<u>(58,582)</u>	<u>(278,506)</u>	<u>(34,392,398)</u>	<u>1,043,925</u>	<u>(33,026,611)</u>
Fund balances, beginning of year, as restated	<u>101,746,089</u>	<u>8,598,242</u>	<u>5,741,715</u>	<u>85,556,459</u>	<u>5,887,717</u>	<u>207,530,222</u>
Fund balances, end of year	<u>\$ 102,405,039</u>	<u>\$ 8,539,660</u>	<u>\$ 5,463,209</u>	<u>\$ 51,164,061</u>	<u>\$ 6,931,642</u>	<u>\$ 174,503,611</u>

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	\$ (33,026,611)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Loss on disposal of assets are not reported in the governmental funds but are reflected in the statement of activities.	
Capital acquisitions	34,696,980
Depreciation expense	(13,681,949)
Loss on disposal of assets	(1,207,740)
Donated assets are not reported in the governmental funds but are reflected in the statement of activities	1,822,492
Revenues earned during the period that are not yet available are reported in the Statement of Activities, but not reported as revenues in the funds.	(1,174,659)
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 decrease for compensated absences and net pension obligation	(37,822)
Net other postemployment benefits liability	(4,147,438)
Proceeds from debt issuance	(2,545,000)
Repayment of debt principal	18,356,975
Bond issuance costs	(73,605)
Premium on bonds	-
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.	432,659
Expenses incurred during the period related to liabilities that are still outstanding and not yet due at year-end for accrued interest	293,699
Amortization of premiums	643,862
Change in net assets of governmental activities	<u>\$ 351,843</u>

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

CITY OF HAMPTON, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2011

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
REVENUES				
Intergovernmental:				
State funds	\$ 34,972,372	\$ 50,426,301	\$ 52,052,513	\$ 1,626,212
Federal funds (includes pass through)	11,171,025	11,171,025	10,591,129	(579,896)
Local taxes	227,207,478	211,753,549	213,774,524	2,020,975
Licenses and permits	1,215,920	1,215,920	1,024,355	(191,565)
Fines and forfeitures	1,946,000	1,946,000	2,189,158	243,158
Revenue from use of money and property	899,929	899,929	629,850	(270,079)
Charges for services	7,046,531	7,046,531	6,674,664	(371,867)
Recovered costs	906,000	906,000	906,000	-
Payment from component units	2,000,000	2,000,000	2,000,582	582
Miscellaneous	3,728,624	3,728,624	3,916,262	187,638
Total revenues	291,093,879	291,093,879	293,759,037	2,665,158
EXPENDITURES				
Current:				
General government	89,056,830	92,650,102	83,892,611	(8,757,491)
Public safety	44,478,253	45,323,853	43,841,337	(1,482,516)
Highways and streets	2,223,525	1,995,136	1,812,227	(182,909)
Health	2,935,265	2,970,521	2,652,224	(318,297)
Human services	23,168,044	23,675,648	23,318,142	(357,506)
Culture and recreation	12,905,110	12,836,016	11,841,997	(994,019)
Education	69,280,564	69,308,318	69,183,601	(124,717)
Total expenditures	244,047,591	248,759,594	236,542,139	(12,217,455)
Excess of revenues over (under) expenditures	47,046,288	42,334,285	57,216,898	14,882,613
OTHER FINANCING SOURCES (USES)				
Transfers in	1,368,351	1,368,351	1,368,351	-
Transfers out	(52,822,602)	(67,957,727)	(57,926,299)	(10,031,428)
Total other financing sources (uses)	(51,454,251)	(66,589,376)	(56,557,948)	(10,031,428)
Excess of revenues and other sources over (under) expenditures and other uses	(4,407,963)	(24,255,091)	658,950	<u>\$ 24,914,041</u>
Appropriations from fund balance	4,407,963	25,800,379		
Appropriations - encumbrances	-	(1,545,288)		
Budget - excess of revenues and appropriations from fund balance over (under) expenditures		-		
Fund balance - July 1	-	-	101,746,089	
Fund balance - June 30	\$ -	\$ -	\$ 102,405,039	

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, 2011

	Business-Type Activities - Enterprise Funds						Governmental
	Wastewater Management	The Hamptons	Museum	Convention Center	Non-major Enterprise	Totals	Internal Service Funds
ASSETS							
Current assets:							
Cash and cash equivalents	\$ 5,552,402	\$ 800	\$ 307,308	\$ -	\$ 8,949,409	\$ 14,809,919	\$ 30,988,796
Cash with fiscal agent						-	430,576
Restricted assets to be used to liquidate						-	
current liabilities:						-	
Revenue bond indenture:						-	
Cash and cash equivalents				1,844,796		1,844,796	
Cash with fiscal agent			1,037,527	1,905,520		2,943,047	
Accounts receivable	1,943,429	6,561	165,988	176,364	2,796,664	5,089,006	58,453
Notes and mortgage receivable	8,708					8,708	
Due from other funds				375,859	80,833	456,692	574
Due from component units					19,029	19,029	250,858
Inventories	54,595	30,793	95,413		87,840	268,641	158,836
Prepaid expense			27,933			27,933	143,171
Restricted assets:						-	
Revenue bond indenture:						-	
Cash and cash equivalents		283,568	1,347,897	128,208		1,759,673	
Investments	-	362,319	-	17,132,071	-	17,494,390	-
Total current assets	<u>7,559,134</u>	<u>684,041</u>	<u>2,982,066</u>	<u>21,562,818</u>	<u>11,933,775</u>	<u>44,721,834</u>	<u>32,031,264</u>
Noncurrent Assets:							
Deferred charges		2,376	43,579	1,387,687		1,433,642	
Capital assets:						-	
Land	145,615		1,921,420	5,332,401	3,404,805	10,804,241	
Easements	12,862					12,862	
Buildings and improvements	1,706,026	2,398,794	26,847,771	89,858,045	13,581,698	134,392,334	
Improvements	254,189	3,719,882	6,800	3,228,110	24,810,601	32,019,582	248,062
Computer Software	48,353					48,353	185,625
Equipment	4,016,296	567,638	4,262,370	877,330	15,854,128	25,577,762	33,612,378
Construction in progress	361,058		2,715,208	197,861	2,237,641	5,511,768	
Exhibits			13,950,306			13,950,306	
Landfill					3,865,986	3,865,986	
Infrastructure	64,945,783					64,945,783	
Less accumulated depreciation	<u>(28,892,382)</u>	<u>(5,772,441)</u>	<u>(32,685,098)</u>	<u>(15,724,508)</u>	<u>(39,080,158)</u>	<u>(122,154,587)</u>	<u>(24,085,067)</u>
Net capital assets	<u>42,597,800</u>	<u>913,873</u>	<u>17,018,777</u>	<u>83,769,239</u>	<u>24,674,701</u>	<u>168,974,390</u>	<u>9,960,998</u>
Total noncurrent assets	<u>42,597,800</u>	<u>916,249</u>	<u>17,062,356</u>	<u>85,156,926</u>	<u>24,674,701</u>	<u>170,408,032</u>	<u>9,960,998</u>
Total assets	<u>\$ 50,156,934</u>	<u>\$ 1,600,290</u>	<u>\$ 20,044,422</u>	<u>\$ 106,719,744</u>	<u>\$ 36,608,476</u>	<u>\$ 215,129,866</u>	<u>\$ 41,992,262</u>

	Business-Type Activities - Enterprise Funds						Governmental Activities
	Wastewater Management	The Hamptons	Museum	Convention Center	Non-major Enterprise	Totals	Internal Service Funds
LIABILITIES							
Current liabilities:							
Accounts payable	\$ 216,178	\$ 23,045	\$ -	\$ -	\$ 588,313	\$ 827,536	\$ 1,011,940
Accrued liabilities				41,691		41,691	
Accrued interest payable		2,900	108,125		59,657	170,682	
Accrued leave	96,638	9,886	51,775		201,239	359,538	80,818
Due to other funds		2,994,350	749,000		1,386,904	5,130,254	574
Deferred revenue		500	76,543		472,026	549,069	27,852
Current portion of long-term debt		442,455	1,434,051	2,731,474	9,294	4,617,274	4,795,925
Current liabilities payable from restricted assets:						-	
Accounts payable			873,630	231,486		1,105,116	
Accrued interest payable				1,477,745		1,477,745	
Other liabilities	72,047	25,674	-	69,154	395,117	561,992	53,633
Total current liabilities	384,863	3,498,810	3,293,124	4,551,550	3,112,550	14,840,897	5,970,742
Noncurrent liabilities:							
Claims payable						-	838,268
Accrued leave	80,364	22,848			292,162	395,374	82,447
Bonds payable		291,212	2,603,757	94,921,555		97,816,524	
Obligations under capital leases		576,895			4,748	581,643	950,461
Advances from other funds	-	-	-	-	4,943,016	4,943,016	-
Total noncurrent liabilities	80,364	890,955	2,603,757	94,921,555	5,239,926	103,736,557	1,871,176
Total liabilities	465,227	4,389,765	5,896,881	99,473,105	8,352,476	118,577,454	7,841,918
NET ASSETS							
Invested in capital assets, net of related debt	42,597,800	(396,689)	12,980,969	(11,145,964)	24,660,659	68,696,775	8,813,112
Restricted						-	
Debt service		645,887	1,511,794	16,563,538		18,721,219	
Unrestricted	7,093,907	(3,038,673)	(345,222)	1,829,065	3,595,341	9,134,418	25,276,656
Total net assets (deficit)	49,691,707	(2,789,475)	14,147,541	7,246,639	28,256,000	96,552,412	34,089,768
Total liabilities and net assets	\$ 50,156,934	\$ 1,600,290	\$ 20,044,422	\$ 106,719,744	\$ 36,608,476	\$ 215,129,866	\$ 41,931,686

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

Net assets of enterprise funds	\$ 96,552,412
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	8,824,972
Net assets business-type activities	\$ 105,836,010

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, 2011

	Business-Type Activities - Enterprise Funds		
	Wastewater Management	The Hamptons	Museum
Operating revenues:			
Charges for services	\$ 8,631,754	\$ 896,192	\$ 1,792,476
Federal revenues			646,250
Other	-	-	3,313,827
Total operating revenues	<u>8,631,754</u>	<u>896,192</u>	<u>5,752,553</u>
Operating expenses:			
Personal services	1,941,780	333,513	1,696,637
Fringe benefits	778,474	96,741	451,004
Promoters' fees			
City-sponsored events			
Cost of goods sold	271,743	25,948	179,800
Utilities	183,456	46,190	340,895
Insurance	45,363	25,336	65,715
Operating supplies	178,510	83,295	2,003,775
Equipment rental	6,892	259,745	152,586
Equipment and building repairs	311,144	57,657	147,844
Telephone and postage	22,618	6,669	25,090
Amusement tax			
General expense	47,646	3,763	
Claims			
Landfill costs			
Contractual services	2,153,462	53,941	235,770
Indirect cost	456,000		
Depreciation and amortization	<u>1,289,759</u>	<u>280,081</u>	<u>2,371,424</u>
Total operating expenses	<u>7,686,847</u>	<u>1,272,879</u>	<u>7,670,540</u>
Operating income (loss)	<u>944,907</u>	<u>(376,687)</u>	<u>(1,917,987)</u>
Nonoperating revenues (expenses):			
Interest income		61	64,645
Interest and fiscal charges		(121,815)	(237,862)
Other			
Gain (loss) on sale of capital assets	797		
Net increase (decrease) in fair value of investments	-	-	-
Total nonoperating revenues (expenses)	<u>797</u>	<u>(121,754)</u>	<u>(173,217)</u>
Income (loss) before transfers and capital contributions	<u>945,704</u>	<u>(498,441)</u>	<u>(2,091,204)</u>
Capital contributions		72,128	464,617
Transfers in (out)	<u>-</u>	<u>630,000</u>	<u>1,587,637</u>
Change in net assets	<u>945,704</u>	<u>203,687</u>	<u>(38,950)</u>
Net assets, (deficit) beginning of year	<u>48,746,003</u>	<u>(2,993,162)</u>	<u>14,186,491</u>
Net assets, (deficit) end of year	<u>\$ 49,691,707</u>	<u>\$ (2,789,475)</u>	<u>\$ 14,147,541</u>

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

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

Exhibit A-7

Business-Type Activities - Enterprise Funds			Governmental Activities
Convention Center	Non-major Enterprise	Totals	Internal Service Funds
\$ 2,081,848	\$ 25,788,736	\$ 39,191,006	\$ 16,912,578
-	-	646,250	-
2,081,848	25,788,736	3,313,827	-
		43,151,083	16,912,578
898,714	5,241,848	10,112,492	1,480,026
310,971	1,942,365	3,579,555	576,622
	2,670,658	2,670,658	
	917,301	917,301	
	269,103	746,594	4,602,126
795,813	856,037	2,222,391	50,925
63,603	649,674	849,691	1,814,753
593,968	1,019,596	3,879,144	212,960
	72,384	491,607	89,788
173,077	2,114,807	2,804,529	181,563
46,267	41,164	141,808	928,458
	-	-	
173,073	1,207,779	1,432,261	70,446
		-	4,200,547
	3,790,001	3,790,001	
315,068	844,372	3,602,613	199,338
	574,470	1,030,470	
2,640,986	2,072,319	8,654,569	2,221,132
6,011,540	24,283,878	46,925,684	16,628,684
(3,929,692)	1,504,858	(3,774,601)	283,894
615,175	3,957	683,838	54,818
(4,151,412)	(248,920)	(4,760,009)	(56,547)
		-	2,823
	54,081	54,878	22,015
(226,379)	-	(226,379)	-
(3,762,616)	(190,882)	(4,247,672)	23,109
(7,692,308)	1,313,976	(8,022,273)	307,003
	55,021	591,766	125,656
7,838,186	266,165	10,321,988	-
145,878	1,635,162	2,891,481	432,659
7,100,761	26,620,838	93,660,931	33,717,685
\$ 7,246,639	\$ 28,256,000	\$ 96,552,412	\$ 34,150,344

\$ 2,891,481

1,030,469

\$ 3,921,950

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, 2011

	Business-Type Activities- Enterprise Funds						Governmental Activities
	Wastewater Management	The Hamptons	Museum	Convention Center	Non-major Enterprise	Totals	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES							
Cash received from customers	\$ 8,801,838	\$ 896,521	\$ 5,668,687	\$ 2,098,083	\$ 25,731,899	\$ 43,197,028	\$ 17,459,258
Cash payments to suppliers for goods and services	(4,442,833)	(651,174)	(3,682,251)	(2,583,440)	(16,963,063)	(28,322,761)	(11,981,197)
Cash payments to employees for services	(1,940,498)	(323,010)	(1,705,499)	(894,590)	(5,262,727)	(10,126,324)	(1,902,029)
Net cash provided by (used in) operating activities	2,418,507	(77,663)	280,937	(1,379,947)	3,506,109	4,747,943	3,576,032
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
Transfers in from other funds	-	630,000	1,587,637	7,825,116	266,165	10,308,918	574
Net cash provided by (used in) noncapital financing activities	-	630,000	1,587,637	7,825,116	266,165	10,308,918	574
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Acquisition and construction of capital assets	(497,126)	(21,661)	(428,262)	(190,858)	(4,558,007)	(5,695,914)	(1,830,917)
Sale of capital assets					88,164	88,164	369,475
Principal paid on revenue bond maturities and long-term debt		(412,707)	(1,330,000)	(2,155,000)	(309,363)	(4,207,070)	(418,789)
Interest paid on revenue bonds and long-term debt		(123,165)	(259,475)	(5,130,531)	(252,161)	(5,765,332)	(56,547)
Proceeds from sale of capital assets	1,205	-	-	-	-	1,205	23,480
Net cash provided by (used in) capital and related financing activities	(495,921)	(557,533)	(2,017,737)	(7,476,389)	(5,031,367)	(15,578,947)	(1,913,298)
CASH FLOWS FROM INVESTING ACTIVITIES							
Purchase of investment securities				(12,097,310)		(12,097,310)	
Sale of investment securities				13,644,545		13,644,545	
Interest and dividends on investments	-	25	595	388,796	4,177	393,593	55,358
Net cash provided by (used in) investing activities	-	25	595	1,936,031	4,177	1,940,828	55,358
Net increase (decrease) in cash and cash equivalents (including restricted amounts)	1,922,586	(5,171)	(148,568)	904,811	(1,254,916)	1,418,742	1,718,666
Cash and cash equivalents (including restricted), July 1	3,629,816	289,539	2,841,300	2,973,713	10,204,325	19,938,693	29,700,706
Cash and cash equivalents (including restricted), June 30	\$ 5,552,402	\$ 284,368	\$ 2,692,732	\$ 3,878,524	\$ 8,949,409	\$ 21,357,435	\$ 31,419,372

	Business-Type Activities- Enterprise Funds						Governmental Activities
	Wastewater Management	The Hamptons	Museum	Convention Center	Non-major Enterprise	Totals	Internal Service Funds
Operating income (loss)	<u>\$ 944,907</u>	<u>\$ (376,687)</u>	<u>\$ (1,917,987)</u>	<u>\$ (3,929,692)</u>	<u>\$ 1,504,858</u>	<u>\$ (3,774,601)</u>	<u>\$ 283,894</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:							
Depreciation and amortization expense	1,289,759	280,081	2,371,424	2,640,986	2,072,319	8,654,569	2,221,132
Decrease (increase) in:							
Accounts receivable	132,746	(6,561)	(83,866)	16,235	162,874	221,428	517,162
Due from other funds	36,460	829			(80,399)	(43,110)	46,321
Due from component units					4,988	4,988	(9,635)
Due to other governments						-	
Inventories	7,886	5,023	18,280		(9,957)	21,232	(47,563)
Prepaid expenses			127,341	(356)		126,985	232,382
Notes and mortgage receivable	878					878	
Deferred charges						-	
Increase (decrease) in:							
Accounts payable	4,666	(33,238)			(42,815)	(71,387)	323,803
Accrued leave	(2,358)	1,907	(8,862)		38,739	29,426	4,818
Due to other funds	(77)	42,887		(800)	(120,636)	(78,626)	(717)
Other liabilities	(25)	9,452		4,124	(19,223)	(5,672)	(6,706)
Nonoperating revenues reported as operating revenues							2,823
Deferred revenue		(500)	(374,505)		43,275	(331,730)	(9,451)
Accrued liabilities				(4,070)		(4,070)	
Current liabilities payable from restricted assets			149,112	70,584		219,696	
Current portion of long-term accrued claims reported as operating activity						-	150,624
Due to other funds reported as nonoperating activities						-	(574)
Accounts receivable reported as nonoperating activities					(220)	(220)	(540)
Accounts payable reported as nonoperating activities						-	(311,416)
Long-term accrued leave reported as operating activity	3,665	(856)			(47,694)	(44,885)	(26,649)
Long-term accrued insurance claims reported as operating activity				(176,958)		(176,958)	206,324
Nonoperating revenues reported as operating revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total adjustments	<u>1,473,600</u>	<u>299,024</u>	<u>2,198,924</u>	<u>2,549,745</u>	<u>2,001,251</u>	<u>8,522,544</u>	<u>3,292,138</u>
Net cash provided by (used in) operating activities	<u>\$ 2,418,507</u>	<u>\$ (77,663)</u>	<u>\$ 280,937</u>	<u>\$ (1,379,947)</u>	<u>\$ 3,506,109</u>	<u>\$ 4,747,943</u>	<u>\$ 3,576,032</u>
Non-cash transactions affecting investing capital and related financing activities:							
Acquisition of capital assets through outside capital contribution	\$ -	\$ 72,128	\$ 464,617	\$ -	\$ 55,021	\$ 591,766	\$ 125,656
Net increase (decrease) in fair value of investments	<u>-</u>	<u>-</u>	<u>-</u>	<u>(226,379)</u>	<u>-</u>	<u>(226,379)</u>	<u>-</u>
Total non-cash transactions	<u>\$ -</u>	<u>\$ 72,128</u>	<u>\$ 464,617</u>	<u>\$ (226,379)</u>	<u>\$ 55,021</u>	<u>\$ 365,387</u>	<u>\$ 125,656</u>

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

CITY OF HAMPTON, VIRGINIA
STATEMENT OF FIDUCIARY NET ASSETS
June 30, 2011

	<u>Pension Trust</u> <u>Hampton</u> <u>Employees'</u> <u>Retirement System</u>	<u>Agency Funds</u>
ASSETS		
Cash and cash equivalents	\$ 23,058	\$ 1,194,996
Investments:		
Bond mutual funds	45,854,134	
Stock mutual funds	82,947,487	
Receivables:		
Accounts	14,369	
Property, Plant, and Equipment		
Office and operating equipment	8,782	
Less accumulated depreciation	(6,440)	-
Total assets	<u>\$ 128,841,390</u>	<u>\$ 1,194,996</u>
LIABILITIES		
Deposits	\$ -	\$ 1,165,643
Accounts payable	30,469	29,353
Total liabilities	<u>30,469</u>	<u>\$ 1,194,996</u>
NET ASSETS		
Held in trust for pension benefits and other purposes	<u>\$ 128,810,921</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, 2011

	Hampton Employees' Retirement System
ADDITIONS	
Investment income:	
Net appreciation (depreciation) in fair value of investments	\$ 20,974,382
Dividends	3,231,911
Total investment earnings (losses)	24,206,293
Less investment expenses	(14,234)
Net investment earnings (losses)	24,192,059
Employer contributions	3,368,463
Total additions (losses)	27,560,522
DEDUCTIONS	
Benefits	16,488,825
Administrative expenses	188,989
Total deductions	16,677,814
Change in net assets	10,882,708
Net assets, July 1	117,928,213
Net assets, June 30	\$ 128,810,921

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, 2011

	Governmental Activities	Business-Type Activities			Business-Type Activities		
		Industrial Development Authority	Coliseum Central Business Improvement District, Inc.	Downtown Hampton Development Partnership, Inc.	Healthy Families Partnership, Inc.	Foundation of the Virginia Air and Space Center	Total
ASSETS							
Cash and cash equivalents	\$ 5,085,359	\$ 946,070	\$ 779,926	\$ 367,626	\$ 109,599	\$ -	\$ 7,288,580
Cash with fiscal agent	8,022,950	2,565,275					10,588,225
Investments	12,001	1,169			100,000	18	113,188
Accounts receivable	150,057	41,964	291,957	10,000	4,299	14,470	512,747
Lease receivable		9,900,593					9,900,593
Due from primary government	72,587						72,587
Due from other governments	13,935,737						13,935,737
Inventories	138,887						138,887
Prepaid items			5,065	2,296			7,361
Temporarily restricted assets:							
Cash and cash equivalents		1,337,104					1,337,104
Notes receivable		1,028,945					1,028,945
Land held for sale		8,188,784					8,188,784
Capital assets not being depreciated	5,111,045	15,802,769					20,913,814
Capital assets, net of accumulated depreciation	12,562,859	1,748,792	81,298	337,808	-	-	14,730,757
Total assets	<u>\$ 45,091,482</u>	<u>\$ 41,561,465</u>	<u>\$ 1,158,246</u>	<u>\$ 717,730</u>	<u>\$ 213,898</u>	<u>\$ 14,488</u>	<u>\$ 88,757,309</u>
LIABILITIES							
Accounts payable and other liabilities	\$ 12,536,496	\$ 680,983	\$ 27,751	\$ 23,180	\$ 2,230	\$ 148,255	13,418,895
Due to other funds							-
Due to other governments							-
Due to primary government	3,144,260	9,190					3,153,450
Unearned revenue	74,211	2,961,692					3,035,903
Notes and other long-term payables:							
Due within one year	2,550,323					2,100,000	4,650,323
Due in more than one year	8,975,507						8,975,507
Bonds payable:							
Due within one year		536,727					536,727
Due in more than one year	-	6,844,114	-	-	-	-	6,844,114
Total liabilities	<u>27,280,797</u>	<u>11,032,706</u>	<u>27,751</u>	<u>23,180</u>	<u>2,230</u>	<u>2,248,255</u>	<u>40,614,919</u>
NET ASSETS							
Invested in capital assets, net of related debt	17,444,778	17,551,561	81,298	337,808			35,415,445
Restricted for:							
Other purposes	138,887	1,337,104					1,475,991
Unrestricted	227,020	11,640,094	1,049,197	356,742	211,668	(2,233,767)	11,250,954
Total net assets	<u>17,810,685</u>	<u>30,528,759</u>	<u>1,130,495</u>	<u>694,550</u>	<u>211,668</u>	<u>(2,233,767)</u>	<u>48,142,390</u>
Total liabilities and net assets	<u>\$ 45,091,482</u>	<u>\$ 41,561,465</u>	<u>\$ 1,158,246</u>	<u>\$ 717,730</u>	<u>\$ 213,898</u>	<u>\$ 14,488</u>	<u>\$ 88,757,309</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, 2011

Functions/Programs	Program Revenues				Net (Expenses) Revenues and Changes in Net Assets						Total
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	School Board	Industrial Development Authority	Coliseum Central Business Improvement District, Inc.	Downtown Hampton Development Partnership, Inc.	Healthy Families Partnership, Inc.	Foundation of the Virginia Air and Space Center	
Governmental type activities											
Public school system	\$ 219,359,972	\$ 5,126,201	\$ 145,598,025	\$ -	\$(68,635,746)	\$ -	\$ -	\$ -	\$ -	\$ -	\$(68,635,746)
Business type activities											
Industrial development	2,922,686	495,595				(2,427,091)					(2,427,091)
Business improvement	912,643	578,879					(333,764)				(333,764)
Downtown development	635,245	271,111	171,797					(192,337)			(192,337)
Healthy families	141,517	6,571	112,966						(21,980)		(21,980)
Museum support	<u>664,910</u>	<u>-</u>	<u>29,719</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(635,191)</u>	<u>(635,191)</u>
Total component units	<u>\$ 224,636,973</u>	<u>\$ 6,478,357</u>	<u>\$ 145,912,507</u>	<u>\$ -</u>	<u>\$(68,635,746)</u>	<u>\$ (2,427,091)</u>	<u>\$ (333,764)</u>	<u>\$ (192,337)</u>	<u>\$ (21,980)</u>	<u>\$ (635,191)</u>	<u>\$(72,246,109)</u>
Payments from (to) City of Hampton					65,051,476	1,458,925	554,704	194,809			67,259,914
Investment earnings						612,633	5,678		77	3,527	621,915
Miscellaneous					<u>-</u>	<u>-</u>	<u>1,146</u>	<u>13,678</u>	<u>26,939</u>	<u>-</u>	<u>41,763</u>
Total general revenues, special items and transfers					<u>65,051,476</u>	<u>2,071,558</u>	<u>561,528</u>	<u>208,487</u>	<u>27,016</u>	<u>3,527</u>	<u>67,923,592</u>
Change in net assets					(3,584,270)	(355,533)	227,764	16,150	5,036	(631,664)	(4,322,517)
Net assets, beginning					<u>21,394,955</u>	<u>30,884,292</u>	<u>902,731</u>	<u>678,400</u>	<u>206,632</u>	<u>(1,602,103)</u>	<u>52,464,907</u>
Net assets, ending					<u>\$ 17,810,685</u>	<u>\$ 30,528,759</u>	<u>\$ 1,130,495</u>	<u>\$ 694,550</u>	<u>\$ 211,668</u>	<u>\$ (2,233,767)</u>	<u>\$ 48,142,390</u>

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

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

The following is a summary of the significant accounting policies.

Reporting Entity

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

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

Component Unit Disclosures

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

Discretely Presented Component Units

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

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued
JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued:

Hampton City School Board

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

Hampton Industrial Development Authority

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

Healthy Families Partnership, Inc.

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

Coliseum Central Business Improvement District, Inc.

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

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued
JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued:

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

Downtown Hampton Development Partnership, Inc.

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

Foundation of the Virginia Air and Space Center

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

Other Related Organizations

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

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued
JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued:

Peninsula Airport Commission

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

Other

There are certain other agencies and commissions that service the City of Hampton and surrounding localities whose board membership is allocated among and appointed by the various localities. These agencies include: Hampton Roads Transit (HRT), Hampton Roads Planning District Commission (HRPDC), Virginia Peninsula Public Service Authority (VPPSA), Hampton Roads Economic Development Alliance (HREDA) and the Peninsula Council for Workforce Development (PCFWD). Expenditures of these agencies are financed by federal and state grants, fees, and contributions. During the year ended June 30, 2011, the City provided operating and capital support of \$3,345,834 to HRT, \$160,892 to HRPDC, \$9,750 to VPPSA, \$138,219 to HREDA and \$66,992 to PCFWD.

Jointly Governed Organizations

Hampton-Newport News Community Services Board

The City of Hampton has one jointly governed organization, the Hampton-Newport News Community Services Board (CSB). The CSB operates as an agent for the Cities of Hampton and Newport News in the establishment and operation of community mental health, mental retardation and substance abuse programs as provided for in Chapter 10 of Title 37.1 of the Code of Virginia, relating to the Virginia Department of Mental Health and Mental Retardation. The CSB designates its own management and adopts its own budget. The operations are financed principally by state and federal funds. The City provided operating support of \$1,413,162 to the CSB during fiscal year 2011.

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

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued
JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued:

component units for which the primary government is financially accountable.

Statement of Net Assets

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

Statement of Activities

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

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

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

Basis of Accounting

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

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

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued
JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued:

but also capital assets and long-term liabilities (such as buildings and infrastructures, including bridges and roads, and general obligation debt). The accrual basis of accounting also reports all of the revenues and cost of providing services each year, not just those received or paid in the current year or soon thereafter.

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

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

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

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

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued
JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued:

Budgets and Budgetary Accounting

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

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

Budgeted amounts are as originally adopted or as amended by City Council and the School Board during fiscal year 2011. Unencumbered appropriations lapse at year-end in the General and School Operating Funds. Appropriations which are encumbered at year-end are carried forward into the following year's appropriation to allow liquidation of the encumbrances.

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

General Property Tax Calendar

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

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued
JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued:

December 5th.

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

Encumbrances

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

Investments

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

Receivables

Receivables of the General Fund are stated net of an allowance for uncollectible taxes of \$1,346,882. Management has determined that the allowance is sufficient to provide for any losses that may be sustained on realization of the accounts receivable.

Inventories

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

Prepays

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

Land Held for Resale

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

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued
JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued:

Interfund Activity

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

Restricted Assets

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

	<u>The Hamptons</u>	<u>Museum</u>	<u>Convention Center</u>	<u>Component Unit - IDA</u>
Restricted Assets				
Cash:				
Operating and Maintenance				
Account	\$ 5,967	\$ 60,343	\$	\$
Operating Reserve Fund			3,694,906	
Bond Fund	277,601	1,037,527	55,410	
Debt Service Reserve Fund		1,287,553	128,208	1,337,104
Investments:				
Operating Reserve Fund			6,619,200	
Bond Fund			2,750,501	
Debt Service Reserve Fund	362,319		7,762,370	
	<u>\$ 645,887</u>	<u>\$2,385,423</u>	<u>\$21,010,595</u>	<u>\$ 1,337,104</u>

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

Capital Assets

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

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued
JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued:

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

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

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

The City capitalizes interest costs on funds borrowed to finance the construction of capital assets in the proprietary funds. During fiscal year ended June 30, 2011, \$77,732 of net interest costs were capitalized in the Virginia Air and Space Museum Fund.

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

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

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

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued
JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued:

Deferred Revenue

Deferred revenue consists of the following:

Primary Government:

	General Fund	Special Revenue Funds	Enterprise Funds	Internal Service Funds
Property taxes accrued but not collected within 45 days	\$ 4,933,912	\$	\$	\$
Advance property tax collections	866,422			
Accounts receivable		262,015		
Advance ticket sales			463,536	
Unearned grant funds		1,009,328		
Unearned rental income		4,817		
Unearned miscellaneous income	41,233		85,533	27,852
Total Primary Government	<u>\$ 5,841,567</u>	<u>\$ 1,276,160</u>	<u>\$ 549,069</u>	<u>\$ 27,852</u>

Discretely Presented Component Units:

	School Board	Industrial Development Authority
Unearned grant funds	\$ 5,138	\$
Tuition	\$ 69,073	
Other	-	2,961,692
Total Discretely Presented Component Unit	<u>\$ 74,211</u>	<u>\$ 2,961,692</u>

Fund Balance

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

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

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

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued
JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued:

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

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

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

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

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

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

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

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

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued
JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued:

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

	<u>General</u>	<u>Economic Development</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund Balances:						
Nonspendable:						
Inventory	\$ 29,185	\$ -	\$ -	\$ -	\$ -	\$ 29,185
Advances to other funds			4,943,016			4,943,016
Restricted:						
Debt service			68,197			68,197
Donations received for facility improvements	81,822					81,822
Economic development projects		1,120,218				1,120,218
Public safety	48,553				1,380,271	1,428,824
Human services	138,446				212,968	351,414
Physical environment	37,655					37,655
Capital projects	3,999,000			4,400,345		8,399,345
Stormwater management					4,955,057	4,955,057
Building operations					17,582	17,582
Law library					121,941	121,941
Other					100,787	100,787
Committed:						
Budget savings program	15,055,512					15,055,512
Economic development projects		3,533,360				3,533,360
Community development	222,547					222,547
Capital projects	19,381,847					19,381,847
Debt service	10,782,401					10,782,401
Refunds for sale of real estate proceeds	236,263					236,263
Maintenance of driving range	128,114					128,114
Public safety				3,641,679		3,641,679
Drainage projects				3,203,877		3,203,877
Improvement to infrastructure				15,991,451		15,991,451
Parks projects				5,300,103		5,300,103
Land acquisitions				5,377,472		5,377,472
School projects				5,901,589		5,901,589
Capital projects				5,197,298		5,197,298
Physical environment	40,950					40,950
Assigned:						
Donations received for various programs	73,157					73,157
Subsequent year expense	1,704,938					1,704,938
Public safety projects	247,223				87,908	335,131
Human services					55,128	55,128
Capital projects			451,996			451,996
Debt service		3,886,082				3,886,082
Capital projects				2,150,247		2,150,247
Unassigned:	50,197,426					50,197,426
Total Fund Balances:	<u>\$ 102,405,039</u>	<u>\$ 8,539,660</u>	<u>\$ 5,463,209</u>	<u>\$ 51,164,061</u>	<u>\$ 6,931,642</u>	<u>\$ 174,503,611</u>

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued
JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued:

Net Assets - Enterprise Funds and Internal Service Funds

The net assets at June 30, 2011 in the Enterprise Funds are as follows:

	Primary Government	Discretely Presented Component Units
Wastewater Management	\$ 49,691,707	
The Hamptons Golf Course	(2,789,475)	
Virginia Air & Space Museum	14,147,541	
Hampton Roads Convention Center	7,246,639	
Non-Major Enterprise:		
Hampton Coliseum	10,127,526	
The Woodlands Golf Course	1,602,507	
Solid Waste	10,944,455	
Refuse-Steam Plant	5,581,512	
Component Units:		
Industrial Development Authority		30,528,759
Coliseum Central Business Improvement District, Inc.		1,130,495
Downtown Hampton Development Partnership, Inc.		694,550
Healthy Families Partnership, Inc.		211,668
Foundation of the Virginia Air & Space Center		(2,233,767)

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

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

Internal Service:

Equipment Replacement	\$ 18,935,282
Fleet Management	1,134,071
Risk Management	12,776,327
Information Technology	1,304,664

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.

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued
JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued:

Compensated Absences

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

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

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

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

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

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued
JUNE 30, 2011

2. BASIS OF PRESENTATION - FUND ACCOUNTING, Continued:

and human services.

Debt Service Fund

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

Capital Projects Fund

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

Special Revenue Funds

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

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

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

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

The Stormwater Management Fund accounts for revenues and expenditures related to 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.

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued
JUNE 30, 2011

2. BASIS OF PRESENTATION - FUND ACCOUNTING, Continued

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

The Law Library Fund accounts for receipts and disbursements of funds specifically held for the purpose of purchasing law books. Revenues are derived from a \$2.00 per court case fee, which is legally mandated to support the operations of the law library,

Enterprise Funds

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

The City's Enterprise Funds account for the operations of the Hampton Coliseum, The Woodlands Golf Course, The Hamptons (Golf Course), Solid Waste, the Virginia Air and Space Center (Museum), Convention Center, Wastewater Management, and the Refuse-Steam Plant. Revenues of the Hampton Coliseum, Woodlands Golf Course, The Hamptons, the Solid Waste Fund, the Refuse-Steam Plant Fund and the Wastewater Management Fund are derived primarily from user fees. The Convention Center Fund revenues are derived from user fees and meal and lodging taxes. The Museum's operating revenue is derived from donations and user fees, including \$646,250 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 Services, Risk Management and Information Technology.

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

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued
JUNE 30, 2011

2. BASIS OF PRESENTATION - FUND ACCOUNTING, Continued

Fiduciary Funds

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

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

3. INTERFUND BALANCES:

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

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

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued
JUNE 30, 2011

3. INTERFUND BALANCES, Continued:

Interfund Receivables and Payables:

<u>Primary Government:</u>	<u>Due From</u>	<u>Due To</u>
General Fund	\$ 6,361,033	6,099,830
Special Revenue:		
Economic Development		
Capital Projects	5,628,801	7,148
Non-Major Governmental Funds	102,615	1,311,909
Proprietary Funds:		
Wastewater Management		
The Hamptons		2,994,350
Museum		749,000
Convention Center	375,859	
Non-Major Enterprise Funds	80,833	1,386,904
Internal Service Funds	574	574
Total Primary Government	<u>\$ 12,549,715</u>	<u>\$ 12,549,715</u>

<u>Component Units:</u>	<u>Due From</u>	<u>Due To</u>
School Board Operating	\$ 7,133,475	\$ 152,847
Food Services		94,654
Reimbursable Projects	152,847	7,038,821
Total Component Units	<u>7,286,322</u>	<u>7,286,322</u>
 Total Reporting Entity	 <u>\$ 19,836,037</u>	 <u>\$ 19,836,037</u>

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued
JUNE 30, 2011

3. INTERFUND BALANCES, Continued:

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

	Due From Primary Government	Due To Component Unit	Due From Component Unit	Due To Primary Government
Primary Government - General Fund	\$	\$ 70,730	\$ 2,874,375	\$
Primary Government - Economic Development			9,188	
Primary Government - Other Governmental Funds		1,857		
Primary Government - Non-Major Enterprise Funds			19,029	
Primary Government - Internal Service Funds			250,858	
Component Unit - School Board Operating Fund	72,587			3,144,260
Component Unit - IDA				9,190
Total	<u>\$ 72,587</u>	<u>\$ 72,587</u>	<u>\$ 3,153,450</u>	<u>\$ 3,153,450</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, 2011 are as follows:

<u>Primary Government:</u>	<u>Transfer From</u>	<u>Transfer To</u>
General Fund	\$ 1,368,351	\$ 57,926,299
Special Revenue:		
Economic Development		237,040
Debt Service	29,753,399	
Capital Projects	15,385,307	
Non-Major Governmental Funds	1,999,918	665,624
Proprietary Funds:		
The Hamptons	630,000	
Museum	1,587,637	
Convention Center	7,838,186	
Non-Major Enterprise Funds	321,165	55,000
Total Primary Government	<u>\$ 58,883,963</u>	<u>\$ 58,883,963</u>

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued
JUNE 30, 2011

3. INTERFUND BALANCES, Continued:

<u>Component Unit:</u>	<u>Transfer From</u>	<u>Transfer To</u>
School Board Operating	\$ -	\$ 264,314
Student Activities		
Food Services	260,000	
Reimbursable Projects	4,314	
Total Component Unit	<u>264,314</u>	<u>264,314</u>
 Total Reporting Entity	 <u>\$ 59,148,277</u>	 <u>\$ 59,148,277</u>

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

	<u>Payments From Primary Government</u>	<u>Payments to Component Unit</u>	<u>Payments From Component Unit</u>	<u>Payments To Primary Government</u>
Primary Government - General Fund	\$ -	\$ 68,744,796	\$ 2,000,582	\$ -
Primary Government - Economic Development		326,706		
Primary Government - Capital Projects Fund		188,994		
Component Unit - School Board Operating Fund	67,051,476			2,000,000
Component Unit - IDA	1,459,507			582
Component Unit - Coliseum BID	554,704			
Component Unit - Downtown Hampton	194,809			
Total	<u>\$ 69,260,496</u>	<u>\$ 69,260,496</u>	<u>\$ 2,000,582</u>	<u>\$ 2,000,582</u>

Advances from other funds in the amount of \$4,943,016 in the Refuse-Steam Plant represent an amount payable to the Debt Service Fund. The Refuse-Steam Plant was advanced \$6,062,962 from the April 2002 and April 2005 General Obligation Bond Issues to make certain required capital improvements to its facilities. The advance is to be repaid in semi-annual installments on January 15th and July 15th, which includes interest. These installments will be used to meet a pro-rata share of the annual debt service costs on the General Obligation Series 2002 and 2005 Bonds.

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

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued
JUNE 30, 2011

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, 2011, the carrying value of the City's deposits was \$35,341,317 and the bank balance was \$11,781,007. All of the bank balances are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the "Act") Section 2.2-4400 et. seq. of the Code of Virginia. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial institutions may choose between two collateralization methodologies and depending upon that choice will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. The Commonwealth of Virginia Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and notifying local governments of compliance by financial institutions. All deposits are considered fully collateralized.

Investments

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

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

HERS Investments

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

Investment Policy

The City's investment policy requires that all investments and investment practices meet or exceed all statutes and guidelines governing the investment of public funds in Virginia, including the Code of Virginia and the guidelines established by the State Treasury Board. State statutes limit investment in commercial paper to no more than 35% of the total portfolio, with not more than 5% per issuer. The City's investment policy addresses credit risk, custodial credit risk,

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued
JUNE 30, 2011

4. DEPOSITS AND INVESTMENTS, Continued:

interest rate risk, and concentration of risk, in which instruments are to be diversified and maturities timed in accordance with anticipated needs in order to minimize any exposure to fair value losses. The City's policy does not address foreign currency risk.

HERS Investment Policy:

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

Credit Risk

The City's investment policy requires all bonds or notes of the Commonwealth of Virginia, states, or political subdivisions of any state of the U.S., or asset-backed securities have at least AAA 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, FFCB, and FHLMC 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, 2011

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, 2011, the City had the following investments and maturities:

Primary Government	Fair Value	Actual Credit Rating	Investment Maturities (in years)	
			Less than 1 year	1-5 years
Repurchase Agreements	\$ 15,900,000	AAA	\$ 15,900,000	\$ -
U.S. Government securities	22,739,651	AAA	2,000,000	20,739,651
State Local Government Investment Pool-City	110,000,000	AAAm	110,000,000	
State Non-Arbitrage Fund-City	50,582,070	AAA	50,582,070	
Mutual and Money Market Funds	7,990,782	Unrated	7,990,782	
Total Investments Controlled by City	\$ 207,212,503		\$ 186,472,852	\$ 20,739,651
Pension Plan Investments	\$ 128,801,621		\$ 128,801,621	\$ -
Total	<u>\$ 336,014,124</u>		<u>\$ 315,274,473</u>	<u>\$ 20,739,651</u>
Reconciliation to Total Cash and Investments:				
Add:				
Cash on Hand and in Banks-City	\$ 28,580,569			
Cash With Fiscal Agent	<u>6,760,748</u>			
Total Deposits and Investments Primary Government and Fiduciary Funds Per Exhibits A-1 and A-9	<u>\$ 371,355,441</u>			

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued
JUNE 30, 2011

4. DEPOSITS AND INVESTMENTS, Continued:

Component Unit -School Board

	Investment Maturities (in years)	
	Fair Value	Less than 1 year
Repurchase Agreements	\$ 700,000	\$ 700,000
Mutual and Money Market Funds	12,001	12,001
Total Investments School Board	<u>\$ 712,001</u>	<u>\$ 712,001</u>

Other Component Units

	Investment Maturities (in years)	
	Fair Value	Less than 1 year
Stock	\$ 1,169	\$ 1,169
Mutual and Money Market Funds	1,337,122	1,337,122
Total Investments Other Component Units	<u>\$ 1,338,291</u>	<u>\$ 1,338,291</u>

Reconciliation of total deposits and investments to the government-wide statements at June 30, 2011:

Primary Government	Governmental Activities	Business Type Activities	Fiduciary Responsibilities	Total
Cash Deposits-City	\$ 26,240,006	\$ 2,152,509	\$ 188,054	\$ 28,580,569
Cash With Fiscal Agent-City	3,817,701	2,943,047		6,760,748
Mutual and Money Market Funds	5,929,903	2,060,879		7,990,782
Investments-City	166,496,331	31,695,390	129,831,621	328,023,342
Total Primary Government	<u>\$ 202,483,941</u>	<u>\$ 38,851,825</u>	<u>\$ 130,019,675</u>	<u>\$ 371,355,441</u>

Component Unit - School Board

Cash Deposits	\$ 4,385,359			\$ 4,385,359
Cash With Fiscal Agent	8,022,950			8,022,950
Investments	712,001			712,001
Total Component Units School Board	<u>\$ 13,120,310</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,120,310</u>

Other Component Units

Cash Deposits	\$ 2,203,221			\$ 2,203,221
Cash With Fiscal Agent	2,565,275			2,565,275
Investments	1,438,291			1,438,291
Total Other Component Units	<u>\$ 6,206,787</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,206,787</u>

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued
JUNE 30, 2011

5. ACCOUNTS RECEIVABLE:

Accounts receivable at June 30, 2011 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 \$1,346,882)	\$ 6,997,771	\$	\$	\$	\$
Due from Commonwealth of Virginia	8,793,283			474,293	1,049,631
Due from Federal Government	804,827				3,398,031
Other	2,164,972	7,013	28		365,039
Total Primary Government	<u>\$ 18,760,853</u>	<u>\$ 7,013</u>	<u>\$ 28</u>	<u>\$ 474,293</u>	<u>\$ 4,812,701</u>

Discretely Presented Component Unit -

School Board:

Due from Commonwealth of Virginia	\$ 2,432,485
Due from federal government	11,503,252
Other	150,057
Total Component Unit	<u>\$ 14,085,794</u>

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued
JUNE 30, 2011

6. CAPITAL ASSETS:

Capital asset activity for the year ended June 30, 2011 are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 500,093,239	\$ 7,748,352	\$ (425,711)	\$ 507,415,880
Easements	351,992	180,424	-	532,416
Construction in progress	118,397,820	23,513,638	(69,644)	141,841,814
Total capital assets not being depreciated	618,843,051	31,442,414	(495,355)	649,790,110
Capital assets being depreciated:				
Buildings	67,880,449	256,400	-	68,136,849
Improvements	66,492,134	1,230,071	(1)	67,722,204
Computer Software	745,315	207,065	-	952,380
Machinery & Equipment	61,403,253	3,537,382	(6,025,151)	58,915,484
Infrastructure	148,873,571	2,264,119	-	151,137,690
Other Assets	4,000,723	-	-	4,000,723
Total capital assets being depreciated	349,395,445	7,495,037	(6,025,152)	350,865,330
Less accumulated depreciation for:				
Buildings	(34,010,115)	(1,541,341)	-	(35,551,456)
Improvements	(33,538,887)	(3,038,945)	-	(36,577,832)
Computer Software	(87,198)	(172,807)	-	(260,005)
Machinery & Equipment	(41,918,349)	(4,269,042)	5,161,311	(41,026,080)
Infrastructure	(27,186,488)	(6,680,910)	-	(33,867,398)
Other Assets	(200,036)	(200,036)	-	(400,072)
Total accumulated depreciation	(136,941,073)	(15,903,081)	5,161,311	(147,682,843)
Total capital assets being depreciated, net	212,454,372	(8,408,044)	(863,841)	203,182,487
Governmental activities capital assets, net	<u>\$ 831,297,423</u>	<u>\$ 23,034,370</u>	<u>\$ (1,359,196)</u>	<u>\$ 852,972,597</u>

Primary Government:

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

General capital assets	\$ 843,011,599
Internal service funds	9,960,998
	<u>\$ 852,972,597</u>

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued
JUNE 30, 2011

6. CAPITAL ASSETS, Continued:

	Beginning Balance	Additions	Reductions	Ending Balance
Business-type Activities:				
Capital assets not being depreciated:				
Land	\$ 10,804,241	\$ -	\$ -	\$ 10,804,241
Easements	-	12,862	-	12,862
Construction in progress	2,890,924	2,974,960	(354,116)	5,511,768
Total capital assets not being depreciated	13,695,165	2,987,822	(354,116)	16,328,871
Capital assets being depreciated:				
Buildings	134,529,518	229,631	(366,815)	134,392,334
Improvements	32,310,987	-	(291,405)	32,019,582
Computer Software	-	48,353	-	48,353
Machinery & Equipment	25,429,226	3,239,097	(3,090,561)	25,577,762
Exhibits	13,950,306	-	-	13,950,306
Landfill	3,865,986	-	-	3,865,986
Infrastructure	64,808,891	136,892	-	64,945,783
Total capital assets being depreciated	274,894,914	3,653,973	(3,748,781)	274,800,106
Less accumulated depreciation for:				
Buildings	(41,509,303)	(3,572,675)	366,814	(44,715,164)
Improvements	(19,345,239)	(1,081,232)	265,150	(20,161,321)
Computer Software	-	(7,300)	-	(7,300)
Machinery & Equipment	(18,085,223)	(1,721,177)	3,082,327	(16,724,073)
Exhibits	(11,539,339)	(900,392)	-	(12,439,731)
Landfill	(3,642,857)	(3,461)	-	(3,646,318)
Infrastructure	(23,456,064)	(1,004,616)	-	(24,460,680)
Total accumulated depreciation	(117,578,025)	(8,290,853)	3,714,291	(122,154,587)
Total capital assets being depreciated, net	157,316,889	(4,636,880)	(34,490)	152,645,519
Business-type activities capital assets, net	<u>\$ 171,012,054</u>	<u>\$ (1,649,058)</u>	<u>\$ (388,606)</u>	<u>\$ 168,974,390</u>

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued
JUNE 30, 2011

6. CAPITAL ASSETS, Continued:

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

	General Capital Assets	Internal Service Funds	Total
Governmental activities:			
General government	\$ 3,507,533	\$ 2,221,132	\$ 5,728,665
Health	746,933		746,933
Public welfare	116,933		116,933
Public safety	1,858,709		1,858,709
Streets and highways	5,163,769		5,163,769
Culture and recreation	377,738		377,738
Education	1,910,334		1,910,334
Total depreciation expense - governmental activities	<u>\$ 13,681,949</u>	<u>\$ 2,221,132</u>	<u>\$ 15,903,081</u>
Business - type activities:			
Culture and recreation	\$ 5,430,848		
Sanitation	2,860,005		
Total depreciation expense - business-type activities	<u>\$ 8,290,853</u> *		

* Depreciation expense in the amount of \$583,075 was capitalized as part of self-constructed assets in the Wastewater Management Fund.

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

	Governmental Activities	Business-type Activities
Construction in Progress	\$ 13,194,540	\$ -
Buildings		2,064,368
Improvements	157,589	
Computer Software	171,225	
Machinery and equipment	2,854,344	182,487
Less accumulated depreciation	(879,564)	(1,880,572)
Capital assets, net	<u>\$ 15,498,134</u>	<u>\$ 366,283</u>

The total amount of equipment acquired through a capital lease during fiscal year ended June 30, 2011, was \$328,814. Depreciation expense on the leased assets totaled \$310,581 for the fiscal year ended June 30, 2011.

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued
JUNE 30, 2011

6. CAPITAL ASSETS, Continued:

Discretely Presented Component Units

School Board:

	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets not being depreciated:				
Land	\$ 5,111,045	\$ -	\$ -	\$ 5,111,045
Total capital assets not being depreciated	5,111,045	-	-	5,111,045
Capital assets being depreciated:				
Buildings	48,962,686	-	-	48,962,686
Improvements	310,100	-	-	310,100
Machinery & Equipment	40,650,563	1,615,197	(925,136)	41,340,624
Total capital assets being depreciated	89,923,349	1,615,197	(925,136)	90,613,410
Less accumulated depreciation for:				
Buildings	(47,036,107)	(383,162)	-	(47,419,269)
Improvements	(135,669)	(15,505)	-	(151,174)
Machinery & Equipment	(27,763,051)	(3,639,459)	922,402	(30,480,108)
Total accumulated depreciation	(74,934,827)	(4,038,126)	922,402	(78,050,551)
Total capital assets being depreciated, net	14,988,522	(2,422,929)	(2,734)	12,562,859
School Board capital assets, net	\$ 20,099,567	\$ (2,422,929)	\$ (2,734)	\$ 17,673,904

Industrial Development Authority:

	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets not being depreciated:				
Land	\$ 15,802,769	\$ -	\$ -	\$ 15,802,769
Total capital assets not being depreciated	15,802,769	-	-	15,802,769
Capital assets being depreciated:				
Improvements	383,042			383,042
Infrastructure	2,545,299			2,545,299
Machinery & Equipment	50,080	-	-	50,080
Total capital assets being depreciated	2,978,421	-	-	2,978,421
Less accumulated depreciation for:				
Improvements	(383,042)			(383,042)
Infrastructure	(695,952)	(109,080)		(805,032)
Machinery & Equipment	(40,681)	(874)	-	(41,555)
Total accumulated depreciation	(1,119,675)	(109,954)	-	(1,229,629)
Total capital assets being depreciated, net	1,858,746	(109,954)	-	1,748,792
Industrial Development Authority capital assets, net	\$ 17,661,515	\$ (109,954)	\$ -	\$ 17,551,561

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued
JUNE 30, 2011

6. CAPITAL ASSETS, Continued:

Healthy Families Partnership, Inc:

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

Downtown Hampton Development Partnership, Inc:

	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets being depreciated:				
Improvements	\$ 424,442	\$ -	\$ -	\$ 424,442
Machinery & Equipment	99,090	3,880		102,970
Total capital assets being depreciated	523,532	3,880	-	527,412
Less accumulated depreciation	(166,599)	(23,005)		(189,604)
Downtown Hampton Development Partnership capital assets, net	<u>\$ 356,933</u>	<u>\$ (19,125)</u>	<u>\$ -</u>	<u>\$ 337,808</u>

Coliseum Central Business Improvement District, Inc:

	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets being depreciated:				
Computer Software	\$ 4,117	\$ -	\$ -	\$ 4,117
Machinery & Equipment	161,510	7,196	(27,173)	141,533
Total capital assets being depreciated	165,627	7,196	(27,173)	145,650
Less accumulated depreciation	(67,817)	(18,239)	21,704	(64,352)
Coliseum Central Business Improvement District capital assets, net	<u>\$ 97,810</u>	<u>\$ (11,043)</u>	<u>\$ (5,469)</u>	<u>\$ 81,298</u>

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued
JUNE 30, 2011

6. CAPITAL ASSETS, Continued:

Construction in Progress

Several capital projects were in various stages of completion on June 30, 2011. 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, 2011, construction in progress by project was comprised as follows:

	Project Authorization	Expended to June 30, 2011
<u>General Capital Assets</u>		
City - Infrastructure	\$ 78,153,936	\$ 29,096,442
City - Construction & Renovation	20,163,608	6,504,564
City - Public Service Radio System	14,506,267	13,194,540
School Board - Construction & Renovation	103,240,000	93,046,268
	<u>\$ 216,063,811</u>	<u>\$ 141,841,814</u>
<u>Enterprise Funds</u>		
Wastewater Management - Sewer Projects	\$ 922,950	\$ 361,058
Virginia Air & Space Museum - Roof Replacement & HVAC Upgrade Projects	3,279,230	2,715,208
Coliseum - Roof Replacement Project	2,400,000	2,237,641
Convention Center - Concession Stand Hood Project	231,344	197,861
	<u>\$ 6,833,524</u>	<u>\$ 5,511,768</u>

7. BUDGETARY - GAAP REPORTING RECONCILIATION:

The City adopts an annual budget for the General Fund, but does not adopt an annual budget for any of the Special Revenue Funds. 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, 2011

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, 2011:

	<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	\$ 290,165,000	\$ 2,545,000	\$ (16,390,000)	\$ 276,320,000	\$ 17,425,000
Unamortized premium	14,024,072		(885,666)	13,138,406	861,005
Less deferred amount of advance refunding	(3,757,870)		241,804	(3,516,066)	(241,804)
Bonds payable (VRS)	3,965,000		(925,000)	3,040,000	965,000
Capital leases	14,728,209		(716,700)	14,011,509	1,353,385
Capital leases - Internal Service Funds	1,197,200	369,475	(418,789)	1,147,886	197,425
Long-term notes payable	354,448		(177,225)	177,223	177,223
Literary loans payable	468,177		(148,050)	320,127	146,412
Compensated absences	6,738,567	3,680,217	(3,642,395)	6,776,389	3,642,395
Compensated absences-Internal Service Funds	185,096	67,780	(89,611)	163,265	80,818
Claims and judgments-Internal Service Funds	5,079,820	2,362,572	(2,005,624)	5,436,768	4,598,500
Net pension obligation	3			3	
Net OPEB obligation	19,891,837	6,561,681	(2,414,243)	24,039,275	
	<u>19,891,837</u>	<u>6,561,681</u>	<u>(2,414,243)</u>	<u>24,039,275</u>	
Governmental activities long-term liabilities	<u>\$ 353,039,559</u>	<u>\$ 15,586,725</u>	<u>\$ (27,571,499)</u>	<u>\$ 341,054,785</u>	<u>\$ 29,205,359</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, 2011:

Long-term liabilities (detail above)	\$ 341,054,785
Less debt - Internal Service Fund	(6,747,919)
Combined adjustment	<u>\$ 334,306,866</u>

Section 148 of the Internal Revenue Code of 1986 requires public entities to refund interest earned in excess of interest paid over the first five years outstanding on tax exempt borrowings. The regulations are applicable to borrowings incurred subsequent to August 1986. The City has calculated the rebate due as of June 30, 2011 was the settlement date, and reflected the liability, if any, in the governmental activities column of the Statement of Net Assets.

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

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued
JUNE 30, 2011

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	\$ 112,810,000	\$ 52,460,000	\$ (65,150,000)	\$ 100,120,000	\$ 3,920,000
Unamortized premium	2,019,116	7,273,935	(1,205,060)	8,087,991	530,525
Less deferred amount for advance refunding	(634,381)	(5,774,067)	467,506	(5,940,942)	(469,206)
Total bonds payable	114,194,735	53,959,868	(65,887,554)	102,267,049	3,981,319
Capital leases	900,130	-	(151,738)	748,392	166,749
Compensated absences	770,370	301,167	(316,625)	754,912	359,538
Business-type activities long-term liabilities	<u>\$ 115,865,235</u>	<u>\$ 54,261,035</u>	<u>\$ (66,355,917)</u>	<u>\$ 103,770,353</u>	<u>\$ 4,507,606</u>
Component Units:					
School Board:					
Compensated absences	\$ 6,762,651	\$ 1,194,083	\$ (2,476,578)	\$ 5,480,156	\$ 2,476,578
Capital leases	300,359	-	(71,233)	229,126	73,745
Net OPEB obligation	3,907,130	2,424,483	(515,065)	5,816,548	
Total School Board	<u>\$ 10,970,140</u>	<u>\$ 3,618,566</u>	<u>\$ (3,062,876)</u>	<u>\$ 11,525,830</u>	<u>\$ 2,550,323</u>
Industrial Development Authority:					
Revenue bonds payable	<u>\$ 7,885,504</u>	<u>\$ -</u>	<u>\$ (504,663)</u>	<u>\$ 7,380,841</u>	<u>\$ 536,727</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, 2011

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, 2011, \$580,000 in Bonds remains outstanding.

The unamortized amount deferred on the refunding of \$3,788 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, 2011 are as follows:

	<u>Series 2004</u>
Outstanding debt	\$4,325,000
Interest rate	5%
Years of maturity	2012 – 2014

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

The net proceeds of the refunding bonds of \$67,288,946 (net of underwriter's discount and issuance costs of \$483,778) were deposited with U.S. Bank, Richmond, Virginia (Trustee) under a refunding trust agreement dated as of June 2, 2011. The Trustee used such proceeds to purchase direct, non-callable obligations of the U.S. Treasury including state and local government series (collectively, government obligations). The government obligations will mature and bear interest at times and in amounts sufficient to pay debt service requirements on the refunded bonds until their redemption date.

The City obtained the necessary consents to amend certain legal provisions associated with the Series 2002 Bonds with the execution of the 2011 Refunding Bonds. Specifically, the Operating Reserve was reduced from \$16 million to \$8 million. The \$8 million released from the Operating Reserve was used as an equity contribution to reduce the par amount of the 2011 Refunding Bonds. The refunding generated net present value savings of \$4.68 million or 7.6% of the refunded par amount. The \$8 million equity contribution is excluded from the \$4.68 million net present value savings. Debt service on the Series 2002 Bonds will decrease by an average of \$940,000 per year (approximately \$6.68 million) in fiscal year 2012 to fiscal year 2029. The advance refunding resulted in an economic gain of \$935,000. This transaction is in substance a defeasance of debt and accordingly, the refunded bonds (of which \$61,395,000 remain outstanding at June 30, 2011), have been removed from the financial statements and the

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued
JUNE 30, 2011

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

government obligations will not be recorded in the financial statements.

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>
2012	\$ 3,920,000	\$ 4,646,961
2013	4,075,000	4,701,600
2014	3,760,000	4,503,122
2015	2,325,000	4,341,766
2016	2,435,000	4,231,841
2017-2021	14,120,000	19,216,556
2022-2026	18,095,000	15,238,378
2027-2031	24,740,000	10,297,362
2032-2035	26,650,000	3,412,500
	<u>\$ 100,120,000</u>	<u>\$ 70,590,086</u>

On July 9, 2009 the City entered into a master lease purchase agreement with SunTrust Equipment Finance and Leasing Corporation. During fiscal year 2010, the City financed a gasoline powered sweeper for the Hampton Coliseum through this lease agreement at an interest rate of 2.89%. The lease is payable in 6 remaining equal quarterly payments of \$2,400.

The City entered into a capital lease for the Hamptons Golf Course Clubhouse Facility in July 1990 at an interest rate of 9.875%. The lease is payable in 48 remaining equal monthly installments of \$18,581.

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued
JUNE 30, 2011

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

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

Capital Leases		
Year	Principal	Interest
2012	\$ 166,749	\$ 65,823
2013	178,475	49,297
2014	191,680	31,291
2015	211,488	11,485
	<u>\$ 748,392</u>	<u>\$ 157,896</u>

Discretely Presented Component Unit-IDA:

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

Details at June 30, 2011 are as follows:

	2002 Revenue Bonds
	<u>Tax-Exempt</u>
Outstanding Debt	\$ 7,380,841
Interest	6.17%
Years of Maturity	2012 – 2022

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

Revenue Bonds		
Year	Principal	Interest
2012	\$ 536,727	\$ 453,332
2013	569,618	420,441
2014	607,019	383,040
2015	645,586	344,473
2016	686,603	303,456
2017 - 2021	4,144,330	805,965
2022	190,958	5,924
	<u>\$ 7,380,841</u>	<u>\$ 2,716,631</u>

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued
JUNE 30, 2011

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

Discretely Presented Component Unit-Foundation:

As of June 30, 2011, 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 December 2011.

Discretely Presented Component Unit-School Board:

On August 13, 2009, the School Board entered into a master lease purchase agreement with SunTrust Equipment Finance and Leasing Corporation to purchase five school buses. The lease is payable in quarterly installments of \$19,991 at an interest rate of 3.48%. At June 30, 2011 the outstanding balance on the lease is \$229,126.

Internal Service Funds:

The City is self-insured for workmen's compensation benefits and general liability insurance claims. At June 30, 2011, the liability for existing claims amounted to \$5,436,768. Workmen's compensation benefit claims are payable weekly or monthly through 2021.

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

Equipment Replacement Fund:

On July 9, 2009 the City entered into a master lease purchase agreement with SunTrust Equipment Finance and Leasing Corporation to purchase rolling-stock equipment. During fiscal year 2010, the City financed a fire truck through this agreement. The lease is payable in 34 remaining equal installments of \$16,899 at an interest rate of 4.52%. At June 30, 2011 the outstanding balance on the lease is \$574,566.

During fiscal year 2005, the City entered into a master lease purchase agreement with Bank of America Leasing and Capital, LLC. The lease is to be repaid in equal quarterly installments of \$22,978 at an interest rate of 3.751%. At June 30, 2011 the outstanding balance on the lease is \$367,533.

Fleet Services Fund

On December 7, 2010, the City entered into a lease purchase agreement with SunTrust Equipment Finance and Leasing Corporation to purchase a fuel maintenance system. The lease is payable in quarterly installments of \$19,836 at an interest rate of 2.75%. At June 30, 2011 the outstanding balance on the lease is \$357,048.

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued
JUNE 30, 2011

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

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

<u>Year</u>	<u>Accrued Insurance</u>	<u>Capital Lease</u>		
	<u>Claims</u>	<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 4,598,500	2012	197,425	\$ 41,420
2013	193,235	2013	204,764	34,090
2014	170,778	2014	212,386	26,467
2015	114,224	2015	220,190	18,551
2016	110,970	2016	95,429	11,840
2017 - 2021	249,061	2017 - 2020	217,692	18,893
	<u>\$ 5,436,768</u>		<u>\$ 1,147,886</u>	<u>\$ 151,261</u>

General Long-Term Debt:

Details of general obligation bonds and loans reported in the government-wide statements at June 30, 2011 are as follows:

General Obligation Bonds Outstanding	\$276,320,000
Coupon interest rate	2.0% to 5.63%
Years of maturity	2012 – 2030

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

<u>General Obligation Bonds</u>		
<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 17,425,000	\$ 12,454,818
2013	18,360,000	11,737,941
2014	19,175,000	10,937,161
2015	21,195,000	10,100,642
2016	22,170,000	9,088,114
2017 - 2021	92,995,000	31,118,938
2022 - 2026	64,925,000	14,015,410
2027 - 2030	20,075,000	1,669,810
	<u>\$ 276,320,000</u>	<u>\$ 101,122,834</u>

On July 8, 2010, the City issued \$2,545,000 in General Obligation Virginia Public School Authority Qualified School Construction Bonds, Series 2010 C with interest payable at the rate

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued
JUNE 30, 2011

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

of 5.31% per annum. The proceeds of the bonds are being used to pay for the cost of lightning upgrades in the City schools.

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

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

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

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

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

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, 2011, \$101,650,000 of bonds

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued
JUNE 30, 2011

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

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:

Taxable General Obligation Bonds		
Year	Principal	Interest
2012	\$ 965,000	\$ 144,400
2013	1,015,000	98,563
2014	1,060,000	50,349
	<u>\$ 3,040,000</u>	<u>\$ 293,312</u>

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

The City's indebtedness includes \$320,127 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:

Literary Loans		
Year	Principal	Interest
2012	\$ 146,412	\$ 9,604
2013	92,000	5,211
2014	81,715	2,452
	<u>\$ 320,127</u>	<u>\$ 17,267</u>

Capital Leases:

An enterprise-wide network server and storage system was also financed through the master lease purchase agreement with SunTrust Equipment Finance and Leasing Corporation in fiscal year 2010. The lease is payable in 14 remaining equal installments of \$13,285 at an interest rate of 3.19%. At June 30, 2011 the outstanding balance on the lease is \$185,990.

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued
JUNE 30, 2011

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

On February 27, 2009, the City entered into an equipment lease/purchase agreement with Motorola, Inc. for \$14,506,267 for the purpose of upgrading and replacing the existing radio system of the city and to provide infrastructure site improvements to the City 911 Center and three transmit/receive sites. The lease is to be repaid in 9 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:

<u>Year</u>	<u>Capital Leases</u>	
	<u>Principal</u>	<u>Interest</u>
2012	\$ 1,353,385	\$ 564,044
2013	1,407,676	509,754
2014	1,464,146	453,283
2015	1,496,209	394,650
2016	1,529,344	334,945
2017 - 2020	6,760,749	696,397
	<u>\$ 14,011,509</u>	<u>\$ 2,953,073</u>

The City has a line-of-credit with a bank for \$8,000,000 for the acquisition of real property which is strategic to the City's future planning and/or economic development. On November 26, 2001, the City borrowed \$1,772,248 under the line-of-credit for the acquisition of real property. This note is payable in annual installments of \$177,225 through November 26, 2010 and one annual installment of \$177,223 due November 26, 2011, plus interest accrued weekly at 95% of the London Interbank Offered Rate (LIBOR) rate. At June 30, 2011, the outstanding balance was \$177,223. 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, 2011, the City's aggregate general obligation indebtedness was \$279,857,350 which is less than the State limit.

Overlapping Debt:

There are no overlapping or underlying tax jurisdictions.

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued
JUNE 30, 2011

9. DEFINED BENEFIT PENSION PLANS:

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

Plan Description - HERS:

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

Funding Policy - HERS:

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

Annual Pension Cost and Net Pension Obligation – HERS:

For fiscal year 2011, the City of Hampton's annual pension cost and net pension obligation were as follows:

	City of Hampton	Component Unit- School Board
Annual required contribution	\$ 2,293,841	\$ 1,074,622
Interest on net pension obligation		
Adjustment to annual required contribution		
Annual pension cost	2,293,841	1,074,622
Contributions made	(2,293,841)	(1,074,622)
Increase (decrease) in net pension obligation	-	-
Net pension obligation, July 1, 2010		
Net pension obligation, June 30, 2011	\$ -	\$ -

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued
JUNE 30, 2011

9. DEFINED BENEFIT PENSION PLANS, Continued:

The annual required contribution was determined as a part of the July 1, 2009 actuarial valuation using the entry age normal cost method with normal cost calculated on an aggregate basis. The actuarial assumptions included (a) 7.5% investment rate of return and (b) projected salary increases of 5% per year. The actuarial assumptions include a future inflation rate of 3.5% a year. The plan was amended in 2000 to provide for a one-time cost of living adjustment of 3.0% to members who retired prior to July 2, 1998. Effective July 1, 2001, the Board authorized a one-time 3.5% cost of living adjustment to members who retired prior to July 1, 1999. The actuarial value of assets was determined using market value, but with the difference between expected and actual return recognized over a five-year period. The unfunded actuarial liability is amortized on a level dollar basis. The remaining amortization period at June 30, 2011 was 12 years. The amortization period is closed.

Summary of Significant Accounting Policies - HERS

Basis of Accounting:

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

Method Used to Value Investments:

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

Trend Information – HERS:

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/09	\$ 2,034,545	100%	\$ -
6/30/10	2,258,645	100	-
6/30/11	3,368,463	100	-

Plan Description - VRS:

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

All full-time, salaried permanent (professional) employees of participating employers are automatically covered by VRS upon employment. Benefits vest after five years of service credit.

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued
JUNE 30, 2011

9. DEFINED BENEFIT PENSION PLANS, Continued:

Members earn one month of service credit for each month they are employed and their employer is paying into the VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as a credit in their plan.

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

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

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

Retirees are eligible for an annual cost-of-living adjustment (COLA) effective July 1 of the second calendar year of retirement. Under Plan 1, the COLA cannot exceed 5.00%; under Plan 2, the COLA cannot exceed 6.00%. During years of no inflation or deflation, the COLA is 0.00%. VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued
JUNE 30, 2011

9. DEFINED BENEFIT PENSION PLANS, Continued:

(1950), as amended, assigns the authority to establish and amend benefit provisions to the State legislature.

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be obtained by writing the System at P.O. Box 2500, Richmond, VA 23218-2500 or from the VRS Web site at <http://www.varetire.org/Pdf/Publications/2010-annual-report.pdf>.

Funding Policy - VRS:

Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5% of their annual reported compensation to the VRS. The 5% member contribution has been assumed by the City of Hampton and the Component Unit - School Board. In addition, the City of Hampton and the Component Unit - School Board are required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the *Code of Virginia* and approved by the VRS Board of Trustees. The City of Hampton's and Component Unit - School Board's nonprofessional employees contribution rates for the fiscal year ended 2011 were 20.34% and 15.48% respectively. The Component Unit - School Board's contributions to VRS for professional employees for the fiscal years ending June 30, 2011, 2010, and 2009 of \$9,521,688 (8.93%), \$12,781,750 (13.81%) and \$16,508,388 (13.81%) respectively, were equal to the required contributions for each year.

Annual Pension Cost and Net Pension Obligation:

For 2011, the City of Hampton's and Component Unit - School Board's nonprofessional employees annual pension cost and net pension obligation were as follows:

	City of Hampton	Component Unit- School Board
Annual required contribution	\$ 16,368,660	\$ 1,165,979
Interest on net pension obligation		
Adjustment to annual required contribution		
Annual pension cost	16,368,660	1,165,979
Contributions made	(16,368,660)	(1,165,979)
Increase in net pension obligation	-	-
Net pension obligation, July 1, 2010	3	
Net pension obligation, June 30, 2011	\$ 3	\$ -

The required contribution for the City of Hampton and Component Unit-School Board was determined as part of the June 30, 2010 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions include (a) 7.0% investment rate of return, (b) projected salary increase of 3.75% to 5.60% per year, (c) cost of living adjustments for the City of

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued
JUNE 30, 2011

9. DEFINED BENEFIT PENSION PLANS, Continued:

Hampton and Component Unit-School Board. Both (a) and (b) included an inflation component of 2.5% for the City of Hampton and Component Unit-School Board. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The unfunded actuarial accrued liability for the City of Hampton and Component Unit-School Board is being amortized as a level percentage of payroll on an open basis over 20 years from the valuation date.

Trend Information - VRS:

	Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
<u>City of Hampton</u>	June 30, 2009	\$ 15,954,314	100.0	% \$ 3
	June 30, 2010	15,745,975	100.0	3
	June 30, 2011	16,368,660	100.0	3
<u>Component Unit- School Board</u>	June 30, 2009	\$ 1,139,553	100.0	% \$ -
	June 30, 2010	1,281,741	100.0	
	June 30, 2011	1,165,979	100.0	

Funded Status and Funding Progress:

Based on the most recent actuarial valuation dated June 30, 2010 for the City and School Board and June 30, 2011 for HERS, the funded status of the plans were as follows:

	City of Hampton	Component Unit School Board	Hampton Employees' Retirement System
Actuarial accrued liability (AAL)	\$ 481,139,775	\$ 29,079,698	\$ 181,787,402
Actuarial value of plan assets	332,415,961	21,400,757	132,979,634
Unfunded actuarial accrued liability (UAAL)	<u>\$ 148,723,814</u>	<u>\$ 7,678,941</u>	<u>\$ 48,807,768</u>
Funded ratio (actuarial value of plan assets/AAL)	69.09%	73.59%	73.15%
Covered payroll (active plan members)	\$ 84,767,391	\$ 8,084,806	\$ 13,617,358
UAAL as a percentage of covered payroll	175.45%	94.98%	358.42%

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

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued
JUNE 30, 2011

9. DEFINED BENEFIT PENSION PLANS, Continued:

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

10. DEFERRED COMPENSATION PLAN:

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

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

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

11. JOINT VENTURE:

The Hampton Roads Regional Jail Authority (the Authority), a political subdivision of the Commonwealth of Virginia, was created through an agreement by the Cities of Hampton, Newport News, Norfolk and Portsmouth (the member jurisdictions). The Authority has the responsibility to finance the acquisition, construction and operation of a regional jail facility for the benefit of the member jurisdictions. Each member jurisdiction is responsible for paying the Authority a per diem charge, as established in the Authority's annual budget, for the care, maintenance and subsistence of prisoners from the member jurisdictions. The member

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued
JUNE 30, 2011

11. JOINT VENTURE, Continued:

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, 2010 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	\$ 31,523,630
Expenditures and other uses	<u>(34,674,999)</u>
Change in fund equity	(3,151,369)
Fund equity, July 1, 2008	<u>26,802,321</u>
Fund equity, June 30, 2009	<u><u>\$ 23,650,952</u></u>

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

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

12. COMMITMENT AND CONTINGENCIES:

Grants:

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

Leases:

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

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued
JUNE 30, 2011

12. COMMITMENT AND CONTINGENCIES, Continued:

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

Land	\$ 431,933
Buildings	11,925,609
Improvements	10,336,429
Less accumulated depreciation	(16,993,755)
Capital Assets, net	<u>\$ 5,700,216</u>

A summary of future minimum rental payments under the operating leases at June 30, 2011 is as follows:

<u>Year Ending June 30,</u>	<u>Operating Leases</u>	<u>Future Rental Income</u>
2012	\$ 664,754	\$ 140,055
2013	205,000	117,399
2014	205,000	111,573
2015	205,000	65,878
2016	-	2
2017-2039	-	46
	<u>\$ 1,279,754</u>	<u>\$ 434,953</u>

The City's rental expense and rental income for the year ended June 30, 2011 amounted to \$1,732,927 and \$376,917 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 \$3,537,807 for the lease of the garage facility through 2017. (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, 2011

12. COMMITMENT AND CONTINGENCIES, Continued:

A summary of future minimum rent payments under the operating lease with Harbour Center at June 30, 2011 is as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2012	\$ 505,401
2013	505,401
2014	505,401
2015	505,401
2016	505,401
2017-2018	1,010,802
	<u>\$ 3,537,807</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	100,000	100,000
Medical Claims	100,000	per person/ plan year

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

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 \$12,767,942 at June 30, 2011 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, 2011

12. COMMITMENT AND CONTINGENCIES, Continued:

Changes in the Funds' claims liability amount in fiscal years 2011, 2010 and 2009 were:

	Claims Liability	Incurred	Claims	Claims Liability
<u>Risk Management Fund</u>	<u>July 1</u>	<u>Claims</u>	<u>Payment</u>	<u>June 30</u>
Fiscal Year 2011	\$ 5,079,820	\$ 2,362,572	\$ 2,005,624	\$ 5,436,768
Fiscal Year 2010	3,491,324	4,076,768	2,488,272	5,079,820
Fiscal Year 2009	5,181,837	1,041,166	2,731,679	3,491,324

	Claims Liability	Incurred	Claims	Claims Liability
<u>General Fund</u>	<u>July 1</u>	<u>Claims</u>	<u>Payment</u>	<u>June 30</u>
Fiscal Year 2011	\$ (139,862)	\$ 14,715,335	\$ 14,584,979	\$ (9,506)
Fiscal Year 2010	(2,485)	13,693,909	13,831,286	(139,862)
Fiscal Year 2009	(8,883)	13,657,170	13,650,772	(2,485)

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 \$3,500,000 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, 2011, no draws were made under the Letters of Credit.

Capital Projects

Commitments for completion of capital projects in the Governmental Activities authorized at June 30, 2011 are \$10,546,959.

13. POST-RETIREMENT HEALTH CARE BENEFITS:

Plan Description:

The City and Component Unit - Hampton City School Board (School Board) administer a single-employer defined benefit healthcare plan in addition to the pension benefits described in Note 9. The City and School Board Other Postemployment Benefit Plans provide post-retirement health care benefits, in accordance with the Personnel Policies and Procedures, to all full-time, salaried permanent employees and public safety officers who retire on or after attaining age 55 and 50

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued
JUNE 30, 2011

13. POST-RETIREMENT HEALTH CARE BENEFITS, Continued:

respectively, with at least 5 years of service, as well as to employees who qualify for a disability retirement. Currently, 766 City retirees meet these eligibility requirements. Hampton City School Board employees accumulate an unlimited number of sick leave days. The School Board's post-retirement health care plan allows employees at retirement, instead of taking payment for these sick leave days, the employee may elect to take a specified credit toward their post retirement health insurance costs. During fiscal year 2011, 132 employees were participating in this plan and the cost was \$358,369. Separate, stand-alone statements are not issued for this plan.

Funding Policy:

The City Council and Hampton School Board has the authority to establish and amend the funding policy of their respective plans. The employer's contribution ranges from 0% to 100% of the premiums based on the retiree's years of continuous health care coverage and the health care option selected by the retirees. The employer contributions are financed on a pay-as-you-go basis. During fiscal year 2011, the City contributed \$2,414,243, or approximately 52% of total premiums for post-retirement health care benefits. Plan members receiving benefits contributed \$2,229,626 or approximately 48% of total premiums. Member contributions are 2.8% of covered payroll. The School Board contributed \$515,065 in fiscal year 2011.

Annual OPEB Cost and Net OPEB Obligation:

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

	Component Unit	
	City of Hampton	School Board
Annual required contribution	\$ 6,916,355	\$ 2,494,148
Interest on net OPEB obligation	795,673	156,285
Adjustment to ARC	(1,150,347)	(225,950)
Annual OPEB cost	6,561,681	2,424,483
Contributions made	(2,414,243)	(515,065)
Increase in net OPEB obligation	4,147,438	1,909,418
Net OPEB obligation - beginning of year	19,891,837	3,907,130
Net OPEB obligations - end of year	<u>\$ 24,039,275</u>	<u>\$ 5,816,548</u>

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued
JUNE 30, 2011

13. POST-RETIREMENT HEALTH CARE BENEFITS, Continued:

The City and School Board's annual OPEB cost, employer contributions, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2009, 2010 and 2011 are as follows:

City of Hampton

Fiscal year ended	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2009	\$ 7,951,044	\$ 1,833,385	23%	\$ 13,497,728
June 30, 2010	8,187,430	1,793,321	22%	19,891,837
June 30, 2011	6,561,681	2,414,243	37%	24,039,275

Component Unit-School Board

Fiscal year ended	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2009	\$ 2,222,109	\$ 721,343	32%	\$ 3,002,925
June 30, 2010	2,289,869	1,385,664	61%	3,907,130
June 30, 2011	2,424,483	515,065	21%	5,816,548

Funded Status and Funding Progress:

Based on the most recent actuarial valuation dated July 1, 2011 for the City and School Board the funded status of the plans were as follows:

	<u>City of Hampton</u>	<u>Component Unit School Board</u>
Actuarial accrued liability (AAL)	\$ 67,451,558	\$ 20,473,923
Actuarial value of plan assets	-	-
Unfunded actuarial accrued liability (UAAL)	<u>\$ 67,451,558</u>	<u>\$ 20,473,923</u>
Funded ratio (actuarial value of plan assets/AAL)	0%	0%
Covered payroll (active plan members)	\$ 80,458,038	\$ 115,200,000
UAAL as a percentage of covered payroll	84%	18%

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued
JUNE 30, 2011

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

14. LEASE RECEIVABLES:

The IDA issued Revenue Bonds (Note 8) to construct the Peninsula Workforce Development Center (PWDC). Under terms of agreements with this organization, revenue generated from the lease of the building is used to make the bond payments with the lease term being equivalent to the life of the bond. As of June 30, 2011, future lease receivable is \$9,900,593 from PWDC.

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued
JUNE 30, 2011

14. LEASE RECEIVABLES, Continued:

The minimum lease payments for the next five years are:

<u>June 30,</u>	<u>PWDC</u>
2012	\$ 990,059
2013	990,059
2014	990,059
2015	990,059
2016	990,059

Upon completion of PWDC, \$815,183 in unearned interest income was used to offset direct costs. This amount will be allocated over the life of the lease at \$40,466 per year. As of June 30, 2011, the balance of unearned interest income associated with the PWDC is \$427,548.

15. RESTATED BEGINNING FUND BALANCES, BEGINNING OF YEAR:

Due to the implementation of GASB Statement No. 54 the Excel Fund and Pearl Young Fund were merged into the general fund. This change had the following effect on fund balances of the major and non-major funds as they were previously reported:

General Fund

Fund Balance, beginning of year	\$ 101,370,264
Adjustment for implementation of GASB Statement No. 54	<u>375,825</u>
Fund Balance, beginning of year, as restated	<u><u>\$ 101,746,089</u></u>

Other Governmental Funds

Fund Balance, beginning of year	\$ 6,263,542
Adjustment for implementation of GASB Statement No. 54	<u>(375,825)</u>
Fund Balance, beginning of year, as restated	<u><u>\$ 5,887,717</u></u>

16. SUBSEQUENT EVENTS:

On or about October 24, 2011, SunTrust Bank terminated its note arrangement with the Foundation of the Virginia Air and Space Center and has demanded full payment. The City is not obligated for repayment under this loan. Management of the Foundation is requesting additional funding from various outside agencies and has instituted various cost-saving measures. Although the ultimate impact to the Foundation's financial position has not been determined, there can be no assurances that these results will be achieved. Management for City believes there will be no effect to the City's financial position.

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Required Supplementary Information Other Than MD&A

CITY OF HAMPTON, VIRGINIA
SCHEDULE OF FUNDING PROGRESS - PENSION PLANS
UNAUDITED
Fiscal Year Ended June 30, 2011

Hampton Employees' Retirement System

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability Entry Age Normal Cost Method (b)	Unfunded AAL (Funding Excess) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL (Funding Excess) as a percentage of Covered Payroll ((b-a)/c)
6/30/08	\$165,961,649	\$179,465,512	\$13,503,863	92.5 %	\$25,623,273	52.7 %
6/30/09	155,494,920	177,893,905	22,398,985	87.4	20,815,242	107.6
6/30/10	142,584,616	176,478,838	33,894,222	80.8	17,457,017	194.0
6/30/11	132,979,634	181,787,402	48,807,768	73.2	13,617,358	358.0

Virginia Retirement System

City of Hampton

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (Funding Excess) (b) - (a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a percentage of Covered Payroll ((b-a)/c)
6/30/07	\$300,902,577	\$384,657,166	\$83,754,589	78.2 %	\$81,418,501	102.87 %
6/30/08	330,128,742	413,286,693	83,157,952	79.9	84,283,138	98.66
6/30/09	333,431,262	442,241,939	108,810,677	75.4	86,570,241	125.69
6/30/10	332,415,961	481,139,775	148,723,814	69.1	84,767,391	175.45

Component Unit-School Board non-professional employees

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (Funding Excess) (b) - (a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a percentage of Covered Payroll ((b-a)/c)
6/30/07	\$19,331,524	\$24,133,735	\$4,802,211	80.1 %	\$6,645,217	72.27 %
6/30/08	21,235,409	25,874,017	4,638,608	82.1	7,026,437	66.02
6/30/09	21,315,544	27,011,833	5,696,289	78.9	7,204,225	79.07
6/30/10	21,400,757	29,079,698	7,678,941	73.6	8,084,806	94.98

CITY OF HAMPTON, VIRGINIA
SCHEDULE OF FUNDING PROGRESS-
POST-RETIREMENT HEALTH CARE BENEFITS
UNAUDITED
Fiscal Year Ended June 30, 2011

City of Hampton:

City of Hampton:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)-Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
6/30/2009	-	\$ 84,867,570	\$ 84,867,570	0 %	\$ 85,265,388	100 %
6/30/2010	-	64,140,895	64,140,895	0	83,000,000	77
6/30/2011	-	67,451,558	67,451,558	0	80,458,038	84

Component Unit-School Board:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)-Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
6/30/2009	-	\$ 17,099,270	\$ 17,099,270	0 %	\$ 122,217,007	14 %
6/30/2010	-	18,840,917	18,840,977	0	114,470,663	16
6/30/2011	-	20,473,923	20,473,923	0	115,200,000	18

General Fund

CITY OF HAMPTON, VIRGINIA
GENERAL FUND
BALANCE SHEET
June 30, 2011

ASSETS

Cash and cash equivalents	\$ 92,968,679
Cash with fiscal agent	1,768,424
Investments	7,995,762
Accounts receivables:	
Taxes (net of allowance for uncollectible of \$1,346,882)	6,997,771
Due from other governments	9,568,110
Other	2,164,966
Due from other funds	6,361,033
Due from component units	2,874,375
Inventories	29,185
Total assets	<u><u>\$ 130,728,305</u></u>

LIABILITIES AND FUND BALANCES

Liabilities:	
Accounts payable	\$ 4,084,751
Accrued health insurance	8,504,176
Accrued liabilities	4,283,945
Due to other funds	6,099,830
Due to component units	70,730
Deferred revenue	5,834,941
Total liabilities	<u>28,878,373</u>
Fund balances:	
Nonspendable	29,185
Restricted	4,238,654
Committed	45,719,520
Assigned	2,025,318
Unassigned	49,867,255
Total fund balances	<u>101,879,932</u>
Total liabilities and fund balances	<u><u>\$ 130,758,305</u></u>

These statements exclude special revenue funds Excel and Pearl Young which are included in the
General Fund basic statements due to the implementation of GASB 54.

CITY OF HAMPTON, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2011

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
REVENUES				
Intergovernmental:				
State funds	\$ 34,972,372	\$ 50,426,301	\$ 52,052,513	\$ 1,626,212
Federal funds (includes pass through)	11,171,025	11,171,025	10,591,129	(579,896)
Local taxes	227,207,478	211,753,549	213,774,524	2,020,975
Licenses and permits	1,215,920	1,215,920	1,024,355	(191,565)
Fines and forfeitures	1,946,000	1,946,000	2,189,158	243,158
Revenue from use of money and property	899,929	899,929	617,750	(282,179)
Charges for services	7,046,531	7,046,531	6,674,664	(371,867)
Recovered costs	906,000	906,000	906,000	-
Payment from component units	2,000,000	2,000,000	2,000,582	582
Miscellaneous	3,296,039	3,296,039	3,495,568	199,529
Total revenues	290,661,294	290,661,294	293,326,243	2,664,949
EXPENDITURES				
Current:				
General government	88,776,830	92,370,102	83,624,836	(8,745,266)
Public safety	44,478,253	45,323,853	43,841,337	(1,482,516)
Highways and streets	2,223,525	1,995,136	1,812,227	(182,909)
Health	2,935,265	2,970,521	2,652,224	(318,297)
Human services	23,168,044	23,675,648	23,318,142	(357,506)
Culture and recreation	11,384,174	11,343,210	10,457,909	(885,301)
Education	69,280,564	69,308,318	69,183,601	(124,717)
Total expenditures	242,246,655	246,986,788	234,890,276	(12,096,512)
Excess of revenues over (under) expenditures	48,414,639	43,674,506	58,435,967	14,761,461
OTHER FINANCING SOURCES (USES)				
Transfers out	(52,822,602)	(67,957,727)	(57,926,299)	(10,031,428)
Total other financing sources (uses)	(52,822,602)	(67,957,727)	(57,926,299)	(10,031,428)
Excess of revenues and other sources over (under) expenditures and other uses	(4,407,963)	(24,283,221)	509,668	\$ 24,792,889
Appropriations from fund balance	4,407,963	25,800,379		
Appropriations - encumbrances	-	(1,517,158)		
Budget - excess of revenues and appropriations from fund balance over (under) expenditures		-		
Fund balance - July 1	-	-	101,370,264	
Fund balance - June 30	\$ -	\$ -	\$ 101,879,932	

These statements exclude special revenue funds Excel and Pearl Young which are included in the
General Fund basic statements due to the implementation of GASB 54.

CITY OF HAMPTON, VIRGINIA
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER CREDITS-BUDGET AND ACTUAL
For the Year Ended June 30, 2011

	Budget July 1, 2010	Net Changes	Final June 30, 2011	Actual	Variance Over (Under)
General property taxes:					
Real estate	\$ 115,682,438	\$ -	\$ 115,682,438	\$ 116,985,315	\$ 1,302,877
Real estate BID	818,250		818,250	769,352	(48,898)
Public service	2,686,502		2,686,502	3,208,922	522,420
Personal property	33,874,317	(15,453,929)	18,420,388	19,506,417	1,086,029
Mobile homes	45,585		45,585	50,680	5,095
Machinery and tools	1,988,680		1,988,680	2,232,241	243,561
Delinquent taxes	560,000		560,000	454,807	(105,193)
Penalty	959,000	-	959,000	1,093,948	134,948
Total general property taxes	156,614,772	(15,453,929)	141,160,843	144,301,682	3,140,839
Other local taxes:					
Utility - electric and gas	4,875,000		4,875,000	5,063,047	188,047
Communications sales tax	9,666,795		9,666,795	9,677,044	10,249
Tobacco	3,700,000		3,700,000	3,680,981	(19,019)
Business license	12,558,930		12,558,930	11,562,347	(996,583)
Short-term rental	130,000		130,000	89,437	(40,563)
Sales and use	14,210,259		14,210,259	13,827,610	(382,649)
Recordation	1,374,000		1,374,000	1,105,856	(268,144)
Public right of way	460,000		460,000	464,865	4,865
Lodging and transit	3,200,000		3,200,000	3,062,535	(137,465)
Amusement	1,305,394		1,305,394	1,274,124	(31,270)
Meal	14,871,598		14,871,598	15,268,967	397,369
Motor vehicle	3,771,730		3,771,730	3,812,570	40,840
Bank stock	357,000		357,000	504,721	147,721
License tax - pari-mutuel	112,000	-	112,000	78,738	(33,262)
Total other local taxes	70,592,706	-	70,592,706	69,472,842	(1,119,864)
License, permits and privilege fees:					
Animal licenses	55,000		55,000	50,077	(4,923)
Street and taxi permits	109,220		109,220	102,936	(6,284)
Zoning and land use	205,000		205,000	163,606	(41,394)
Building permits	822,500		822,500	680,242	(142,258)
Miscellaneous	24,200	-	24,200	27,494	3,294
Total license, permits and privilege fees	1,215,920	-	1,215,920	1,024,355	(191,565)
Total fines and forfeitures	1,946,000	-	1,946,000	2,189,158	243,158
Revenue from use of money and property:					
Interest on investments	552,661		552,661	292,909	(259,752)
Rental of property	145,849		145,849	131,757	(14,092)
Sale of materials and property	59,019		59,019	82,393	23,374
Parking fees	82,400		82,400	55,690	(26,710)
Billboard revenue	60,000		60,000	60,000	-
Net increase (decrease) in fair value of investments	-	-	-	(4,999)	(4,999)
Total revenue from use of money and property	899,929	-	899,929	617,750	(282,179)

continued

CITY OF HAMPTON, VIRGINIA
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER CREDITS-BUDGET AND ACTUAL
For the Year Ended June 30, 2011

	Budget	Net	Final		Variance
	July 1, 2010	Changes	June 30, 2011	Actual	Over
					(Under)
Charges for services:					
Fees:					
Court costs	\$ 1,000	\$ -	\$ 1,000	\$ 1,200	\$ 200
Clerk	160,000		160,000	75,125	(84,875)
Court officers	26,000		26,000	31,777	5,777
Parks & Recreation	1,306,513		1,306,513	858,115	(448,398)
Youth, Education & Family Services	2,039,185		2,039,185	1,486,143	(553,042)
Animal Control	12,000		12,000		(12,000)
Sheriff	24,741		24,741	17,173	(7,568)
Legal services	7,200		7,200	7,200	-
Library	70,000		70,000	50,997	(19,003)
Jail admission fee	8,350		8,350	10,609	2,259
Nonconsecutive jail fee			-	25	25
Ambulance services	2,674,542		2,674,542	2,921,397	246,855
Public education grant fees			-	154,386	154,386
Passport applications	25,000		25,000	25,225	225
Miscellaneous charges for services	92,000		92,000	75,241	(16,759)
Landfill host fees	600,000	-	600,000	960,051	360,051
Total charges for services	7,046,531	-	7,046,531	6,674,664	(371,867)
Miscellaneous revenue:					
Payment in lieu of taxes	75,000		75,000	78,509	3,509
Returned check charges	14,010		14,010	11,253	(2,757)
Unemployment fees	4,000		4,000	4,037	37
School reimbursement	1,337,284		1,337,284	1,128,215	(209,069)
Indirect cost	935,745		935,745	935,745	-
Other	930,000	-	930,000	1,337,809	407,809
Total miscellaneous revenue	3,296,039	-	3,296,039	3,495,568	199,529
Recovered costs:					
Jail operation	680,118		680,118	759,615	79,497
Probation	8,500		8,500	8,791	291
NASA fire services	906,000		906,000	906,000	-
Miscellaneous	150,000	-	150,000	88,262	(61,738)
Total recovered cost	1,744,618	-	1,744,618	1,762,668	18,050
Noncategorical aid - state:					
Reduction in state aid to local governments	(1,438,000)		(1,438,000)	(1,240,459)	197,541
Personal property tax relief tax		15,453,929	15,453,929	15,453,929	-
Vehicle rental	306,000		306,000	315,905	9,905
Railroad rolling stock tax			-	13,618	13,618
Mobile home titling tax	36,959		36,959	16,229	(20,730)
Tax on deeds	301,392		301,392	337,540	36,148
State share - (FEMA)	-	-	-	1,401	1,401
Total noncategorical aid - state	(793,649)	15,453,929	14,660,280	14,898,163	237,883
Shared expenses - state:					
Sheriff	6,265,167		6,265,167	6,027,210	(237,957)
Commonwealth Attorney	1,261,213		1,261,213	1,247,029	(14,184)
Commissioner of Revenue	272,114		272,114	272,395	281
Treasurer	243,427		243,427	241,681	(1,746)
Clerk of Courts	747,341		747,341	747,837	496
Registrar - election board	52,523	-	52,523	54,239	1,716
Total shared expenses - state	8,841,785	-	8,841,785	8,590,391	(251,394)

continued

**CITY OF HAMPTON, VIRGINIA
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER CREDITS-BUDGET AND ACTUAL
For the Year Ended June 30, 2011**

	Budget July 1, 2010	Net Changes	Final June 30, 2011	Actual	Variance Over (Under)
Categorical aid - state:					
Public assistance	\$ 5,781,380		\$ 5,781,380	\$ 6,995,938	\$ 1,214,558
Police	6,760,290		6,760,290	6,760,808	518
Street and highway maintenance	12,561,396		12,561,396	13,051,899	490,503
E911 wireless grant	409,000		409,000	421,714	12,714
Public library books	165,200		165,200	163,199	(2,001)
Virginia juvenile block grant	408,352		408,352	313,733	(94,619)
Total categorical aid - state	<u>26,085,618</u>	<u>-</u>	<u>26,085,618</u>	<u>27,707,291</u>	<u>1,621,673</u>
Categorical aid - federal:					
Pass thru - public assistance	10,519,377		10,519,377	9,451,943	(1,067,434)
Pass thru - Healthy Families	403,148		403,148	547,564	144,416
Pass thru - Federal Rad. Emergency Response	20,500		20,500	20,847	347
American Recovery and Reinvestment Act	-	-	-	218,065	218,065
Total categorical aid - federal	<u>10,943,025</u>	<u>-</u>	<u>10,943,025</u>	<u>10,238,419</u>	<u>(704,606)</u>
Noncategorical aid - federal					
Federal Share - (FEMA)			-	124,710	124,710
Indirect costs - total	<u>228,000</u>	<u>-</u>	<u>228,000</u>	<u>228,000</u>	<u>-</u>
Total noncategorical aid - federal	<u>228,000</u>	<u>-</u>	<u>228,000</u>	<u>352,710</u>	<u>124,710</u>
Total revenues	<u>288,661,294</u>	<u>-</u>	<u>288,661,294</u>	<u>291,325,661</u>	<u>2,664,367</u>
Other credits:					
Component Unit - IDA Fund			-	582	582
Component Unit - Schools	<u>2,000,000</u>	<u>-</u>	<u>2,000,000</u>	<u>2,000,000</u>	<u>-</u>
Total transfers	<u>2,000,000</u>	<u>-</u>	<u>2,000,000</u>	<u>2,000,582</u>	<u>582</u>
Total revenues and transfers	<u>290,661,294</u>	<u>-</u>	<u>290,661,294</u>	<u>293,326,243</u>	<u>2,664,949</u>
Appropriations from fund balance	4,407,963	20,114,564	24,522,527	24,522,527	-
Appropriations - encumbrances	<u>-</u>	<u>1,277,852</u>	<u>1,277,852</u>	<u>1,277,852</u>	<u>-</u>
Total appropriations	<u>4,407,963</u>	<u>21,392,416</u>	<u>25,800,379</u>	<u>25,800,379</u>	<u>-</u>
Total revenues and other credits	<u>\$ 295,069,257</u>	<u>\$ 21,392,416</u>	<u>\$ 316,461,673</u>	<u>\$ 319,126,622</u>	<u>\$ 2,664,949</u>

These statements exclude special revenue funds Excel and Pearl Young which are included in the General Fund basis statements due to the implementaion of GASB 54

CITY OF HAMPTON, VIRGINIA
GENERAL FUND
SCHEDULE OF APPROPRIATIONS AND EXPENDITURES
For the Year Ended June 30, 2011

	Appropriations			Expenditures				Variance
	Budget July 1, 2010	Net Changes	Final June 30, 2011	Personal Services	Operating Expenditures	Capital Outlay	Total	Under (Over)
General Government								
Legislative:								
Municipal Council	\$ 455,733	\$ 3,478	\$ 459,211	\$ 323,248	\$ 103,662	\$ -	\$ 426,910	\$ 32,301
Legislative - Total	455,733	3,478	459,211	323,248	103,662	-	426,910	32,301
Executive:								
City Manager	1,100,575	32,915	1,133,490	999,624	83,804		1,083,428	50,062
Budget and Management Analysis	373,745	27,347	401,092	306,198	15,463	2,118	323,779	77,313
Citizens Unity Commission	123,590	124	123,714	92,299	25,969		118,268	5,446
Marketing and Outreach (Marketing, INC)	774,574	19,000	793,574	435,180	291,224	35,400	761,804	31,770
Internal Audit	169,150	500	169,650	143,490	13,848	-	157,338	12,312
Executive - Total	2,541,634	79,886	2,621,520	1,976,791	430,308	37,518	2,444,617	176,903
City Attorney:								
Law - City Attorney	1,050,249	74,659	1,124,908	976,601	99,874	26,047	1,102,522	22,386
City Attorney - Total	1,050,249	74,659	1,124,908	976,601	99,874	26,047	1,102,522	22,386
Human Resources - Total	666,178	135,489	801,667	533,141	88,435	5,399	626,975	174,692
Judicial:								
Clerk of Courts	922,875	106,072	1,028,947	718,572	110,721		829,293	199,654
Circuit Court	418,503	8,061	426,564	299,674	42,181		341,855	84,709
General District Court	193,031	1,466	194,497	49,987	132,294	1,656	183,937	10,560
District Court - J.D.R.	55,843	(4,627)	51,216	-	47,148		47,148	4,068
Commonwealth Attorney	1,566,091	23,456	1,589,547	1,440,334	55,421	219	1,495,974	93,573
City Sheriff - Administration	1,978,127	(328,920)	1,649,207	1,450,959	122,470		1,573,429	75,778
City Sheriff - Jail	6,678,214	308,657	6,986,871	4,970,363	1,948,672	67,427	6,986,462	409
Court Service Unit	1,949,052	933,692	2,882,744	179,149	1,849,438	5,262	2,033,849	848,895
Judicial - Subtotal	13,761,736	1,047,857	14,809,593	9,109,038	4,308,345	74,564	13,491,947	1,317,646
Less amount reflected as transfers	(2,055)	(2,273)	(4,328)	-	(2,273)	-	(2,273)	(2,055)
Judicial - Total	13,759,681	1,045,584	14,805,265	9,109,038	4,306,072	74,564	13,489,674	1,315,591

Exhibit B-4

	Appropriations			Expenditures				Variance
	Budget July 1, 2010	Net Changes	Final June 30, 2011	Personal Services	Operating Expenditures	Capital Outlay	Total	Under (Over)
General Government, continued:								
Boards and Commissions:								
Community Development	\$ 2,951,723	\$ 386,934	\$ 3,338,657	\$ 2,645,056	\$ 478,233	\$ 70,132	\$ 3,193,421	\$ 145,236
Elections Board	152,112		152,112	49,912	42,520		92,432	59,680
Registrar	219,308	5,241	224,549	185,574	12,145	5,604	203,323	21,226
Development	1,363,571	290,793	1,654,364	905,889	290,607	1,798	1,198,294	456,070
Boards and Commissions-Subtotal	4,686,714	682,968	5,369,682	3,786,431	823,505	77,534	4,687,470	682,212
Less amount reflected as transfers	(213,174)	(14,639)	(227,813)	-	(149,422)	-	(149,422)	(78,391)
Boards and Commissions - Total	4,473,540	668,329	5,141,869	3,786,431	674,083	77,534	4,538,048	603,821
Agriculture - Extension Agent - Total	68,526	3,153	71,679	43,341	26,336	1,264	70,941	738
Nondepartmental:								
Nondepartmental	15,347,395	1,189,639	16,537,034	59,491	14,843,175		14,902,666	1,634,368
Civic and community support	948,284	38,274	986,558		986,558		986,558	-
Other	3,097,796	(1,564,802)	1,532,994	-	943,806	-	943,806	589,188
Nondepartmental - Subtotal	19,393,475	(336,889)	19,056,586	59,491	16,773,539	-	16,833,030	2,223,556
Less amount reflected as transfers	(306,134)	-	(306,134)	-	(227,563)	-	(227,563)	(78,571)
Nondepartmental - Total	19,087,341	(336,889)	18,750,452	59,491	16,545,976	-	16,605,467	2,144,985
Finance:								
Commissioner of Revenue	1,206,070	16,151	1,222,221	950,921	120,433	58,250	1,129,604	92,617
Assessor of Real Estate	1,141,985	34,658	1,176,643	982,180	156,530	1,533	1,140,243	36,400
City Treasurer	1,482,207	(7,119)	1,475,088	1,030,201	392,651	14,812	1,437,664	37,424
Consolidated Procurement	360,826	17,867	378,693	327,689	46,296		373,985	4,708
Independent Auditors	203,513	13,429	216,942	-	195,818		195,818	21,124
Finance	833,782	363,395	1,197,177	747,507	59,650	17,323	824,480	372,697
Information Technology	2,054,470	321,826	2,376,296	966,565	631,100	272,699	1,870,364	505,932
Finance - Total	7,282,853	760,207	8,043,060	5,005,063	1,602,478	364,617	6,972,158	1,070,902
Retirement and Employee Benefits								
Total	33,761,047	1,002,621	34,763,668	1,390,559	30,657,279	-	32,047,838	2,715,830

continued

CITY OF HAMPTON, VIRGINIA
GENERAL FUND
SCHEDULE OF APPROPRIATIONS AND EXPENDITURES
For the Year Ended June 30, 2011

	Appropriations			Expenditures				Variance Under (Over)
	Budget July 1, 2010	Net Changes	Final June 30, 2011	Personal Services	Operating Expenditures	Capital Outlay	Total	
General Government, concluded:								
Public Works:								
Administration	\$ 235,929	\$ 25,830	\$ 261,759	\$ 152,453	\$ 58,397	\$ 2,495	\$ 213,345	\$ 48,414
Engineering	449,288	3,923	453,211	383,930	51,344	4,462	439,736	13,475
Property Maintenance	4,130,576	133,513	4,264,089	1,093,985	2,842,606	2,218	3,938,809	325,280
Parking Facilities	814,255	(6,511)	807,744	31,337	676,459	-	707,796	99,948
Public Works - Total	5,630,048	156,755	5,786,803	1,661,705	3,628,806	9,175	5,299,686	487,117
General Government - Total	<u>88,776,830</u>	<u>3,593,272</u>	<u>92,370,102</u>	<u>24,865,409</u>	<u>58,163,309</u>	<u>596,118</u>	<u>83,624,836</u>	<u>8,745,266</u>
Public Safety:								
Police Division	21,207,426	331,663	21,539,089	16,597,842	4,156,334	34,181	20,788,357	750,732
Traffic Engineering	2,907,141	11,275	2,918,416	652,437	2,015,016	1,203	2,668,656	249,760
Fire Division	16,263,370	636,790	16,900,160	13,610,361	2,830,808	296,501	16,737,670	162,490
Emergency Management	224,590	30,657	255,247	180,746	22,409		203,155	52,092
911/311 Call Centers	3,114,092	16,815	3,130,907	2,437,257	404,732	33,418	2,875,407	255,500
Animal Control	761,634	22,619	784,253	258,598	511,798	-	770,396	13,857
Public Safety - Subtotal	44,478,253	1,049,819	45,528,072	33,737,241	9,941,097	365,303	44,043,641	1,484,431
Less amount reflected as transfers	-	(204,219)	(204,219)	-	(202,304)	-	(202,304)	(1,915)
Public Safety - Total	<u>44,478,253</u>	<u>845,600</u>	<u>45,323,853</u>	<u>33,737,241</u>	<u>9,738,793</u>	<u>365,303</u>	<u>43,841,337</u>	<u>1,482,516</u>
Highways and Streets - Total	<u>2,223,525</u>	<u>(228,389)</u>	<u>1,995,136</u>	<u>1,091,637</u>	<u>720,590</u>	<u>-</u>	<u>1,812,227</u>	<u>182,909</u>

Exhibit B-4

	Appropriations			Expenditures				Variance
	Budget July 1, 2010	Net Changes	Final June 30, 2011	Personal Services	Other Expenditures	Capital Outlay	Total	Under (Over)
Health:								
Preventive Medicine	\$ 1,441,235	\$ 17,634	\$ 1,458,869	\$ -	\$ 1,326,912	\$ -	\$ 1,326,912	\$ 131,957
Drainage Maintenance	1,494,030	17,622	1,511,652	772,282	553,030	-	1,325,312	186,340
Health - Total	2,935,265	35,256	2,970,521	772,282	1,879,942	-	2,652,224	318,297
Human Services:								
Administration	1,051,831	9,658,517	10,710,348	7,019,901	3,658,622	31,760	10,710,283	65
Public Assistance	8,623,165	(7,946,301)	676,864		676,856		676,856	8
Purchase of Services	8,802,805	(1,305,055)	7,497,750		7,497,122		7,497,122	628
VISTA (Volunteers in Service to America)	434,588	(131,110)	303,478	153,187	135,244	15,043	303,474	4
Youth, Education and Family Services	4,255,655	231,553	4,487,208	3,158,862	952,825	18,720	4,130,407	356,801
Human Services - Total	23,168,044	507,604	23,675,648	10,331,950	12,920,669	65,523	23,318,142	357,506
Culture and Recreation:								
Recreation	3,563,034	35,238	3,598,272	2,153,414	1,054,589	76,561	3,284,564	313,708
Parks	5,129,114	49,117	5,178,231	1,878,968	2,722,972	40,914	4,642,854	535,377
Conventions and Tourism	2,383,234	(144,064)	2,239,170	890,583	1,325,759		2,216,342	22,828
Hampton History Museum	308,792	18,745	327,537	169,955	144,194	-	314,149	13,388
Culture and Recreation - Subtotal	11,384,174	(40,964)	11,343,210	5,092,920	5,247,514	117,475	10,457,909	885,301
Less amount reflected as transfers	-	-	-	-	-	-	-	-
Culture and Recreation - Total	11,384,174	(40,964)	11,343,210	5,092,920	5,247,514	117,475	10,457,909	885,301

continued

CITY OF HAMPTON, VIRGINIA
GENERAL FUND
SCHEDULE OF APPROPRIATIONS AND EXPENDITURES
For the Year Ended June 30, 2011

	Appropriations			Expenditures				Variance Under (Over)
	Budget July 1, 2010	Net Changes	Final June 30, 2011	Personal Services	Other Expenditures	Capital Outlay	Total	
Education:								
School Operations	\$ 67,051,476	\$ -	\$ 67,051,476	\$ -	\$ 67,051,476	\$ -	\$ 67,051,476	\$ -
Public Library	2,229,088	27,754	2,256,842	1,407,237	700,269	24,619	2,132,125	124,717
Education - Subtotal	69,280,564	27,754	69,308,318	1,407,237	67,751,745	24,619	69,183,601	124,717
Less amount reflected as transfers	-	-	-	-	-	-	-	-
Education - Total	<u>69,280,564</u>	<u>27,754</u>	<u>69,308,318</u>	<u>1,407,237</u>	<u>67,751,745</u>	<u>24,619</u>	<u>69,183,601</u>	<u>124,717</u>
Total expenditures	<u>242,246,655</u>	<u>4,740,133</u>	<u>246,986,788</u>	<u>77,298,676</u>	<u>156,422,562</u>	<u>1,169,038</u>	<u>234,890,276</u>	<u>12,096,512</u>
Operating Transfers Out:								
Capital Projects Funds	11,008,393	13,274,989	24,283,382		14,908,846		14,908,846	9,374,536
Enterprise Funds	8,705,939	1,673,882	10,379,821		10,376,988		10,376,988	2,833
Special Revenue Funds	3,650,645	206,492	3,857,137		3,287,669		3,287,669	569,468
Debt Service Funds	29,457,625	(20,238)	29,437,387	-	29,352,796	-	29,352,796	84,591
Transfers - Total	<u>52,822,602</u>	<u>15,135,125</u>	<u>67,957,727</u>	<u>-</u>	<u>57,926,299</u>	<u>-</u>	<u>57,926,299</u>	<u>10,031,428</u>
Total expenditures and transfers	<u>\$ 295,069,257</u>	<u>\$ 19,875,259</u>	<u>\$ 314,944,516</u>	<u>\$ 77,298,676</u>	<u>\$ 214,348,861</u>	<u>\$ 1,169,038</u>	<u>\$ 292,816,575</u>	<u>\$ 22,127,941</u>

These statements exclude special revenue funds Excel and Pearl Young which are included in the General Fund basis statements due to the implementaion of GASB 54

Non-Major Governmental Funds

**CITY OF HAMPTON, VIRGINIA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2011**

	Special Revenue							
	Federal Grants	Community Development	Stormwater Management	Pembroke Complex	Law Library	Peninsula Town Center CDA	H2O CDA	Total Non-major Governmental Funds
ASSETS								
Cash and cash equivalents	\$ -	\$ 778,037	\$ 5,044,988	\$ 13,291	\$ 122,491	\$ 2,787,519	\$ 16,338	\$ 8,762,664
Accounts receivables:								
Due from other governments	3,868,293	579,369						4,447,662
Other	60,759	19,784	255,830	28,656	10			365,039
Notes receivable		15,439						15,439
Due from other funds	95,170	7,148	297	-	-	-	-	102,615
Total assets	<u>\$ 4,024,222</u>	<u>\$ 1,399,777</u>	<u>\$ 5,301,115</u>	<u>\$ 41,947</u>	<u>\$ 122,501</u>	<u>\$ 2,787,519</u>	<u>\$ 16,338</u>	<u>\$ 13,693,419</u>
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable	\$ 946,890	\$ 213,172	\$ 30,223	\$ 18,765	\$ 185	\$ 2,787,519	\$ 16,338	\$ 4,013,092
Accrued liabilities	95,985	10,626	60,005	2,770	375			169,761
Due to other funds	943,079	366,000		2,830				1,311,909
Due to component units	1,857							1,857
Deferred revenue	199,349	809,979	255,830	-	-	-	-	1,265,158
Total liabilities	<u>2,187,160</u>	<u>1,399,777</u>	<u>346,058</u>	<u>24,365</u>	<u>560</u>	<u>2,787,519</u>	<u>16,338</u>	<u>6,761,777</u>
Fund balances:								
Nonspendable								-
Restricted	1,694,026		4,955,057	17,582	121,941			6,788,606
Committed								-
Assigned	143,036							143,036
Unassigned	-	-	-	-	-	-	-	-
Total fund balances	<u>1,837,062</u>	<u>-</u>	<u>4,955,057</u>	<u>17,582</u>	<u>121,941</u>	<u>-</u>	<u>-</u>	<u>6,931,642</u>
Total liabilities and fund balances	<u>\$ 4,024,222</u>	<u>\$ 1,399,777</u>	<u>\$ 5,301,115</u>	<u>\$ 41,947</u>	<u>\$ 122,501</u>	<u>\$ 2,787,519</u>	<u>\$ 16,338</u>	<u>\$ 13,693,419</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, 2011

	Special Revenue							
	Federal Grants	Community Development	Stormwater Management	Pembroke Complex	Law Library	Peninsula Town Center CDA	H2O CDA	Total Non-major Governmental Funds
REVENUES								
Special Assesment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,605,511	\$ 32,677	\$ 5,638,188
Intergovernmental revenues:								
From the Commonwealth of Virginia	9,433,520							9,433,520
From the Federal government	6,711,267	2,182,722						8,893,989
Revenues from use of money and property	250			371,872	210			372,332
Charges for services			4,857,437					4,857,437
Miscellaneous	1,104,167	450,812	40	-	51,098	-	-	1,606,117
Total revenues	<u>17,249,204</u>	<u>2,633,534</u>	<u>4,857,477</u>	<u>371,872</u>	<u>51,308</u>	<u>5,605,511</u>	<u>32,677</u>	<u>30,801,583</u>
EXPENDITURES								
Current:								
General government	5,797,766	2,633,534		378,087	49,153	5,605,511	32,677	14,496,728
Public safety	4,480,282							4,480,282
Sanitation			3,636,820					3,636,820
Human services	8,239,592							8,239,592
Culture and recreation	237,744							237,744
Education and educational services	786	-	-	-	-	-	-	786
Total expenditures	<u>18,756,170</u>	<u>2,633,534</u>	<u>3,636,820</u>	<u>378,087</u>	<u>49,153</u>	<u>5,605,511</u>	<u>32,677</u>	<u>31,091,952</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,506,966)</u>	<u>-</u>	<u>1,220,657</u>	<u>(6,215)</u>	<u>2,155</u>	<u>-</u>	<u>-</u>	<u>(290,369)</u>
OTHER FINANCING SOURCES (USES)								
Transfers in	1,999,918							1,999,918
Transfers out	-	-	(665,624)	-	-	-	-	(665,624)
Net other financing sources (uses)	<u>1,999,918</u>	<u>-</u>	<u>(665,624)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,334,294</u>
Net change in fund balances	492,952		555,033	(6,215)	2,155	-	-	1,043,925
Fund balances, beginning of year, as restated	<u>1,344,110</u>	<u>-</u>	<u>4,400,024</u>	<u>23,797</u>	<u>119,786</u>	<u>-</u>	<u>-</u>	<u>5,887,717</u>
Fund balances, end of year	<u>\$ 1,837,062</u>	<u>\$ -</u>	<u>\$ 4,955,057</u>	<u>\$ 17,582</u>	<u>\$ 121,941</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,931,642</u>

Non-Major Enterprise Funds

CITY OF HAMPTON, VIRGINIA
NON-MAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF NET ASSETS
June 30, 2011

	Business-Type Activities - Non-Major Enterprise Funds				
	Coliseum	Woodlands	Solid Waste	Refuse-Steam Plant	Totals
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 4,141,298	\$ 61,593	\$ 2,103,236	\$ 2,643,282	\$ 8,949,409
Accounts receivable	209,871	7,874	2,315,190	263,729	2,796,664
Due from other funds				80,833	80,833
Due from component units			19,029		19,029
Inventories	64,250	23,590	-	-	87,840
Total current assets	<u>4,415,419</u>	<u>93,057</u>	<u>4,437,455</u>	<u>2,987,844</u>	<u>11,933,775</u>
Noncurrent assets:					
Capital assets:					
Land and improvements	164,079	2,295,538	945,188		3,404,805
Buildings and improvements	12,579,872	1,001,826			13,581,698
Improvements other than buildings	3,590,517	661,032	2,971	20,556,081	24,810,601
Equipment	827,186	460,656	11,482,909	3,083,377	15,854,128
Landfill			3,865,986		3,865,986
Construction in progress	2,237,641				2,237,641
Less accumulated depreciation	<u>(12,701,069)</u>	<u>(1,539,908)</u>	<u>(9,119,532)</u>	<u>(15,719,649)</u>	<u>(39,080,158)</u>
Net capital assets	<u>6,698,226</u>	<u>2,879,144</u>	<u>7,177,522</u>	<u>7,919,809</u>	<u>24,674,701</u>
Total noncurrent assets	<u>6,698,226</u>	<u>2,879,144</u>	<u>7,177,522</u>	<u>7,919,809</u>	<u>24,674,701</u>
Total assets	<u>\$ 11,113,645</u>	<u>\$ 2,972,201</u>	<u>\$ 11,614,977</u>	<u>\$ 10,907,653</u>	<u>\$ 36,608,476</u>
LIABILITIES					
Current liabilities:					
Accounts payable	\$ 145,707	\$ 4,867	\$ 275,892	\$ 161,847	\$ 588,313
Accrued interest payable				59,657	59,657
Accrued leave	27,530	9,389	107,493	56,827	201,239
Due to other funds		1,306,071	80,833		1,386,904
Deferred revenue	463,536	8,490			472,026
Current portion of long-term debt	9,294				9,294
Other liabilities	<u>243,575</u>	<u>22,527</u>	<u>75,938</u>	<u>53,077</u>	<u>395,117</u>
Total current liabilities	<u>889,642</u>	<u>1,351,344</u>	<u>540,156</u>	<u>331,408</u>	<u>3,112,550</u>
Noncurrent liabilities:					
Accrued leave	91,729	18,350	130,366	51,717	292,162
Obligations under capital leases	4,748				4,748
Advances from other funds	-	-	-	4,943,016	4,943,016
Total noncurrent liabilities	<u>96,477</u>	<u>18,350</u>	<u>130,366</u>	<u>4,994,733</u>	<u>5,239,926</u>
Total liabilities	<u>986,119</u>	<u>1,369,694</u>	<u>670,522</u>	<u>5,326,141</u>	<u>8,352,476</u>
NET ASSETS					
Invested in capital assets, net of related debt	6,684,184	2,879,144	7,177,522	7,919,809	24,660,659
Unrestricted	<u>3,443,342</u>	<u>(1,276,637)</u>	<u>3,766,933</u>	<u>(2,338,297)</u>	<u>3,595,341</u>
Total net assets	<u>10,127,526</u>	<u>1,602,507</u>	<u>10,944,455</u>	<u>5,581,512</u>	<u>28,256,000</u>
Total liabilities and net assets	<u>\$ 11,113,645</u>	<u>\$ 2,972,201</u>	<u>\$ 11,614,977</u>	<u>\$ 10,907,653</u>	<u>\$ 36,608,476</u>

CITY OF HAMPTON, VIRGINIA
NON-MAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For the Year Ended June 30, 2011

	Business-Type Activities - Non-Major Enterprise Funds				Totals
	Coliseum	Woodlands	Solid Waste	Refuse-Steam Plant	
Operating revenues:					
Charges for services	\$ 7,352,014	\$ 724,633	\$ 9,991,388	\$ 7,720,701	\$ 25,788,736
Total operating revenues	<u>7,352,014</u>	<u>724,633</u>	<u>9,991,388</u>	<u>7,720,701</u>	<u>25,788,736</u>
Operating expenses:					
Personal services	1,164,548	322,931	2,213,466	1,540,903	5,241,848
Fringe benefits	369,330	109,830	937,785	525,420	1,942,365
Promoter fees	2,670,658				2,670,658
City-sponsored events	917,301				917,301
Cost of goods sold	229,208	39,895			269,103
Utilities	272,353	68,011	1,612	514,061	856,037
Insurance	198,034	19,638	174,371	257,631	649,674
Operating supplies	119,788	90,368	154,487	654,953	1,019,596
Equipment rental	13,214	38,160		21,010	72,384
Equipment and building repairs	154,608	36,369	839,718	1,084,112	2,114,807
Telephone and postage	20,047	3,417	3,265	14,435	41,164
General expense	581,480	1,991	608,171	16,137	1,207,779
Landfill costs			3,098,187	691,814	3,790,001
Contractual services	304,318	52,482	359,057	128,515	844,372
Indirect cost			356,470	218,000	574,470
Depreciation and amortization	<u>422,727</u>	<u>79,346</u>	<u>776,159</u>	<u>794,087</u>	<u>2,072,319</u>
Total operating expenses	<u>7,437,614</u>	<u>862,438</u>	<u>9,522,748</u>	<u>6,461,078</u>	<u>24,283,878</u>
Operating income (loss)	<u>(85,600)</u>	<u>(137,805)</u>	<u>468,640</u>	<u>1,259,623</u>	<u>1,504,858</u>
Nonoperating revenues (expenses):					
Interest income				3,957	3,957
Interest and fiscal charges	(570)			(248,350)	(248,920)
Other					-
Gain (loss) on sale of capital assets	-	-	88,164	(34,083)	54,081
Total nonoperating revenues (expenses)	<u>(570)</u>	<u>-</u>	<u>88,164</u>	<u>(278,476)</u>	<u>(190,882)</u>
Income (loss) before transfers and capital contributions	(86,170)	(137,805)	556,804	981,147	1,313,976
Capital contributions		55,021			55,021
Transfers in (out)	-	321,165	(55,000)	-	266,165
Change in net assets	(86,170)	238,381	501,804	981,147	1,635,162
Net assets, beginning of year	<u>10,213,696</u>	<u>1,364,126</u>	<u>10,442,651</u>	<u>4,600,365</u>	<u>26,620,838</u>
Net assets, end of year	<u>\$ 10,127,526</u>	<u>\$ 1,602,507</u>	<u>\$ 10,944,455</u>	<u>\$ 5,581,512</u>	<u>\$ 28,256,000</u>

**CITY OF HAMPTON, VIRGINIA
NON-MAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
Fiscal Year Ended June 30, 2011**

	Coliseum	Woodlands	Solid Waste	Refuse-Steam Plant	Totals
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	\$ 7,437,800	\$ 730,314	\$ 9,971,447	\$ 7,592,338	\$ 25,731,899
Cash payments to suppliers for goods and services	(5,884,558)	(672,025)	(6,365,630)	(4,040,850)	(16,963,063)
Cash payments to employees for services	(1,162,058)	(318,661)	(2,240,243)	(1,541,765)	(5,262,727)
Net cash provided by (used in) operating activities	391,184	(260,372)	1,365,574	2,009,723	3,506,109
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Operating transfers in from (out to) other funds	-	321,165	(55,000)	-	266,165
Net cash provided by (used in) noncapital financing activities	-	321,165	(55,000)	-	266,165
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition and construction of capital assets	(1,921,237)		(2,438,570)	(198,200)	(4,558,007)
Sale of capital assets			88,164		88,164
Principal paid on revenue bond maturities and long-term debt	(9,031)			(300,332)	(309,363)
Interest paid on revenue bonds and long-term debt	(570)	-	-	(251,591)	(252,161)
Net cash provided by (used in) capital and related financing activities	(1,930,838)	-	(2,350,406)	(750,123)	(5,031,367)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest and dividends on investments	-	-	-	4,177	4,177
Net cash provided by (used in) investing activities	-	-	-	4,177	4,177
Net increase (decrease) in cash and cash equivalents (including restricted amounts)	(1,539,654)	60,793	(1,039,832)	1,263,777	(1,254,916)
Cash and cash equivalents, July 1	5,680,952	800	3,143,068	1,379,505	10,204,325
Cash and cash equivalents, June 30	\$ 4,141,298	\$ 61,593	\$ 2,103,236	\$ 2,643,282	\$ 8,949,409
Operating income (loss)	\$ (85,600)	\$ (137,805)	\$ 468,640	\$ 1,259,623	\$ 1,504,858
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization expense	422,727	79,346	776,159	794,087	2,072,319
Decrease (increase) in:					
Accounts receivable	41,901	339	168,220	(47,586)	162,874
Due from other funds		108	50	(80,557)	(80,399)
Due from component units			4,988		4,988
Inventories	(10,406)	449			(9,957)
Increase (decrease) in:					
Accounts payable	(6,178)	(15,335)	(106,539)	85,237	(42,815)
Accrued leave	(14,424)	2,139	59,723	(8,699)	38,739
Due to other funds	(4,491)	(196,978)	80,833		(120,636)
Other liabilities	(18,206)	6,477	(11,661)	4,167	(19,223)
Deferred revenue	43,885	(610)			43,275
Accounts receivable reported as nonoperating activities				(220)	(220)
Long-term accrued leave reported as operating activity	21,976	1,498	(74,839)	3,671	(47,694)
Total adjustments	476,784	(122,567)	896,934	750,100	2,001,251
Net cash provided by (used in) operating activities	\$ 391,184	\$ (260,372)	\$ 1,365,574	\$ 2,009,723	\$ 3,506,109
Non-cash transactions affecting investing capital and related financing activities:					
Acquisition of capital assets through outside capital contribution	\$ -	\$ 55,021	\$ -	\$ -	\$ 55,021
Total non-cash transactions	\$ -	\$ 55,021	\$ -	\$ -	\$ 55,021

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Internal Service Funds

CITY OF HAMPTON, VIRGINIA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS
June 30, 2011

ASSETS	<u>Equipment Replacement</u>	<u>Fleet Services</u>	<u>Risk Management</u>	<u>Information Technology</u>	<u>Totals</u>
Current assets:					
Cash and cash equivalents	\$ 11,747,434	\$ 795,234	\$ 18,035,111	\$ 411,017	\$ 30,988,796
Cash with fiscal agent		60,576	370,000		430,576
Accounts receivable	972	36,404	1,519	19,558	58,453
Due from other funds		574			574
Due from component units		250,058		800	250,858
Prepaid expense			95,784	47,387	143,171
Inventories	-	158,836	-	-	158,836
Total current assets	<u>11,748,406</u>	<u>1,301,682</u>	<u>18,502,414</u>	<u>478,762</u>	<u>32,031,264</u>
Noncurrent assets:					
Capital assets					
Improvements other than buildings		248,062			248,062
Computer software	14,400	171,225			185,625
Equipment	31,261,560	806,477	31,524	1,512,817	33,612,378
Less accumulated depreciation	<u>(22,936,460)</u>	<u>(661,533)</u>	<u>(23,139)</u>	<u>(463,935)</u>	<u>(24,085,067)</u>
Total noncurrent assets (net capital assets)	<u>8,339,500</u>	<u>564,231</u>	<u>8,385</u>	<u>1,048,882</u>	<u>9,960,998</u>
Total assets	<u>\$ 20,087,906</u>	<u>\$ 1,865,913</u>	<u>\$ 18,510,799</u>	<u>\$ 1,527,644</u>	<u>\$ 41,992,262</u>
LIABILITIES					
Current liabilities:					
Accounts payable	\$ 338,928	\$ 238,968	\$ 261,462	\$ 172,582	\$ 1,011,940
Accrued leave		57,056	14,539	9,223	80,818
Due to other funds	574				574
Deferred revenue				27,852	27,852
Current portion of long-term debt	126,559	70,866	4,598,500		4,795,925
Other liabilities	-	36,186	10,849	6,598	53,633
Total current liabilities	<u>466,061</u>	<u>403,076</u>	<u>4,885,350</u>	<u>216,255</u>	<u>5,970,742</u>
Noncurrent liabilities:					
Claims payable			838,268		838,268
Accrued leave		64,868	10,854	6,725	82,447
Obligations under capital leases	686,563	263,898	-	-	950,461
Total noncurrent liabilities	<u>686,563</u>	<u>328,766</u>	<u>849,122</u>	<u>6,725</u>	<u>1,871,176</u>
Total liabilities	<u>1,152,624</u>	<u>731,842</u>	<u>5,734,472</u>	<u>222,980</u>	<u>7,841,918</u>
NET ASSETS					
Invested in capital assets, net of related debt	7,526,378	229,467	8,385	1,048,882	8,813,112
Restricted		60,576			60,576
Unrestricted	11,408,904	844,028	12,767,942	255,782	25,276,656
Total net assets	<u>18,935,282</u>	<u>1,134,071</u>	<u>12,776,327</u>	<u>1,304,664</u>	<u>34,150,344</u>
Total liabilities and net assets	<u>\$ 20,087,906</u>	<u>\$ 1,865,913</u>	<u>\$ 18,510,799</u>	<u>\$ 1,527,644</u>	<u>\$ 41,992,262</u>

CITY OF HAMPTON, VIRGINIA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For the Year Ended June 30, 2011

	Equipment Replacement	Fleet Services	Risk Management	Information Technology	Totals
Operating revenues:					
Charges for services	\$ 1,614,738	\$ 6,573,514	\$ 7,056,094	\$ 1,668,232	\$ 16,912,578
Operating expenses:					
Personal services		991,138	255,666	233,222	1,480,026
Fringe benefits		393,466	106,432	76,724	576,622
Cost of goods sold		4,602,126			4,602,126
Utilities		50,925			50,925
Insurance		46,858	1,764,077	3,818	1,814,753
Operating supplies		153,800	3,265	55,895	212,960
Equipment rental		-	25,796	63,992	89,788
Equipment and building repairs		49,577	531	131,455	181,563
Telephone and postage		8,556	3,595	916,307	928,458
General expense		25,481	13,667	31,298	70,446
Claims			4,200,547		4,200,547
Contractual services		187,538		11,800	199,338
Depreciation and amortization	2,057,269	63,896	3,469	96,498	2,221,132
Total operating expenses	2,057,269	6,573,361	6,377,045	1,621,009	16,628,684
Operating income (loss)	(442,531)	153	679,049	47,223	283,894
Nonoperating revenues (expenses):					
Interest income	20,306	302	34,037	173	54,818
Interest and fiscal charges	(38,100)	(4,961)		(13,486)	(56,547)
Other		2,823			2,823
Gain (loss) on sale of capital assets	23,480	(564)	-	(901)	22,015
Total nonoperating revenues (expenses)	5,686	(2,400)	34,037	(14,214)	23,109
Income (loss) before transfers and capital contributions	(436,845)	(2,247)	713,086	33,009	307,003
Capital contributions	120,079	5,577	-	-	125,656
Change in net assets	(316,766)	3,330	713,086	33,009	432,659
Net assets, beginning of year	19,252,048	1,130,741	12,063,241	1,271,655	33,717,685
Net assets, end of year	\$ 18,935,282	\$ 1,134,071	\$ 12,776,327	\$ 1,304,664	\$ 34,150,344

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CITY OF HAMPTON, VIRGINIA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2011

	Equipment Replacement	Fleet Services	Risk Management	Information Technology	Totals
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	\$ 2,159,539	\$ 6,581,655	\$ 7,057,643	\$ 1,660,421	\$ 17,459,258
Cash payments to suppliers for goods and services		(5,268,725)	(5,744,921)	(967,551)	(11,981,197)
Cash payments to employees for services	-	(1,383,916)	(252,103)	(266,010)	(1,902,029)
Net cash provided by (used in) operating activities	<u>2,159,539</u>	<u>(70,986)</u>	<u>1,060,619</u>	<u>426,860</u>	<u>3,576,032</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Operating transfers in from other funds	574				574
Cash paid to other funds	-	-	-	-	-
Net cash provided by (used in) noncapital financing activities	<u>574</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>574</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition and construction of capital assets	(1,456,276)	(331,846)		(42,795)	(1,830,917)
Proceeds from issuance on long-term debt		369,475			369,475
Principal paid on revenue bond maturities and long-term debt	(121,408)	(34,711)		(262,670)	(418,789)
Interest paid on revenue bonds and long-term debt	(38,100)	(4,961)		(13,486)	(56,547)
Proceeds from sale of capital assets	<u>23,480</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,480</u>
Net cash provided by (used in) capital and related financing activities	<u>(1,592,304)</u>	<u>(2,043)</u>	<u>-</u>	<u>(318,951)</u>	<u>(1,913,298)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest and dividends on investments	<u>20,846</u>	<u>302</u>	<u>34,037</u>	<u>173</u>	<u>55,358</u>
Net cash provided by (used in) investing activities	<u>20,846</u>	<u>302</u>	<u>34,037</u>	<u>173</u>	<u>55,358</u>
Net increase (decrease) in cash and cash equivalents (including restricted amounts)	588,655	(72,727)	1,094,656	108,082	1,718,666
Cash and cash equivalents, July 1	<u>11,158,779</u>	<u>928,537</u>	<u>17,310,455</u>	<u>302,935</u>	<u>29,700,706</u>
Cash and cash equivalents, June 30	<u>\$ 11,747,434</u>	<u>\$ 855,810</u>	<u>\$ 18,405,111</u>	<u>\$ 411,017</u>	<u>\$ 31,419,372</u>

continued

	Equipment Replacement	Fleet Management	Risk Management	Information Technology	Totals
Operating income (loss)	\$ (442,531)	\$ 153	\$ 679,049	\$ 47,223	\$ 283,894
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization expense	2,057,269	63,896	3,469	96,498	2,221,132
Decrease (increase) in:					
Accounts receivable	542,996	(20,150)	749	(6,433)	517,162
Due from other funds	2,345	34,703	800	8,473	46,321
Due from component units		(9,235)	-	(400)	(9,635)
Inventories		(47,563)			(47,563)
Prepaid expenses			(33,991)	266,373	232,382
Increase (decrease) in:					
Accounts payable	311,416	(95,978)	50,376	57,989	323,803
Accrued leave		18,039	473	(13,694)	4,818
Due to other funds	574	(323)	(344)	(624)	(717)
Other liabilities		4,862	3,204	(14,772)	(6,706)
Nonoperating revenues reported as operating		2,823			2,823
Deferred revenue				(9,451)	(9,451)
Current portion of long-term accrued claims reported as operating activity			150,624		150,624
Accounts receivable reported as nonoperating activities	(540)				(540)
Due to other funds reported as nonoperating activities	(574)				(574)
Accounts payable reported as nonoperating activities	(311,416)				(311,416)
Long-term accrued leave reported as operating activities		(22,213)	(114)	(4,322)	(26,649)
Long-term accrued insurance claims reported as operating activity	-	-	206,324	-	206,324
Total adjustments	<u>2,602,070</u>	<u>(71,139)</u>	<u>381,570</u>	<u>379,637</u>	<u>3,292,138</u>
Net cash provided by (used in) operating activities	<u>\$ 2,159,539</u>	<u>\$ (70,986)</u>	<u>\$ 1,060,619</u>	<u>\$ 426,860</u>	<u>\$ 3,576,032</u>
Non-cash transactions affecting investing capital and related financing activities:					
Acquisition of capital assets through other funds' capital contributions	\$ 120,079	\$ 5,577	\$ -	\$ -	\$ 125,656
Total non-cash transactions	<u>\$ 120,079</u>	<u>\$ 5,577</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 125,656</u>

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Fiduciary Funds

CITY OF HAMPTON, VIRGINIA
FIDUCIARY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the Year Ended June 30, 2011

	Balance, July 1, 2010	Additions	Deductions	Balance, June 30, 2011
<u>Special Welfare Fund</u>				
ASSETS				
Cash and cash equivalents	\$ 163,683	\$ 139,826	\$ 146,656	\$ 156,853
Accounts receivable	-	45	45	-
	<u>\$ 163,683</u>	<u>\$ 139,871</u>	<u>\$ 146,701</u>	<u>\$ 156,853</u>
LIABILITIES				
Deposits	\$ 156,782	\$ 106,774	\$ 114,755	\$ 148,801
Accounts payable	6,901	26,889	25,738	8,052
	<u>\$ 163,683</u>	<u>\$ 133,663</u>	<u>\$ 140,493</u>	<u>\$ 156,853</u>
<u>Agency Fund</u>				
ASSETS				
Cash and cash equivalents	\$ 975,997	\$ 641,353	\$ 579,207	\$ 1,038,143
Accounts receivable	273	16,250	16,523	-
	<u>\$ 976,270</u>	<u>\$ 657,603</u>	<u>\$ 595,730</u>	<u>\$ 1,038,143</u>
LIABILITIES				
Deposits	\$ 944,715	\$ 368,505	\$ 296,378	\$ 1,016,842
Accounts payable	31,555	577,758	588,012	21,301
	<u>\$ 976,270</u>	<u>\$ 946,263</u>	<u>\$ 884,390</u>	<u>\$ 1,038,143</u>
<u>Total - All Agency Funds</u>				
ASSETS				
Cash and cash equivalents	\$ 1,139,680	\$ 781,179	\$ 725,863	\$ 1,194,996
Accounts receivable	273	16,295	16,568	-
	<u>\$ 1,139,953</u>	<u>\$ 797,474</u>	<u>\$ 742,431</u>	<u>\$ 1,194,996</u>
LIABILITIES				
Deposits	\$ 1,101,497	\$ 475,279	\$ 411,133	\$ 1,165,643
Accounts payable and accrued liabilities	38,456	604,647	613,750	29,353
	<u>\$ 1,139,953</u>	<u>\$ 1,079,926</u>	<u>\$ 1,024,883</u>	<u>\$ 1,194,996</u>

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**Discretely Presented Component
Unit-School Board**

CITY OF HAMPTON, VIRGINIA
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
COMBINING BALANCE SHEET
June 30, 2011

	<u>Operating</u>	<u>Food Services</u>	<u>Reimbursable Projects</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 569,669	\$ 4,075,349	\$ 440,341	\$ 5,085,359
Cash with fiscal agent	8,022,950			8,022,950
Investments	12,001			12,001
Accounts receivables	52,747	34,464	62,846	150,057
Due from primary government	29,643	1,857	41,087	72,587
Due from other funds	7,133,475		152,847	7,286,322
Due from other governments	5,672,590	310,919	7,952,228	13,935,737
Inventories	-	138,887	-	138,887
Total assets	<u>\$ 21,493,075</u>	<u>\$ 4,561,476</u>	<u>\$ 8,649,349</u>	<u>\$ 34,703,900</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable and other liabilities	\$ 11,274,563	\$ 35,923	\$ 1,226,010	\$ 12,536,496
Due to other funds	152,847	94,654	7,038,821	7,286,322
Due to primary government	3,144,260			3,144,260
Deferred revenue	-	-	74,211	74,211
Total liabilities	<u>14,571,670</u>	<u>130,577</u>	<u>8,339,042</u>	<u>23,041,289</u>
Fund balance				
Nonspendable		138,887		138,887
Restricted		4,292,012	2,187,534	6,479,546
Assigned	6,921,405			6,921,405
Unassigned	-	-	(1,877,227)	(1,877,227)
Total fund balance	<u>6,921,405</u>	<u>4,430,899</u>	<u>310,307</u>	<u>11,662,611</u>
Total liabilities and fund balances	<u>\$ 21,493,075</u>	<u>\$ 4,561,476</u>	<u>\$ 8,649,349</u>	<u>\$ 34,703,900</u>

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

Total fund balance	\$ 11,662,611
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds. (Note 6)	95,724,455
Accumulated depreciation on capital assets. (Note 6)	(78,050,551)
Net other post employment benefit liability (Note 8)	(5,816,548)
Capital lease (Note 8)	(229,126)
Long-term liability for compensated absences. (Note 8)	(5,480,156)
	<u>\$ 17,810,685</u>

CITY OF HAMPTON, VIRGINIA
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended June 30, 2011

	<u>Operating</u>	<u>Food Services</u>	<u>Reimbursable Projects</u>	<u>Total</u>
REVENUES				
State funds	\$ 114,292,214	\$ 254,096	\$ 932,390	\$ 115,478,700
Federal funds (includes pass through)	4,946,205	6,200,530	18,972,590	30,119,325
Other receipts	1,371,755	3,167,744	586,224	5,125,723
Payments from City	67,051,476			67,051,476
Net increase in fair value of investments	478	-	-	478
Total revenues	<u>187,662,128</u>	<u>9,622,370</u>	<u>20,491,204</u>	<u>217,775,702</u>
EXPENDITURES				
Education	<u>189,823,389</u>	<u>8,101,108</u>	<u>20,454,122</u>	<u>218,378,619</u>
Excess of revenues over (under) expenditures	<u>(2,161,261)</u>	<u>1,521,262</u>	<u>37,082</u>	<u>(602,917)</u>
OTHER FINANCING SOURCES (USES)				
Transfer from:				
Food Services Fund	260,000			260,000
Reimbursable Projects Fund	4,314			4,314
Transfer to:				
School Operating Fund	-	(260,000)	(4,314)	(264,314)
Total other sources (uses)	<u>264,314</u>	<u>(260,000)</u>	<u>(4,314)</u>	<u>-</u>
Excess of revenues and other sources over (under) expenditures and other uses	(1,896,947)	1,261,262	32,768	(602,917)
Fund balance - July 1, as restated	<u>8,818,352</u>	<u>3,169,637</u>	<u>277,539</u>	<u>12,265,528</u>
Fund balance - June 30	<u>\$ 6,921,405</u>	<u>\$ 4,430,899</u>	<u>\$ 310,307</u>	<u>\$ 11,662,611</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	\$ (602,917)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. (Note 6)	
Capital acquisitions	1,615,197
Depreciation expense	(4,038,126)
In the statement of activities, the loss on disposal of capital assets is reported. However, in the governmental funds, only the proceeds from sale increase financial resources. The change in net assets differs from the change in fund balance by the net book value of the capital assets abandoned. (Note 6)	(2,734)
Revenues in the Statement of Activities that do not provide financial resources are not reported as revenues in the funds.	
Capital lease financing for the acquisition of capital assets does not provide current financial resources. Capital assets acquired by capital lease financing are not reported as expenditures in the governmental funds. (Note 8)	71,233
Decrease 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)	(1,909,418)
Increase in compensated absences reported in the Statement of Activities does not provide current financial resources and therefore is not reported in the governmental funds. (Note 8)	<u>1,282,495</u>
Change in net assets of governmental activities	<u>\$ (3,584,270)</u>

CITY OF HAMPTON, VIRGINIA
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2011

	School Board - School Operating Fund			
	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
REVENUES				
Intergovernmental:				
State funds	\$ 112,219,961	\$ 114,438,117	\$ 114,292,214	\$ (145,903)
Federal funds (includes pass through)	4,080,739	5,020,983	4,946,205	(74,778)
Miscellaneous	1,073,000	1,148,769	1,026,640	(122,129)
Payments from City	67,051,476	67,051,476	67,051,476	-
Total revenues	<u>184,425,176</u>	<u>187,659,345</u>	<u>187,316,535</u>	<u>(342,810)</u>
EXPENDITURES				
Current:				
Education	<u>184,398,176</u>	<u>189,556,666</u>	<u>189,421,418</u>	<u>(135,248)</u>
Total expenditures	<u>184,398,176</u>	<u>189,556,666</u>	<u>189,421,418</u>	<u>(135,248)</u>
Excess of revenues over (under) expenditures	<u>27,000</u>	<u>(1,897,321)</u>	<u>(2,104,883)</u>	<u>(207,562)</u>
OTHER FINANCING SOURCES (USES)				
Issuance of debt and capital leases				-
Transfers in	260,000	260,000	260,000	-
Transfers out	<u>(287,000)</u>	<u>(287,000)</u>	<u>(287,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(27,000)</u>	<u>(27,000)</u>	<u>(27,000)</u>	<u>-</u>
Excess of revenues and other sources over (under) expenditures and other uses	-	(1,924,321)	(2,131,883)	<u>(207,562)</u>
Appropriations from fund balance		8,285,090		
Appropriations - encumbrances		<u>(6,360,769)</u>		
Fund balance - July 1	-	-	8,492,652	
Fund balance - June 30	\$ -	\$ -	\$ 6,360,769	

Special Revenues Fund is consolidated into the General Fund for reporting purposes:

Miscellaneous	188,489
Fund balance, beginning	<u>222,138</u>
Fund balance, ending	<u>410,627</u>

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

Miscellaneous	157,104
Transfer from Reimbursable Projects	4,314
Transfer from Operating fund	287,000
Athletics	(401,971)
Fund balance, beginning	<u>103,562</u>
Fund balance, ending	<u>150,009</u>
Fund balance, ending (Exhibit G-2)	<u>6,921,405</u>

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Supplementary Information

CITY OF HAMPTON, VIRGINIA
SCHEDULE OF THE TREASURER'S ACCOUNTABILITY
June 30, 2011

Assets held by the Treasurer:

Cash on hand	\$ 7,050
Cash in banks:	
Old Point National Bank	10,406,617
Bank of America	(816)
Investments:	
State Local Government Investment Pool	110,000,000
Investment in mutual and money market funds	5,929,903
U.S. Government securities	8,000,000
Certificates of deposit	26,096,989
Repurchase agreement	16,600,000
Total assets	<u>\$ 177,039,743</u>

Liabilities of the Treasurer:

Balance of City funds	<u>\$ 177,039,743</u>
Cash and cash equivalents	
Primary Government per Exhibit A-1	\$ 157,648,828
School Board per Exhibit A-11	5,085,359
Industrial Development Authority per Exhibit A-11	4,848,449
General Fund Investments per Exhibit A-3	7,995,762
Restricted cash and investments - Enterprise funds per Exhibit A-6	
Cash and cash equivalents	6,547,516
Investments	17,494,390
Cash and cash equivalents - Fiduciary Funds per Exhibit A-9	1,218,054
Investments - Component Unit - IDA per Exhibit A-11	1,169
Adjust investments in CAFR from fair value to cost	4,238
Add: Voided check	432
Less:	
Petty cash	\$ (18,474)
Cash and investments held by trustees	<u>(23,785,980)</u>
	<u>(23,804,454)</u>
Balance of City funds	<u>\$ 177,039,743</u>

CITY OF HAMPTON, VIRGINIA
SCHEDULE OF CASH FLOWS
DISCRETELY PRESENTED COMPONENT UNIT
INDUSTRIAL DEVELOPMENT AUTHORITY
For the Year Ended June 30, 2011

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from customers	\$ 426,896
Cash payments to suppliers for goods and services	(1,568,275)
Cash payments to employees for services	(4,450)
Other receipts (payments)	
Net cash provided by (used in) operating activities	<u>(1,145,829)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Payment from primary government	
Net cash provided by (used in) noncapital financing activities	<u>999,471</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Acquisition and construction of capital assets	66,124
Principal paid on revenue bond maturities and long-term debt	(504,663)
Interest paid on revenue bonds and long-term debt	<u>(485,396)</u>
Net cash provided by (used in) capital and related financing activities	<u>(923,935)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest and dividends on investments	28,622
Proceeds from collection of loans	145,818
Proceeds from collection of lease receivable	504,663
Interest received on loans	57,369
Interest received on lease receivable	485,397
Disbursements for loans	<u>(196,166)</u>
Net cash provided by (used in) investing activities	<u>1,025,703</u>

Net increase (decrease) in cash and cash equivalents (including restricted amounts)	(44,590)
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Cash and cash equivalents (including restricted), July 1	<u>4,893,039</u>
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Cash and cash equivalents (including restricted), June 30	<u>\$ 4,848,449</u>
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continued

Operating income (loss)	\$ <u>(1,526,600)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Depreciation and amortization expense	109,955
Cost of land sold	
Decrease (increase) in:	
Accounts receivable	(19,007)
Notes receivable	93,598
Due from primary government	209,351
Increase (decrease) in:	
Accounts payable	140,449
Due to primary government	4,365
Other liabilities	(50)
Deferred revenue	(170,817)
Nonoperating revenues reported as operating revenues	28,703
Notes receivable reported as nonoperating activities	50,348
Accounts payable reported as nonoperating activities	19,196
Due from/to other funds reported as nonoperating activities	<u>(85,320)</u>
Total adjustments	<u>380,771</u>
Net cash provided by (used in) operating activities	\$ <u>(1,145,829)</u>
Non-cash transactions affecting investing capital and related financing activities:	
Net increase (decrease) in fair value of investments	\$ <u>(779)</u>
Total non-cash transactions	\$ <u>(779)</u>

CITY OF HAMPTON, VIRGINIA
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
SCHOOL OPERATING FUND
SCHEDULE OF APPROPRIATIONS AND EXPENDITURES
For the Year Ended June 30, 2011

	Appropriations			Expenditures	Variance with Final Budget Over (Under)
	Budget July 1, 2010	Net Changes	Final June 30, 2011		
EXPENDITURES					
Administration/attendance and health	\$ 9,537,398	\$ (336,383)	\$ 9,201,015	\$ 8,960,122	\$ (240,893)
Instructional	137,705,617	(1,796,060)	135,909,557	134,930,406	(979,151)
Public transportation service	10,056,715	1,100,000	11,156,715	11,045,271	(111,444)
Operation and maintenance of school plant	22,109,606	20,393	22,129,999	21,276,415	(853,584)
Technology	<u>13,273,932</u>	<u>4,246,217</u>	<u>17,520,149</u>	<u>13,209,204</u>	<u>(4,310,945)</u>
Total expenditures	<u>192,683,268</u>	<u>3,234,167</u>	<u>195,917,435</u>	<u>189,421,418</u>	<u>(6,496,017)</u>
OPERATING TRANSFERS OUT					
To Student Activities Fund	<u>287,000</u>	<u>-</u>	<u>287,000</u>	<u>287,000</u>	<u>-</u>
Total transfers out	<u>287,000</u>	<u>-</u>	<u>287,000</u>	<u>287,000</u>	<u>-</u>
Total expenditures and transfers out	<u>\$ 192,970,268</u>	<u>\$ 3,234,167</u>	<u>\$ 196,204,435</u>	<u>\$ 189,708,418</u>	<u>\$ (6,496,017)</u>

CITY OF HAMPTON, VIRGINIA
DISCRETELY PRESENTED COMPONENT UNIT SCHOOL BOARD
SCHOOL OPERATING FUND
SCHEDULE OF REVENUES AND OTHER CREDITS - BUDGET AND ACTUAL
For the Year Ended June 30, 2011

	<u>Final Budgeted Revenues</u>	<u>Actual Revenues</u>	<u>Variance with Final Budget Over (Under)</u>
State funds:			
Basic appropriation	\$ 57,947,574	\$ 57,980,632	\$ 33,058
At risk payment	2,000,994	2,000,994	-
Remedial education	2,068,611	2,068,611	-
K-3 Primary Class Size	2,506,121	2,506,121	-
Virginia Retirement System	2,385,699	2,385,698	(1)
Social security benefits	4,031,527	4,031,527	-
Group life insurance	150,994	150,994	-
Special education	11,189,135	11,057,895	(131,240)
Textbook payments	793,320	793,320	-
Remedial summer school	619,711	619,711	-
At risk 4 year old	2,706,162	2,706,162	-
Gifted	679,471	679,471	-
Hold Harmless	4,197,169	4,197,169	-
Foster home	167,687	167,687	-
Vocational education	1,600,624	1,600,624	-
VPSA education tech. grant	856,000	856,000	-
Virginia blind	11,023	11,025	2
Reading intervention	244,318	226,887	(17,431)
ESL	226,887	244,318	17,431
SOL Algebra Readiness	270,718	270,718	-
Sales tax	19,784,372	19,736,650	(47,722)
Total state funds	<u>114,438,117</u>	<u>114,292,214</u>	<u>(145,903)</u>
Federal funds:			
Public law 874	1,743,048	1,743,048	-
Impact aid special education	205,768	205,768	-
U.S. Army - ROTC	101,931	104,247	2,316
U.S. Air Force - ROTC	56,436	64,147	7,711
U.S. Navy - ROTC	68,278	71,864	3,586
U.S. Marine Corps - ROTC	59,537	46,788	(12,749)
SFSF(Stimulus)	2,785,985	2,710,343	(75,642)
Total federal funds	<u>5,020,983</u>	<u>4,946,205</u>	<u>(74,778)</u>
Other funds:			
Fees from students	43,000	36,895	(6,105)
Tuition from regular day students	-	5,000	5,000
Miscellaneous Revenue	400,000	139,317	(260,683)
Medicaid Reimbursement	100,000	165,042	65,042
Interest	4,769	3,212	(1,557)
Other	601,000	677,174	76,174
Total other funds	<u>1,148,769</u>	<u>1,026,640</u>	<u>(122,129)</u>
Total revenues	<u>120,607,869</u>	<u>120,265,059</u>	<u>(342,810)</u>
Other credits:			
Transfer from General Fund	67,051,476	67,051,476	-
Transfer from Cafeteria Fund	260,000	260,000	-
Total other credits	<u>67,311,476</u>	<u>67,311,476</u>	<u>-</u>
Total revenues and other credits	<u>\$ 187,919,345</u>	<u>\$ 187,576,535</u>	<u>\$ (342,810)</u>

CITY OF HAMPTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2011

Federal Granting Agency/ Recipient State Agency/ Grant Program/Grant Number	Federal Catalogue Number	Expenditures
DEPARTMENT OF AGRICULTURE:		
FOOD STAMP CLUSTER:		
Pass-through payments:		
Department of Social Services:		
State Administrative Matching Grants for Food Stamp Program	10.561	\$ 1,590,278
Total Food Stamp Cluster		1,590,278
NUTRITION CLUSTER:		
Direct payments:		
Summer Food Service Program for Children	10.559	222,894
Pass-through payments:		
Department of Education:		
National School Breakfast Program	10.553	1,203,276
National School Lunch Program	10.556	4,451,768
Department of Agriculture and Consumer Services:		
Donated Commodities	10.555	573,451
Total Nutrition Cluster		6,451,389
Total Department of Agriculture		8,041,667
DEPARTMENT OF DEFENSE:		
Direct Payments:		
U.S. Army - ROTC	12.000	104,243
U.S. Air Force - ROTC	12.000	64,147
U.S. Navy - ROTC	12.000	71,864
U.S. Marine Corps - ROTC	12.000	46,788
Office of Economic Adjustment:		
Joint Land Use Study (EN0635-09-01)	12.610	29,723
Total Department of Defense		316,765
DEPARTMENT OF EDUCATION:		
Direct payments:		
Impact Aid	84.041	1,948,816
Pass-through payments:		
Department of Behavioral Health and Developmental Services:		
Early Intervention Services for Infants and Toddlers with Disabilities and their Families (00-01-15)	84.181	382,805
ARRA-Early Intervention Services for Infants and Toddlers with Disabilities and their Families (00-01-15)	84.181	182,624
Department of Education:		
Gear Up	84.334 A	499,990
Adult Education State-Administered Program	84.002	259,765
Title I, Part A Cluster:		
Educationally Deprived Children-LEA (112-00-1) (112-01-1)	84.010 A	6,856,590
School Improvement	84.377	144,712
ARRA Title I	84.389	2,365,562
Reach ED for Homeless Child (112-00-1) (112-01-1) Project Hope	84.196	-
ARRA-McKinney Vento	84.387	6,551

CITY OF HAMPTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED
For the Year Ended June 30, 2011

Title II:		
Title II Training and Recruiting	84.367 A	1,530,253
Title II Technology Ed	84.318	95,390
Title II D-ARRA	84.386	90,182
Title III LEP, Immigrant	84.365	44,001
Title VI :		
Title VI 21st Century	84.287 C	523,820
Title VIB	84.027 A	2,876,156
Title VIB Preschool	84.173 A	83,157
Title VIB ARRA	84.391	2,424,125
Title VIB Preschool ARRA	84.392	79,701
Carl Perkins	84.048	420,174
Title IV Drug-Free Schools and Communities	84.186	87,971
Teaching American History	84.215 X	258,702
State Fiscal Stabilization Cluster:		
ARRA-State Fiscal Stabilization Fund	84.394	3,037,512
ARRA-State Fiscal Stabilization Fund	84.397	<u>-</u> 3,037,512
Total Department of Education		<u>24,198,559</u>
DEPARTMENT OF ENERGY		
Direct payments:		
Energy Efficiency and Conservatin Block Grant ARRA	81.128	<u>664,155</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>929,589</u>
Total Medicaid Cluster		<u>929,589</u>
OTHER:		
Pass-through payments:		
Department of Social Services:		
Promoting Safe and Stable Families	93.556	894,313
Temporary Assistance for Needy Families (TANF)	93.558	872,253
Healthy Families Partnership - (TANF)	93.558	547,564
Refugee & Entrant Assistance	93.566	58,935
Low-Income Home Energy Assistance (LIHEAP)	93.568	100,213
Child Care and Developmental Fund Cluster:		
Child Care and Development Block Grant (CCDBG)	93.575	934,925
ARRA-Child Care and Development Block Grant (CCDBG)	93.575	145,103
Child Care Development Fund	93.596	1,302,968
ARRA-Child Care Development Fund	93.596	<u>20,967</u> 2,403,963
Independent Living Program - Education and Training Vouchers	95.599	19,930
Family Support	93.645	45,510
VISSTA (00-004-SVC)	93.658	227,577
Foster Care - Title IV-E	93.658	598,181
ARRA-Foster Care - Title IV-E	93.658	9,055
Adoption Assistance	93.659	641,860
ARRA-Adoption Assistance	93.659	42,940
Social Services Block Grant (SSBG)	93.667	1,149,802
Independent Living	93.674	35,219
State Children's Insurance Program (CHIP)	93.767	<u>50,086</u>
Total Department of Health and Human Services (Other)		<u>7,697,401</u>

CITY OF HAMPTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED
For the Year Ended June 30, 2011

CORPORATION FOR NATIONAL AND COMMUNITY SERVICE:

FOSTER GRANDPARENT, SENIOR COMPANION CLUSTER:

Direct payments:

Foster Grandparent Program (08SFSVA004)	94.011	384,337
Total Foster Grandparent, Senior Companion Cluster		384,337

DEPARTMENT OF HOMELAND SECURITY:

Direct payments:

Assistance to Firefighters	97.044	235,696
Virginia's Operational Integrated Cyber Center of Excellence (VOICCE)	97.125	236,573

Pass-through payments:

Virginia Department of Emergency Management:

HAZMAT	97.073	36,085
Citizen Corp 2007	97.073	-
Citizen Corp 2008	97.073	42,134
Citizen Corp 2009	97.073	1,213
LEMP	97.042	18,573
Pre-Disaster Hazard Mitigation	97.017	174,621

Total Homeland Security		744,895
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DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT:

Direct payments:

ARRA-Homelessness Prevention and Rapid Re-Housing Program	14.257	51,322
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DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:

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

Direct payments:

Community Development Block Grant Program, Entitlement Grants:

(\$1,345,299 provided to subrecipient)	14.218	1,611,847
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ARRA-Community Development Block Grant	14.253	179,053
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(\$179,053 provided to subrecipient)

OTHER

Direct payments:

Community Development Block Grant Program, Entitlement Grants:

Home Program (\$721,414 provided to subrecipient)	14.239	391,821
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Total CDBG-Entitlement and (HUD-Administered) Small Cities Cluster		2,182,721
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DEPARTMENT OF JUSTICE:

Direct payments:

Bulletproof Vest Partnership Grant	16.607	4,979
ARRA-Byrne Memorial	16.804	61,870
Edward Byrne Memorial Justice Assistance	16.579	91,271
COPS Technology	16.710	148,744

Department of Criminal Justice Services:

Juvenile Accountability Incentive Block Grant	16.523	20,547
Response Effort	16.588	94,596
Victim Witness	16.575	163,578
ARRA-Victim Witness	16.575	23,677
Criminal Justice Systems Improvement	16.738	73,492
Crisis Intervention Team	16.738	56,869
Edward Byrne/Justice Assistance Grant	16.738	31,964
Byrne/JAG: Prevention and Education	16.738	66,575
Proceeds of seized assets	16.000	76,020

Total Department of Justice		914,182
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CITY OF HAMPTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED
For the Year Ended June 30, 2011

DEPARTMENT OF TRANSPORTATION:

Pass-through payments:

Department of Transportation:

Highway Planning and Construction	20.205	590,429
ARRA-Highway Planning and Construction	20.205	3,140,869
Department of Motor Vehicles:		
Highway Safety Grant	20.607	25,853
Total Department of Transportation		<u>3,757,151</u>

ENVIRONMENTAL PROTECTION AGENCY:

Direct payments:

Brownfields Assessment	66.818	8,670
Total Environmental Protection Agency		<u>8,670</u>

FEDERAL EMERGENCY MANAGEMENT AGENCY:

Pass-through payments:

Department of Emergency Management:

Local Emergency Management Program (LEMP)	97.042	21,473
Total Federal Emergency Management Agency		<u>21,473</u>

NATIONAL AERONAUTICS AND SPACE ADMINISTRATION:

Direct payments:

NASA LaRC Visitor Center and Public Education Program (NCC-1-275)	43.000	496,250
NASA Steam Sales	43.000	5,345,220
Education Resource Center and Coop Agreement	43.000	150,000
Total National Aeronautics and Space Administration		<u>5,991,470</u>

Grand Total All Federally Assisted Programs and Grants		<u><u>\$ 55,904,357</u></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 \$228,000 in the General Fund. This amount represents indirect costs from other federally assisted programs administered by the City and is included in the federal revenue.

(B) Basis of Accounting

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

CITY OF HAMPTON, VIRGINIA
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
MUSEUM REVENUE BONDS
June 30, 2011

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2012	\$ 1,370,000	\$ 216,250	\$ 1,586,250
2013	1,440,000	147,750	1,587,750
2014	<u>1,515,000</u>	<u>75,750</u>	<u>1,590,750</u>
	<u>\$ 4,325,000</u>	<u>\$ 439,750</u>	<u>\$ 4,764,750</u>

CITY OF HAMPTON, VIRGINIA
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
THE HAMPTONS REVENUE BONDS
June 30, 2011

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2012	\$ 285,000	\$ 26,250	\$ 311,250
2013	<u>295,000</u>	<u>8,850</u>	<u>303,850</u>
	<u>\$ 580,000</u>	<u>\$ 35,100</u>	<u>\$ 615,100</u>

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

June 30, 2011

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2012	\$ 2,265,000	\$ 4,404,461	\$ 6,669,461
2013	2,340,000	4,545,000	6,885,000
2014	2,245,000	4,427,372	6,672,372
2015	2,325,000	4,341,766	6,666,766
2016	2,435,000	4,231,841	6,666,841
2017	2,555,000	4,113,347	6,668,347
2018	2,680,000	3,987,300	6,667,300
2019	2,815,000	3,852,016	6,667,016
2020	2,960,000	3,707,831	6,667,831
2021	3,110,000	3,556,062	6,666,062
2022	3,270,000	3,399,000	6,669,000
2023	3,430,000	3,234,737	6,664,737
2024	3,610,000	3,057,663	6,667,663
2025	3,795,000	2,868,734	6,663,734
2026	3,990,000	2,678,244	6,668,244
2027	4,190,000	2,478,156	6,668,156
2028	4,410,000	2,258,306	6,668,306
2029	4,640,000	2,026,400	6,666,400
2030	5,610,000	1,907,500	7,517,500
2031	5,890,000	1,627,000	7,517,000
2032	6,185,000	1,332,500	7,517,500
2033	6,490,000	1,023,250	7,513,250
2034	6,815,000	698,750	7,513,750
2035	7,160,000	358,000	7,518,000
	<u>\$ 95,215,000</u>	<u>\$ 70,115,236</u>	<u>\$ 165,330,236</u>

CITY OF HAMPTON, VIRGINIA
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
INDUSTRIAL DEVELOPMENT AUTHORITY REVENUE BONDS
June 30, 2011

Fiscal Year Ending June 30,	2002 Tax-Exempt Principal	Interest	Total Debt Service
2012	\$ 536,727	\$ 453,332	\$ 990,059
2013	569,618	420,441	990,059
2014	607,019	383,040	990,059
2015	645,586	344,473	990,059
2016	686,603	303,456	990,059
2017	729,460	260,599	990,059
2018	776,573	213,486	990,059
2019	825,913	164,146	990,059
2020	878,387	111,672	990,059
2021	933,997	56,062	990,059
2022	190,958	5,924	196,882
	<u>\$ 7,380,841</u>	<u>\$ 2,716,631</u>	<u>\$ 10,097,472</u>

CITY OF HAMPTON, VIRGINIA
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
GENERAL OBLIGATION BONDS
June 30, 2011

Serial Bonds:			
Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2012	\$ 17,425,000	\$ 12,454,818	\$ 29,879,818
2013	18,360,000	11,737,941	30,097,941
2014	19,175,000	10,937,161	30,112,161
2015	21,195,000	10,100,642	31,295,642
2016	22,170,000	9,088,113	31,258,113
2017	23,180,000	8,063,439	31,243,439
2018	24,130,000	7,085,989	31,215,989
2019	16,185,000	6,016,901	22,201,901
2020	16,140,000	5,357,951	21,497,951
2021	13,360,000	4,594,659	17,954,659
2022	13,695,000	3,936,849	17,631,849
2023	12,030,000	3,344,347	15,374,347
2024	12,525,000	2,811,577	15,336,577
2025	13,055,000	2,256,046	15,311,046
2026	13,620,000	1,666,591	15,286,591
2027	9,160,000	1,049,193	10,209,193
2028	9,395,000	492,276	9,887,276
2029	760,000	85,561	845,561
2030	760,000	42,780	802,780
	<u>\$ 276,320,000</u>	<u>\$ 101,122,834</u>	<u>\$ 377,442,834</u>

CITY OF HAMPTON, VIRGINIA
COMPUTATION OF LEGAL DEBT MARGIN
June 30, 2011

Assessed value:

Real estate	\$ 11,166,292,726	
Public service corporations - real estate	203,348,090	
Newport News Waterworks	<u>59,453,600</u>	<u>\$ 11,429,094,416</u>

Debt limit at 10% of assessed value	<u>1,142,909,442</u>
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General obligation bonded debt:

General obligation bonds	276,320,000	
General obligation bonds (VRS)	3,040,000	
Notes payable	<u>177,223</u>	279,537,223

Long term notes payable:

State literary loan	<u>320,127</u>
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Total long-term debt	<u>279,857,350</u>
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Legal debt margin	<u><u>\$ 863,052,092</u></u>
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Note:

Virginia state statute limits bond issuing authority of Virginia cities to 10% of the assessed real estate value. The above calculation includes all debt secured by the full faith and credit of the City. The calculation excludes installment purchase contracts, compensated absences, claims and judgements, net pension obligation and net OPEB obligation totaling \$51,575,095 at June 30, 2011.

There are no overlapping or underlying tax jurisdictions.

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Statistics

STATISTICAL SECTION

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

CONTENTS

TABLE

Financial Trends

I-IV

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

Revenue Capacity

V-VIII

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

Debt Capacity

IX-XI

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

Demographic and Economic Information

XII-XIII

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

Operating Information

XIV-XVI

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

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

Table I

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

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Governmental activities										
Invested in capital assets, net of related debt	\$ (4,920)	\$ (23,248)	\$ (7,827)	\$ 9,067	\$ 503,004 [#]	\$ 503,514	\$ 558,006	\$ 568,771	\$ 573,018	\$ 586,847 ⁽¹⁾
Restricted	31,321	52,794	43,978	24,780	18,163	13,802	23,660	32,433	21,147	10,900
Unrestricted	41,760	43,730	51,040	71,580	96,304	118,758	130,457	118,932	112,882	109,652
Total governmental activities net assets	<u>\$ 68,161</u>	<u>\$ 73,276</u>	<u>\$ 87,191</u>	<u>\$ 105,427</u>	<u>\$ 617,471</u>	<u>\$ 636,074</u>	<u>\$ 712,123</u>	<u>\$ 720,136</u>	<u>\$ 707,047</u>	<u>\$ 707,399</u>
Business-type activities										
Invested in capital assets, net of related debt	\$ 79,729	\$ 87,471	\$ 93,712	\$ 77,764	\$ 76,141	\$ 92,152	\$ 62,230	\$ 58,780	\$ 58,666	\$ 68,697
Restricted	12,430	17,148	15,760	33,771	31,572	27,158	26,356	25,578	26,727	18,721
Unrestricted	9,033	7,894	14,308	18,922	23,828	24,823	11,017	15,035	16,521	18,418
Total business-type activities net assets	<u>\$ 101,192</u>	<u>\$ 112,513</u>	<u>\$ 123,780</u>	<u>\$ 130,457</u>	<u>\$ 131,541</u>	<u>\$ 144,133</u>	<u>\$ 99,603</u>	<u>\$ 99,393</u>	<u>\$ 101,914</u>	<u>\$ 105,836 ⁽²⁾</u>
Primary government										
Invested in capital assets, net of related debt	\$ 74,809	\$ 64,223	\$ 85,885	\$ 86,831	\$ 579,145	\$ 595,666	\$ 620,236	\$ 627,551	\$ 631,684	\$ 655,544 ⁽³⁾
Restricted	43,751	69,942	59,738	58,551	49,735	40,960	50,016	58,011	47,874	29,621 ⁽³⁾
Unrestricted	50,793	51,624	65,348	90,502	120,132	143,581	141,474	133,967	129,403	128,070
Total primary government net assets	<u>\$ 169,353</u>	<u>\$ 185,789</u>	<u>\$ 210,971</u>	<u>\$ 235,884</u>	<u>\$ 749,012</u>	<u>\$ 780,207</u>	<u>\$ 811,726</u>	<u>\$ 819,529</u>	<u>\$ 808,961</u>	<u>\$ 813,235</u>

Note:

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

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

Table II

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Expenses										
Governmental activities:										
General government	\$ 67,760	\$ 71,673	\$ 96,371	\$ 87,744	\$ 98,704	\$ 99,822	\$ 101,494	\$ 100,134	\$ 111,650	\$ 114,765
Public safety	33,519	35,779	39,821	41,700	43,839	46,315	50,039	51,052	51,937	49,063
Highways and streets	2,319	2,170	2,302	2,665	9,943	14,658	7,774	12,374 ⁽³⁾	12,078	13,068
Sanitation	2,023	1,861	2,370	2,589	2,346	2,867	4,959	4,641	3,471	3,630
Health	3,020	2,843	3,072	2,929	2,900	3,125	3,090	3,098	2,949	3,161
Human services	21,439	23,313	24,905	25,438	28,578	28,535	30,004	30,198	31,226	31,574
Culture and recreation	10,781	11,280	13,104	16,257	15,820	16,368	23,524	19,664 ⁽⁴⁾	17,771	14,531
Education (payment to sch	51,905	52,588	54,321	56,362	59,929	62,211	66,517	69,217 ⁽⁵⁾	68,052	67,051
Education and educational	3,488	3,339	3,473	3,541	4,464	6,519	5,133	9,336	7,388	8,627
Capital improvements	8,923	10,358	7,976	11,232 ⁽¹⁾						
Interest on long-term debt	8,172	9,817	7,911	7,616	9,723	8,822	12,389	15,161 ⁽⁶⁾	17,951	11,052
Total governmental activities exp	<u>213,349</u>	<u>225,021</u>	<u>255,626</u>	<u>258,073</u>	<u>276,246</u>	<u>289,242</u>	<u>304,923</u>	<u>314,875</u>	<u>324,473</u>	<u>316,522</u>
Business-type activities										
Culture and recreation	16,501	19,131	17,894	24,115	30,344	31,799	34,409	32,295	30,454	27,766
Sanitation	12,817	12,962	13,499	13,426	14,415	19,479	20,379	21,487	22,067	22,923
Housing	20,429	20,483	22,149	24,465	23,433	24,013				
Total business-type activities exp	<u>49,747</u>	<u>52,576</u>	<u>53,542</u>	<u>62,006</u>	<u>68,192</u>	<u>75,291</u>	<u>54,788</u>	<u>53,782</u>	<u>52,521</u>	<u>50,689</u>
Total primary government expen	<u>\$ 263,096</u>	<u>\$ 277,597</u>	<u>\$ 309,168</u>	<u>\$ 320,079</u>	<u>\$ 344,438</u>	<u>\$ 364,533</u>	<u>\$ 359,711</u>	<u>\$ 368,657</u>	<u>\$ 376,994</u>	<u>\$ 367,211</u>
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 1,622	\$ 2,204	\$ 2,414	\$ 3,737	\$ 6,250	\$ 6,581	\$ 12,425	\$ 5,807	\$ 6,982	\$ 7,129
Public safety	1,981	1,608	1,872	3,157	2,361	2,770	2,353	1,962	2,086	2,049
Sanitation	9,344	9,635	10,015	10,530	9,459	8,836	5,006	4,905	4,869	4,856
Other activities	3,018	3,405	4,413	5,646	8,328	5,359	5,381	5,209	6,015	5,588
Operating grants and contri	49,001	52,186	76,555	57,388	63,468	60,782	59,795	76,025	79,412	82,269
Capital grants and contribu	24			9,355	12,590	10,066	57,530	13,453 ⁽⁷⁾	2,423	2,569
Total governmental activities prc	<u>64,990</u>	<u>69,038</u>	<u>95,269</u>	<u>89,813</u>	<u>102,456</u>	<u>89,394</u>	<u>142,490</u>	<u>107,361</u>	<u>101,787</u>	<u>104,460</u>
Business-type activities										
Charges for services:										
Culture and recreation	11,862	14,289	11,923	16,445	14,059	15,970	17,800	16,242	15,411	13,675
Sanitation	10,870	10,819	13,728	15,657	15,719	21,104	22,053	23,672	26,447	26,433
Housing	2,156	1,880	1,934	1,921	1,975	2,122				
Operating grants and contri	14,376	16,890	19,109	21,136	22,990	24,859	2,848	2,528	2,522	3,132
Capital grants and contribu	2,739	5,558	2,068	2,604	2,572	6,049	1,531	1,180	1,472	592
Total business-type activities pro	<u>42,003</u>	<u>49,436</u>	<u>48,762</u>	<u>57,763</u>	<u>57,315</u>	<u>70,104</u>	<u>44,232</u>	<u>43,622</u>	<u>45,852</u>	<u>43,832</u>
Total primary government progr	<u>\$ 106,993</u>	<u>\$ 118,474</u>	<u>\$ 144,031</u>	<u>\$ 147,576</u>	<u>\$ 159,771</u>	<u>\$ 159,498</u>	<u>\$ 186,722</u>	<u>\$ 150,983</u>	<u>\$ 147,639</u>	<u>\$ 148,292</u>
Net (expenses)/revenue										
Governmental activities	\$(148,359)	\$(155,983)	\$(160,357)	\$(168,260)	\$(173,790)	\$(199,848)	\$(162,433)	\$(207,514)	\$(222,686)	\$(212,062)
Business-type activities	(7,744)	(3,140)	(4,780)	(4,243)	(10,877)	(5,187)	(10,556)	(10,160)	(6,669)	(6,857)
Total primary government net (e	<u>\$(156,103)</u>	<u>\$(159,123)</u>	<u>\$(165,137)</u>	<u>\$(172,503)</u>	<u>\$(184,667)</u>	<u>\$(205,035)</u>	<u>\$(172,989)</u>	<u>\$(217,674)</u>	<u>\$(229,355)</u>	<u>\$(218,919)</u>

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

Table II

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Taxes										
Property taxes	\$ 105,009	\$ 110,700	\$ 116,385	\$ 123,937	\$ 138,079	\$ 148,851	\$ 160,158	\$ 145,607	\$ 146,261	\$ 149,797
Sales taxes	11,728	11,383	12,218	12,885	13,415	13,804	13,765	13,172	13,590	13,828
Lodging, meal and amus	14,949	15,280	16,373	17,351	17,547	17,864	18,241	18,188	18,621	19,606
Motor vehicle taxes	2,825	3,142	3,171	3,232	3,290	3,602	3,758	3,698	3,398	3,813
Alcoholic beverage taxes	604	341	362	176	176	176	176	(8)		
Business license taxes	9,465	9,572	10,435	11,019	11,750	12,391	12,783	12,207	12,349	11,562
Utility taxes	10,155	9,940	11,652	10,957	11,637	8,550	5,282	4,976	5,486	5,528
Tobacco taxes	2,456	2,952	4,567	4,084	3,889	3,942	3,760	3,629	3,538	3,681
Emergency 911 telephon	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	1,687	1,443
Bank stock taxes	356	299	304	306	358	309	307	407	453	505
Pari-mutuel license taxes	110	115	120	123	113	113	106	93	80	79
Short-term rental taxes	135	91	97	109	126	136	127	136	98	89
Franchise license taxes	1,235	1,203	1,230	1,260	1,315	1,341	1,364	1,448	1,327	(13)
Communications sales tax						3,189	9,032	8,296	7,993	9,677
Mobile home titling tax	23	12	18	21	18	39	30	45	33	16
Investment earning	3,722	2,827	1,102	2,286	6,694	8,328	11,288	5,609	912	#
Miscellaneous	(670)	(1,593)	261	2,009	661	4,421	4,076	4,266	2,236	#
Transfers	(9,567)	(8,897)	(7,214)	(6,820)	(8,378)	(8,318)	(8,530)	(8,364)	(8,467)	(10,322)
Special Item - gain (loss) on	(788)	(1,925)	(608)	(157)						
Special Item - donated prop	786	2,775	710							
Total governmental activiti	<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>	<u>209,595</u>	<u>212,414</u>
Business-type activities:										
Investment earning	635	553	383	694	1,783	2,603	1,659	628	723	457
Gain(loss) on disposal of as	(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	8,467	10,322
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>	<u>9,190</u>	<u>10,779</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>	<u>\$ 218,785</u>	<u>\$ 223,193</u>
Changes in Net Assets										
Governmental activities	\$ 7,005	\$ 5,148	\$ 13,916	\$ 18,235	\$ 31,590	\$ 22,504	\$ 76,050	\$ 8,013	\$ (13,090)	\$ 352
Business-type activities	7,680	11,322	11,266	6,678	1,084	8,625	653	(210)	2,521	3,922
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>	<u>\$ (10,569)</u>	<u>\$ 4,274</u>

- (1) Beginning in Fiscal Year 2006 capital improvements were clasified by functor
- (2) In 2008 HRHA was reclassified from a blended component unit to a discretely presented component uin
- (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 Cente
- (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 Requiremen
- (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 FY05
- (9) Rate of return decreased in FY10 due to the economy.
- (10) Land sale of \$1.5M reflected in FY09.
- (11) There were no miscellaneous changes that could not be applied to another catagory
- (12) Emergency 911 telephone tax is included in state aid
- (13) Franchise license tax has been included in the Communication sales tax in FY1

Table III

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

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011*
General fund										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 29
Restricted										4,305
Committed										45,848
Assigned										2,025
Unassigned										50,198
Reserved	\$ 1,502	\$ 1,248	\$ 1,819	\$ 1,563	\$ 1,235	\$ 1,727	\$ 2,204	\$ 1,142	\$ 1,290	
Unreserved	32,122	37,504	42,706	53,175	68,394	82,015	96,902	98,120	100,080	
Total general fund	<u>\$ 33,624</u>	<u>\$ 38,752</u>	<u>\$ 44,525</u>	<u>\$ 54,738</u>	<u>\$ 69,629</u>	<u>\$ 83,742</u>	<u>\$ 99,106</u>	<u>\$ 99,262</u>	<u>\$ 101,370</u>	<u>\$ 102,405</u>
All other governmental funds										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,943
Restricted										12,377
Committed										48,147
Assigned										6,631
Reserved	\$ 12,443	\$ 12,811	\$ 12,199	\$ 11,826	\$ 11,773	\$ 7,760	\$ 7,351	\$ 6,259	\$ 16,461	
Unreserved, reported in:										
Debt service								451	498	
Special revenue funds	9,781	11,723	10,226	9,440	13,888	12,659	18,225	18,830	13,451	
Capital projects funds	41,154	32,367	22,245	76,004	61,220	83,790	186,041	134,544	75,683	
Permanent funds	58	59	59	60	61	63	65	67	67	
Total all other governmental funds	<u>\$ 63,436</u>	<u>\$ 56,960</u>	<u>\$ 44,729</u>	<u>\$ 97,330</u>	<u>\$ 86,942</u>	<u>\$ 104,272</u>	<u>\$ 211,682</u>	<u>\$ 160,151</u>	<u>\$ 106,160</u>	<u>\$ 72,098</u>

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

Table IV

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

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Revenues										
Taxes (see table V)	\$ 157,587 ¹	\$ 163,882	\$ 175,923	\$ 185,090	\$ 206,706	\$ 214,475	\$ 231,277	\$ 213,346	\$ 213,976	\$ 219,413
Intergovernmental revenues	41,167	43,463	67,984	58,021	56,585	55,427	59,721	82,874	82,565	81,849
Licenses and permits	1,464	1,448	1,662	1,651	1,686	2,030	1,082	939	1,078	1,024
Fines and forfeitures	1,124	1,300	1,638	2,211	2,088	2,142	2,269	2,209	2,004	2,189
Revenue from use of money and property	3,971	3,282	1,640	4,037	7,975	10,355	17,855	9,417	2,861	2,065
Charges for services	5,586	5,916	6,776	9,192	9,907	9,812	10,895	10,489	11,354	11,532
Payment from component unit										2,001
Miscellaneous	4,918	6,973	6,033	6,494	10,799	7,891	6,025	4,660	4,848	5,532
Recovered costs	8,288	9,618	9,484	9,406	9,834	10,558	10,489	2,057	1,170	1,158
Total revenues	<u>224,105</u>	<u>235,882</u>	<u>271,140</u>	<u>276,102</u>	<u>305,580</u>	<u>312,690</u>	<u>339,613</u>	<u>325,991</u>	<u>319,856</u>	<u>326,763</u>
Expenditures										
General government	59,749	62,179	88,538	75,711	82,671	87,791	89,137	91,568	98,305	99,066
Public safety	34,439	35,203	39,186	40,951	43,709	46,024	50,450	51,441	50,722	48,322
Highways and streets	2,289	2,157	2,211	2,454	2,587	2,405	2,395	2,362	2,200	1,812
Sanitation	1,996	1,861	2,370	2,589	2,346	2,883	3,656	3,543	3,455	3,637
Health	2,993	2,830	3,060	2,904	2,874	3,118	3,205	2,978	2,709	2,652
Human services	21,351	23,213	24,836	25,390	28,577	28,491	30,032	30,480	31,187	31,558
Culture and recreation	10,199	11,214	12,999	14,606	14,742	14,196	15,255	15,680	15,452	12,080
Education (payment to school district)	58,662	59,768	57,752	61,085	59,928	62,211	66,517	69,216	68,052	67,052
Education	2,139	2,065	2,147	2,252	2,295	2,314	2,404	2,394	2,262	2,133
Capital improvements	24,289	16,775	18,058	26,195	31,332	27,460	46,615	84,855	74,162	53,115
Debt service										
Principal	16,307	10,892	11,606	19,393	11,938	24,443	12,530	13,235	15,210	17,640
Interest and fiscal charges	8,028	8,873	8,255	7,545	9,701	9,348	8,825	15,757	12,939	12,901
Bond issuance cost									282	45
Total expenditures	<u>242,441</u>	<u>237,030</u>	<u>271,018</u>	<u>281,075</u>	<u>292,700</u>	<u>310,684</u>	<u>331,021</u>	<u>383,509</u>	<u>376,937</u>	<u>352,013</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>	<u>(57,081)</u>	<u>(25,250)</u>
Other financing sources (uses)										
Debt issuance and capital leases	37,143	7,503		73,895	350	29,540	116,275	14,506	7,435	2,545
Proceeds from Refunding bonds issued		19,319		30,367			29,540		65,595	
Redemption of refunded bonds		(19,218)		(30,236)	(350)		(29,540)		(65,469)	
Premium on bond issue				-			6,438		6,105	
Transfers in	30,159	29,370	32,285	27,269	30,965	39,652	37,362	41,435	39,893	48,507
Transfers in from component units	1,094	91	634	580						
Transfers out	(38,378)	(37,266)	(39,499)	(34,088)	(39,343)	(47,854)	(45,893)	(49,798)	(48,360)	(58,829)
Total other financing source (uses)	<u>30,018</u>	<u>(201)</u>	<u>(6,580)</u>	<u>67,787</u>	<u>(8,378)</u>	<u>21,338</u>	<u>114,182</u>	<u>6,143</u>	<u>5,199</u>	<u>(7,777)</u>
Net change in fund balances	<u>\$ 11,682</u>	<u>\$ (1,349)</u>	<u>\$ (6,458)</u>	<u>\$ 62,814</u>	<u>\$ 4,502</u>	<u>\$ 23,344</u>	<u>\$ 122,774</u>	<u>\$ (51,375)</u>	<u>\$ (51,882)</u>	<u>\$ (33,027)</u>
Debt service as a percentage of noncapital expenditures	14.9%	12.0%	9.8%	13.2%	7.9%	11.9%	7.0%	9.0%	9.0%	8.7%

Table V

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

Notes:

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

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

³ 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.

⁴ 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.

⁵ Other taxes increased by \$4.2 million due to a special assesment on the Peninsula Town Center, CDA.

Table VI

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

Fiscal Year	Real Estate				Assessed Value		Total Direct Tax Rate
	Citizens' Property	Public Service ¹	Newport News Waterworks	Total Taxable Assessed Value	Estimated Actual Taxable Value	as a Percent of Estimated Actual Value ²	
2002	\$5,361,262	\$ 195,595	\$ 53,494	\$5,610,351	\$ 6,144,963	92%	1.27
2003	5,638,936	184,567	57,472	5,880,975	6,563,588	90%	1.27
2004	6,081,667	190,105	58,621	6,330,393	7,360,922	87%	1.27
2005	6,776,586	180,476	60,381	7,017,443	8,771,803	80%	1.25
2006	8,165,513	116,579	63,400	8,345,492	10,431,864	80%	1.20
2007	9,285,102	123,453	66,570	9,475,125	11,843,906	80%	1.14
2008	10,976,166	143,250	64,280	11,183,696	12,289,775	91%	1.06
2009	11,357,489	155,505	61,626	11,574,620	11,895,807	97%	1.04
2010	11,448,119	166,948	59,453	11,674,520	11,674,520	100%	1.04
2011	11,166,293	203,348	59,454	11,429,095	11,429,095	100%	1.04

Notes:

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

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

Table VII

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

Taxpayer	2011			2002		
	Total Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Total Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Peninsula Town Center LLC	\$ 139,527	1	1.2%			
City of Newport News/NN Waterworks	58,507	2	0.5%			
Hampton University	43,994	3	0.4%			
FCLA LP	38,620	4	0.3%			
Hampton Center LLC	36,213	5	0.3%			
MOLA LLC	33,871	6	0.3%			
Riverdale Apartments LLC	33,762	7	0.3%			
Cambridge Apartments LC	33,433	8	0.3%			
Bir Lakeridge LLC	33,256	9	0.3%			
John Q Hammons	32,400	10	0.3%			
Hampton Mall Association - shopping mall retail				\$ 62,221	1	1.1%
Liberty Property Limited Partnership				25,063	2	0.4%
Hampton Investors I LLC et al				22,710	3	0.4%
Gateway 2000				22,300	5	0.4%
Coliseum Crossing				20,443	4	0.4%
HNN Associates				19,110	6	0.3%
Howmet Corporation				18,500	7	0.3%
Riverdale Plaza Shopping Center				18,014	8	0.3%
Megaplex Nine, Inc.				17,656	9	0.3%
Olde Hampton Hotel Associates				15,921	10	0.3%
	<u>\$ 483,583</u>		<u>4.2%</u>	<u>\$ 241,938</u>		<u>4.2%</u>

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

Source: Assesor's Office

Table VIII

CITY OF HAMPTON, VIRGINIA
REAL ESTATE TAX LEVIES AND COLLECTIONS
Last Nine Fiscal Years ¹
(amounts expressed in thousands)

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

Notes:

¹ Based on the availability of data and the implementation of GASB Statement 34, nine fiscal years are presented.

* There are no overlapping or underlying tax jurisdictions.

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

Fiscal Year	General Bonded Debt ¹				Percentage of		
	General Obligation Bonds ²	Notes Payable	State Literary Loans	Total	Estimated Actual Taxable Value of Property ³	Per Capita ⁴	Capital Leases
2002	\$ 168,057	\$ 3,007	\$ 1,893	\$ 172,957	2.81%	\$1,174.18	\$ 2,234
2003	165,124	4,054	1,704	170,882	2.60%	1,176.87	2,109
2004	154,079	1,988	1,517	157,584	2.14%	1,091.30	1,973
2005	209,490	1,590	1,328	212,408	2.42%	1,487.45	3,831
2006	198,045	1,192	1,140	200,377	1.92%	1,377.16	1,295
2007	203,635	886	952	205,473	1.49%	1,410.17	1,730
2008	307,745	709	764	309,218	2.52%	2,119.94	1,309
2009	294,835	532	616	295,983	2.49%	2,052.53	1,001
2010	294,130	355	468	294,953	2.53%	2,037.69	15,925
2011	279,360	177	320	279,857	2.45%	2,036.27	15,159

Fiscal Year	Business-Type Activities					Percentage of	
	Revenue Bonds	Notes Payable	Capital Leases	HRHA Notes Payable	Total Primary Government	Personal Income ⁴	Per Capita ⁴
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	8.20%	2,930.86
2009	114,360		1,006		\$ 412,350	7.89%	2,859.49
2010	112,810		900		\$ 424,588	N/A	2,933.27
2011	100,120		748		\$ 395,884	N/A	2,880.50

Notes:

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

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

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

⁴ See Table XII for personal income and population data. The most recent personal income data available from the Bureau of Economic analysis is 2009.

N/A-Not available

Table X

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

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Debt limit	\$ 561,035	\$ 588,097	\$ 633,039	\$ 701,744	\$ 834,549	\$ 947,512	\$ 1,118,370	\$1,157,462	\$1,167,452	\$1,142,909
Total net debt applicable to limit	172,957	170,882	157,584	212,408	200,377	205,473	309,218	295,983	294,953	279,857
Legal debt margin	<u>\$ 388,078</u>	<u>\$ 417,215</u>	<u>\$ 475,455</u>	<u>\$ 489,336</u>	<u>\$ 634,172</u>	<u>\$ 742,039</u>	<u>\$ 809,152</u>	<u>\$ 861,479</u>	<u>\$ 872,499</u>	<u>\$ 863,052</u>
Total net debt applicable to the limit as a percentage of debt limit	30.83%	29.06%	24.89%	30.27%	24.01%	21.69%	27.65%	25.57%	25.26%	24.49%

Legal Debt Margin Calculation for Current Fiscal Year:

Assessed value	\$11,429,094
Debt limit (10% of total assessed value)	1,142,909
Debt applicable to limit:	
General obligation debt	<u>279,857</u>
Total net debt applicable to limit	<u>279,857</u>
Legal debt margin	<u><u>\$ 863,052</u></u>

Notes:

Virginia state statute limits bond issuing authority of Virginia cities to 10% of the assessed real estate value. The above calculation includes all debt secured by the full faith and credit of the City. The calculation excludes installment purchase contracts, accrued sick, annual leave, net pension obligation and net OPEB obligation totaling \$51,575,096 at June 30, 2011

* There are no overlapping or underlying tax jurisdictions.

Table XI

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

Fiscal Year	Gross Revenues ¹	Operating Expenses ²	Net Revenue		Debt Service Requirements ³			Coverage
			Available for Debt Service	Principal	Interest	Total		
The Hamptons Revenue Bonds								
2002	\$ 1,564	\$ 947	\$ 617	\$ 185	\$ 164	\$ 349	1.77	
2003	1,294	898	396	195	153	348	1.14	
2004	1,291	995	296	200	141	341	0.87	
2005	1,395	1,012	383	210	129	339	1.12	
2006	1,567	1,074	493	215	116	331	1.49	
2007	1,571	1,090	481	230	103	333	1.44	
2008	1,676	1,164	512	240	89	329	1.56	
2009	1,570	1,143	427	250	74	324	1.32	
2010	1,426	1,037	389	260	59	319	1.22	
2011	1,526	1,072	454	270	43	313	1.45	
Museum Revenue Bonds								
2002	\$ 7,108	\$ 4,270	\$ 2,838	\$ 905	\$ 839	\$ 1,744	1.63	
2003	9,336	4,645	4,691	940	798	1,738	2.70	
2004	10,924	5,136	5,788	990	798	1,788	3.24	
2005	6,767	5,450	1,317	1,165	428	1,593	0.83	
2006	7,820	5,155	2,665	1,130	460	1,590	1.68	
2007	9,682	5,729	3,953	1,185	403	1,588	2.49	
2008	8,025	6,130	1,895	1,210	365	1,575	1.20	
2009	7,368	5,561	1,807	1,240	351	1,591	1.14	
2010	7,193	5,456	1,737	1,290	301	1,591	1.09	
2011	7,405	5,299	2,106	1,330	238	1,568	1.34	
Industrial Development Authority Revenue Bonds								
2002	\$ 9,442	\$ 3,633	\$ 5,809	\$ 35	\$ 458	\$ 493	11.78	
2003	8,287	6,740	1,547	211	784	995	1.55	
2004	5,098	1,588	3,510	385	771	1,156	3.04	
2005	5,944	4,298	1,646	410	750	1,160	1.42	
2006	8,890	4,946	3,944	432	719	1,151	3.43	
2007	5,007	4,420	587	392	693	1,085	0.54	
2008	3,456	3,166	290	417	561	978	0.30	
2009	6,940	4,126	2,814	445	528	973	2.89	
2010	5,066	4,420	646	475	501	976	0.66	
2011	2,568	2,813	(245)	505	470	975	(0.25)	
Convention Center Revenue Bonds ⁴								
2005	\$ 6,174	\$ 1,211	\$ 4,963	\$ -	\$ 5,360	\$ 5,360	0.93	
2006	8,775	3,660	5,115		5,368	5,368	0.95	
2007	9,288	2,993	6,295		5,363	5,363	1.17	
2008	9,989	3,885	6,104		5,335	5,335	1.14	
2009	8,626	3,092	5,534		5,362	5,362	1.03	
2010	8,625	2,859	5,766		5,363	5,363	1.08	
2011	10,535	3,371	7,164	2,155	4,151	6,306	1.14	

Notes:

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

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

Fiscal Year	Population ¹	Personal Income ² (in thousands)	Per Capita Income ³	School Membership ⁴	Unemployment Rate Percentage ⁵
2002	147,300	\$ 3,861,000	\$ 26,664	23,192	5.1%
2003	145,200	4,018,000	27,628	22,996	5.4%
2004	144,400	4,261,000	29,388	23,009	5.2%
2005	142,800	3,976,299	30,389	22,938	4.6%
2006	145,500	4,551,991	31,057	22,229	4.2%
2007	145,708	4,775,904	32,608	22,176	3.6%
2008	145,862	5,215,071	35,903	21,189	4.9%
2009	144,204	5,228,880	36,252	21,411	8.2%
2010	144,749	N/A	N/A	20,804	8.6%
2011	137,436	N/A	N/A	20,762	8.0%

Notes:

¹ Source: Weldon Cooper Center for Public Service as of 4/1/2010 Census

² Source: Bureau of Economic Analysis. Most recent information available is 2009.

³ Source: Bureau of Economic Analysis. Most recent information available is 2009.

⁴ Source: Hampton City Schools

⁵ Source: LAUS Unit and Bureau of Labor Statistics

N/A-Not available

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

2011	2002
Over 600 Employees:	500-2,500 Employees:
Alcoa Howmet	Gateway
City of Hampton	Great Atlantic
Fort Monroe	Howmet Corporation
Hampton City Schools	Newport News, Inc.
Hampton University	Sentara Hampton General Hospital
Hampton Virginia Medical Center - Veteran's Hospital	Thomas Nelson Community College
Langley Air Force Base	Walmart
NASA Langley Research Center	West Telemarketing
Sentara Healthcare System	
Sprint-Nextel	
Thomas Nelson Community College	
Verizon	
300 - 599 Employees:	250 - 500 Employees:
AMSEC LLC	American Red Cross
Headway Corporate Resources	Federal Mogul
Northrop Grumman	Langley Federal Credit Union
Riverside Regional Medical Centers	Maida Development Corporation
	Nextel Communications
	Raytheon Company
	Schaevitz Sensors
	Source: Development Department

Source: City of Hampton, Department of Economic Development

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

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

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Function										
Governmental activities										
General government	547	534	541	581	588	588	578	588	588	574
Public safety	620	620	648	663	686	695	707	695	645	649
Highway and streets	30	26	29	30	31	30	29	30	27	24
Sanitation	34	35	35	31	35	41	47	48	47	46
Health	27	25	29	24	23	24	22	22	22	16
Human services	263	266	254	249	237	242	245	232	236	225
Culture and recreation	149	151	171	176	173	172	167	159	137	128
Total governmental activities	1,670	1,657	1,707	1,754	1,773	1,792	1,795	1,774	1,702	1,662
Business-type activities										
Culture and recreation	47	44	44	70	43	45	44	38	37	36
Sanitation	145	149	151	150	154	152	146	147	140	143
Housing	74	74	75	71	68	68				1
Total business-type activities	266	267	270	291	265	265	190	185	177	179
Total	1,936	1,924	1,977	2,045	2,038	2,057	1,985	1,959	1,879	1,841

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 Ten Fiscal Years

Function/Program	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General government										
Building permits issued	3,104	3,611	3,742	3,547	3,342	3,509	3,167	2,241	2,195	2,123
Building inspections conducted	8,546	8,705	9,158	9,267	9,500	9,349	9,459	7,853	6,988	6,131
311 customer call center										
Number of calls received	N/A	265,867	307,034	288,155	290,000	242,158	191,727	170,971	168,492	148,351
Public safety										
Police										
Physical arrests	17,817	17,693	18,850	19,681	19,587	20,071	22,626	18,711	12,621	16,886
Traffic summons	18,141	21,428	28,584	32,438	30,601	30,321	34,334	34,781	30,121	30,225
Fire										
Emergency responses	20,458	21,351	19,645	19,840	22,641	21,592	22,928	22,651	22,271	22,394
Fires extinguished	428	352	367	319	689	332	168	278	378	450
Patients transported	7,421	8,345	10,283	10,517	10,730	7,678	12,105	12,015	12,133	11,620
Code inspections	N/A	139	103	218	335	740	1,553	2,165	2,572	2,210
Highway and streets										
Roads paved or resurfaced (miles)	N/A	20.9	24	20	15.17	15.11	22.25	27.5	106	68.76
Sanitation										
Yard waste collected (tons)	15,000	15,000	15,000	16,000	14,000	13,000	10,240	14,160	14,106	11,965
Debris removed (tons)	78,000	80,000	73,600	72,245	70,000	84,000	104,236	109,204	113,234	114,773
Cleanups	255	237	272	267	416	417	366	935	518	819
Street sweeping	4,500	4,500	4,500	4,500	4,500	3,060	2,689	3,339	3,231	3,364
Storm drains cleaned (linear feet)	56,065	101,161	108,533	103,989	104,962	99,913	71,619	76,202	97,046	73,901
Health										
Preventive health										
Family practice visits (closed 3/31/11)	6,057	5,905	3,223	4,217	3,986	3,522	3,183	2,602	2,755	1,615
Immunization visits	6,584	5,991	5,694	6,943	6,623	6,201	5,485	5,794	7,053	6,511
Prescriptions filled (closed 5/25/10)	32,789	35,273	33,125	35,454	39,559	34,296	30,739	26,103	22,786	
Human services										
Healthy families partnership										
Number of families assessed	656	602	553	611	613	610	525	617	567	590
Number of families served	1,271	985	973	855	790	1,183	1,079	888	1,026	930
Number of adult participants in the parenting classes	1,232	1,175	1,469	1,733	1,500	1,602	1,595	1,430	1,242	1,875
Social Services										
Food stamp participants	N/A	4,227	4,860	5,318	5,850	5,384	5,365	6,027	8,040	8,939
Culture and recreation										
Senior citizens attendance at Senior Center	N/A	33,941	26,278	25,645	26,414	27,338	28,021	17,047	13,730	12,985
Community center admissions										
Youth	107,830	138,071	160,555	66,975	57,663	60,602	63,632	67,421	82,134	13,512
Teen	83,573	95,079	99,043	103,995	72,428	65,888	67,535	49,802	37,359	15,033
Adult	87,966	57,681	63,904	69,655	75,500	79,124	80,706	94,481	113,178	135,786
Education										
School membership (total)	23,192	22,996	23,009	22,938	22,229	22,176	21,189	21,411	20,804	20,762
High schools	6,699	6,634	6,775	6,883	6,914	6,657	6,659	6,494	6,784	6,749
Middle schools	5,870	5,805	5,709	5,680	5,450	5,433	5,156	4,837	4,743	6,837
Elementary schools	10,623	10,557	10,525	10,375	9,865	10,086	9,374	10,080	9,277	7,849
Combined schools										2,327
School board personnel	2,763	2,763	2,841	2,903	2,906	2,902	2,866	3,194	3,138	2,992
Wastewater										
Average daily sewage treatment (thousands of gallons)	11,901	11,601	11,691	11,610	11,604	11,600	11,300	11,410	10,566	10,794

N/A-Not available

Source: City of Hampton, various departments.

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

Table XVI

Function/Program	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Public safety										
Police										
Patrol units	220	227	227	227	227	246	254	278	272	195
Patrol boats	2	3	3	3	3	4	2	3	4	3
Fire										
Stations	10	10	10	10	10	10	10	10	10	10
Pumpers	19	19	19	19	19	19	19	19	19	18
Ambulances	18	18	18	18	18	17	18	18	18	17
Rescue vehicles	3	3	3	3	3	3	3	3	3	3
Ladder trucks	2	2	2	2	2	2	2	2	2	4
Fire Boats								2	2	4
Highways and streets										
Streets (miles)	432.36	435.35	435.35	437.68	437.68	439.08	445.6	459	455	460
Traffic signals	161	161	163	174	177	177	181	179	180	180
Bridges	39	40	41	41	41	41	40	40	40	40
Sanitation/solid waste										
Collection trucks	44	44	44	44	44	43	48	49	56	56
Culture and recreation										
Parks acreage ¹	1575	1575	1628	1628	1628	1789	1789	1791	1791	1,791
School parks acreage	675	675	675	675	675	675	675	751	751	751
Parks	17	17	17	23	23	23	23	23	23	23
Amphitheater	1	1	1	1	1	2	2	2	2	2
Baseball fields	38	38	38	38	38	38	38	38	39	39
Basketball courts	35	35	35	35	35	35	35	35	35	35
Boat ramps	3	3	3	3	3	3	3	3	3	3
Coliseum	1	1	1	1	1	1	1	1	1	1
Community centers	4	4	5	5	5	5	5	5	5	5
Convention center	0	0	0	1	1	1	1	1	1	1
Fitness trails	N/A	N/A	N/A	12	12	12	12	12	12	12
Football fields	20	20	20	20	20	20	20	20	21	21
Football stadium	1	1	1	1	1	1	1	1	1	1
Golf courses	2	2	2	2	2	2	2	2	2	2
Indoor swimming pools	1	1	1	1	1	1	1	2	2	2
Municipal beaches	3	3	3	3	3	3	3	3	3	3
Municipal parks	N/A	N/A	N/A	10	10	10	10	11	11	11
Museums	2	2	2	2	2	2	2	2	2	2
Outreach centers	4	4	4	4	4	4	4	4	4	4
Picnic shelters	28	28	28	28	28	26	26	26	26	26
Playgrounds	41	41	41	41	41	41	41	40	46	46
Senior citizens center	1	1	1	1	1	1	1	1	1	1
Soccer fields	28	28	28	28	28	30	30	30	33	33
Softball fields	15	15	15	15	15	16	16	17	17	17
Tennis courts	66	66	66	66	66	66	66	66	66	66
Theatres	1	1	1	1	1	1	1	1	1	1
Fort Wool	1	1	1	1	1	1	1	1	1	1
Education										
High schools	4	4	4	4	4	4	4	4	4	4
Middle schools	6	6	6	6	6	6	6	6	5	8
Elementary schools	24	24	24	24	24	23	23	23	20	20
Wastewater										
Sanitary sewers lines (miles)	460	465	468	471	465	482	469	469	469	426
Sewer Pumping stations	102	103	104	105	107	107	108	108	108	108

Notes:

¹ Park land currently developed.

N/A-Not available

Source: Various city departments.

Financial Compliance Reports for Federal Funds



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

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

Compliance

We have audited the compliance of the City of Hampton, Virginia (the "City") with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on its major federal programs for the year ended June 30, 2011. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

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

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

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

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

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

Virginia Beach, Virginia
November 23, 2011



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

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Hampton, Virginia (the "City"), as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 23, 2011. Our report includes a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and *Specifications for Audits of Counties, Cities and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia.

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

Internal Control Over Financial Reporting

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

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

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

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*.

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, Bekaert & Holland, L.L.P.

Virginia Beach, Virginia
November 23, 2011

CITY OF HAMPTON, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2011

A. Summary of Auditors' Results

Financial Statements:

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

Federal Awards:

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

Identification of major federal programs:

<u>Program Description</u>	<u>CFDA #</u>
CDBG	14.218/14.253
Highway Planning and Construction	20.205
Title I	84.010/84.389
Special Education Cluster	84.027/84.173/84.391/84.392
State Fiscal Stabilization Funds Cluster	84.394
Impact Aid	84.041
Supplemental Nutrition Assistance Program	10.561
Infant Stimulation	84.181/84.393
Education Technology State Grants	84.318/84.386

Dollar threshold to distinguish between Types A and B Programs:	\$1,677,131
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The City of Hampton was qualified as a low risk auditee?	Yes
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B. Findings - Financial Statement Audit

None

C. Findings and Questioned Costs – Major Federal Awards

None

D. Findings and Questioned Costs – State Compliance

None

E. Resolution of Prior Year's Findings

2010-1:

Status: Completed