

ANNUAL COMPREHENSIVE FINANCIAL REPORT

CITY OF HAMPTON, VIRGINIA
FOR THE FISCAL YEAR ENDED JUNE 30, 2022



CITY OF HAMPTON, VIRGINIA ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2022

Prepared by:

The Department of Finance

Karl S. Daughtrey, Director of Finance

Brittany Abbott, Controller



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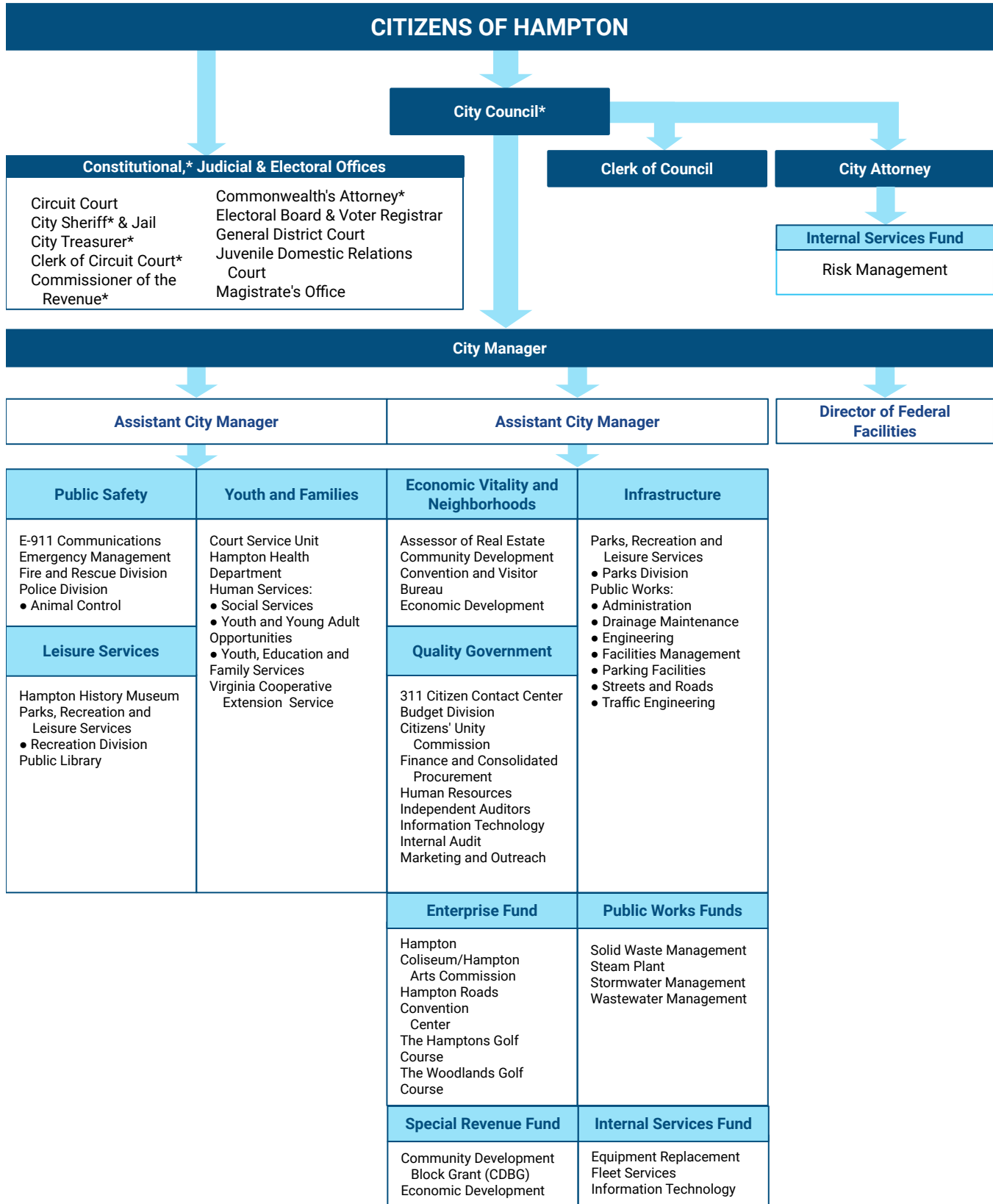
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Introductory SECTION

ORGANIZATIONAL CHART - CITY



* Elected by citizens of Hampton

City of Hampton, Virginia

List of Officials

June 30, 2022

ELECTED OFFICIALS

CITY COUNCIL

Donnie Tuck, Mayor
Jimmy Gray, Vice Mayor
Chris Bowman
Eleanor W. Brown
Steven Brown
Michelle Ferebee
W.H. "Billy" Hobbs, Jr.

CONSTITUTIONAL OFFICERS

Linda Batchelor Smith - Clerk of Courts
Anton A. Bell - Commonwealth's Attorney
Ross A. Mugler - Commissioner of the Revenue
Chris Osby Snead - City Treasurer
Karen E. Bowden - City Sheriff

APPOINTED OFFICIALS

CITY ADMINISTRATION

Mary B. Bunting - City Manager
Steven Bond - Assistant City Manager
Brian DeProfio - Assistant City Manager
Karl S. Daughtrey - Director of Finance
Lori Green - Manager of Budget and Strategic Initiatives
Brittany Abbott - Deputy Director of Finance, Controller

City of Hampton, Virginia

List of Officials

June 30, 2022

SCHOOL BOARD

Dr. Richard Mason, Chair	Ann Cherrett, Vice Chair
Stephanie Jackson Afonta	Tina Banks-Gray
Joseph C. Kilgore	Jason S. Samuels
Dr. Reginald Woodhouse	Carolyn Bowers, Clerk of the Board

SCHOOL ADMINISTRATION

Dr. Jeffery Smith - Superintendent
Dr. John Caggiano - Deputy Superintendent for Curriculum, Instruction and Assessment
Dr. Daniel Bowling, Chief Operations Officer
Brittany Branch, Chief Financial Officer
Trena Hatcher, Executive Director of Student Support
Dr. Raymond Haynes - Chief of Secondary School Leadership
Dr. Stacia Barreau - Chief of Elementary School Leadership and Compensatory Programs
Ann Bane - Director of Community and Legislative Relations
Kellie Goral - Executive Director of Public Relations and Marketing
Robbin Ruth - Executive Director of Human Resources

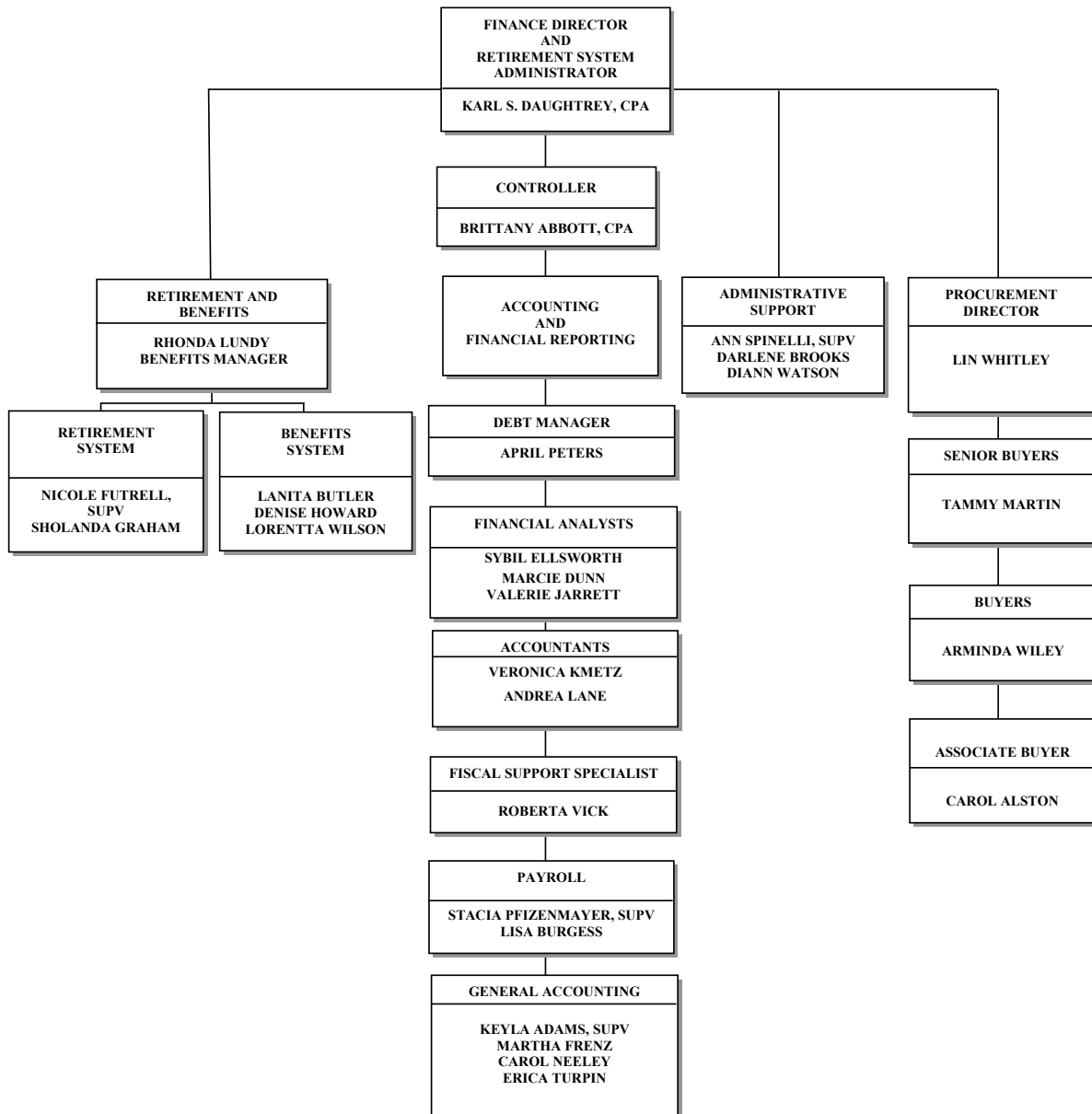
HAMPTON EMPLOYEES' RETIREMENT SYSTEM

BOARD OF TRUSTEES

Andrew G. Womble, Jr., Chairman	Brian DeProfio, Vice Chairman
James A. (Pete) Peterson, Trustee	Kathann W. Montague, Trustee
Brittany Branch, Trustee	George V. Hellman, Trustee
Carolyn Bowers, Trustee	Patricia Parker, Trustee

Karl S. Daughtrey, Administrator and Treasurer
Nicole Futrell, Secretary
Benjamin Naidorf, Legal Council

CITY OF HAMPTON, VIRGINIA ORGANIZATIONAL CHART FINANCE DEPARTMENT June 30, 2022







December 9, 2022

Honorable Mayor, Members of the City Council,
City Manager and the Citizens of the City of Hampton

We are pleased to submit the Annual Comprehensive Financial Report (ACFR) of the City of Hampton, Virginia (the City) for the fiscal year ended June 30, 2022. The *Code of Virginia* requires the City to publish, at the close of each fiscal year, a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America (U.S. 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 of the Auditor of Public Accounts of the Commonwealth of Virginia.

Cherry Bekaert LLP, Certified Public Accountant have audited the City's financial statements, including the financial records and transactions of all funds, component units and departments of the City. As a result, Cherry Bekaert issued an unmodified opinion on the City's financial statements for the year ended June 30, 2022. The independent auditor's report is located at the front of the Financial Section of this report.

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

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

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. This letter of transmittal is intended to provide a profile of the City and summary information about its economic condition and intended to complement the MD&A.

City Profile

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

As of July 1, 2021, the current estimated population in Hampton was 136,581.

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.

Budgetary Systems: The City adopts an annual budget for the General Fund, but does not adopt an annual budget for any of the Special Revenue Funds except for the Stormwater Management Fund. The annual budget serves as the foundation for the City of Hampton's financial planning and control functions. The City must appropriate funds for both the City and school system operation in accordance with state law. The appropriated budget is prepared by fund, function, (e.g. public safety) and department (e.g. fire). The City Manager is authorized to transfer budgeted amounts within the General Fund; however, revisions that alter the total appropriations for a department must be approved by City Council. Transfers within the School Operating Fund are under the control of the School Board.

Component Units: The financial reporting entity includes all funds of the primary government (the City), as well as its component units. Component units are legally separate entities for which the City is financially accountable. The City has included the financial data of four discrete component units which are legally separate entities: Hampton City School Board, Economic Development Authority (EDA), Coliseum Central Business Improvement District, Inc. and Downtown Hampton Development Partnership, Inc.

Economic Conditions and Outlook

While the COVID-19 pandemic slowed economic growth during fiscal year 2020, the Hampton has recognized continued growth over the last 10 years. According to the U.S Bureau of Statistic, unemployment has decreased by 2.3 percent over the prior year. The City's central location in the Norfolk-Virginia Beach-Newport News Metropolitan Statistical Area affords its businesses the ability to take advantage of resources offered throughout the area. Hampton's many business assets have attracted an extensive list of national and international companies across a variety of industries. The city's largest business and employment growth is concentrated in the following industries: advanced manufacturing; aerospace, homeland defense & security; medical & healthcare; professional services; and retail.

During fiscal year 2022, the City announced new businesses as well as existing business expansions that will contribute to the economic health of the City. These announcements include:

- In July 2021, the City began constructing a new Aquaplex facility. The 64,000 square foot facility will bring new jobs and generate new revenue streams for the City and region.
- VersAbility Resources won its largest federal contract, with a maximum estimated value of \$126 million. The grant will allow the local non-profit to expand its scope of work and provide 50 positions to its staff.
- The Mary Jackson Neighborhood Center was in the midst of construction during fiscal year 2022. The 12,500 square foot center features a gym, kitchen and several meeting areas.
- Several restaurants including 1865 Brewing Company and Scratch Bakery also opened during the fiscal year.

Military, Federal Research Facility, and Veterans Medical Center

The federal government is Hampton's largest employer. The City is home to Joint Base Langley Eustis (JBLE); National Aeronautics and Space Administration Research Center (NASA) Langley Research Center (LRC); and the Veterans Affairs Medical Center.

Joint Base Langley Eustis (JBLE), composed of Langley Air Force Base in Hampton, and Fort Eustis, located in Newport News, Virginia announced the permanent relocation of the F-22 squadrons formerly based at Tyndall Air Force Base in Florida. It is estimated that approximately 800 Air Force personnel, and their families will be relocating to Hampton. The final number of jobs and jets is still to be determined for the Formal Training Unit ultimate impact. JBLE's annual economic impact is currently estimated at some \$3.2 billion.

The National Aeronautics and Space Administration Research Center (NASA) Langley Research Center (LRC) is located on 788 acres in the City adjacent to Joint Base Langley-Eustis. The Center is an important national resource serving inherent government functions such as aeronautics, science, space technology, human space exploration, climate research and the air transportation system. LRC was the training facility for the first Mercury Seven

astronauts and is now involved in NASA's expeditions to Mars and the Moon. It has a staff of 3,400 government/civilian employees and a \$902 million annual budget.

The Hampton VA Medical Center (HVAMC) is located on an 86-acre campus along the historic banks of the Chesapeake Bay adjacent to Hampton University. HVAMC is a world class facility with highly skilled and compassionate staff. The medical center is a leader in technology and innovation, providing health care services to veterans in southeastern Virginia and northeastern North Carolina. It has a staff of over 2,112 with an annual budget of \$4.2 million.

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).

For fiscal year 2022, governmental funds recognized a \$39 million increase and business-type activities recognized a \$9 million increase. A large portion of this increase can be attributed to increased property tax revenues which result from increased real estate values. A more detailed analysis of the changes in fund balance are discussed further in the MD&A section of the report.

The General Fund revenues and other financing sources increased by approximately \$19.3 million or 5.4% when compared to fiscal year 2021 revenues. General property tax collections increased by approximately \$11 million as a result of the increase in housing values in fiscal year 2022 while Personal Property increased 12.7% or \$3.8 million as a result of a computer chip shortage which has stalled production of new cars and increased demand for used cars. Tax collections experienced an increase of approximately \$7.1 million. Meal tax increased by \$3.8 million over prior year while sales tax increased by \$1.2 million. Also, spending for business travelers has been on an upswing this year which accounts for increases in Lodging and Transit taxes over prior year.

Some of the General Fund expenditure and other financing uses increased by approximately \$19.6 million or 7.4% over fiscal year 2021. This increase is primarily due to the increase in General Government and Public Safety categories. Expenditures in the Public Safety category increased by \$11.8M. In fiscal year 2021, Coronavirus Aid, Relief and Economic Security (CARES) funding was utilized for the Public Safety salaries. General Government category increased by approximately \$5.2 million as a result of retention bonuses and increased personnel and retirement costs.

The School Board Operating Fund revenues increased approximately \$5 million or 3.4% over fiscal year 2021. This variance resulted primarily from a net increase in state revenues totaling \$5.3 million. The three largest increases in state revenues were At Risk, Salary Supplements, and Sales Tax funding which increased by \$1.7 million, \$4.4 million, and \$2.9 million, respectively. The three largest decreases in state revenues were No Loss, Basic Appropriations, and Learning Loss funding which decreased by \$2.2 million, \$1.3 million, and \$1.1 million, respectively.

Federal funds decreased by 0.07 million, primarily due to less Impact Aid funding. The other funds category decreased by \$0.12 million primarily due to a decrease in miscellaneous revenue.

While the Local Contribution is not included in the overall increase to the Operating Fund, the City of Hampton increased its local contribution to the School Board by approximately \$3.2 million or 4.2% from fiscal year 2021.

The School Board Operating Fund expenditures increased by \$21 million or 9.61% over 2021. This increase was due primarily to increased spending for Instruction, Debt Service and Fund Transfers, Pupil Transportation and School Operations and Maintenance totaling \$5.2 million, \$5.8 million, \$3.6 million and \$4.3 million, respectively.

Long Term Financial Planning

In the years 2022-2026 \$295 million is scheduled for City and School projects. The following summarizes these projects:

Education	\$68.4 million
Hampton's Waterways	\$48.9 million
Good Government	\$109.6 million
Economic Growth	\$16.4 million
Place Making	\$20.6 million
Safe and Clean City	\$31.1 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.
 - General obligation debt shall not exceed 3% of the assessed value of all real estate within the City subject to taxation. At June 30, 2022, general obligation debt totaled \$341 million or 2.9% of taxable real estate value, which was within the policy parameter.
 - 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, 2022, this would amount to \$482.8 million or 3.6% of the assessed value of all taxable real and personal property which was within the policy parameter.
 - 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, 2022, this would amount to \$77 million or .57% 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, 2022, this would amount to \$33 million or 6.4% 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 58.7% of general bonded obligation debt for fiscal years 2023 through fiscal year 2032 that was outstanding as of June 30, 2022.
4. Equity Funding. A minimum of 2% to 6% of general fund revenues will be applied to Capital Improvement Projects(CIP) capital projects each year. At June 30, 2022, capital expenditures were \$20.9 million which is 5.5% 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, 2022 through 2025, the City plans to use 31% 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, 2022 was \$91.6 million or 17% of actual revenues.

The City is in compliance with all but one of the Financial Policy Guidelines. Due to the fiscal year 2022 cash defeasance, which accelerates debt payoff, the City is not in compliance with the General Obligation Debt Retirement Policy. This policy is expected to be in compliance starting with fiscal year 2024.

Credit Ratings

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

Major Initiatives and Accomplishments

The City of Hampton's *Aquaplex Complex* opened its doors in November 2022. The 62,739 sq. ft. state-of-the-art facility features an eight-lane, 50-meter competition pool, two moveable bulkheads, spectator seating for 1,500 with a mezzanine, on-deck athlete seating for 760, and an outdoor splash park.

After breaking ground in February 2021, the *Mary W. Jackson Neighborhood Center* opened in September 2022. The recreational center was named in honor of Mary W. Jackson, a Hampton native and the first black female engineer at NASA.

Huntington Ingalls Industries Technical Solutions Division opened the first of two buildings at its Unmanned Systems Center of Excellence complex in Hampton Roads Center North. The 22,000 square foot building is now open for

production, and will be joined with a 135,000 square foot second building during the fourth quarter of 2021. This project represents a \$46 million investment, with 269 jobs averaging \$69,000 annually.

The Fort Monroe Authority announced the first phase of a 100 acre multi-phase redevelopment at Fort Monroe. Pack Brothers Hospitality, operating under a 40-year ground lease, will develop a 90-room boutique hotel and conference center, a 500-seat restaurant and a 300-slip marina. The estimated investment is approximately \$40 million.

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 was identified for closure by the 2005 Base Realignment and Closure Commission and was closed by the Army on September 15, 2011. Since that time, the Commonwealth of Virginia and City of Hampton have been preparing for closure and reuse of the Fort to mitigate the impact of the lost economic activity from the closure. Approximately 371 of the 565 acres of the property automatically reverts to Commonwealth ownership based on deed language when it was originally conveyed to the federal government in the 1800s. The Commonwealth and Army finalized the negotiations of the disposition of the “non-reversionary” acres in 2017 and transferred the remaining balance of federal land to the Fort Monroe Authority. That transfer included approximately 45 acres with an additional 20 acres to be transferred after the environmental remediation actions are completed. The final transfer was completed in 2019. Furthermore, the Commonwealth has transferred previously owned land to the Department of Interior to be incorporated into the Fort Monroe National Monument under the purview of the National Park Service. 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 was any other private property in the City, but excludes any property owned by the federal government or used by the City.

The key priority of the City and Commonwealth has been to keep a living and vibrant community throughout the transition. On November 1, 2011, President Barrack Obama took action to declare 245 acres of Fort Monroe a National Monument that will be managed by the National Park Service. Studies have shown the presence of a National Park increased the value of surrounding properties approximately 20%. Coupled with the history of Fort Monroe, the presence of the national park will also generate tourism to the City. The Fort Monroe Authority has also been successfully renting out the historic homes and has attracted some commercial tenants as well. Most of the existing developed area of the Fort will be subject to the PILOT and, in essence, be added to the City’s tax rolls. The Commonwealth is investing over \$22 million in infrastructure enhancements, upgrades and repairs. The intent is to ultimately market many of the properties for private investment and redevelopment. As properties are sold they will be added as revenue gains for the City’s tax rolls as well.

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 Annual Comprehensive Financial Report that meets all generally accepted accounting principles and applicable legal requirements. The City has received this award for its Annual Comprehensive Financial Report for the fiscal year ended June 30, 2021.

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.

The City’s Budget Department received the Government Finance Officers Association *Distinguished Budget Presentation Award* for the fiscal year 2022 Budget document.

In September 2021, the City-County Communications & Marketing Association awarded the *2021 Savvy Award* for community visioning or branding among large cities to the City of Hampton and praised the “beautifully unique visioning project that surpasses all usual approaches to branding”. Hampton also earned an Award of Excellence for the city’s campaign to promote public health during Covid-19. The judges complimented the “great looking billboards

for the masking and vaccination messaging.” The electronic billboard campaign was at no cost to city taxpayers, as the city has a partnership with Adams Outdoors to present city messaging as part of their lease of city property.

Hampton has been named the *Resilient Virginia Community of the Year* by the Virginia Chapter of the American Planning Association for its “outstanding example for how to undertake resiliency planning,” according to the announcement. Further, the association complimented Resilient Hampton’s approach to reducing the impacts of flooding: By looking at solutions that provide an array of benefits, such as water access and recreation, economic development, and improving native habitats and water quality.

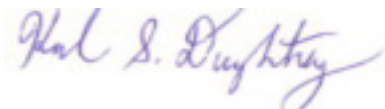
The Hampton Division of Fire and Rescue maintained its Accredited Agency status with the Commission on Fire Accreditation International (CFAI,) for the period of 2021-2026 for meeting the criteria established through the CFAI’s voluntary self-assessment and accreditation program. The Hampton Division of Fire and Rescue is one of more than 250 agencies internationally to achieve internationally Accredited Agency status with the CFAI and the Center for Public Safety Excellence, Inc. (CPSE). First accredited in 2016, Hampton was the first combination fire and rescue agency in the Commonwealth, and only one of ten internationally, to be both internationally accredited and hold the highest Insurance Services Office (ISO) rating of “1”. Of further note, the Division was the second in Hampton Roads to receive the “Agency of Excellence” designation from the Commonwealth for exceeding required emergency medical service standards.

For the 19th time Hampton was named as a top 10 Digital City in its size category by the Center for Digital Government. The survey focuses on results achieved by cities through the use of technology and data to better serve their citizens, innovative or creative solutions or approaches, and effective collaboration and transparency measures.

Acknowledgments

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

Respectfully submitted,



Karl S. Daughtrey, CPA
Director of Finance



Brittany Abbott, CPA
Deputy Director of Finance, Controller



Government Finance Officers Association

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Presented to

**City of Hampton
Virginia**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2021

Christopher P. Morill

Executive Director/CEO





Financial

SECTION



Report of Independent Auditor

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

Report on the Audit of the Financial Statements

Opinions

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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof, and the Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the Downtown Hampton Development Partnership Inc., which represent 0.8 percent, 0.9 percent, and 0.0 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units, as of June 30, 2022, and the respective changes in financial position for the year then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinions, insofar as it relates to the amounts included for the Downtown Hampton Partnership, Inc., is based solely on the report of the other auditors.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia (the "Specifications"). Our responsibilities under those standards and specifications are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

Correction of an Error

As discussed in Note 18 to the financial statements, the net position of the Hampton City School Board, a discretely presented component unit of the City, as of July 1, 2021, has been restated reflect the correction of an error in previously issued financial statements. Our opinions are not modified with respect to this matter.

Change in Accounting Principle

As discussed in Note 18 to the financial statements, the Hampton City School Board, a discretely presented component unit of the City, adopted the provisions of Governmental Accounting Standards Board Statement 87, *Leases*, effective July 1, 2021. As a result, related governmental activities for the discretely presented component units have been restated. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Specifications will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Specifications, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the additional required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying Combining and Individual Statements and Supporting Schedules, as listed in the table of contents, and schedule of expenditures of federal awards as required by Title 2 of U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual statements, supplementary information, and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Introductory and Statistical sections, as listed in the table of contents, but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2022, 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 solely 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 effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Virginia Beach, Virginia
December 7, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Hampton, Virginia's (City's) Annual Comprehensive Financial Report presents Management's Discussion and Analysis (MD&A) of the City's financial performance during the fiscal year ended June 30, 2022. 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 \$12.0 million (Exhibit A-4) after making a \$80.2 million payment to Hampton City Schools, \$20.9 million transfer to Capital Projects, \$10.1 million transfer to Enterprise Funds, \$2.0 million to Special Revenue Funds, \$5.7 million to Internal Service Funds and \$31.2 million to Debt Service Fund.
- On a government-wide basis for governmental activities, the City's net position increased by \$38.8 million (Exhibit A-2).
- In the City's business-type activities, on a government-wide basis, net position increased by \$8.9 million (Exhibit A-2).
- The City's net position, excluding component units, on the government-wide basis, totaled \$746.9 million at June 30, 2022. Of this amount, \$38.2 million represents restricted net position and \$(0.2) million represents the unrestricted net deficit (unrestricted net position - Exhibit A-1).

USING THE FINANCIAL SECTION OF THE ANNUAL COMPREHENSIVE FINANCIAL REPORT

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

GOVERNMENT-WIDE STATEMENTS

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

The two government-wide statements report the City's net position and changes in net position. The City's net position presents financial information on all of the City's assets, liabilities and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in the City's net position are one indicator of whether its financial position is improving or deteriorating. However, other non-financial factors will need to be considered, such as changes in the City's property tax base and the condition of the City's infrastructure.

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

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

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

FUND FINANCIAL STATEMENTS

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

The City has three types of funds:

- Governmental funds – Most of the City's basic services are reported in governmental funds, which focus on (1) the inflows and outflows of cash and other financial assets that can readily be converted into cash and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements (Exhibits A-3, A-4 and A-5) provide a short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the future to finance the City's programs. Because this information does not address the long-term focus of the government-wide statements, additional information is provided at the bottom of the governmental funds statements that explains the relationship (or differences) between these statements. The City maintains nine individual governmental funds.
- Proprietary funds – Services for which the City charges customers a fee are generally reported in proprietary funds. These funds, like the government-wide statements, provide both long and short-term financial information. The City's enterprise funds (one type of proprietary fund) are its business-type activities, but the fund financial statements provide more detail and additional information, such as cash flow. The City maintains eight individual enterprise funds. The City uses four internal service funds (the other type of proprietary fund) to report activities that provide supplies and services for the City's other programs and activities. These funds provide for the accumulation of money to replace capital equipment used in the City's operations, maintenance services for the City's vehicle fleet, risk management and computer and telecommunication services. The basic proprietary funds financial statements can be found in Exhibits A-6, A-7 and A-8 of this report.
- Fiduciary funds – The City is the trustee, or fiduciary, for its employees' pension plan. The City's custodial funds are used to report fiduciary activities that are not held in a trust or similar arrangement. These funds are utilized to provide accountability of client monies for which the City is custodian. All of the City's fiduciary activities are reported in separate statements of fiduciary net position and statements of changes in fiduciary net position. The basic fiduciary funds financial statements can be found in Exhibits A-9 and A-10 of this report. The City excludes fiduciary activities from the City's government-wide statements because the City cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Table I

Summary of Statement of Net Position (In Thousands)
June 30, 2022 and 2021

	Governmental Activities		Business-type Activities		Total Primary Government		Component Units	
	2022	2021	2022	2021	2022	2021	2022	2021
Current and other assets	\$ 463,228	\$ 352,798	\$ 78,894	\$ 74,367	\$ 542,122	\$ 427,165	\$ 78,163	\$ 72,707
Capital assets	868,375	848,904	131,829	133,934	1,000,204	982,838	44,122	44,070
Total assets	1,331,603	1,201,702	210,723	208,301	1,542,326	1,410,003	122,285	116,777
Deferred outflows of resources	65,358	61,246	8,699	7,248	74,057	68,494	47,860	52,052
Current liabilities	130,871	107,832	10,082	11,575	140,953	119,407	36,081	45,900
Long-term liabilities	538,535	510,555	73,614	82,928	612,148	593,482	139,219	224,299
Total liabilities	669,406	618,386	83,696	94,503	753,102	712,889	175,300	270,199
Deferred inflows of resources	104,292	60,054	12,111	6,298	116,403	66,352	95,310	31,213
Net position								
Investment in capital assets	634,996	626,391	73,888	71,434	708,885	697,824	42,373	43,320
Restricted	30,085	23,793	8,121	8,119	38,206	31,912	765	1,109
Unrestricted (deficit)	(41,818)	(65,677)	41,606	35,194	(212)	(30,483)	(143,603)	(177,011)
Total net position	\$ 623,263	\$ 584,507	\$ 123,615	\$ 114,748	\$ 746,878	\$ 699,255	\$ (100,465)	\$ (132,583)

The City's combined net position (which is the City's bottom line) increased by \$47.6 million in fiscal year 2022. Approximately 5.1% represents resources that are subject to external restrictions. Net investment in capital assets represents 95.9% of net position. These assets are used to provide services to citizens and consequently are not available for future spending. The City's unrestricted net deficit totals \$(0.2) million.

Table II
Summary of Changes in Net Position (In Thousands)
For the Fiscal Year Ended June 30, 2022 and 2021

	Governmental Activities		Business-type Activities		Total Primary Government		Component Units	
	2022	2021	2022	2021	2022	2021	2022	2021
Revenues:								
Program Revenues:								
Charges for service	\$ 34,464	\$ 32,589	\$ 48,900	\$ 34,240	\$ 83,363	\$ 66,829	\$ 8,537	\$ 6,891
Operating grants and contributions	85,949	107,265	7,580	3,744	93,529	111,009	204,883	175,864
Capital grants and contributions	4,887	3,148	-	667	4,887	3,814	-	1,391
General revenues:								
Property taxes	193,938	179,134	-	-	193,938	179,134	-	-
Other taxes	96,744	89,673	-	-	96,744	89,673	-	-
Other	1,216	794	(884)	292	333	1,085	84,023	81,037
Total revenues	417,198	412,601	55,596	38,943	472,794	451,544	297,443	265,181
Expenses								
General government	103,152	129,971	-	-	103,152	129,971	12,591	7,024
Public safety	89,395	77,266	-	-	89,395	77,266	-	-
Highways and streets	15,343	16,752	-	-	15,343	16,752	-	-
Sanitation	-	-	-	-	-	-	-	-
Health	8,550	7,979	-	-	8,550	7,979	-	-
Human services	31,280	31,250	-	-	31,280	31,250	-	-
Culture and recreation	18,087	15,807	-	-	18,086	15,807	-	-
Education - payment to								
School Board	80,165	76,948	-	-	80,165	76,948	-	-
Educational	15,206	12,493	-	-	15,206	12,493	265,110	252,116
Coliseum	-	-	11,983	3,034	11,983	3,034	-	-
Convention Center	-	-	7,241	6,747	7,241	6,747	-	-
The Hamptons	-	-	864	814	864	814	-	-
Woodlands	-	-	718	657	718	657	-	-
Museum	-	-	4,681	3,812	4,681	3,812	-	-
Solid Waste	-	-	16,055	15,553	16,055	15,553	-	-
Steam Plant	-	-	6,013	6,595	6,013	6,595	-	-
Wastewater	-	-	9,171	7,854	9,171	7,854	-	-
Interest on long-term debt	7,267	8,304	-	-	7,267	8,304	-	-
Total expenses	368,445	376,772	56,726	45,066	425,169	421,836	277,701	259,140
Change in net position before transfers	48,753	35,830	(1,130)	(6,123)	47,623	29,707	19,742	6,041
Transfers	(9,997)	(8,591)	9,997	8,591	-	-	-	-
Change in net position	38,756	27,239	8,867	2,468	47,623	29,707	19,742	6,041
Net position, July 1, Restatement	584,507	557,268	114,748	112,280	699,255	669,548	(132,583)	(138,624)
Net position, July 1, (restated)	584,507	557,268	114,748	112,280	699,255	669,548	12,376	-
Net position, June 30	623,263	584,507	123,615	114,748	746,878	699,255	(120,207)	(138,624)
	\$ 623,263	\$ 584,507	\$ 123,615	\$ 114,748	\$ 746,878	\$ 699,255	\$ (100,465)	\$ (132,583)

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

TOTAL GOVERNMENTAL ACTIVITIES

For the fiscal year ended June 30, 2022, revenues from governmental activities totaled \$417.2 million. Revenues from governmental activities increased by approximately \$4.6 million. Capital grants and contributions totaled \$4.9 million, a \$1.7 million increase over fiscal year 2021. The majority of funding in capital grants and contributions consists of federal and state funding for various road projects throughout the City.

Property taxes, the City's largest revenue source, were \$193.9 million, increasing \$14.8 million over fiscal year 2021 primarily from growth in real estate and used car values. Personal property values increased by 4.33% and real estate values increased by 5.16% over fiscal year 2021. Program revenues for governmental activities totaled \$125.3 million. Program revenues are derived from the program itself and reduce the cost of the function to the City.

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 \$96.7 million, an increase of \$7.1 million over fiscal year 2021. Sales and use tax, lodging and transit tax along with meal tax increased by \$1.2 million, \$1.9 million and \$3.7 million, respectively. In addition, business license tax revenues decreased by \$1.5 million and communication tax revenues decreased by \$.3 million.

- **GENERAL FUND**

Overall, the General Fund's fund balance increased by \$12 million or 9.4% from the prior year, which is primarily attributed to increased revenue. General Fund revenues and other financing sources increased by approximately \$19.3 million or 5.4% when compared to fiscal year 2021 revenues. General property tax collections increased by approximately \$11 million as a result of the increase in housing values in fiscal year 2022 while Personal Property increased 12.7% or \$3.8 million. Personal property values are largely composed of vehicles. As a result of the computer chip shortage, the production of new cars was stalled thereby increasing the value and demand for used cars. In the other local taxes category, we experienced an increase of approximately \$7.1 million. Meal tax increased by \$3.8 million over prior year while sales tax increased by \$1.2 million. Also, spending for business and leisure travelers has been on an upswing this year which accounts an increase in Lodging and Transit revenue over prior year.

General Fund expenditure and other financing uses increased by approximately \$28.5 million or 7.0% over fiscal year 2021. This increase is primarily due to the increase in General Government and Public Safety categories. Expenditures in the Public Safety category increased by \$11.7M. In fiscal year 2021, Coronavirus Aid, Relief and Economic Security (CARES) funding was utilized to fund a portion of Public Safety salaries. The General Government category increased by approximately \$5.2 million as a result of retention bonuses, increased personnel and retirement costs.

- **FEDERAL GRANTS**

The Federal Grants fund balance increased by \$4.0 million from fiscal year 2021. The increase is primarily due to the \$6.1 million transfer in from the Capital Projects Fund, which will be used to fund a portion of the costs for several resilient grants.

- **ECONOMIC DEVELOPMENT**

The Economic Development Fund's net position increased by \$754 thousand or 11.4% from fiscal year 2021. The increase is primarily a result of the proceeds from a land sale that occurred during the fiscal year.

- **CAPITAL PROJECTS**

The Capital Projects fund balance increased by \$62.9 million from the prior year, which is primarily a result of the proceeds from bonds issued during fiscal year 2022 totalling \$115.6 million.

TOTAL BUSINESS-TYPE ACTIVITIES

Business-type activities generated revenues of \$56 million, an increase of \$16.6 million when compared to the previous year. The majority of this variance is due to a \$15 million increase in charges for services. Expenses for business-type activities totaled \$56.7 million, an increase of \$11.6 million over the prior year.

- **WASTEWATER MANAGEMENT**

The Wastewater Management fund experienced a \$1.4 million net position increase from fiscal year 2021. This increase is primarily due to a rate increase in fiscal year 2022 to help minimize sanitary sewer overflows and impacts to the Chesapeake Bay.

- **VIRGINIA AIR & SPACE MUSEUM**

The Virginia Air and Space Museum's change in net position was (\$1.1) million, resulting in a 13% decrease in net position. Typically, net operating income does not cover the annual depreciation expense.

- **CONVENTION CENTER**

The Convention Center Fund generated a positive change in net position of \$2.2 million. The General Fund contributes to the Convention Center's operations by transferring 2% of meal and 2% of lodging taxes collected for the fiscal year. As a result of increased economic activity in Hampton, the lodging and meal taxes were \$1.6 million higher than expected. Additionally, the Convention Center reopened its doors in July 2021. The center hosted five high revenue generating events during fiscal year 2022 as it continues to recover from the impacts of the pandemic.

COMPONENT UNIT ACTIVITY

The School Board Operating Fund revenues increased approximately \$5 million or 3.4% over fiscal year 2021. This variance resulted primarily from a net increase in state revenues totaling \$5.3 million. The three largest increases in state revenues were At Risk, Salary Supplements, and Sales Tax funding which increased by \$1.7 million, \$4.4 million, and \$2.9 million, respectively. The three largest decreases in state revenues were No Loss, Basic Appropriations, and Learning Loss funding which decreased by \$2.2 million, \$1.3 million, and \$1.1 million, respectively.

Federal funds decreased by 0.07 million, primarily due to less Impact Aid funding. The other funds category decreased by \$0.12 million primarily due to a decrease in miscellaneous revenue.

While the Local Contribution is not included in the overall increase to the Operating Fund, the City increased its local contribution to the School Board by approximately \$3.2 million or 4.2% between fiscal years.

Additionally, revenues include the recognition of lease financing for the implementation of GASB 87.

The School Board Operating Fund expenditures increased by \$20 million or 9.2% over 2021. This increase was due primarily to increased spending for Instruction, Debt Service and Fund Transfers, Pupil Transportation and School Operations and Maintenance totaling \$5.2 million, \$5.8 million, \$3.6 million and \$4.3 million, respectively. Additionally, expenditures increased due to the recognition of capital outlay - leases for the implementation of GASB 87.

GENERAL FUND BUDGETARY HIGHLIGHTS

Each year, the City allocates a specific portion of unassigned fund balance to be used for one-time operational costs in the preceding year. For fiscal year 2022, a total of \$5.5 million was appropriated from unassigned fund balance for one-time funding items. Under the City's budget savings program, the remaining budget savings of \$1.1 million was rolled from fiscal year 2021 to fiscal year 2022. City Council adopted a budget savings program whereby departments will retain 50 percent of their end of the fiscal year budget savings, 10 percent will be placed into an innovations pool, 15% will be placed in a computer replacement program and \$415,000 will be designated for drainage projects. In addition, the City reappropriated grants, donations, and other revenues.

Actual expenditures and transfers were \$14 million below the final budget. A significant amount of this variance (\$10.3 million) occurred in the general government function, specifically in non-departmental in the amount of \$4.5 million, retirement and employee benefits in the amount of \$2.2 million. Also contributing to this variance was unused budget savings under the City's budget savings program of \$1.0 million.

Revenues exceeded budget by \$11.0 million. This is primarily due to general property taxes exceeding budget by \$4.6 million due to increases in personal property assessments and an increase in housing values. Also contributing to this variance is meal tax, lodging and transit tax and sales and use tax revenues tracking above budget by \$4.3 million, \$2.0 million and \$2.4 million. This increase was offset by special assessments, communication tax, and tobacco tax tracking under budget by \$3.6 million, \$0.573 million and \$0.511 million respectively.

CAPITAL ASSETS

The total increase over fiscal year 2021 in the City's investment in capital assets for the current fiscal year is \$16.7 million. At the end of fiscal year 2022, the City had invested approximately \$1 billion in a variety of capital assets and infrastructure, as reflected in the following schedule:

Table III Capital Assets (In Thousands)

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Non-depreciable assets:						
Land and land improvements	\$ 520,624	\$ 520,287	\$ 11,066	\$ 11,066	\$ 531,690	\$ 531,353
Easements	2,226	2,226	29	29	2,255	2,255
Construction in progress	57,038	26,374	2,533	1,789	59,571	28,162
Capital assets being depreciated:						
Buildings and improvements	196,729	196,613	142,718	141,790	339,447	338,402
Improvements other than buildings	70,076	69,497	35,827	35,753	105,903	105,251
Equipment and vehicles	92,500	91,957	35,664	34,516	128,164	126,473
Exhibits	-	-	14,922	14,922	14,922	14,922
Landfill	-	-	3,866	3,866	3,866	3,866
Infrastructure	245,220	240,458	78,565	77,136	323,785	317,594
Computer software	2,267	2,267	402	402	2,669	2,669
Other assets	4,446	4,446	-	-	4,446	4,446
Accumulated depreciation	(327,230)	(305,220)	(193,795)	(187,334)	(521,025)	(492,554)
Lease assets being amortized						
Building	4,997	-	-	-	4,997	-
Machinery & Equipment	570	-	38	-	608	-
Accumulated depreciation	(1,088)	-	(7)	-	(1,095)	-
Total	\$ 868,375	\$ 848,904	\$ 131,828	\$ 133,934	\$ 1,000,203	\$ 982,839
	School Board		Economic Development Authority		Coliseum Central Business Improvement District, Inc.	
	2022	2021	2022	2021	2022	2021
Component Units						
Non-depreciable assets:						
Land and land improvements	\$ 5,111	\$ 5,111	\$ 20,127	\$ 22,138	\$ -	\$ -
Capital assets being depreciated:						
Buildings and improvements	48,963	48,963	8,673	8,673	-	-
Improvements other than buildings	310	310	1,167	1,167	-	-
Infrastructure	-	-	2,249	2,249	-	-
Computer software	1,132	1,132	-	-	5	5
Equipment and vehicles	34,755	32,537	623	623	201	165
Accumulated depreciation	(76,362)	(75,746)	(3,914)	(3,346)	(156)	(151)
Lease assets being amortized						
Machinery & Equipment	1,443	-	-	-	-	-
Accumulated depreciation	(443)	-	-	-	-	-
Total	\$ 14,909	\$ 12,307	\$ 28,925	\$ 31,504	\$ 50	\$ 20

Component Units	Downtown Hampton		Total Component Units	
	2022	2021	2022	2021
Non-depreciable assets:				
Land and land improvements	\$ -	\$ -	\$ 25,238	\$ 27,249
Other capital assets:				
Buildings and improvements	-	-	57,636	57,636
Improvements other than buildings	-	-	1,477	1,477
Infrastructure	489	489	2,738	2,738
Computer software	13	13	1,150	1,150
Equipment and vehicles	156	144	35,735	33,469
Accumulated depreciation	(420)	(408)	(80,852)	(79,651)
Lease assets being amortized				
Building	-	-	-	-
Machinery & Equipment	-	-	1,443	-
Accumulated depreciation	-	-	(443)	-
Total	\$ 238	\$ 238	\$ 44,122	\$ 44,070

The capital plan set forth \$69.4 million to be spent during fiscal year 2022 in various projects including \$23.2 million in Hampton City Schools maintenance and technology; \$7.1 million for street and infrastructure improvements; \$6.5 million for a firing range; \$3.8 million for infrastructure rehab program; \$3 million for Parks, Recreation and Leisure Services maintenance projects; \$3 million for Maintenance of Public Properties; and \$2.1 million for jail maintenance. Additional information about the City's capital assets can be found in Note 9 to the financial statements.

LONG-TERM DEBT

At the end of fiscal year 2022, the City had \$341.2 million in outstanding general obligation bonds and \$64.5 million in outstanding revenue bonds. More detailed information about the City's long-term liabilities is presented in Note 10 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, 2022, the City's aggregate general obligation indebtedness is \$851 million below this limit.

Table IV

Change in General Obligation and Revenue Bonds (In Thousands)

June 30, 2022 and 2021

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
General Obligation bonds	\$ 340,600	\$ 266,059	\$ 570	\$ 1,071	\$ 341,170	\$ 267,130
Direct placement general obligation bonds	-	1,977	-	-	-	1,977
Direct placement revenue bonds	-	-	64,490	68,600	64,490	68,600
Unamortized premium	29,516	26,294	-	393	29,516	26,687
Total primary government	\$ 370,116	\$ 294,330	\$ 65,060	\$ 70,064	\$ 435,176	\$ 364,394

Component Unit - Economic Development Authority

Revenue bonds	\$ -	\$ 191
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NEXT YEAR'S BUDGET

The City's staff and City Council considered many factors when developing the fiscal year 2023 budget. The fiscal year 2023 approved budget for the General Fund is \$585.2 million, a 10.4% increase over fiscal year 2022. The top priority for the fiscal year 2023 budget will be increasing employee compensation and reduction of property tax rates.

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.

CITY OF HAMPTON, VIRGINIA Statement of Net Position June 30, 2022

	Governmental Activities	Primary Government Business-type Activities	Total Primary Government	Component Units
ASSETS				
Cash and cash equivalents	\$ 266,510,414	\$ 40,669,598	\$ 307,180,012	\$ 24,592,804
Cash with fiscal agent	3,233,372	-	3,233,372	9,400,131
Investments	173,144,416	-	173,144,416	568,204
Prepaid items	409,007	38,104	447,111	37,098
Accounts receivable	15,008,072	7,796,075	22,804,147	625,459
Lease receivable	261,119	-	261,119	8,349,751
Lease receivable from Primary Government	-	-	-	686,989
Due from component units	299,094	24,448	323,542	-
Due from Primary Government	-	-	-	69,277
Internal balances	(12,371,330)	12,371,330	-	-
Due from other governments	16,167,987	-	16,167,987	17,716,289
Inventories	565,977	514,926	1,080,903	634,353
Temporarily restricted assets:				
Cash and cash equivalents	-	4,607,328	4,607,328	764,898
Cash with fiscal agent	-	110,424	110,424	-
Investments	-	12,757,577	12,757,577	-
Notes receivable	-	4,350	4,350	-
Land held for sale	-	-	-	14,718,452
Capital assets not being depreciated	579,887,539	13,628,172	593,515,711	25,237,747
Capital assets, net of amortization/accumulated depreciation	288,487,377	118,200,909	406,688,286	18,883,753
Total assets	1,331,603,044	210,723,241	1,542,326,285	122,285,205
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	4,058,222	2,773,725	6,831,947	-
Related to pensions	38,382,197	3,813,173	42,195,370	43,024,394
Related to other postemployment benefits	22,917,563	2,112,254	25,029,817	4,835,162
Total deferred outflows of resources	65,357,982	8,699,152	74,057,134	47,859,556
LIABILITIES				
Accounts payable and other liabilities	42,936,302	1,886,995	44,823,297	29,526,075
Due to component units	69,005	272	69,277	-
Due to Primary Government	-	-	-	323,542
Unearned revenues	49,759,115	2,044,012	51,803,127	2,803,742
Current liabilities payable from restricted assets	-	781,317	781,317	-
Noncurrent liabilities:				
Notes and other long-term payables:				
Due within one year	13,418,899	989,042	14,407,941	3,009,940
Due in more than one year	188,590,896	12,902,904	201,493,800	138,561,812
Leases payable:				
Due within one year	905,464	12,853	918,317	418,064
Due in more than one year	2,924,020	18,788	2,942,808	656,855
Leases payable to component unit:				
Due within one year	81,268	-	81,268	-
Due in more than one year	605,721	-	605,721	-
Bonds Payable:				
Due within one year	23,701,449	4,368,050	28,069,499	-
Due in more than one year	346,413,959	60,692,114	407,106,073	-
Total liabilities	669,406,098	83,696,347	753,102,445	175,300,030
DEFERRED INFLOWS OF RESOURCES				
Deferred charge on refunding	6,093,018	1,133,318	7,226,336	-
Property taxes collected in advance	2,249,088	-	2,249,088	-
Related to leases	276,700	-	276,700	8,249,242
Related to leases from Primary Government	-	-	-	691,852
Related to pensions	63,403,258	6,302,104	69,705,362	80,843,345
Related to other postemployment benefits	32,269,824	4,675,648	36,945,472	5,525,103
Total deferred inflows of resources	104,291,888	12,111,070	116,402,958	95,309,542
NET POSITION				
Net investment in capital assets	634,996,210	73,887,966	708,884,176	42,373,078
Restricted for:				
Capital projects	8,991,842	-	8,991,842	-
Debt service	75,521	-	75,521	-
Public safety projects	1,280,871	-	1,280,871	-
Stormwater management	9,832,708	-	9,832,708	-
Human services	991,686	-	991,686	-
Bond indenture	-	8,121,106	8,121,106	764,898
Culture and recreation	77,040	-	77,040	-
Physical environment	1,012,230	-	1,012,230	-
Education	6	-	6	-
Community development	937,323	-	937,323	-
Operations and maintenance	122,676	-	122,676	-
Other purposes	6,762,803	-	6,762,803	-
Unrestricted (deficit)	(41,817,876)	41,605,904	(211,972)	(143,602,787)
Total net position (deficit)	\$ 623,263,040	\$ 123,614,976	\$ 746,878,016	\$ (100,464,811)

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

CITY OF HAMPTON, VIRGINIA Statement of Activities For the Year Ended June 30, 2022

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenue and Change in Net Position			Discretely Presented Component Units
		Charges for Services	and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary Government								
Governmental activities:								
General government	\$ 103,152,518	\$ 24,657,528	\$ 35,024,450	\$ 889,736	\$ (42,580,804)	\$ -	\$ (42,580,804)	
Public safety	89,394,528	6,894,398	10,990,199	-	(71,509,931)	-	(71,509,931)	
Highways and streets	15,343,444	-	17,556,412	3,997,241	6,210,209	-	6,210,209	
Health	8,550,455	-	-	-	(8,550,455)	-	(8,550,455)	
Human services	31,279,696	722,937	21,848,012	-	(8,708,747)	-	(8,708,747)	
Culture and recreation	18,087,245	2,176,464	82,601	-	(15,828,180)	-	(15,828,180)	
Education (payment to school district)	80,165,119	-	-	-	(80,165,119)	-	(80,165,119)	
Education and educational services	15,205,505	12,485	215,093	-	(14,977,927)	-	(14,977,927)	
Interest on long-term debt	7,267,329	-	232,658	-	(7,034,671)	-	(7,034,671)	
Total Governmental Activities	368,445,839	34,463,812	85,949,425	4,886,977	(243,145,625)	-	(243,145,625)	
Business-type activities								
Coliseum	11,983,467	10,637,675	5,966,833	-	-	4,621,045	4,621,045	
Convention Center	7,239,254	1,771,949	-	-	-	(5,467,305)	(5,467,305)	
The Hamptons	864,188	532,192	-	-	-	(331,996)	(331,996)	
Woodlands	717,804	629,134	-	-	-	(88,670)	(88,670)	
Museum	4,681,491	1,759,261	1,612,964	-	-	(1,309,266)	(1,309,266)	
Solid Waste	16,055,182	15,706,343	-	-	-	(348,839)	(348,839)	
Refuse-Steam Plant	6,013,417	6,731,666	-	-	-	718,249	718,249	
Wastewater								
Management	9,170,839	11,131,311	-	-	-	1,960,472	1,960,472	
Total Business-type activities	56,725,642	48,899,531	7,579,797	-	-	(246,310)	(246,310)	
Total Primary Government	425,171,481	83,363,343	93,529,222	4,886,977	(243,145,625)	(246,310)	(243,391,935)	
Component units								
Public school system	\$ 265,109,901	\$ 6,108,688	\$ 203,296,340	\$ -				\$ (55,704,873)
Economic development authority	10,523,744	1,413,777	1,334,799	-				(7,775,168)
Business improvement	1,267,958	722,022	-	-				(545,936)
Downtown development	799,410	292,830	251,826	-				(254,754)
Total component units	\$ 277,701,013	\$ 8,537,317	\$ 204,882,965	\$ -	\$ -	\$ -	\$ -	\$ (64,280,731)
General revenues:								
Taxes:								
Property taxes					193,938,301	-	193,938,301	-
Sales taxes					20,875,990	-	20,875,990	-
Lodging, meal and amusement taxes					33,353,507	-	33,353,507	-
Motor vehicle taxes					4,440,827	-	4,440,827	-
Business license taxes					15,296,618	-	15,296,618	-
Utility taxes					5,512,601	-	5,512,601	-
Tobacco taxes					3,838,119	-	3,838,119	-
Recordation taxes					3,239,842	-	3,239,842	-
Bank stock taxes					614,608	-	614,608	-
Skill Games Tax					55,440	-	55,440	-
License Tax-Par-Mutuel					2,833,670	-	2,833,670	-
Short-term rental taxes					127,717	-	127,717	-
Communication sales tax					6,526,512	-	6,526,512	-
Mobile home titling tax					28,377	-	28,377	-
Payments from (to) City					-	-	-	83,935,593
Investment earnings					212,994	(883,526)	(670,532)	84,870
Miscellaneous					1,003,407	-	1,003,407	2,903
Transfers:								
Transfers					(9,997,219)	9,997,219	-	-
Total general revenues and transfers					281,901,311	9,113,693	291,015,004	84,023,366
Change in net position (deficit)					38,755,686	8,867,383	47,623,069	19,742,635
Net position(deficit), beginning of year (as restated)					584,507,354	114,747,593	699,254,947	(120,207,446)
Net position(deficit), ending					\$ 623,263,040	\$ 123,614,976	\$ 746,878,016	\$ (100,464,811)

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

Exhibit A-3

CITY OF HAMPTON, VIRGINIA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2022

	Special Revenue						
	General Fund	Federal Grants	Economic Development	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
Assets:							
Cash and cash equivalents	\$ 132,296,104	\$ 8,680,552	\$ 7,298,925	\$ 534,454	\$ 66,857,678	\$ 10,031,835	\$ 225,699,548
Investments	22,344,923	-	-	-	150,799,493	-	173,144,416
Accounts receivables:							
Taxes (net of allowance of uncollectible)	11,188,329	-	-	-	-	-	11,188,329
Due from other governments	10,583,900	4,510,515	-	-	778,044	295,529	16,167,988
Other	3,048,692	77,759	36,515	-	10,932	582,645	3,756,543
Leases receivable	82,682	-	178,437	-	-	-	261,119
Due from other funds	8,791,100	40,456	47,129	-	3,955,000	40,439	12,874,124
Inventories	36,574	-	-	-	-	-	36,574
Prepaid items	212,846	-	-	-	-	405	213,251
Total assets	\$ 188,585,150	\$ 13,309,282	\$ 7,561,006	\$ 534,454	\$ 222,401,147	\$ 10,950,853	\$ 443,341,892
Liabilities:							
Accounts payable	\$ 7,512,464	\$ 1,113,009	\$ -	\$ 6,150	\$ 7,627,579	\$ 302,125	\$ 16,561,327
Accrued health insurance	13,099,341	-	-	-	-	-	13,099,341
Accrued liabilities	7,425,873	132,729	-	-	-	115,997	7,674,599
Due to other funds	10,149,906	50,227	-	-	-	136,853	10,336,986
Due to component units	68,187	752	-	-	-	66	69,005
Unearned revenues	146,372	5,053,176	6,185	-	44,553,384	-	49,759,117
Total liabilities	38,402,143	6,349,893	6,185	6,150	52,180,963	555,041	97,500,375
Deferred inflows of resources:							
Unavailable revenue-property taxes	7,940,040	-	-	-	-	-	7,940,040
Property taxes collected in advance	2,249,088	-	-	-	-	-	2,249,088
Unavailable revenue-leases	87,983	-	188,717	-	-	-	276,700
Unavailable revenue-program income	-	-	-	-	-	122,013	122,013
Unavailable revenue-stormwater fees	-	-	-	-	-	559,773	559,773
Total deferred inflows of resources	10,277,111	-	188,717	-	-	681,786	11,147,614
Fund balances:							
Nonspendable	249,420	-	-	-	-	405	249,825
Restricted	1,523,881	3,809,446	844,161	75,521	682,208	9,713,621	16,648,838
Committed	27,039,869	-	1,800,053	-	165,555,526	-	194,395,448
Assigned	19,442,545	3,149,943	4,721,890	452,783	3,982,450	-	31,749,611
Unassigned	91,650,181	-	-	-	-	-	91,650,181
Total fund balances	139,905,896	6,959,389	7,366,104	528,304	170,220,184	9,714,026	334,693,903
Total liabilities, deferred inflows of resources and fund balances	\$ 188,585,150	\$ 13,309,282	\$ 7,561,006	\$ 534,454	\$ 222,401,147	\$ 10,950,853	\$ 443,341,892

Exhibit A-3

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

Total fund balances of governmental funds	\$ 334,693,903
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	849,344,333
Right to use leased assets used in governmental activities are not financial resources and therefore are not reported in the funds.	4,479,721
Other assets are not available to pay current-period expenditures and, therefore, are deferred in the funds.	8,621,824
Deferred charges on refunding are reported as deferred outflows of resources in the government-wide financial statements, but are not reported in the governmental funds' statements.	4,058,222
Deferred outflows of resources related to pensions are reported in the government-wide financial statements, but are not reported in the governmental funds' statements	38,382,197
Deferred outflows of resources related to other postemployment benefits are reported in the government-wide financial statements, but are not reported in the governmental funds' statements	22,917,563
Deferred charges on refunding are reported as deferred inflows of resources in the government-wide financial statements, but are not reported in the governmental funds' statements	(6,093,018)
Deferred inflows of resources related to pensions are reported in the government-wide financial statements, but are not reported in the governmental funds' statements	(63,403,258)
Deferred inflows of resources related to other postemployment benefits are reported in the government-wide financial statements, but are not reported in the governmental funds' statements	(32,269,824)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets, liabilities and deferred flows of resources of the internal service funds are included in governmental activities in the Statement of Net Position. Net position on Combining Statement of Net Position-Internal Service Funds (Exhibit E-1)	46,851,629
Internal service funds deferred outflows of resources related to pensions are reported in the government-wide financial statements, but are not reported in the governmental funds' statements	(668,875)
Internal service funds deferred outflows of resources related to other postemployment benefits are reported in the government-wide financial statements, but are not reported in the governmental funds' statements	(462,109)
Internal service funds deferred inflows of resources related to pensions are reported in the government-wide financial statements, but are not reported in the governmental funds' statements	1,224,229
Internal service funds deferred inflows of resources related to other postemployment benefits are reported in the government-wide financial statements, but are not reported in the governmental funds' statements	1,060,546
Accrued interest not paid from current-period revenues are not reported in the funds	(4,461,545)
Interfund balances related to amounts eliminated in the Statement of Net Position	(20,618,773)
Internal service funds long-term right-to use lease payable, are not due and payable in the current period and, therefore, not reported in the funds.	(4,800)
Long-term right-to use lease payable, are not due and payable in the current period and, therefore, not reported in the funds.	(4,511,672)
Long-term lease and bonds payable, are not due and payable in the current period and, therefore, not reported in the funds.	(555,877,253)
Net position of governmental activities	\$ <u>623,263,040</u>

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

Exhibit A-4

CITY OF HAMPTON, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2022

		Special Revenue					
	General Fund	Federal Grants	Economic Development	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES							
General property taxes	\$ 190,034,473	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 190,034,473
Other local taxes	96,715,452	-	-	-	-	-	96,715,452
Special assessments	1,946,690	-	-	-	-	-	1,946,690
Intergovernmental revenues:							
From the Commonwealth of Virginia	56,372,164	9,418,136	47,130	-	1,203,788	-	67,041,218
From the Federal government	10,943,125	6,625,413	-	232,658	3,365,156	911,693	22,078,045
Permits, privilege fees and regulatory licenses	1,624,819	-	-	-	-	-	1,624,819
Fines and forfeitures	943,487	-	-	-	-	-	943,487
Revenues from use of money and property	809,237	868	1,090,683	235	499,004	395,103	2,795,130
Charges for services	10,987,604	-	-	-	-	12,161,496	23,149,100
Payment from component units	2,010,000	-	-	-	-	-	2,010,000
Miscellaneous	3,507,670	452,612	-	-	1,132	512,164	4,473,578
Recovered costs	957,640	-	-	-	-	-	957,640
Total revenues	376,852,361	16,497,029	1,137,813	232,893	5,069,080	13,980,456	413,769,632
EXPENDITURES							
Current:							
General government	112,293,965	3,976,053	430,837	-	-	1,809,819	118,510,674
Public safety	62,063,350	4,826,022	-	-	-	-	66,889,372
Highways and streets	2,435,752	-	-	-	-	-	2,435,752
Sanitation	-	-	-	-	-	6,824,563	6,824,563
Health	4,641,828	-	-	-	-	-	4,641,828
Human services	21,655,632	9,731,384	-	-	-	-	31,387,016
Culture and recreation	12,795,758	82,516	-	-	-	-	12,878,274
Education (payment to school district)	80,165,119	-	-	-	-	-	80,165,119
Education and education services	3,631,337	-	-	-	-	-	3,631,337
Capital improvements	-	-	-	-	68,187,311	-	68,187,311
Debt Service:							
Principal retirement	1,034,958	9,165	-	21,646,377	-	712,133	23,402,633
Payment to refunded bond escrow agent	-	-	-	350,000	24,922,271	-	25,272,271
Interest and fiscal charges	35,713	43	-	9,404,947	-	762,318	10,203,021
Bond issuance costs	-	-	-	98,073	512,728	-	610,801
Total expenditures	300,753,412	18,625,183	430,837	31,499,397	93,622,310	10,108,833	455,039,972
Excess (deficiency) of revenues over (under) expenditures	76,098,949	(2,128,154)	706,976	(31,266,504)	(88,553,230)	3,871,623	(41,270,340)
OTHER FINANCING SOURCES (USES)							
Bonds Issued	-	-	-	-	115,615,000	-	115,615,000
Issuance of refunding bonds	-	-	-	25,875,000	-	-	25,875,000
Payment to refunded bond escrow agent	-	-	-	(25,780,331)	-	-	(25,780,331)
Premium on bonds issued	-	-	-	3,404	16,372,401	-	16,375,805
Lease financing	5,531,009	18,335	-	-	-	8,582	5,557,926
Transfers in	233,940	6,100,015	47,129	31,163,808	23,747,588	40,439	61,332,919
Transfers out	(69,827,120)	(4,648)	-	-	(4,282,994)	(2,925,675)	(77,040,437)
Other financing sources (uses), net	(64,062,171)	6,113,702	47,129	31,261,881	151,451,995	(2,876,654)	121,935,882
Net change in fund balances	12,036,778	3,985,548	754,105	(4,623)	62,898,765	994,969	80,665,542
Fund balances, beginning of year	127,869,118	2,973,841	6,611,999	532,927	107,321,419	8,719,057	254,028,361
Fund balances, end of year	\$ 139,905,896	\$ 6,959,389	\$ 7,366,104	\$ 528,304	\$ 170,220,184	\$ 9,714,026	\$ 334,693,903

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

Net change in fund balance - total governmental funds \$ 80,665,542

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Loss on disposal of assets is not reported in the governmental funds, but is reflected in the Statement of Activities.

Capital acquisitions	37,160,403
Depreciation expense	(21,300,859)
Loss on disposal of assets	(32,647)

Governmental funds report the right to use leased asset capital outlay as expenditures while the governmental activities report amortization expense to allocate those expenditures over the lease terms. Remeasurement of right to use assets is not reported in the governmental funds, but is reflected in the Statement of Activities.

Capital outlay- Right to use assets	5,557,926
Amortization expense	(1,083,006)

Donated assets are not reported in the governmental funds, but are reflected in the Statement of Activities. 316,900

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 2,894,953

Proceeds from bond issuance and leases provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

Decrease in compensated absences	91,293
Proceeds from debt issuance	(141,490,000)
Payment to refunded bond escrow agent	51,052,602
Repayment of debt principal	22,356,377
Premium on bonds	(16,375,805)
Principal paid on leases	1,046,254
Proceeds from lease issued	(5,557,926)

Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue of the internal service funds is reported with governmental activities. 7,222,138

Expenses incurred during the period related to liabilities that are still outstanding and not yet due at year-end for:

Accrued interest expense for long-term debt	(852,405)
Accrued interest expense for right to use leased liabilities	(33,667)
Amortization of premiums	3,108,498

Change in net pension liability, which is recognized as an expense in the Statement of Activities as compared to the pension contributions reported in the governmental funds 9,436,979

Change in net other postemployment benefits liability, which is recognized as an expense in the Statement of Activities as compared to the other postemployment benefit contributions reported in the governmental funds 4,572,136

Change in net position of governmental activities \$ 38,755,686

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

CITY OF HAMPTON, VIRGINIA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL BUDGET BASIS

GENERAL FUND

For the Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		Over (Under)
REVENUES				
Intergovernmental:				
From the Commonwealth of Virginia	\$ 42,056,256	\$ 57,510,185	\$ 56,372,164	\$ (1,138,021)
From the Federal government	10,645,244	10,645,244	10,943,125	297,881
Local taxes	286,659,278	271,205,349	286,749,924	15,544,575
Special assessments	5,600,686	5,600,686	1,946,690	(3,653,996)
Licenses and permits	1,461,250	1,461,250	1,624,819	163,569
Fines and forfeitures	837,415	837,415	943,487	106,072
Revenues from use of money and property	714,683	714,683	809,139	94,456
Charges for services	8,960,225	8,960,225	10,987,604	2,027,379
Recovered costs	957,640	957,640	957,640	-
Payment from component units	3,664,603	3,664,603	2,010,000	(1,654,603)
Miscellaneous	4,400,327	4,284,327	3,507,670	(776,657)
Total revenues	365,957,607	365,841,607	376,852,262	11,010,655
EXPENDITURES				
Current:				
General government	129,638,089	121,777,527	111,496,694	(10,280,833)
Public safety	56,140,784	61,116,696	60,261,061	(855,635)
Highways and streets	2,738,109	2,604,740	2,426,455	(178,285)
Health	5,115,544	5,113,844	4,641,828	(472,016)
Human services	23,224,192	23,255,294	21,500,228	(1,755,066)
Culture and recreation	12,196,042	11,988,189	11,909,146	(79,043)
Education	82,364,164	82,048,484	81,916,320	(132,164)
Debt Service	-	978,616	1,070,671	92,055
Total expenditures	311,416,924	308,883,390	295,222,403	(13,660,987)
Excess of revenues over expenditures	54,540,683	56,958,217	81,629,859	24,671,642
OTHER FINANCING SOURCES (USES)				
Transfers in	(241,296)	229,292	233,940	4,648
Transfers out	(62,513,082)	(70,369,636)	(69,827,120)	542,516
Total other financing uses, net	(62,754,378)	(70,140,344)	(69,593,180)	547,164
Net change in fund balances	(8,213,695)	(13,182,127)	12,036,679	\$ 25,218,806
Appropriations from fund balance	8,213,695	13,527,656		
Appropriations - encumbrances	-	(345,529)		
Fund balance - July 1	-	-	127,827,200	
Fund balance - June 30	\$ -	\$ -	\$ 139,863,879	

This schedule excludes special revenue fund Pearl Young, which is included in the General Fund basic statements per GAAP.

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

CITY OF HAMPTON, VIRGINIA STATEMENT OF NET POSITION PROPRIETARY FUNDS June 30, 2022

	Business-type Activities - Enterprise Funds					Governmental Activities
	Wastewater Management	Museum	Convention Center	Non-Major Enterprise Funds	Totals	Internal Service Funds
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 12,161,791	\$ 2,189,479	\$ -	\$ 26,318,328	\$ 40,669,598	\$ 40,810,866
Cash with fiscal agent	-	-	-	-	-	3,233,372
Restricted assets to be used to liquidate current liabilities:						
Revenue bond indenture:						
Cash and cash equivalents	-	-	4,607,328	-	4,607,328	-
Cash with fiscal agent	-	-	-	-	-	-
Accounts receivable, net	2,332,647	346,443	343,726	4,773,259	7,796,075	63,200
Notes receivable	4,350	-	-	-	4,350	-
Due from other funds	-	-	-	73,752	73,752	5,710,300
Due from component units	-	-	-	24,448	24,448	299,094
Due from other governments	-	-	-	-	-	-
Inventories	261,323	150,812	-	102,791	514,926	529,403
Prepaid items	-	27,467	7,774	2,863	38,104	195,756
Restricted assets:						
Revenue bond indenture:						
Cash and cash equivalents	-	-	110,424	-	110,424	-
Investments	-	-	12,757,577	-	12,757,577	-
Total current assets	14,760,111	2,714,201	17,826,829	31,295,441	66,596,582	50,841,991
Noncurrent Assets:						
Capital Assets:						
Land	145,615	1,921,420	5,332,402	3,666,903	11,066,340	-
Easements	28,943	-	-	-	28,943	-
Buildings and improvements	2,683,118	33,211,773	90,787,867	16,035,701	142,718,459	-
Improvements other than buildings	290,651	6,800	4,396,862	31,132,936	35,827,249	477,601
Computer software	153,386	-	-	248,343	401,729	215,775
Equipment	5,844,544	5,089,610	1,054,564	23,675,393	35,664,111	44,672,193
Leased equipment	4,021	-	-	34,048	38,069	9,838
Construction in progress	2,168,023	283,400	-	81,465	2,532,888	1,381,977
Exhibits	-	14,922,078	-	-	14,922,078	-
Landfill	-	-	-	3,865,986	3,865,986	-
Infrastructure	78,565,348	-	-	-	78,565,348	-
Less accumulated depreciation/amortization	(42,418,804)	(48,811,765)	(43,097,260)	(59,474,290)	(193,802,119)	(32,201,722)
Total noncurrent assets (net capital assets)	47,464,845	6,623,316	58,474,435	19,266,485	131,829,081	14,555,662
Total assets	62,224,956	9,337,517	76,301,264	50,561,926	198,425,663	65,397,653
DEFERRED OUTFLOWS OF RESOURCES						
Deferred charge on refunding	-	-	2,773,725	-	2,773,725	-
Related to pensions	1,155,903	-	-	2,657,270	3,813,173	668,875
Related to other postemployment benefits	547,247	-	-	1,565,007	2,112,254	462,109
Total deferred outflows of resources	1,703,150	-	2,773,725	4,222,277	8,699,152	1,130,984

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

FUND FINANCIAL STATEMENTS

	Business-type Activities - Enterprise Funds					Governmental Activities
	Wastewater Management	Museum	Convention Center	Non-Major Enterprise Funds	Totals	Internal Service Funds
LIABILITIES						
Current liabilities:						
Accounts payable	\$ 238,820	\$ 168,108	\$ 26,997	\$ 796,623	\$ 1,230,548	\$ 1,080,217
Accrued liabilities	-	-	140,246	-	140,246	-
Accrued leave	137,080	50,840	-	204,247	392,167	55,816
Due to other funds	-	749,000	18,288	7,553,902	8,321,190	-
Due to component units	40	-	-	232	272	-
Unearned revenues	-	425,185	-	1,618,827	2,044,012	-
Current portion of lease liabilities	1,611	-	-	11,242	12,853	3,249
Current portion of long-term debt	-	-	4,235,001	133,049	4,368,050	457,000
Current portion for claims and judgements	-	-	-	-	-	7,974,611
Current liabilities payable from restricted assets:						-
Accounts payable	-	-	353,130	-	353,130	-
Accrued interest payable	-	-	428,187	-	428,187	-
Notes payable	-	48,463	-	548,412	596,875	-
Other liabilities	96,405	21,441	55,259	343,100	516,205	59,265
Total current liabilities	473,956	1,463,037	5,257,108	11,209,634	18,403,735	9,630,158
Noncurrent liabilities:						
Claims payable	-	-	-	-	-	1,937,176
Accrued leave	55,341	-	-	300,629	355,970	40,013
Bonds payable	-	-	60,255,000	437,115	60,692,115	-
Lease liability	-	-	-	18,788	18,788	1,552
Notes payable	-	198,152	-	-	198,152	3,294,000
Net pension liability	2,641,817	-	-	6,162,310	8,804,127	1,617,290
Net other postemployment benefits liability	1,170,196	-	-	2,374,459	3,544,655	872,044
Total noncurrent liabilities	3,867,354	198,152	60,255,000	9,293,301	73,613,807	7,762,075
Total liabilities	4,341,310	1,661,189	65,512,108	20,502,935	92,017,542	17,392,233
DEFERRED INFLOWS OF RESOURCES						
Deferred charge on refunding	-	-	1,133,318	-	1,133,318	-
Related to pensions	1,866,398	-	-	4,435,706	6,302,104	1,224,229
Related to other postemployment benefits	1,242,688	-	-	3,432,960	4,675,648	1,060,546
Total deferred inflows of resources	3,109,086	-	1,133,318	7,868,666	12,111,070	2,284,775
NET POSITION						
Net investment in capital assets	47,463,234	6,623,316	1,683,537	18,117,879	73,887,966	10,799,861
Restricted						
Bond indenture	-	-	8,121,106	-	8,121,106	-
Unrestricted (deficit)	9,014,476	1,053,012	2,624,921	8,294,723	20,987,132	36,051,768
Total net position (deficit)	\$ 56,477,710	\$ 7,676,328	\$ 12,429,564	\$ 26,412,602	\$ 102,996,204	\$ 46,851,629

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

Net position of enterprise funds	\$ 102,996,204
Amounts reported for business-type activities in the Statement of Net Position are different because:	
Net revenue of internal service funds IS allocated to funds receiving services	458,626
Interfund reimbursement for allocated overhead costs	20,160,144
Net position business-type activities	\$ 123,614,974

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

CITY OF HAMPTON, VIRGINIA
STATEMENT OF REVENUES, EXPENSES IN CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2022

	Business-type Activities-Enterprise Funds	
	Wastewater Management	Museum
Operating revenues:		
Charges for services	\$ 11,119,522	\$ 1,759,261
Federal revenues	-	430,969
Other	97	1,181,995
Total operating revenues	11,119,619	3,372,225
Operating expenses:		
Personal services	2,348,090	1,276,538
Fringe benefits	1,200,285	158,292
Promoters fees	-	-
Cost of goods sold	272,094	174,232
Utilities	463,693	236,397
Insurance	44,010	71,062
Operating supplies	878,590	106,762
Equipmental rental	495	7,537
Equipment and building repairs	442,533	308,310
Telephone and postage	46,604	23,367
General expense	162,984	306,246
Claims	-	-
Landfill costs	-	-
Contractual services	1,652,330	507,245
Indirect cost	456,000	-
Depreciation and amortization	1,659,119	1,505,503
Total operating expenses	9,626,827	4,681,491
Operating income (loss)	1,492,792	(1,309,266)
Nonoperating revenues (expenses):		
Interest income	-	2,064
Interest and fiscal charges	(12)	-
Gain on disposal of capital assets	11,692	-
Net decrease in fair value of investments	-	-
Total nonoperating revenues (expenses), net	11,680	2,064
Income (loss) before transfers	1,504,472	(1,307,202)
Transfers in(out)	(113,292)	193,956
Change in net position (deficit)	1,391,180	(1,113,246)
Net position, (deficit) beginning of year	55,086,530	8,789,574
Net position, (deficit) end of year	\$ 56,477,710	\$ 7,676,328

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

FUND FINANCIAL STATEMENTS

Exhibit A-7

Business-type Activities - Enterprise Funds			Governmental Activities
Convention Center	Non-Major Enterprise Funds	Totals	Internal Service Funds
\$ 1,771,949	\$ 31,475,293	\$ 46,126,025	\$ 22,304,513
-	8,679,061	9,110,030	-
-	412	1,182,504	-
1,771,949	40,154,766	56,418,559	22,304,513
902,836	6,544,912	11,072,376	1,485,351
204,086	2,909,046	4,471,709	575,932
-	6,019,629	6,019,629	-
-	386,582	832,908	4,258,817
694,054	999,874	2,394,018	42,289
121,530	668,575	905,177	3,438,126
287,749	1,232,649	2,505,750	151,442
-	245,382	253,414	36,524
300,264	1,879,043	2,930,150	118,972
40,023	149,875	259,869	1,196,985
43,807	1,017,578	1,530,615	112,034
-	-	-	4,760,571
-	6,903,098	6,903,098	-
252,595	4,255,064	6,667,234	1,903,007
-	574,470	1,030,470	-
2,818,566	2,345,072	8,328,260	3,061,760
5,665,510	36,130,849	56,104,677	21,141,810
(3,893,561)	4,023,917	313,882	1,162,703
556,919	29,689	588,672	91,483
(1,573,744)	(74,703)	(1,648,459)	(20,402)
-	46,102	57,794	278,055
(1,472,198)	-	(1,472,198)	-
(2,489,023)	1,088	(2,474,191)	349,136
(6,382,584)	4,025,005	(2,160,309)	1,511,839
8,569,584	1,346,971	9,997,219	5,710,299
2,187,000	5,371,976	7,836,910	7,222,138
10,242,564	21,040,626	95,159,294	39,629,491
\$ 12,429,564	\$ 26,412,602	\$ 102,996,204	\$ 46,851,629

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

Change in net position	\$ 7,836,910
Interfund reimbursement of overhead costs	1,030,473
Change in net position - Business-type activities	\$ 8,867,383

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

CITY OF HAMPTON, VIRGINIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2022

	Business-type Activities-Enterprise Funds					Governmental Activities
	Wastewater Management	Museum	Convention Center	Non-Major Enterprise Funds	Totals	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash received from customers	\$ 10,564,488	\$ 3,307,647	\$ 1,813,007	\$ 41,454,614	\$ 57,205,085	\$ 22,095,045
Cash payments to suppliers for goods and services	(5,685,017)	(1,952,356)	(1,809,124)	(23,987,817)	(33,434,314)	(15,584,144)
Cash payments to employees for services	(2,111,327)	(1,413,502)	(876,100)	(9,480,596)	(13,881,525)	(2,107,864)
Net cash provided by (used in) operating activities	2,768,145	(58,211)	(872,217)	7,986,201	9,889,247	4,403,037
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Cash received from other funds	-	88,431	8,577,452	1,510,937	10,176,820	-
Cash paid to other funds	(113,292)	-	-	(163,963)	(277,255)	-
Net cash provided by (used in) noncapital financing activities	(113,292)	88,431	8,577,452	1,346,974	9,899,565	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Acquisition and construction of capital assets	(3,923,646)	(80,994)	-	(1,833,373)	(5,903,342)	(1,940,442)
Proceeds from issuance of long-term debt	-	-	-	-	-	2,859,552
Principal paid on revenue bond maturities and long-term debt	(2,410)	-	(4,503,229)	(1,038,898)	(5,544,537)	(193,038)
Interest paid on revenue bonds and long-term debt	(12)	-	(1,617,389)	(74,703)	(1,692,104)	(20,402)
Sale of capital assets	11,692	-	(94,609)	49,079	(33,838)	314,604
Net cash provided by (used in) capital and related financing activities	(3,914,376)	(80,994)	(6,215,227)	(2,897,895)	(13,173,821)	1,020,274
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchase of investment securities	-	-	(1,584,153)	-	(1,584,153)	-
Sale of investment securities	-	-	1,909,404	-	1,909,404	-
Interest and dividends on investments	-	2,064	556,919	29,689	588,672	60,878
Net cash provided by investing activities	-	2,064	882,170	29,689	913,923	60,878
Net increase in cash and cash equivalents (including restricted amounts)	(1,259,524)	(48,710)	2,372,178	6,464,969	7,528,914	5,482,637
Cash and cash equivalents (including restricted), July 1	13,421,314	2,238,189	2,345,574	19,853,359	37,858,436	38,561,601
Cash and cash equivalents, June 30	\$ 12,161,791	\$ 2,189,479	\$ 4,717,752	\$ 26,318,328	\$ 45,387,350	\$ 44,044,238

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

FUND FINANCIAL STATEMENTS

Exhibit A-8

	Business-type Activities-Enterprise Funds					Governmental Activities
	Wastewater Management	Museum	Convention Center	Non-Major Enterprise Funds	Totals	Internal Service Funds
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:						
Operating income (loss)	\$ 1,492,792	\$ (1,309,266)	\$ (3,893,561)	\$ 4,023,917	\$ 313,882	\$ 1,162,703
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation and amortization expense	1,659,119	1,505,503	2,818,566	2,345,072	8,328,260	3,061,760
Decrease (increase) in:						
Accounts receivable	(555,164)	(7,143)	41,058	(588,028)	(1,109,277)	6,283
Due from other funds	33	-	-	104,662	104,695	(4,341,807)
Due from component units	-	-	-	(8,527)	(8,527)	(264,848)
Due from other governments	-	-	-	2,731,784	2,731,784	(241,004)
Inventories	(34,738)	(59,470)	-	(34,337)	(128,545)	115,212
Unearned revenues	-	-	-	-	-	-
Prepaid items	-	(9,256)	14,785	-	5,529	607,310
Net pension asset	276,586	-	-	661,004	937,590	-
Increase (decrease) in:						
Accounts payable	(28,315)	(162,766)	51,866	(56,309)	(195,524)	(36,573)
Accrued leave	6,822	21,328	-	8	28,158	(28,289)
Due to other funds	(2,346)	-	18,288	(216,378)	(200,436)	12,639
Other liabilities	26,967	(45,036)	26,736	97,056	105,723	-
Nonoperating revenues reported as operating activity	-	-	-	-	-	4,360,299
Unearned revenues	-	7,895	-	(837,074)	(829,179)	-
Accrued liabilities	-	-	50,045	-	50,045	(936,825)
Current liabilities payable from restricted assets:	-	-	-	-	-	-
Current portion of long-term accrued claims	-	-	-	-	-	30,605
Accounts receivable reported as nonoperating activities	-	-	-	-	-	(22,647)
Long-term accrued leave	1,398	-	-	(26,093)	(24,695)	-
Accounts payable	-	-	-	-	-	-
Long-term accrued insurance claims	-	-	-	-	-	908,664
Net pension and other postemployment benefits liability	(1,155,375)	-	-	(3,236,145)	(4,391,520)	(975,658)
Deferred outflows & inflows related to pensions and OPEB	1,080,365	-	-	3,025,588	4,105,953	985,213
Total adjustments	1,275,353	1,251,055	3,021,344	3,962,283	9,510,035	3,240,334
Net cash provided by (used in) operating activities	\$ 2,768,145	\$ (58,211)	\$ (872,217)	\$ 7,986,201	\$ 9,823,918	\$ 4,403,037
Non-cash transactions affecting capital and related financing activities:						
Aquisition of capital assets through leases	\$ 4,021	\$ -	\$ -	\$ 34,048	\$ 38,069	\$ 9,838
Total non-cash transactions	\$ 4,021	\$ -	\$ -	\$ 34,048	\$ 38,069	\$ 9,838

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

CITY OF HAMPTON, VIRGINIA
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY FUND NET POSITION
June 30, 2022

	Pension Trust Fund	
	Hampton Employees' Retirement System	Custodial Funds
ASSETS		
Cash and cash equivalents	\$ 142,532	\$ 2,294,958
Investments:		
Bond mutual funds	44,438,858	-
Stock mutual funds	75,186,996	-
Accounts receivable	-	438,894
Other assets	-	781
Total Current Assets	<u>119,768,386</u>	<u>2,734,633</u>
Property, Plant, and Equipment:		
Equipment	7,963	-
Lease equipment	7,888	-
Less accumulated amortization/depreciation	<u>(7,938)</u>	<u>-</u>
Total noncurrent assets	7,913	-
Total assets	<u>119,776,299</u>	<u>2,734,633</u>
DEFERRED OUTFLOWS OF RESOURCES		
Related to pensions	63,040	-
Related to other postemployment benefits	17,291	-
Total deferred outflows of resources	<u>80,331</u>	<u>-</u>
LIABILITIES		
Accounts payable and other liabilities	155,914	444,169
Lease liabilities	5,036	-
Net pension liability	152,427	-
Net other postemployment benefit liability	1,514	-
Total liabilities	<u>314,891</u>	<u>444,169</u>
DEFERRED INFLOWS OF RESOURCES		
Related to pensions	115,381	-
Related to other postemployment benefits	41,778	-
Total deferred inflows of resources	<u>157,159</u>	<u>-</u>
NET POSITION		
Restricted for:		
Individuals, organizations, other governments	-	2,290,464
Net position restricted for benefits	<u>119,384,580</u>	<u>-</u>
Total net position	<u>\$ 119,384,580</u>	<u>\$ 2,290,464</u>

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

**CITY OF HAMPTON, VIRGINIA
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the Year Ended June 30, 2022**

	Pension Trust Fund Hampton Employees' Retirement System	Custodial Funds
ADDITIONS		
Contributions:		
Employer	\$ 6,549,743	\$ -
Members	-	1,214,141
Individuals	-	314,584
Total contributions	<u>6,549,743</u>	<u>1,528,725</u>
Investment income:		
Net decrease in fair value of investments	(19,747,568)	-
Interest, dividends, other	2,300,369	5,036
Total investment losses	(17,447,199)	5,036
Less investment expenses	(28,619)	-
Net investment gains(losses)	<u>(17,475,818)</u>	<u>5,036</u>
Charges for services	-	47,653
State revenues	-	353,232
Federal revenues	-	50,000
Income tax and fees collected for the State	-	2,777,424
Special assessment collected for other entities	-	679,887
Other custodial fund collections	-	19,730
Total additions	<u>(10,926,075)</u>	<u>5,461,687</u>
DEDUCTIONS		
Beneficiary payments to individuals	15,655,755	327,011
Administrative expense	431,527	2,470,595
Income tax and fees distributions to the State	-	2,777,414
Special assessment distributions to other entities	-	679,887
Total deductions	<u>16,087,282</u>	<u>6,254,907</u>
Change in net position	(27,013,357)	(793,220)
Net position, July 1	<u>146,397,937</u>	<u>3,083,684</u>
Net position, June 30	<u>\$ 119,384,580</u>	<u>\$ 2,290,464</u>

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

CITY OF HAMPTON, VIRGINIA
COMBINING STATEMENT OF NET POSITION
DISCRETELY PRESENTED COMPONENT UNITS
June 30, 2022

	Governmental Activities	Business-type Activities			
			Coliseum Central Business Improvement District, Inc.	Downtown Hampton Development Partnership, Inc.	
	School Board	Economic Development Authority			Total
ASSETS					
Cash and cash equivalents	\$ 20,269,268	\$ 2,768,816	\$ 802,535	\$ 752,185	\$ 24,592,804
Cash with fiscal agent	9,397,434	2,697	-	-	9,400,131
Investments	-	568,204	-	-	568,204
Accounts receivable, net	242,384	11,668	347,182	24,225	625,459
Lease receivable	4,116,572	4,233,179	-	-	8,349,751
Lease receivable from Primary Government	-	686,989	-	-	686,989
Due from Primary Government	69,277	-	-	-	69,277
Due from other governments	17,716,289	-	-	-	17,716,289
Inventories	634,353	-	-	-	634,353
Prepaid items	-	-	-	37,098	37,098
Temporarily restricted assets:					
Cash and cash equivalents	-	764,898	-	-	764,898
Notes receivable	-	-	-	-	-
Land held for sale	-	14,718,452	-	-	14,718,452
Capital assets not being depreciated	5,111,045	20,126,702	-	-	25,237,747
Capital assets, net of accumulated depreciation/amortization	9,797,342	8,798,395	50,207	237,809	18,883,753
Total assets	67,353,964	52,680,000	1,199,924	1,051,317	122,285,205
DEFERRED OUTFLOWS OF RESOURCES					
Related to pensions	43,024,394	-	-	-	43,024,394
Related to other postemployment benefits	4,835,162	-	-	-	4,835,162
Total deferred outflows of resources	47,859,556	-	-	-	47,859,556
LIABILITIES					
Accounts payable and other liabilities	22,807,424	6,631,659	54,049	32,943	29,526,075
Due to Primary Government	323,542	-	-	-	323,542
Unearned revenues	2,769,402	-	-	34,340	2,803,742
Lease payables:					
Due within one year	418,064	-	-	-	418,064
Due in more than one year	656,855	-	-	-	656,855
Notes and other long-term payables:					
Due within one year	2,931,542	78,398	-	-	3,009,940
Due in more than one year	137,966,707	595,105	-	-	138,561,812
Total liabilities	167,873,536	7,305,162	54,049	67,283	175,300,030
DEFERRED INFLOWS OF RESOURCES					
Related to leases	4,042,139	4,207,103	-	-	8,249,242
Related to leases from Primary Government	-	691,852	-	-	691,852
Related to pensions	80,843,345	-	-	-	80,843,345
Related to other postemployment benefits	5,525,103	-	-	-	5,525,103
Total deferred inflows of resources	90,410,587	4,898,955	-	-	95,309,542
NET POSITION					
Net investment in capital assets	13,833,468	28,251,594	50,207	237,809	42,373,078
Restricted for:					
Bond indenture	-	764,898	-	-	764,898
Unrestricted (deficit)	(156,904,071)	11,459,391	1,095,668	746,225	(143,602,787)
Total net position (deficit)	\$ (143,070,603)	\$ 40,475,883	\$ 1,145,875	\$ 984,034	\$ (100,464,811)

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

CITY OF HAMPTON, VIRGINIA
COMBINING STATEMENT OF ACTIVITIES
DISCRETELY PRESENTED COMPONENT UNITS
For the Year Ended June 30, 2022

		Program Revenues			Net (Expenses) Revenues and Changes in Net Position				
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	School Board	Economic Development Authority	Coliseum Central Business Improvement District, Inc.	Downtown Hampton Development Partnership, Inc.	Total
Governmental type activities:									
Public school system	\$ 265,109,901	\$ 6,108,688	\$ 203,296,340		- \$ (55,704,873)	\$ -	\$ -	\$ -	\$ (55,704,873)
Business-type activities:									
Economic development	10,523,744	1,413,777	1,334,799	-	-	(7,775,168)	-	-	(7,775,168)
Business improvement	1,267,958	722,022	-	-	-	-	(545,936)	-	(545,936)
Downtown development	799,410	\$ 292,830	251,826	-	-	-	-	(254,754)	(254,754)
Total component units	\$ 277,701,013	\$ 8,537,317	\$ 204,882,965	-	\$ (55,704,873)	\$ (7,775,168)	\$ (545,936)	\$ (254,754)	\$ (64,280,731)
Payments from (to) City					80,165,119	2,916,171	670,953	183,350	83,935,593
Investment earnings					-	83,657	1,213	-	84,870
Miscellaneous					-	196	91	2,616	2,903
Total general revenues					80,165,119	3,000,024	672,257	185,966	84,023,366
Change in net position (deficit)					24,460,246	(4,775,144)	126,321	(68,788)	19,742,635
Net position (deficit), beginning of year, (as restated)					(167,530,849)	45,251,027	1,019,554	1,052,822	(120,207,446)
Net position (deficit), end of year					\$ (143,070,603)	\$ 40,475,883	\$ 1,145,875	\$ 984,034	\$ (100,464,811)

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

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 accounting principles generally accepted in the United States of America (GAAP) applicable to government units promulgated by the Governmental Accounting Standards Board (GASB). Accordingly, the City follows GAAP and presents an Annual Comprehensive Financial Report, which includes the Management's Discussion and Analysis, Government-wide (Statement of Net Position and Statement of Net Activities) Financial Statements and Budgetary Comparison Schedules.

Component Unit Disclosures

The component units discussed in the following section are included in the City's reporting entity because the City is financially accountable for these organizations, as defined within GAAP. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

Discretely Presented Component Units

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

Hampton City School Board

The Hampton City School Board (School Board) is a legally separate entity which oversees the operations of and establishes educational policies for the City's public school system. Seven School Board members are elected by the voters of the City. The School Board has no power to levy taxes or issue bonds. Its budget is subject to approval by the City Council; however, Council only approves, rejects, or modifies the single amount requested by the School Board. The City provides operating and capital funding to the School Board. Therefore, the School Board is fiscally dependent and imposes specific financial burdens on the City. Combining statements for the School Board are presented in Exhibits G-1 through G-3. The School Board does not issue separate financial statements.

Hampton Economic Development Authority

The Hampton Economic Development Authority (EDA) is a public corporation established under the Industrial Development and Revenue Bond Act of the Commonwealth of Virginia, together with ordinances adopted by the City Council. The EDA 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 EDA is included as a discretely presented component unit because the City appoints the governing body of the EDA, funds the EDA's operating and capital budgets and it receives all of the revenues derived from EDA land sales. The EDA does not issue separate financial statements.

Coliseum Central Business Improvement District, Inc.

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

Notes to financial statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

located in the District to provide funds for the economic development of the District. City Council levies the additional tax for the District and provides other funding for operations. Coliseum BID is included in the City's reporting entity because it is fiscally dependent and it imposes specific financial burdens on the City. A copy of the separately issued financial statements for Coliseum BID may be obtained by writing to Coliseum BID, 2101 Executive Drive, Suite 550, Hampton, Virginia 23666 or by calling (757) 826-6351.

Downtown Hampton Development Partnership, Inc.

The Downtown Hampton Development Partnership, Inc. (Downtown Hampton) was incorporated on August 15, 1995, to promote, develop, and market the Downtown Hampton Business Improvement District. Downtown Hampton was created by action of the City Council under provisions of the *Code of Virginia*. The City assesses an additional tax on the value of the commercial real estate located in the District to provide funds for the economic development of the District. City Council levies the additional tax for the District and provides other funding for operations. Downtown Hampton is included in the City's reporting entity because it is fiscally dependent and it imposes specific financial burdens on the City. A copy of the separately issued financial statements for Downtown Hampton may be obtained by writing to Downtown Hampton Development Partnership, 710 Settlers Landing Road, Hampton, Virginia 23669 or by calling (757) 727-1271.

Fiduciary Component Unit - Hampton Employees Retirement System (HERS)

HERS is a single employer public employee defined benefit pension plan established and administered by the City. It was established as a separate trust fund in 1966 to augment the retirement benefits provided to full-time permanent City and School Board employees under the Virginia Retirement System.

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, where responsibility in most instances is limited to pro rata representation through appointments to the governing boards. The individual governing boards of the organizations appoint management, establish budgetary control and are accountable for their own fiscal affairs including deficits, debt service, operating costs, etc. The City is not financially accountable for these organizations.

Peninsula Airport Commission

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

Other

There are certain other agencies and commissions that service the City 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, 2022, the City provided operating and capital support of \$4,887,823 to HRT, \$180,361 to HRPDC, \$10,000 to VPPSA, \$158,722 to HREDA and \$74,435 to PCFWD.

Jointly Governed Organizations

The City has two jointly governed organizations, the Hampton-Newport News Community Services Board (CSB) and the Eastern Virginia Regional Industrial Facilities Authority (EVRIFA).

Hampton-Newport News Community Services Board

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

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 \$1,785,162 to the CSB during fiscal year 2022.

Eastern Virginia Regional Industrial Facilities Authority

The EVRIFA, a political subdivision of the Commonwealth of Virginia, was created under the provision of Chapter 64 of Title 15.2 of the *Code of Virginia*, to promote economic development in the Hampton Roads region. EVRIFA is governed by a Board of Directors, composed of two officials appointed by participating localities. Currently, the Cities of Hampton, Newport News, Chesapeake, Franklin, Poquoson, Williamsburg and the counties of Gloucester, Isle of Wight, James City and York are members of the Authority. The membership-based organization collects annual dues from participating localities to fund economic development projects. The City provided operating support of \$9,000 to EVRIFA during fiscal year 2022.

Government-wide and Fund Financial Statements

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

Statement of Net Position

The Statement of Net Position (Exhibit A-1) is designed to display the financial position of the Primary Government (governmental and business-type activities) and its discretely presented component units. Governments report all capital assets, including infrastructure, in the government-wide Statement of Net Position and report depreciation expense in the Statement of Activities. The net position of a government is displayed in three categories – net investment in capital assets, restricted and unrestricted. Also included in the Statement of Net Position are 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 City'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, Federal Grants Special Revenue, Economic Development Special Revenue, Debt Service and Capital Project funds. The major enterprise funds are: Convention Center, 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.

In the government-wide financial statements, all Proprietary Funds, Fiduciary Funds, and Discretely Presented Component Units are accounted for using the economic resources measurement focus. This measurement focus is

Notes to financial statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

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

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

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

Under the modified accrual basis of accounting, followed by the General, Special Revenue-Federal Grants, Special Revenue-Economic Development, Debt Service and Capital Projects Funds, revenues are recognized when they become both measurable and available to finance operations of the current year. Revenues considered susceptible to accrual consist primarily of property taxes, certain grants and sales and utility taxes. Accordingly, real and personal property taxes are recorded as revenue when levied and billed, net of allowances for uncollectible amounts. Property taxes not collected within 45 days after year-end are reflected as unearned revenues. 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 and other long term liabilities, are recorded as the related liabilities are incurred, if measurable. Interest and principal on long-term debt are recognized when due. General capital asset acquisitions are reported as expenditures in the governmental funds. Issuance of long-term debt and acquisitions under leases are reported as other financing sources.

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

Budgets and Budgetary Accounting

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

Budgeted amounts are as originally adopted or as amended by City Council and the School Board during fiscal year 2022. Unencumbered appropriations lapse at year-end in the General and School Operating Funds. Appropriations which are encumbered at year-end are carried forward into the following year's appropriation to allow liquidation of the encumbrances.

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

General Property Tax Calendar

Real property is assessed at fair market value as of July 1 of each year; personal property and public service corporation properties (real and personal) are assessed as of January 1 of each year. Taxes are levied on a fiscal-year basis for real property and a calendar year basis for personal property. Taxes are due and payable in two equal installments on June 5th and December 5th. Installments due on June 5, 2022, are levied for the current fiscal year and, when unavailable in the current period, are reported as deferred inflows of resources. Installments due on December 5, 2022, are levied for fiscal year 2023, therefore, are unearned and reported as deferred inflows of resources.

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 City 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 \$2,085,443. Management has determined that the allowance is sufficient to provide for any losses that may be sustained on realization of the accounts receivable.

Lease Receivables

The City recognizes a lease receivable in the government-wide and governmental fund financial statements. At the commencement of a lease, the City measures the lease receivable at the present value of payments expected to be received during the lease term, using the interest rate stated in the agreement. If no rate is provided, the interest rate implicit in the lease or the City's incremental borrow rate is used. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The City monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the lease asset and receivable if certain changes occur that are expected to significantly affect the amount of the lease 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 and expenses when consumed or sold.

Notes to financial statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

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. Prepays in the General Fund, Internal Service Funds and Enterprise Funds consist of mainly insurance and contract costs which are recognized proportionately over the periods the service is provided (consumption method).

Land Held for Resale

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

Interfund Activity

Activity between funds that represents lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds" (current portion) or "advances to/from other funds" (non-current portion of interfund loans). Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as internal balances (see note 8).

Restricted Assets:

Restricted assets represent the following invested assets set aside in the Convention Center:

	<u>Convention Center</u>
Restricted Assets	
Cash:	
Operating/Capital Reserve Fund	\$ 4,607,328
Debt Service Reserve Fund	110,424
Investments:	
Operating Reserve Fund	6,688,200
Bond Fund	641,554
Debt Service Reserve Fund	5,427,823
	<u>\$ 17,475,329</u>

The assets for Convention Center 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 equipment and computer software are capitalized when the initial, individual cost exceeds \$1,000 and \$5,000, respectively. Infrastructure assets and improvements 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 acquisition 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.

Land and construction in progress are not depreciated. The other tangible and intangible property, plant, equipment, leased building and equipment in addition to the infrastructure of the City are depreciated/amortized using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
---------------	--------------

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

Buildings and improvements	10-40
Right-to-use leased buildings	10-40
Improvements other than buildings	10-50
Equipment and computer software	3-20
Right-to-use leased equipment	3-20
Exhibits	7-10
Infrastructure	5-75
Landfill	Percentage of completion

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

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

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

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

Lease Assets

Lease assets are for leased buildings, equipment and vehicles. These assets are initially reported at an amount equal to the sum of the related lease liability at the commencement of the lease payments made to the lessor at or before the commencement of the lease term and initial direct costs that are ancillary charges necessary to place the leased asset into service. Lease assets are amortized on a straight-line basis over, the shorter of the life of the lease terms or over the useful life of the underlying asset. Currently, there is no capitalization threshold for leased assets.

Deferred outflows/inflows of resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. *Deferred outflows of resources*, which represent a consumption of net assets that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. One of the deferred outflows resources is the deferred charge on refunding reported in the government-wide Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The other deferred outflows of resources are related to pensions and other postemployment benefits (OPEB), which consist of employer contributions subsequent to the measurement date, changes in proportion and differences between employer contributions and proportionate share of contributions, net difference between projected and actual earnings on pension plan investments and change in assumptions. These amounts are deferred and amortized in accordance with GAAP.

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

The deferred inflows of resources related to pensions and OPEB consist of differences between expected and actual experience, net difference between projected and actual earnings on plan investments, changes in proportion and

Notes to financial statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

differences between employer contributions and proportionate share of contributions and change in assumptions. These amounts are deferred and amortized in accordance with GAAP.

The City as the lessor recognizes and measures the deferred inflows of resources as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date less any lease incentives paid to, or on behalf of the lessee at or before the commencement of the lease term. Subsequently, the deferred inflows of resources is recognized as revenue when amortized, in accordance with GAAP.

Fund Balance

Fund balance is essentially the difference between the assets and deferred outflows of resources and liabilities and deferred inflows of resources reported in a governmental fund. There are five separate components of fund balance, each of which identifies the extent to which the City 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.

The lease portion of fund balance represents the year-end balance of the lease receivables in excess of the deferred inflow of resources for the lease receivables which is not a spendable resource.

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

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

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

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

	General	Federal Grants	Economic Development	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
Fund Balances:							
Nonspendable:							
Inventory	\$ 36,574	\$ -	- \$	- \$	- \$	- \$	36,574
Prepaid items	212,846	-	-	-	-	405	213,251
Restricted:							
Debt service	-	-	-	75,521	-	-	75,521
Donations for parks projects	10,000	-	-	-	-	-	10,000
Public safety for hazmat fees	60,786	-	-	-	-	-	60,786
Wetlands Encroachment/ In Lieu	221,029	-	-	-	-	-	221,029
Title IVE	138,446	-	-	-	-	-	138,446
Urban Development Action grant projects	-	-	844,161	-	-	-	844,161
Property acquisition/ redevelopment	-	-	-	-	201,569	-	201,569
Street and Infrastructure projects	-	-	-	-	320,621	-	320,621
Park improvement projects	-	-	-	-	159,350	-	159,350
Facility maintenance and repairs	-	-	-	-	-	122,676	122,676
Law library books and subscriptions	-	-	-	-	-	1,234	1,234
Stormwater management	-	-	-	-	-	9,589,711	9,589,711
Sheriff Weekend Housing and Commissions	988,059	-	-	-	-	-	988,059
City grants	-	3,809,446	-	-	-	-	3,809,446
Donations for bus shelter benches	42,019	-	-	-	-	-	42,019
Fishing pier	33,347	-	-	-	-	-	33,347
VA Land Conservation Stewardship	3,743	-	-	-	-	-	3,743
Other	26,452	-	-	-	668	-	27,120
Committed:							
Budget savings program	12,750,718	-	-	-	-	-	12,750,718
Computer replacement program	1,870,545	-	-	-	-	-	1,870,545
Debt service	4,661,513	-	-	-	-	-	4,661,513
Home elevation loan program	1,895,219	-	-	-	-	-	1,895,219
Maintenance of driving range	161,114	-	-	-	-	-	161,114
Job creation grants	-	-	1,330,475	-	-	-	1,330,475
Emergency Management	15,157	-	-	-	-	-	15,157
Drainage	2,813,745	-	-	-	-	-	2,813,745
Public Works Yard Master Plan	-	-	-	-	131	-	131
Time Accounting/Tyler Munis Project	86,309	-	-	-	2,973,010	-	3,059,319
Reengineering Technology	-	-	-	-	229,316	-	229,316
Aquatics Center	-	-	-	-	6,793,723	-	6,793,723
Streets & Infrastructure projects	-	-	323,216	-	9,250,093	-	9,573,309
Prefunded Capital Projects	-	-	-	-	35,949,203	-	35,949,203
Waterways projects	-	-	-	-	25,828,296	-	25,828,296
Buckroe redevelopment projects	-	-	-	-	7,572	-	7,572
Va Air and Space Museum support/improvements	1,614	-	-	-	691	-	2,305
Coliseum Central projects	-	-	-	-	3,724,331	-	3,724,331
Court buildings project	-	-	-	-	463,484	-	463,484
Human Resources	18,816	-	-	-	-	-	18,816
City Treasurer	201,683	-	-	-	-	-	201,683
Clerk of Circuit Court	77,538	-	-	-	-	-	77,538

Notes to financial statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

	General	Federal Grants	Economic Development	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
Community Development	311,297	-	-	-	-	-	311,297
Conventions & Visitor Bureau	40,158	-	-	-	-	-	40,158
Non-Departmental	336,648	-	-	-	-	-	336,648
Retirement & Employee Benefits	813,351	-	-	-	-	-	813,351
Downtown strategic projects	-	-	-	-	5,174,693	-	5,174,693
Facilities maintenance projects	-	-	-	-	7,493,753	-	7,493,753
Fire and Rescue projects	-	-	-	-	15,451,979	-	15,451,979
Sheriff projects	-	-	-	-	2,484,036	-	2,484,036
North King Street Corridor projects	-	-	-	-	4,700	-	4,700
Neighborhood improvement projects	-	-	-	-	6,376,618	-	6,376,618
Parks improvement projects	-	-	-	-	4,814,306	-	4,814,306
Police and E911 equipment	984,444	-	-	-	10,180,184	-	11,164,628
Property acquisition/ redevelopment	-	-	11,362	-	6,896,384	-	6,907,746
School projects	-	-	-	-	19,225,287	-	19,225,287
Small Business Incubator	-	-	135,000	-	-	-	135,000
Transportation projects	-	-	-	-	144,272	-	144,272
Other	-	-	-	-	330,557	-	330,557
Council Chambers	-	-	-	-	38,338	-	38,338
Economic development projects	-	-	-	-	573,616	-	573,616
Hampton Roads Center	-	-	-	-	1,100,000	-	1,100,000
Business District	-	-	-	-	10,299	-	10,299
MLK Memorial	-	-	-	-	36,654	-	36,654
War Memorial Stadium	-	-	-	-	-	-	-
Assigned:							
Donations for parks projects	3,297	-	-	-	-	-	3,297
Subsequent year expense	17,807,708	-	-	-	-	-	17,807,708
Proceeds from real estate auctions	21,157	-	-	-	-	-	21,157
Economic development projects	-	-	4,721,890	-	-	-	4,721,890
Transportation projects	84,213	-	-	-	-	-	84,213
Fire and Rescue operations	1,370,482	-	-	-	-	-	1,370,482
Debt service	-	-	-	452,783	-	-	452,783
Donations for History Museum	13,357	-	-	-	-	-	13,357
Donations for General Operations	49,588	-	-	-	-	-	49,588
Facility maintenance and repairs	-	-	-	-	343,429	-	343,429
Unappropriated bond interest income-general capital projects	-	-	-	-	3,470,938	-	3,470,938
Line of Duty program	92,743	-	-	-	-	-	92,743
Other	-	3,149,943	-	-	168,083	-	168,083
Unassigned	91,650,181	-	-	-	-	-	91,650,181
Total Fund Balances	\$ 139,905,896	\$ 6,959,389	\$ 7,366,104	\$ 528,304	\$ 170,220,184	\$ 9,714,026	\$ 334,693,903

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

Net Position (deficit)-Enterprise Fund, Internal Service Funds and Component Units

The net position (deficit) at June 30, 2022 in the Enterprise Funds are as follows:

	Primary Government	Discretely Presented Component Units
Wastewater Management	56,477,710	\$ -
Museum	7,676,328	-
Hampton Roads Convention Center	12,429,564	-
Non-Major Enterprise:		
Hampton Coliseum	13,541,334	-
The Woodlands Golf Course	(1,027,329)	-
The Hamptons Golf Course	(4,891,590)	-
Solid Waste	10,431,614	-
Refuse-Steam Plant	8,358,573	-
Component Units:		
School Board	-	(143,070,603)
Economic Development Authority	-	40,475,883
Coliseum Central Business Improvement District, Inc.	-	1,145,875
Downtown Hampton Development Partnership, Inc.	-	984,034

The deficits in The Hamptons Golf Course Fund and The Woodlands Golf Course Fund are 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 transfers from the General Fund.

The net position (deficit) in the Internal Service Funds are as follows:

Internal Service:

Equipment Replacement	\$ 28,454,425
Fleet Management	(35,633)
Risk Management	16,967,529
Information Technology	1,465,308

Leases

As of July 1, 2021, the City adopted GASB Statement No. 87, *Leases*. The primary objective of this statement is to enhance the relevance and consistency of information about governments' leasing activities. This statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

Lessee: The City recognizes a lease liability and an intangible right-to-use lease asset in the government-wide financial statements for the applicable governmental, business-type activities and component unit columns in the government-wide financial statements and in the proprietary funds financial statements. Lease assets are reported with other capital assets and lease liabilities are reported as lease payables on the statement of net position.

At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the amount of lease liability adjusted for any payments

Notes to financial statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

made at or before the lease commencement date, plus certain initial direct costs, less any lease incentives receivable amounts expected to be payable by the City.

Key estimates and judgments related to leases include how the City determines (1) the interest rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

The City's lease payments are discounted using the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the interest rate for leases. The City's incremental borrowing rate is the rate that the City would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

The lease term includes the non-cancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments, extensions and purchase option price that the City is reasonably certain to exercise. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. Extension and termination options are included in a number of property and equipment leases across the City. These are used to maximize operational flexibility in terms of managing the assets used in the City's operations. The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lessor: The City recognizes a lease receivable and a deferred inflow of resources in the government-wide and fund financial statements for the applicable governmental, business-type activities.

At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, less any incentive received and adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the City determines (1) the interest rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

The City uses its estimated incremental borrowing rate on commencement date to discount the lease receipts. This is the rate that the City would have to pay to borrow the funds necessary to obtain an asset of similar value to the leased asset in a similar economic environment with similar terms, security and conditions.

The lease term includes the non-cancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The City monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's and School Board's retirement plans (Plans) and the addition to/deductions from the Plans' net fiduciary position have been determined on the same basis as they were reported by the VRS and Hampton Employees' Retirement System (HERS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

The Group Life Insurance Program (GLI) is administered by the VRS. The GLI is a defined benefit plan that provides a basic group life insurance benefit for employees of the City and Component Unit School Board. For purposes of measuring the net GLI OPEB liability, deferred outflows of resources and deferred inflows of resources related to the GLI OPEB, and GLI OPEB expense, information about the fiduciary net position of the VRS GLI OPEB and the additions to/deductions from the VRS GLI OPEB's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms.

Health Insurance Credit Program

The Health Insurance Credit Program (HIC) is administered by the VRS. The HIC is a defined benefit plan that provides a credit toward the cost of health insurance coverage for retired teachers. For purposes of measuring the net HIC OPEB liability, deferred outflows of resources and deferred inflows of resources related to the HIC OPEB, and the HIC OPEB expense, information about the fiduciary net position of the VRS HIC; and the additions to/deductions from the VRS HIC net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms.

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, 2022 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, Pembroke Complex and Stormwater Management Funds have been used to liquidate the liability for compensated absences.

Unearned Revenues

Over the past two fiscal years, the City has received approximately \$48.66 million from the American Rescue Plan Act (ARPA) to defray governmental operating costs resulting from the COVID-19 pandemic. During fiscal year 2022, the City expended \$371,033 of \$48,660,418 received from the American Rescue Plan Act. Total unearned revenue as a result of ARPA was \$48,289,385 as of June 30, 2022.

Notes to financial statements

2. BASIS OF PRESENTATION - FUND ACCOUNTING:

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

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 and 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 public schools and debt service requirements of the City. Expenditures include, among other things, those for general government, public safety, highways and streets, culture and recreation, health and human services.

Debt Service

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

Capital Projects Fund

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

Special Revenue Funds

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

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

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

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

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

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

2. BASIS OF PRESENTATION - FUND ACCOUNTING, continued:

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

Enterprise Funds

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

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

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 and telecommunications services.

Fiduciary Funds

Fiduciary Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations and other governmental units. The Fiduciary Funds consist of the HERS Pension Trust Fund and Custodial Funds.

HERS pension trust fund (Exhibits A-9 and A-10) accounts for the revenues and expenditures related to the City-sponsored retirement plan, which is administered by a board of trustees appointed by City Council. The Custodial Funds account for amounts held by the City for others such as the Hampton Roads Criminal Justice Training Academy; the Eastern Virginia Regional Industrial Facilities Authority; the Hampton Sheriff's Office Inmate Funds; and the Hampton Roads Peninsula Drug Initiative.

Notes to financial statements

3. IMPLEMENTATION OF NEW ACCOUNTING STANDARDS

1. Governmental Accounting Standards Board Statement No. 87

The City adopted the provisions of GASB 87, *Leases*. The primary objective of this statement is to enhance the relevance and consistency of information about governments' leasing activities for financial statement users. The statement requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

2. Governmental Accounting Standards Board Statement No. 92

The City adopted the provisions of GASB 92, *Omnibus 2020*. This statement provides accounting and financial reporting requirements for specific issues related to leases, reinsurance recoveries, risk financing, insurance-related activities of public entity risk pools, derivative instruments, intra-entity transfers of assets, government acquisition, postemployment benefit arrangements and nonrecurring fair value measurements of assets and liabilities. This pronouncement did not impact the preparation of these financial statements.

3. Governmental Accounting Standards Board Statement No. 97

The City adopted the provisions of GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. The requirements of this statement will allow more consistency regarding the financial reporting of defined contribution plans, defined contribution OPEB plans, and other employee benefit plans, while mitigating the costs associated with reporting these plans. This pronouncement did not impact the preparation of these financial statements.

4. BUDGETARY - GAAP REPORTING RECONCILIATION:

The City adopts an annual budget for the General Fund, but does not adopt an annual budget for any of the Special Revenue Funds except for the Stormwater Management Fund. Resources are provided for and appropriated individually throughout the year as they become available to the City. The Pearl Young Fund, a fund previously reported as a Special Revenue Fund, but now is reported as a part of the General Fund for GAAP purposes, does not have a legally adopted budget. Therefore, the Pearl Young Fund has not been included in Exhibit A-5 Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual. Therefore, the General Fund budget basis is different from GAAP.

4. BUDGETARY - GAAP REPORTING RECONCILIATION, continued:

Effective July 1, 2021, the City implemented the new GASB Statement 87, *Leases*, which requires the City as lessee to record an expenditure and other financing source in governmental funds in the period the lease is initially recognized. The City has not included those expenses and other financing sources in the General Fund's and the Stormwater Management Fund's legally adopted budget. Therefore, the budget on Exhibit A-5 and C-3 Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual does not include capital outlay-leases expenditures and lease financing-other financing sources.

Reconciliation to the General Fund statements (GAAP):

Exhibit A-5 Fund balances, June 30, 2022 (Budget basis)	\$	139,863,879
Pearl Young Fund's fund balances		42,017
Capital Outlay- leases		(5,531,009)
Leasing financing		5,531,009
Exhibit A-4 Fund balances, June 30, 2022 (GAAP)	\$	139,905,896

Reconciliation to the General Fund statements (GAAP):

Exhibit A-5 Total Actual Expenditures, June 30, 2022 (Budget basis)	\$	295,222,403
Capital Outlay- leases		5,531,009
Exhibit A-4 Total Actual Expenditures, June 30, 2022 (GAAP)	\$	300,753,412

Exhibit A-5 Total Other Financing Sources, June 30, 2022 (Budget basis)	\$	(69,593,180)
Leasing financing		5,531,009
Exhibit A-4 Total Other Financing Sources, June 30, 2022 (GAAP)	\$	(64,062,171)

Notes to financial statements

5. DEPOSITS AND INVESTMENTS:

For purposes of reporting cash flows, cash and cash equivalents including demand deposits, certificates of deposit, money market funds and repurchase agreements.

Deposits

On June 30, 2022, the carrying value of the City's deposits was \$25,465,282 and the bank balance was \$23,195,018. 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 primarily reported at fair value. The State Treasurer's LGIP operates in accordance with appropriate state laws and regulations. There are no restrictions on participant withdrawals for LGIP. The reported value of the pool is the same as the fair value of the pool shares.

The LGIP and SNAP are money market funds. The LGIP is reported at amortized cost and SNAP is reported at net asset value.

HERS Investments

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

Investment Policy

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

HERS Investment Policy

The Board of Trustees of the System has the full power to invest and reinvest the trust funds in accordance with Section 28-47 of the City Code, as amended. It requires the Board of Trustees to invest the assets with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character with like aims. In addition, the investments are required to be diversified so as to minimize the risk of losses under the circumstances it is clearly prudent not to do so. All investments shall be clearly marked to indicate ownership by the System. The HERS investments are held by the Bank of New York Mellon.

5. DEPOSITS AND INVESTMENTS, continued:**Credit Risk**

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

HERS Credit Risk

HERS manages its credit risk by limiting investments in domestic bonds to those rated investment grade or better.

HERS Concentration of Credit Risk

HERS manages its exposure to concentrations of credit risk by limiting investments in domestic bonds for a single Non U.S. Government security to no more than 5% of the Plan's total investments. With the exception of passively managed investment vehicles seeking to match the returns of a broadly diversified market index, no single investment pool or mutual fund shall comprise more than 20% of the Plan's total investments.

U. S. Government Securities

The City invested in U. S. Government Securities which consisted of U.S Treasury Notes, Supra-National Agency Notes, Municipal Bonds, FHLB and FHLMC. 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.

HERS Custodial Credit Risk

HERS limits its exposure to custodial credit risk by maintaining its investments in custodial accounts. Securities that exist in book entry form are held in trust by the custodian in the name of the Plan.

Interest Rate Risk

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

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

HERS Interest Rate Risk

HERS does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Interest rate risk is monitored by measuring the weighted average duration of the portfolio.

Notes to financial statements

NOTES TO FINANCIAL STATEMENTS

5. DEPOSITS AND INVESTMENTS, continued:

As of June 30, 2022, 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
Commercial Paper	\$ 3,881,719	A-1+, A-1	\$ 3,881,719	\$ -
Certificate of Deposit	5,150,000	A-1, A-1+	5,150,000	-
U.S. Government securities	30,181,069		2,696,350	27,484,719
Corporate Notes	4,279,877	AAA, AA, AA+, AA-	328,477	3,951,400
LGIP - City	281,104,251	AAAm	281,104,251	-
State Non-Arbitrage Fund - City	151,441,047	AAAm	151,441,047	-
Mutual and Money Market Funds	1,967,374	Unrated	1,967,374	-
Total Investments Controlled by City	478,005,337		446,569,218	31,436,119
Pension Plan Investments	119,625,854		119,625,854	-
Total	597,631,191		\$ 566,195,072	\$ 31,436,119

Reconciliation to Total Cash and Investments:

Add:

Cash on Hand and in Banks - City	20,397,614
Cash With Fiscal Agent	5,067,668
Total Deposits and Investments Primary Government and Fiduciary Funds per Exhibits A-1 and A-9	\$ 623,096,473

Component Unit - School Board

	Investment Maturities (in years)	
	Fair Value	Less than 1 year
Repurchase Agreements	\$ 1,300,000	\$ 1,300,000
Total Investments School Board	\$ 1,300,000	\$ 1,300,000

Other Component Units

	Investment Maturities (in years)	
	Fair Value	Less than 1 year
Mutual and Money Market Funds	\$ 1,333,102	\$ 1,333,102
Total Investments Other Component Units	\$ 1,333,102	\$ 1,333,102

5. DEPOSITS AND INVESTMENTS, continued:

Reconciliation of total deposits and investments to the government-wide statements at June 30, 2022:

Primary Government	Governmental Activities	Business-type Activities	Fiduciary Responsibilities	Total
Cash Deposits - City	\$ 1,984,821	\$ 18,122,438	\$ 742,489	\$ 20,849,748
Cash With Fiscal Agent - City	4,505,113	110,424	-	4,615,537
Mutual and Money Market Funds	-	1,624,488	-	1,624,488
Investments - City	436,398,268	38,287,577	121,320,855	596,006,700
Total Primary Government	<u>\$ 442,888,202</u>	<u>\$ 58,144,927</u>	<u>\$ 122,063,344</u>	<u>\$ 623,096,473</u>
Component Unit - School Board				
Cash Deposits	\$ 18,969,268	\$ -	\$ -	\$ 18,969,268
Cash With Fiscal Agent	9,397,434	-	-	9,397,434
Investments	1,300,000	-	-	1,300,000
Total Component Unit School Board	<u>\$ 29,666,702</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,666,702</u>
Other Component Units				
Cash Deposits	\$ -	\$ 4,323,536	\$ -	\$ 4,323,536
Cash With Fiscal Agent	-	2,697	-	2,697
Investments	-	1,333,102	-	1,333,102
Total Other Component Units	<u>\$ -</u>	<u>\$ 5,659,335</u>	<u>\$ -</u>	<u>\$ 5,659,335</u>

GAAP requires the City to use valuation techniques which are appropriate under the circumstances and are either a market approach, a cost approach or an income approach. GAAP establishes a hierarchy of inputs used to measure fair value consisting of three levels. Level 1 inputs are quoted prices for identical assets or liabilities in active markets. Level 2 inputs are inputs, other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for asset or liability.

Fair Value Hierarchy

The City categorizes its fair value measurements within the fair value hierarchy established by GAAP. City investments are classified in Level 2 of the fair market value hierarchy and are valued using matrix pricing techniques maintained by various pricing vendors. Matrix pricing is used to value securities based on the securities' relationship to the benchmark quoted prices. Fair value is defined as the quoted market value on the last trading day of the period. These prices are obtained from various pricing sources by our custodian bank. Pension plan investments are classified in Level 1 of the fair value hierarchy. Level 1 inputs are quoted prices in active markets for identical assets.

Notes to financial statements

5. DEPOSITS AND INVESTMENTS, continued:

The following is a summary of the fair value hierarchy for investments of the City as of June 30, 2022:

	Investments at Fair Value June 30, 2022	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Primary Government				
Commercial Paper	\$ 3,881,719	\$ -	\$ 3,881,719	\$ -
Certificate of Deposit	5,150,000	-	5,150,000	-
Corporate Notes	4,279,877	-	4,279,877	-
U.S. Government Securities	30,181,069	-	30,181,069	-
Total Primary Government	<u>\$ 43,492,665</u>	<u>\$ -</u>	<u>\$ 43,492,665</u>	<u>\$ -</u>
Pension Plan Investments	\$ 119,625,854	\$ 119,625,854	\$ -	\$ -

6. ACCOUNTS RECEIVABLE:

Accounts receivable at June 30, 2022 in the Governmental Funds and School Board are as follows:

	General Fund	Special Revenue- Federal Grants	Special Revenue- Economic Development	Capital Projects	Other Governmental Funds
Primary Government:					
General property taxes (net of allowance for uncollectible taxes of \$2,085,443)	\$ 11,188,329	\$ -	\$ -	\$ -	\$ -
Due from Commonwealth of Virginia	9,816,667	1,583,211	-	778,044	\$ -
Due from Federal Government	767,233	2,927,304	-	-	295,529
Lease Receivable	82,682	-	178,437	-	-
Other	3,048,692	77,759	36,515	10,932	582,645
Total Primary Government	<u>\$ 24,903,603</u>	<u>\$ 4,588,274</u>	<u>\$ 214,952</u>	<u>\$ 788,976</u>	<u>\$ 878,174</u>

**Discretely Presented Component Unit - School
Board:**

Due from Commonwealth of Virginia	\$ 3,710,308
Due from Federal Government	14,005,981
Due from Primary Government	69,336
Lease Receivable	4,116,572
Other	242,325
Total Component Unit	<u>\$ 22,144,522</u>

7. LEASE RECEIVABLE**City**

The City as the lessor, has entered into lease agreements for land, building space, billboards and a golf driving range. One of the land leases is leased from a lessee and subleased to a third- party. The leases' terms range from 4 to 6 years. The total amount of inflows of resources, including lease revenue, interest revenue, and other lease-related inflows, recognized during the fiscal year was \$166,337. As of June 30, 2022, the total lease receivable and deferred inflows of resources for the lease balances were \$261,119 and \$276,700, respectively.

Discretely Presented Component Unit - Economic Development Authority and School Board

The Economic Development Authority (EDA) and the School Board have entered into lease agreements for buildings, building space and land. The leases' terms range from 4 to 21 years. The total amounts of inflows of resources, including lease revenue, interest revenue, and the other lease-related inflows, recognized during the fiscal year were \$529,400 and \$400,667, respectively. As of June 30, 2022, the total lease receivable and deferred inflows of resources for lease balances for EDA were \$4,920,168 and \$4,898,955, respectively. As of June 30, 2022, the total lease receivable and deferred inflows of resources for lease balances for School Board were \$4,116,572 and \$4,042,139, respectively.

8. INTERFUND BALANCES:

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

The due from reflected in the General Fund in the amount of \$8,791,100 is primarily to cover negative cash balances for several funds and to advance fund capital projects. The due from reflected in the Capital Projects Fund in the amount of \$3,955,000 is to fund ongoing road maintenance projects. All remaining balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur and (2) payments between the funds are made.

Interfund Receivables and Payables:**Primary Government:**

	Due From	Due To
General Fund	\$ 8,791,100	\$ 10,149,906
Federal Grants	40,456	50,227
Economic Development	47,129	-
Capital Projects	3,955,000	-
Non-Major Governmental Funds	40,439	136,853

Proprietary Funds:

Museum	-	749,000
Convention Center	-	18,288
Non-Major Enterprise Funds	73,752	7,553,902
Internal Service Funds	5,710,300	-
Total Primary Government	\$ 18,658,176	\$ 18,658,176

Notes to financial statements

8. 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	\$ -	\$ 68,187	\$ -	\$ -
Primary Government - Governmental Funds	-	818	-	-
Primary Government - Wastewater Management	-	40	-	-
Primary Government - Non-major Enterprise Funds	-	232	24,448	-
Primary Government - Internal Service Funds	-	-	299,094	-
Component Unit - School Board Operating Fund	69,277	-	-	323,542
Total	<u>\$ 69,277</u>	<u>\$ 69,277</u>	<u>\$ 323,542</u>	<u>\$ 323,542</u>

Individual fund interfund transfers for the Primary Government were made for operating as well as capital purposes. The more significant transfers were made from the General Fund for the purposes of funding debt service, various capital projects and operating support to the Enterprise Funds. Interfund transfers for the year ended June 30, 2022 are as follows:

	Transfer From	Transfer To
Primary Government:		
General Fund	\$ 233,940	\$ 69,827,120
Special Revenue:		
Federal Grants	6,100,015	4,648
Economic Development	47,129	-
Debt Service	31,163,808	-
Capital Projects	23,747,588	4,282,994
Non-Major Governmental Funds	40,439	2,925,675
Proprietary Funds:		
Wastewater Management	-	113,292
Museum	193,956	-
Convention Center	8,569,584	-
Non-Major Enterprise Funds	1,346,971	-
Internal Service Funds	5,710,299	-
Total Primary Government	<u>\$ 77,153,729</u>	<u>\$ 77,153,729</u>

Related party transactions between the Primary Government and component units are as follows:

	Payments From Primary Government	Payments To Component Unit	Payments From Component Unit	Payments To Primary Government
Primary Government - General Fund	\$ -	\$ 81,765,162	\$ 2,010,000	\$ -
Primary Government - Economic Development	-	430,837	-	-
Primary Government - Capital Projects Fund	-	1,739,594	-	-
Component Unit - School Board Operating Fund	80,165,119	-	-	2,000,000
Component Unit - EDA	2,916,171	-	-	10,000
Component Unit - Coliseum BID	670,953	-	-	-
Component Unit - Downtown Hampton	183,350	-	-	-
Total	<u>\$ 83,935,593</u>	<u>\$ 83,935,593</u>	<u>\$ 2,010,000</u>	<u>\$ 2,010,000</u>

9. CAPITAL ASSETS:

Capital asset activity for the year ended June 30, 2022 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 520,286,872	336,900	\$ -	\$ 520,623,771
Easements	2,226,090	-	-	2,226,090
Construction in progress	26,373,647	36,339,655	(5,675,624)	57,037,678
Total capital assets not being depreciated	548,886,609	36,676,555	(5,675,624)	579,887,539
Capital assets being depreciated:				
Buildings	196,612,574	116,903	-	196,729,477
Improvements	69,497,236	578,303	-	70,075,539
Computer Software	2,266,837	-	-	2,266,837
Machinery & Equipment	91,957,338	3,042,796	(2,500,378)	92,499,756
Infrastructure	240,458,136	4,761,732	-	245,219,868
Other Assets	4,446,039	-	-	4,446,039
Total capital assets being depreciated	605,238,160	8,499,734	(2,500,378)	611,237,516
Less accumulated depreciation for:				
Buildings	(74,774,753)	(4,475,336)	-	(79,250,089)
Improvements	(45,473,314)	(3,012,131)	-	(48,485,445)
Computer Software	(1,894,549)	(226,915)	-	(2,121,464)
Machinery & Equipment	(63,907,591)	(7,093,703)	2,236,386	(68,764,908)
Infrastructure	(116,602,127)	(9,320,933)	112,036	(125,811,024)
Other Assets	(2,568,367)	(228,562)	-	(2,796,929)
Total accumulated depreciation	(305,220,701)	(24,357,580)	2,348,422	(327,229,859)
Total capital assets being depreciated, net	300,017,459	(15,857,846)	(151,956)	284,007,657
Leased assets being amortized:				
Buildings	-	4,997,347	-	4,997,347
Machinery & Equipment	-	570,418	-	570,418
Total leased assets being amortized	-	5,567,765	-	5,567,765
Less leased asset accumulated amortization for:				
Buildings	-	(850,126)	-	(850,126)
Machinery & Equipment	-	(237,919)	-	(237,919)
Total accumulated amortization	-	(1,088,045)	-	(1,088,045)
Total leased assets being amortization, net	-	4,479,720	-	4,479,720
Governmental activities capital assets, net	\$ 848,904,068	\$ 25,298,429	\$ (5,827,580)	\$ 868,374,916

Primary Government:

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

General capital assets	\$ 849,344,334
General leased assets	4,474,921
Internal service funds	14,550,862
Internal service funds - leased assets	4,800
	<u>\$ 868,374,916</u>

Notes to financial statements

9. CAPITAL ASSETS, continued:

	Beginning Balance	Additions	Reductions	Ending Balance
Business-type Activities:				
Capital assets not being depreciated:				
Land	\$ 11,066,341	\$ -	\$ -	\$ 11,066,341
Easements	28,943	-	-	28,943
Construction in progress	1,788,768	2,034,921	(1,290,801)	2,532,888
Total capital assets not being depreciated	12,884,052	2,034,921	(1,290,801)	13,628,172
Capital assets being depreciated:				
Buildings	141,788,636	929,821	-	142,718,457
Improvements	35,753,298	73,951	-	35,827,249
Computer Software	401,729	-	-	401,729
Machinery & Equipment	34,516,113	2,809,368	(1,661,370)	35,664,111
Exhibits	14,922,078	-	-	14,922,078
Landfill	3,865,986	-	-	3,865,986
Infrastructure	77,135,530	1,429,818	-	78,565,348
Total capital assets being depreciated	308,383,370	5,242,958	(1,661,370)	311,964,958
Less accumulated depreciation for:				
Buildings	(81,692,111)	(3,126,567)	-	(84,818,678)
Improvements	(29,297,179)	(1,534,396)	-	(30,831,575)
Computer Software	(399,334)	(2,393)	-	(401,727)
Machinery & Equipment	(22,490,073)	(2,170,110)	1,658,394	(23,001,789)
Exhibits	(14,722,550)	(69,973)	-	(14,792,523)
Landfill	(3,678,601)	(3,782)	-	(3,682,383)
Infrastructure	(35,119,402)	(1,147,206)	-	(36,266,608)
Total accumulated depreciation	(187,399,250)	(8,054,427)	1,658,394	(193,795,283)
Total capital assets being depreciated, net	120,984,120	(2,811,469)	(2,976)	118,169,675
Leased assets being amortized:				
Machinery & Equipment	-	38,069	-	38,069
Total leased assets being amortized	-	38,069	-	38,069
Less leased asset accumulated amortization for:				
Machinery & Equipment	-	(6,835)	-	(6,835)
Total accumulated amortization	-	(6,835)	-	(6,835)
Total leased assets being amortization, net	-	31,234	-	31,234
Business-type activities capital assets, net	\$ 133,868,172	\$ (745,314)	\$ (1,293,777)	\$ 131,829,081

Depreciation and amortization expenses was charged to functions/programs of the Primary Government as follows:

	General Capital Assets	Internal Service Funds	Total
Governmental activities			
General government	\$ 5,069,734	\$ 3,061,760	\$ 8,131,494
Health	87,181	-	87,181
Public welfare	978,861	-	978,861
Public safety	3,803,224	-	3,803,224
Streets and highways	7,808,354	-	7,808,354
Culture and recreation	633,352	-	633,352
Education	4,003,159	-	4,003,159
Total depreciation / amortization expense - governmental activities	\$ 22,383,865	\$ 3,061,760	\$ 25,445,625

9. CAPITAL ASSETS, continued:

Business - type activities:

Coliseum	\$	545,099
The Woodlands		40,889
The Hamptons		34,733
Solid Waste		991,236
Refuse-Steam Plant		733,117
Wastewater Management		1,659,119
Museum		1,505,448
Convention Center		2,551,621
Total depreciation / amortization expense - business-type activities	\$	<u>8,061,262</u>

Discretely Presented Component Units School Board:

	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets not being depreciated:				
Land	\$ 5,111,045	\$ -	\$ -	\$ 5,111,045
Total capital assets not being depreciated:	<u>5,111,045</u>	<u>-</u>	<u>-</u>	<u>5,111,045</u>
Capital assets being depreciated:				
Buildings	48,962,686	-	-	48,962,686
Improvements	310,100	-	-	310,100
Computer Software	1,132,453	-	-	1,132,453
Machinery & Equipment	32,537,397	3,542,202	(1,324,767)	34,754,832
Total capital assets being depreciated	<u>82,942,636</u>	<u>3,542,202</u>	<u>(1,324,767)</u>	<u>85,160,071</u>
Less accumulated depreciation for:				
Buildings	(48,962,686)	-	-	(48,962,686)
Improvements	(306,164)	(3,936)	-	(310,100)
Computer Software	(509,605)	(226,491)	-	(736,096)
Machinery & Equipment	(25,967,751)	(1,710,612)	1,324,767	(26,353,596)
Total accumulated depreciation	<u>(75,746,206)</u>	<u>(1,941,039)</u>	<u>1,324,767</u>	<u>(76,362,478)</u>
Total capital assets being depreciated, net	<u>7,196,430</u>	<u>1,601,163</u>	<u>-</u>	<u>8,797,593</u>
Leased assets being amortized:				
Machinery & Equipment		1,443,068		1,443,068
Total leased assets being amortized	<u>-</u>	<u>1,443,068</u>	<u>-</u>	<u>1,443,068</u>
Less leased asset accumulated amortization for:				
Machinery & Equipment		(443,319)		(443,319)
Total accumulated amortization	<u>-</u>	<u>(443,319)</u>	<u>-</u>	<u>(443,319)</u>
Total leased assets being amortization, net	<u>-</u>	<u>999,749</u>	<u>-</u>	<u>999,749</u>
School Board capital assets, net	<u>\$ 12,307,475</u>	<u>\$ 2,600,912</u>	<u>\$ -</u>	<u>\$ 14,908,387</u>

CITY OF HAMPTON, VIRGINIA
June 30, 2022

Notes to financial statements

9. CAPITAL ASSETS, continued:

Economic Development Authority:

	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets not being depreciated:				
Land	\$ 22,138,302	\$ -	\$ (2,011,600)	\$ 20,126,702
Total capital assets not being depreciated	22,138,302	-	(2,011,600)	20,126,702
Capital assets being depreciated:				
Building	8,672,587	-	-	8,672,587
Improvements	1,167,136	-	-	1,167,136
Infrastructure	2,249,350	-	-	2,249,350
Machinery & Equipment	622,848	-	-	622,848
Total capital assets being depreciated	12,711,921	-	-	12,711,921
Less accumulated depreciation for:				
Buildings	(965,972)	(289,081)	-	(1,255,053)
Improvements	(144,060)	(55,812)	-	(199,872)
Infrastructure	(1,783,418)	(102,468)	-	(1,885,886)
Machinery & Equipment	(452,308)	(120,408)	-	(572,716)
Total accumulated depreciation	(3,345,758)	(567,769)	-	(3,913,527)
Total capital assets being depreciated, net	9,366,163	(567,769)	-	8,798,395
Economic Development Authority capital assets, net	\$ 31,504,465	\$ (567,769)	\$ (2,011,600)	\$ 28,925,097

Downtown Hampton Development Partnership, Inc.:

	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets being depreciated:				
Improvements	\$ 488,905	\$ -	\$ -	\$ 488,905
Computer Software	13,290	-	-	13,290
Machinery & Equipment	144,164	11,929	-	156,093
Total capital assets being depreciated	646,359	11,929	-	658,288
Less accumulated depreciation	(407,937)	(12,542)	-	(420,479)
Downtown Hampton Development Partnership capital assets, net	\$ 238,422	\$ (613)	\$ -	\$ 237,809

Coliseum Central Business Improvement District, Inc.:

	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets being depreciated:				
Computer Software	\$ 4,580	\$ -	\$ -	\$ 4,580
Machinery & Equipment	165,484	35,783	-	201,267
Total capital assets being depreciated	170,064	35,783	-	205,847
Less accumulated depreciation	(150,536)	(5,104)	-	(155,640)
Coliseum Central Business Improvement District capital assets, net	\$ 19,528	\$ 30,679	\$ -	\$ 50,207

9. CAPITAL ASSETS, continued:

Construction in Progress

Several capital projects were in various stages of completion on June 30, 2022. 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, 2022, construction in progress by project was comprised as follows:

	Project Authorization	Expended to June 30, 2022
Governmental Activities		
Infrastructure	\$ 94,144,210	\$ 21,787,650
Construction of various capital assets	38,026,441	35,250,028
	<u>\$ 132,170,651</u>	<u>\$ 57,037,678</u>
Business-type Activities		
Wastewater Management - sewer projects	\$ 4,300,000	\$ 2,168,023
Museum- exhibit and/or building construction and renovation	306,744	283,400
Coliseum - building renovations	271,550	81,465
	<u>\$ 4,878,294</u>	<u>\$ 2,532,888</u>

10. 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, 2022:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds payable:					
Serial bonds	\$ 266,059,214	\$ 141,490,000	\$ (66,949,378)	\$ 340,599,836	\$ 20,811,951
Direct placement serial bonds	1,977,000	-	(1,977,000)	-	-
Unamortized premium and discount	26,293,531	16,375,805	(13,153,764)	29,515,572	2,889,498
Leases payable	-	4,783,952	(959,269)	3,824,683	902,215
Leases payable -Component Unit	-	773,974	(86,985)	686,989	81,268
Leases payable - Internal Service Funds	-	9,839	(5,038)	4,801	3,249
Notes Payable - Internal Service Funds	1,081,000	2,858,000	(188,000)	3,751,000	457,000
Compensated absences	8,483,058	4,840,179	(4,931,472)	8,391,765	4,931,472
Compensated absences - Internal Service Funds	155,049	-	(59,220)	95,829	55,816
Claims and judgements - Internal Service Funds	9,939,948	4,332,242	(4,360,403)	9,911,787	7,974,611
Net OPEB liability - Line of Duty Benefits	19,039,426	4,254,914	(633,743)	22,660,597	-
Net pension liability - Internal Service Funds	2,509,061	-	(891,771)	1,617,290	-
Net other postemployment benefits liability - Internal Service Funds	955,931	3,806	(87,693)	872,044	-
Net OPEB liability	60,371,999	9,361,612	(2,006,929)	67,726,682	-
Net pension liability	153,016,558	-	(66,033,757)	86,982,801	-
Governmental activities long-term liabilities	<u>\$ 549,881,775</u>	<u>\$ 189,084,323</u>	<u>\$ (162,324,422)</u>	<u>\$ 576,641,676</u>	<u>\$ 38,107,080</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.

Notes to financial statements

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

Balances at June 30, 2022

Long-term liabilities (detail above)	\$	576,641,676
Less debt - Internal Service Fund		(16,252,751)
Combined adjustment	\$	<u>560,388,925</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, 2022 and reflected the liability, if any, in the governmental activities column of the Statement of Net Position.

The funds used to liquidate the net OPEB obligations and net pension liabilities include the General Fund, the Risk Management Fund, the Fleet Services Fund and the Information Technology Fund.

	Beginning Balance, as restated	Additions	Reductions	Ending Balance	Due Within One Year
Business-type Activities:					
Bonds payable:					
Direct placement revenue bonds	\$ 68,600,000	\$ -	\$ (4,109,999)	64,490,001	\$ 4,235,001
Serial bonds	1,070,786	-	(500,622)	570,164	133,049
Unamortized premium and discount	393,230	-	(393,230)	-	-
Total bonds payable	70,064,016	-	(5,003,851)	65,060,164	4,368,050
Leases payable	-	38,069	(6,428)	31,641	12,853
Notes payable	1,329,285	-	(534,258)	795,027	596,875
Net pension liability	12,548,720	478,613	(4,223,206)	8,804,127	-
Net other postemployment benefit liability	4,191,582	20,642	(667,569)	3,544,655	-
Compensated absences	744,674	395,630	(392,167)	748,137	392,167
Business-type activities long-term liabilities	<u>\$ 88,878,277</u>	<u>\$ 932,954</u>	<u>\$ (10,827,479)</u>	<u>\$ 78,983,751</u>	<u>\$ 5,369,945</u>
Component Units:					
School Board:					
Compensated absences	\$ 7,344,901	\$ 8,674,681	\$ (9,058,897)	\$ 6,960,685	\$ 2,931,542
Notes payable	264,326	-	(264,326)	-	-
Leases payable	-	1,443,068	(368,149)	1,074,919	418,064
Net OPEB liability	32,079,489	-	(3,943,403)	28,136,086	-
Net pension liability	191,325,005	13,632,987	(99,156,514)	105,801,478	-
Total School Board	<u>\$ 231,013,721</u>	<u>\$ 23,750,736</u>	<u>\$ (112,791,289)</u>	<u>\$ 141,973,168</u>	<u>\$ 3,349,606</u>
Economic Development Authority:					
Revenue bonds payable	\$ 191,139	\$ -	\$ (191,139)	\$ -	\$ -
Notes payable	750,343	-	(76,840)	673,503	78,398
Total Economic Development Authority	<u>\$ 941,482</u>	<u>\$ -</u>	<u>\$ (267,979)</u>	<u>\$ 673,503</u>	<u>\$ 78,398</u>

Enterprise Funds

On November 20, 2019, the City issued \$66,150,000 in Convention Center Refunding Direct Placement Revenue Bonds, Series 2019C with interest ranging from 1.952% to 3.097%. The proceeds of the bonds were used to refund \$33,750,000 of the City's Convention Center Direct Placement Revenues Bonds, Series 2012A and \$28,065,000 of the City's Convention Center Revenue Bonds, Series 2011A.

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

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

On June 2, 2011 the City issued \$52,460,000 in Convention Center Refunding Direct Placement 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 Direct Placement Revenue Bonds, Series 2002.

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

According to the indenture, if an event of default occurs and is continuing, the Trustee may, and if requested by the holders of 25% in aggregate principal amounts of direct placement revenue bonds then outstanding shall, by notice to the City, declare the entire unpaid principal and interest on the bonds due and payable.

In prior years, the City defeased certain revenue bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the City's financial statements. On June 30, 2022, \$58,385,000 defeased bonds were outstanding.

Direct placement revenue bond debt service requirements to maturity are as follows:

Fiscal year ending June 30	Principal	Interest
2023	\$ 4,235,001	\$ 1,669,137
2024	4,330,000	1,579,277
2025	4,420,000	1,483,640
2026	4,530,000	1,379,990
2027	4,640,000	1,268,862
2028-2032	25,270,000	4,412,162
2033-2035	17,065,000	796,380
	<u>\$ 64,490,001</u>	<u>\$ 12,589,448</u>

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

On April 1, 2002, the City issued \$30,155,000 in General Obligation Public Improvement Bonds, Series 2002 with interest ranging from 4.25% to 5.00%. The Refuse-Steam Plant used \$5,000,000 of the bond proceeds to finance an air pollution control system.

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

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

General Obligation Bonds		
Year	Principal	Interest
2023	\$ 133,049	\$ 26,370
2024	139,060	20,217
2025	145,547	13,785
2026	152,508	7,053
	<u>\$ 570,164</u>	<u>\$ 67,425</u>

Notes to financial statements

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

Solid Waste Fund:

On March 23, 2018, the City entered into an equipment purchase agreement for \$2,600,000 with Key Government Finance, Inc. to purchase ten refuse trucks. The Notes Payable is payable in 16 quarterly remaining equal installments of \$139,358 at an interest rate of 2.623%. At June 30, 2022, the outstanding balance on the notes payable is \$548,412.

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

Year	Principal	Interest
2023	\$ 548,412	\$ 9,019
	<u>\$ 548,412</u>	<u>\$ 9,019</u>

Museum Fund:

The Museum applied for a Paycheck Protection Program (PPP) loan made available under the CARES Act. Management is planning to use the PPP proceeds for allowed costs such as payroll, utilities, etc. as outlined by the CARES Act. The Museum received a draw of \$246,615 in PPP loan funds in April 2021 with interest at 1% and expected repayment period of two years with monthly payments beginning November 2021. The Museum intends to use the entire loan amount for qualifying expenses. Under the terms of the PPP, certain amounts of the loan may be forgiven if they are used for qualifying expenses as described in the CARES Act. The Museum has used the funds for qualifying expenses and has applied for forgiveness.

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

Year	Principal	Interest
2023	\$ 48,463	\$ 2,345
2024	198,152	1,589
	<u>\$ 246,615</u>	<u>\$ 3,934</u>

Discretely Presented Component Unit-EDA:

On May 29, 2020, the EDA entered into a note payable with Old Point National Bank to purchase the Phoebus Library. The interest rate on the note is 2%. Under the terms of the agreement, the EDA will receive rent from the City to cover the debt service payments for the note.

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

Notes Payable		
Year	Principal	Interest
2023	\$ 78,398	\$ 13,657
2024	79,987	12,067
2025	81,581	10,474
2026	83,264	8,791
2027	84,952	7,103
2028-2030	265,321	10,843
	<u>\$ 673,503</u>	<u>\$ 62,935</u>

Internal Service Funds:

The City is self-insured for workmens' compensation benefits and general liability insurance claims. At June 30, 2022, the liability for existing claims amounted to \$9,911,787. Workers' compensation benefit claims are payable weekly or monthly through 2031.

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

Equipment Replacement Fund:

On August 30, 2019, the City entered into an equipment purchase agreement notes payable for \$1,378,000 with Key Government Finance, Inc. to purchase two fire trucks. The notes payable is payable quarterly with an interest rate of 2.015% and matures October 15, 2026. As of June 30, 2022, the outstanding balance on the notes payable is \$893,000.

On March 30, 2022, the City entered into an equipment purchase agreement notes payable for \$2,858,000 with Banc of America Public Capital Corp. to purchase three new fire trucks. The notes payable is payable semi-annually on March 1 and September 1 with an interest rate of 1.9839% and matures March 1, 2032. At June 30, 2022, the outstanding balance on the notes payable is \$2,858,000.

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

Year	Accrued Insurance Claims	Notes Payable Year	Principal	Interest
2023	\$ 7,974,611	2023	\$ 457,000	\$ 67,346
2024	364,683	2024	461,000	62,792
2025	326,172	2025	470,000	53,526
2026	312,640	2026	480,000	44,080
2027	264,487	2027	386,000	34,691
2028-2031	669,194	2028-2032	1,497,000	82,837
	<u>\$ 9,911,787</u>		<u>\$ 3,751,000</u>	<u>\$ 345,272</u>

Lease Payable:

The City as a lessee has entered in lease agreements primarily for office space, postage machines and copier machines. The City generally includes renewal periods in the lease terms when it is reasonably certain the renewal option will be exercised. If the interest rate implicit in the City's leases is not readily determinable, the City utilizes its incremental borrowing rate to discount the lease payments. The City's lease arrangements do not contain any material residual value guarantees. Variable payments are not included in the measure of the lease liability.

The City is lessee for eleven non-cancellable building office space leases with initial terms ranging from 2 to 20 years. Three leases are payable annually, two of which increase 3% each year; the remaining leases are payable monthly with annual increases of 3% with the exception of three agreements. The City's incremental borrowing rate ranges from 0.27%-1.57% for these agreements.

The City has ten leasing agreements for postage machines with initial lease terms ranging from 3 to 5 years. These leases are paid on a quarterly basis with no annual increases. The interest rate ranges from 0.45 - 2.52%. The City has elected not to separate lease and non-lease components, maintenance services provided by the lessor at a fixed cost and are included in the fixed lease payments.

The City has approximately ninety-four leasing agreements for copier machines with terms ranging from 3 and 4 years. These leases are paid on a monthly basis with no annual increases. The interest rate ranges from 0.27%-1.10%. For the copier leases, the City has elected to separate lease and non-lease components, such as the maintenance services. The lessor provides a maintenance service at a fixed cost and these costs are not included in the fixed lease payments. The City's lease arrangements do not contain any material residual value guarantees.

The City recognizes a lease payable for principal in the government-wide for the Primary government, business-type funds and component units. As of June 30, 2022, the City's total of the lease liability for principal is \$4,548,114. For fiscal year 2022, the City recognized a total of \$1,733,067 in principal expense and \$35,788 in interest expense for the governmental funds. The principal and interest expense for the Internal Service Funds were \$5,076 and \$38, respectively. For the Business-type funds the principal and interest expense were \$6,566 and \$138, respectively.

The total of the City's leased assets for governmental funds are recorded at a cost of \$5,567,766 less accumulated amortization of \$1,088,045. For the business-type funds, leased assets are recorded at cost of \$38,069, less accumulated amortization of \$6,835.

Notes to financial statements

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

Discretely Presented Component Unit - School Board

The School Board entered into various lease agreements as the lessee primarily for copier rentals, postage machines, and vehicle location tracker agreements. The School Board generally includes renewal periods in the lease terms when it is reasonably certain the renewal option will be exercised. If the interest rate implicit in the School Board's leases is not readily determinable, the School Board utilizes its incremental borrowing rate to discount the lease payments. The School Board's lease arrangements do not contain any material residual value guarantees.

The School Board has eight leasing agreements for copier machines with remaining lease terms ranging from 1.2 to 5 years. These leases are paid on a monthly basis with no annual increases. The discount rate ranges from 0.39-0.98%. The School Board has elected not to separate lease and non-lease components. Maintenance services provided by the lessor at a fixed cost are included in the fixed lease payments.

The School Board has one leasing agreement for a postage machine with a remaining lease term of 4 years. This lease is paid on a quarterly basis with no annual increase. The interest rate is 0.89%. The School Board has elected not to separate lease and non-lease components. Maintenance services provided by the lessor at a fixed cost are included in the fixed lease payments.

The School Board has one leasing agreement for a vehicle location tracker with a remaining lease term of 4.5 years. This lease is paid on a monthly basis with no annual increase. The interest rate is 1.06%. The School Board has elected not to separate lease and non-lease components. Maintenance services provided by the lessor at a fixed cost are included in the fixed lease payments.

For fiscal year 2022, the School Board recognizes \$368,149 in lease principal paid and \$9,623 in interest from all leases.

As of June 30, 2022, the School Board's total lease liability was \$1,074,919. The total lease assets were recorded at a cost of \$1,443,068 less accumulated amortization of \$443,319.

The City has entered into various lease agreements as lessee primarily for offices space, land and office equipment. Some leases have initial terms of up to 20 years, and contain one or more renewal at our option, generally for three- to five year periods. We have generally included these renewal periods in the lease term when it is reasonably certain that we will exercise the renewal option. The City's leases generally do not include termination options for either party to the lease or restrictive financial or other covenants. Certain real estate leases require additional payments for common area maintenance, real estate taxes and insurance, which are expensed as incurred as variable lease payments. For the City's office spaces that include variable payments, those include payments for the City's proportionate share of the building's property taxes, insurance and common area maintenance. The City's lease arrangements do not contain any material residual value guarantees. As the interest rate implicit in the City's leases is not readily determinable, the City utilizes its incremental borrowing rate to discount the lease payments.

The future principal and interest lease payments as of June 30 are as follows:

Fiscal year	Governmental Activities		Business-type Activities		School Board Component Unit	
	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 986,732	\$ 51,965	\$ 12,853	\$ 352	\$ 418,064	\$ 7,153
2024	831,699	42,356	11,393	198	337,613	4,256
2025	734,651	33,411	7,395	51	295,785	1,657
2026	656,830	24,902	-	-	23,457	144
2027	520,510	16,796	-	-	-	-
2028-2032	786,051	23,168	-	-	-	-
	<u>\$ 4,516,473</u>	<u>\$ 192,598</u>	<u>\$ 31,641</u>	<u>\$ 601</u>	<u>\$ 1,074,919</u>	<u>\$ 13,210</u>

10. GENERAL OBLIGATION AND OTHER LONG-TERM DEBT, continued:**General Long-Term Debt:**

Details of general obligation bonds and loans reported in the government-wide statements at June 30, 2022 are as follows:

General Obligation Bonds Outstanding	\$340,599,836
Coupon interest rate	2.0% to 5.63%
Years of maturity	2023-2043

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

Year	General Obligation Bonds	
	Principal	Interest
2023	\$ 20,811,951	\$ 12,706,100
2024	22,050,940	11,461,766
2025	22,054,453	10,510,738
2026	21,502,492	9,569,724
2027	21,115,000	8,533,962
2028-2032	83,560,000	30,418,656
2033-2037	81,690,000	15,378,774
2038-2042	59,955,000	5,303,471
2043	7,860,000	117,899
	<u>\$ 340,599,836</u>	<u>\$ 104,001,090</u>

On March 31, 2022, the City used \$25,000,000 in cash on hand to defease portions of the outstanding General Obligation Public Improvement Bonds, Series 2015A and the General Obligation Public Improvement Refunding Bonds, Series 2015B. Obligations of the United States Government and cash in the amount of \$24,922,271 (net of issuance costs of \$77,729) were deposited with Regions Bank, Richmond, Virginia (Escrow Agent), under an escrow deposit agreement dated as of March 31, 2022. The government obligations will mature and bear interest at times and in amounts sufficient to pay debt service requirements on the defeased bonds until their redemption date.

This transaction is in substance a defeasance of debt and, accordingly, the defeased bonds (of which \$22,800,000 remain outstanding at June 30, 2022) have been removed from the financial statements and the government obligation will not be recorded in the financial statements.

As a result of the defeasance, the City will reduce its total debt service costs by approximately \$26,864,250 for a net present value savings of \$243,622. The present value savings represents approximately 1.06% of the defeased bonds.

In the government-wide statements this transaction resulted in an economic gain of \$5,128,807.

On February 15, 2022, the City issued \$115,615,000 General Obligation Public Improvement Bonds, Series 2022A with interest rates ranging from 2.0% to 5.0% and \$25,875,000 General Obligation Public Improvement Refunding Bonds, Series 2022B (Taxable) with interest rates ranging from 1.2% to 2.4%. The proceeds of the Series 2022A Bonds are being used to fund various capital projects in the City and to pay costs of issuing the Series 2022A bonds. The proceeds of the Series 2022B Bonds are being used to advance refund portions of the City's Series 2015A General Obligation Public Improvement Bonds. Interest on the Bonds is due and payable semi-annually on each March 1 and September 1.

The net proceeds from the 2022B refunding bonds, and a \$350,000 of City local funds, of \$26,130,331 (net of underwriter's discount and issuance costs of \$98,073) were deposited with Regions Bank, Richmond, Virginia (Trustee), under a refunding trust agreement dated as of February 15, 2022. The Trustee used such proceeds to purchase direct, non-callable obligations of U.S. Treasury including state and local government series (collectively,

Notes to financial statements

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

government obligations). The government obligations will mature and bear interest at times and in amounts sufficient to pay debt service requirements on the refunded bonds until their redemption date.

This transaction is in substance a defeasance of debt and, accordingly, the refunded bonds (of which \$23,690,000 remain outstanding at June 30, 2022) have been removed from the financial statements and the government obligation will not be recorded in the financial statements.

As a result of the refunding, the City will reduce its total debt service costs by approximately \$1,610,538 for a net present value savings of \$1,398,222. The present value savings represents approximately 5.9% of the refunded bonds.

In the government-wide statements this transaction resulted in an economic gain of \$30,644.

On December 2, 2020, the City issued \$10,725,000 General Obligation Public Improvement Bonds, Series 2020A (Tax-Exempt Environmental Impact Bonds) with interest rates ranging from 0.200% to 2.160% and \$16,895,000 General Obligation Public Improvement and Refunding Bonds, Series 2020B (Taxable) with interest rates ranging from 0.327% to 1.896%. The proceeds of the Series 2020A Bonds are being used to fund various stormwater management projects in the City and to pay costs of issuing the Series 2020A bonds. The proceeds of the Series 2020B Bonds are being used to advance refund portions of the City's Series 2013 General Obligation Public Improvement Bonds. Interest on the Bonds is due and payable semi-annually on each March 1 and September 1.

On October 8, 2019, the City issued \$54,000,000 General Obligation Public Improvement Bonds, Series 2019A with interest rates ranging from 1.29% to 2.85% and \$21,355,000 General Obligation Public Improvement and Refunding Bonds, Series 2019B (Taxable) with interest rates ranging from 1.95% to 2.95%. The proceeds of the Series 2019A Bonds are being used to fund various public improvement projects in the City and to pay costs of issuing the Series 2019A Bonds. The proceeds of the Series 2019B Bonds were used to advance refund portions of the City's Series 2012A General Obligation Public Improvement Refunding Bonds and the remaining balance will be used for a strategic land acquisition. Interest on the Bonds is due and payable semi-annually on each March 1 and September 1.

On April 29, 2019, the City issued \$22,991,000 in General Obligation Public Improvement Refunding Bond, Series 2019 to Bank of America, N.A pursuant to a Bond Purchase and Loan Agreement to evidence a loan from the bank to the City. The bond matures on January 15, 2022, bears interest at the rate of 2.36%, payable semi-annually on January 15 and July 15. The interest rate is subject to adjustment upon the occurrence of an Event of Default and upon the occurrence of a Determination of Taxability on the terms set forth in the Bond and in the Agreement. Principal installments are payable on January 15, 2020, January 15, 2021 and at maturity on January 15, 2022. The bond is pre-payable at the election of the City at any time, subject to a make-whole pre-payment requirement. Payment of principal and interest on the bond is a general obligation of the City secured by its full faith and credit. The bond is issued to refund for debt service savings the outstanding principal amount, \$22,625,000, of the City's General Obligation Public Improvement and Refunding Bonds, Series 2010A (Tax-exempt), maturing January 15, 2022. The Series 2010A (Tax-exempt) Bonds were redeemed on April 30, 2019.

On June 27, 2018, the City issued \$46,070,000 in General Obligation Public Improvement Bonds, Series 2018A with interest rates ranging from 3.25% to 5.0% and \$9,185,000 in General Obligation Public Improvement Refunding Bonds, Series 2018B (Taxable) with interest rates ranging from 3.45% to 4.0%. The Series 2018B Bonds were issued to redeem on their date of issuance the City's \$9,250,000 General Obligation Bond Anticipation Note, Series 2017 issued on October 31, 2017. Interest on the Bonds is due and payable semi-annually each March 1 and September 1.

On October 31, 2017, the City issued its \$9,250,000 General Obligation Bond Anticipation Note, Series 2017 (the "BAN") to Branch Banking and Trust Company to evidence a loan from the bank to the City. The BAN matured on October 1, 2018, bears interest at the rate of 2.07%, payable semi-annually on April 1 and October 1, and is subject to optional prepayment in whole at the election of the City at any time on and after January 1, 2018 in an amount equal to the principal amount thereof plus accrued and unpaid interest to the prepayment date. The BAN is issued in anticipation of the issuance of long-term bonds by the City, the proceeds of which will be used to refund and redeem the BAN and fund other public improvement projects. The BAN is a general obligation of the City secured by its full faith and credit and taxing power.

On April 23, 2015, the City issued \$46,770,000 in General Obligation Public Improvement Bonds, Series 2015A with interest rates ranging from 3.5% to 5.0% and \$56,250,000 in General Obligation Public Improvement Refunding Bonds, Series 2015B with an interest rate of 5.0%. The proceeds of the 2015B Bonds were used to refund portions of the

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

City's Series 2007 General Obligation Bonds in the amount of \$63,320,000 and the remaining balance will be used to finance the cost of general capital improvement projects of the City. Interest on the Bonds is due and payable semi-annually on each March 1 and September 1.

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

On June 20, 2012, the City issued \$26,390,000 in General Obligation Public Improvement Refunding Bonds, Series 2012A (Tax- Exempt) and \$18,380,000 General Obligation Public Improvement Refunding Bonds, Series 2012B (Taxable) with interest rates ranging from .51% to 5%. The proceeds of the bonds were used to refund portions of the City's Series 2002, 2002A, 2004 and 2005A General Obligation Bonds.

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

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

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

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

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

The City's outstanding general obligation bonds and direct placement general obligation bonds contain a provision that in the event of default, amounts outstanding become immediately due if the City is unable to make payment.

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, 2022, \$62,070,000 defeased bonds were outstanding.

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, 2022, the City's aggregate general obligation indebtedness was \$341,170,000, which is \$851,415,868 less than the State limit.

Overlapping Debt:

There are no overlapping or underlying tax jurisdictions.

Notes to financial statements

11. DEFINED BENEFIT PENSION PLANS:

The City and Hampton School Board's nonprofessional employees contribute to two pension plans for all eligible full-time salaried employees, the Hampton Employees' Retirement System (HERS) and the Virginia Retirement System Plan (VRS).

The VRS administers a cost-sharing, multiple-employer defined benefit pension plan. The City and School Board's nonprofessional employees are covered by the agent, multiple-employer defined benefit plan under the VRS Political Subdivision Retirement Plan. All full-time, salaried permanent (professional) employees of the School Board are covered by the VRS Teacher Retirement Plan which is a cost-sharing, multiple-employer defined benefit plan upon employment.

The HERS plan covers all full-time salaried employees who were first hired prior to July 1, 1984.

The following is a summary of the total activity for the City and School Board defined pension plans during the year ended June 30, 2022:

	Net Pension (Asset)/ Liability	Net Deferred Outflows	Net Deferred Inflows	Pension Expense/ (Reduction)
City:				
VRS	\$ 92,085,608	\$ 38,084,566	\$ (69,705,362)	\$ 9,033,860
HERS	5,318,610	4,110,804	-	3,874,897
Total	<u>\$ 97,404,218</u>	<u>\$ 42,195,370</u>	<u>\$ (69,705,362)</u>	<u>\$ 12,908,757</u>
	Net Pension (Asset)/ Liability	Net Deferred Outflows	Net Deferred Inflows	Pension Expense/ (Reduction)
School Board:				
VRS - Nonprofessional employees	(400,410)	804,358	(3,381,664)	323,889
VRS - Teachers	101,073,975	38,256,624	(77,461,681)	(892,975)
HERS - Teachers/Nonprofessional employees	5,127,913	3,963,412	-	3,735,963
Total	<u>\$ 105,801,478</u>	<u>\$ 43,024,394</u>	<u>\$ (80,843,345)</u>	<u>\$ 3,166,877</u>

The HERS reported \$152,427 for net pension liability, \$63,040 deferred outflows of resources, \$115,381 deferred inflows of resources and \$128,230 pension expense increase.

Hampton Employees' Retirement System (HERS)

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 VRS.

HERS was established as a separate trust fund in 1966 and became non-contributory on January 1, 1975. The authority to establish and amend benefit provisions of HERS is governed by statute as set out in Chapter 28 of the City Code. All full-time permanent employees of the City and School Board, who are members of VRS and have credit with HERS for service rendered prior to July 1, 1984, are members. HERS was closed to new entrants effective July 1, 1984.

HERS provides retirement benefits as well as death-in-service and disability benefits. All benefits vest after five years of credited service. Employees who retire on or after age 60 with five or more years of credited service or upon attaining age 55 with 25 or more years of credited service (age 50 for public safety officers) are entitled to an annual benefit, payable monthly for life, in an amount equal to 2% of their final average compensation for each of the first 20 years of credited service, plus 2-1/4% for each year of service thereafter, offset by an assumed VRS benefit equal

11. DEFINED BENEFIT PENSION PLANS, continued:

to 1-1/2% of their average final compensation for credited service with VRS resulting for City of Hampton service. Final average compensation is the employee's average salary, excluding overtime, over the three highest consecutive years of credited service as a member. Employees with five years of credited service may retire on or after 55 (age 50 for public safety officers) and receive a reduced retirement benefit. Additionally, a plan amendment passed in 1999 allows for early retirement at age 50 for school and general members having at least 10 years of credited service.

Effective July 1, 2001, a plan amendment provided for a one-time cost of living adjustment of 3.5% to the gross monthly retirement benefits for retired members and beneficiaries who were receiving retirement benefits on that date and hired prior to July 1, 1999. COLAs are not automatic under the plan.

HERS is considered a part of the City's 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 the City of Hampton, Finance Department, 22 Lincoln Street, Hampton, Virginia, 23669 or by calling (757) 727-6230.

Employees Covered by Benefit Terms - HERS Retirement Plan

As of June 30, 2021, the following employees were covered by the benefit terms of the pension plan :

	Number	
	City	School Board Nonprofessional Employees
Inactive members or their beneficiaries currently receiving benefits	962	1,431
Vested inactive members	88	138
Active members	18	7
Total	1,068	1,576

Contributions - HERS:

The contribution requirements of plan members, the City and School Board are established and may be amended by the City Council. Plan members do not contribute. The City and Component Unit – School Board are required to contribute an actuarially determined amount. Contributions from the City totaled \$3,334,653 and the School Board totaled \$3,215,090 for the year ending June 30, 2022.

Net Pension Liability - HERS:

The City's and School Board's net pension liability was measured as of June 30, 2022 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date, roll forward to the measurement date of June 30, 2021.

Actuarial Assumptions - HERS Retirement Plan

The total pension liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	2.50% per annum for all members of the plan
Investment rate of return	6.00%, net of investment expenses, annually
Administrative Expenses	Assumed to be the same as for the prior plan year, increased by the inflation rate of 2.5%.

Notes to financial statements

11. DEFINED BENEFIT PENSION PLANS, continued:

Mortality rates were based on the RP-2014 Annuitant and Non-Annuitant Mortality adjusted to 2006 using MP-2014, with generational projections using scale MP-2017. The actuarial assumptions used for the June 30, 2019 valuation were based on the results of an experience study for the period July 1, 2009 through June 30, 2017.

The long-term expected rate of return on pension plan investments using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation and adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity- Large Cap	44%	9.20%
Domestic Equity-Mid/Small Cap	9%	9.50%
International Equity	10%	8.20%
Fixed Income	37%	3.90%
Total	100%	

The discount rate used to measure the total pension liability was 6.00 percent. A formal cash flow projection was not performed; however, the assumption was made that the City and School Board will continue the historical and legally required practice of contributing to the plan based on an actuarially determined contribution, reflecting a payment equal to the normal cost plus a provision for administrative expenses, plus an amount necessary to amortize the June 30, 2013 unfunded actuarial liability as a level dollar amount over a closed 10 year period, plus layers of future actuarial gains and losses over separate fixed 10 year periods from each subsequent valuation date. Based on these assumptions, the pension plans' projected fiduciary net position will be greater than or equal to the benefit payments projected for each future period. Therefore, the long-term expected rate of return on pension plan investments (7.00%) was applied to all periods of projected benefit payments to determine the total pension liability.

HERS - Fiduciary Net Position:

	Fiduciary Net Position		
	City	Component Unit - School Board	Total
Balances at June 30, 2021	\$ 80,478,026	\$ 65,919,911	\$ 146,397,937
Contribution - employer	3,334,653	3,215,090	6,549,743
Net investment income	(20,973,614)	3,526,414	(17,447,200)
Benefit payments	(6,506,102)	(9,149,653)	(15,655,755)
Administrative expense	(191,224)	(268,921)	(460,145)
Net Changes	(24,336,287)	(2,677,070)	(27,013,357)
Balances at June 30, 2022	\$ 56,141,739	\$ 63,242,841	\$ 119,384,580

11. DEFINED BENEFIT PENSION PLANS, continued:

Changes in the Net Pension Liability / (Asset) - HERS:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (a)-(b)
Balances at June 30, 2021	\$ 129,071,501	\$ 146,397,937	\$ (17,326,436)
Changes for the year:			
Service cost	82,615	-	82,615
Interest	8,499,164	-	8,499,164
Changes of assumptions	7,833,578		7,833,578
Contributions-employer	-	6,549,743	(6,549,743)
Net investment income	-	(17,447,200)	17,447,200
Benefit payments, including refunds of employee contributions	(15,655,755)	(15,655,755)	-
Administrative expense	-	(460,145)	460,145
Net Changes	759,602	(27,013,357)	27,772,959
Balances at June 30, 2022	\$ 129,831,103	\$ 119,384,580	\$ 10,446,523

At June 30, 2022, the City and School Board reported a net pension liability of \$5,318,610 and \$5,127,913, respectively.

Sensitivity of the Net Position Asset to Changes in the Discount Rate - HERS

The following presents the net pension liability of the City and School Board, calculated using the discount rate of 6.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.00 percent) or 1-percentage higher (7.00 percent) than the current rate:

	1% Decrease (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
Net pension liability-City	\$ 9,830,363	\$ 5,318,610	\$ 1,330,321
Net pension liability-School Board	\$ 9,477,899	\$ 5,127,913	\$ 1,282,623

Pension Expense and Deferred Outflows (Inflows) of Resources Related to Pensions - HERS

For the year ended June 30, 2022, the City and School Board recognized pension expense reduction of \$3,874,897 and \$3,735,963, respectively. At June 30, 2022, the City and Component Unit - School Board reported deferred inflows of resources related to pensions from the following sources:

	City	School Board
	Deferred Outflows of Resources	Deferred Outflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 4,110,804	\$ 3,963,412
Total	\$ 4,110,804	\$ 3,963,412

Notes to financial statements

11. DEFINED BENEFIT PENSION PLANS, continued:

Amounts reported as deferred inflows of resources related to pensions will be recognized as follows:

Year ended June 30:	City	School Board
2023	\$ 481,004	\$ 463,758
2024	496,520	478,717
2025	346,735	334,303
2026	2,786,545	2,686,634
	<u>\$ 4,110,804</u>	<u>\$ 3,963,412</u>

Pension Plan Fiduciary Net Position - HERS

Detailed information about the pension plan's fiduciary is available in the separately issued HERS financial report.

Virginia Retirement System (VRS)

Plan Description - VRS:

The City and School Board contribute to the VRS, an agent and cost-sharing multiple-employer defined benefit pension plan administered by the VRS.

All full-time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Retirement Plan, a cost-sharing multiple-employer defined benefit plan, upon employment. All full-time, salaried permanent employees of the City and nonprofessional employees of the School Board are automatically covered by the VRS Retirement Plan, an agent multiple-employer defined benefit plan, upon employment. These plans are administered by the Virginia Retirement System (System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the Code of Virginia, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

The System administers three different benefit structures for covered employees - Plan 1, Plan 2, and Hybrid. Each of these benefits structures has a different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
About Plan 1	About Plan 2	About the Hybrid Retirement Plan
Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, service credit and average final compensation at retirement using a formula.	Same as Plan 1.	<p>The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan.</p> <ul style="list-style-type: none"> • The defined benefit is based on a member's age, service credit and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

11. DEFINED BENEFIT PENSION PLANS, continued:

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Eligible Members	Eligible Members	Eligible Members
Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013, and they have not taken a refund.	Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.	Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes: <ul style="list-style-type: none"> • School division non-professional employees • Political subdivision employees* • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014
Hybrid Opt-In Election	Hybrid Opt-In Election Eligible	*Non-Eligible Members
VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.	Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.	Some employees are not eligible to participate in the Hybrid Retirement Plan. They include: <ul style="list-style-type: none"> • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees
The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.	The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.	Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.
If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.	If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.	
Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.	Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.	
Retirement Contributions	Retirement Contributions	Retirement Contributions
Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.	Same as Plan 1.	A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.

Notes to financial statements

11. DEFINED BENEFIT PENSION PLANS, continued:

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Service Credit</p> <p>Service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p>	<p>Service Credit</p> <p>Same as Plan 1.</p>	<p>Service Credit</p> <p>Defined Benefit Component:</p> <p>Under the defined benefit component of the plan, service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p> <p>Defined Contributions Component:</p> <p>Under the defined contribution component, service credit is used to determine vesting for the employer contribution portion of the plan.</p>
<p>Vesting</p> <p>Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of service credit. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.</p> <p>Members are always 100% vested in the contributions that they make.</p>	<p>Vesting</p> <p>Same as Plan 1.</p>	<p>Vesting</p> <p>Defined Benefit Component:</p> <p>Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of service credit. Plan 1 or Plan 2 members with at least five years (60 months) of service credit who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p> <p>Defined Contributions Component:</p> <p>Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.</p> <p>Members are always 100% vested in the contributions that they make.</p> <p>Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p> <ul style="list-style-type: none"> • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.

11. DEFINED BENEFIT PENSION PLANS, continued:

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
		Distribution is not required, except as governed by law.
Calculating the Benefit	Calculating the Benefit	Calculating the Benefit
The Basic Benefit is determined using the average final compensation, service credit and plan multiplier. An early retirement reduction factor is applied to the amount if the member is retiring with a reduced benefit. In cases where the member has elected an optional form of retirement payment, an option factor specific to the option chosen is then applied.	See definition under Plan 1.	Defined Benefit Component: See definition under Plan 1 Defined Contribution Component: The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.
Average Final Compensation	Average Final Compensation	Average Final Compensation
A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.	Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.
Service Retirement Multiplier	Service Retirement Multiplier	Service Retirement Multiplier
VRS: The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for nonhazardous duty members is 1.70%.	VRS: Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for service credit earned, purchased or granted on or after January 1, 2013.	Defined Benefit Component: VRS: The retirement multiplier for the defined benefit component is 1.00%. For members that opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.
Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.	Sheriffs and regional jail superintendents: Same as Plan 1.	Sheriffs and regional jail superintendents: Not applicable.
Political subdivision hazardous duty employees: The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.	Political subdivision hazardous duty employees: Same as Plan 1.	Political subdivision hazardous duty employees: Not applicable. Defined Contribution Component: Not applicable.
Normal Retirement Age:	Normal Retirement Age:	Normal Retirement Age:
VRS: Age 65.	VRS: Normal Social Security retirement age.	Defined Benefit Component: VRS: Same as Plan 2.
Political subdivisions hazardous duty employees: Age 60.	Political subdivisions hazardous duty employees: Same as Plan 1.	Political subdivisions hazardous duty employees: Not applicable. Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Unreduced Retirement Eligibility	Earliest Unreduced Retirement Eligibility	Earliest Unreduced Retirement Eligibility
VRS: Age 65 with at least five years (60 months) of service credit or at age 50 with at least 30 years of service credit.	VRS: Normal Social Security retirement age with at least five years (60 months) of service credit or when their age plus service equals 90.	Defined Benefit Component: VRS: Normal Social Security retirement age and have at least five years (60 months) of service credit or when their age plus service credit equals 90.

Notes to financial statements

11. DEFINED BENEFIT PENSION PLANS, continued:

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Political subdivisions hazardous duty employees: Age 60 with at least five years of service credit or age 50 with at least 25 years of service credit.	Political subdivisions hazardous duty employees: Same as Plan 1.	Political subdivisions hazardous duty employees: Not applicable. Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Reduced Retirement Eligibility	Earliest Reduced Retirement Eligibility	Earliest Reduced Retirement Eligibility
VRS: Age 55 with at least five years (60 months) of service credit or age 50 with at least 10 years of service credit. Political subdivisions hazardous duty employees: age 50 with at least five years of service credit.	VRS: Age 60 with at least five years (60 months) of service credit. Political subdivisions hazardous duty employees: Same as Plan 1.	VRS: Age 60 with at least five years (60 months) of service credit. Political subdivisions hazardous duty employees: Not applicable. Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Cost-of-Living Adjustment (COLA) in Retirement	COLA in Retirement	COLA in Retirement
The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.	The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.	Defined Benefit Component: Same as Plan 2. Defined Contribution Component: Not applicable.
Eligibility: For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of service credit, the COLA will go into effect on July 1 after one full calendar year from the retirement date. For members who retire with a reduced benefit and who have less than 20 years of service credit, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.	Eligibility: Same as Plan 1.	Eligibility: Same as Plan 1 and Plan 2.
Exceptions to COLA Effective Dates: The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances: • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability. • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.	Exceptions to COLA Effective Dates: Same as Plan 1.	Exceptions to COLA Effective Dates: Same as Plan 1 and Plan 2.

11. DEFINED BENEFIT PENSION PLANS, continued:

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<ul style="list-style-type: none"> The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins. 		
Disability Coverage	Disability Coverage	Disability Coverage
Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.70% on all service, regardless of when it was earned, purchased or granted.	Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.	Employees of political subdivisions and school divisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.
VSDP members are subject to a one year waiting period before becoming eligible for non-work related disability benefits.	VSDP members are subject to a one year waiting period before becoming eligible for non-work related disability benefits.	Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.
Purchase of Prior Service	Purchase of Prior Service	Purchase of Prior Service
Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as service credit in their plan. Prior service credit counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.	Same as Plan 1.	<p>Defined Benefit Component:</p> <p>Same as Plan 1, with the following exception:</p> <ul style="list-style-type: none"> Hybrid Retirement Plan members are ineligible for ported service. <p>Defined Contribution Component:</p> <p>Not applicable.</p>

Employees Covered by Benefit Terms - VRS Retirement Plan

As of the June 30, 2020 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Number	
	City	School Board Nonprofessional Employees
Inactive members or their beneficiaries currently receiving benefits	1,810	281
Inactive members:		
Vested inactive members	378	43
Non-vested inactive members	758	123
Active elsewhere in VRS	662	72
Total inactive members	1,798	238
Active members	1,850	169
Total covered employees	5,458	688

Notes to financial statements

11. DEFINED BENEFIT PENSION PLANS, continued:

Contributions - VRS:

The contribution requirement for active employees is governed by Title 51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions and school divisions by the Virginia General Assembly. Employees are required to contribute 5% of their compensation toward their retirement.

For the Teacher Retirement Plan, each school division's contractually required contribution rate for the year ended June 30, 2022 was 16.62% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the Teacher Retirement Plan from the School Board were \$19,587,070 and \$18,338,376 for the years ended June 30, 2022 and June 30, 2021, respectively.

For the VRS Retirement Plan, the City's and School Board's nonprofessional employees contractually required contribution rates for the year ended June 30, 2022 were 19.09% and 7.03% of covered employee compensation, respectively. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the City were \$17,482,221 and \$17,029,942 for the years ended June 30, 2022 and June 30, 2021, respectively. Contributions to the pension plan from the School Board were \$276,383 and \$255,272 for the years ended June 30, 2022 and June 30, 2021, respectively.

Net Pension Liability - VRS Retirement Plan

The net pension liability (NPL) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GAAP, less that employer's fiduciary net position. For the City and School Board's nonprofessional employees net pension liabilities were measured as of June 30, 2021. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2020, rolled forward to the measurement date of June 30, 2021.

Pension Liabilities, Pension Expense, and Deferred Outflows (Inflows) Related to Pensions - VRS Retirement Plan

School Board - Teachers

At June 30, 2022, the School Board - Teachers reported a liability of \$101,073,975 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2021 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation performed as of June 30, 2020, and rolled forward to the measurement date of June 30, 2021. The School Board's proportion of the Net Pension Liability was based on the School Board's actuarially determined employer contributions to the pension plan for the year ended June 30, 2021, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2021, the School Board's proportion was 1.30% as compared to 1.29% at June 30, 2020.

For the year ended June 30, 2022, the School Board - Teachers recognized a pension refund of \$892,975. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2022, the School Board-Teachers reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (8,608,870)
Change in assumptions	17,707,896	-
Net difference between projected and actual earnings on pension plan investments	-	(63,694,114)
Changes in proportionate share	961,658	(5,158,697)
Employer contributions subsequent to the measurement date	19,587,070	-
	<u>\$ 38,256,624</u>	<u>\$ (77,461,681)</u>

11. DEFINED BENEFIT PENSION PLANS, continued:

\$19,587,070 reported as deferred outflows of resources related to pensions resulting from the School Board - Teacher's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30	
2023	\$ (14,804,345)
2024	(13,025,063)
2025	(13,297,780)
2026	(17,684,666)
2027	19,727
	<u>\$ (58,792,127)</u>

City

For the year ended June 30, 2022, the City recognized pension expense of \$9,162,090. At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (5,408,263)
Change in assumptions	20,665,385	-
Net difference between projected and actual earnings on pension plan investments	-	(64,412,480)
Employer contributions subsequent to the measurement date	17,482,221	-
Total	<u>\$ 38,147,606</u>	<u>\$ (69,820,743)</u>

\$17,482,221 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30	
2023	\$ (8,082,895)
2024	(8,756,109)
2025	(12,667,931)
2026	(19,648,423)
	<u>\$ (49,155,358)</u>

School Board Nonprofessional Employees

For the year ended June 30, 2022, the School Board recognized pension expense of \$343,758. At June 30, 2022, the School Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 167,795	\$ -
Change in assumptions	360,180	-
Net difference between projected and actual earnings on pension plan investments	-	(3,381,664)
Employer contributions subsequent to the measurement date	276,383	-
Total	<u>\$ 804,358</u>	<u>\$ (3,381,664)</u>

Notes to financial statements

11. DEFINED BENEFIT PENSION PLANS, continued:

\$276,383 reported as deferred outflows of resources related to pensions resulting from the School Board's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30	
2023	\$ (260,809)
2024	(766,810)
2025	(786,542)
2026	(1,039,528)
	<u>\$ (2,853,689)</u>

Actuarial Assumptions - VRS Teacher Retirement Plan

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2020, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2021.

Inflation	2.5 percent
Salary increases, including inflation	3.5 percent – 5.95 percent
Inflation Investment rate of return	6.75 percent, net of pension plan investment expenses, including inflation

Mortality rates:

Pre-Retirement:

Pub-2010 Amount Weighted Teachers Employee Rates projected generationally, 110% of rates for males.

Post-Retirement:

Pub-2010 Amount Weighted Teachers Healthy Retiree Rates projected generationally, males set forward 1 year; 105% of rates for females.

Post-Disablement:

Pub-2010 Amount Weighted Teachers Disabled Rates projected generationally, 110% of rates for males and females.

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Teachers Contingent Annuitant Rates projected generationally.

Mortality Improvement:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

11. DEFINED BENEFIT PENSION PLANS, continued:

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post- retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020.
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all.
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Discount Rate	Decrease rate from 7.00% to 6.75%

Actuarial Assumptions – VRS Retirement Plan General Employees

The total pension liability for General Employees in the Political Subdivision's Retirement Plan was based on an actuarial valuation as of June 30, 2020, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2021.

Inflation	2.5 percent
Salary increases, including inflation	3.5 percent – 5.35 percent
Investment rate of return	6.75 Percent, net of pension plan investment expenses, including inflation

Mortality rates:

Largest 10 – Non-Hazardous Duty: 20% of deaths are assumed to be service related.

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally, 95% of rates for males; 105% of rates for females set forward 2 years.

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally, 110% of rates for males; 105% of rates for females set forward 3 years.

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally, 95% of rates for males set back 3 years; 90% of rates for females set forward 3 years.

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years.

Mortality Improvement:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

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11. DEFINED BENEFIT PENSION PLANS, continued:

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Largest 10 – Non-Hazardous Duty:

Mortality Rates (Pre-retirement, post- retirement healthy, disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020.
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid changed final retirement age.
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered Rates
Salary Scale	No change
Line of Duty Disability	Increase rate from 14% to 20%
Discount Rate	Decrease rate from 7.00% to 6.75%

Actuarial Assumptions – VRS Retirement Plan Public Safety Employees with Hazardous Duty Benefits

The total pension liability for Public Safety employees with Hazardous Duty Benefits in the Political Subdivision Retirement Plan was based on an actuarial valuation as of June 30, 2020, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2021.

Inflation	2.5 percent
Salary increases, including Inflation	3.5 percent - 4.75 percent
Investment rate of return	6.75 percent, net of pension plan investment expenses, including inflation*

Mortality rates:

Largest 10 - Hazardous Duty: 70% of deaths are assumed to be service related

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally with a Modified MP-2020 Improvement Scale; 95% of rates for males; 105% of rates for females set forward 2 years.

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally with a Modified MP-2020 Improvement Scale; 110% of rates for males; 105% of rates for females set forward 3 years.

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally with a Modified MP-2020 Improvement Scale; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years.

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally with a Modified MP-2020 Improvement Scale; 110% of rates for males and females set forward 2 years.

Mortality Improvement:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

11. DEFINED BENEFIT PENSION PLANS, continued:

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Largest 10 - Hazardous Duty:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public safety sector mortality tables. Increases disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020.
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70.
Withdrawal Rates	Decrease rates
Disability Rates	Increased rates
Salary Scale	No change
Line of Duty Disability	Increase rate from 60% to 70%
Discount Rate	Decrease rate from 7.00% to 6.75%

Long-Term Expected Rate of Return

The long-term expected rate of return on pension System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return*
Public Equity	34.00%	5.00	1.70%
Fixed Income	15.00%	0.57	0.09%
Credit Strategies	14.00%	4.49	0.63%
Real Assets	14.00%	4.76	0.67%
Private Equity	14.00%	9.94	1.39%
MAPS - Multi-Asset Public Strategies	6.00%	3.29	0.20%
PIP - Private Investment Partnership	3.00%	6.84	0.21%
Total	100.00%		4.89%
	Inflation		2.50%
Expected arithmetic nominal return*			7.39%

*The above allocation provides a one-year expected return of 7.39%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.94%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for City and School Board employer contributions; political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2021, the alternate rate was the employer contribution rate used in fiscal year 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017, actuarial valuations, whichever was

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11. DEFINED BENEFIT PENSION PLANS, continued:

greater. From July 1, 2021, on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability - VRS Retirement Plan City

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a)-(b)
Balances at June 30, 2020	\$ 650,306,567	\$ 482,098,115	\$ 168,208,452
Changes for the year:			
Service cost	12,410,433	-	12,410,433
Interest	42,657,914	-	42,657,914
Changes of assumptions	26,863,218	-	26,863,218
Differences between expected and actual experience	(6,498,539)	-	(6,498,539)
Contributions-employer	-	17,029,942	(17,029,942)
Contributions-employee	-	4,431,468	(4,431,468)
Net investment income	-	130,259,557	(130,259,557)
Benefit payments, including refunds of employee contributions	(36,674,940)	(36,674,940)	-
Administrative expense	-	(329,770)	329,770
Other changes	-	12,246	(12,246)
Net changes	38,758,086	114,728,503	(75,970,417)
Balances at June 30, 2021	\$ 689,064,653	\$ 596,826,618	\$ 92,238,035

Changes in Net Pension Liability(asset) - VRS Retirement Plan Component Unit - School Board Nonprofessional Employees

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability(asset)
	(a)	(b)	(a)-(b)
Balances at June 30, 2020	\$ 29,130,822	\$ 25,963,997	\$ 3,166,825
Changes for the year:			
Service cost	350,415	-	350,415
Interest	1,897,627	-	1,897,627
Changes of assumptions	1,027,179	-	1,027,179
Differences between expected and actual experience	478,526	-	478,526
Contributions-employer	-	255,272	(255,272)
Contributions-employee	-	187,439	(187,439)
Net investment income	-	6,895,847	(6,895,847)
Benefit payments, including refunds of employee contributions	(2,035,662)	(2,035,662)	-
Administrative expenses	-	(18,217)	18,217
Other changes	-	641	(641)
Net changes	1,718,085	5,285,320	(3,567,235)
Balances at June 30, 2021	\$ 30,848,907	\$ 31,249,317	\$ (400,410)

Sensitivity of the School Board's Proportionate Share of the Teachers Net Pension Liability to Changes in the Discount Rate

The following presents the School Board's proportionate share of the net pension liability using the discount rate of 6.75%, as well as what the School Board's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
School Division's proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability	\$ 195,067,299	\$ 101,073,975	\$ 23,751,912

11. DEFINED BENEFIT PENSION PLANS, continued:**Sensitivity of the Net Pension Liability(asset) to Changes in the Discount Rate - VRS Retirement Plan**

The following presents the net pension liability(asset) of the City and School Board Nonprofessional employees using the discount rate of 6.75%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
City's Plan Net Pension Liability	\$ 177,544,096	\$ 92,238,035	\$ 21,396,117
School Board Nonprofessional Employees' Plan's Net Pension Liability(asset)	\$ 2,903,384	\$ (400,410)	\$ (3,173,740)

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement and VRS Retirement Plans' Fiduciary Net Position is available in the separately issued VRS 2021 Annual Comprehensive Financial Report. A copy of the 2021 VRS Comprehensive Annual Financial Report may be downloaded from the VRS website at <http://www.varetire.org/PDF/Publications/2021-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Payables to the Pension Plan

At June 30, 2022, the City and School Board reported a payable of \$1,083,292 and \$2,389,398, respectively, for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2022.

12. DEFERRED COMPENSATION PLAN:

The City provides an approved deferred compensation plan, under Section 457 of the Internal Revenue Code, which is administered by the Mission Square 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, Mission Square 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(a) of the Internal Revenue Code, which is administered by the Mission Square 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, Mission Square 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.

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13. OTHER POSTEMPLOYMENT HEALTH CARE BENEFIT PLANS:

The City and School Board sponsors a single-employer, self-insured defined benefit health care benefit (HCB) plan that provides medical benefits to eligible retirees and their dependents. In addition, the Virginia Retirement System (VRS) provides other postemployment benefits (OPEB) plans for the City, School Board and Teachers. These defined benefit plans are multiple-employer, cost-sharing plans that provide coverage to state employees, teachers and employees of participating political subdivisions for public employer groups in the Commonwealth of Virginia. The VRS OPEB plans include Health Insurance Credit Program (HIC), Line of Duty Act Program (LODA) and Group Life Insurance Program (GLI).

The following is a summary of the total activity for the City and School Board Group OPEB plans during the year ended June 30, 2022:

	Net OPEB Liability	Net Deferred Outflows	Net Deferred Inflows	OPEB Expense/ (Reduction)
City:				
HCB - (Note 14)	\$ 67,000,195	\$ 15,123,281	\$ (32,201,909)	\$ (3,787,978)
GLI - (Note 16)	5,143,186	1,388,415	(2,393,774)	77,151
LODA - (Note 15)	22,660,597	8,394,428	(2,226,682)	1,863,140
Total	<u>\$ 94,803,978</u>	<u>\$ 24,906,124</u>	<u>\$ (36,822,365)</u>	<u>\$ (1,847,687)</u>
School Board:				
Professional employees				
HIC - (Note 14)	\$ 16,619,525	\$ 2,016,473	\$ (1,354,069)	\$ 1,164,844
GLI - (Note 16)	6,473,465	1,805,771	(2,816,440)	169,382
Nonprofessional employees				
HCB - (Note 14)	4,276,233	890,664	(1,229,042)	378,656
HIC - (Note 14)	542,857	52,491	(2,557)	43,573
GLI - (Note 16)	224,006	69,763	(122,995)	1,091
Total	<u>\$ 28,136,086</u>	<u>\$ 4,835,162</u>	<u>\$ (5,525,103)</u>	<u>\$ 1,757,546</u>

The HERS reported \$18 for net HCB OPEB liability, \$16,890 deferred outflows of resources, \$41,082 deferred inflows of resources and (\$5,139) net OPEB expense for HCB. For Group Life Insurance HERS reported \$1,496 for net GLI OPEB liability, \$404 deferred outflows of resources, \$696 deferred inflows of resources and \$(23) GLI expense reduction.

13. OTHER POSTEMPLOYMENT HEALTH CARE BENEFIT PLANS, continued:**Other Postemployment Benefits - Health Care Benefits (HCB)****Plan Description**City

The City sponsors a single-employer, self-insured defined benefit health care plan that provides medical benefits to retirees and their dependents to age 65. At age 65, retirees can participate in the City's fully-insured supplemental medical plan where the City's plan is secondary to Medicare. Retiree health coverage is provided under the City's Personnel and Policy Procedures to all full-time, salaried permanent employees and public safety officers who retire with the required years of service with the City and continuous years of coverage under the plan. No assets are accumulated in a trust that meets GAAP's criteria. There is no standalone financial report for the plan.

School

The School Board sponsors a single-employer, defined benefit healthcare plan that provides medical and dental benefits to retirees and their dependents. Once retirees become eligible for Medicare at age 65, the retiree and their dependents are terminated from the plan. No assets are accumulated in a trust that meet GAAP's criteria. There is no standalone financial report for the plan.

Benefits Provided:City

The City requires retirees to pay the premiums charged to active employees plus a surcharge based on the retiree claims experience. Since retirees premiums are not based on a separate actuarially rated plan, there's an implicit rate subsidy, which is considered other postemployment benefits (OPEB). Retirees and spouses under the City's self-insured plan have the same benefits as active employees. Coverage terminates in the pre-65 plan when the retiree or spouse becomes 65.

School

The School Board allows employees, who have been enrolled in the School Board health and/or dental insurance plan for a minimum of five consecutive years prior to retirement, to use their accrued sick leave towards a health or dental subsidy as follows:

- 100 days = \$100 per month up to a total maximum subsidy of \$5,000
- 150 days = \$150 per month up to a total maximum subsidy of \$7,500
- 200 days = \$200 per month up to a total maximum subsidy of \$10,000
- 250 days = \$250 per month up to a total maximum subsidy of \$12,500
- 300 days = \$300 per month up to a total maximum subsidy of \$15,000

Since retiree premiums are not based on a separate actuarially rated plan, there's an implicit rate subsidy, which is also considered other postemployment benefits (OPEB). Retirees and their dependents under the School Board's plan have the same benefits as active employees.

ContributionsCity

The City's contribution ranges from 0% to 100% of the premium based on the retiree's years of continuous health coverage and the healthcare care option selected by the retirees. The employer contributions are financed on a pay-as-you-go basis. Contributions from the City were \$2,392,126 and \$2,003,895 for the years ended June 30, 2022 and June 30, 2021, respectively.

School

The School Board contributions are financed on a pay-as-you-go basis. Contributions from the School Board were \$370,332 and \$688,991 for the years ended June 30, 2022 and June 30, 2021, respectively.

Notes to financial statements

13. OTHER POSTEMPLOYMENT HEALTH CARE BENEFIT PLANS, continued:

The following summarizes the memberships of the Plan as of June 30, 2021, the valuation date:

	Number	
	City	School Board Nonprofessional Employees
Inactive members or their beneficiaries currently receiving benefit payments	660	35
Active members	1,723	2,296
Total memberships	2,383	2,331

Funding Policy

The City Council and Hampton School Board have 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 2022, the City contributed \$2,392,126, or approximately 52.6% of total premiums for post-retirement health care benefits. Plan members receiving benefits contributed \$2,151,903 or approximately 47.4% of total premiums. The School Board contributed \$370,332 in fiscal year 2022.

Total Health Care OPEB Liability

The City and Hampton Employees Retirement System's total retiree health care OPEB liability of \$67,000,213. The School Board's total retiree health care OPEB liability was \$4,276,233. Both were measured as of June 30, 2021 and determined by an actuarial valuation as of that date.

Actuarial Assumptions:

The total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Real wage growth	1.00%
Wage Inflation	3.50%
Salary increases, including wage inflation	
Regular (General) Employees	3.50% - 5.35%
LEO	3.50% - 4.75%
Municipal Bond Index (Discount Rate)	
Prior Measurement Date	2.21%
Current Measurement Date	2.16%
Health Care Cost Trends	
Pre-Medicare	(1.00%) for 2021 increasing to an ultimate rate of 3.94% by 2040
Medicare	6.00% for 2021 increasing to an ultimate rate of 3.94% by 2040

13. OTHER POSTEMPLOYMENT HEALTH CARE BENEFIT PLANS, continued:

Mortality rates were based on the PUB 2010 public sector mortality tables.

The demographic actuarial assumptions for mortality, retirement, disability incidence, and withdrawal used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period July 1, 2016 through June 30, 2020, adopted by the Virginia Retirement System.

The remaining actuarial assumptions (e.g. health care cost trends, rate of plan participation, rates of plan election, inflation, etc.) used in the June 30, 2020 valuation were based on the most recent VRS study.

Discount Rate

There was a change in the total OPEB liability arising from the change in the discount rate from 2.21% on the prior measurement date to 2.16% on the measurement date of June 30, 2021. The discount rate used was based on the Bond Buyer General Obligation 20-year Municipal Bond Index at June 24, 2021.

Changes in the Total Retiree Medical OPEB Liability - City & School Board - Teachers/Nonprofessional

	City	School Board
	Increase	
	(Decrease)	
	Total OPEB	
	Liability	
Balances at June 30, 2020	\$ 58,177,380	\$ 5,186,693
Changes for the year:		
Service cost	1,714,336	382,088
Interest	1,301,926	115,821
Change in benefits	-	-
Differences between expected and actual experience	3,465,645	(309,868)
Changes in assumptions	4,313,751	(438,852)
Benefit payments	(1,972,825)	(659,649)
Net changes	8,822,833	(910,460)
Balances at June 30, 2021	\$ 67,000,213	\$ 4,276,233

Sensitivity of the Total Retiree Medical OPEB liability to Changes in the Health Care Cost Trend Rate

The following presents the total OPEB liability of the City and School Board, calculated using the baseline healthcare cost trend rates, healthcare cost trend rates that are one percentage point lower, and healthcare cost trend rates that are one percentage point higher:

	Trend Minus 1%	Baseline Trends	Trend Plus 1%
Total OPEB Liability - City	\$ 57,482,432	\$ 67,000,213	\$ 78,942,789
Total OPEB Liability - School Board	\$ 3,877,152	\$ 4,276,233	\$ 4,741,383

Notes to financial statements

13. OTHER POSTEMPLOYMENT HEALTH CARE BENEFIT PLANS, continued:

Sensitivity of the Total Retiree Medical OPEB liability to Changes in the Discount Rates

The following presents the total OPEB liability of the City and School Board, calculated using the discount rate of 2.16%, as well as what the City's and the School Board's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.16%) or one percentage higher (3.16%) than the current discount rate:

	1% Decrease (1.16%)	Current Discount Rate (2.16%)	1% Increase (3.16%)
Total OPEB Liability - City	\$ 77,463,067	\$ 67,000,213	\$ 58,501,316
Total OPEB Liability - School Board	\$ 4,559,092	\$ 4,276,233	\$ 4,003,932

OPEB Expense and Deferred Outflows (Inflows) of Resources Related to Retiree Medical OPEB

For the year ended June 30, 2022, the City recognized OPEB expense in the amount of (\$3,793,117). At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

<u>City</u>	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,027,567	\$ (7,562,205)
Changes in assumptions or other inputs	9,720,478	(24,680,786)
Employer contributions subsequent to the measurement date	2,392,126	-
Total	\$ 15,140,171	\$ (32,242,991)

\$2,392,126 reported as deferred outflows of resources related to the retiree medical resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net retiree medical OPEB liability in the fiscal year ending June 30, 2023.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Year ended:	
2023	\$ (6,840,449)
2024	(6,396,609)
2025	(5,007,461)
2026	(4,649,083)
2027	2,287,312
Thereafter	1,111,344
	<u>\$ (19,494,946)</u>

13. OTHER POSTEMPLOYMENT HEALTH CARE BENEFIT PLANS, continued:

For the year ended June 30, 2022, the School Board recognized OPEB expense in the amount of \$378,656. At June 30, 2022, the School Board reported deferred outflows of resources and deferred inflows of resources related to health care from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
School Board- Teachers & Nonprofessional		
Differences between expected and actual experience	\$ 135,231	\$ (581,370)
Changes in assumptions or other inputs	385,101	(647,672)
Employer contributions subsequent to the measurement date	370,332	-
Total	<u>\$ 890,664</u>	<u>\$ (1,229,042)</u>

\$370,332 reported as deferred outflows related to the retiree medical resulting from the School Board's contributions subsequent to the measurement date will be recognized as a reduction of the net retiree medical OPEB liability in the fiscal year ending June 30, 2023. Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
2023	\$ (148,595)
2024	(148,595)
2025	(148,595)
2026	(61,668)
2027	(94,297)
Thereafter	(106,960)
	<u>\$ (708,710)</u>

Other Postemployment Benefits-Health Insurance Credits

Health Insurance Credits

The VRS HIC program is a multi-employer, cost-sharing plan. The plan provides a credit towards the cost of health insurance coverage for retired political subdivision employees of participating employers and retired teachers. Professional staff of the School Board are automatically covered by the VRS Teacher Employee Program. During fiscal year 2021, the Nonprofessional employees of the School Board began contributing to this plan.

Plan Description - HIC

All full-time, salaried permanent (professional) employees of public school divisions and nonprofessional as a participating political subdivision are automatically covered upon employment. Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The HIC is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree's death.

Notes to financial statements

13. OTHER POSTEMPLOYMENT HEALTH CARE BENEFIT PLANS, continued:

HEALTH INSURANCE CREDIT PROGRAM (HIC) PLAN PROVISIONS

Eligible Employees

The Teacher Employee Retiree HIC Program was established July 1, 1993, for retired Teachers employees covered under VRS who retire with at least 15 years of service credit.

The Political Subdivision Retiree HIC Program was established July 1, 1993, for retired political subdivision employees of employers who elect the benefit and who retire with at least 15 years of service credit.

Eligible employees are enrolled automatically upon employment. They include:

- Full-time permanent (professional) salaried employees of public school divisions covered under VRS.
- Full-time permanent salaried employees of the participating political subdivision who are covered under the VRS pension plan.

Benefit Amounts

The Teacher Employee Retiree HIC Program provides the following benefits for eligible employees:

- **At Retirement:** For Teacher and other professional school employees who retire, the monthly benefit is \$4.00 per year of service per month with no cap on the benefit amount.
- **Disability Retirement:** For Teacher and other professional school employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is either:
 - \$4.00 per month, multiplied by twice the amount of service credit, or
 - \$4.00 per month, multiplied by the amount of service earned had the employee been active until age 60, whichever is lower.

The political subdivision's Retiree HIC Program provides the following benefits for eligible employees:

- **At Retirement:** For employees who retire, the monthly benefit is \$1.50 per year of service per month with a maximum benefit of \$45.00 per month.
- **Disability Retirement:** For employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is \$45.00 per month.

Health Insurance Credit Program Notes:

- The monthly Health Insurance Credit benefit cannot exceed the individual premium amount.
- Employees who retire after being on long-term disability under VLDP must have at least 15 years of service credit to qualify for the HIC as a retiree.
- No HIC for premiums paid and qualified under LODA; however, the employee may receive the credit for premiums paid for other qualified health plans.

Contributions

The contribution requirement for active employees is governed by §51.1-1401(E) of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to school divisions by the Virginia General Assembly. Each school division's contractually required employer contribution rate for the year ended June 30, 2022 was 1.21% of covered employee compensation for employees in the VRS Teacher Employee HIC Program and 0.98% for the School Board- Nonprofessional. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2020. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the School Board to the VRS Teachers HIC Program were \$1,479,904 and \$1,385,578 for the years ended June 30, 2022 and June 30, 2021, respectively. Contributions from the School Board to the Political Subdivision HIC Program were \$42,036 and \$38,393 for the years ended June 30, 2022 and June 30, 2021, respectively.

13. OTHER POSTEMPLOYMENT HEALTH CARE BENEFIT PLANS, continued:

During the 2020 session, House Bill 1513 was enacted. This bill required the addition of HIC benefits for non-teacher employees effective July 1, 2021. While benefit payments became effective July 1, 2021, employers were required to pre-fund the benefits beginning July 1, 2020. The bill impacted 95 employers including the Hampton School Board and resulted in approximately \$2.5 million of additional employer contribution in FY20.

HIC Program OPEB Liabilities, HIC Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Health Insurance Credit Program

On June 30, 2022, the School Board reported a liability of \$16,619,525 and \$542,857 for its proportionate share of the VRS Teacher and Nonprofessional Employee HIC Program Net OPEB liability, respectively. The Net HIC Program OPEB liability was measured as of June 30, 2021 and the total Teacher Employee HIC Program OPEB liability used to calculate the net Teacher Employee HIC Program OPEB Liability was determined by an actuarial valuation as of June 30, 2020 and rolled forward to the measurement date of June 30, 2021. The School Board's proportion of the net VRS Teacher Employee HIC Program OPEB Liability was based on the School Board's actuarially determined employer contributions to the VRS Teacher HIC Program OPEB plan for the year ended June 30, 2021, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2021, the School Board's proportion of the VRS Teacher and Nonprofessional Employee HIC Program was 1.29479% and 0.98%, respectively.

For the year ended June 30, 2022, the School Board recognized Teacher's HIC OPEB expense of \$1,164,844. Since there was a change in proportionate share between measurement dates of the VRS Teacher Employee HIC Program Net OPEB expense was related to deferred amounts from changes in proportion.

Membership:

As of the June 30, 2020, actuarial valuation, the following School Board Nonprofessional employees were covered by the benefit terms of the HIC OPEB plan:

	Number
Active employees	169
Inactive employees	132
Total	301

For the year ended June 30, 2022, the School Board recognized Teacher's HIC OPEB expense of \$1,164,844. Since there was a change in proportionate share between measurement dates of the VRS Teacher Employee Health Insurance Credit Program Net OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2022, the School Board-Teachers and Nonprofessional employees reported deferred outflows of resources and deferred inflows of resources related to the HIC Program OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Teachers		
Differences between expected and actual experience	\$ -	\$ (290,009)
Net difference between projected and actual earnings on Teacher HIC OPEB program investments	-	(218,929)
Changes of assumptions	449,256	(66,793)
Changes in proportionate share	87,313	(778,338)
Employer contribution subsequent to the measurement date	1,479,904	-
Total	\$ 2,016,473	\$ (1,354,069)

For the year ended June 30, 2022, the School Board-Nonprofessional employees recognized HIC OPEB expense of \$43,573.

Notes to financial statements

13. OTHER POSTEMPLOYMENT HEALTH CARE BENEFIT PLANS, continued:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Nonprofessional Employees		
Differences between expected and actual experience	\$ -	\$ -
Net difference between projected and actual earnings on Political Subdivisions HIC OPEB program investments	-	(2,557)
Changes of assumptions	10,455	-
Changes in proportionate share	-	-
Employer contribution subsequent to the measurement date	42,036	-
Total	\$ 52,491	\$ (2,557)

\$1,479,904 and \$42,036 reported as deferred outflows of resources related to the Teacher and Nonprofessional Employee HIC OPEB, respectively resulting from the School Board's contributions subsequent to the measurement date will be recognized as a reduction of the Net Employee HIC OPEB liability in the fiscal year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIC OPEB will be recognized in the HIC OPEB expense in future reporting periods as follows:

	Teachers	Nonprofessional Employees
Fiscal Year Ending June 30		
2023	\$ (209,017)	\$ 3,611
2024	(211,503)	3,611
2025	(201,424)	1,316
2026	(170,803)	(640)
2027	(39,879)	-
Thereafter	15,126	-
	\$ (817,500)	\$ 7,898

Actuarial Assumptions

The total HIC OPEB liability for the VRS Teacher Employee and School Board Nonprofessional HIC Program was based on an actuarial valuation as of June 30, 2020, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2021.

Inflation	2.50 percent
Salary increases, including inflation -	
Teacher employees	3.50 percent - 5.95 percent
Locality - General employees	3.50 percent - 5.35 percent
Investment rate of return	6.75 percent, net of plan investment expenses, including inflation

Rate of Mortality for Teachers (HIC):

Pre-Retirement:

Pub-2010 Amount Weighted Teachers Employee Rates projected generationally; 110% of rates for males.

Post-Retirement:

Pub-2010 Amount Weighted Teachers Healthy Retiree Rates projected generationally; males set forward 1 year; 105% of rates for females.

13. OTHER POSTEMPLOYMENT HEALTH CARE BENEFIT PLANS, continued:

Post-Disablement:

Pub-2010 Amount Weighted Teachers Disabled Rates projected generationally; 110% of rates for males and females.

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Teachers Contingent Annuitant Rates projected generationally.

Mortality Improvement Scale

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

Rate of Mortality for Largest 10 Locality Employers for HIC:

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years.

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for females set forward 3 years.

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set abc 3 years.

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years..

Mortality Improvement Scale

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the four year period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post- retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a Mortality Improvement Scale MP-2020.
Retirement Rates - Teachers	Adjusted rates to better fit experience at each year age and service through 9 years of service
Retirement Rates - Largest 10 Locality Employers	Adjusted rates to better fit experience for Plan 1; set seperate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all.
Withdrawal Rates -Teachers	Adjusted rates to better fit experience at each year age and service through 9 years of service
Withdrawal Rates - Largest 10 Locality Employers	Adjusted termination rates to better fit experience at each age and service year
Disability Rates - Teachers	Adjusted rates to better match experience
Disability Rates - Largest 10 Locality Employers	Lowered disability rates
Salary Scale	No change
Discount Rate	Decrease rate from 7.00% to 6.75%

Notes to financial statements

13. OTHER POSTEMPLOYMENT HEALTH CARE BENEFIT PLANS, continued:

Long-Term Expected Rate of Return

The long-term expected rate of return on VRS System investments was determined using a log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected returns, net of VRS System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	34.00%	5.00%	1.70%
Fixed income	15.00%	0.57%	0.09%
Credit Strategies	14.00%	4.49%	0.63%
Real Assets	14.00%	4.76%	0.67%
Private Equity	14.00%	9.94%	1.39%
MAPS- Multi-Asset Public Strategies	6.00%	3.29%	0.20%
PIP - Private Investment Partnership	3.00%	6.84%	0.21%
Total	100.00%		4.89%
	Inflation		2.50%
	*Expected arithmetic nominal return		7.39%

* The above allocation provides a one-year return of 7.39%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.94%, including expected inflation of 2.50%. On October 10, 2019 the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation at 2.50%

Discount Rate

The discount rate used to measure the total HIC OPEB was 6.75% for both Teacher Employees and School Board-Nonprofessional members. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2021, the rate contributed by each school division for the HIC Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2021 on, all agencies and employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the HIC OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active, inactive and eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total HIC OPEB liability.

13. OTHER POSTEMPLOYMENT HEALTH CARE BENEFIT PLANS, continued:**Changes in Net HIC OPEB Liability - School Board Nonprofessional**

	Increase/ (Decrease)
	Total OPEB Liability
Total OPEB Liability as of June 30, 2020	\$ 529,779
Changes for the year:	
Service Cost	5,324
Interest	35,760
Difference between expected and actual experience	14,705
Contributions-employer	(38,393)
Contributions-employee	(4,486)
Administrative expenses	168
Net changes	\$ 13,078
Total OPEB Liability as of June 30, 2021	\$ 542,857

The net OPEB liability for the Teacher Employee HIC program represents the program's total OPEB liability in accordance with the GAAP, less the associated fiduciary net position. As June 30, 2021, NOL amounts for the VRS Teacher Employee HIC program is as follows (amounts expressed in thousands):

Changes in Net HIC OPEB Liability - Teachers

	Teacher HIC OPEB Plan
Total Teacher Employee HIC OPEB Liability	\$ 1,477,874
Plan Fiduciary Net Position	194,305
Teacher Employee Net HIC OPEB Liability	\$ 1,283,569
Plan Fiduciary Net Position as a Percentage of the Total Teacher Employee HIC OPEB Liability	13.15%

The total Teacher Employee HIC OPEB is calculated by the VRS's actuary, and the plan's fiduciary net position is reported in the VRS's financial statements. The net Teachers Employee HIC OPEB liability is disclosed in accordance with the requirements of GAAP in the VRS's notes to the financial statements and required supplementary information.

Sensitivity of the School Board's Proportionate Share of the Teacher Employee and Nonprofessional HIC Net OPEB Liability to Changes in the Discount Rate

The following presents the School Board's proportionate share of the Health Insurance Credit Program net HIC OPEB liability using the discount rate of 6.75%, as well as what the School Board's proportionate share of the net HIC OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	1% Decrease (5.75%)	Discount Rate (6.75%)	1% Increase (7.75%)
School Board's proportionate share of the VRS Teacher Employee HIC OPEB Plan net HIC OPEB liability	\$ 18,708,979	\$ 16,619,525	\$ 14,851,349
School Board's proportionate share of the VRS Nonprofessional HIC OPEB Plan net HIC OPEB liability	\$ 594,109	\$ 542,857	\$ 498,546

Notes to financial statements

13. OTHER POSTEMPLOYMENT HEALTH CARE BENEFIT PLANS, continued:

Payable to Employee Health Insurance Credit Program OPEB Plan

The HIC OPEB Plan for School Board - Teachers and Nonprofessional plans had a payable of \$140,396 and \$3,955, respectively as of June 30, 2022.

Health Insurance Credit Program Plan Data

Detailed information about the VRS Teacher Employee and VRS Political Subdivision HIC Program's fiduciary net position is available in the separately issued VRS 2020 *Comprehensive Annual Financial Report*. A copy of the 2020 VRS Comprehensive Annual Financial Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2021-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

14. OTHER POSTEMPLOYMENT LINE OF DUTY BENEFITS:

Line of Duty (LODA)

Plan Description - LODA

The City administers a single-employer defined benefit Line of Duty Act plan. The Commonwealth of Virginia's Line of Duty Act (LODA) requires state and local governments to provide death benefits and continued health, dental and vision insurance coverage to eligible hazardous duty employees and volunteers (law enforcement and firefighters) and their dependents if they die or become disabled as a result of the performance of their duties as a public safety officer. The insurance coverages continue until death, recovery, or return to full active duty for hazardous duty employees. For spouses or other dependents, the insurance coverages continue until death, marriage or coverage by an alternative insurance. All LODA eligibility determinations are conducted and investigated by the State Comptroller in accordance with the Code of Virginia. Separate, stand-alone statements are not issued for this plan.

Benefits

Death

The Line of Duty Act Plan provides for a one-time payment made to the beneficiaries of a covered individual. Amounts vary as follows:

- \$100,000 when a death occurs as the direct or proximate result of performing duty as of January 1, 2006, or after.
- \$25,000 when the cause of death is attributed to one of the applicable presumptions and occurred earlier than five years after the retirement date.
- An additional \$20,000 benefit is payable when certain members of the National Guard and U.S. military reserves are killed in action in any armed conflict on or after October 7, 2001.

Health Insurance

The Line of Duty Act program provides health insurance benefits.

- Prior to July 1, 2017, these benefits were managed through the various employer plans and maintained the benefits that existed prior to the employee's death or disability. These premiums were reimbursed to the employer by the LODA program.
- Beginning July 1, 2017, the health insurance benefits are managed through the Virginia Department of Human Resource Management (DHRM). The health benefits are modeled after the State Employee Health Benefits Program plans and provide consistent, premium-free continued health plan coverage for LODA-eligible disabled individuals, survivors and family members.

Contributions

The Line of Duty Act requires the City to fund all costs of the program. Contributions to the Line of Duty Act Program were \$719,260 and \$640,163 for the years ended June 30, 2022 and June 30, 2021, respectively.

Membership:

14. OTHER POSTEMPLOYMENT LINE OF DUTY BENEFITS, continued:

The following table summarizes the members of the Plan as of June 30, 2021, the Valuation Date:

	Number
Retirees	30
Active employees	752
Total	782

Line of Duty Act Program (LODA) OPEB Liabilities, LODA OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the LODA

On June 30, 2022, the City reported a liability of \$22,660,597 for its Net LODA OPEB Liability. The Net LODA OPEB Liability was measured as of June 30, 2021. The total LODA OPEB liability was determined by an actuarial valuation as of June 30, 2020 and rolled forward to the measurement date of June 30, 2021.

For the year ended June 30, 2022, the City recognized LODA OPEB expense of \$1,863,140.

At June 30, 2022, the agency reported deferred outflows of resources and deferred inflows of resources related to the LODA OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,766,530	\$ (1,640,954)
Changes in assumptions	5,908,638	(585,728)
Employers contributions subsequent to the measurement date	719,260	-
Total	\$ 8,394,428	\$ (2,226,682)

\$719,260 reported as deferred outflows of resources related to LODA OPEB resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2023. Amounts reported as deferred outflows of resources and deferred inflows of resources related to the LODA OPEB will be recognized in LODA OPEB expense in future reporting periods as follows:

Fiscal year Ending June 30	
2023	\$ 421,123
2024	421,123
2025	421,123
2026	421,123
2027	421,123
Thereafter	3,342,871
	\$ 5,448,486

Notes to financial statements

14. OTHER POSTEMPLOYMENT LINE OF DUTY BENEFITS, continued:

Actuarial Assumptions

The total LODA OPEB liability was based on an actuarial valuation as of June 30, 2020, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2021.

Inflation	2.50%
Real wage growth	1.00%
Wage inflation	3.50%
Salary increases, including wage inflation	
Regular employees	3.50% - 4.75%
LEO	3.50% - 4.75%
Health care cost trend rates assumption -	
Under age 65	7.00% - 4.75%
Ages 65 and older	5.375% - 4.75%
Municipal bond index rate	
Prior measurement date	2.21%
Measurement date	2.16%

Rate of Mortality for Law Enforcement Officers (LEO):

Non-retired Members:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years. Of the service-related deaths, 50% are assumed to be paid as a direct or proximate result of the performance of duty, with the remainder paid under the presumptive clause.

Retired Members:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years.

Disabled Mortality:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years.

Beneficiaries and Survivor Mortality:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years.

Mortality Improvement:

Rates projected generationally with a Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

Discount Rate

The discount rate used to measure the total LODA OPEB liability was 2.16%. This rate was based on the Bond Buyer General Obligation 20-year Municipal Bond Index at June 24, 2021.

14. OTHER POSTEMPLOYMENT LINE OF DUTY BENEFITS, continued:

Change in Net LODA OPEB Liability

	Increase (Decrease)
	Total OPEB Liability
Balances at June 30, 2020	\$ 19,039,426
Changes for the year:	
Service Cost at the end of the year	999,697
Interest	435,900
Difference between expected and actual experience	153,071
Changes of assumptions	2,666,246
Benefit payments	(633,743)
Net changes	3,621,171
Balances at June 30, 2021	\$ 22,660,597

Sensitivity of the Net LODA OPEB Liability to Changes in the Discount Rate

The following presents the covered employer's proportionate share of the net LODA OPEB liability using the discount rate of 2.16%, as well as what the covered employer's proportionate share of the net LODA OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.16%) or one percentage point higher (3.16%) than the current rate:

	1% Decrease (1.16%)	Discount Rate (2.16%)	1% Increase (3.16%)
Net OPEB liability	\$ 27,401,997	\$ 22,660,597	\$ 19,102,625

Sensitivity of the Net LODA OPEB Liability to Changes in the Health Care Trend Rate

Because the Line of Duty Act Program contains provisions for the payment of health insurance premiums, the liabilities are also impacted by the health care trend rates. The following presents the covered employer's proportionate share of the net LODA OPEB liability using health care trend rate of 7% decreasing to 4.75%, as well as what the covered employer's proportionate share of the net LODA OPEB liability would be if it were calculated using a health care trend rate that is one percentage point lower (6.00% decreasing to 3.75%) or one percentage point higher (8.00% decreasing to 5.75%) than the current rate:

	1% Decrease (6.00% decreasing to 3.75%)	Current Trend Rate (7.00% decreasing to 4.75%)	1% Increase (8.00% decreasing to 5.75%)
Net OPEB liability	\$ 18,643,922	\$ 22,660,597	\$ 27,951,931

Notes to financial statements

15. VIRGINIA RETIREMENT SYSTEM-GROUP LIFE INSURANCE - OPEB:

Group Life Insurance

The Virginia Retirement System (VRS) Group Life Insurance Program is a multiple employer, cost-sharing plan. It provides coverage to state employees, teachers, and employees of participating political subdivisions. The Group Life Insurance Program was established pursuant to § 51.1-500 et seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended. The Group Life Insurance Program is a defined benefit plan that provides a basic group life insurance benefit for employees of participating employers. For purposes of measuring the net Group Life Insurance Program OPEB Liability, deferred outflows of resources and deferred inflows of resources related to the Group Life Insurance Program OPEB, and Group Life Insurance Program OPEB expense, information about the fiduciary net position of the VRS Group Life Insurance program OPEB and the additions to/deductions from the VRS Group Life Insurance Program OPEB's fiduciary net position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Plan Description: - GLI

All full-time, salaried permanent employees of the City, School Board and Teachers are automatically covered by the VRS Group Life Insurance (GLI) Program upon employment. The plan is administered by Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

In addition to the Basic Group Life Insurance benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional Group Life Insurance Program. For members who elect the optional group life insurance coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured program, it is not included as part of the Group Life Insurance Program OPEB.

The specific information for GLI OPEB, including eligibility, coverage and benefits is set out in the table below:

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS

Eligible Employees

The Group Life Insurance Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program. Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their member contributions and accrued interest.

Benefit Amounts

The benefits payable under the Group Life Insurance Program have several components.

- **Natural Death Benefit** – The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled.
- **Accidental Death Benefit** – The accidental death benefit is double the natural death benefit.
- **Other Benefit Provisions** – In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include:
 - Accidental dismemberment benefit
 - Safety belt benefit
 - Repatriation benefit
 - Felonious assault benefit
 - Accelerated death benefit option

15. VIRGINIA RETIREMENT SYSTEM-GROUP LIFE INSURANCE - OPEB, continued:**Reduction in benefit Amounts**

The benefit amounts provided to members covered under the Group Life Insurance Program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.

Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)

For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at \$8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for COLA was \$8,722 as of June 30, 2022.

Contributions

The contribution requirements for the Group Life Insurance Program are governed by §51.1-506 and §51.1-508 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the Group Life Insurance Program was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% X 60%) and the employer component was 0.54% (1.34% X 40%). Employers may elect to pay all or part of the employee contribution, however the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2022 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the GLI from the City were \$508,013 and \$492,656 for the years ended June 30, 2022 and June 30, 2021, respectively. Contributions to the GLI from the School Board for professional employees were \$662,822 and \$619,896 for the years ended June 30, 2022 and June 30, 2021, respectively. Contributions to the GLI from the School Board for nonprofessional employees were \$23,461 and \$21,466 for the years ended June 30, 2022 and June 30, 2021 respectively.

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program

On June 30, 2022, the City and School Board's professional and nonprofessional reported a liability for its proportionate share of the Net GLI OPEB Liability of \$5,144,682, \$6,473,465 and \$224,006 respectively. The Net GLI OPEB Liability was measured as of June 30, 2021 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of June 30, 2020 and rolled forward to the measurement date of June 30, 2021. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2021 relative to the total of the actuarially determined employer contributions for all participating employers.

The City and School Board employer's proportion for June 30, 2021 and June 30, 2020 is summarized below:

	Employer's Proportion June 30, 2021	Employers's Portion June 30, 2020
City of Hampton	0.44188 %	0.44110 %
School Board Professional Employees	0.55601 %	0.55327 %
School Board Nonprofessional Employees	0.01924 %	0.02044 %

For the year ended June 30, 2022, the City recognized GLI OPEB expense of \$77,174 and the School Board recognized GLI OPEB expense for professional employees of \$169,382 and nonprofessional employees of \$1,091. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

Notes to financial statements

15. VIRGINIA RETIREMENT SYSTEM-GROUP LIFE INSURANCE - OPEB, continued:

At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

City	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 586,769	\$ (39,200)
Changes of assumptions	283,625	(703,902)
Net difference between projected and actual investments earnings on GLI OPEB program investments	-	(1,227,925)
Changes in proportionate share	9,604	(422,051)
Employer contributions subsequent to the measurement date	508,013	-
Total	<u>\$ 1,388,011</u>	<u>\$ (2,393,078)</u>

\$508,013 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in fiscal year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future report periods as follows:

Fiscal Year Ending June 30	
2023	\$ (387,041)
2024	(326,487)
2025	(301,064)
2026	(423,537)
2027	(74,951)
Thereafter	-
	<u>\$ (1,513,080)</u>

School Board - Professional and Nonprofessional Employees:

Professional	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 738,321	\$ (49,324)
Changes in proportionate share	47,748	(336,331)
Net difference between projected and actual investment earnings on GLI OPEB investments	-	(1,545,077)
Changes of assumptions	356,880	(885,708)
Employer contributions subsequent to the measurement date	662,822	-
Total	<u>\$ 1,805,771</u>	<u>\$ (2,816,440)</u>

Nonprofessional	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 25,549	\$ (1,707)
Changes in proportionate share	8,404	(37,174)
Net difference between projected and actual investment earnings on GLI OPEB investments	-	(53,465)
Changes of assumptions	12,349	(30,649)
Employer contributions subsequent to the measurement date	23,461	-
Total	<u>\$ 69,763</u>	<u>\$ (122,995)</u>

\$662,822 and \$23,461 for professional and nonprofessional, respectively reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB liability in fiscal year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future report periods as follows:

15. VIRGINIA RETIREMENT SYSTEM-GROUP LIFE INSURANCE - OPEB, continued:

	School Board Professional	School Board Nonprofessional
Fiscal Year Ending June 30		
2023	\$ (414,733)	\$ (19,122)
2024	(348,206)	(14,781)
2025	(322,970)	(15,346)
2026	(501,095)	(21,337)
2027	(86,487)	(6,107)
Thereafter	-	-
	<u>\$ (1,673,491)</u>	<u>\$ (76,693)</u>

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2020, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2021.

Inflation	2.5 percent
Salary increases, including inflation -	
Teachers	3.5 percent - 5.95 percent
City/School - General employees	3.5 percent - 5.35 percent
City Hazardous Duty employees	3.5 percent - 4.75 percent
Investment rate of return	6.75 percent, net of investment expenses, including inflation

*Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GAAP purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of the OPEB liabilities.

Mortality rates – Teachers

Pre-Retirement:

Pub-2010 Amount Weighted Teachers Employee Rates projected generationally; 110% of rates for males.

Post-Retirement:

Pub-2010 Amount Weighted Teachers Healthy Retiree Rates projected generationally; males set forward 1 year; 105% of rates for females.

Post-Disablement:

Pub-2010 Amount Weighted Teachers Disabled Rates projected generationally; 110% of rates for males and females.

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Teachers Contingent Annuitant Rates projected generationally.

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

Notes to financial statements

15. VIRGINIA RETIREMENT SYSTEM-GROUP LIFE INSURANCE - OPEB, continued:

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the changes in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board actions are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

Mortality rates – Largest Ten Locality Employers - General Employees

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; males set forward 2 years; 105% of rates for females set forward 3 years.

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 95% of rates for males set forward 2 years; 95% of rates for females set forward 1 year.

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 110% of rates for males set forward 3 years; 110% of rates for females set forward 2 years.

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally.

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except for the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and the VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

15. VIRGINIA RETIREMENT SYSTEM-GROUP LIFE INSURANCE - OPEB, continued:

Mortality rates – Largest Ten Locality Employers – Hazardous Duty Employees

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years.

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years.

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years.

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years.

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Net GLI OPEB Liability

The net OPEB liability (NOL) for the Group Life Insurance Program represents the program's total OPEB liability determined in accordance with GAAP, less the associated fiduciary net position. As of the measurement date of June 30, 2021, NOL amounts for the GLI is as follows (amounts expressed in thousands):

	Group Life Insurance OPEB Program
Total GLI OPEB Liability	\$ 3,577,346
Plan Fiduciary Net Position	2,413,074
Net GLI OPEB Liability	\$ 1,164,272
Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability	67.45%

Notes to financial statements

15. VIRGINIA RETIREMENT SYSTEM-GROUP LIFE INSURANCE - OPEB, continued:

The total GLI OPEB liability is calculated by VRS's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net GLI OPEB liability is disclosed in accordance with the requirements of GAAP in the System's notes to the financial statements and required supplementary information.

Long-Term Expected Rate of Return

The long-term expected rate of return on the System's investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of System's investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic	Weighted Average
		Long-Term Expected Rate of Return	Long-Term Expected Rate of Return *
Public Equity	34.00%	5.00%	1.70%
Fixed income	15.00%	0.57%	0.09%
Credit Strategies	14.00%	4.49%	0.63%
Real Assets	14.00%	4.76%	0.67%
Private Equity	14.00%	9.94%	1.39%
MAPS-Multi-Asset Public Stratgies	6.00%	3.29%	0.20%
PIP-Private Investment Partnership	3.00%	6.84%	0.21%
Total	100.00%		4.89%
	Inflation		2.50%
	*Expected arithmetic nominal return		7.39%

* The above allocation provides a one-year return of 7.39%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median rate of 6.94%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of return of 6.75%, which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at the time, providing a median return of 7.11%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total GLI OPEB liability was -6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2021, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2021 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

15. VIRGINIA RETIREMENT SYSTEM-GROUP LIFE INSURANCE - OPEB, continued:**Sensitivity of the Employer's Proportionate Share of the Net GLI OPEB Liability to Changes in the Discount Rate**

The following tables presents the City and School Board's proportionate share of the net GLI OPEB liability using the discount rate of 6.75%, as well as what the employer's proportionate share of the net GLI OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	1.00% Decrease (5.75%)	Discount Rate (6.75%)	1.00% Increase (7.75%)
City's GLI OPEB Liability	\$ 7,516,567	\$ 5,144,682	\$ 3,229,277
School Board's Professional GLI OPEB Liability	\$ 9,457,968	\$ 6,473,465	\$ 4,063,345
School Board's Non-Professional GLI OPEB Liability	\$ 327,281	\$ 224,006	\$ 140,607

Group Life Insurance Program Fiduciary Net Position

Detailed information about the Group Life Insurance Program's Fiduciary Net Position is available in the separately issued VRS 2021 Annual Comprehensive Financial Report, which may be downloaded from the VRS website at <https://www.varetire.org/pdf/publications/2021-annualreport.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Payables to the VRS Group Life Insurance OPEB Program

The City's and School's VRS Group Life Insurance OPEB plan payable as of June 30, 2022 totaled \$103,658 and \$161,581, respectively.

16. COMMITMENT AND CONTINGENCIES:**Grants:**

The City receives grant funds, principally from the United States 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.

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:

	City	School Board
Workers' Compensation	\$ 1,000,000	\$ 1,000,000
Workers' Compensation Presumption	2,000,000	-
General Liability	1,000,000	1,000,000
Property Coverage	100,000	100,000
Health Insurance	150,000 per member	150,000

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

All funds of the City participate in the program and make payments to the Risk Management Fund and General Fund based on historical cost information. The unrestricted net position of \$98,122 at June 30, 2022 is designated as a

Notes to financial statements

16. COMMITMENT AND CONTINGENCIES, continued:

reserve for claims in the Risk Management Fund. The City accrues claims and judgments as incurred by a review of all claims on a case-by-case basis. Claims incurred, but not reported, were considered in the determination of the claims liability.

Changes in the Funds' claims liability amount in fiscal years 2022, 2021 and 2020 were:

	Claims Liability July 1	Incurred Claims	Claims Payment	Claims Liability June 30
Risk Management Fund				
Fiscal Year 2022	\$ 9,939,948	\$ 4,332,242	\$ 4,360,403	\$ 9,911,787
Fiscal Year 2021	7,999,749	3,826,930	1,886,730	9,939,948
Fiscal Year 2020	9,555,638	2,287,746	3,843,635	7,999,749
General Fund				
Fiscal Year 2022	\$ 1,247,000	\$ 13,433,060	\$ 13,446,060	\$ 1,234,000
Fiscal Year 2021	118,202	14,870,858	13,742,060	1,247,000
Fiscal Year 2020	67,325	14,986,919	14,936,042	118,202

Litigation

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.

Encumbrances

Encumbrances outstanding at year-end represent the estimated amount of expenditures required to complete contracts, purchase orders and other commitments in process of completion at year-end. Outstanding encumbrances as of June 30, 2022 were as follows:

General Fund	\$ 2,802,662
Capital Projects Funds	38,237,766
Other Governmental Funds	17,652,059
Total Encumbrances	<u>\$ 58,692,486</u>

17. 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, Portsmouth and Chesapeake (the member jurisdictions). The Authority has the responsibility to finance the acquisition, construction and operation of a regional jail facility for the benefit of the member jurisdictions. Each member jurisdiction is responsible for paying the Authority a per diem charge, as established in the Authority's annual budget, for the care, maintenance and subsistence of prisoners from the member jurisdictions. The member jurisdictions have agreed to commit to the Authority its prisoners equal to its initial guaranteed capacity as follows: Hampton, 181 prisoners or 26%; Newport News, 159 prisoners or 23%; Norfolk, 154 prisoners or 23%; Portsmouth, 14 prisoners or 2%; Chesapeake, 181 prisoners or 26%. 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, 2021 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.

17. JOINT VENTURE, continued:

Revenues and other sources	\$ 46,081,748
Expenses and other uses	(45,540,056)
Change in fund equity	541,692
Net position, July 1, 2020	21,133,391
Net position, June 30, 2021	\$ 21,675,083

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.

18. RESTATEMENT OF BEGINNING NET POSITION AND FUND BALANCE:

The net position of the discretely presented component units has been restated as of July 1, 2021, to correct an overstatement of compensated absences and lease liabilities reported by the Hampton City School Board in previously issued financial statements. The beginning long-term debt balance was reduced by \$12.17 million and beginning net position was increased by \$12.3 million to correct the prior year overstatement of long term debt.

Governmental Activities (A-2) Discretely Presented Component Units

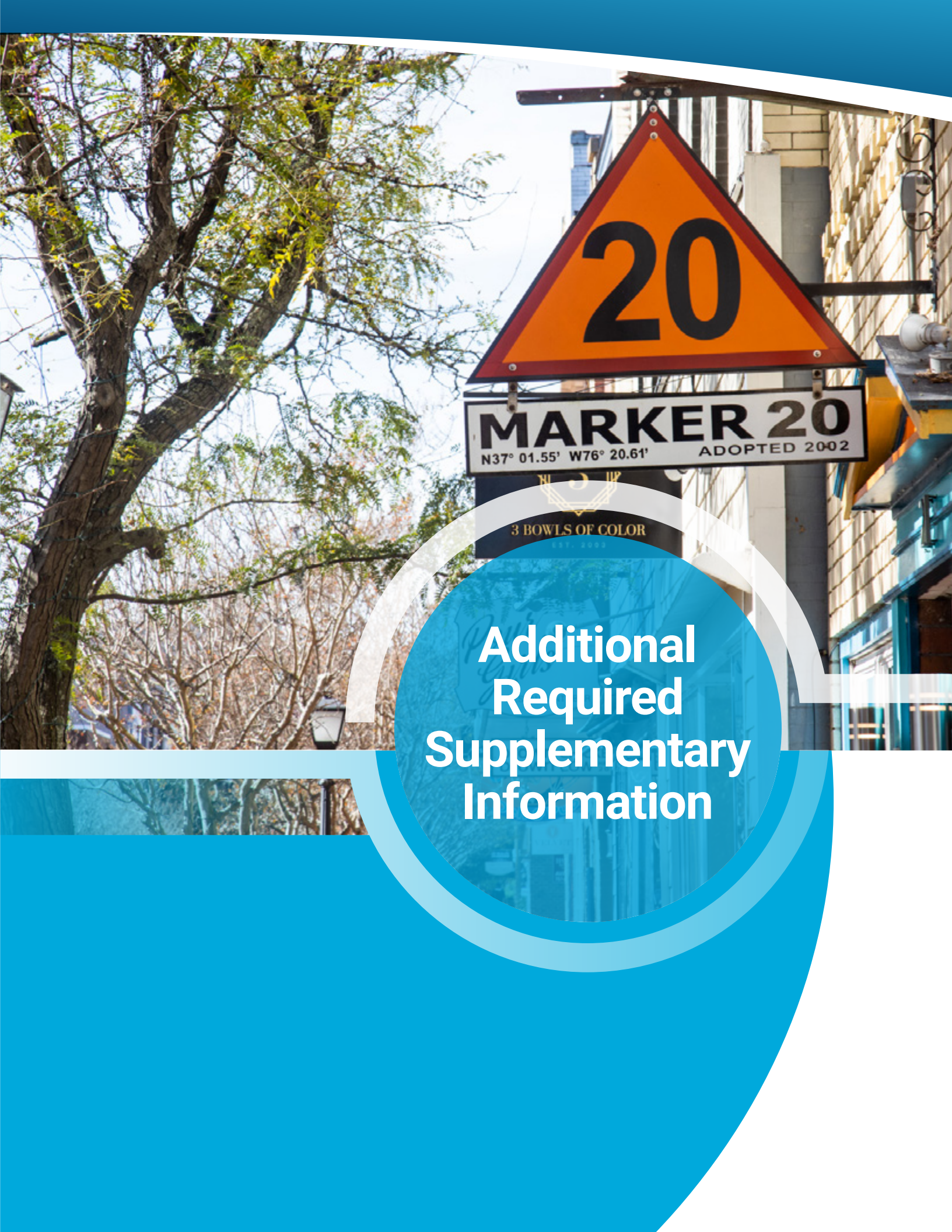
Net position, beginning of year	\$ (132,582,747)
Increase in net position due to leases	205,928
Increase in net position due to overstatement of compensated absences	12,169,373
Net position, beginning of year, as restated	\$ (120,207,446)

Discretely Presented Component Unit - School Board - (A-12)

Net position, beginning of year	\$ (179,906,150)
Increase in net position due to leases	205,928
Increase in net position due to overstatement of compensated absences	12,169,373
Net position, beginning of year, as restated	\$ (167,530,849)

19. SUBSEQUENT EVENTS:

The Museum applied for a Paycheck Protection Program (PPP) loan made available under the CARES Act. The Museum received a draw of \$246,615 in PPP loan funds in April 2021 with interest at 1% and expected repayment period of two years with monthly payments beginning November 2021. Under the terms of the PPP, certain amounts of the loan may be forgiven if they are used for qualifying expenses as described in the CARES Act. The Museum used the entire loan amount for qualifying expenses. In anticipation of forgiveness, no loan payments were made in fiscal year 2022 and the entire balance remained outstanding as of June 30, 2022. On August 21, 2022, the Small Business Administration approved the Museum's loan forgiveness application for the outstanding balance of \$246,615. Given the timing of the approval, the loan balance will be written off as current year revenue in fiscal year 2023.



**Additional
Required
Supplementary
Information**

CITY OF HAMPTON, VIRGINIA
SCHEDULE OF CHANGES IN THE HERS NET PENSION PLAN LIABILITY AND RELATED RATIOS
HERS' PENSION PLAN
REQUIRED SUPPLEMENTAL INFORMATION-UNAUDITED

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability									
Service cost	\$ 82,615	\$ 105,201	\$ 127,787	\$ 127,787	\$ 117,036	\$ 152,557	\$ 188,078	\$ 112,348	\$ 373,903
Interest	8,499,164	8,891,959	9,369,997	9,809,650	10,991,423	11,411,712	11,796,729	12,183,886	12,518,593
Differences between expected and actual experience	-	1,275,518	-	466,804	-	(76,396)	-	(425,331)	296
Changes of assumptions	7,833,578	-	-	-	(580,802)	-	-	-	-
Benefit payments, including refunds of employee contributions	(15,655,755)	(16,082,904)	(16,540,938)	(16,824,254)	(17,047,039)	(17,100,560)	(17,101,282)	(17,040,172)	(17,032,982)
Net change in total pension liability	759,602	(5,810,226)	(7,043,154)	(6,420,013)	(6,519,382)	(5,612,687)	(5,116,475)	(5,169,269)	(4,140,190)
Total pension liability-beginning	129,071,501	134,881,727	141,924,881	148,344,894	154,864,276	160,476,963	165,593,438	170,762,707	174,902,897
Total pension liability-ending (a)	\$ 129,831,103	\$ 129,071,501	\$ 134,881,727	\$ 141,924,881	\$ 148,344,894	\$ 154,864,276	\$ 160,476,963	\$ 165,593,438	\$ 170,762,707
Plan fiduciary net position									
Contributions-employer	\$ 6,549,743	\$ 6,549,743	\$ 6,716,299	\$ 6,716,299	\$ 7,100,125	\$ 7,100,148	\$ 8,880,839	\$ 8,880,839	\$ 6,628,122
Net investment income	(17,447,200)	32,295,836	7,064,244	8,790,186	10,682,406	14,694,582	2,144,248	5,361,684	20,494,864
Benefit payments, including refunds of employee contributions	(15,655,755)	(16,082,904)	(16,540,938)	(16,824,254)	(17,047,039)	(17,100,560)	(17,101,282)	(17,040,172)	(17,032,982)
Administrative expense	(460,145)	(243,583)	(239,695)	(332,835)	(277,957)	(286,431)	(386,247)	(299,195)	(278,663)
Net change in plan fiduciary net position	(27,013,357)	22,519,092	(3,000,090)	(1,650,604)	457,535	4,407,739	(6,462,442)	(3,096,844)	9,811,341
Plan fiduciary net position-beginning	146,397,937	123,878,845	126,878,935	128,529,539	128,110,077	123,702,338	130,164,780	133,261,624	123,450,283
Plan fiduciary net position-ending (b)	\$ 119,384,580	\$ 146,397,937	\$ 123,878,845	\$ 126,878,935	\$ 128,529,539	\$ 128,110,077	\$ 123,702,338	\$ 130,164,780	\$ 133,261,624
Net pension (asset)/liability-ending (a)-(b)	\$ 10,446,523	\$ (17,326,436)	\$ 11,002,882	\$ 15,045,946	\$ 19,815,355	\$ 26,754,199	\$ 36,774,625	\$ 35,428,658	\$ 37,501,083
 Plan fiduciary net position as a percentage of the total pension liability	 91.95%	 113.42%	 91.84%	 89.40%	 86.64%	 82.72%	 77.08%	 78.61%	 78.04%
Covered payroll	\$ 1,539,312	\$ 1,905,713	\$ 2,249,188	\$ 2,684,932	\$ 2,803,090	\$ 2,806,674	\$ 5,335,759	\$ 6,085,814	\$ 10,188,093
Net pension liability(asset) as a percentage of covered payroll	678.65%	(909.18%)	489.19%	560.38%	706.91%	953.24%	689.21%	582.15%	368.09%

Notes to Schedule:

- Benefit Changes: No benefit changes were enacted during fiscal year 2022.
- Valuation Date: 6/30/2021; Actuarially determined contribution rates are calculated based on the actuarial valuation determined as of the odd year preceding the beginning of the Plan year.
- Changes in assumptions: During FY22 no changes occurred.
- GAAP requires 10- year trend information. Fiscal year 2014 is the first year of implementation.
- Per GAAP, net pension liabilities are reported using the measurement date, which is June 30, 2022.

**CITY OF HAMPTON, VIRGINIA
SCHEDULE OF CONTRIBUTIONS TO HERS
HERS' PENSION PLAN
REQUIRED SUPPLEMENTAL INFORMATION-UNAUDITED**

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 6,549,743	\$ 6,549,743	\$ 6,716,299	\$ 6,716,299	\$ 7,100,125	\$ 7,100,148	\$ 8,880,839	\$ 8,880,839	\$ 6,628,122
Contributions in relation to the actuarially determined contribution	6,549,743	6,549,743	6,716,299	6,716,299	7,100,125	7,100,148	8,880,839	8,880,839	6,628,122
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 1,539,312	\$ 1,905,713	\$ 2,249,188	\$ 2,684,932	\$ 2,803,090	\$ 2,806,674	\$ 5,335,759	\$ 6,085,814	\$ 10,188,093
Contributions as a percentage of covered payroll	425.50%	343.69%	298.61%	250.15%	253.30%	252.97%	166.44%	145.93%	65.06%

Notes to Schedule

Valuation Date:

Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which the contributions are reported.

GAAP requires 10-year trend information. Fiscal year 2014 is the first year of implementation.

CITY OF HAMPTON, VIRGINIA
SCHEDULE OF CHANGES IN THE CITY'S VRS PENSION PLAN LIABILITY AND RELATED RATIOS
VRS RETIREMENT PLAN
REQUIRED SUPPLEMENTAL INFORMATION-UNAUDITED

	2022	2021	2020	2019	2018	2017	2016	2015
Total pension liability								
Service cost	\$ 12,410,433	\$ 11,952,417	\$ 11,430,589	\$ 11,525,376	\$ 10,934,809	\$ 10,835,551	\$ 10,960,536	\$ 10,938,812
Interest	42,657,914	41,044,293	40,334,296	39,213,600	38,078,180	37,250,101	36,276,354	34,999,056
Changes in assumptions	26,863,218	-	16,959,529	-	2,910,537	-	-	-
Benefit changes	-	8,165,715	-	-	-	-	-	-
Differences between expected and actual experience	(6,498,539)	(1,561,230)	(2,491,107)	(1,988,091)	(4,596,969)	(5,909,803)	(4,100,921)	-
Benefit payments, including refunds of employee contributions	(36,674,940)	(34,716,445)	(34,031,429)	(31,450,468)	(30,762,074)	(29,930,211)	(28,520,380)	(26,861,136)
Net change in total pension liability	38,758,086	24,884,750	32,201,878	17,300,417	16,564,483	12,245,638	14,615,589	19,076,732
Total pension liability-beginning	650,306,567	625,421,817	593,219,939	575,919,522	559,355,039	547,109,401	532,493,812	513,417,080
Total pension liability-ending (a)	<u>\$ 689,064,653</u>	<u>\$ 650,306,567</u>	<u>\$ 625,421,817</u>	<u>\$ 593,219,939</u>	<u>\$ 575,919,522</u>	<u>\$ 559,355,039</u>	<u>\$ 547,109,401</u>	<u>\$ 532,493,812</u>
Plan fiduciary net position								
Contributions-employer	\$ 17,029,942	\$ 15,374,780	\$ 14,178,118	\$ 14,247,065	\$ 14,235,281	\$ 16,240,833	\$ 15,816,808	\$ 16,046,763
Contributions-employee	4,431,468	4,387,843	4,296,459	4,489,433	4,539,420	4,451,221	4,393,892	4,400,548
Net investment income	130,259,557	9,245,312	30,928,968	33,174,366	49,975,564	7,097,707	18,515,581	56,039,049
Benefit payments, including refunds of employee contributions	(36,674,940)	(34,716,445)	(34,031,429)	(31,450,468)	(30,762,074)	(29,930,211)	(28,520,380)	(26,861,136)
Administrative expense	(329,770)	(320,623)	(315,189)	(290,989)	(294,277)	(261,143)	(257,367)	(304,392)
Other	12,246	(14,764)	(19,486)	(29,364)	(44,266)	(3,049)	(3,890)	2,953
Net change in plan fiduciary net position	114,728,503	(6,043,897)	15,037,441	20,140,043	37,649,648	(2,404,642)	9,944,644	49,323,785
Plan fiduciary net position-beginning	482,098,115	488,142,012	473,104,571	452,964,528	415,314,880	417,719,522	407,774,878	358,451,093
Plan fiduciary net position-ending (b)	<u>\$ 596,826,618</u>	<u>\$ 482,098,115</u>	<u>\$ 488,142,012</u>	<u>\$ 473,104,571</u>	<u>\$ 452,964,528</u>	<u>\$ 415,314,880</u>	<u>\$ 417,719,522</u>	<u>\$ 407,774,878</u>
Net pension liability-ending (a)-(b)	<u>\$ 92,238,035</u>	<u>\$ 168,208,452</u>	<u>\$ 137,279,805</u>	<u>\$ 120,115,368</u>	<u>\$ 122,954,994</u>	<u>\$ 144,040,159</u>	<u>\$ 129,389,879</u>	<u>\$ 124,718,934</u>
Plan fiduciary net position as a percentage of the total pension liability	86.61%	74.13%	78.05%	79.75%	78.65%	74.25%	76.35%	76.58%
Covered payroll	\$ 89,208,706	\$ 93,172,688	\$ 86,822,523	\$ 89,543,136	\$ 89,460,842	\$ 88,836,512	\$ 86,291,441	\$ 86,428,123
Net pension liability as a percentage of covered payroll	103.40%	180.53%	158.12%	134.14%	137.44%	162.14%	149.95%	144.30%

Notes to Schedule:

- 1) Changes of benefit terms: There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. A hybrid plan with changes to the defined benefit plan structure and a new defined contribution component was adopted in 2012. The hybrid plan applies to most new employees hired on January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this is still a fairly new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2018 is not material. The liabilities presented do not reflect the hybrid plan since it covers new members joining the Plan after the valuation date of June 30, 2013 and the impact on the liabilities as of the measurement date of June 30, 2015 are minimal.
- 2) The actuarial assumptions in the June 30, 2020, valuation were based on the results of an actuarial experience study for the period from June 30, 2016 through June 30, 2020, except the change in the discount rate which was based on VRS Board action effective as of July 1, 2019. Effective, July 1, 2019, the VRS Board of Trustees adopted at 6.75% investment rate of return since the prior measurement date.
- 3) GAAP requires 10-year trend information. Fiscal year 2015 is the first year of implementation.
- 4) Per GAAP, net pension liabilities are reported using the measurement date, which is one year prior to the reporting date.

**CITY OF HAMPTON, VIRGINIA
SCHEDULE OF CITY'S CONTRIBUTIONS TO VRS
VRS RETIREMENT PLAN
REQUIRED SUPPLEMENTAL INFORMATION-UNAUDITED**

	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 17,482,221	\$ 17,029,942	\$ 16,118,875	\$ 14,178,118	\$ 14,246,313	\$ 14,233,220	\$ 16,241,604	\$ 15,816,817
Contribution in relation to the contractually required contribution	17,482,221	17,029,942	16,118,875	14,178,118	14,246,313	14,233,220	16,241,604	15,816,817
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 91,577,899	\$ 89,208,706	\$ 93,172,688	\$ 86,822,523	\$ 89,543,136	\$ 89,460,842	\$ 88,078,113	\$ 85,774,496
Contributions as a percentage of covered payroll	19.09%	19.09%	17.30%	16.33%	15.91%	15.91%	18.44%	18.44%

Notes to Schedule

- 1) Valuation Dates: Fiscal years ending 2015 and 2016 are based on June 30, 2013 actuarial valuation. Rates for fiscal years 2017 and 2018 are based on June 30, 2015 actuarial valuation. For the actuarial assumptions used in the June 30, 2019, valuation were based on the actuarial experience study for the period from July 1, 2012 through June 30, 2016, except for the change in the discount rate, which is base on the VRS Board action effective as of July 1, 2019. The actuarial assumptions used in June 20, 2020, valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020 except for the change in the discount rate, which is base on the VRS Board action effective as of July 1, 2019. For fiscal year 2021, the rate is based on June 2019 valuation.
- 2) Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which the contributions are reported.
- 3) GAAP requires 10-year trend information. Fiscal year 2015 is the first year of implementation.

CITY OF HAMPTON, VIRGINIA
SCHEDULE OF CHANGES IN THE SCHOOL BOARD'S VRS NONPROFESSIONAL EMPLOYEES' NET PENSION
PLAN LIABILITY AND RELATED RATIOS
VRS RETIREMENT PLAN
REQUIRED SUPPLEMENTAL INFORMATION-UNAUDITED

	2022	2021	2020	2019	2018	2017	2016	2015
Total pension liability								
Service cost	\$ 350,415	\$ 376,830	\$ 391,424	\$ 388,116	\$ 376,186	\$ 390,637	\$ 791,558	\$ 813,234
Interest	1,897,627	1,879,612	1,898,407	1,896,547	1,908,394	2,054,913	2,022,874	1,973,760
Changes in assumptions	1,027,179	-	693,476		(101,861)			
Differences between expected and actual experience	478,526	58,740	(233,935)	(266,110)	(405,218)	(2,626,193)	(220,586)	-
Benefit payments, including refunds of employee contributions	(2,035,662)	(2,060,927)	(1,985,798)	(1,998,178)	(1,895,299)	(1,929,683)	(2,342,607)	(1,828,117)
Net change in total pension liability	1,718,085	254,255	763,574	20,375	(117,798)	(2,110,326)	251,239	958,877
Total pension liability-beginning	29,130,822	28,876,567	28,112,993	28,092,618	28,210,416	30,320,742	30,069,503	29,110,626
Total pension liability-ending (a)	\$ 30,848,907	\$ 29,130,822	\$ 28,876,567	\$ 28,112,993	\$ 28,092,618	\$ 28,210,416	\$ 30,320,742	\$ 30,069,503
Plan fiduciary net position								
Contributions-employer	\$ 255,272	\$ 366,592	\$ 376,506	\$ 449,019	\$ 413,542	\$ 427,758	\$ 411,361	\$ 900,981
Contributions-employee	187,439	197,377	198,458	203,832	188,884	238,049	193,337	372,764
Net investment income	6,895,847	504,728	1,719,298	1,893,091	2,910,259	410,877	1,135,856	3,582,353
Benefit payments, including refunds of employee contributions	(2,035,662)	(2,060,927)	(1,985,798)	(1,998,178)	(1,895,299)	(1,929,683)	(2,342,607)	(1,828,117)
Administrative expense	(18,217)	(18,144)	(18,113)	(17,095)	(17,696)	(16,323)	(17,081)	(19,666)
Other	641	(606)	(1,077)	(1,656)	(2,556)	(181)	(236)	188
Net change in plan fiduciary net position	5,285,320	(1,010,980)	289,274	529,013	1,597,134	(869,503)	(619,370)	3,008,503
Plan fiduciary net position-beginning	25,963,997	26,974,977	26,685,703	26,156,690	24,559,556	25,429,059	26,048,429	23,039,926
Plan fiduciary net position-ending (b)	\$ 31,249,317	\$ 25,963,997	\$ 26,974,977	\$ 26,685,703	\$ 26,156,690	\$ 24,559,556	\$ 25,429,059	\$ 26,048,429
Net pension (asset)/liability-ending (a)-(b)	\$ (400,410)	\$ 3,166,825	\$ 1,901,590	\$ 1,427,290	\$ 1,935,928	\$ 3,650,860	\$ 4,891,683	\$ 4,021,074
Plan fiduciary net position as a percentage of the total pension liability	101.30%	89.13%	93.41%	94.92%	93.11%	87.06%	83.87%	86.63%
Covered payroll	\$ 3,641,735	\$ 3,903,946	\$ 3,837,645	\$ 4,624,284	\$ 3,822,015	\$ 3,952,516	\$ 3,802,628	\$ 7,346,439
Net pension liability as a percentage of covered payroll	(11.00%)	81.12%	49.55%	30.87%	50.65%	92.37%	128.64%	54.74%

Notes to Schedule:

- Changes of benefit terms: There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. A hybrid plan with changes to the defined benefit plan structure and a new defined contribution component was adopted in 2012. The hybrid plan applies to most new employees hired on January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this is still a fairly new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2019 is not material. The liabilities presented do not reflect the hybrid plan since it covers new members joining the Plan after the valuation date of June 30, 2013 and the impact on the liabilities as of the measurement date of June 30, 2014 are minimal.
- The actuarial assumptions were based on the results of an actuarial experience study for the period of June 30, 2016 through June 30, 2020. The VRS Board of Trustees adopted a 6.75% rate of return since the prior measurement date.
- GAAP requires 10-year trend information. Fiscal year 2015 is the first year of implementation.
- Per GAAP, net pension liabilities are reported using the measurement date, which is one year prior to the reporting date.

CITY OF HAMPTON, VIRGINIA
SCHEDULE OF SCHOOL BOARD'S NONPROFESSIONAL EMPLOYEES' CONTRIBUTIONS TO VRS
VRS RETIREMENT PLAN
REQUIRED SUPPLEMENTAL INFORMATION-UNAUDITED

	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 276,383	\$ 256,014	\$ 363,067	\$ 356,901	\$ 449,018	\$ 413,542	\$ 427,758	\$ 411,361
Contribution in relation to the contractually required contribution	276,383	256,014	363,067	356,901	449,018	413,542	427,758	411,361
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 3,931,479	\$ 3,641,735	\$ 3,903,946	\$ 3,837,645	\$ 4,624,284	\$ 3,822,015	\$ 3,957,058	\$ 3,805,375
Contributions as a percentage of covered payroll	7.03%	7.03%	9.30%	9.30%	9.71%	10.82%	10.81%	10.81%

Notes to Schedule

Valuation Date: Fiscal years ending 2015 and 2016 are based on June 30, 2013 actuarial valuation, the rates shown for fiscal years 2017 and 2018 are based on June 30, 2015 actuarial valuation. For fiscal year ending 2019 and 2020, the employer contribution rate is based on June 30, 2017 actuarial valuation. For fiscal year 2021 and 2022, the rate is based on June 2019 valuation.

Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which the contributions are reported.

GAAP requires 10-year trend information. Fiscal year 2015 is the first year of implementation.

CITY OF HAMPTON, VIRGINIA
SCHEDULE OF THE SCHOOL BOARD'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
VRS TEACHERS' PENSION PLAN
REQUIRED SUPPLEMENTAL INFORMATION-UNAUDITED

	2022	2021	2020	2019	2018	2017	2016	2015
School Board's proportion of the net pension liability	1.30%	1.29%	1.30%	1.36%	1.39%	1.39%	1.43%	150.00%
School Board's proportionate share of the net pension liability	\$ 101,073,975	\$ 188,158,180	\$ 170,943,938	\$ 159,918,000	\$ 170,830,000	\$ 195,347,000	\$ 180,096,000	\$ 181,847,000
School Board's covered payroll	\$ 114,510,542	\$ 112,825,403	\$ 101,769,149	\$ 107,767,132	\$ 106,158,070	\$ 105,320,099	\$ 105,909,421	\$ 110,084,974
School Board's proportionate share of the net pension liability as a percentage of its covered payroll	88.27%	166.77%	167.97%	148.39%	160.92%	185.48%	170.05%	165.19%
Plan fiduciary net position as a percentage of the total pension liability	85.46%	71.47%	73.51%	76.00 %	73.11 %	75.60 %	74.56 %	0.7088

*The amounts presented has a measurement date of the previous fiscal year end.

Notes:

- 1) This schedule is intended to show information for 10 years. Since 2015 is the first year for the presentation, there are only four years available. However, additional years will be included as they become available.
- 2) Changes of benefit terms: There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this is still a fairly new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2020 is not material.
- 3) The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:
 - Mortality Rates (Pre-retirement, post-retirement healthy, disabled) Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
 - Retirement Rates Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
 - Withdrawl Rates Adjusted rates to better fit experience at each year age and service through 9 years of service
 - Disability Rates Lowered rates
 - Salary Scale No change
 - Discount Rate Decrease from 7.00% to 6.75%
- 4) Per GAAP, net pension liabilities are reported using the measurement date, which is one year prior to the reporting date.

CITY OF HAMPTON, VIRGINIA
SCHEDULE OF COMPONENT UNIT- SCHOOL BOARD'S CONTRIBUTIONS
VIRGINIA RETIREMENT SYSTEM TEACHERS PENSION PLAN
REQUIRED SUPPLEMENTAL INFORMATION-UNAUDITED

	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 20,327,563	\$ 19,031,652	\$ 17,691,023	\$ 17,052,089	\$ 17,598,373	\$ 17,324,997	\$ 19,168,258	\$ 19,270,757
Contribution in relation to the contractually required contribution	19,587,070	18,338,376	17,138,959	16,618,902	17,587,596	15,562,773	14,808,006	15,356,866
Contribution deficiency (excess)	<u>\$ 740,493</u>	<u>\$ 693,276</u>	<u>\$ 552,064</u>	<u>\$ 433,187</u>	<u>\$ 10,777</u>	<u>\$ 1,762,224</u>	<u>\$ 4,360,252</u>	<u>\$ 3,913,891</u>
School Board's covered payroll	\$ 122,307,841	\$ 114,510,542	\$ 112,825,403	\$ 101,769,149	\$ 107,767,132	\$ 106,158,070	\$ 105,320,099	\$ 105,909,421
Contributions as a percentage of covered payroll	16.62%	16.62%	15.19%	16.33%	16.32%	14.66%	14.06%	14.50%

Notes to Schedule

Valuation Date :

- 1) Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which the contributions are reported.
- 2) Changes of benefit terms-There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2015 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this is still a fairly new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2021 is not material.
- 3) Changes in assumptions:

The actuarial assumptions used in the June 30, 2020, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

- Mortality Rates (Pre-retirement, post-retirement healthy, disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
- Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
- Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
- Disability Rates	Adjusted rates to better match experience
- Salary Scale	No change
-Discount Rate	Decreased rate from 7.00% to 6.75%

- 4) GAAP requires 10-year trend information. Fiscal year 2015 is the first year of implementation.

CITY OF HAMPTON, VIRGINIA
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
PRIMARY GOVERNMENT
OTHER POSTEMPLOYMENT BENEFITS-RETIREE HEALTHCARE
REQUIRED SUPPLEMENTAL INFORMATION-UNAUDITED

	2022	2021	2020	2019	2018
Total OPEB Liability					
Service cost at end of year	\$ 1,714,336	\$ 1,242,388	\$ 2,334,263	\$ 2,417,844	\$ 3,059,781
Interest	1,301,926	1,727,125	3,692,585	3,420,421	2,889,041
Differences between expected and actual experience	3,465,645	(200,395)	(12,853,356)	(182,752)	220,844
Changes of assumptions	4,313,751	8,432,167	(35,701,382)	(3,081,415)	(11,726,487)
Benefit payments	(1,972,825)	(2,236,629)	(2,656,287)	(2,580,971)	(2,798,872)
Net change in total OPEB	8,822,833	8,964,656	(45,184,177)	(6,873)	(8,355,693)
Total OPEB liability - beginning	58,177,380	49,212,724	94,396,901	94,403,774	102,759,467
Total OPEB liability - ending	<u>\$ 67,000,213</u>	<u>\$ 58,177,380</u>	<u>\$ 49,212,724</u>	<u>\$ 94,396,901</u>	<u>\$ 94,403,774</u>
 Covered-employee payroll	 \$ 91,561,683	 \$ 92,717,908	 \$ 91,627,934	 \$ 91,084,919	 \$ 90,627,774
Net OPEB liability as a percentage of covered-employee payroll	73.17%	62.75%	53.71%	103.64%	104.17%

Notes to Schedule

- 1) For 2021, the discount rate changed to 2.16% from 2.21% based on the Bond Buyer GO 20-Bond Municipal Bond Index at June 24, 2021. The trend rate were updated based on economic conditions as of June 30, 2020.
- 2) Per GAAP, net OPEB liabilities are reported using the measurement date, which is one year prior to the reporting date.
- 3) No assets are accumulated in a trust that meet GAAP's criteria.
- 4) Schedules are intended to show information for 10 years. Since 2018 is the first year of this presentation, no other data is available. Additional years will be included as they become available.

CITY OF HAMPTON, VIRGINIA
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
COMPONENT UNIT-SCHOOL BOARD
OTHER POSTEMPLOYMENT BENEFITS-RETIREE HEALTHCARE
LAST 10 FISCAL YEARS
REQUIRED SUPPLEMENTAL INFORMATION-UNAUDITED

	2022	2021	2020	2019	2018
Total OPEB Liability					
Service cost at end of year	\$ 382,088	\$ 297,406	\$ 243,189	\$ 237,502	\$ 285,422
Interest	115,821	167,795	183,312	156,447	137,391
Changes of benefits	-	17,848	-	-	-
Differences between expected and actual experience	(309,868)	18,551	(480,534)	241,860	(40,581)
Changes of assumptions	(438,852)	430,224	45,320	98,094	(713,713)
Benefit payments	(659,649)	(109,153)	(239,385)	(504,195)	(212,196)
Net change in total OPEB	(910,460)	822,671	(248,098)	229,708	(543,677)
Total OPEB liability - beginning	5,186,693	4,364,022	4,612,120	4,382,412	4,926,089
Total OPEB liability - ending	<u>\$ 4,276,233</u>	<u>\$ 5,186,693</u>	<u>\$ 4,364,022</u>	<u>\$ 4,612,120</u>	<u>\$ 4,612,120</u>
 Covered-employee payroll	 \$ 114,510,543	 \$ 112,825,403	 \$ 108,750,257	 \$ 109,922,935	 \$ 109,696,113
Net OPEB liability as a percentage of covered-employee payroll	3.73%	4.60%	4.01%	4.20%	4.20%

Notes to Schedule

- 1) Per GAAP, net OPEB liabilities are reported using the measurement date, which is one year prior to the reporting date.
- 2) For 2022, the change in assumptions refers to change in the discount rate changed from 2.21% from 2.16%; the updates to the claims and trend assumptions, and the changes in the demographic assumptions.
- 3) No assets are accumulated in a trust that meet GAAP's criteria.
- 4) Schedules are intended to show information for 10 years. Since 2018 is the first year of this presentation, no other data is available. Additional years will be included as they become available.

CITY OF HAMPTON, VIRGINIA
SCHEDULE OF EMPLOYER OPEB CONTRIBUTIONS
PRIMARY GOVERNMENT AND COMPONENT UNIT-SCHOOL BOARD
OTHER POSTEMPLOYMENT BENEFITS-RETIREE HEALTHCARE
LAST 10 FISCAL YEARS

	2022	2021	2020	2019	2018	2017
Primary Government						
Contractually determined contribution	\$ 2,392,126	\$ 2,003,895	\$ 2,266,908	\$ 2,905,572	\$ 2,614,135	\$ 2,798,872
Contributions in relation to the						
contractually determined contribution	2,392,126	2,003,895	2,266,908	2,905,572	2,614,135	2,798,872
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 94,253,213	\$ 91,561,683	\$ 92,717,908	\$ 91,627,934	\$ 91,084,919	\$ 90,627,625
Contributions as a percentage of						
covered-employee payroll	2.54%	2.19%	2.50%	3.17%	2.87%	3.09%
Component Unit-School Board						
Contractually determined contribution	\$ 370,332	\$ 688,991	\$ 132,649	\$ 504,195	\$ 534,836	\$ 212,196
Contributions in relation to contractually						
determined contribution	370,332	688,991	132,649	504,195	534,836	212,196
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 122,306,080	\$ 114,510,543	\$ 112,825,403	\$ 108,750,257	109,922,935	109,696,113
Contributions as a percentage of						
covered-employee payroll	0.30%	0.60%	0.12%	0.46%	0.49%	0.19%

Notes to Schedule

- 1) No assets are accumulated in a trust that meet GAAP's criteria.
- 2) Schedules are intended to show information for 10 years. Since 2018 is the first year of this presentation, no other data is available. Additional years will be included as they become available.
- 3) For 2022, the discount rate decreased from 2.21% to 2.16% based on the Vond Buyers GO 20 Municipal Bond Index at June 24, 2021.

CITY OF HAMPTON, VIRGINIA
SCHEDULE OF COMPONENT UNIT-SCHOOL BOARD'S PROPORTIONATE SHARE OF NET OTHER
POSTEMPLOYMENT BENEFIT LIABILITY
VIRGINIA RETIREMENT SYSTEM-SCHOOL BOARD HEALTH INSURANCE CREDITS PLAN
REQUIRED SUPPLEMENTAL INFORMATION-UNAUDITED

School Board - Teachers	2022	2021	2020	2019	2018
Proportion of the Net OPEB liability	1.29479%	1.28697%	1.29655%	1.35919%	1.38996%
Proportionate Share of the Net OPEB liability	\$ 16,619,525	\$ 16,788,736	\$ 16,973,101	\$ 17,258,000	\$ 17,633,000
Employer's covered payroll	114,510,543	112,825,403	108,750,257	109,922,935	109,696,113
Proportionate share of the net OPEB liability as a percentage of covered payroll	14.51%	14.88%	15.61%	15.70%	16.07%
Plan fiduciary net position as a percentage of Total Teacher Employee HIC OPEB liability	13.15%	9.95%	8.97%	8.08%	7.00%
School Board - Nonprofessional					
Proportion of the Net OPEB liability	0.98%	-%	-%	-%	-%
Proportionate Share of the Net OPEB liability	\$ 542,857	\$ -	\$ -	\$ -	\$ -
Employer's covered payroll	3,917,641	-	-	-	-
Proportionate share of the net OPEB liability as a percentage of covered payroll	13.86%	-%	-%	-%	-%
Plan fiduciary net position as a percentage of Total Political Subdivision Employee HIC OPEB liability	7.87%	-%	-%	-%	-%

Notes to Schedule

- 1) Per GAAP, Net HIC OPEB liabilities are reported using the measurement date, which is one year prior to the reporting date.
- 2) Schedule is intended to show information for 10 years. Since 2018 is the first year of this presentation, no other data is available. Additional years will be included as they become available.

CITY OF HAMPTON, VIRGINIA
SCHEDULE OF COMPONENT UNIT - SCHOOL BOARD'S CONTRIBUTIONS
VRS SCHOOL BOARD HEALTH INSURANCE CREDIT PLAN CONTRIBUTIONS
LAST 10 FISCAL YEARS
REQUIRED SUPPLEMENTAL INFORMATION-UNAUDITED

	2022	2021	2020	2019	2018	2017
School Board - Teachers						
Contractually determined contribution	\$ 1,479,904	\$ 1,385,578	\$ 1,353,905	\$ 1,305,003	\$ 1,352,052	\$ 1,349,262
Contribution in relation to the contractually determined contribution	1,479,904	1,385,578	1,353,905	1,305,003	1,352,052	1,217,627
Contribution deficiency	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
School Board's covered payroll	\$ 122,306,080	\$ 114,510,543	\$ 112,825,403	\$ 108,750,257	\$ 109,922,935	\$ 109,696,113
Contributions as a percentage of covered payroll	1.21%	1.21%	1.20%	1.20%	1.23%	1.11%
School Board - Nonprofessional						
Contractually determined contribution	\$ 42,036	\$ 38,393	\$ -	\$ -	\$ -	\$ -
Contributions in relation to contractually determined contribution	42,036	38,393	-	-	-	-
Contribution deficiency	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
School Board's covered payroll	\$ 4,289,368	\$ 3,917,641	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered-employee payroll	0.98%	0.98%	-%	-%	-%	-%

Notes to Schedule:

Schedule is intended to show information for 10 years. Additional years will be included as they become available. The amount presented have a measurement date of the prior fiscal year.

Effective July 1, 2020, the School Board Nonprofessional employees began participating into the VRS Health Insurance Credit Program.

CITY OF HAMPTON, VIRGINIA
NOTES TO VRS REQUIRED SUPPLEMENTAL INFORMATION COMPONENT UNIT SCHOOL BOARD
VIRGINIA RETIREMENT SYSTEM-TEACHER HEALTH INSURANCE CREDITS PLAN

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period July 1, 2016, through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

CITY OF HAMPTON, VIRGINIA
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
PRIMARY GOVERNMENT
OTHER POSTEMPLOYMENT BENEFITS-LINE OF DUTY
REQUIRED SUPPLEMENTAL INFORMATION-UNAUDITED

	2022	2021	2020	2019	2018
Total OPEB Liability					
Service cost at end of year	\$ 999,697	\$ 784,953	\$ 807,017	\$ 916,561	\$ 565,127
Interest	435,900	549,137	453,230	491,686	278,308
Changes of benefit terms	-	-	-	-	3,162,168
Differences between expected and actual experience	153,071	(2,710)	2,166,977	(2,391,726)	(146,400)
Changes of assumptions	2,666,246	3,083,881	1,117,402	(444,636)	(526,209)
Benefit payments	(633,743)	(556,223)	(532,113)	(439,544)	(124,402)
Net change in total OPEB	3,621,171	3,859,038	4,012,513	(1,867,659)	3,208,592
Total OPEB liability - beginning	19,039,426	15,180,388	11,167,875	13,035,534	9,826,942
Total OPEB liability - ending	\$ 22,660,597	\$ 19,039,426	\$ 15,180,388	\$ 11,167,875	\$ 13,035,534
Covered-employee payroll	\$ 91,561,683	\$ 90,779,972	\$ 88,434,323	\$ 91,084,919	\$ 90,627,625
Net OPEB liability as a percentage of covered-employee payroll	24.75%	20.97%	17.17%	12.26%	14.38%

Notes to Schedule

- 1) Per GAAP, net OPEB liabilities are reported using measurement date, which is one year prior to the reporting date.
- 2) No assets are accumulated in a trust that meet GAAP's criteria.
- 3) Schedules are intended to show information for 10 years. Since 2018 is the first year of this presentation, no other data is available. Additional years will be included as they become available.

CITY OF HAMPTON, VIRGINIA
SCHEDULE OF EMPLOYER OTHER POSTEMPLOYMENT BENEFITS CONTRIBUTIONS
OTHER POST EMPLOYMENT BENEFITS - LINE OF DUTY
LAST 10 FISCAL YEARS
REQUIRED SUPPLEMENTAL INFORMATION - UNAUDITED

	2022	2021	2020	2019	2018	2017
Contractually required contribution	\$ 719,216	\$ 640,163	\$ 567,166	\$ 546,033	\$ 468,634	\$ 124,402
Contribution in relation to the contractually required contribution	719,216	640,163	567,166	546,033	468,634	124,402
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 91,561,683	\$ 91,561,683	\$ 90,779,972	\$ 88,434,323	\$ 91,084,919	\$ 90,627,625
Contributions as a percentage of covered-employee payroll	0.79%	0.70%	0.62%	0.62%	0.51%	0.14%

Notes to Schedule

- 1) No assets are accumulated in a trust that meet GAAP's criteria.
- 2) Schedules are intended to show information for 10 years. Since 2018 is the first year of this presentation, no other data is available. Additional years will be included as they become available.

CITY OF HAMPTON, VIRGINIA
NOTES TO VRS REQUIRED SUPPLEMENTAL INFORMATION PRIMARY GOVERNMENT
OTHER POSTEMPLOYMENT BENEFITS-LINE OF DUTY

Changes in benefit terms - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions - The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest Ten Locality Employers With Public Safety Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Deceased rates
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increase rate from 60% to 70%

CITY OF HAMPTON, VIRGINIA
SCHEDULE OF EMPLOYERS' PROPORTIONATE SHARE OF THE NET OTHER POSTEMPLOYMENT BENEFIT
LIABILITY
VIRGINIA RETIREMENT SYSTEM-GROUP LIFE
REQUIRED SUPPLEMENTAL INFORMATION-UNAUDITED

	2022	2021	2020	2019	2018
Primary Government - City					
Proportionate share of the net other postemployment benefit liability	0.44188%	0.44110%	0.4511%	0.4790%	0.4913%
Proportionate share of the net other postemployment benefit liability	\$ 5,144,682	\$ 7,361,237	\$ 7,340,923	\$ 7,275,000	\$ 7,394,000
Covered payroll	\$ 91,232,518	\$ 90,779,972	\$ 88,434,323	\$ 91,084,919	\$ 90,627,625
Proportionate share of the net other postemployment benefit liability as a percentage of covered payroll	5.64%	8.11%	8.30%	7.99%	8.16%
Plan fiduciary net position as a percentage of the total other postemployment benefit liability	67.45%	52.64%	52.00%	51.22%	49.00%
Component Unit-School Board					
Proportionate share of the net other postemployment benefit liability	0.57525%	0.57371%	0.05802%	0.60247%	0.61732%
Proportionate share of the net other postemployment benefit liability	\$ 6,697,741	\$ 9,574,281	\$ 9,440,910	\$ 9,150,000	\$ 9,289,000
Covered payroll	\$ 118,767,051	\$ 113,864,332	\$ 113,730,722	\$ 114,558,220	\$ 113,866,451
Proportionate share of the net other postemployment benefit liability as a percentage of covered payroll	5.64%	8.41%	8.30%	7.99%	8.16%
Plan fiduciary net position as a percentage of the total other postemployment benefit liability	67.45%	52.64%	52.00%	51.22%	48.86%

Notes to Schedule

- 1) Per GAAP, net OPEB liabilities are reported using the measurement date, which is one year prior to the reporting date.
- 2) Schedule is intended to show information for 10 years. Since 2018 is the first year of this presentation, no other data is available. Additional years will be included as they become available.

CITY OF HAMPTON, VIRGINIA
SCHEDULE OF EMPLOYER OTHER POSTEMPLOYMENT BENEFIT CONTRIBUTIONS
OTHER POST EMPLOYMENT BENEFITS-GROUP LIFE INSURANCE
LAST 10 FISCAL YEARS
REQUIRED SUPPLEMENTAL INFORMATION-UNAUDITED

	2022	2021	2020	2019	2018	2017
Primary Government- City						
Contractually required contribution	\$ 508,013	\$ 492,656	\$ 472,056	\$ 459,858	\$ 473,642	\$ 471,264
Contributions in relation to the						
contractually required contribution	508,013	492,656	472,056	459,858	473,642	471,264
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City covered-employee payroll	\$ 94,076,467	\$ 91,232,518	\$ 90,779,972	\$ 88,434,323	\$ 91,084,919	\$ 90,627,625
Contributions as a percentage of						
covered payroll	0.54%	0.54%	0.52%	0.52%	0.52%	0.52%
-						
Component Unit-School Board						
Contractually required contribution	\$ 686,283	\$ 641,362	\$ 613,972	\$ 591,400	\$ 595,702	\$ 592,106
Contributions in relation to contractually						
required contribution	686,283	641,362	613,972	591,400	595,702	592,106
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
School Board covered payroll	\$ 127,089,296	\$ 118,767,051	\$ 113,864,332	\$ 113,730,722	\$ 114,558,220	\$ 113,866,451
Contributions as a percentage of						
covered payroll	0.54%	0.54%	0.52%	0.52%	0.52%	0.52%

Notes to Schedule

- 1) Per GAAP, net OPEB liabilities are reported using measurement date, which is one year prior to the reporting date.
- 2) No assets are accumulated in a trust that meet GAAP's criteria.
- 3) Schedules are intended to show information for 10 years. Since 2017 is the first year of this presentation, no other data is available. Additional years will be included as they become available.

**CITY OF HAMPTON, VIRGINIA
NOTES TO VRS REQUIRED SUPPLEMENTAL INFORMATION
PRIMARY GOVERNMENT AND SCHOOL BOARD COMPONENT UNIT
OTHER POST EMPLOYMENT BENEFITS - GROUP LIFE INSURANCE PROGRAM**

Changes of benefit terms - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions - The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period of July 1, 2016, through June 30, 2020, except the change in the discount rate, which was based on VRS Board action as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Largest Ten Locality Employers - General Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)

Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020

Retirement Rates

Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changes final retirement age from 75 to 80 for all

Withdrawal Rates

Adjusted termination rates to better fit experience at each age and service decrement through 9 years of service

Disability Rates

Lower disability rates

Salary Scale

No change

Line of Duty Disability

Increased rate from 14% to 20%

Discount Rate

Decrease rate from 7% to 6.75%

Largest Ten Locality Employers - Hazardous Duty Employees

Mortality Rates (Pre-retirement, post retirement healthy, and disabled)

Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020

Retirement Rates

Adjusted rates to better fit experience and changed final retirement age from 65 to 70

Withdrawal Rates

Decreased rates

Disability Rates

Adjusted rates to better match experience

Salary Scale

No change

Line of Duty Disability

Increased rate from 60% to 45%

Discount Rate

Decrease rate from 7.00% to 6.75%

Teachers

Mortality Rates (Pre-retirement, post retirement healthy, and disabled)

Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020

Retirement Rates

Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changes final retirement age from 75 to 80 for all

Withdrawal Rates

Adjusted termination rates to better fit experience at each age and service decrement through 9 years of service

Disability Rates

Adjusted rates to better match experience

Salary Scale

No change

Discount Rate

Decrease rate from 7.00 to 6.75%

CITY OF HAMPTON, VIRGINIA
GENERAL FUND
BALANCE SHEET
June 30, 2022

Assets:		
Cash and cash equivalents	\$	132,254,121
Investments		22,344,923
Accounts receivables:		
Taxes (net of allowance for uncollectible of \$2,085,443)		11,188,328
Due from other governments		10,583,899
Other		3,048,656
Lease recievable		82,682
Due from other funds		8,791,100
Inventories		36,574
Prepaid items		212,846
Total assets	\$	<u>188,543,129</u>
Liabilities:		
Accounts payable	\$	7,512,463
Accrued health insurance		13,099,341
Accrued liabilities		7,425,873
Due to other funds		10,149,905
Due to component units		68,187
Unearned revenues		146,372
Total liabilities		<u>38,402,141</u>
Deferred inflows of resources:		
Unavailable revenue-property taxes		7,940,040
Unavailable revenue-leases		87,983
Property taxes collected in advance		2,249,088
Total deferred inflows of resources		<u>10,277,111</u>
Fund balances:		
Nonspendable		249,420
Restricted		1,481,861
Committed		27,039,869
Assigned		19,442,546
Unassigned		91,650,181
Total fund balances		<u>139,863,877</u>
Total liabilities, deferred inflows of resources and fund balances	\$	<u>188,543,129</u>

This schedule excludes special revenue fund Pearl Young, which is included in the General Fund basic statements per GAAP.

CITY OF HAMPTON, VIRGINIA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended June 30, 2022

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget Over (Under)
REVENUES				
Intergovernmental:				
From the Commonwealth of Virginia	\$ 42,056,256	\$ 57,510,185	\$ 56,372,164	\$ (1,138,021)
From the Federal government	10,645,244	10,645,244	10,943,125	297,881
Local taxes	286,659,278	271,205,349	286,749,923	15,544,574
Special assessments	5,600,686	5,600,686	1,946,690	(3,653,996)
Licenses and permits	1,461,250	1,461,250	1,624,819	163,569
Fines and forfeitures	837,415	837,415	943,487	106,072
Revenues from use of money and property	714,683	714,683	809,139	94,456
Charges for services	8,960,225	8,960,225	10,987,603	2,027,378
Recovered costs	957,640	957,640	957,640	-
Payment from component units	3,664,603	3,664,603	2,010,000	(1,654,603)
Miscellaneous	4,400,327	4,284,327	3,507,670	(776,657)
Total revenues	365,957,607	365,841,607	376,852,260	11,010,653
EXPENDITURES				
Current:				
General government	129,638,089	121,777,528	111,496,694	(10,280,834)
Public safety	56,140,784	61,116,696	60,261,061	(855,635)
Highways and streets	2,738,109	2,604,740	2,426,455	(178,285)
Health	5,115,544	5,113,844	4,641,828	(472,016)
Human services	23,224,192	23,255,294	21,500,228	(1,755,066)
Culture and recreation	12,196,042	11,988,189	11,909,146	(79,043)
Education	82,364,164	81,961,499	81,916,320	(45,179)
Debt Service:				
Principal	-	1,034,958	1,034,958	-
Interest	-	30,643	35,713	5,070
Total expenditures	311,416,924	308,883,391	295,222,403	(13,660,988)
Excess of revenues over expenditures	54,540,683	56,958,216	81,629,857	24,671,641
OTHER FINANCING SOURCES (USES)				
Transfers in	113,292	229,292	233,940	4,648
Transfers out	(62,513,082)	(70,369,637)	(69,827,120)	542,517
Other financing uses, net	(62,399,790)	(70,140,345)	(69,593,180)	547,165
Net change in fund balances	(7,859,107)	(13,182,129)	12,036,677	\$ 25,218,806
Appropriations from fund balance	7,859,107	13,527,656		
Appropriations - encumbrances	-	(345,527)		
Fund balance - July 1	-	-	127,827,200	
Fund balance - June 30	\$ -	\$ -	\$ 139,863,877	

This schedule excludes special revenue fund Pearl Young, which is included in the
General Fund basic statements per GAAP.

CITY OF HAMPTON, VIRGINIA
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER CREDITS - BUDGET AND ACTUAL
For the Year Ended June 30, 2022

	Budget July 1, 2021	Net Changes	Final June 30, 2022	Actual	Variance Over (Under)
General property taxes:					
Real estate	\$ 145,793,828	\$ -	\$ 145,793,828	\$ 146,666,185	\$ 872,357
Public service	4,675,752	-	4,675,752	4,933,119	257,367
Personal property	46,057,162	(15,453,929)	30,603,233	33,462,682	2,859,449
Mobile homes	27,127	-	27,127	39,362	12,235
Machinery and tools	2,888,880	-	2,888,880	2,849,080	(39,800)
Delinquent taxes	450,000	-	450,000	610,679	160,679
Penalty	1,009,000	-	1,009,000	1,473,365	464,365
Total general property taxes	200,901,749	(15,453,929)	185,447,820	190,034,472	4,586,652
Other local taxes:					
Utility-electric and gas	5,000,000	-	5,000,000	5,073,682	73,682
Communications sales tax	7,100,000	-	7,100,000	6,526,512	(573,488)
Tobacco	4,349,217	-	4,349,217	3,838,119	(511,098)
Business license	14,752,004	-	14,752,004	15,296,618	544,614
Short-term rental	126,354	-	126,354	127,717	1,363
Sales and use	18,430,259	-	18,430,259	20,875,990	2,445,731
Recordation	1,874,277	-	1,874,277	3,239,842	1,365,565
Public right of way	466,258	-	466,258	438,919	(27,339)
Lodging and transit	3,500,000	-	3,500,000	5,519,989	2,019,989
Amusement	650,000	-	650,000	970,865	320,865
Meal	22,600,000	-	22,600,000	26,862,653	4,262,653
Motor vehicle	4,403,135	-	4,403,135	4,440,827	37,692
Bank stock	725,855	-	725,855	614,608	(111,247)
License tax par mutual	1,780,170	-	1,780,170	2,833,670	1,053,500
Skills game tax	-	-	-	55,440	55,440
Total other local taxes	85,757,529	-	85,757,529	96,715,451	10,957,922
License, permits and privilege fees:					
Animal licenses	25,000	-	25,000	14,746	(10,254)
Street and taxi permits	182,200	-	182,200	192,253	10,053
Zoning and land use	319,800	-	319,800	445,084	125,284
Building permits	907,250	-	907,250	869,927	(37,323)
Miscellaneous	27,000	-	27,000	102,809	75,809
Total license, permits and privilege fees	1,461,250	-	1,461,250	1,624,819	163,569
Total fines and forfeitures	837,415	-	837,415	943,487	106,072
Special assessments:					
Peninsula Town Center CDA	4,377,463	-	4,377,463	957,912	(3,419,551)
H2O CDA	336,000	-	336,000	53,514	(282,486)
Coliseum BID	654,485	-	654,485	679,782	25,297
Downtown BID	182,604	-	182,604	205,417	22,813
Elizabeth Lakes	50,134	-	50,134	50,063	(71)
Total special assessments	5,600,686	-	5,600,686	1,946,690	(3,653,996)
Revenue from use of money and property:					
Interest on investments	493,710	-	493,710	525,178	31,468
Rental of property	70,373	-	70,373	139,118	68,745
Sale of materials and property	65,019	-	65,019	56,470	(8,549)
Vending machines	4,946	-	4,946	5,531	585
Billboard revenue	80,635	-	80,635	7,200	(73,435)
Lease revenue	-	-	-	75,642	75,642
Net decrease in fair value of investments	-	-	-	-	-
Total revenue from use of money and property	714,683	-	714,683	809,139	94,456

Continued

This schedule excludes special revenue fund Pearl Young, which is included in the General Fund basic statements per GAAP.

CITY OF HAMPTON, VIRGINIA
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER CREDITS - BUDGET AND ACTUAL
For the Year Ended June 30, 2022

	Budget July 1, 2021	Net Changes	Final June 30, 2022	Actual	Variance Over (Under)
Charges for services:					
Fees:					
Court costs	\$ 1,000	\$ -	\$ 1,000	\$ 1,154	\$ 154
Clerk	60,000	-	60,000	29,160	(30,840)
Cobra administration	1,000	-	1,000	-	(1,000)
Court officers	26,000	-	26,000	17,292	(8,708)
Parks and Recreation	693,623	-	693,623	965,230	271,607
Youth, Education, and Family Services	996,307	-	996,307	1,196,670	200,363
Sheriff	30,439	-	30,439	209,830	179,391
Sheriff - Canteen Fund	-	-	-	56,682	56,682
Library	25,000	-	25,000	12,485	(12,515)
Jail admission fee	8,350	-	8,350	8,924	574
Ambulance services	4,000,000	-	4,000,000	5,295,134	1,295,134
Fire Prevention	214,400	-	214,400	171,849	(42,551)
Public education grant fees	200,000	-	200,000	168,282	(31,718)
Passport applications	50,000	-	50,000	-	(50,000)
Miscellaneous charges for services	264,475	-	264,475	322,865	58,390
Landfill host fees	1,205,671	-	1,205,671	1,310,766	105,095
Payment in lieu of taxes-Fort Monroe	983,960	-	983,960	983,960	-
Boat license fee	200,000	-	200,000	227,063	27,063
Administrative Fees	-	-	-	10,257	10,257
Total charges for services	8,960,225	-	8,960,225	10,987,603	2,027,378
Miscellaneous revenue:					
Payment in lieu of taxes-other	49,926	-	49,926	48,806	(1,120)
Returned check charges	14,010	-	14,010	4,949	(9,061)
Unemployment fees	4,000	-	4,000	4,000	-
School reimbursement	1,704,770	-	1,704,770	1,704,771	1
Indirect cost	1,051,745	(116,000)	935,745	935,745	-
Other	1,575,876	-	1,575,876	809,401	(766,475)
Total miscellaneous revenue	4,400,327	(116,000)	4,284,327	3,507,671	(776,656)
Recovered costs:					
Jail operations	404,617	-	404,617	281,844	(122,773)
Probation	8,500	-	8,500	3,842	(4,658)
NASA fire services	957,640	-	957,640	957,640	-
Miscellaneous	150,000	-	150,000	269,820	119,820
Total recovered costs	1,520,757	-	1,520,757	1,513,146	(7,611)
Noncategorical aid - state:					
Personal property tax relief reimbursement	-	15,453,929	15,453,929	15,453,930	1
Vehicle rental tax	520,000	-	520,000	633,980	113,980
Railroad rolling stock tax	10,516	-	10,516	16,140	5,624
Mobile home titling tax	20,312	-	20,312	28,377	8,065
Total noncategorical aid - state	550,828	15,453,929	16,004,757	16,132,426	127,669
Shared expenses - state:					
Sheriff	7,282,080	-	7,282,080	5,294,603	(1,987,477)
Commonwealth's Attorney	1,513,173	-	1,513,173	1,459,362	(53,811)
Commissioner of Revenue	368,787	-	368,787	377,343	8,556
Treasurer	303,968	-	303,968	303,698	(270)
Clerk of Courts	912,959	-	912,959	1,036,036	123,077
Registrar-election board	55,801	-	55,801	96,773	40,972
Total shared expenses - state	10,436,768	-	10,436,768	8,567,816	(1,868,952)

Continued

This schedule excludes special revenue fund Pearl Young, which is included in the General Fund basic statements per GAAP.

CITY OF HAMPTON, VIRGINIA
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER CREDITS - BUDGET AND ACTUAL
For the Year Ended June 30, 2022

	Budget July 1, 2021	Net Changes	Final June 30, 2022	Actual	Variance Over (Under)
Categorical aid - state:					
Public assistance	\$ 4,912,945	\$ -	\$ 4,912,945	\$ 4,999,984	\$ 87,039
Police	7,254,948	-	7,254,948	7,274,322	19,374
Street and highway maintenance	17,241,504	-	17,241,504	17,556,412	314,908
E911 wireless grant	618,387	-	618,387	778,986	160,599
Public library books	162,055	-	162,055	191,010	28,955
Virginia juvenile block grant	315,704	-	315,704	315,703	(1)
Total categorical aid - state	30,505,543	-	30,505,543	31,116,417	610,874
Categorical aid - federal:					
Pass thru-Public assistance	9,765,854	-	9,765,854	9,757,054	(8,800)
Pass thru-Healthy Families	630,890	-	630,890	630,890	-
Pass thru-Federal Rad. Emergency Response	20,500	-	20,500	-	(20,500)
Pass thru-Sheriff bonus reimbursement	-	-	-	238,983	238,983
Federal funds	-	-	-	87,842	87,842
Total categorical aid - federal	10,417,244	-	10,417,244	10,714,769	297,525
Noncategorical aid - federal					
Payment in lieu of Taxes-National Park Service	-	-	-	356	356
Indirect costs-total	228,000	-	228,000	228,000	-
Total noncategorical aid - federal	228,000	-	228,000	228,356	356
Total revenues	362,293,004	(116,000)	362,177,004	374,842,262	12,665,258
Other credits:					
Component unit-EDA Fund	464,603	-	464,603	10,000	(454,603)
Transfer from Solid Waste Fund	-	116,000	116,000	116,000	-
Transfer from Grants Fund	-	-	-	4,648	4,648
Transfer from Wastewater Fund	113,292	-	113,292	113,292	-
Component Unit-Schools	3,200,000	-	3,200,000	2,000,000	(1,200,000)
Total transfers	3,777,895	116,000	3,893,895	2,243,940	(1,649,955)
Total revenues and transfers	366,070,899	-	366,070,899	377,086,202	11,015,303
Appropriations from fund balance	7,859,107	5,668,549	13,527,656	13,527,656	-
Appropriations-encumbrances	-	345,528	345,528	2,323,552	1,978,024
Total appropriations	7,859,107	6,014,077	13,873,184	15,851,208	1,978,024
Total revenues and other credits	\$ 373,930,006	\$ 6,014,077	\$ 379,944,083	\$ 392,937,410	\$ 12,993,327

This schedule excludes special revenue fund Pearl Young, which is included in the General Fund basic statements per GAAP.

**CITY OF HAMPTON, VIRGINIA
GENERAL FUND
SCHEDULE OF APPROPRIATIONS AND EXPENDITURES
For the Year Ended June 30, 2022**

	Appropriations			Expenditures				Variance Under (Over)
	Budget July 1, 2021	Net Changes	Final June 30, 2022	Personal Services	Operating Expenditures	Capital Outlay	Total	
General Government								
Legislative:								
Municipal Council	\$ 507,721	\$ 12,571	\$ 520,292	\$ 374,816	\$ 145,476	\$ -	\$ 520,292	\$ -
Legislative - Total	507,721	12,571	520,292	374,816	145,476	-	520,292	-
Executive:								
City Manager	1,397,871	24,848	1,422,719	1,114,962	139,424	2,879	1,257,265	165,454
311 Customer Call Center	529,493	(76,113)	453,380	375,398	68,477	-	443,875	9,505
Citizens Unity Commission	133,364	(20,199)	113,165	76,496	12,841	2,074	91,411	21,754
Marketing, INC	834,801	(59,465)	775,336	488,238	266,735	2,961	757,934	17,402
Internal Audit	189,874	8,031	197,905	181,263	8,234	-	189,497	8,408
Executive - Total	3,085,403	(122,898)	2,962,505	2,236,357	495,711	7,914	2,739,982	222,523
City Attorney:								
Law-City Attorney	1,407,731	143,730	1,551,461	1,356,637	128,801	21,380	1,506,818	44,643
City Attorney - Total	1,407,731	143,730	1,551,461	1,356,637	128,801	21,380	1,506,818	44,643
Human Resources -Total	988,209	79,818	1,068,027	783,439	130,213	128,990	1,042,642	25,385
Judicial:								
Clerk of Courts	1,134,588	80,826	1,215,414	906,638	138,149	-	1,044,787	170,627
Circuit Court	339,353	7,258	346,611	306,297	18,012	-	324,309	22,302
General District Court	207,872	(24,335)	183,537	67,021	88,003	-	155,024	28,513
District Court-J.D.R.	49,790	887	50,677	-	30,900	13,482	44,382	6,295
Commonwealth's Attorney	2,548,783	(3,993)	2,544,790	2,291,929	202,400	31,963	2,526,292	18,498
City Sheriff-Administration	2,145,123	83,686	2,228,809	914,857	401,994	8,846	1,325,697	903,112
City Sheriff-Jail	7,540,880	827,448	8,368,328	5,043,568	2,689,617	36,192	7,769,377	598,951
Court Service Unit	1,796,517	(528,889)	1,267,628	176,422	1,055,754	90	1,232,266	35,362
Magistrates Office	29,283	(1,374)	27,909	9,550	4,586	1,560	15,696	12,213
Judicial - Total	15,792,189	441,514	16,233,703	9,716,282	4,629,415	92,133	14,437,830	1,795,873

This schedule excludes special revenue fund Pearl Young, which is included in the General Fund basic statements per GAAP.

CITY OF HAMPTON, VIRGINIA
GENERAL FUND
SCHEDULE OF APPROPRIATIONS AND EXPENDITURES
For the Year Ended June 30, 2022

	Appropriations			Expenditures				Variance
	Budget July 1, 2021	Net Changes	Final June 30, 2022	Personal Services	Operating Expenditures	Capital Outlay	Total	Under (Over)
General Government, concluded:								
Boards and commissions:								
Community Development	\$ 3,641,756	\$ (137,682)	\$ 3,504,074	\$ 2,421,419	\$ 707,347	\$ 98,164	\$ 3,226,930	\$ 277,144
Elections Board	167,313	221,288	388,601	52,177	177,440	64,707	294,324	94,277
Registrar	239,929	506	240,435	220,635	13,320	-	233,955	6,480
Development	1,275,083	270,453	1,545,536	927,028	249,556	4,191	1,180,775	364,761
Boards and Commissions - Total	5,324,081	354,565	5,678,646	3,621,259	1,147,663	167,062	4,935,984	742,662
Agriculture - Extension Agent - Total	73,171	-	73,171	37,956	24,467	-	62,423	10,748
Nondepartmental:								
Nondepartmental	28,879,293	(956,634)	27,922,659	360,722	23,956,679	2,305	24,319,706	3,602,953
Civic and community support	907,845	-	907,845	-	907,845	-	907,845	-
Other	3,238,557	(849,157)	2,389,400	-	1,498,330	-	1,498,330	891,070
Nondepartmental - Total	33,025,695	(1,805,791)	31,219,904	360,722	26,362,854	2,305	26,725,881	4,494,023
Finance:								
Commissioner of Revenue	1,392,686	(22,941)	1,369,745	1,157,760	187,795	-	1,345,555	24,190
Assessor of Real Estate	1,281,729	(73,716)	1,208,013	1,038,412	130,950	4,771	1,174,133	33,880
City Treasurer	1,926,862	(36,148)	1,890,714	1,316,194	372,837	-	1,689,031	201,683
Consolidated Procurement	441,439	(18,913)	422,526	377,342	24,066	-	401,408	21,118
Independent Auditors	208,809	6,376	215,185	-	214,178	-	214,178	1,007
Finance	888,616	344,084	1,232,700	865,628	94,636	3,048	963,312	269,388
Information Technology	4,050,925	446,901	4,497,826	1,264,713	2,232,292	978,484	4,475,489	22,337
Finance - Total	10,191,066	645,643	10,836,709	6,020,049	3,256,754	986,303	10,263,106	573,603
Retirement and Employee Benefits								
Total	53,616,422	(7,925,837)	45,690,585	4,877,384	38,568,581	-	43,445,965	2,244,620
Public Works:								
Administration	237,989	746	238,735	193,044	32,662	3,991	229,697	9,038
Engineering	810,934	(2,620)	808,314	705,231	71,501	1,174	777,906	30,408
Property Maintenance	4,376,029	361,642	4,737,671	1,241,701	3,471,841	-	4,713,542	24,129
Parking Facilities	201,449	(43,644)	157,805	32,100	62,526	-	94,626	63,179
Public Works - Total	5,626,401	316,124	5,942,525	2,172,076	3,638,530	5,165	5,815,771	126,754

Continued

This schedule excludes special revenue fund Pearl Young, which is included in the General Fund basic statements per GAAP.

CITY OF HAMPTON, VIRGINIA
GENERAL FUND
SCHEDULE OF APPROPRIATIONS AND EXPENDITURES
For the Year Ended June 30, 2022

	Appropriations			Expenditures				Variance Under (Over)
	Budget July 1, 2021	Net Changes	Final June 30, 2022	Personal Services	Operating Expenditures	Capital Outlay	Total	
General Government - Total	\$ 129,638,089	\$ (7,860,561)	\$ 121,777,528	\$ 31,556,977	\$ 78,528,465	\$ 1,411,252	\$ 111,496,694	\$ 10,280,834
Public Safety:								
Police Division	25,570,734	1,796,764	27,367,498	21,792,759	4,633,263	712,216	27,138,238	229,260
Traffic Engineering	3,451,561	(260,511)	3,191,050	433,314	2,690,016	1,320	3,124,650	66,400
Fire Division	22,576,551	3,158,275	25,734,826	21,123,250	4,406,878	-	25,530,128	204,698
Emergency Management	343,343	88,549	431,892	269,869	110,584	28,543	408,996	22,896
E911	2,812,784	258,565	3,071,349	2,382,179	590,257	36,257	3,008,693	62,656
Animal Control	573,796	(61,966)	511,830	313,193	150,229	844	464,266	47,564
Youth Violence Prevention	812,015	(3,764)	808,251	465,807	114,373	5,910	586,090	222,161
Public Safety - Total	<u>56,140,784</u>	<u>4,975,912</u>	<u>61,116,696</u>	<u>46,780,371</u>	<u>12,695,600</u>	<u>785,090</u>	<u>60,261,061</u>	<u>855,635</u>
Highways and Streets-Total	<u>2,738,109</u>	<u>(133,369)</u>	<u>2,604,740</u>	<u>928,664</u>	<u>1,493,318</u>	<u>4,473</u>	<u>2,426,455</u>	<u>178,285</u>

This schedule excludes special revenue fund Pearl Young, which is included in the General Fund basic statements per GAAP.

CITY OF HAMPTON, VIRGINIA
GENERAL FUND
SCHEDULE OF APPROPRIATIONS AND EXPENDITURES
For the Year Ended June 30, 2022

	Appropriations			Expenditures				Variance Under (Over)
	Budget July 1, 2021	Net Changes	Final June 30, 2022	Personal Services	Operating Expenditures	Capital Outlay	Total	
Health:								
Preventive Medicine	\$ 1,300,780	\$ -	\$ 1,300,780	\$ -	\$ 1,202,635	\$ -	\$ 1,202,635	\$ 98,145
Drainage Maintenance	3,814,764	(1,700)	3,813,064	560,332	2,878,861	-	3,439,193	373,871
Health - Total	<u>5,115,544</u>	<u>(1,700)</u>	<u>5,113,844</u>	<u>560,332</u>	<u>4,081,496</u>	<u>-</u>	<u>4,641,828</u>	<u>472,016</u>
Human Services:								
Administration	14,837,676	30,576	14,868,252	8,628,983	5,489,598	39,824	14,158,405	709,847
Public Assistance	484,613	(5,860)	478,753	-	423,634	-	423,634	55,119
Purchase of Services	4,109,388	(65,000)	4,044,388	-	3,273,312	-	3,273,312	771,076
Youth, Education and Family Services	3,792,515	71,386	3,863,901	3,017,645	597,157	30,075	3,644,877	219,024
Human Services - Total	<u>23,224,192</u>	<u>31,102</u>	<u>23,255,294</u>	<u>11,646,628</u>	<u>9,783,701</u>	<u>69,899</u>	<u>21,500,228</u>	<u>1,755,066</u>
Culture and Recreation:								
Recreation	5,124,536	(208,907)	4,915,629	3,268,506	1,589,025	38,360	4,895,891	19,738
Parks	4,291,808	(238,217)	4,053,591	1,608,192	2,409,218	36,134	4,053,544	47
Conventions and Tourism	2,366,684	241,357	2,608,041	863,563	1,517,396	186,925	2,567,884	40,157
Hampton History Museum	413,014	(2,086)	410,928	322,908	68,919	-	391,827	19,101
Culture and Recreation - Total	<u>12,196,042</u>	<u>(207,853)</u>	<u>11,988,189</u>	<u>6,063,169</u>	<u>5,584,558</u>	<u>261,419</u>	<u>11,909,146</u>	<u>79,043</u>

Continued

This schedule excludes special revenue fund Pearl Young, which is included in the General Fund basic statements per GAAP.

**CITY OF HAMPTON, VIRGINIA
GENERAL FUND
SCHEDULE OF APPROPRIATIONS AND EXPENDITURES
For the Year Ended June 30, 2022**

	Appropriations			Expenditures				Variance Under (Over)
	Budget July 1, 2021	Net Changes	Final June 30, 2022	Personal Services	Operating Expenditures	Capital Outlay	Total	
Education:								
School Operations	\$ 80,165,119	\$ -	\$ 80,165,119	\$ -	\$ 80,165,119	\$ -	\$ 80,165,119	\$ -
Public Library	2,199,045	(315,680)	1,883,365	1,392,036	359,165	-	1,751,201	132,164
Education - Total	<u>82,364,164</u>	<u>(315,680)</u>	<u>82,048,484</u>	<u>1,392,036</u>	<u>80,524,284</u>	<u>-</u>	<u>81,916,320</u>	<u>132,164</u>
Debt Service:								
Principal	\$ -	\$ 947,973	\$ 947,973		\$ 1,034,958		\$ 1,034,958	\$ (86,985)
Interest	-	30,643	30,643		35,713		35,713	(5,070)
Debt Service - Total	<u>-</u>	<u>978,616</u>	<u>978,616</u>	<u>-</u>	<u>1,070,671</u>	<u>-</u>	<u>1,070,671</u>	<u>(92,055)</u>
Total expenditures	<u>311,416,924</u>	<u>(2,533,533)</u>	<u>308,883,391</u>	<u>98,928,177</u>	<u>193,762,093</u>	<u>2,532,133</u>	<u>295,222,403</u>	<u>13,660,988</u>
Operating Transfers Out:								
Capital Projects Fund	16,914,876	3,955,000	20,869,876	-	20,869,876	-	20,869,876	-
Enterprise Funds	8,054,511	2,036,397	10,090,908	-	10,080,517	-	10,080,517	10,391
Internal Service Funds	-	5,710,300	5,710,300	-	5,710,300	-	5,710,300	-
Special Revenue Funds	2,548,188	(345,142)	2,203,046	-	2,002,618	-	2,002,618	200,428
Debt Service Fund	34,995,507	(3,500,000)	31,495,507	-	31,163,809	-	31,163,809	331,698
Transfers - Total	<u>62,513,082</u>	<u>7,856,555</u>	<u>70,369,637</u>	<u>-</u>	<u>69,827,120</u>	<u>-</u>	<u>69,827,120</u>	<u>542,517</u>
Total expenditures and transfers	<u>\$ 373,930,006</u>	<u>\$ 5,323,022</u>	<u>\$ 379,253,028</u>	<u>\$ 98,928,177</u>	<u>\$ 263,589,213</u>	<u>\$ 2,532,133</u>	<u>\$ 365,049,523</u>	<u>\$ 14,203,505</u>

This schedule excludes special revenue fund Pearl Young, which is included in the General Fund basic statements per GAAP.

CITY OF HAMPTON, VIRGINIA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2022

	Special Revenue				Total Non-major Governmental Funds
	Community Development	Stormwater Management	Pembroke Complex	Law Library	
Assets:					
Cash and cash equivalents	\$ -	\$ 9,901,897	\$ 129,938	\$ -	\$ 10,031,835
Accounts receivables:					
Due from other governments	295,529	-	-	-	295,529
Other	22,872	559,773	-	-	582,645
Due from other funds	-	-	-	40,439	40,439
Prepaid items	-	405	-	-	405
Total assets	<u>\$ 318,401</u>	<u>\$ 10,462,075</u>	<u>\$ 129,938</u>	<u>\$ 40,439</u>	<u>\$ 10,950,853</u>
Liabilities:					
Accounts payable	92,173	205,657	4,295	-	302,125
Accrued liabilities	6,567	106,463	2,967	-	115,997
Due to other funds	97,648	-	-	39,205	136,853
Due to component units	-	66	-	-	66
Total liabilities	<u>196,388</u>	<u>312,186</u>	<u>7,262</u>	<u>39,205</u>	<u>555,041</u>
Deferred inflows of resources:					
Unavailable revenue-program income	122,013	-	-	-	122,013
Unavailable revenue-stormwater fees	-	559,773	-	-	559,773
Total deferred inflows of resources	<u>122,013</u>	<u>559,773</u>	<u>-</u>	<u>-</u>	<u>681,786</u>
Fund balances:					
Nonspendable	-	405	-	-	405
Restricted	-	9,589,711	122,676	1,234	9,713,621
Total fund balances	<u>-</u>	<u>9,590,116</u>	<u>122,676</u>	<u>1,234</u>	<u>9,714,026</u>
Total liabilities,deferred inflows of resources and fund balances	<u>\$ 318,401</u>	<u>\$ 10,462,075</u>	<u>\$ 129,938</u>	<u>\$ 40,439</u>	<u>\$ 10,950,853</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, 2022**

	Special Revenue				Total Non-major Governmental Funds
	Community Development	Stormwater Management	Pembroke Complex	Law Library	
REVENUES					
Intergovernmental revenues:					
From the Federal government	\$ 911,693	\$ -	\$ -	\$ -	\$ 911,693
Revenues from use of money and property	-	-	395,103	-	395,103
Charges for services	-	12,161,496	-	-	12,161,496
Miscellaneous	482,278	-	-	29,886	512,164
Total revenues	<u>1,393,971</u>	<u>12,161,496</u>	<u>395,103</u>	<u>29,886</u>	<u>13,980,456</u>
EXPENDITURES					
Current:					
General government	1,393,971	-	345,523	70,325	1,809,819
Sanitation	-	6,824,563	-	-	6,824,563
Debt Service:					
Principal retirement	-	712,133	-	-	712,133
Interest and fiscal charges	-	762,318	-	-	762,318
Total expenditures	<u>1,393,971</u>	<u>8,299,014</u>	<u>345,523</u>	<u>70,325</u>	<u>10,108,833</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>3,862,482</u>	<u>49,580</u>	<u>(40,439)</u>	<u>3,871,623</u>
OTHER FINANCING SOURCES (USES)					
Lease financing	-	8,582	-	-	8,582
Transfers in	-	-	-	40,439	40,439
Transfers out	-	(2,925,675)	-	-	(2,925,675)
Other financing sources (uses), net	<u>-</u>	<u>(2,917,093)</u>	<u>-</u>	<u>40,439</u>	<u>(2,876,654)</u>
Net change in fund balances	<u>-</u>	<u>945,389</u>	<u>49,580</u>	<u>-</u>	<u>994,969</u>
Fund balances, beginning of year	<u>-</u>	<u>8,644,727</u>	<u>73,096</u>	<u>1,234</u>	<u>8,719,057</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ 9,590,116</u>	<u>\$ 122,676</u>	<u>\$ 1,234</u>	<u>\$ 9,714,026</u>

CITY OF HAMPTON, VIRGINIA
NON-MAJOR GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
STORMWATER MANAGEMENT FUND
FOR THE YEAR ENDED JUNE 30, 2022

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		Over (Under)
REVENUES				
Charges for services	\$ 10,278,952	\$ 10,278,952	\$ 12,161,496	\$ 1,882,544
Total revenues	10,278,952	10,278,952	12,161,496	1,882,544
EXPENDITURES				
Current:				
Sanitation	11,708,952	8,003,297	6,815,981	(1,187,316)
Debt Service:				
Principal retirement	-	712,133	712,133	-
Interest and fiscal charges	-	762,318	762,318	-
Total expenditures	11,708,952	9,477,748	8,290,432	(1,187,316)
Excess (deficiency) of revenues over (under) expenditures	(1,430,000)	801,204	3,871,064	3,069,860
OTHER FINANCING SOURCES (USES)				
Transfers out	(70,000)	(2,947,712)	(2,925,675)	(22,037)
Other financing (uses), net	(70,000)	(2,947,712)	(2,925,675)	(22,037)
Net change in fund balances	(1,500,000)	(2,146,508)	945,389	\$ 3,091,897
Appropriation from fund balance	1,500,000	1,500,000		
Appropriations - encumbrances	-	646,508		
Fund balance - July 1	-	-	8,644,727	
Fund balance - June 30	-	-	\$ 9,590,116	

NON-MAJOR ENTERPRISE FUNDS STATEMENTS

Exhibit D-1

CITY OF HAMPTON, VIRGINIA NON-MAJOR ENTERPRISE FUNDS COMBINING STATEMENT OF NET POSITION

June 30, 2022

	Business-type Activities - Non-Major Enterprise Funds					
	Coliseum	The Woodlands	The Hamptons	Solid Waste	Refuse- Steam Plant	Totals
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 12,932,280	\$ 800	\$ 800	\$ 7,458,228	\$ 5,926,220	\$ 26,318,328
Accounts receivable, net	7,039	1,832	-	4,032,847	731,541	4,773,259
Due from other funds	73,112	640	-	-	-	73,752
Due from component units	-	-	-	24,448	-	24,448
Inventories	84,993	9,135	8,663	-	-	102,791
Prepaid items	2,863	-	-	-	-	2,863
Total current assets	13,100,287	12,407	9,463	11,515,523	6,657,761	31,295,441
Noncurrent assets:						
Capital assets:						
Land	164,079	2,295,536	262,100	945,188	-	3,666,903
Buildings and improvements	12,553,986	995,046	2,398,794	-	87,875	16,035,701
Improvements other than buildings	7,732,625	755,532	3,802,031	76,922	18,765,826	31,132,936
Computer software	22,500	-	-	-	225,843	248,343
Equipment	2,933,600	629,353	618,060	12,050,035	7,444,345	23,675,393
Landfill	-	-	-	3,865,986	-	3,865,986
Lease equipment	34,048	-	-	-	-	34,048
Construction in progress	81,465	-	-	-	-	81,465
Less: accumulated depreciation/ amortization	(18,579,586)	(2,259,616)	(6,696,925)	(10,593,311)	(21,344,852)	(59,474,290)
Total capital assets	4,942,717	2,415,851	384,060	6,344,820	5,179,037	19,266,485
Total noncurrent assets	4,942,717	2,415,851	384,060	6,344,820	5,179,037	19,266,485
Total assets	18,043,004	2,428,258	393,523	17,860,343	11,836,798	50,561,926
DEFERRED OUTFLOWS OF RESOURCES						
Related to pensions	545,173	94,159	81,610	1,298,308	638,020	2,657,270
Related to other postemployment benefits	271,523	145,173	103,766	709,445	335,100	1,565,007
Total deferred outflows of resources	816,696	239,332	185,376	2,007,753	973,120	4,222,277
LIABILITIES						
Current liabilities:						
Accounts payable	263,475	6,811	28,072	399,288	98,977	796,623
Accrued leave	45,147	9,786	7,135	102,869	39,310	204,247
Due to other funds	-	2,714,573	4,839,329	-	-	7,553,902
Due to component units	-	-	-	168	64	232
Unearned revenues	1,618,827	-	-	-	-	1,618,827
Current portion of lease liabilities	11,242	-	-	-	-	11,242
Current portion of long-term debt	-	-	-	-	133,049	133,049
Notes payable	-	-	-	548,412	-	548,412
Other liabilities	113,979	24,431	27,449	115,101	62,140	343,100
Total current liabilities	2,052,670	2,755,601	4,901,985	1,165,838	333,540	11,209,634
Noncurrent liabilities:						
Accrued leave	41,470	9,938	20,878	108,384	119,959	300,629
Lease liabilities	18,788	-	-	-	-	18,788
Net pension liability	1,318,187	227,669	197,326	3,047,552	1,371,576	6,162,310
Net other postemployment benefits liability	244,819	194,356	141,338	1,262,638	531,308	2,374,459
Bonds payable	-	-	-	-	437,115	437,115
Total noncurrent liabilities	1,623,264	431,963	359,542	4,418,574	2,459,958	9,293,301
Total liabilities	3,675,934	3,187,564	5,261,527	5,584,412	2,793,498	20,502,935
DEFERRED INFLOWS OF RESOURCES						
Related to pensions	997,818	172,337	149,369	2,227,027	889,155	4,435,706
Related to other postemployment benefits	644,614	335,018	59,593	1,625,043	768,692	3,432,960
Total deferred inflows of resources	1,642,432	507,355	208,962	3,852,070	1,657,847	7,868,666
NET POSITION						
Net investment in capital assets	4,912,687	2,415,851	384,060	5,796,408	4,608,873	18,117,879
Unrestricted (deficit)	8,628,647	(3,443,180)	(5,275,650)	4,635,206	3,749,700	8,294,723
Total net position (deficit)	\$ 13,541,334	\$ (1,027,329)	\$ (4,891,590)	\$ 10,431,614	\$ 8,358,573	\$ 26,412,602

CITY OF HAMPTON, VIRGINIA
NON-MAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended June 30, 2022

	Business-type Activities - Non-Major Enterprise Funds					
	Coliseum	The Woodlands	The Hamptons	Solid Waste	Refuse- Steam Plant	Totals
Operating revenues:						
Charges for services	\$ 10,637,675	\$ 629,134	\$ 532,192	\$ 15,657,265	\$ 4,019,027	\$ 31,475,293
Federal Revenues	5,966,421	-	-	-	2,712,640	8,679,061
Other	412	-	-	-	-	412
Total operating revenues	16,604,508	629,134	532,192	15,657,265	6,731,667	40,154,766
Operating expenses:						
Personal services	1,458,025	326,286	350,862	2,711,632	1,698,107	6,544,912
Fringe benefits	724,614	58,609	62,989	1,728,710	334,124	2,909,046
Promoters fees	6,019,629	-	-	-	-	6,019,629
Cost of goods sold	337,450	26,721	22,411	-	-	386,582
Utilities	346,347	40,737	84,225	805	527,760	999,874
Insurance	198,089	19,443	22,035	116,010	312,998	668,575
Operating supplies	181,301	31,297	65,357	451,572	503,122	1,232,649
Equipmental rental	54,045	71,178	110,735	-	9,424	245,382
Equipment and building repairs	201,344	32,979	33,732	554,858	1,056,130	1,879,043
Telephone and postage	89,945	12,203	7,758	23,049	16,920	149,875
General expense	762,735	1,708	4,687	239,121	9,327	1,017,578
Landfill costs	-	-	-	6,360,343	542,755	6,903,098
Contractual services	1,061,736	55,754	64,664	2,854,676	218,234	4,255,064
Indirect cost	-	-	-	356,470	218,000	574,470
Depreciation and amortization	545,099	40,889	34,733	991,235	733,116	2,345,072
Total operating expenses	11,980,359	717,804	864,188	16,388,481	6,180,017	36,130,849
Operating income (loss)	4,624,149	(88,670)	(331,996)	(731,216)	551,650	4,023,917
Nonoperating revenues (expenses):						
Interest income	15,704	-	-	-	13,985	29,689
Interest and fiscal charges	(130)	-	-	(23,172)	(51,401)	(74,703)
Gain (loss) on disposal of capital assets	(2,977)	-	-	49,079	-	46,102
Total nonoperating revenues (expenses), net	12,597	-	-	25,907	(37,416)	1,088
Income (loss) before transfers	4,636,746	(88,670)	(331,996)	(705,309)	514,234	4,025,005
Transfers in(out)	1,102,508	92,360	316,066	(163,963)	-	1,346,971
Change in net position	5,739,254	3,690	(15,930)	(869,272)	514,234	5,371,976
Net position (deficit), beginning of year	7,802,080	(1,031,019)	(4,875,660)	11,300,886	7,844,339	21,040,626
Net position (deficit), end of year	\$ 13,541,334	\$ (1,027,329)	\$ (4,891,590)	\$ 10,431,614	\$ 8,358,573	\$ 26,412,602

NON-MAJOR ENTERPRISE FUNDS STATEMENTS

Exhibit D-3

CITY OF HAMPTON, VIRGINIA NON-MAJOR ENTERPRISE FUNDS COMBINING STATEMENT OF CASH FLOWS Fiscal Year Ended June 30, 2022

	Business-type Activities - Non-Major Enterprise Funds					
	Coliseum	The Woodlands	The Hamptons	Solid Waste	Refuse-Steam Plant	Totals
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash received from customers	\$ 18,533,227	\$ 634,942	\$ 536,321	\$ 15,590,289	\$ 6,159,835	\$ 41,454,614
Cash payments to suppliers for goods and services	(8,949,133)	(340,451)	(445,375)	(10,561,543)	(3,691,315)	(23,987,817)
Cash payments to employees for services	(2,185,045)	(386,851)	(407,015)	(4,477,308)	(2,024,377)	(9,480,596)
Net cash provided by (used in) operating activities	7,399,049	(92,360)	(316,069)	551,438	444,143	7,986,201
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Cash received from other funds	1,102,508	92,360	316,069	-	-	1,510,937
Cash paid to other funds	-	-	-	(163,963)	-	(163,963)
Net cash provided by (used in) noncapital financing activities	1,102,508	92,360	316,069	(163,963)	-	1,346,974
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Acquisition and construction of capital assets	(203,188)	-	-	(1,629,069)	(1,116)	(1,833,373)
Sale of capital assets	(0)	-	-	49,079	-	49,079
Principal paid on revenue bond maturities and long-term debt	(4,018)	-	-	(534,258)	(500,622)	(1,038,898)
Interest paid on revenue bonds and long-term debt	(130)	-	-	(23,172)	(51,401)	(74,703)
Net cash used in capital and related financing activities	(207,336)	-	-	(2,137,420)	(553,139)	(2,897,895)
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest and dividends on investments	15,704	-	-	-	13,985	29,689
Net cash provided by investing activities	15,704	-	-	-	13,985	29,689
Net increase (decrease) in cash and cash equivalents	8,309,925	-	-	(1,749,945)	(95,011)	6,464,969
Cash and cash equivalents, July 1	4,622,355	800	800	9,208,173	6,021,231	19,853,359
Cash and cash equivalents, June 30	\$ 12,932,280	\$ 800	\$ 800	\$ 7,458,228	\$ 5,926,220	\$ 26,318,328
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:						
Operating income (loss)	\$ 4,624,149	\$ (88,670)	\$ (331,996)	\$ (731,216)	\$ 551,650	\$ 4,023,917
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation and amortization expense	545,099	40,889	34,733	991,235	733,116	2,345,072
Decrease (increase) in:						
Accounts receivable	34,009	4,115	4,129	(58,449)	(571,832)	(588,028)
Due from other funds	(68,648)	1,693	171,617	-	-	104,662
Due from component units	-	-	-	(8,527)	-	(8,527)
Due from other governments	2,731,784	-	-	-	-	2,731,784
Inventories	(28,057)	(4,541)	(1,739)	-	-	(34,337)
Net pension asset	-	-	-	219,173	441,831	661,004
Increase (decrease) in:						
Accounts payable	103,755	(14,684)	1,741	(205,146)	58,026	(56,308)
Accrued leave	(9,019)	553	(2,555)	5,045	5,984	8
Due to other funds	(5,272)	-	(193,171)	168	(18,103)	(216,378)
Other liabilities	57,540	5,067	5,087	24,382	4,980	97,056
Unearned revenues	(837,074)	-	-	-	-	(837,074)
Net pension and other postemployment benefits liability	(608,272)	(231,447)	(155,353)	(1,164,916)	(1,076,157)	(3,236,145)
Deferred outflows & inflows related to pensions	852,442	196,621	142,047	1,521,700	312,778	3,025,588
Long-term accrued leave	6,613	(1,956)	9,391	(42,011)	1,870	(26,093)
Total adjustments	2,774,900	(3,690)	15,927	1,282,654	(107,507)	3,962,284
Net cash provided by (used in) operating activities	\$ 7,399,049	\$ (92,360)	\$ (316,069)	\$ 551,438	\$ 444,143	\$ 7,986,201
Non-cash transactions affecting investing, capital and related financing activities:						
Acquisition of capital assets through leases	\$ 34,048	\$ -	\$ -	\$ -	\$ -	\$ 34,048
Total non-cash transactions	\$ 34,048	\$ -	\$ -	\$ -	\$ -	\$ 34,048

CITY OF HAMPTON, VIRGINIA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
June 30, 2022

	Equipment Replacement	Fleet Services	Risk Management	Information Technology	Totals
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 11,079,247	\$ 1,840,165	\$ 25,808,304	\$ 2,083,150	\$ 40,810,866
Cash with fiscal agent	2,858,000	-	375,372	-	3,233,372
Accounts receivable, net	9,416	12,625	22,629	18,530	63,200
Due from other funds	4,360,300	-	1,350,000	-	5,710,300
Due from component units	-	299,094	-	-	299,094
Prepaid items	-	-	77,398	118,358	195,756
Inventories	-	529,403	-	-	529,403
Total current assets	18,306,963	2,681,287	27,633,703	2,220,038	50,841,991
Noncurrent assets:					
Capital assets:					
Improvements other than buildings	-	477,601	-	-	477,601
Computer software	14,400	171,225	-	30,150	215,775
Equipment	42,100,592	579,969	48,307	1,943,325	44,672,193
Lease equipment	-	3,006	6,832	-	9,838
Construction in progress	1,381,977	-	-	-	1,381,977
Less: accumulated depreciation/amortization	(29,468,441)	(888,927)	(25,114)	(1,819,240)	(32,201,722)
Total capital assets	14,028,528	342,874	30,025	154,235	14,555,662
Total noncurrent assets (net capital assets)	14,028,528	342,874	30,025	154,235	14,555,662
Total assets	32,335,491	3,024,161	27,663,728	2,374,273	65,397,653
DEFERRED OUTFLOWS OF RESOURCES					
Related to pensions	-	458,459	114,677	95,739	668,875
Related to other postemployment benefits	-	331,386	42,866	87,857	462,109
Total deferred outflows of resources	-	789,845	157,543	183,596	1,130,984
LIABILITIES					
Current liabilities:					
Accounts payable	130,066	415,494	218,228	316,429	1,080,217
Accrued leave	-	40,860	13,216	1,740	55,816
Current portion of lease liabilities	-	602	2,647	-	3,249
Current portion of long-term debt	457,000	-	-	-	457,000
Current portion for claims and judgements	-	-	7,974,611	-	7,974,611
Other liabilities	-	40,266	13,585	5,414	59,265
Total current liabilities	587,066	497,222	8,222,287	323,583	9,630,158
Noncurrent liabilities:					
Claims payable	-	-	1,937,176	-	1,937,176
Accrued leave	-	22,473	17,508	32	40,013
Lease liabilities	-	-	1,552	-	1,552
Notes payable	3,294,000	-	-	-	3,294,000
Net pension liability	-	1,108,520	277,280	231,490	1,617,290
Net other postemployment benefit liability	-	623,104	89,926	159,014	872,044
Total noncurrent liabilities	3,294,000	1,754,097	2,323,442	390,536	7,762,075
Total liabilities	3,881,066	2,251,319	10,545,729	714,119	17,392,233
DEFERRED INFLOWS OF RESOURCES					
Related to pensions	-	839,109	209,891	175,229	1,224,229
Related to other postemployment benefits	-	759,211	98,122	203,213	1,060,546
Total deferred inflows of resources	-	1,598,320	308,013	378,442	2,284,775
NET POSITION					
Net investment in capital assets	10,277,528	342,272	25,826	154,235	10,799,861
Unrestricted (deficit)	18,176,897	(377,905)	16,941,703	1,311,073	36,051,768
Total net position(deficit)	\$ 28,454,425	\$ (35,633)	\$ 16,967,529	\$ 1,465,308	\$ 46,851,629

**CITY OF HAMPTON, VIRGINIA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended June 30, 2022**

	Equipment Replacement	Fleet Services	Risk Management	Information Technology	Totals
Operating revenues:					
Charges for services	\$ 3,240,010	\$ 7,302,883	\$ 8,618,258	\$ 3,143,362	\$ 22,304,513
Operating expenses:					
Personal services	-	1,042,471	289,712	153,168	1,485,351
Fringe benefits	-	319,426	203,179	53,327	575,932
Cost of goods sold	-	4,258,817	-	-	4,258,817
Utilities	-	42,289	-	-	42,289
Insurance	-	46,732	3,388,294	3,100	3,438,126
Operating supplies	-	122,229	17,353	11,860	151,442
Equipment rental	-	5,247	31,277	-	36,524
Equipment and building repairs	-	63,121	9,231	46,620	118,972
Telephone and postage	-	12,049	12,906	1,172,030	1,196,985
General expense	-	35,019	5,556	71,459	112,034
Claims	-	-	4,760,571	-	4,760,571
Contractual services	26,259	527,612	390,656	958,480	1,903,007
Depreciation and amortization	2,914,028	54,022	5,470	88,240	3,061,760
Total operating expenses	2,940,287	6,529,034	9,114,205	2,558,284	21,141,810
Operating income(loss)	299,723	773,849	(495,947)	585,078	1,162,703
Nonoperating revenues (expenses):					
Interest income	23,944	-	62,873	4,666	91,483
Interest and fiscal charges	(20,362)	(4)	(36)	-	(20,402)
Gain (loss) on disposal of capital assets	289,164	(11,109)	-	-	278,055
Total nonoperating revenues (expenses), net	292,746	(11,113)	62,837	4,666	349,136
Income before transfers	592,469	762,736	(433,110)	589,744	1,511,839
Transfers in	4,360,299	-	1,350,000	-	5,710,299
Change in net position	4,952,768	762,736	916,890	589,744	7,222,138
Net position(deficit), beginning of year	23,501,657	(798,369)	16,050,639	875,564	39,629,491
Net position(deficit), end of year	\$ 28,454,425	\$ (35,633)	\$ 16,967,529	\$ 1,465,308	\$ 46,851,629

**CITY OF HAMPTON, VIRGINIA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2022**

	Equipment Replacement	Fleet Services	Risk Management	Information Technology	Totals
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	\$ 3,258,036	\$ 7,076,441	\$ 8,618,258	\$ 3,142,310	\$ 22,095,045
Cash payments to suppliers for goods and services	186,119	(5,300,506)	(8,463,680)	(2,006,077)	(15,584,144)
Cash payments to employees for services	-	(1,386,505)	(484,404)	(236,955)	(2,107,864)
Net cash provided by (used in) operating activities	<u>3,444,155</u>	<u>389,430</u>	<u>(329,826)</u>	<u>899,278</u>	<u>4,403,037</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Cash received from other funds	-	-	-	-	-
Net cash provided by (used in) noncapital financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition and construction of capital assets	(1,905,918)	(7,682)	(26,842)	-	(1,940,442)
Principal paid on long-term debt	(188,000)	(2,405)	(2,633)	-	(193,038)
Proceeds from long-term debt	2,858,000	-	-	-	2,858,000
Interest paid on revenue bonds and long-term debt	(20,362)	(4)	(36)	-	(20,402)
Sale of capital assets	308,503	6,101	-	-	314,604
Net cash provided by (used in) capital and related financing activities	<u>1,052,223</u>	<u>(3,990)</u>	<u>(29,511)</u>	<u>-</u>	<u>1,018,722</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest and dividends on investments	14,793	-	41,419	4,666	60,878
Net cash provided by investing activities	<u>14,793</u>	<u>-</u>	<u>41,419</u>	<u>4,666</u>	<u>60,878</u>
Net increase (decrease) in cash and cash equivalents (including cash with fiscal agents)	4,511,171	385,440	(317,918)	903,944	5,482,637
Cash and cash equivalents, July 1	<u>9,426,076</u>	<u>1,454,725</u>	<u>26,501,594</u>	<u>1,179,206</u>	<u>38,561,601</u>
Cash and cash equivalents, June 30	<u>\$ 13,937,247</u>	<u>\$ 1,840,165</u>	<u>\$ 26,183,676</u>	<u>\$ 2,083,150</u>	<u>\$ 44,044,238</u>

Continued

INTERNAL SERVICE FUNDS COMBINING STATEMENT OF CASH FLOWS For the Year Ended June 30, 2022

	Equipment Replacement	Fleet Services	Risk Management	Information Technology	Totals
Reconciliation of operating income to net cash provided by operating activities:					
Operating income (loss)	\$ 299,723	\$ 773,849	\$ (495,947)	\$ 585,078	\$ 1,162,703
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation and amortization expense	2,914,028	54,022	5,470	88,240	3,061,760
Decrease (increase) in:					
Accounts receivable	(9,151)	37,940	(21,454)	(1,052)	6,283
Due from other funds	(4,342,273)	466	-	-	(4,341,807)
Due from component units	-	(264,848)	-	-	(264,848)
Inventories	-	(241,004)	-	-	(241,004)
Prepaid items	82,312	295	(31,338)	63,943	115,212
Increase (decrease) in:					
Accounts payable	130,066	120,109	145,506	211,629	607,310
Accrued leave	-	(13,404)	7,545	(30,714)	(36,573)
Due to other funds	-	(1,472)	(26,817)	-	(28,289)
Other liabilities	-	6,630	7,495	(1,486)	12,639
Nonoperating revenues reported as operating activity	4,360,299	-	-	-	4,360,299
Accrued claims	-	-	(936,825)	-	(936,825)
Accounts receivable reported as nonoperating activity	9,151	-	21,454	-	30,605
Long-term accrued leave	-	(17,834)	(6,553)	1,740	(22,647)
Long-term accrued insurance claims reported as operating activity	-	-	908,664	-	908,664
Net pension and other postemployment benefits liability	-	(763,622)	(59,999)	(152,037)	(975,658)
Deferred outflows & inflows of resources related to pensions and other postemployment benefits	-	698,303	152,973	133,937	985,213
Total adjustments	3,144,432	(384,419)	166,121	314,200	3,240,334
Net cash provided by operating activities	\$ 3,444,155	\$ 389,430	\$ (329,826)	\$ 899,278	\$ 4,403,037
Non-cash transactions affecting investing, capital and related financing activities:					
Acquisition of capital assets through leases	\$ -	\$ 3,006	\$ 6,832	\$ -	\$ 9,838
Total non-cash transactions	\$ -	\$ 3,006	\$ 6,832	\$ -	\$ 9,838

CITY OF HAMPTON, VIRGINIA
COMBINING STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS - CUSTODIAL FUNDS
June 30, 2022

	Eastern VA Regional Industrial Facility Authority	Hampton Roads Criminal Justice Training Academy	Special Welfare Fund	Sheriff Inmate Fund	Taxes, Fees & Assessments - Custodial Funds	Total
ASSETS						
Cash and cash equivalents	\$ 108,203	\$ 1,695,620	\$ 33,763	\$ 105,112	\$ 352,260	\$ 2,294,958
Accounts receivable, net	42,643	51,556	-	-	344,695	438,894
Other assets	781	-	-	-	-	781
Total assets	151,627	1,747,176	33,763	105,112	696,955	2,734,633
LIABILITIES						
Accounts payable and other liabilities	-	36,479	14,200	2,704	390,786	444,169
Total liabilities	-	36,479	14,200	2,704	390,786	444,169
NET POSITION						
Restricted for:						
Individuals, organizations, and other governments	151,627	1,710,697	19,563	102,408	306,169	2,290,464
Total net position	\$ 151,627	\$ 1,710,697	\$ 19,563	\$ 102,408	\$ 306,169	\$ 2,290,464

CITY OF HAMPTON, VIRGINIA
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS - CUSTODIAL FUNDS
For the Year Ended June 30, 2022

	Eastern VA Regional Industrial Facility Authority	Hampton Roads Criminal Justice Training Academy	Special Welfare Fund	Sheriff Inmate Fund	Taxes, Fees & Assessments - Custodial Funds	Total
ADDITIONS						
Contributions:						
Members	\$ 77,500	\$ 993,646	\$ -	\$ -	\$ 142,995	\$ 1,214,141
Individuals	-	-	1,064	313,520	-	314,584
Total	77,500	993,646	1,064	313,520	142,995	1,528,725
Investment earnings:						
Interest, dividends, other	-	4,771	-	-	265	5,036
Net investment earnings	-	4,771	-	-	265	5,036
Charges for Services	-	-	-	-	47,653	47,653
State revenues	27,642	245,522	30,186	-	49,882	353,232
Federal revenues	-	50,000	-	-	-	50,000
Income tax and fees collected for the State	-	-	-	-	2,777,424	2,777,424
Special assessment collected for other entities	-	-	-	-	679,887	679,887
Other custodial fund collections	15,000	4,625	105	-	-	19,730
Total additions	120,142	1,298,564	31,355	313,520	3,698,106	5,461,687
DEDUCTIONS						
Beneficiary payments to individuals	-	-	25,548	301,463	-	327,011
Administrative expense	85,178	2,211,782	-	-	173,635	2,470,595
Income tax and fees distributions to the State	-	-	-	-	2,777,414	2,777,414
Special assessment distributions to other entities	-	-	-	-	679,887	679,887
Total deductions	85,178	2,211,782	25,548	301,463	3,630,936	6,254,907
Change in net position	34,964	(913,218)	5,807	12,057	67,170	(793,220)
Net position, July 1,	116,663	2,623,915	13,756	90,351	238,999	3,083,684
Net position, June 30	\$ 151,627	\$ 1,710,697	\$ 19,563	\$ 102,408	\$ 306,169	\$ 2,290,464

CITY OF HAMPTON, VIRGINIA
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
COMBINING BALANCE SHEET
June 30, 2022

	Operating	Food Services	Reimbursable Projects	Rental Income	School Activity	Athletics	Total
ASSETS							
Cash and cash equivalents	\$ 8,098,661	\$ 8,145,603	\$ 1,221,368	\$ 1,460,904	\$ 1,005,891	\$ 336,841	\$ 20,269,268
Cash with fiscal agent	9,397,434	-	-	-	-	-	9,397,434
Accounts receivable, net	96,859	37,918	82,893	-	2,167	-	219,837
Lease interest receivable	22,439	-	-	108	-	-	22,547
Lease receivable	3,966,583	-	-	149,989	-	-	4,116,572
Due from Primary Government	69,277	-	-	-	-	-	69,277
Due from other funds	6,162,625	-	-	-	-	-	6,162,625
Due from other governments	4,154,624	867,703	12,693,962	-	-	-	17,716,289
Inventories	257,014	377,339	-	-	-	-	634,353
Total assets	<u>32,225,516</u>	<u>9,428,563</u>	<u>13,998,223</u>	<u>1,611,001</u>	<u>1,008,058</u>	<u>336,841</u>	<u>58,608,202</u>
LIABILITIES AND FUND BALANCES							
Liabilities							
Accounts payable and other liabilities	16,107,607	170,607	6,496,808	1,792	13,220	16,912	22,806,946
Due to other funds	-	-	6,162,015	-	-	610	6,162,625
Due to Primary Government	323,542	-	-	-	-	-	323,542
Unearned revenues	1,835,533	-	929,537	4,332	-	-	2,769,402
Total liabilities	<u>18,266,682</u>	<u>170,607</u>	<u>13,588,360</u>	<u>6,124</u>	<u>13,220</u>	<u>17,522</u>	<u>32,062,515</u>
Deferred inflows of resources:							
Related to leases	3,894,881	-	-	147,258	-	-	4,042,139
	<u>3,894,881</u>	<u>-</u>	<u>-</u>	<u>147,258</u>	<u>-</u>	<u>-</u>	<u>4,042,139</u>
Fund balances							
Nonspendable	328,716	377,339	-	2,731	-	-	708,786
Restricted	-	8,880,617	409,863	-	-	-	9,290,480
Assigned	9,735,237	-	-	1,454,888	994,838	319,319	12,504,282
Total fund balances	<u>10,063,953</u>	<u>9,257,956</u>	<u>409,863</u>	<u>1,457,619</u>	<u>994,838</u>	<u>319,319</u>	<u>22,503,548</u>
Total liabilities and fund balances	<u>\$ 32,225,516</u>	<u>\$ 9,428,563</u>	<u>\$ 13,998,223</u>	<u>\$ 1,611,001</u>	<u>\$ 1,008,058</u>	<u>\$ 336,841</u>	<u>\$ 58,608,202</u>

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

Total fund balance	\$ 22,503,548
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds	91,714,184
Accumulated depreciation/amortization on capital/leased assets	(76,805,797)
Long-term liability for compensated absences	(6,960,685)
Lease Liability	(1,074,919)
Interest accrual related to lease liability	(478)
Net pension liability	(105,801,478)
Net other postemployment benefits liability	(28,136,086)
Deferred outflows of resources related to pensions	43,024,394
Deferred outflows of resources related to OPEB	4,835,162
Deferred inflows of resources related to pensions	(80,843,345)
Deferred inflows of resources related to OPEB	(5,525,103)
Net position discretely presented component unit School Board	<u>\$ (143,070,603)</u>

Exhibit G-2

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, 2022

	Operating	Food Services	Reimbursable Projects	Rental Income	School Activity	Athletics	Total
REVENUES							
State funds	\$ 150,512,786	\$ 87,984	\$ 1,269,891	\$ -	\$ -	\$ -	\$ 151,870,661
Federal funds (includes pass through)	622,915	15,040,623	35,763,230	-	-	-	51,426,768
Other receipts	3,162,012	264,668	700,735	105,393	1,296,690	178,520	5,708,018
Lease revenue	300,787	-	-	49,086	-	-	349,873
Lease interest revenue	49,269	-	-	1,525	-	-	50,794
Payments from City	80,165,119	-	-	-	-	-	80,165,119
Total revenues	<u>234,812,888</u>	<u>15,393,275</u>	<u>37,733,856</u>	<u>156,004</u>	<u>1,296,690</u>	<u>178,520</u>	<u>289,571,233</u>
EXPENDITURES							
Education	238,274,437	10,230,252	37,773,227	66,915	1,222,122	690,002	288,256,955
Capital outlay- leases	1,350,205	-	92,863	-	-	-	1,443,068
Debt service:							
Principal	594,165	-	38,310	-	-	-	632,475
Interest	9,276	-	347	-	-	-	9,623
Total expenditures	<u>240,228,083</u>	<u>10,230,252</u>	<u>37,904,747</u>	<u>66,915</u>	<u>1,222,122</u>	<u>690,002</u>	<u>290,342,121</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(5,415,195)</u>	<u>5,163,023</u>	<u>(170,891)</u>	<u>89,089</u>	<u>74,568</u>	<u>(511,482)</u>	<u>(770,888)</u>
OTHER FINANCING SOURCES (USES)							
Lease financing	1,350,205	-	92,863	-	-	-	1,443,068
Transfer from:							
Cafeteria Fund	388,634	-	-	-	-	-	388,634
Reimbursable Projects Fund	791,430	-	-	-	5,932	-	797,362
School Operating Fund	-	-	496,445	-	-	500,431	996,876
Transfer to:							
Athletics Fund	(500,431)	-	-	-	-	-	(500,431)
Reimbursable Projects Fund	(496,445)	-	-	-	-	-	(496,445)
Student Activity Fund	-	-	(5,932)	-	-	-	(5,932)
School Operating Fund	-	(388,634)	(791,430)	-	-	-	(1,180,064)
Total other sources (uses), net	<u>1,533,393</u>	<u>(388,634)</u>	<u>(208,054)</u>	<u>-</u>	<u>5,932</u>	<u>500,431</u>	<u>1,443,068</u>
Net change in fund balance	<u>(3,881,802)</u>	<u>4,774,389</u>	<u>(378,945)</u>	<u>89,089</u>	<u>80,500</u>	<u>(11,051)</u>	<u>672,180</u>
Fund balance - July 1	<u>13,945,755</u>	<u>4,483,567</u>	<u>788,808</u>	<u>1,368,530</u>	<u>914,338</u>	<u>330,370</u>	<u>21,831,368</u>
Fund balance - June 30	<u>\$ 10,063,953</u>	<u>\$ 9,257,956</u>	<u>\$ 409,863</u>	<u>\$ 1,457,619</u>	<u>\$ 994,838</u>	<u>\$ 319,319</u>	<u>\$ 22,503,548</u>

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

Net change in fund balances - total school funds	\$ 672,180
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 and amortization expense allocate those expenditures over the life of the assets.	
Capital acquisitions	4,985,270
Depreciation expense	(1,941,039)
Amortization on leased assets	(443,319)
Other liabilities not paid from current period revenues are not reported in the funds for accrued lease interest expense	(478)
Proceeds from leases provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	
Lease payable	(1,443,068)
Principal paid for lease payable	368,149
Principal paid for notes payable	264,326
Decrease in other postemployment benefits liability reported in the Statement of Activities does not provide current financial resources and, therefore, is not reported in the governmental funds.	3,943,403
Decrease in compensated absences reported in the Statement of Activities does not provide current financial resources and, therefore, is not reported in the governmental funds.	384,216
Decrease in net pension liability reported in Statement of Activities does not provide current financial resources and, therefore, is not reported in the governmental funds.	85,523,527
Decrease in net pension asset reported in Statement of Activities does not provide current financial resources and, therefore, is not reported in the governmental funds.	(8,505,074)
Decrease in deferred outflows of resources related to pensions and OPEB reported in the Statement of Activities does not provide current financial resources and, therefore, is not reported in the governmental funds.	(4,192,858)
Increase in deferred inflows of resources related to pensions and OPEB reported in the Statement of Activities does not provide current financial resources and, therefore, is not reported in the governmental funds.	(55,154,989)
Change in net position of governmental activities	\$ <u>24,460,246</u>

Exhibit G-3

CITY OF HAMPTON, VIRGINIA
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
BUDGET BASIS
For the Year Ended June 30, 2022

	School Board - School Operating Fund			
	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
REVENUES				
Intergovernmental:				
State Funds	\$ 151,041,111	\$ 151,268,611	\$ 150,512,786	\$ (755,825)
Federal funds (includes pass through)	758,000	758,000	622,915	(135,085)
Miscellaneous	3,162,882	2,935,382	3,160,923	225,541
Lease revenue	300,787	300,787	300,787	-
Lease interest	48,641	48,641	49,269	628
Payments from City	80,165,119	80,165,119	80,165,119	-
Total revenues	235,476,540	235,476,540	234,811,799	(664,741)
EXPENDITURES				
Current:				
Education	234,984,931	248,652,050	238,273,348	(10,378,702)
Debt Service:				
Principal	594,165	594,165	594,165	-
Interest	9,276	9,276	9,276	-
Total expenditures	235,588,372	249,255,491	238,876,789	(10,378,702)
Excess (deficiency) of revenues over (under) expenditures	(111,832)	(13,778,951)	(4,064,990)	9,713,961
OTHER FINANCING SOURCES (USES)				
Transfers in	1,037,665	1,037,665	1,180,064	142,399
Transfers out	(925,833)	(997,033)	(996,876)	(157)
Total other financing sources, net	111,832	40,632	183,188	142,242
Net change in fund balance	-	(13,738,319)	(3,881,802)	
Appropriations from fund balance	-	2,767,491	-	
Appropriations - encumbrances	-	10,970,828	-	
	-	-		
Fund balance - July 1,			13,945,755	
Fund balance - June 30			\$ 10,063,953	

CITY OF HAMPTON, VIRGINIA
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
COMBINING STATEMENT OF FIDUCIARY NET POSITION
June 30, 2022

	Booker Trust Fund	Syms Eaton Trust Fund	Custodial Funds		Total
			Scholarship Fund	Deferred Compensation	
ASSETS					
Cash and pooled investments	\$ 202,358	\$ 38,727	\$ 72,628	\$ 4,383	\$ 318,096
Total assets	<u>\$ 202,358</u>	<u>\$ 38,727</u>	<u>\$ 72,628</u>	<u>\$ 4,383</u>	<u>\$ 318,096</u>
FUND BALANCES					
Restricted for					
Individuals, organizations and other government	\$ 202,358	\$ 38,727	\$ 72,628	\$ 4,383	\$ 318,096
Total liabilities and fund balances	<u>\$ 202,358</u>	<u>\$ 38,727</u>	<u>\$ 72,628</u>	<u>\$ 4,383</u>	<u>\$ 318,096</u>

Exhibit G-5

CITY OF HAMPTON, VIRGINIA
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the Year Ended June 30, 2021

			Custodial Funds		
	Booker Trust Fund	Syms Eaton Trust Fund	Scholarship Fund	Deferred Compensation	Total
ADDITIONS					
Investment earnings:					
Net increase in fair value of investments	\$ (18,919)	\$ (13,004)	\$ -	\$ (913)	\$ (32,836)
Interest, dividends, other	-	-	1,178	85	1,263
Total investment earnings	(18,919)	(13,004)	1,178	(828)	(31,573)
Total additions	(18,919)	(13,004)	1,178	(828)	(31,573)
DEDUCTIONS					
Beneficiary payments to individuals	525	150	3,000	10,962	14,637
Administrative expense	-	-	7	-	7
Total deductions	525	150	3,007	10,962	14,644
Change in net position	(19,444)	(13,154)	(1,829)	(11,790)	(46,217)
Net position, July 1	221,802	51,881	74,457	16,173	364,313
Net position, June 30	<u>\$ 202,358</u>	<u>\$ 38,727</u>	<u>\$ 72,628</u>	<u>\$ 4,383</u>	<u>\$ 318,096</u>

CITY OF HAMPTON, VIRGINIA
SCHEDULE OF THE TREASURER'S ACCOUNTABILITY
June 30, 2022

Assets held by the Treasurer:

Cash on hand	\$ 7,050
Cash in banks:	
Old Point National Bank	23,195,018
Investments:	
Certificates of deposit	15,508,636
Commercial paper	3,873,929
Repurchase agreement	7,914,758
Investment in mutual and money market funds	342,882
State Local Government Investment Pool	281,672,456
U.S. Government securities	4,461,720
Corporate notes	16,343,770
Total assets	<u>\$ 353,320,219</u>

Liabilities of the Treasurer:

Balance of City funds	<u>\$ 353,320,219</u>
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Cash and cash equivalents

Primary Government per Exhibit A-1	305,908,268
School Board per Exhibit A-11	20,269,268
Economic Development Authority per Exhibit A-11	3,533,714
General Fund Investments per Exhibit A-3	22,344,923

Restricted cash and investments - Enterprise Funds per Exhibit A-6

Cash and cash equivalents - Convention Center	4,717,752
Investments - Convention Center	12,757,577

Cash and cash equivalents - Fiduciary Funds per Exhibit A-9

2,437,490

Investments - Component Unit - EDA per Exhibit A-11

568,204

Adjust investments in CAFR from fair value to cost

(1,546,852)

Less:

Petty cash	\$ (61,199)
Cash and investments held by trustees	<u>(17,608,926)</u>
	<u>(17,670,125)</u>

Balance of City funds

\$ 353,320,219

**CITY OF HAMPTON, VIRGINIA
SCHEDULE OF CASH FLOWS
DISCRETELY PRESENTED COMPONENT UNIT
ECONOMIC DEVELOPMENT AUTHORITY
For the Year Ended June 30, 2022**

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from customers	809,240
Cash payments to suppliers for goods and services	(5,876,705)
Cash payments to employees for services	(4,850)
Other receipts	1,338,551
Net cash used in operating activities	<u>(3,733,764)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Payment from Primary Government	2,916,172
Net cash provided by noncapital financing activities	<u>2,916,172</u>

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

Acquisition and construction of capital assets	-
Proceeds from note	
Principal paid on revenue bond maturities and long-term debt	(267,979)
Interest paid on revenue bonds and long-term debt	(21,063)
Contributions and donations from private sources and other funds	-
Proceeds from sale of capital assets	813,639
Net cash used in capital and related financing activities	<u>524,597</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest and dividends on investments	16,584
Proceeds from collection of loans	50,465
Proceeds from collection of lease receivable	128,703
Interest received on lease receivable	71,988
Net cash used in investing activities	<u>267,740</u>

Net increase in cash and cash equivalents (including restricted amounts)	(25,258)
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Cash and cash equivalents (including restricted), July 1	<u>3,561,669</u>
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Cash and cash equivalents (including restricted), June 30	<u>\$ 3,536,411</u>
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(Continued)

CITY OF HAMPTON, VIRGINIA
SCHEDULE OF CASH FLOWS
DISCRETELY PRESENTED COMPONENT UNIT
ECONOMIC DEVELOPMENT AUTHORITY
For the Year Ended June 30, 2022

Operating loss	\$ (7,015,018)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation and amortization expense	567,767
Decrease (increase) in:	
Accounts receivable	109,336
Notes receivable	89,202
Lease receivable	(4,723,181)
Due from Primary Government	17,944
Cost of land	3,375,700
Increase (decrease) in:	
Accounts payable	695,574
Due to Primary Government	(12,500)
Other liabilities	(5,848)
Revenue bonds payable	(191,139)
Notes payable	(76,840)
Nonoperating revenues reported as operating revenues	529,400
Accounts receivable reported as operating activities	1,334,799
Notes receivable reported as nonoperating activities	(89,202)
Lease receivable reported as nonoperating activities	4,723,181
Other liabilities reported as nonoperating revenues	5,848
Revenue bonds payable reported as nonoperating activities	191,139
Notes payables reported as nonoperating activities	76,840
Cost of land reported as nonoperating activities	(3,375,700)
Due from/to other funds reported as nonoperating activities	38,934
Total adjustments	<u>3,281,254</u>
Net cash used in operating activities	<u>\$ (3,733,764)</u>

CITY OF HAMPTON, VIRGINIA
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
SCHOOL OPERATING FUND
SCHEDULE OF APPROPRIATIONS AND EXPENDITURES - BUDGET AND ACTUAL
For the Year Ended June 30, 2022

	Appropriations			Expenditures	Variance with Final Budget Over (Under)
	Budget July 1,2021	Net Changes	Final June 30,2022		
EXPENDITURES					
Administration/attendance and health	\$ 13,799,710	\$ 164,396	\$ 13,964,106	\$ 13,508,704	\$ (455,402)
Instructional	164,825,509	2,957,306	167,782,815	163,721,237	(4,061,578)
Public transportation service	10,855,000	3,156,846	14,011,846	11,472,603	(2,539,243)
Operation and maintenance of school plant	21,094,368	4,220,325	25,314,693	24,364,228	(950,465)
Non-instructional operations	3,345,000	(265,805)	3,079,195	3,079,195	-
Debt and fund transfers	6,951,449	(1,202,035)	5,749,414	5,749,414	-
Technology	14,717,336	4,636,086	19,353,422	16,981,408	(2,372,014)
Total expenditures	<u>235,588,372</u>	<u>13,667,119</u>	<u>249,255,491</u>	<u>238,876,789</u>	<u>(10,378,702)</u>
OPERATING TRANSFER OUT					
To Reimbursable Projects Fund	925,833	71,200	997,033	996,876	(157)
Total transfers out	<u>925,833</u>	<u>71,200</u>	<u>997,033</u>	<u>996,876</u>	<u>(157)</u>
Total expenditures and transfers out	<u>\$ 236,514,205</u>	<u>\$ 13,738,319</u>	<u>\$ 250,252,524</u>	<u>\$ 239,873,665</u>	<u>\$ (10,378,859)</u>

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

CITY OF HAMPTON, VIRGINIA
DISCRETELY PRESENTED COMPONENT UNIT SCHOOL BOARD
SCHOOL OPERATING FUND
SCHEDULE OF REVENUES AND OTHER CREDITS - BUDGET AND ACTUAL
For the Year Ended June 30, 2022

		Final Budgeted	Actual	Variance with
	Original	Revenues	Revenues	Final Budget Over (Under)
State funds:				
Basic appropriation	\$ 67,745,083	\$ 67,745,083	\$ 64,518,578	\$ (3,226,505)
At risk payment	6,939,628	6,939,628	6,927,830	(11,798)
Salary Supplement	4,422,446	4,422,446	4,415,141	(7,305)
Remedial education	3,017,239	3,017,239	3,012,239	(5,000)
K-3 Primary Class Size	4,172,485	4,172,485	4,320,067	147,582
Virginia Retirement System	9,543,214	9,543,214	9,527,398	(15,816)
Social security benefits	4,095,800	4,095,800	4,089,012	(6,788)
Group life insurance	286,706	286,706	286,231	(475)
Special education	9,302,017	9,302,017	9,288,107	(13,910)
Textbook payments	1,467,252	1,467,252	1,464,820	(2,432)
Remedial summer school	491,219	491,219	668,406	177,187
Gifted	709,939	709,939	708,762	(1,177)
Infrastrucutre ops per pupil	5,519,599	5,519,599	5,539,300	19,701
Foster home	176,578	176,578	134,284	(42,294)
Vocational education	1,217,438	1,217,438	1,277,513	60,075
VPSA education tech grant	804,000	804,000	-	(804,000)
Project graduation	37,500	37,500	37,500	-
HS Expansion - SPED	130,433	130,433	-	(130,433)
ESL	325,988	325,988	325,988	-
Early Reading Intervention	423,098	423,098	1,078,383	655,285
Early Reading Specialists	53,324	53,324	53,324	-
SOL Algebra Readiness	401,458	401,458	388,344	(13,114)
Virginina Preschool Initiative	3,538,684	3,766,184	3,444,245	(321,939)
New Horizons Governor's School	515,308	515,308	534,325	19,017
ISAEF	33,545	33,545	32,931	(614)
Teacher mentor	23,413	23,413	22,363	(1,050)
No loss funding	1,633,616	1,633,616	-	(1,633,616)
Sales tax	23,064,101	23,064,101	27,687,338	4,623,237
Medicaid Reimbursement	950,000	950,000	730,357	(219,643)
Total state funds	151,041,111	151,268,611	150,512,786	(755,825)

	Original	Final Budgeted Revenues	Actual Revenues	Variance with Final Budget Over (Under)
Federal Funds:				
Public law 874	374,000	374,000	290,944	(83,056)
Impact Aid Special Education	84,000	84,000	82,052	(1,948)
U.S. Army - ROTC	101,000	101,000	82,523	(18,477)
U.S. Air Force - ROTC	68,000	68,000	40,486	(27,514)
U.S. Navy - ROTC	78,000	78,000	61,010	(16,990)
U.S. Marine Corps - ROTC	53,000	53,000	65,900	12,900
Total federal funds	758,000	758,000	622,915	(135,085)
Other funds:				
Fees from students	2,210	2,210	5,725	3,515
Pharmacy Revenue	2,080,000	2,080,000	2,078,934	(1,066)
Print Shop Revenue	134,000	134,000	105,588	(28,412)
Tuition from regular day students	9,100	9,100	9,469	369
Miscellaneous revenues	370,533	200,000	79,946	(120,054)
Jury Duty	2,400	2,400	1,915	(485)
Public surplus	227,500	250,000	142,954	(107,046)
Facility Rentals	-	-	910	910
Interest	4,000	4,000	5,717	1,717
Cell Towers	260,213	210,944	328,175	117,231
Other	42,100	42,100	401,590	359,490
Lease Revenue	300,787	300,787	300,787	-
Lease Interest Revenue	79,467	49,269	49,269	-
Total other funds	3,512,310	3,284,810	3,510,979	226,169
Total revenues	155,311,421	155,311,421	154,646,680	(664,741)
Other credits:				
Transfer from General Fund	80,165,119	80,165,119	80,165,119	-
Transfer from Cafeteria Fund	387,665	387,665	388,634	969
Transfer from Reimbursable Fund	650,000	650,000	791,430	141,430
Total other credits	81,202,784	81,202,784	81,345,183	142,399
Total revenues and other credits	\$ 236,514,205	\$ 236,514,205	\$ 235,991,863	\$ (522,342)

CITY OF HAMPTON, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2022

Federal Granting Agency/ Recipient State Agency/ Grant Program/Grant Number	Assistance Listing Number	Expenditures
DEPARTMENT OF AGRICULTURE SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM CLUSTER: Pass-through payments: Virginia Department of Social Services: State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (90304)	10.561	\$ 2,820,279
Total Supplemental Nutrition Assistance Program Cluster		<u>2,820,279</u>
CHILD NUTRITION CLUSTER: Direct payments: Summer Food Service Program for Children (SESP)	10.559	82,516
Pass-through payments: Department of Education: School Breakfast Program (APE402530)	10.553	3,379,017
National School Lunch Program (APE402540)	10.555	10,138,159
Summer Food Service Program for Children (APE603020)	10.559	349,503
Department of Agriculture and Consumer Services: National School Lunch Program (APE402540) - Donated Commodities	10.555	1,063,077
Fresh Fruit and Vegetable Program (APE402520)	10.582	6,683
Total Child Nutrition Cluster		<u>15,018,955</u>
OTHER: Pass-through payments: Department of Education: Child & Adult Care Food Program (CACFP) (APE700280)	10.558	104,185
Total Department of Agriculture		<u>17,943,419</u>
DEPARTMENT OF DEFENSE: Direct Payments: U.S. Army - ROTC	12.UNK	82,523
U.S. Air Force - ROTC	12.UNK	40,486
U.S. Navy - ROTC	12.UNK	61,010
U.S. Marine Corps - ROTC	12.UNK	65,900
Pass-through payments: Office of the Secretary of Defense: Readiness and Environmental Protection Integration Program (6000794)	12.UNK	200,671
Office of Economic Adjustment: Community Economic Adjustment Assistance for Responding to Threats to the Resilience of a Military Installation (MIR1337-21-01)	12.003	140,388
Community Investment (CIP1286-20-01)	12.600	33,942
Total Department of Defense		<u>624,920</u>

CITY OF HAMPTON, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2022

Federal Granting Agency/ Recipient State Agency/ Grant Program/Grant Number	Assistance Listing Number	Expenditures
DEPARTMENT OF EDUCATION:		
Direct payments:		
Impact Aid	84.041	\$ 372,996
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	71,076
Pass-through payments:		
Department of Behavioral Health and Developmental Services:		
Elementary and Secondary School Emergency Relief Fund (ESSER) (APE60177, APE60171, APE60170, DOE86537, APE60173, APE50185, APE50195, APE70037)	84.425D	COVID 13,006,284
American Rescue Plan-Elementary and Secondary School Emergency Relief (ARP ESSER) (APE41112, APE40299, APE50193, APE50175)	84.425U	ARPA 6,416,882
Total Education Stabilization Fund		19,423,166
Title I Grants to Local Educational Agencies (Title I, Part A of the ESEA) (APE429010, APE429350)	84.010	6,790,424
School-Based Mental Health Services Grant Program (APE43477)	84.184H	8,036
School Improvement Grants (APE428920)	84.377A	35,180
Supporting Effective Instruction State Grants (APE14800)	84.367	811,711
English Language Acquisition State Grants (APE605120, APE605090)	84.365	93,567
Twenty-First Century Community Learning Centers (APE605650)	84.287	2,303,831
Special Education-Grants for Infants and Families (720-4515-16)	84.181	245,000
Student Support and Academic Enrichment Program (APE600220, APE602810)	84.424	466,230
SPECIAL EDUCATION CLUSTER (IDEA):		
Pass-through payments:		
Special Education Grants to States (IDEA, Part B)(APE430710)	84.027	5,202,176
Special Education Preschool Grants (IDEA, Preschool) (APE625210)	84.173	88,210
Total Special Education Cluster		5,290,386
Pass-through payments:		
Career and Technical Education - Basic Grants to States (Perkins V) (APE610950, APE611590)	84.048	454,500
Total Department of Education		36,366,103
DEPARTMENT OF HEALTH AND HUMAN SERVICES:		
Direct payments:		
Provider Relief Fund and American Rescue Plan Rural Distribution	93.498	COVID 10,021
MEDICAID CLUSTER:		
Pass-through payments:		
Department of Social Services:		
Medical Assistance Program (Medicaid, Title XIX) (705AT53247)	93.778	1,462,754
Total Medicaid Cluster		1,462,754
CHILD CARE AND DEVELOPMENT FUND CLUSTER:		
Pass-through payments:		
Department of Social Services:		
Child Care Mandatory and Matching Funds of the Child Care and Development Fund ⁽⁹¹⁴¹⁶⁾	93.596	292,519
Total Child Care and Development Fund Cluster		292,519

continued

CITY OF HAMPTON, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2022

Federal Granting Agency/ Recipient State Agency/ Grant Program/Grant Number	Assistance Listing Number	Expenditures
OTHER:		
Pass-through payments:		
Department of Social Services:		
Title IV-E Prevention Program	93.472	20,756
MaryLee Allen Promoting Safe and Stable Families Program ⁽⁹¹¹²⁹⁾	93.556	79,160
Temporary Assistance for Needy Families (TANF) (90601, 90603, BEN-19-024-03)	93.558	2,085,642
Refugee & Entrant Assistance State/Replacement Designee Administrated Programs ⁽⁹⁰⁶²³⁾	93.566	22,489
Low-Income Home Energy Assistance ⁽⁹¹¹¹⁴⁾	93.568	236,304
Stephanie Tubbs Jones Child Welfare Services Program ⁽⁹¹¹³¹⁾	93.645	3,374
Foster Care Title IV-E ⁽⁹⁰⁶⁵⁸⁾	93.658	915,476
Adoption Assistance ⁽⁹⁰⁶⁰⁶⁾	93.659	1,223,380
Social Services Block Grant (SSBG) ⁽⁹¹¹⁴²⁾	93.667	1,313,901
John H. Chafee Foster Care Program for Successful Transition to Adulthood ⁽⁹¹¹³⁴⁾	93.674	14,586
Children's Health Insurance Program ⁽⁹⁰¹⁶¹⁾	93.767	15,006
Community-Based Child Abuse Prevention Grants	93.590	863
Maternal, Infant, and Early Childhood Home Visiting Grant (705BJ632554-A, 705A210078)	93.870	346,308
Maternal, Infant, and Early Childhood Home Visiting Grant (705BQ210106)	93.870	ARPA 14,744
Total Maternal, Infant, and Early Childhood Home Visiting Grants		361,052
Total Department of Health and Human Services		8,057,283
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE:		
FOSTER GRANDPARENT, SENIOR COMPANION CLUSTER:		
Direct payments:		
Foster Grandparent Program	94.011	224,651
Total Foster Grandparent, Senior Companion Cluster		224,651
Total Corporation for National and Community Service		224,651
DEPARTMENT OF HOMELAND SECURITY:		
Direct payments:		
Port Security Grant Program	97.056	94,190
Pass-through payments:		
Virginia Department of Emergency Management:		
Flood Mitigation Assistance (FMA-PJ-03-VA-2013-3, FMA-PJ-03-VA-2016-4, FMA-PJ-VA-2018-002)	97.029	61,657
Disaster Grants - Public Assistance (Presidentially Declared Disasters) (FEMA-DR-4512-VA)	97.036	23,215
Hazard Mitigation Grant (HMGP) (FEMA-DR-4401-VA-004, FEMA-DR-4411-VA-009)	97.039	18,099
Emergency Management Performance Grant Program (4262, 8628, EMP-2021-EP-0004)	97.042	145,388
Homeland Security Grant Program (HSGP) (8541, 8542, 8545, 8543, 8673, 38)	97.067	184,787
Total Department of Homeland Security		527,336

continued

CITY OF HAMPTON, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2022

Federal Granting Agency/ Recipient State Agency/ Grant Program/Grant Number	Assistance Listing Number	Expenditures
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT: CDBG - ENTITLEMENT GRANTS CLUSTER:		
Direct payments:		
Community Development Block Grants/Entitlement Grants (\$317,024 provided to subrecipient)	14.218	\$ 620,189
Community Development Block Grants/Entitlement Grants	14.218	COVID 258,394
Total CDBG - Entitlement Grants Cluster		878,583
OTHER:		
Direct payments:		
Home Investment Partnership Program (\$515,388 provided to subrecipient)	14.239	515,388
Continuum of Care Program (Planning Project - VA0405L3F052000, VA0378L3F051900)	14.267	60,845
Pass-through payments:		
Department of Housing and Community Development:		
Emergency Solutions Grant Program (22-VHSP-035, 20-CHERP-035)	14.231	183,385
Emergency Solutions Grant Program (20-CHERP-035)	14.231	COVID 689,267
Total Emergency Solutions Grant Program		872,652
Total Department of Housing and Urban Development		2,327,468
DEPARTMENT OF INTERIOR:		
Direct Payments:		
National Park Service Conservation, Protection, Outreach and Education	15.954	15,126
Payment in Lieu of Taxes for National Park Service	15.UNK	356
Total Department of Interior		15,482
DEPARTMENT OF JUSTICE		
Direct payments:		
State Criminal Alien Assistance Program	16.606	392
Bureau of Alcohol, Tobacco, Firearms and Explosives	16.UNK	4,613
Drug Enforcement Administration	16.UNK	13,723
Federal Bureau of Investigation	16.UNK	21,333
United States Marshals Service	16.UNK	26,747
Pass-through payments:		
Department of Criminal Justice Services:		
Residential Substance Abuse Treatment for State Prisoners (22-A8702RS19)	16.593	7,238
Violence Against Women Formula Grants (21-Y9367VA20, 22-Z9367VA21)	16.588	60,369
Crime Victim Assistance (22-01029VW19, 22-C4712VP20)	16.575	353,516
Edward Byrne Memorial Justice Assistance Grant Program (20-A4912AD16)	16.738	23,135
Equitable Sharing Program (VA1110000, VAE000289)	16.922	27,380
Pass-through payments:		
Bureau of Justice Assistance:		
Coronavirus Emergency Supplemental Funding Program (2020-VD-BX-1128, 2020-VD-BX-0141)	16.034	COVID 40,273
Edward Byrne Memorial Justice Assistance Grant Program (2020-DJ-BX-0817)	16.738	1,387
Virginia Association of Chiefs of Police:		
Project Safe Neighborhoods (2018-GP-BX-0067)	16.609	3,449
Mercyhurst University:		
High Intensity Drug Trafficking Area (G22WB0004A)	16.UNK	11,191
Total Department of Justice		594,746

continued

CITY OF HAMPTON, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2022

Federal Granting Agency/ Recipient State Agency/ Grant Program/Grant Number	Assistance Listing Number	Expenditures
DEPARTMENT OF TREASURY:		
Coronavirus State and Local Fiscal Recovery Funds		
Direct Payments:	21.027	ARPA 371,033
Pass-through payments:		
Virginia Department of Accounts:	21.027	ARPA 399,342
Compensation Board:	21.027	ARPA 238,983
Department of Criminal Justice Services	21.027	ARPA 66,273
Total Coronavirus State and Local Fiscal Recovery Funds		<u>1,075,631</u>
Other Direct payments:		
Joint Law Enforcement Operations - State and Local Overtime Program	21.UNK	5,505
United States Secret Service Task Force	21.UNK	1,062
Pass-through payments:		
Virginia Department of Accounts:		
Coronavirus Relief Fund (SLT0022) (\$226,764 provided to subrecipients)	21.019	COVID 2,948,584
Internal Revenue Service:		
Federal Subsidy for Qualified Bonds	21.UNK	232,658
Total Department of Treasury		<u>4,263,440</u>
DEPARTMENT OF TRANSPORTATION FEDERAL HIGHWAY ADMINISTRATION		
HIGHWAY PLANNING AND CONSTRUCTION CLUSTER:		
Pass-through payments:		
Department of Transportation:		
Highway Planning and Construction (Federal-Aid Highway Program) (102867,113752,102866, 116318,109410,109687,108731,109304,113466,113467,113464,117102,113988,107340)	20.205	2,793,452
Total Highway Planning and Construction Cluster		<u>2,793,452</u>
HIGHWAY SAFETY CLUSTER:		
Pass-through payments:		
Department of Transportation:		
State and Community Highway Safety (FSC-2021-51348-21348, FSC-2022-52319-22319)	20.600	13,709
National Priority Safety Programs (FM2HVE-2021-51454-21454)	20.616	979
Total Highway Safety Cluster		<u>14,688</u>
Total Department of Transportation		<u>2,808,140</u>
SMALL BUSINESS ADMINISTRATION:		
Direct payments:		
Shuttered Venue Operators Grants (SVOG)	59.075	5,966,421
Total Small Business Administration		<u>5,966,421</u>
THE INSTITUTE OF MUSEUM AND LIBRARY SERVICES:		
Pass-through payments:		
Commonwealth of Virginia - Library of Virginia		
Grants to States	45.310	ARPA 24,083
Total Institute of Museum and Library Services		<u>24,083</u>

continued

CITY OF HAMPTON, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2022

Federal Granting Agency/ Recipient State Agency/ Grant Program/Grant Number	Assistance Listing Number	Expenditures
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION:		
Direct payments:		
Office of Stem Engagement (OSTEM)	43.008	430,969
NASA Steam Sales	43.UNK	2,712,640
Total National Aeronautics and Space Administration		<u>3,143,609</u>
Grand Total All Federally Assisted Programs and Grants		<u>\$ 82,887,101</u>

Notes:

(A) General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards of the City and Component Unit School Board. The City Uniform Guidance 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 \$248,500 in the General Fund. This amount represents indirect costs from other federally assisted programs administered by the City and is included in the federal revenue.

(B) Basis of Accounting

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

(C) Indirect Cost

The City has elected to not use the 10% de minimis indirect cost rate.

CITY OF HAMPTON, VIRGINIA
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
CONVENTION CENTER REVENUE BONDS
June 30, 2022

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2023	\$ 4,235,000	\$ 1,669,137	\$ 5,904,137
2024	4,330,000	1,579,277	5,909,277
2025	4,420,000	1,483,640	5,903,640
2026	4,530,000	1,379,990	5,909,990
2027	4,640,000	1,268,862	5,908,862
2028	4,755,000	1,150,757	5,905,757
2029	4,880,000	1,024,608	5,904,608
2030	5,065,000	890,643	5,955,643
2031	5,210,000	748,539	5,958,539
2032	5,360,000	597,615	5,957,615
2033	5,515,000	437,310	5,952,310
2034	5,685,000	268,250	5,953,250
2035	5,865,000	90,820	5,955,820
	<u>\$ 64,490,000</u>	<u>\$ 12,589,448</u>	<u>\$ 77,079,448</u>

CITY OF HAMPTON, VIRGINIA
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
GENERAL OBLIGATION BONDS
For the Year Ended June 30, 2022

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2023	\$ 20,945,000	\$ 12,732,470	\$ 33,677,470
2024	22,190,000	11,481,983	33,671,983
2025	22,200,000	10,524,523	32,724,523
2026	21,655,000	9,576,777	31,231,777
2027	21,115,000	8,533,962	29,648,962
2028	19,595,000	7,466,655	27,061,655
2029	16,410,000	6,695,095	23,105,095
2030	16,910,000	6,106,588	23,016,588
2031	16,760,000	5,410,734	22,170,734
2032	17,385,000	4,739,584	22,124,584
2033	17,995,000	4,078,996	22,073,996
2034	16,235,000	3,509,848	19,744,848
2035	16,740,000	3,007,945	19,747,945
2036	13,425,000	2,573,008	15,998,008
2037	13,795,000	2,208,976	16,003,976
2038	14,170,000	1,831,304	16,001,304
2039	14,600,000	1,407,985	16,007,985
2040	11,620,000	1,025,238	12,645,238
2041	11,940,000	688,769	12,628,769
2042	7,625,000	350,175	7,975,175
2043	7,860,000	117,900	7,977,900
	<u>\$ 341,170,000</u>	<u>\$ 104,068,515</u>	<u>\$ 445,238,515</u>

CITY OF HAMPTON, VIRGINIA
COMPUTATION OF LEGAL DEBT MARGIN
June 30, 2022

Assessed value:			
Real estate	\$	11,826,080,001	
Public service corporations - real estate		36,717,377	
Newport News Waterworks		63,061,300	\$ 11,925,858,678
Debt Limit at 10% of assessed value			<u>1,192,585,868</u>
General obligation bonded debt:			
General obligations bonds		340,599,836	
General obligation bonds - Steam Plant		570,164	
Total long-term debt			<u>341,170,000</u>
Legal debt margin	\$		<u>851,415,868</u>

Note:

Virginia state statute limits bonds issuing authority of Virginia cities to 10% of the assessed real estate value. The above calculation includes all debt secured by the full faith and credit of the City. The calculation excludes installment purchase contracts, compensated absences, claims and judgments, net pension obligations and net OPEB obligations totaling \$236,041,840 at June 30, 2022.

There are no overlapping or underlying tax jurisdictions.

CITY OF HAMPTON, VIRGINIA
ASSESSED VALUE OF TAXABLE PROPERTY
(\$ in Thousands)

Fiscal Year Ended June 30	Real Estate Assessed				Personal Property Assessed Value		
	Citizens' Property	Public Service	Newport News Waterworks	Total	Citizens' Property	Public Service (⁽¹⁾)	Total
2013	\$ 10,480,999	\$ 31,923	\$ 59,881	\$ 10,572,803	\$ 929,896	\$ 280,117	\$ 1,210,013
2014	10,162,678	28,837	59,298	10,250,813	948,177	251,247	1,199,424
2015	10,092,713	30,562	59,119	10,182,394	927,856	279,504	1,207,360
2016	10,127,280	32,236	56,459	10,215,975	970,772	289,756	1,260,528
2017	10,249,204	33,071	56,237	10,338,512	983,860	303,254	1,287,114
2018	10,362,686	33,539	60,487	10,456,712	996,733	314,545	1,311,278
2019	10,492,939	33,881	60,925	10,587,745	1,025,906	319,170	1,345,076
2020	10,754,780	37,865	61,746	10,854,391	1,046,609	357,900	1,404,509
2021	11,238,490	37,966	64,615	11,341,071	1,118,467	339,637	1,458,104
2022	11,826,080	36,717	63,061	11,925,858	1,157,897	363,272	1,521,169

Source: City Department of Finance.

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

CITY OF HAMPTON, VIRGINIA
TAX RATES

Fiscal Year Ended June 30	Rate per \$100 of Assessed Value	
	Real Estate	Personal Property ⁽¹⁾
2013	\$ 1.04	\$ 4.25
2014	1.24	4.25
2015	1.24	4.50
2016	1.24	4.50
2017	1.24	4.50
2018	1.24	4.50
2019	1.24	4.50
2020	1.24	4.50
2021	1.24	4.50
2022	1.24	4.50

Source: City Department of Finance.

⁽¹⁾ Personal property is assessed on a calendar year basis. The taxes levied are due in two installments on June 5 and December 5. Changes in the tax rate are implemented on the same basis. When a rate change is enacted by City Council, the first half of the fiscal year's tax levy is at the old rate and the second half is at the new rate. The personal property tax rate was increased from \$4.25 per \$100 to \$4.50 per \$100 levied effective January 1, 2015.

Schedule 11

**CITY OF HAMPTON, VIRGINIA
MORAL OBLIGATION COMMITMENTS
For the Year Ended June 30, 2022**

Convention Center Revenue Bonds	\$ 64,490,000
Total	<u>\$ 64,490,000</u>

Source: City Finance Department

CITY OF HAMPTON, VIRGINIA
GENERAL FUND EXPENDITURES
For the Year Ended June 30, 2022

Expenditures	2022 Actual	Percent of Total Actual	2021 Actual	Difference	Percentage Change
General government	\$ 111,496,694	30.54 %	\$ 106,264,136	\$ 5,232,558	4.92%
Public safety	60,261,061	16.51 %	48,517,074	11,743,987	24.21%
Highways and streets	2,426,455	0.66 %	2,190,274	236,181	10.78%
Health	4,641,828	1.27 %	4,739,689	(97,861)	(2.06%)
Human services	21,500,228	5.89 %	20,989,542	510,686	2.43%
Culture & recreation	11,909,146	3.26 %	10,074,422	1,834,724	18.21%
Education - city share	80,165,119	21.96 %	76,948,468	3,216,651	4.18%
Education - other sources	1,751,201	0.48 %	1,987,992	(236,791)	(11.91%)
Debt Service: Principal Retirement	1,034,958	0.28 %	-	1,034,958	100.00%
Interest and Fiscal Charges	35,713	0.01 %	-	35,713	100.00%
Transfers out	69,827,120	19.13 %	70,508,929	(681,809)	(0.97%)
Totals	<u>\$ 365,049,523</u>	<u>100.00%</u>	<u>\$ 342,220,526</u>	<u>\$ 22,828,997</u>	<u>6.67%</u>

Source: City of Hampton, Virginia Annual Comprehensive Financial Report for years ended June 30, 2022 and 2021.

CITY OF HAMPTON, VIRGINIA
SUMMARY OF GENERAL FUND (In Thousands)
Fiscal Years Ended June 30, 2018-2022

	2018	2019	2020	2021	2022
Revenues	\$ 334,755	\$ 341,132	\$ 347,974	\$ 357,525	\$ 376,852
Expenditures ⁽³⁾	<u>272,554</u>	<u>269,425</u>	<u>276,344</u>	<u>271,712</u>	<u>295,222</u>
Excess of Revenue over Expenditures	<u>62,201</u>	<u>71,707</u>	<u>71,630</u>	<u>85,813</u>	<u>81,630</u>
Other Financing Sources(Uses)					
Transfers in	240	236	230	238	234
Transfers out ⁽¹⁾	<u>(57,202)</u>	<u>(69,279)</u>	<u>(63,729)</u>	<u>(70,508)</u>	<u>(69,827)</u>
Other Financing Uses, net	<u>(56,962)</u>	<u>(69,043)</u>	<u>(63,499)</u>	<u>(70,270)</u>	<u>(69,593)</u>
Net Change in Fund Balances	5,239	2,664	8,131	15,543	12,037
Fund Balance, Beginning of Year	<u>95,468 ⁽²⁾</u>	<u>100,707</u>	<u>100,371</u>	<u>112,284 ⁽²⁾</u>	<u>127,827</u>
Fund Balance, End of Year	<u>\$ 100,707</u>	<u>\$ 103,371</u>	<u>\$ 111,502</u>	<u>\$ 127,827</u>	<u>\$ 139,864</u>

Source: City's Annual Comprehensive Financial Report Exhibit B-2 for the fiscal years June 30, 2018 through 2022.

⁽¹⁾ Transfers to the Debt Service Fund constitute a majority of transfers.

⁽²⁾ Restated Fund Balance.

⁽³⁾ Contributions to the schools are reflected in total expenditures.

CITY OF HAMPTON, VIRGINIA
DEBT RATIOS
As of June 30, 2022

	<u>Amount</u>	<u>Per Capita</u>	<u>Ratio to Assessed Value</u>
Gross Direct Debt	\$ 341,170,000	\$ 2,497.93	2.86%

Source: Finance Department, City of Hampton, Virginia
(1) Per capita amounts are based on a 2022 population of 136,581 as provided by the Weldon Cooper Center for Public Service.
(2) Assessed value of total real property is \$11,926 billion as of June 30, 2022.



Statistical SECTION



Statistical
SECTION

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

CONTENTS

<u>Financial Trends</u>	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.	
<u>Revenue Capacity</u>	V-VIII
These tables contain information to help the reader assess the City’s most significant local revenue source, the property tax.	
<u>Debt Capacity</u>	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.	
<u>Demographic and Economic Information</u>	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.	
<u>Operating Information</u>	XIV-XVI
These tables contain service and infrastructure data to help the reader understand how the information in the City’s financial report relates to the services it provides and the activities it performs.	

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

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

	Fiscal Year									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Governmental Activities										
Net investment in capital assets	\$ 623,887	\$ 623,505	\$ 634,537	\$ 637,860	\$ 637,617	\$ 635,185	\$ 636,462	\$ 626,982	\$ 626,391	\$ 634,996
Restricted	12,452	13,271	75,606	49,062	40,734	69,681	17,817	20,198	23,793	30,085
Unrestricted	55,615	76,514	(140,469) ⁽¹⁾	(108,850)	(106,561)	(184,735)	(116,482)	(90,695)	(65,677)	(41,818)
Total governmental activities net position	<u>691,954</u>	<u>713,290</u>	<u>569,674</u>	<u>578,072</u>	<u>571,790</u>	<u>520,131</u>	<u>537,797</u>	<u>556,485</u>	<u>584,507</u>	<u>623,263</u>
Business-type activities										
Net investment in capital assets	\$ 73,585	\$ 70,855	\$ 70,321	\$ 70,136	\$ 70,078	\$ 69,107	\$ 67,497	\$ 69,562	\$ 71,435	\$ 73,888
Restricted	904	8,256	8,031	8,037	8,048	8,068	8,017	7,906	8,119	8,121
Unrestricted	32,081	29,174	19,149	25,679	27,189	25,216	32,260	34,813	35,194	41,606
Total business-type activities net position	<u>\$ 106,570</u>	<u>\$ 108,285</u>	<u>\$ 97,501</u>	<u>\$ 103,852</u>	<u>\$ 105,315</u>	<u>\$ 102,391</u>	<u>\$ 107,774</u>	<u>\$ 112,281</u>	<u>\$ 114,748</u>	<u>\$ 123,615</u>
Primary government										
Net investment in capital assets	\$ 697,472	\$ 694,360	\$ 704,858	\$ 707,996	\$ 707,695	\$ 704,292	\$ 703,960	\$ 696,544	\$ 697,826	\$ 708,884
Restricted	13,356	21,527	83,637	57,099	48,782	77,749	25,834	28,104	31,912	38,206
Unrestricted	87,696	105,688	(121,320)	(83,171)	(79,372)	(159,519) ⁽²⁾	(84,223)	(55,882)	(30,483)	(212)
Total Primary Government net position	<u>\$ 798,524</u>	<u>\$ 821,575</u>	<u>\$ 667,175</u>	<u>\$ 681,924</u>	<u>\$ 677,105</u>	<u>\$ 622,522</u>	<u>\$ 645,571</u>	<u>\$ 668,766</u>	<u>\$ 699,255</u>	<u>\$ 746,878</u>

Note:

⁽¹⁾ The decrease in net position for fiscal year 2015 is due to implementation of GASB 68, Accounting and Financial Reporting for Pensions.

⁽²⁾ The decrease in net position for fiscal year 2018 is due to the implementation of GASB 75, Accounting and Financial Reporting for Postemployment Benefits other than Pensions.

Table II

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

	Fiscal Year									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Expenses										
Governmental activities:										
General government	\$ 127,924	\$ 101,058	\$ 105,553	\$ 111,928	\$ 116,667	\$ 121,452	\$ 105,865	\$ 103,284	\$ 129,970	\$ 103,153
Public safety	53,205	69,813	72,324	70,781	80,442	84,859	81,673	80,967	77,266	89,395
Highway and streets	15,511	18,774	14,433	18,872	14,032	9,919	12,362	17,369	16,752	15,343
Sanitation	-	-	-	-	-	-	-	-	-	-
Health	3,337	1,114	3,528	1,214	1,054	(575)	1,564	1,360	7,979	8,550
Human services	28,528	32,807	33,234	32,460	34,341	34,579	34,769	35,859	31,250	31,280
Culture and recreation	15,798	17,006	18,356	17,496	16,996	16,076	16,842	18,349	15,807	18,087
Education (payment to school district)	64,925	70,773	71,112	71,112	71,471	73,036	73,827	75,572	76,948	80,165
Education and educational services	9,930	12,464	14,479	15,096	14,423	11,506	9,806	13,202	12,493	15,207
Interest on long-term debt	7,991	9,136	8,579	8,053	7,171	6,451	7,145	9,246	8,304	7,267
Total governmental activities expenses	<u>\$ 327,149</u>	<u>\$ 332,945</u>	<u>\$ 341,598</u>	<u>\$ 347,012</u>	<u>\$ 356,597</u>	<u>\$ 357,303</u>	<u>\$ 343,853</u>	<u>\$ 355,208</u>	<u>\$ 376,769</u>	<u>\$ 368,447</u>
Business-type activities										
Culture	\$ 25,416	\$ 28,395	\$ 29,741	\$ 26,527	\$ 27,636	\$ 27,935	\$ 30,215	\$ 25,668	\$ -	\$ -
Sanitation	24,475	24,941	23,829	24,020	25,761	23,061	24,626	26,728	-	-
Coliseum	-	-	-	-	-	-	-	-	3,034	11,983
Convention Center	-	-	-	-	-	-	-	-	6,747	7,239
The Hamptons	-	-	-	-	-	-	-	-	814	864
The Woodlands	-	-	-	-	-	-	-	-	657	718
Museum	-	-	-	-	-	-	-	-	3,812	4,681
Solid Waste	-	-	-	-	-	-	-	-	15,553	16,055
Steam Plant	-	-	-	-	-	-	-	-	6,595	6,014
Wastewater	-	-	-	-	-	-	-	-	7,854	9,171
Total business-type activities expenses	<u>49,891</u>	<u>53,336</u>	<u>53,570</u>	<u>50,547</u>	<u>53,397</u>	<u>50,996</u>	<u>54,841</u>	<u>52,396</u>	<u>45,066</u>	<u>56,725</u>
Total Primary Government expenses	<u>\$ 377,040</u>	<u>\$ 386,281</u>	<u>\$ 395,168</u>	<u>\$ 397,559</u>	<u>\$ 409,994</u>	<u>\$ 408,299</u>	<u>\$ 398,694</u>	<u>\$ 407,604</u>	<u>\$ 421,835</u>	<u>\$ 425,172</u>

Table II

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

	Fiscal Year									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Program Revenues										
Governmental activities:										
Charges for Services:										
General government	\$ 24,293	\$ 24,458	\$ 22,911	\$ 25,865	\$ 23,324	\$ 23,832	\$ 22,206	\$ 22,355	\$ 25,997	\$ 24,658
Public safety	5,206	5,412	5,727	5,549	5,260	5,821	6,182	5,951	5,985	6,894
Sanitation	-	-	-	-	-	-	-	-	-	-
Other activities	2,727	2,765	2,570	2,173	2,784	2,913	2,874	2,652	607	2,912
Operating grants and contributions	75,926	80,434	80,281	80,113	80,781	83,503	83,507	87,237	107,265	85,949
Capital grants and contributions	19,778	18,291	7,153	13,172	13,627	10,988	5,080	5,078	3,148	4,887
Total governmental activities										
program revenues	\$ 127,930	\$ 131,360	\$ 118,642	\$ 126,872	\$ 125,776	\$ 127,057	\$ 119,849	\$ 123,273	\$ 143,002	\$ 125,300
Business-type activities:										
Charges for Services:										
Culture and recreation	\$ 11,722	\$ 15,714	\$ 19,407	\$ 15,619	\$ 14,889	\$ 15,989	\$ 19,041	\$ 14,100	\$ -	\$ -
Sanitation	27,215	27,227	25,145	30,098	28,872	29,658	29,615	32,399	-	-
Coliseum	-	-	-	-	-	-	-	-	237	10,638
Convention Center	-	-	-	-	-	-	-	-	419	1,772
The Hamptons	-	-	-	-	-	-	-	-	642	532
The Woodlands	-	-	-	-	-	-	-	-	682	629
Museum	-	-	-	-	-	-	-	-	1,032	1,759
Solid Waste	-	-	-	-	-	-	-	-	15,645	15,706
Steam Plant	-	-	-	-	-	-	-	-	6,941	6,732
Wastewater	-	-	-	-	-	-	-	-	8,674	11,131
Operating grants and contributions	1,098	1,832	1,256	1,236	1,923	1,805	1,024	955	3,744	7,580
Capital grants and contributions	95	114	58	510	-	-	-	-	666	-
Total business-type activities										
program revenues	40,130	44,887	45,866	47,463	45,684	47,452	49,680	47,454	38,649	56,479
Total Primary Government										
program revenues	\$ 168,060	\$ 176,247	\$ 164,508	\$ 174,335	\$ 171,460	\$ 174,509	\$ 169,529	\$ 170,727	\$ 181,651	\$ 181,779
Net (expense)/revenue										
Governmental activities	\$ (199,219)	\$ (201,585)	\$ (222,956)	\$ (220,140)	\$ (230,821)	\$ 230,237	\$ (224,004)	\$ (231,936)	\$ (233,769)	\$ (243,146)
Business-type activities	(9,761)	(8,449)	(7,704)	(3,084)	(7,713)	3,544	(5,161)	(4,942)	(6,415)	(246)
Total Primary Government net (expense)	\$ (208,980)	\$ (210,034)	\$ (230,660)	\$ (223,224)	\$ (238,534)	\$ 233,781	\$ (229,165)	\$ (236,878)	\$ (240,184)	\$ (243,392)

Table II

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

	Fiscal Year									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	\$ 135,881	\$ 156,050	\$ 156,048	\$ 158,147	\$ 159,873	\$ 162,922	\$ 163,966	\$ 171,639	\$ 179,132	\$ 193,938
Sales taxes	14,247	14,588	15,050	15,368	14,980	15,093	15,741	16,845	19,639	20,876
Lodging, meal and amusement taxes	22,224	23,639	24,041	24,751	25,141	26,109	27,370	26,540	27,141	33,354
Motor vehicle taxes	4,203	4,346	4,273	4,375	4,429	4,399	4,496	4,426	4,539	4,441
Business license taxes	11,850	12,077	11,435	12,092	12,304	12,801	14,251	14,365	16,833	15,297
Utility taxes	5,376	5,453	5,443	5,551	5,483	5,513	5,443	5,426	5,015	5,513
Tobacco taxes	4,264	4,421	4,077	4,624	4,428	4,416	4,336	4,372	3,964	3,838
Recordation taxes	1,900	1,436	1,763	2,066	1,663	1,766	1,913	2,064	2,609	3,240
Bank stock taxes	487	527	457	549	569	685	705	609	688	615
Skill games tax	-	-	-	-	-	-	-	-	303	55
Pari-mutuel license taxes	59	43	4	-	-	-	-	750	1,947	2,834
Short-term rental taxes	80	75	91	101	102	123	110	109	99	128
Franchise license taxes	-	-	-	-	-	-	-	-	-	-
Communications sales tax	9,418	9,187	9,173	8,867	8,649	8,392	7,840	7,551	6,863	6,527
Mobile home titling tax	14	20	19	21	18	14	20	24	34	28
Investment earning	355	221	227	574	951	1,883	4,738	4,463	591	213
Miscellaneous	-	-	-	-	-	-	-	-	203	1,003
Transfers	(9,600)	(9,161)	(9,106)	(8,549)	(8,384)	(7,852)	(9,259)	(8,558)	(8,591)	(9,997)
Total Governmental Activities	\$ 200,758	\$ 222,922	\$ 222,995	\$ 228,537	\$ 230,206	\$ 236,264	\$ 241,670	\$ 250,625	\$ 261,009	\$ 281,903
Business-type Activities:										
Investment earning	\$ 529	\$ 1,003	\$ 946	\$ 887	\$ 792	\$ 930	\$ 1,285	\$ 891	\$ 292	\$ (884)
Miscellaneous	-	-	-	-	-	-	-	-	-	-
Transfers	9,600	9,161	9,106	8,549	8,384	7,852	9,259	8,558	8,591	9,997
Total Business-type Activities	10,129	10,164	10,052	9,436	9,176	8,782	10,544	9,449	8,883	9,113
Total Primary Government	\$ 210,887	\$ 233,086	\$ 233,047	\$ 237,973	\$ 239,382	\$ 245,046	\$ 252,214	\$ 260,074	\$ 269,892	\$ 291,016
Changes in Net Position										
Governmental activities	\$ 1,539	\$ 21,337	\$ 39	\$ 8,397	\$ (615)	\$ 6,027	\$ 17,666	\$ 18,688	\$ 27,240	\$ 38,756
Business-type activities	368	1,715	2,348	6,352	1,463	5,238	5,383	4,506	2,467	8,867
Total Primary Government	\$ 1,907	\$ 23,052	\$ 2,387	\$ 14,749	\$ 848	\$ 11,265	\$ 23,049	\$ 23,194	\$ 29,707	\$ 47,623

(1) Franchise license tax is included in the Communication sales tax beginning FY11.

(2) Beginning with FY21, Business-type activities for the Culture and Recreation and Sanitation functions are reflected by the funds.

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									
	2013	2014	2015	2016	2017	2018	2019*	2020	2021	2022
General fund										
Nonspendable	\$ 34	\$ 224	\$ 598	\$ 26	\$ 112	\$ 15	\$ 27	\$ 135	\$ 90	\$ 249
Restricted	333	398	412	419	338	373	423	351	1,410	1,524
Committed	29,439	32,308	34,959	34,470	35,178	32,454	22,019	24,893	25,390	27,040
Assigned	5,926	7,257	5,237	6,250	5,549	6,374	6,190	5,744	20,158	19,443
Unassigned	54,185	51,589	52,112	54,301	54,330	61,532	74,754	80,422	80,822	91,650
Total general fund	<u>\$ 89,917</u>	<u>\$ 91,776</u>	<u>\$ 93,318</u>	<u>\$ 95,466</u>	<u>\$ 95,507</u>	<u>\$ 100,748</u>	<u>\$ 103,413</u>	<u>\$ 111,545</u>	<u>\$ 127,870</u>	<u>\$ 139,906</u>
All other governmental funds										
Nonspendable	\$ -	\$ -	\$ -	\$ 44	\$ -	\$ -	\$ -	\$ 1 ⁽¹⁾	\$ - ⁽²⁾	\$ -
Restricted	12,336	13,368	14,107	15,455	15,437	15,178	15,923	18,030	13,169	14,272
Committed	53,748	39,064	66,535	35,957	22,610	57,367	48,986	93,994	104,447	167,356
Assigned	5,534	6,233	5,421	5,939	5,789	6,098	7,293	8,479	8,543	9,175
Total all other governmental funds	<u>\$ 71,618</u>	<u>\$ 58,665</u>	<u>\$ 86,063</u>	<u>\$ 57,395</u>	<u>\$ 43,836</u>	<u>\$ 78,643</u>	<u>\$ 72,202</u>	<u>\$ 120,504</u>	<u>\$ 126,159</u>	<u>\$ 190,803</u>

⁽¹⁾ Balance restated in fiscal year 2020 for GASB 84 implementation.

⁽²⁾ Balance restated in fiscal year 2022.

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									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Revenues										
Taxes (see table V)	\$ 210,415	\$ 229,596	\$ 230,933	\$ 236,457	\$ 238,209	\$ 241,943	\$ 248,133	\$ 254,317	\$ 268,704	\$ 286,750
Intergovernmental revenues	85,937	92,705	84,165	88,459	89,342	90,882	86,518	90,923	108,241	89,119
Licenses and permits	1,169	1,156	1,299	1,409	1,450	1,466	1,641	1,604	1,654	1,625
Fines and forfeitures	2,386	2,307	1,967	1,550	1,560	1,377	1,439	1,104	969	943
Revenue from use of money and property	1,329	1,395	2,142	1,469	1,714	2,525	5,145	4,918	3,634	2,795
Charges for services	15,570	17,297	17,240	18,093	18,148	19,123	19,395	19,516	19,833	23,149
Payment from component unit	2,000	2,000	2,000	2,000	2,000	2,227	2,232	2,012	2,010	2,010
Miscellaneous	7,705	8,056	5,529	5,877	6,482	5,103	5,885	5,078	4,792	4,474
Special assessments	6,543	4,730	4,183	6,358	4,765	5,443	2,457	2,782	2,835	1,947
Recovered costs	906	906	906	906	954	951	958	958	958	958
Total Revenues	333,960	360,148	350,364	362,578	364,624	371,040	373,803	383,212	413,630	413,770
Expenditures										
General government	102,441	103,076	106,074	110,436	106,446	109,057	104,885	107,241	132,060	118,511
Public safety	52,872	54,064	53,491	55,771	57,410	59,809	60,146	63,162	54,025	66,889
Highways and streets	1,947	1,932	1,908	2,026	2,187	2,491	2,025	2,261	2,190	2,436
Sanitation	3,935	4,332	4,413	5,004	5,484	5,246	4,935	5,084	5,940	6,825
Health	2,567	2,649	2,605	2,485	2,396	2,432	2,496	2,723	4,740	4,642
Human Services	28,437	28,557	29,394	28,993	30,415	30,370	30,027	31,532	31,234	31,387
Culture and recreation	13,202	11,678	12,725	13,150	13,015	12,715	13,146	12,860	10,187	12,878
Education (payment to school district)	64,925	70,773	71,112	71,112	71,471	73,036	73,827	75,572	76,948	80,165
Education	2,120	2,120	2,129	2,071	2,102	2,073	2,081	2,051	1,988	3,631
Capital improvements	38,473	49,030	48,449	56,298	46,130	52,992	43,394	44,164	43,414	68,187
Debt service										
Principal	19,661	22,166	23,152	22,336	21,738	31,223	20,498	22,407	19,332	23,403
Payment to refunded bond escrow agent	-	-	-	-	-	-	-	-	-	25,272
Interest and fiscal charges	10,726	11,707	10,899	11,154	10,963	10,316	10,864	10,758	10,815	10,203
Bond issuance cost	470	-	519	3	-	99	43	543	392	611
Total expenditures	341,776	362,084	366,870	380,839	369,757	391,859	368,367	380,358	393,265	455,040
Excess (deficiency) of revenues over (under) expenditures	(7,816)	(1,936)	(16,506)	(18,261)	(5,133)	(20,819)	5,436	2,854	20,365	(41,270)
Other financing sources (uses)										
Debt issuance and notes payable	-	-	46,770	-	-	55,320	-	58,405	10,725	115,615
Proceeds from refunding bonds issued	38,865	-	56,250	-	-	9,185	22,991	16,950	16,895	25,875
Payment to refunded bond escrow agent	-	-	(70,151)	-	-	-	(22,943)	(18,416)	(16,760)	(25,780)
Premium on bond issue	5,263	-	21,684	-	-	4,698	-	6,372	1,545	16,376
Lease financing	-	-	-	-	-	-	-	-	-	5,558
Transfers in	52,360	55,156	50,289	55,227	55,907	52,935	64,061	57,400	72,807	61,332
Transfers out	(61,948)	(64,317)	(59,395)	(63,776)	(64,291)	(61,272)	(73,320)	(67,131)	(84,378)	(77,040)
Total other financing sources (uses), net	34,540	(9,161)	45,447	(8,549)	(8,384)	60,866	(9,211)	53,580	834	121,936
Net change in fund balances	\$ 26,724	\$ (11,097)	\$ 28,941	\$ (26,810)	\$ (13,517)	\$ 40,047	\$ (3,775)	\$ 56,434	\$ 21,199	\$ 80,666
Debt service as a percentage of noncapital expenditures	9.26 %	10.28 %	9.98 %	9.31 %	9.19 %	11.18 %	8.82 %	9.03 %	8.06 %	8.67 %

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 ⁽¹⁾	Total
2013	\$ 136,705	\$ 11,850	\$ 14,247	\$ 4,959	\$ 4,264	\$ 9,418	\$ 18,083	\$ 10,889	\$ 210,415
2014	154,193	12,077	14,588	4,986	4,421	9,187	18,974	11,170	229,596
2015	155,527	11,435	15,050	4,916	4,077	9,173	19,471	11,284	230,933
2016	158,543	12,092	15,368	5,056	4,624	8,867	20,073	11,834	236,457
2017	160,810	12,304	14,979	4,978	4,427	8,649	20,370	11,693	238,210
2018	162,989	12,801	15,093	5,011	4,416	8,392	20,912	12,329	241,943
2019	166,311	14,251	15,741	4,977	4,336	7,840	22,081	12,596	248,133
2020	171,631	14,365	16,845	4,977	4,372	7,551	21,545	13,031	254,317
2021	179,065	16,833	19,639	4,618	3,964	6,863	23,113	14,609	268,704
2022	190,034	15,297	20,876	5,074	3,838	6,527	26,863	18,241	286,750

Notes:

⁽¹⁾ Other taxes include: short-term rental, recordation, lodging and transit, amusement, motor vehicle, bank stock, license - pari-mutuel, public right of way and skill games.

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				Total Taxable Assessed Value	Estimated Actual Taxable Value	Assessed Value as a Percent of Estimated Actual Value ⁽²⁾	Total Direct Tax Rate
	Citizens' Property	Public Service ⁽¹⁾	Newport News Waterworks					
2013	\$ 10,480,999	\$ 31,923	\$ 59,881		\$ 10,572,803	\$ 10,254,901	103.10%	\$ 1.04
2014	10,162,678	28,837	59,298		10,250,813	10,373,217	98.82%	1.24
2015	10,092,713	30,562	59,119		10,182,394	10,337,456	98.50%	1.24
2016	10,127,280	32,236	56,459		10,215,975	10,356,475	98.64%	1.24
2017	10,249,204	33,071	56,237		10,338,512	10,591,512	97.61%	1.24
2018	10,362,686	33,539	60,487		10,456,712	10,665,846	98.61%	1.24
2019	10,492,939	33,881	60,925		10,587,745	11,073,722	95.61%	1.24
2020	10,754,780	37,865	61,746		10,854,391	10,854,391	100.00%	1.24
2021	11,245,639	37,966	64,615		11,348,220	11,348,220	100.00%	1.24
2022	11,826,081	36,717	63,061		11,925,859	11,925,859	100.00%	1.24

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. Beginning in fiscal year 2012 reporting began assessments for real estate (land) and personal property at the real estate rate.

⁽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% for 2020. We assumed the sales to appraisal ratio would be 100% for fiscal year 2021.

Source: City of Hampton, Finance

Table VII

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

Taxpayer	2022			2013		
	Total Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Total Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Newport News City of C/O NN Waterworks	\$ 66,710	1	0.6 %	-	-	-
Peninsula Main VA LLC	56,822	2	0.5 %	-	-	-
New Mola LLC	50,504	3	0.4 %	-	-	-
FCLA LP C/O Beco Asset Mgt LLC	49,268	4	0.4 %	-	-	-
Pinnacle Apartments LLC	45,228	5	0.4 %	-	-	-
The Lakes at Town Center LLC	43,934	6	0.4 %	-	-	-
Lumen Owner LLC	43,217	7	0.4 %	-	-	-
Accend Ellipse LLC	42,516	8	0.4 %	-	-	-
RP Hampton Exchange LLC & RP Hampton CTR LLC	38,068	9	0.3 %	-	-	-
Cambridge Apartments LC	36,751	10	0.3 %	-	-	-
Hampton Owners LLC	-	-	-	\$ 138,687	1	1.3 %
City of Newport News	-	-	-	63,453	2	0.6 %
Hampton University	-	-	-	43,994	3	0.4 %
FCLA LP	-	-	-	39,006	4	0.4 %
Hampton Center LLC	-	-	-	36,575	5	0.3 %
MOLA LLC	-	-	-	35,278	6	0.3 %
Trail Creek Apartments LLC	-	-	-	35,214	7	0.3 %
Riverdale Apartments LLC	-	-	-	34,100	8	0.3 %
Cambridge Apartments LC	-	-	-	33,767	9	0.3 %
Bir Lakeridge LLC	-	-	-	33,589	10	0.3 %
	<u>\$ 473,018</u>		<u>4.1 %</u>	<u>\$ 493,663</u>		<u>4.5 %</u>

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

Table VIII

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

Fiscal Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2013	\$ 109,957	\$ 108,589	98.76 %	\$ 489	\$ 109,078	99.20%
2014	127,110	125,559	98.78 %	1,364	126,923	99.85%
2015	126,262	124,440	98.56 %	1,618	126,058	99.84%
2016	126,678	124,791	98.51 %	1,662	126,453	99.82%
2017	128,198	126,403	98.60 %	1,799	128,202	100.00%
2018	129,663	127,793	98.56 %	1,797	129,590	99.94%
2019	131,288	129,589	98.71 %	1,791	131,380	99.92%
2020	134,594	132,963	98.79 %	1,569	134,532	98.79%
2021	140,718	139,294	98.99 %	1,159	140,453	99.81%
2022	147,881	146,119	98.81 %	-	146,119	98.81%

Notes:

*There are no overlapping or underlying tax jurisdictions.

Source: City of Hampton, Finance Department

Table IX

CITY OF HAMPTON, VIRGINIA RATIO OF OUTSTANDING DEBT BY TYPE

Last Ten Fiscal Years

(amounts expressed in thousands, except per capita)

Fiscal Year	General Bonded Debt ⁽¹⁾				Percentage of Estimated Actual Taxable Value of Property	Per Capita	Notes Payable	Lease Payable
	General Obligation Bonds ⁽²⁾	Notes Payable	State Literary Loans	Total				
2013	\$ 280,070	\$ -	\$ 82	\$ 280,152	2.65%	\$ 2,044.91	\$ 16,797	\$ -
2014	272,162	-	-	272,162	2.66%	1,958	14,374	-
2015	306,061	-	-	306,061	3.01%	2,202	11,894	-
2016	280,960	-	-	280,960	2.75%	2,021	9,517	-
2017	256,498	-	-	256,498	2.48%	1,872	6,970	-
2018	291,756	-	-	291,756	2.79%	2,130	4,386	-
2019	267,753	-	-	267,753	2.53%	1,969	1,761	-
2020	305,766	-	-	305,766	2.82%	2,252	1,265	-
2021	294,330	-	-	294,330	2.60%	2,156	1,081	-
2022	370,115	-	-	370,115	3.10%	2,710	3,751	4,516

Fiscal Year	Business-type Activities				Percentage of Personal Income	Per Capita ⁽⁴⁾
	Revenue Bonds	Notes Payable	Lease Payable	Total Primary Government		
2013	\$ 87,725	\$ 403	\$ -	\$ 385,077	6.56 %	\$ 2,810.78
2014	98,886	211	-	385,633	7.10 %	2,774.34
2015	95,572	-	-	413,527	7.44 %	2,975.01
2016	92,128	-	-	382,605	6.83 %	2,752.55
2017	88,545	-	-	352,013	6.20 %	2,569.44
2018	84,816	2,600	-	383,558	6.10 %	2,799.69
2019	80,933	2,110	-	352,557	5.84 %	2,592.33
2020	74,863	1,603	-	383,497	6.13 %	2,824.96
2021	70,064	1,329	-	366,804	N/A	2,682.00
2022	65,060	795	32	444,269	N/A	3,218.00

Notes:

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

⁽²⁾General obligation bond amounts include the unamortized premiums.

⁽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 2019.

Table X

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

	Fiscal Year									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Debt limit	\$ 1,057,280	\$ 1,025,081	\$ 1,018,239	\$ 1,021,598	\$ 1,033,851	\$ 1,045,671	\$ 1,058,774	\$ 1,085,439	\$ 1,134,107	\$ 1,192,586
Total net debt applicable to limit	280,152	257,645	273,840	251,130	229,000	261,870	241,300	276,795	269,107	341,170
Legal debt margin	\$ 777,128	\$ 767,436	\$ 744,399	\$ 770,468	\$ 804,851	\$ 783,801	\$ 817,468	\$ 808,644	\$ 865,000	\$ 851,416
Total net debt applicable to the limit as a percentage of debt limit	26.50 %	25.13 %	26.89 %	24.58 %	22.15 %	25.04 %	22.79 %	22.50 %	23.73 %	28.61 %

Legal Debt Margin Calculation for current Fiscal Year: 2022

Assessed value	\$11,925,859
Debt limit (10% of total assessed value)	1,192,586
Debt applicable to limit:	
General obligation debt	341,170
Total net debt applicable to limit:	341,170
Legal debt margin	\$ 851,416

Notes:

Virginia state statute limits bond issuing authority of Virginia cities to 10% of the assessed real estate value. The above calculation includes all debt secured by the full faith and credit of the City. The calculation excludes installment purchase of contracts, accrued sick and annual leave, net pension obligations, net OPEB obligations and net pension liability totaling \$236,041,840 at June 30, 2022.

*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 Available for Debt Service	Debt Service Requirements ⁽³⁾			Coverage
				Principal	Interest	Total	
The Hamptons Revenue Bonds							
2013	\$ 1,200	\$ 1,194	\$ 6	\$ 295	\$ 9	\$ 304	0.02
2014	1,200	1,194	6	295	9	304	0.02
Museum Revenue Bonds							
2013	\$ 4,730	\$ 3,468	\$ 1,262	\$ 1,440	\$ 112	\$ 1,552	0.81
2014	4,412	3,084	1,328	1,515	38	1,553	0.86
2015	4,412	3,084	1,328	1,515	38	1,553	0.86

Continued

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 Available for Debt Service	Debt Service Requirements ⁽³⁾				Coverage
				Principal	Interest	Total		
Economic Development Authority Revenue Bonds								
2013	\$ 2,244	\$ 3,555	\$ (1,311)	\$ 570	\$ 402	\$ 972	(1.35)	
2014	3,401	2,343	1,058	607	364	971	1.09	
2015	3,585	3,145	440	646	324	970	0.45	
2016	5,538	2,711	2,827	687	284	971	2.91	
2017	5,980	5,150	830	729	237	966	0.86	
2018	12,951	3,774	9,177	777	189	966	9.50	
2019	10,868	9,046	1,822	826	139	965	1.89	
2020	4,131	4,136	(5)	878	85	963	(0.01)	
2021	5,733	4,791	942	556	37	593	1.59	
2022	5,747	9,956	(4,209)	77	15	92	(45.75)	
Convention Center Revenue Bonds								
2013	\$ 10,698	\$ 3,262	\$ 7,436	\$ 2,340	\$ 4,432	\$ 6,772	1.10	
2014	10,647	3,359	7,288	2,245	4,218	6,463	1.13	
2015	10,714	3,470	7,244	2,325	4,123	6,448	1.12	
2016	10,533	3,370	7,163	2,435	4,010	6,445	1.11	
2017	10,855	3,515	7,340	2,555	3,890	6,445	1.14	
2018	10,830	3,688	7,142	2,680	3,762	6,442	1.11	
2019	11,198	3,531	7,667	2,815	3,624	6,439	1.19	
2020	10,145	3,614	6,531	2,960	2,356	5,316	1.23	
2021	8,133	1,811	6,322	3,930	2,121	6,051	1.04	
2022	10,898	2,847	8,051	4,110	1,574	5,684	1.42	

Notes:

⁽¹⁾Gross revenues include transfers in and interest income.

⁽²⁾Total operating expenses exclusive of depreciation.

⁽³⁾Includes principal and interest of revenue bonds only.

Table XII

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

Fiscal Year	Population ⁽¹⁾	Personal Income (In Thousands) ⁽²⁾	Per Capita Income ⁽³⁾	School Membership ⁽⁴⁾	Unemployment Rate Percentage ⁽⁵⁾
2013	\$ 137,406	\$ 5,093,399	\$ 37,068	\$ 21,366	7.1%
2014	137,778	5,236,703	38,008	21,113	6.7%
2015	136,379	5,373,683	39,403	20,853	6.3%
2016	135,525	5,407,022	39,897	20,698	5.4%
2017	135,007	5,511,596	40,825	20,384	5.1%
2018	134,800	5,552,548	41,191	19,996	4.3%
2019	135,048	5,713,242	42,305	18,651	3.8%
2020	135,464	6,253,733	46,165	19,055	10.9%
2021	136,673	N/A	N/A	18,807	6.3%
2022	136,581	N/A	N/A	19,026	4.0%

⁽¹⁾Source: Weldon Cooper Center for Public Service as of July 1, 2021

Source: Bureau of Economic Analysis. November 16, 2021 - new estimates for 2020; revised statistics for 1998-2019.

⁽²⁾Source: Bureau of Economic Analysis. November 16, 2021 - new estimates for 2020; revised statistics for 1998-2019.

⁽³⁾Source: Bureau of Economic Analysis. November 16, 2021 - new estimates for 2020; revised statistics for 1998-2019.

⁽⁴⁾Source: Hampton City Schools; revised statistics for 2015

⁽⁵⁾Source: U.S. Bureau of Labor Statistics

Table XIII

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

2022	2013
Over 500 Employees(1):	Over 600 Employees:
Hampton City School Board	Alcoa Howmet
U.S. Department of Defense	City of Hampton
City of Hampton	Hampton City Schools
U.S. Department of Veterans Administration	Hampton University
Nat'l Aeronautics & Space Administration	Hampton Veteran's Affairs Medical Center
Sentara Healthcare	Langley Air Force Base
Hampton University	NASA Langley Research Center
Hampton-Newport News Community Services Board	Sentara Healthcare System
Arconic Howmet	Sprint
Food Lion	Thomas Nelson Community College
Thomas Nelson Community College	
Riverside Regional Medical Center	
200- 499 Employees(2):	200 - 599 Employees:
Telespectrum Inc	Cubic Applications (subsidiary of Cubic Corporation)
Wal Mart	Jacobs Technology (subsidiary of Jacobs Engineering)
Sverdrup Technology	Riverside Regional Medical Centers
Amsec	Top Guard
URS Federal Services	TRG Customer Solutions
McDonald's Restaurant	Riverside Regional Medical Centers
Faneuil Inc	
FedEX Ground	
Ferguson Enterprises Inc	
Simos Insourcing Solution Inc	
Science Systems and Applications	
Top Guard Inc	
Wps Health Solutions	
Analytical Mechanics Associates	
AMSEC	
Ferguson Enterprises	
Patient Advocate Foundation	

Notes:

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

(1) adjustment from prior years; prior years shown as Over 600

(2) adjustment from prior years; prior years shown as 200 - 599

Source: Hampton Roads Alliance; Reports and Resources; Largest Employers (per prior year communication w/ City of Hampton; Department of Economic Development)

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION
Last Ten Fiscal Years

Function	Fiscal Year									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Governmental activities:										
General government	574	568	577	574	557	533	508	573	572	594
Public safety	688	697	704	706	711	673	671	708	684	690
Highway and streets	20	24	21	19	22	21	19	17	21	27
Sanitation	49	54	56	61	57	60	54	54	56	69
Health	19	20	20	16	15	15	13	13	15	17
Human services	229	228	234	233	245	245	247	250	247	235
Culture and recreation	128	123	126	130	118	118	120	113	110	112
Total Governmental activities	1,707	1,714	1,738	1,739	1,725	1,665	1,632	1,728	1,705	1,744
Business-type activities:										
Culture and recreation	32	35	32	36	37	35	37	37	32	39
Sanitation	142	138	126	135	133	122	132	129	128	136
Total Business-type activities	174	173	158	171	170	157	169	166	160	175
Total	1,881	1,887	1,896	1,910	1,895	1,822	1,801	1,894	1,865	1,919

Source: City of Hampton, Department of Human Resources

Table XV

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

Function/Program	2013	2014	2015	2016	2017
General government					
Building permits issued	2,111	1,564	1,281	1,107	1,106
Building inspections conducted	8,029	4,602	4,520	4,421	4,623
311 customer call center					
Calls	148,988	141,891	130,387	164,878	176,367
Emails ⁽¹⁾	-	-	-	-	-
Website (web forms & chats) ⁽¹⁾	-	-	-	-	-
Mobile (text & app) ⁽¹⁾	-	-	-	-	-
Public safety					
Police					
Physical arrests	10,035	9,067	14,862	14,073	10,304
Traffic summons	29,007	29,080	21,391	20,795	17,893
Fire					
Emergency responses	23,808	24,815	26,149	27,541	25,906
Fires extinguished	319	331	491	531	508
Patients transported	13,665	14,262	14,910	14,228	13,783
Code inspections	839	3,223	2,146	2,909	1,600
Highway and streets					
Roads paved or resurfaced (miles)	88	21	26	22	107
Bridges Inspected ⁽¹⁾	-	-	-	-	-
Sanitation					
Yard waste collected (tons)	13,326	12,896	9,762	9,761	10,196
Debris removed (tons)	122,317	58,223	59,422	62,173	77,034
Cleanups	840	817	891	991	901
Street sweeping	3,384	4,607	2,583	1,445	1,445
Storm drains cleaned (linear feet)	153,605	57,064	49,550	61,845	61,669
Health					
Preventive health ⁽²⁾					
Immunization visits	6,725	5,342	3,394	3,260	2,980
Human services					
Healthy families partnership					
Number of families assessed	689	547	527	421	501
Number of families served	958	908	948	856	718
Number of adult participants in the parenting classes	2,850	2,327	2,487	3,140	3,772
Social Services					
Food stamp households	11,048	11,101	9,824	8,986	9,443
Culture and recreation					
Senior citizens attendance at Senior Center	12,997	10,449	15,046	16,681	22,574
Community Center memberships ⁽³⁾					
Youth	55,873	51,901	51,422	51,968	88,634
Teen	22,340	43,133	42,254	24,086	36,298
Adult	80,685	77,345	78,844	56,829	283
Education					
School membership (total)	21,366	21,113	19,854	20,698	18,807
High schools	6,516	6,218	6,066	6,197	6,748
Middle schools	3,975	3,934	3,710	3,775	3,978
Elementary schools	9,885	8,319	7,667	8,562	5,812
Combined schools	990	2,642	2,410	2,164	2,296
Virtual ⁽¹⁾	-	-	-	-	-
School board personnel	2,890	2,835	2,543	2,507	2,683
Wastewater					
Average daily sewage treatment (thousands of gallons)	14,890	14,390	14,450	14,800	15,592

Table XV (Continued)

OPERATING INDICATORS BY FUNCTION/PROGRAM Last Ten Fiscal Years

Function/Program	2018	2019	2020	2021	2022
General government					
Building permits issued	1,045	1,118	1,609	1,254	1,799
Building inspections conducted	4,155	4,056	4,568	4,909	5,296
311 customer call center					
Calls	149,320	143,636	165,034	126,763	96,680
Emails ⁽¹⁾	-	-	-	-	7,944
Website (web forms & chats) ⁽¹⁾	-	-	-	-	3,113
Mobile (text & app) ⁽¹⁾	-	-	-	-	5,597
Public safety					
Police					
Physical arrests	8,543	5,446	4,439	3,865	3,986
Traffic summons	10,591	15,967	9,443	7,991	5,984
Fire					
Emergency responses	25,928	26,313	26,359	28,382	30,620
Fires extinguished	465	475	479	481	692
Patients transported	14,039	14,401	13,481	14,319	15,639
Code inspections	1,940	2,701	1,785	2,073	1,719
Highway and streets					
Roads paved or resurfaced (miles)	89	66	72	76	83
Bridges Inspected ⁽¹⁾	-	-	-	-	21
Sanitation					
Yard waste collected (tons)	9,800	10,951	12,765	11,670	9,402
Debris removed (tons)	56,459	57,075	54,057	51,273	52,561
Cleanups	586	700	255	631	577
Street sweeping	3,367	3,802	2,792	1,443	2,202
Storm drains cleaned (linear feet)	44,948	74,421	10,997	32,698	10,778
Health					
Preventive health ⁽²⁾					
Immunization visits	2,167	2,230	1,857	1,336	1,724
Human services					
Healthy families partnership					
Number of families assessed	421	434	333	277	258
Number of families served	639	624	543	893	557
Number of adult participants in the					
parenting classes	3,742	3,376	2,690	1,147	626
Social Services					
Food stamp households	8,944	8,801	9,286	9,931	11,603
Culture and recreation					
Senior citizens attendance at Senior Center	18,477	20,553	13,097	209	5,385
Community Center memberships ⁽³⁾					
Youth	66,880	54,497	17,943	83	386
Teen	29,294	21,253	8,898	33	264
Adult	70,934	76,349	24,705	283	1,625
Education					
School membership (total)	19,996	18,651	19,055	18,807	19,026
High schools	6,042	5,862	5,891	6,748	5,942
Middle schools	3,601	3,591	3,128	3,978	3,578
Elementary schools	7,896	7,070	7,740	5,812	6,653
Combined schools	2,427	2,128	2,296	2,296	2,089
Virtual ⁽¹⁾	-	-	-	-	764
School board personnel	2,455	2,461	2,461	2,683	2,653
Wastewater					
Average daily sewage treatment (thousands of gallons)	13,620	15,133	14,100	15,592	12,600

Notes:

⁽¹⁾categories added this year (FY22)

⁽²⁾removed Family Practice visits (closed 3/31/11) & Prescriptions filled (closed 5/25/10) from Health-Preventative Health

⁽³⁾changed from admissions to memberships per City of Hampton, Parks and Recreation

Source: City of Hampton, Various Departments

Table XVI

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

Function/Program	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Public safety										
Police										
Patrol units	211	225	253	257	226	219	229	227	219	203
Patrol boats	5	5	5	6	5	7	8	6	6	6
Fire										
Stations	11	11	11	11	11	11	11	11	11	11
Pumpers	14	16	17	17	17	17	17	15	16	17
Ambulances	16	16	15	15	15	15	15	15	17	16
Rescue Vehicles	3	2	-	-	-	-	-	-	-	-
Ladder trucks	6	5	5	5	5	5	5	5	5	7
Fire Boats	2	2	2	2	2	2	2	2	2	2
Highways and streets										
Streets (miles) ⁽³⁾	482	497	486	1,118	1,125	1,125	1,156	1,156	1,157	1,132
Traffic signals	185	187	186	189	185	189	186	186	188	188
Bridges	40	40	40	39	40	39	40	40	40	40
Sanitation										
Solid waste										
Collection trucks	58	58	58	57	58	57	60	64	56	56
Culture and recreation										
Parks acreage ⁽¹⁾	1,791	1,791	1,791	1,791	1,791	1,791	1,791	1,791	1,791	1,791
School parks acreage	751	751	751	751	751	751	751	751	751	751
Parks	23	23	23	23	23	23	23	23	23	23
Amphitheater	2	2	2	1	1	1	1	1	1	1
Aquaplex ⁽²⁾	-	-	-	-	-	-	-	-	-	1
Baseball fields	41	42	42	42	42	42	42	42	42	42
Basketball courts	36	36	36	36	36	36	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	6	7	7	7	7	7	7	8	8	5
Convention center	1	1	1	1	1	1	1	1	1	1
Fitness trails	12	12	12	13	13	14	13	13	13	13
Football fields	21	21	21	21	21	21	21	21	21	21
Football stadium	1	1	1	1	1	1	1	1	1	1
Golf courses	2	2	2	2	2	2	2	2	2	2
Indoor swimming pools	3	3	3	2	2	2	2	2	2	2
Municipal beaches	3	3	3	3	3	3	3	3	3	3
Municipal parks	11	11	11	11	11	11	11	11	11	11
Museums	2	2	2	2	2	2	2	2	2	2
Outreach centers	4	4	4	4	4	4	4	4	4	4
Picnic shelters	26	27	27	28	28	29	29	29	29	29
Playgrounds	46	46	46	43	43	44	81	81	81	81
Senior citizens center	1	1	1	1	1	3	1	1	1	1
Soccer fields	33	33	33	33	33	33	33	33	33	33
Softball fields	17	17	17	17	17	17	17	17	17	17
Tennis courts	67	67	67	67	67	67	67	67	67	67
Theatres	1	1	1	1	1	1	1	1	1	1
Fort Wool	1	1	1	1	1	1	1	1	1	1
Fishing Pier	2	2	2	2	2	2	2	2	2	2
Education										
High schools	4	4	4	4	4	4	4	4	4	4
Middle schools	7	5	5	6	6	6	6	6	6	6
Elementary schools	20	24	19	19	19	19	19	19	19	19
Combined schools	2	2	2	2	2	2	2	2	2	2
Wastewater										
Sanitary sewer lines (miles)	426	490	497	572	572	605	605	605	605	605
Sewer Pumping stations	108	109	109	108	105	106	103	103	103	103

Notes:

⁽¹⁾Park land currently developed.

⁽²⁾Aquaplex under development.

⁽³⁾Revision of 2018-2021 lane mileage count per Public Works department

Source: City of Hampton, Various Departments





Compliance Reports



Report of Independent Auditor on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Hampton, Virginia's (the "City") compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2022. The City's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to City's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on City's compliance based on our audit. Reasonable assurance is a high level of assurance, but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* 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 over compliance, 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is no suitable for any other purpose.



Virginia Beach, Virginia
December 7, 2022



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the *Specifications for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia (the "Specifications"), 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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 7, 2022. Our report includes a reference to other auditors who audited the financial statements of the Downtown Hampton Development Partnership, Inc. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported separately by those auditors. The financial statements of the Downtown Hampton Development Partnership, Inc. were not audited in accordance with *Government Auditing Standards*. The report also recognizes that the Hampton City School Board a discretely presented component unit of the City, restated certain net position due to the correction of an error, as of July 1, 2021.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2022-001, that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and one instance of noncompliance that is required to be reported under the *Specifications for Audits of Counties, Cities, and Towns*, which is described in the accompanying schedule of findings and questioned costs as item 2022-002.

City's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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



Virginia Beach, Virginia
December 7, 2022

**City of Hampton, Virginia
Schedule of Findings and Questioned Costs
Year Ended June 30, 2022**

A. Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued on the financial statements:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified:	Yes, 2022-001
Significant deficiency(ies) identified:	None reported
Noncompliance material to the financial statements noted?	No

Federal Awards:

Type of auditor's report issued on compliance for major programs:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified:	No
Significant deficiency(ies) identified:	None reported
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No

Identification of major federal programs:

<u>Program Description:</u>	<u>CFDA #</u>
U.S. Department of Agriculture:	
SNAP Cluster	10.561
U.S. Department of Transportation:	
Highway Planning and Construction Cluster	20.205
U.S. Department of Treasury:	
Coronavirus Relief Fund	21.019
National Aeronautics & Space Administration:	
NASA Steam Sales	43.UNK
U.S. Department of Education:	
Special Education Cluster (IDEA)	84.027/84.173
Education Stabilization Fund	84.425D/U

Dollar threshold to distinguish between Types A and B Programs:	\$2,486,613
The City of Hampton was qualified as a low risk auditee?	Yes

B. Findings Relating to Financial Statements Reported in Accordance with Government Auditing Standards

Finding: 2022-001 – Material Weakness in Internal Control over Financial Reporting

Department: Hampton City School Board

Criteria:

The Code of Virginia requires the City to file annual financial statements prepared in all material respects in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Condition:

Subsequent to the issuance of the financial statements for the year ended June 30, 2021, the Hampton City School Board (the "Schools"), a discretely presented component unit of the City of Hampton, Virginia ("City"), identified that its reported compensated absences liability was overstated due to improper application of payout caps when the liability was calculated.

Cause:

Internal controls over the financial close and reporting process of the Schools were not operating effectively to ensure the financial statements were prepared in all material respects in accordance with U.S. GAAP.

Effect:

The component unit's and City Reporting Entity's net position was understated by \$12.2 million as of July 1, 2021.

Recommendation:

We recommend internal controls over the financial close and reporting process of the Schools be evaluated and modified as necessary to ensure the financial statements are prepared in all material respects in accordance with U.S. GAAP.

Views of Responsible Officials:

Hampton City Schools implemented changes to the process for calculating the June 30 Compensated Absences Liability in August 2022. The changes to the process is what identified the overstatement of the liability due to the improper application of the payout caps. This process will continue to be followed in subsequent years. An overview of the process is below.

- The Payroll Manager and Chief Financial Officer will obtain and review the most recent School Board policies on sick and vacation leave.
- The Payroll Manager will run leave balance reports from the financial system as of June 30. Then, apply the sick leave cap to all applicable June 30 balances and pull the vacation leave cap by each employee and apply it to June 30 balances.
- The Payroll Manager will then submit the calculation for review by Chief Financial Officer. Any changes during the review will be made prior to submission to the external auditors.

C. Findings and Questioned Costs Related to Federal Awards

None noted.

D. Findings and Questioned Costs Relating to Compliance with Commonwealth of Virginia Laws, Regulations, Contracts, and Grants

2022-002

Department: Hampton City Human Services

Compliance Requirement: Section 3-15 of the *Specifications for Audits of Counties, Cities, and Towns* (the "Specifications"), issued by the Auditor of Public Accounts of the Commonwealth of Virginia.

Type of Finding: Non-material noncompliance

Criteria:

Section 63.2 of the Code of Virginia requires that the City's Department of Human Services (the "DHS") remove user's access immediately from all systems they were authorized to use when they leave the DHS.

Condition:

While performing our audit procedures to ensure compliance with Section 3-15 of the Specifications, we identified one (1) employee in our sample of three (3) whose access was removed 40 days after they left DHS.

Cause:

There was an oversight where the Local Security Officer (the "LSO") did not ensure the employee's access was removed timely.

Effect:

The City is not in compliance with Section 63.2 of the Code of Virginia and is potentially at risk of terminated users having access to systems after they have left the DHS.

Recommendation:

We recommend that the DHS review their procedures for when an employee leaves to ensure there is timely communication and follow up to ensure their access is removed in a timely manner.

Views of Responsible Officials:

We concur with the audit finding. In the future, we will ensure that access is removed timely, in compliance with Section 63.2 of the Code of Virginia.

E. Resolution of Prior Year Findings

2021-001: Status: Repeat finding, see 2022-002



An aerial photograph of Hampton, Virginia, showing a mix of urban development, green spaces, and water. A semi-circular graphic with a blue gradient and a white outline is positioned in the upper right, framing the text. The city features a large stadium with a distinctive white, ribbed roof, a major highway interchange, and a residential area with many houses in the foreground.

HAMPTON VA