

ANNUAL COMPREHENSIVE FINANCIAL REPORT

CITY OF HAMPTON, VIRGINIA
FOR THE FISCAL YEAR ENDED JUNE 30, 2023



CITY OF HAMPTON, VIRGINIA ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2023

Prepared by:

The Department of Finance

Karl S. Daughtrey, Director of Finance

Brittany Abbott, Controller



Table of Contents

EXHIBIT

INTRODUCTORY SECTION

- 1 Organizational Chart - City
- 2 List of Officials
- 4 Organization Chart - Finance Department
- 6 Letter of Transmittal
- 12 Certificate of Achievement for Excellence in Financial Reporting

FINANCIAL SECTION

- 16 Report of Independent Auditor
- 19 Management's Discussion and Analysis
- Basic Financial Statements:**
 - Government-wide Statements:**
 - 29 Statement of Net Position A-1
 - 30 Statement of Activities A-2
 - Fund Financial Statements:**
 - 31 Balance Sheet - Governmental Funds A-3
 - 32 Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position A-3
 - 33 Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds A-4
 - 34 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities A-4
 - 35 Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund A-5
 - 36 Statement of Net Position - Proprietary Funds A-6
 - 38 Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds A-7
 - 40 Statement of Cash Flows - Proprietary Funds A-8
 - 42 Statement of Fiduciary Net Position - Fiduciary Funds A-9
 - 43 Statement of Changes in Fiduciary Net Position - Fiduciary Funds A-10
 - 44 Combining Statement of Net Position - Discretely Presented Component Units A-11
 - 45 Combining Statement of Activities - Discretely Presented Component Units A-12

Table of Contents

Notes to Financial Statements:

46	Notes to Financial Statements
	Additional Required Supplementary Information
130	Schedule of Changes in the HERS' Net Pension Liability and Related Ratios
131	Schedule of Contributions to HERS
132	Schedule of Changes in the City's VRS Pension Plan Liability and Related Ratios
133	Schedule of City's Contributions to VRS
134	Schedule of Changes in the School Board's VRS Nonprofessional Employees' Net Pension Plan Liability and Related Ratios
135	Schedule of School Board's Nonprofessional Employees' Contributions to VRS
136	Schedule of the School Board's Proportionate Share of the Net Pension Liability
137	Schedule of Component Unit-School Board's Contributions VRS Teachers Pension Plan
138	Schedule of Changes in the City's Net Other Postemployment Benefits Liability and Related Ratios
139	Schedule of Changes in Net Other Postemployment Benefits Liability and Related Ratios Component Unit-School Board
140	Schedule of Employer Other Postemployment Benefits Contributions -Primary Government and Component Unit-School Board - Retirees' Healthcare
141	Schedule of School Board's Proportionate Share of the Net Other Postemployment Benefits Liability
142	Schedule of School Board's Employer VRS Health Insurance Credit Plan Contributions
143	Notes to the VRS Required Supplemental Information School Board's Health Insurance Credit Plan
144	Schedule of Changes in Net Other Postemployment Benefits Liability and Related Ratios - Primary Government
145	Schedule of Employer Other Postemployment Benefits Contributions - Line of Duty
146	Notes to the City's VRS Required Supplemental Information other Postemployment Benefits-Line of Duty
147	Schedule of Employers' Proportionate Share of the Net Other Postemployment Benefit Liability-Group Life Insurance
148	Schedule of Employer Other Postemployment Benefit Contributions - Group Life Insurance

Table of Contents

149	Notes to City's and Component Unit School Board's VRS Required Supplemental Information-Group Life Insurance Program	EXHIBIT
Combining and Individual Statements		
General Fund		
150	Balance Sheet	B-1
151	Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	B-2
152	Schedule of Revenues and Other Credits - Budget and Actual	B-3
155	Schedule of Appropriations and Expenditures	B-4
Non-major Governmental Funds:		
160	Combining Balance Sheet	C-1
161	Combining Statement of Revenues, Expenditures and Changes in Fund Balances	C-2
162	Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Stormwater Management Fund	C-3
Non-major Enterprise Funds:		
163	Combining Statement of Net Position	D-1
164	Combining Statement of Revenues, Expenses and Changes in Net Position	D-2
165	Combining Statement of Cash Flows	D-3
Internal Service Funds:		
166	Combining Statement of Net Position	E-1
167	Combining Statement of Revenues, Expenses and Changes in Net Position	E-2
168	Combining Statement of Cash Flows	E-3
Fiduciary Funds:		
170	Combining Statement of Fiduciary Net Position- Custodial Funds	F-1
171	Combining Statement of Changes in Fiduciary Net Position - Custodial Funds	F-2
Discretely Presented Component Unit-School Board		
172	Combining Balance Sheet	G-1
173	Combining Statement of Revenues, Expenditures and Changes in Fund Balances	G-2

Table of Contents

		EXHIBIT
174	Reconciliation of the School Board's Combining Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities	G-2
175	Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	G-3
176	Combining Statement of Fiduciary Net Position	G-4
177	Combining Statement of Changes in Fiduciary Net Position	G-5

SCHEDULES

Supporting Schedules

Supplementary Information:

178	Schedule of the Treasurer's Accountability	1
179	Discretely Presented Component Unit - Economic Development Authority - Schedule of Cash Flows	2
180	School Operating Fund Schedule of Appropriations and Expenditures - Budget and Actual	3
181	School Operating Fund Schedule of Revenues and Other Credits - Budget and Actual	4
183	Schedule of Expenditures of Federal Awards	5
189	Schedule of Debt Service Requirements to Maturity - Convention Center Revenue Bonds	6
190	Schedule of Debt Service Requirements to Maturity - General Obligation Bonds	7

Computation of Legal Debt Margin

191	Computation of Legal Debt Margin	8
-----	----------------------------------	---

Continuing Disclosure Information for Bond Indentures

192	Assessed Value of Taxable Property	9
193	Tax Rates	10
194	Moral Obligation Commitments	11
195	General Fund Expenditures	12
196	Summary of General Fund	13
197	Debt Ratios	14

STATISTICAL SECTION

		TABLES
200	Statistical Narrative	
201	Net Position By Component - Last Ten Fiscal Years	I
202	Changes in Net Position - Last Ten Fiscal Years	II

Table of Contents

		TABLES
205	Fund Balances of Governmental Funds - Last Ten Fiscal Years	III
206	Changes in Fund Balances of Governmental Funds - Last Ten Fiscal Years	IV
207	General Government Tax Revenues by Source - Last Ten Fiscal Years	V
208	Assessed and Estimated Actual Value of Taxable Property - Last Ten Fiscal Years	VI
209	Principal Property Taxpayers - Current Year and Nine Years Prior	VII
210	Real Estate Tax Levies and Collections - Last Ten Fiscal Years	VIII
211	Ratio of Outstanding Debt By Type - Last Ten Fiscal Years	IX
212	Legal Debt Margin Information - Last Ten Fiscal Years	X
213	Pledged-Revenue Coverage - Last Ten Fiscal Years	XI
214	Demographic and Economic Statistics - Last Ten Fiscal Years	XII
215	Principal Employers - Current Year and Nine Years Prior	XIII
216	Full-Time Equivalent City Governmental Employees by Function - Last Ten Fiscal Years	XIV
217	Operating Indicators By Function/Program - Last Ten Fiscal Years	XV
219	Capital Assets Statistics By Function/Program - Last Ten Fiscal Years	XVI

COMPLIANCE REPORT

Reports on Compliance

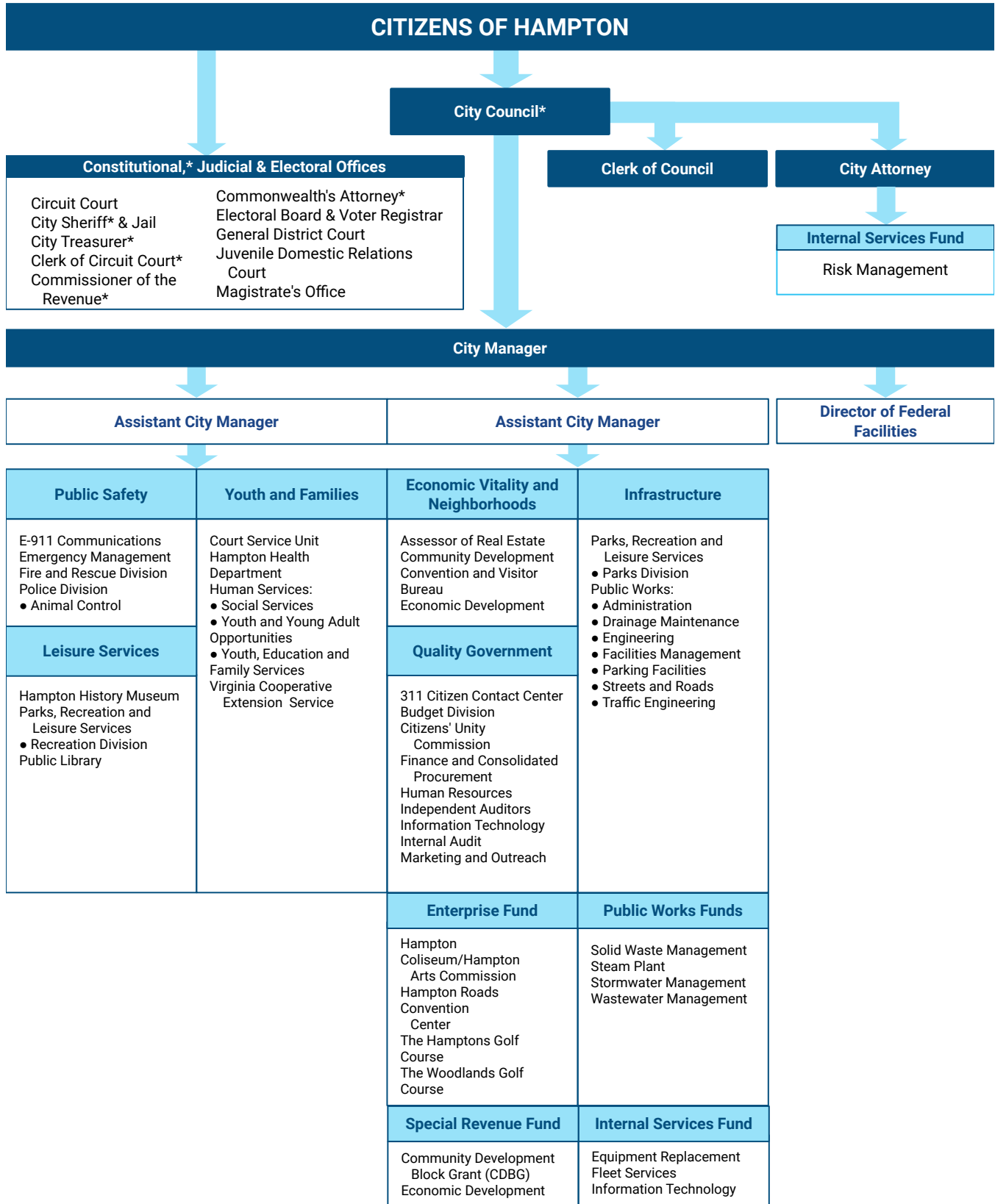
222	Report of Independent Auditor on Compliance for each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance
224	Report of Independent Auditor on Internal Control over Financial Reporting and on Compliance and other matters based on an audit of Financial Statements performed in Accordance with <i>Government Auditing Standards</i>
226	Schedule of Findings and Questioned Costs



Introductory

SECTION

ORGANIZATIONAL CHART - CITY



* Elected by citizens of Hampton

City of Hampton, Virginia

List of Officials

June 30, 2023

ELECTED OFFICIALS

CITY COUNCIL

Donnie Tuck, Mayor
Jimmy Gray, Vice Mayor
Chris Bowman
Steven Brown
Hope Harper
Martha Mugler
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, 2023

SCHOOL BOARD

Dr. Richard Mason, Chair
Stephanie Jackson Afonta
Joseph C. Kilgore
Dr. Reginald Woodhouse

Dr. Tina Banks-Gray, Vice Chair
Ann Cherry
Jason S. Samuels
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

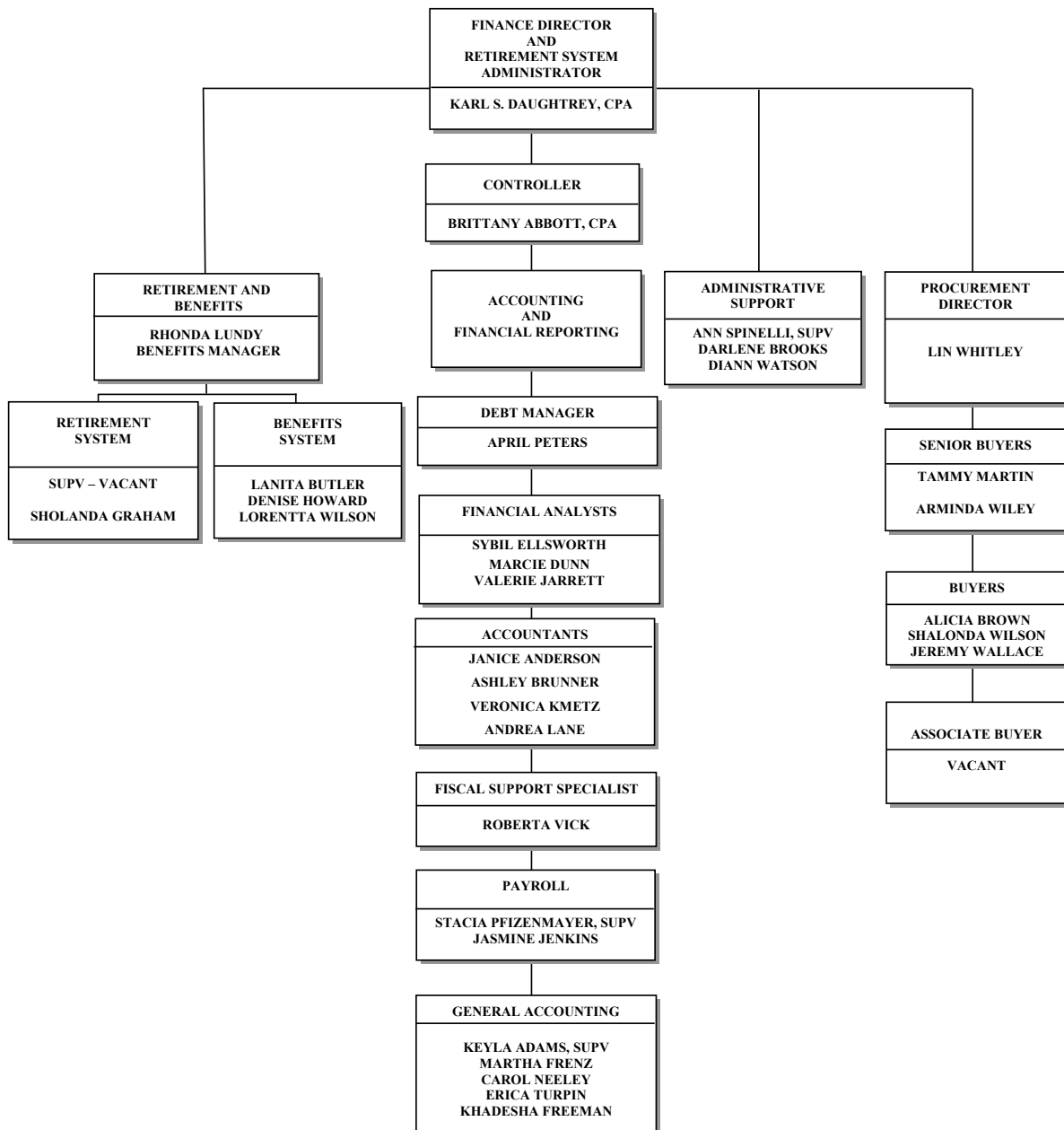
BOARD OF TRUSTEES

Andrew G. Womble, Jr., Chairman
James A. (Pete) Peterson, Trustee
Brittany Branch, Trustee
Carolyn Bowers, Trustee

Brian DeProfio, Vice Chairman
Kathann W. Montague, Trustee
George V. Hellman, Trustee
Patricia Parker, Trustee

Karl S. Daughtrey, Administrator and Treasurer
Ann Spinelli, Secretary (acting)
Benjamin Naidorf, Legal Council

**CITY OF HAMPTON, VIRGINIA
DEPARTMENT OF FINANCE
June 30, 2023**







December 1, 2023

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, 2023. 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, 2023. 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, 2022, the current estimated population in Hampton was 136,387.

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

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.

According to the *"State of the Region, Hampton Roads, 2023"* report, published by Old Dominion University's Dragas Center for Economic Analysis and Policy, the current economic status of the Norfolk-Virginia Beach-Newport News Metropolitan Statistical Area, which includes the City of Hampton, is very positive. Overall, it was reported that the Hampton Roads region has almost made a full recovery from the COVID-19 pandemic. While population growth has slowed, it continues to increase. The Norfolk-Virginia Beach-Newport News Metropolitan Statistical Area's unemployment has drastically decreased to 3.2 percent and the number of available jobs has slightly increased. Additionally, the City's Economic Development Authority reports that while sale of existing or new homes has slowed, home construction continues to increase signaling the future trajectory of the local economy.

During fiscal year 2023, the City opened the Aquaplex, a new aquatic and fitness center, housed in the heart of the City. The facility features two pools, including one 50-yard competition pool and seating for up to 1,500 spectators. The City also opened the Mary Jackson Community Center which provides school-age programs, fitness classes, and serves other community needs.

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 February 2023, City Council approved a \$100 million proposal to redevelop an existing housing development to provide 500 housing units, which will include for-sale townhomes, apartments, and age-restricted apartments.
- The City will begin construction of a new fire station to replace an existing 80 year old station that no longer accommodates modern fire trucks.
- In November 2023, the City Mayor and other City officials helped NorthPoint Developers break ground on the site of a new commerce center, estimated to create 250 jobs and offer workforce training. The ceremonial ground-breaking was a milestone in the multiyear planning process.
- Several other business either opened or announced openings in Hampton, including Raising Canes, One-Life Fitness, Freddy's Frozen Custard and Steakburgers, CAVA, and Qdoba.

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.

JBLE is composed of Langley Air Force Base in Hampton, and Fort Eustis, located in Newport News, Virginia. Langley Air Force Base is one of the largest air service training camps and a pillar of the Hampton community. It is located on 3,167 acres and employs more than 9,000 military and civilian personnel.

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.

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.

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 2023, the governmental funds recognized a \$6.5 million increase in fund balance. The net increase is the combined result of increased revenues and increased expenses, primarily in the General Fund.

The General Fund revenues and other financing sources slightly increased by approximately \$34.2 million or 7.6% when compared to fiscal year 2022 revenues. General property tax collections, the City's largest single own-source revenue, increased by approximately \$18.1 million or 9% when compared to fiscal year 2022. Although the City Council approved a decrease in the real estate tax rate for fiscal year 2023, the City continues to benefit from an increase in property value assessments. In addition to general property tax revenue, the General Fund's investment earning increased by \$5.2 million as a result of the Federal Reserve interest rate increases.

The General Fund expenditure and other financing uses increased by approximately \$33.8 million or 9% over fiscal year 2022. City Council approved \$89.8 million in transfers to other funds which help fund capital improvements, meet federal or state mandated revenue matching requirements. General Fund operating expenditures experienced a more moderate increase of 4.6% as a result of many factors including increased operational cost.

Long Term Financial Planning

In the years 2023-2027 \$287.8 million is scheduled for City and School projects. The following summarizes these projects:

Education	\$56.4 million
Hampton's Waterways	\$61.9 million
Good Government	\$103.1 million
Economic Growth	\$14.6 million
Place Making	\$30.1 million
Safe and Clean City	\$21.7 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, 2023, general obligation debt totaled \$320 million or 2.3% 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, 2023, this would amount to \$456.8 million or 3.0% 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, 2023, this would amount to \$76 million or .50% 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, 2023, this would amount to \$34 million or 5.9% of total expenditures, which was within the policy parameter.

3. General Obligation Debt Retirement Policy. The City shall retire at least 60% of the principal balance of general bonded obligation debt within 10 years of the date the debt is issued. The City will retire approximately 60% of general bonded obligation debt for fiscal years 2024 through fiscal year 2033 that was outstanding as of June 30, 2023.

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, 2023, capital expenditures were \$21.6 million which is 10% 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, 2023 through 2025, the City plans to use 35% 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, 2023 was \$97.7 million or 16.5% of actual revenues.

The City is in compliance with the Financial Policy Guidelines.

Credit Ratings

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

Major Initiatives and Accomplishments

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.

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.

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 Barack 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, 2022.

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 2023 Budget document.

In June 2023, Hampton was named an *All-America City* by the National Civic League, one of the top 10 in the country. The designation was conferred on Sunday evening at an awards ceremony in Denver. The award highlights communities that involve and engage their residents.

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 20th 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

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Hampton
Virginia**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2022

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, 2023, 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, based on our audit and the report of the other auditors, 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, 2023, 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 Budget Basis – 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, 1.6 percent, and 0.2 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units, as of June 30, 2023. 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"). The financial statements of the Downtown Hampton Development Partnership, Inc. were not audited in accordance with *Government Auditing Standards*. 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.

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, 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 and Supporting Schedules (excluding the schedule of expenditures of federal awards), 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 1, 2023, 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 1, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Hampton (City), we offer readers of the City's Annual Comprehensive Financial Report this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2023. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$812.4 million (net position). The unrestricted net position, which represents the amounts available to meet the City's ongoing obligations to citizens and creditors, was \$55.4 million.
- Unrestricted net position increased by 55.6 million when compared to the previous year. The positive change resulted from change in net position. Increased home and vehicle values combined with the increase in cost of goods and services resulted in the City recognizing a \$36.5 million or 12.5% increase in its general revenues (net of transfers), ending the year at \$327.4 million. The City did not issue bonds during fiscal year 2023 and therefore principal debt payments continue to reduce its long-term liabilities.
- At the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$341.2 million, an approximate 2% increase in comparison with the prior year. Of this amount, \$100.9 million or 29.6% is available for spending at the government's discretion (unassigned fund balance).
- At the end of the current fiscal year, unrestricted fund balance (the total of the committed, assigned, and unassigned components of fund balance) for the general fund was \$145.3 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis provided here are intended to serve as an introduction to the City's Annual Comprehensive Financial Report, which consists of four (4) sections including the introductory, financial, statistical and financial compliance reports for federal funds. The basic financial section consists of three (3) sections: management's discussion and analysis; basic financial statements; and supplementary information.

GOVERNMENT-WIDE FINANCIAL 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. Government-wide financial statements are reported using the full accrual basis of accounting and therefore presents the City's current year revenues and expenses, regardless of when cash is received or paid.

The *Statement of Net Position* (Exhibit A-1) presents 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 net position may serve as a useful indicator of whether the financial position of the city is improving or deteriorating.

The *Statement of Activities* (Exhibit A-2) 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).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their cost through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, highways and streets, sanitation, and culture and recreation. The business-type activities of the City include two event venues: Hampton Coliseum, Hampton Roads Convention Center; two golf courses: the Hamptons and Woodlands; one museum: Virginia Air & Space Museum; and three waste disposal functions including Solid Waste; Wastewater; and Refuse-Stream Plant (garbage).

The government-wide financial statements include not only the City itself (known as the primary government), but four other legal separate entities including: Hampton City Schools, the Economic Development Authority, the Coliseum Business Improvement District, and the Downtown Hampton Development Partnership, Inc. Financial

information for these component units is reported separately from financial information presented for the primary government itself (Exhibits A-11 and A-12).

FUND FINANCIAL STATEMENTS

The *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

GOVERNMENTAL FUNDS

Governmental funds are used to account for essentially the same functions reported as government activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in assessing the government's near-term requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains nine individual governmental funds. Information is presented separately in the governmental fund balance (Exhibit A-3) sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances (Exhibit A-4) for the general, federal grant, economic development, debt service fund, and capital projects funds, which are considered to be major funds. Data from the other four governmental funds are combined into a single aggregated presentation). Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the combining and individual fund statements and schedules section of this report (see Exhibits C-1 and C-2). The City adopts an annual appropriated budget for its general and stormwater management funds. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget at Exhibit A-5. The budgetary comparison statement for the Stormwater Management fund can also be found in the individual fund statements and schedules section of this report (see Exhibits C-3)

PROPRIETARY FUNDS

The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its two event venues: Hampton Coliseum, Hampton Roads Convention Center; two golf courses: the Hamptons and Woodlands; one museum: Virginia Air & Space Museum; and three waste disposal functions including Solid Waste; Wastewater; and Refuse-Stream Plant (garbage). Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for the management of its information technology services (Information Technology Fund), retained risks (Risk Management Fund) and for its fleet of vehicles (Fleet Management and Equipment Replacement). Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Hampton Roads Convention Center, Virginia Air & Space Museum, and Wastewater Management, which are considered to be major funds (Exhibits A-6 through A-8). Conversely, the remaining enterprise funds and the internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the nonmajor enterprise and internal service funds are provided in the form of combining statements in the combining and individual fund statements and schedules section of this report. See exhibits nonmajor enterprise funds at exhibits D-1 through D-3. See internal service funds at exhibits E-1 through E-3.

FIDUCIARY FUNDS

Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are not reported in the government-wide financial statements because the resources of those funds are not

available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The City maintains two different types of fiduciary funds. The Hampton Employees Retirement System (HERS), a pension trust fund, is used to report resources held in trust for retirees and beneficiaries. The Custodial funds report resources, not in a trust, that are held by the City for other parties outside of City's reporting entity. The fiduciary fund financial statements provide separate information for the HERS pension trust fund and the Custodial Funds, which are considered to be major funds (Exhibits A-9 through A-10).

NOTES TO THE FINANCIAL STATEMENTS

The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements.

OTHER INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the City's progress in funding its obligations to provide pension and OPEB benefits to its employees. Required supplementary information can be found immediately after the notes to the financial statements. The combining statements referred to earlier in connection with nonmajor governmental funds, internal service funds and custodial funds are presented immediately following the required supplementary information.

GOVERNMENT-WIDE OVERALL FINANCIAL ANALYSIS

As noted earlier, net position over time may serve as a useful indicator of a government's financial position. In the case of the City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$812.4 million, at the close of the most recent fiscal year.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Table I

Summary of Statement of Net Position (In Thousands)

June 30, 2023 and 2022

	Governmental Activities		Business-type Activities		Total Primary Government		Component Units	
	2023	2022	2023	2022	2023	2022	2023	2022
Current and other assets	\$ 462,649	\$ 463,228	\$ 79,639	\$ 78,894	\$ 542,288	\$ 542,122	\$ 88,351	\$ 78,163
Capital assets	881,891	868,375	131,571	131,829	1,013,462	1,000,204	49,757	44,122
Total assets	1,344,540	1,331,603	211,210	210,723	1,555,750	1,542,326	138,108	122,285
Deferred outflows of resources	53,335	65,358	6,938	8,699	60,273	74,057	42,709	47,860
Current liabilities	118,292	130,871	12,344	10,082	130,636	140,952	38,066	36,081
Long-term liabilities	528,283	538,535	69,801	73,614	598,084	612,148	160,823	139,219
Total liabilities	646,575	669,406	82,145	83,696	728,720	753,101	198,889	175,300
Deferred inflows of resources	67,730	104,292	7,167	12,111	74,897	116,403	42,283	95,310
Net position								
Investment in capital assets	638,708	634,996	78,058	73,888	716,766	708,884	47,646	42,373
Restricted	32,083	30,085	8,145	8,121	40,228	38,206	333	765
Unrestricted (deficit)	12,779	(41,818)	42,633	41,606	55,412	(212)	(108,334)	(143,603)
Total net position	\$ 683,570	\$ 623,263	\$ 128,836	\$ 123,615	\$ 812,407	\$ 746,878	\$ (60,355)	\$ (100,465)

The City's combined net position (which is the City's bottom line) increased by \$65.5 million in fiscal year 2023. Total governmental and business type assets increased by \$13.7 million from the prior year. The increase is primarily attributed to capital assets. In September 2022, the City opened the Mary Jackson Community Center. Two months later, the City also opened the Aquaplex, a new aquatics and fitness center in November 2022. While a large portion of the construction cost for both of these facilities was previously reported as construction-in-progress assets, both of these facilities incurred substantial building and equipment costs during fiscal year 2023 that were capitalized as governmental assets.

Current liabilities for the primary government decreased by \$10.3 million. The unspent portion of the City's American Rescue Plan Act (ARPA) funding is recognized as an unearned revenue liability in the government-wide and governmental fund financial statements. As of June 30, 2023, the City expended \$12.1 million of ARPA funding, thereby reducing the liability balance. This decrease in current liabilities was offset by a \$2.3 million increase for business-type, which is directly attributable to the Coliseum fund's unearned tickets sales revenue for shows and event that had not occurred on or prior to June 30, 2023. As the Coliseum continues to rebound from the impact of the COVID-19 pandemic, we've recognized an increase in ticket sales revenue.

Long-term liabilities, which consist of bonds, notes, leases, compensated absences and postemployment benefit obligations, decreased by \$14 million from the previous year for governmental and business-type activities combined. The City recognized a combined increase of \$13 million in pension and other postemployment benefit liabilities. Changes in the pension and postemployment benefit liabilities are attributable to actuarially reported changes in the actual investment earnings when compared to projected. That increase was offset by a \$25 million reduction of bonds and note payable liabilities, which result from debt principal payments. Additionally, the City did not issue debt during fiscal year 2023.

By far, the largest portion of the City's net position, \$716.8 million, reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, vehicles, and infrastructure), net of accumulated depreciation and less any related outstanding debt that was used to acquire those assets. The City uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position, \$40.2 million, represents resources that are subject to external restrictions on how they may be used. As of the end of the current year, the City's unrestricted net position was \$55.4 million.

Table II
Summary of Changes in Net Position (In Thousands)
For the Fiscal Year Ended June 30, 2023 and 2022

	Governmental Activities		Business-type Activities		Total Primary Government		Component Units	
	2023	2022	2023	2022	2023	2022	2023	2022
Revenues:								
Program Revenues:								
Charges for service	\$ 35,520	\$ 34,464	\$ 52,327	\$ 48,900	\$ 87,847	\$ 83,363	\$ 9,058	\$ 8,537
Operating grants and contributions	92,807	85,949	5,492	7,580	98,299	93,529	252,833	204,883
Capital grants and contributions	18,383	4,887	-	-	18,383	4,887	-	-
General revenues:								
Property taxes	211,302	193,938	-	-	211,302	193,938	-	-
Other taxes	99,934	96,744	-	-	99,934	96,744	-	-
Other	16,265	1,216	43	(884)	16,308	333	89,676	84,023
Total revenues	474,211	417,198	57,862	55,596	532,073	472,794	351,566	297,443
Expenses								
General government	111,913	103,152	-	-	111,913	103,152	4,810	12,591
Public safety	98,288	89,395	-	-	98,288	89,395	-	-
Highways and streets	16,189	15,343	-	-	16,189	15,343	-	-
Sanitation	-	-	-	-	-	-	-	-
Health	11,669	8,550	-	-	11,669	8,550	-	-
Human services	34,609	31,280	-	-	34,609	31,280	-	-
Culture and recreation	22,472	18,087	-	-	22,472	18,087	-	-
Education - payment to								
School Board	85,484	80,165	-	-	85,484	80,165	-	-
Educational	11,692	15,206	-	-	11,692	15,206	306,647	265,110
Coliseum	-	-	18,908	11,983	18,908	11,983	-	-
Convention Center	-	-	8,418	7,241	8,417	7,241	-	-
The Hamptons	-	-	1,050	864	1,050	864	-	-
Woodlands	-	-	717	718	717	718	-	-
Museum	-	-	3,865	4,681	3,865	4,681	-	-
Solid Waste	-	-	15,308	16,055	15,308	16,055	-	-
Steam Plant	-	-	7,346	6,013	7,346	6,013	-	-
Wastewater	-	-	8,744	9,171	8,744	9,171	-	-
Interest on long-term debt	9,873	7,267	-	-	9,873	7,267	-	-
Total expenses	402,189	368,445	64,356	56,726	466,545	425,168	311,457	277,701
Change in net position before transfers	72,022	48,753	(6,494)	(1,130)	65,528	47,623	40,109	19,742
Transfers	(11,715)	(9,997)	11,715	9,997	-	-	-	-
Change in net position	60,307	38,756	5,221	8,867	65,528	47,623	40,109	19,742
Net position, July 1, Restatement	623,263	584,507	123,615	114,748	746,878	699,255	(100,465)	(132,583)
Net position, July 1, (restated)	623,263	584,507	123,615	114,748	746,878	699,255	(100,465)	(120,207)
Net position, June 30	\$ 683,571	\$ 623,263	\$ 128,835	\$ 123,615	\$ 812,406	\$ 746,878	\$ (60,355)	\$ (100,465)

ANALYSIS OF CHANGES IN STATEMENT OF ACTIVITIES

GOVERNMENTAL FUNDS

During the current fiscal year ended June 30, 2023, net position for governmental activities increased \$60.3 million from the prior fiscal year for an ending net position of \$683.6 million. The governmental funds reported a \$57 million increase in program and general revenues. The largest factors of this revenue increase are as follows:

- Operating Grants and Contributions increased by \$6.9 million or 8% as a result of grant reimbursement funding received from the State of Virginia in the General and Federal Grant funds. The State provides all Virginia localities with formula-based funding to support street and road maintenance operations. During fiscal year 2023, the State increased their rates to account for the rising cost of construction and as a result the City recognized a \$2.7 million increase in operating grant revenues. Additionally, the State appropriated \$1 million of funding to Hampton University to enhance campus safety and security. This one-time funding, administered by the City, contributed to the increase in operating grants and expenditures.

- Capital Grants and Contributions increased by \$13.5 million or 276%, as a result of the City recognizing \$12.1 million of ARPA federal grant revenues in the Capital Projects fund. The City began spending its ARPA funding allocation during the fiscal year ending 2023.
- General Property Tax Revenues increased by \$17.4 million or 8.95%. General property taxes are composed of real estate, public service, personal property, mobile homes, machinery and tools, delinquent taxes, and penalties. Real estate and personal property taxes are the main drivers of the increased property tax recognized for fiscal year 2023.
 - As shown in Table VI: Assessment and Estimated Actual Value of Taxable Property, home values continued to appreciate in fiscal year 2023. Although the City Council approved a decrease in property tax assessment rates, the City continues to benefit from home values. For fiscal year 2023, real estate tax revenues increased \$13.7 million primarily from a 15% increase in assessed values.
 - Personal property tax revenues are composed of tax levies for privately owned boats, watercraft and motor vehicles. Personal property tax revenues slightly increased by \$3.8 million as a result of an increase in prices.
- Other revenues increased by \$15 million by more than 123.8%. The increase in other revenue is a direct result of the Federal Reserve increasing interest rates. For the fiscal year ending June 30, 2023, the City governmental funds recognized \$15.5 million of investment earnings compared to \$1 million in the prior year.

The governmental funds reported a \$33.7 million or 9% increase in expenses. Increased state and federal grant revenues had a correlating impact on expenditures for the General Fund, Federal Grant and Capital Project fund resulting in a cumulative \$15.8 million increase in expenditures. Personal services cost also increased by \$6.3 million or 5.3% when compared to the prior year. The increase is a result of a reduction in vacant positions and salary increases that became effective on July 1, 2022.

BUSINESS TYPE ACTIVITIES

The Business-type activities reported a \$5.2 million total positive change in net position, which is largely a result of the Hampton Roads Convention Center (HRCC) generating a \$3.6 million surplus. City Council has committed to funding a portion of the HRCC's operating cost by transferring two percent of the General Fund's total meal and lodging taxes to the HRCC fund. These non-operating revenues offset the fund's annual operating deficit. For the fiscal year ending 2023, \$9.1 million was transferred to the HRCC fund which represents a 10.3% increase from the previous year. Meal and lodging taxes operate similar to a sales tax and vary by the cost of the taxed good or service. Resultantly, the City has benefited from the increased cost of hotel rates and food prices.

COMPONENT UNIT ACTIVITY

Significant changes in the component unit activity is a result of the Hampton City School Board. Total revenues increased by \$54 million or 18%, as a result of increased State and Federal grant revenues. When compared to the prior year, the School Board's state revenues increased by \$25.1 million as a result a \$3.9 million increase in the basic appropriation which support school operations; \$3 million of additional funding to support at-risk youth; \$2 million of additional salary supplement funding to attract quality teachers and staff; and \$6.4 million for school repairs and maintenance. Federal revenues also increased by \$24.1 million which is a direct result of the School Board spending \$28.6 million of its ARPA allocation, a \$22.2 million increase when compared to the prior year.

The School Board reported a \$48.3 million increase in expenditures when compared to the previous year. One the School Board's top priorities for the 2022-2023 school year was compensation. The School Board budgeted to increase teacher and staff compensation, which is directly reflected in the total increase to operations. Additionally, the School Board designated \$20 million to renovate elementary schools; update technology; and to fund specialized educational programs.

FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the City itself, or a group or individual that has been delegated authority to assign

resources for use for particular purposes by the City's Council. As of June 30, 2023, the City's governmental funds reported combined fund balances of \$341.2 million, an increase of \$6.5 million in comparison with the prior year. Of this amount, \$100.9 million, or 29.6%, constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is either nonspendable, restricted, committed, or assigned to indicate that it is (1) not in spendable form, \$31 thousand; (2) restricted for particular purposes, \$17.8 million; (3) committed for particular purposes, \$184.1 million; or (4) assigned for particular purposes, \$38.3 million.

ANALYSIS OF INDIVIDUAL FUNDS

GOVERNMENTAL FUNDS

The General Fund is the chief operating fund of the City. The fund balance of the City's general fund increased by \$7.5 million or 5.36% for the current fiscal year. The increase in General Fund revenues are primarily a result of increased real estate property tax, personal property taxes and interest income, previously discussed. General Fund expenditures also increased by \$13.8 million or 5% when compared to the prior year. Nearly half of that increase can be attributed to \$85.5 million payment to Hampton City School, a \$5.4 million increase over prior year. The City's payment to the school district supported the Hampton City Schools operating cost discussed in the component unit section. Other increases in general fund expenditures can be attributed to a 5% increase in personal services cost which result from wage increases.

The Capital Projects fund ended the year with a \$2.3 million deficit resulting in a 1.4% decrease in the fund's overall net position of \$168 million. Over the last few years, the City has advanced funded a substantial amount of its capital improvement plan by either issuing bonds or increasing the local funds for the capital projects fund. This planning measure ensures that funding is available for high priority projects such as school maintenance, road maintenance, and public safety facilities and equipment. For fiscal years ending 2021 and 2022, the capital projects fund recognized an increase of \$9.7 and \$62.9 million, respectively. The \$2.3 million deficit recognized in the current year does not reflect poorly on the fund's operation but is the result of a multi year plan to fund capital improvements.

With the exception of the Economic Development fund, the other governmental funds did not experience major changes in their fund balance which is aligned with the expectation. The Federal Grant fund recognizes revenues and expenditures in near equal amounts, with the exception being match funding that was transferred in a prior year for a multi-year grant. Similarly, all of the City's debt is paid from the Debt Services, but funded by transfers from the General and other funds. Therefore, we do not expect these funds to experience large changes in fund balance. During fiscal year 2023, the Economic Development fund recognized \$1.1 million for the sale of property which contributed to the \$889 thousand increase reported at year end.

PROPRIETARY FUNDS

The City's proprietary funds provide the same type of information found in the business-type activities portion of the government-wide financial statements, but in more detail.

In addition to the surplus generated by the HRCC, previously discussed, the Wastewater Fund ended fiscal year 2023 with a net position increase of \$1.6 million. The ending net position of \$58.0 million, represents more than half of total net position for all proprietary funds. The fund reported \$10.8 million of revenue, a decrease of two percent when compared to previous years. A slight decline in new commercial and residential construction resulted in fewer sewer connections fees. Although the fund's revenue decreased, Wastewater generated a positive change in net position as a result of reduced operating expenses, which were 4.6% lower than the previous year. The reduction is a direct result of a \$1.3 million decrease in the deferred outflows related to pensions. The Virginia Retirement System's actuarial reports identified this decrease as a change in actual versus expected investment experience.

The other proprietary funds, including the Museum, did not experience a significant change relative to their individual funds or collectively.

GENERAL FUND BUDGETARY HIGHLIGHTS

Original budget compared to final budget: During the year, there was no need for any significant amendments to increase either the original estimated revenues or original budgeted appropriations. However, there was a need to make an amendment to reallocate appropriations among departments to accommodate grants and fund transfers that were appropriated after the original budget was approved.

Final budget compared to actual results: The General Fund's revenues were budgeted at \$397 million. Actuals performed slightly higher than budgeted, ending the year \$411 million, a 3.5% increase over budget. The most significant differences between estimated revenues and actual revenues were as follows:

- Local Taxes exceeded budget by \$10.5 million or 3.4%
- Revenues from use of money and property exceed budget by \$4.9 million or 445%.

The largest source of local tax revenues are real estate property taxes, which make up more than 50% of the total. While real estate property taxes increased 9% over the prior year, actual revenues were within one percent of the budget. The major contributors to the budgetary surpluses for local taxes are lodging, amusement, and meal taxes. Collectively, these tax revenues came in \$5.3 million higher than expected. As previously mentioned, these taxes operate similarly to sales taxes so the City benefitted from the increased cost of goods and services experienced in the market place during fiscal year 2023. Revenues from use of money came in much higher than expected due to the Federal Reserve raising its short-term benchmark several times since March 2022.

A review of actual expenditures compared to the appropriations in the final budget yields no significant variances.

CAPITAL ASSETS

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2023, amounts to \$1,013.4 million (net of accumulated depreciation/amortization). The total increase in capital assets for the current fiscal year was 1.3%. This investment in capital assets includes land, buildings, machinery, equipment, vehicles, park facilities, roads, highways, bridges, intangibles, etc., as summarized in the schedule below:

Table III Capital Assets (In Thousands)

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Non-depreciable assets:						
Land and land improvements	\$ 520,781	\$ 520,624	\$ 11,066	\$ 11,066	\$ 531,847	\$ 531,690
Easements	2,227	2,226	29	29	2,256	2,255
Construction in progress	53,681	57,038	3,422	2,533	57,103	59,571
Capital assets being depreciated:						
Buildings and improvements	227,200	196,729	141,907	142,718	369,106	339,447
Improvements other than buildings	70,566	70,076	35,748	35,827	106,313	105,903
Equipment and vehicles	99,520	92,500	38,301	35,664	137,821	128,164
Exhibits	-	-	15,071	14,922	15,071	14,922
Landfill	-	-	3,866	3,866	3,866	3,866
Infrastructure	247,588	245,220	80,444	78,565	328,032	323,785
Computer software	2,267	2,267	402	402	2,669	2,669
Other assets	4,446	4,446	-	-	4,446	4,446
Accumulated depreciation	(350,505)	(327,230)	(199,236)	(193,795)	(549,741)	(521,025)
Right to use assets being amortized						
Lease - Building	5,171	4,997	-	-	5,171	4,997
Lease - Machinery & Equipment	678	570	693	38	1,371	608
Subscription-based IT Arrangement	176	-	-	-	176	-
Accumulated amortization	(1,906)	(1,088)	(142)	(7)	(2,048)	(1,095)
Total	\$ 881,891	\$ 868,375	\$ 131,571	\$ 131,828	\$ 1,013,463	\$ 1,000,203

Component Units	School Board		Economic Development Authority		Coliseum Central Business Improvement District, Inc.	
	2023	2022	2023	2022	2023	2022
Non-depreciable assets:						
Land and land improvements	\$ 5,111	\$ 5,111	\$ 20,127	\$ 20,127	\$ -	\$ -
Capital assets being depreciated:						
Buildings and improvements	48,963	48,963	8,673	8,673	-	-
Improvements other than buildings	310	310	1,374	1,167	-	-
Infrastructure	-	-	2,249	2,249	-	-
Computer software	1,132	1,132	-	-	-	5
Equipment and vehicles	41,455	34,755	623	623	165	201
Accumulated depreciation	(77,614)	(76,362)	(4,404)	(3,914)	(123)	(156)
Right to use assets being amortized						
Lease - Building	-	-	-	-	454	-
Lease - Machinery & Equipment	1,738	1,443	-	-	-	-
Subscription-based IT Arrangement	315	-	-	-	-	-
Accumulated depreciation	(851)	(443)	-	-	(196)	-
Total	\$ 20,559	\$ 14,909	\$ 28,642	\$ 28,925	\$ 300	\$ 50

Component Units	Downtown Hampton		Total Component Units	
	2023	2022	2023	2022
Non-depreciable assets:				
Land and land improvements	\$ -	\$ -	\$ 25,238	\$ 25,238
Other capital assets:				
Buildings and improvements	-	-	57,636	57,635
Improvements other than buildings	-	-	1,684	1,477
Infrastructure	489	489	2,738	2,738
Computer software	13	13	1,145	1,150
Equipment and vehicles	209	156	42,452	35,735
Accumulated depreciation	(472)	(420)	(82,613)	(80,852)
Right to use assets being amortized				
Lease - Building	29	-	483	-
Lease - Machinery & Equipment	-	-	1,738	1,443
Subscription-based IT Arrangement	-	-	315	-
Accumulated depreciation	(12)	-	(1,059)	(443)
Total	\$ 256	\$ 238	\$ 49,757	\$ 44,122

The capital plan set forth \$58.1 million to be spent during fiscal year 2023 in various projects including \$11.4 million for the construction of a new emergency operations center; \$10.3 million in Hampton City Schools maintenance and technology; \$7.3 million for street and infrastructure improvements; and \$3.8 million for Little Back River Reconstruction. 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 2023, the City had \$320.2 million in outstanding general obligation bonds and \$60.3 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, 2023, the City's aggregate general obligation indebtedness is \$1.050 billion below this limit.

Table IV

Change in General Obligation and Revenue Bonds (In Thousands)

June 30, 2023 and 2022

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
General Obligation bonds	\$ 319,788	\$ 340,600	\$ 437	\$ 570	\$ 320,225	\$ 341,170
Direct placement revenue bonds	-	-	60,255	64,490	60,255	64,490
Unamortized premium	26,983	29,516	-	-	26,983	29,516
Total primary government	<u>\$ 346,771</u>	<u>\$ 370,116</u>	<u>\$ 60,692</u>	<u>\$ 65,060</u>	<u>\$ 407,463</u>	<u>\$ 435,176</u>

NEXT YEAR'S BUDGET

The City's staff and City Council considered many factors when developing the fiscal year 2024 budget. The fiscal year 2024 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 2024 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, 2023

	Governmental Activities	Primary Government Business-type Activities	Total Primary Government	Component Units
ASSETS				
Cash and cash equivalents	\$ 291,348,909	\$ 37,380,932	\$ 328,729,841	\$ 38,307,562
Cash with fiscal agent	6,145,433	-	6,145,433	6,965,899
Restricted assets- cash and cash equivalents	-	7,575,839	7,575,839	332,921
Investments	142,904,196	-	142,904,196	1,317,915
Restricted assets - investments	-	12,310,656	12,310,656	-
Accounts receivable	17,240,858	7,666,352	24,907,210	1,058,172
Intergovernmental receivables	18,266,586	-	18,266,586	16,606,271
Due from component units	80,883	13,804	94,687	-
Due from primary government	-	-	-	131,075
Lease receivable	113,632	-	113,632	7,783,459
Lease receivable from primary government	-	-	-	605,721
Lease receivable from component units	17,815	-	17,815	-
Internal balances	(14,028,835)	14,028,835	-	-
Inventories	318,585	563,764	882,349	490,463
Prepaid items	240,945	97,295	338,240	32,337
Notes receivable	-	1,150	1,150	-
Land held for sale	-	-	-	14,718,452
Capital assets not being depreciated	576,689,353	14,517,114	591,206,467	25,237,747
Capital assets, net of amortization/accumulated depreciation	305,201,235	117,054,336	422,255,571	24,519,396
Total assets	1,344,539,595	211,210,077	1,555,749,672	138,107,390
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	3,162,127	2,426,158	5,588,285	-
Related to pensions	29,762,385	2,683,270	32,445,655	37,351,147
Related to other postemployment benefits	20,410,799	1,828,591	22,239,390	5,357,723
Total deferred outflows of resources	53,335,311	6,938,019	60,273,330	42,708,870
LIABILITIES				
Accounts payable and accrued liabilities	38,501,389	3,773,407	42,274,796	31,149,628
Due to component units	130,414	661	131,075	-
Due to Primary Government	-	-	-	94,687
Unearned revenues	37,007,192	2,213,873	39,221,065	3,155,672
Current liabilities payable from restricted assets	-	1,300,323	1,300,323	-
Noncurrent liabilities:				
Due within one year	42,653,068	5,055,299	47,708,367	3,665,585
Due in more than one year:				
Notes and other long-term payables	10,965,674	295,291	11,260,965	4,330,631
Lease payable	2,512,711	379,273	2,891,984	842,749
Lease payable to primary government	-	-	-	5,268
Lease payable to component unit	523,175	-	523,175	13,604
Subscription payable	112,188	-	112,188	-
Bonds payable	322,450,217	56,223,055	378,673,272	-
Net pension liability	113,789,634	9,912,093	123,701,727	128,319,098
Net OPEB liability	77,928,934	2,991,252	80,920,186	27,312,235
Total liabilities	646,574,596	82,144,527	728,719,123	198,889,157
DEFERRED INFLOWS OF RESOURCES				
Deferred charge on refunding	5,124,831	1,041,821	6,166,652	-
Property taxes collected in advance	2,594,169	-	2,594,169	-
Related to leases	151,181	-	151,181	7,571,854
Related to leases from Primary Government	-	-	-	609,729
Related to pensions	23,528,571	1,956,920	25,485,491	29,207,472
Related to other postemployment benefits	36,331,516	4,168,741	40,500,257	4,893,494
Total deferred inflows of resources	67,730,268	7,167,482	74,897,750	42,282,549
NET POSITION				
Net investment in capital assets	638,708,276	78,057,546	716,765,822	47,646,360
Restricted for:				
Capital projects	10,345,757	-	10,345,757	-
Debt service	70,558	-	70,558	-
Public safety projects	1,433,842	-	1,433,842	-
Stormwater management	10,499,509	-	10,499,509	-
Human services	1,245,822	-	1,245,822	-
Bond indenture	-	8,145,852	8,145,852	332,921
Culture and recreation	77,040	-	77,040	-
Physical environment	987,806	-	987,806	-
Education	6	-	6	-
Community development	904,878	-	904,878	-
Operations and maintenance	128,160	-	128,160	-
Other purposes	6,389,397	-	6,389,397	-
Unrestricted (deficit)	12,778,991	42,632,689	55,411,680	(108,334,727)
Total net position (deficit)	\$ 683,570,042	\$ 128,836,087	\$ 812,406,129	\$ (60,355,446)

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

CITY OF HAMPTON, VIRGINIA Statement of Activities For the Year Ended June 30, 2023

Functions/Programs	Program Revenues				Net (Expenses) Revenue and Change in Net Position			
	Expenses	Operating Grants		Capital Grants	Primary Government			Discretely Presented Component Units
		Charges for	and Contributions	and Contributions	Governmental Activities	Business-type Activities	Total	
Primary Government								
Governmental activities:								
General government	\$ 111,913,298	\$ 26,162,808	\$ 34,900,182	\$ 12,483,477	\$ (38,366,831)	\$ -	\$ (38,366,831)	
Public safety	98,287,909	6,763,712	12,672,765	860,338	(77,991,094)	-	(77,991,094)	
Highways and streets	16,188,870	-	20,272,857	4,957,995	9,041,982	-	9,041,982	
Health	11,668,638	-	9,975	-	(11,658,663)	-	(11,658,663)	
Human services	34,609,142	11,956	24,347,146	-	(10,250,040)	-	(10,250,040)	
Culture and recreation	22,472,283	2,572,491	163,615	81,043	(19,655,134)	-	(19,655,134)	
Education (payment to school district)	85,483,984	-	-	-	(85,483,984)	-	(85,483,984)	
Education and educational services	11,691,851	8,816	216,834	-	(11,466,201)	-	(11,466,201)	
Interest on long-term debt	9,872,939	-	223,821	-	(9,649,118)	-	(9,649,118)	
Total Governmental Activities	402,188,914	35,519,783	92,807,195	18,382,853	(255,479,083)	-	(255,479,083)	
Business-type activities								
Coliseum	18,908,370	15,705,136	593,150	-	-	(2,610,084)	(2,610,084)	
Convention Center	8,417,655	2,746,778	-	-	-	(5,670,877)	(5,670,877)	
The Hamptons	1,050,130	680,218	-	-	-	(369,912)	(369,912)	
Woodlands	716,925	642,839	-	-	-	(74,086)	(74,086)	
Museum	3,865,241	2,093,699	1,953,784	-	-	182,242	182,242	
Solid Waste	15,308,053	15,771,470	-	-	-	463,417	463,417	
Refuse-Steam Plant	7,345,854	3,806,309	2,944,625	-	-	(594,920)	(594,920)	
Wastewater Management	8,744,165	10,880,916	-	-	-	2,136,751	2,136,751	
Total Business-type activities	64,356,393	52,327,365	5,491,559	-	-	(6,537,469)	(6,537,469)	
Total Primary Government	466,545,307	87,847,148	98,298,754	18,382,853	(255,479,083)	(6,537,469)	(262,016,552)	
Component units								
Public school system	\$ 306,647,724	\$ 7,467,750	\$ 252,561,974	\$ -				\$ (46,618,000)
Economic development authority	2,645,210	516,588	48,000	-				(2,080,622)
Business improvement	1,429,212	757,194	-	-				(672,018)
Downtown development	735,618	316,243	223,302	-				(196,073)
Total component units	\$ 311,457,764	\$ 9,057,775	\$ 252,833,276	\$ -	\$ -	\$ -	\$ -	\$ (49,566,713)
General revenues and transfers:								
General revenues:								
Property taxes					211,302,504	-	211,302,504	-
Sales taxes					21,639,599	-	21,639,599	-
Lodging, meal and amusement taxes					36,822,363	-	36,822,363	-
Motor vehicle taxes					4,524,665	-	4,524,665	-
Business license taxes					15,865,573	-	15,865,573	-
Utility taxes					5,254,299	-	5,254,299	-
Tobacco taxes					3,582,327	-	3,582,327	-
Recordation taxes					2,212,099	-	2,212,099	-
Bank stock taxes					652,256	-	652,256	-
License Tax-Par-Mutuel					2,826,841	-	2,826,841	-
Short-term rental taxes					166,124	-	166,124	-
Communication sales tax					6,359,822	-	6,359,822	-
Mobile home titling tax					27,983	-	27,983	-
Payments from (to) City					-	-	-	89,502,345
Investment earnings					15,408,121	43,282	15,451,403	115,676
Miscellaneous					856,807	-	856,807	58,057
Transfers					(11,715,298)	11,715,298	-	-
Total general revenues and transfers					315,786,085	11,758,580	327,544,665	89,676,078
Change in net position (deficit)					60,307,002	5,221,111	65,528,113	40,109,365
Net position(deficit), beginning of year					623,263,040	123,614,976	746,878,016	(100,464,811)
Net position(deficit), ending					\$ 683,570,042	\$ 128,836,087	\$ 812,406,129	\$ (60,355,446)

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

CITY OF HAMPTON, VIRGINIA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2023

	Special Revenue						
	General Fund	Federal Grants	Economic Development	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS							
Cash and cash equivalents	\$ 146,854,295	\$ 4,364,033	\$ 8,214,895	\$ 534,487	\$ 71,157,647	\$ 10,859,053	\$ 241,984,410
Investments	32,115,405	-	-	-	110,788,791	-	142,904,196
Property tax receivables (net of allowance of uncollectible)	12,311,473	-	-	-	-	-	12,311,473
Intergovernmental receivables:							
Due from Commonwealth of Virginia	10,435,083	1,797,974	-	-	2,075,778	-	14,308,835
Due from Federal Government	995,316	2,825,881	-	-	275	136,279	3,957,751
Accounts receivables	3,892,954	54,077	53,401	2,020	163,868	546,759	4,713,079
Leases receivable	-	-	113,632	-	-	-	113,632
Leases receivable from component unit	-	-	17,815	-	-	-	17,815
Due from other funds	8,346,299	200,884	-	-	24,855,640	30,184	33,433,007
Due from component units	21,248	-	-	-	-	-	21,248
Inventories	31,738	-	-	-	-	-	31,738
Total assets	<u>\$ 215,003,811</u>	<u>\$ 9,242,849</u>	<u>\$ 8,399,743</u>	<u>\$ 536,507</u>	<u>\$ 209,041,999</u>	<u>\$ 11,572,275</u>	<u>\$ 453,797,184</u>
LIABILITIES							
Accounts payable	\$ 9,107,178	\$ 1,351,930	\$ -	\$ 2,400	\$ 5,594,029	\$ 243,804	\$ 16,299,341
Accrued health insurance	12,009,686	-	-	-	-	-	12,009,686
Accrued liabilities	4,697,544	4,700	-	-	-	-	4,702,244
Due to other funds	27,769,208	13,496	-	-	-	29,899	27,812,603
Due to component units	123,403	6,951	-	-	-	31	130,385
Unearned revenues	168,064	1,350,720	6,185	-	35,482,224	-	37,007,193
Total liabilities	<u>53,875,083</u>	<u>2,727,797</u>	<u>6,185</u>	<u>2,400</u>	<u>41,076,253</u>	<u>273,734</u>	<u>97,961,452</u>
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue-property taxes	11,114,390	-	-	-	-	-	11,114,390
Property taxes collected in advance	2,594,169	-	-	-	-	-	2,594,169
Related to leases	12,775	-	138,406	-	-	-	151,181
Unavailable revenue-program income	-	-	-	-	-	199,846	199,846
Unavailable revenue-stormwater fees	-	-	-	-	-	546,759	546,759
Total deferred inflows of resources	<u>13,721,334</u>	<u>-</u>	<u>138,406</u>	<u>-</u>	<u>-</u>	<u>746,605</u>	<u>14,606,345</u>
FUND BALANCES							
Nonspendable	31,738	-	-	-	-	-	31,738
Restricted	2,090,482	3,637,765	844,161	70,558	608,732	10,551,936	17,803,634
Committed	26,726,007	-	1,657,239	-	155,742,515	-	184,125,761
Assigned	17,613,128	2,877,287	5,753,752	463,549	11,614,499	-	38,322,215
Unassigned	100,946,039	-	-	-	-	-	100,946,039
Total fund balances	<u>147,407,394</u>	<u>6,515,052</u>	<u>8,255,152</u>	<u>534,107</u>	<u>167,965,746</u>	<u>10,551,936</u>	<u>341,229,387</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 215,003,811</u>	<u>\$ 9,242,849</u>	<u>\$ 8,399,743</u>	<u>\$ 536,507</u>	<u>\$ 209,041,999</u>	<u>\$ 11,572,275</u>	<u>\$ 453,797,184</u>

Exhibit A-3

CITY OF HAMPTON, VIRGINIA
Reconciliation of the Balance Sheet of Governmental Funds
To the Statement of Net Position (Exhibit A-1)
June 30, 2023

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

Total fund balances - governmental funds		\$ 341,229,387
Capital assets of \$1,228,277,871, net of accumulated depreciation of \$350,505,310, used in governmental activities are not financial resources and, therefore, are not reported in the funds.		877,772,561
Intangible right-to-use assets used in governmental activities are not financial resources and therefore are not reported in the funds.		4,118,027
Differences between expected and actual experiences, assumption changes and net differences between projected and actual earnings and contributions subsequent to the measurement date for the postretirement benefits (pension and OPEB) are recognized as deferred outflows of resources and deferred inflows of resources on the statement of net position.		
Deferred outflows - pension related	29,762,386	
Deferred outflows - OPEB related	20,410,799	
Deferred inflows - pension related	(23,528,567)	
Deferred inflows - OPEB related	(36,331,516)	
Total deferred outflows and inflows related to postemployment benefits		(9,686,898)
Other long-term assets that are not available to pay for current period expenditures and, therefore, are either deferred or not reported in funds.		11,860,995
Internal service funds are used by management to charge the cost of fleet management and risk management and certain other activities to individual funds. The assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the internal service funds are included in governmental activities in the Statement of Net Position on the Combining Statement of Net Position-Internal Service Funds (Exhibit A-6)	50,484,721	
Deferred outflows - pension related	(452,753)	
Deferred outflows - OPEB related	(407,362)	
Deferred inflows - pension related	368,642	
Deferred inflows - OPEB related	943,521	
Capital assets	(16,226,834)	
Current and noncurrent portion of long-term liabilities	22,245,650	
Total		56,955,585
Long-term liabilities that are not due and payable in the current period, and therefore, are not reported in the funds.		
General obligation bonds payable	(346,770,734)	
Compensated absences	(8,781,769)	
Lease and subscription payable	(4,194,726)	
Net pension liability	(113,789,634)	
Net OPEB liability	(77,928,934)	
Notes and other long-term payables	(19,469,804)	
Total long-term liabilities		(570,935,601)
Accrued interest payable in long-term debt		(4,132,074)
Governmental funds report the effect of premiums, discounts, and refunding and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.		
Deferred outflows on refunding	3,162,127	
Deferred inflows on refunding	(5,124,831)	
Total deferred outflows and inflows on refunding		(1,962,704)
Interfund balances related to amounts eliminated in the Statement of Net Position		(21,649,236)
Net position of governmental activities		<u>\$ 683,570,042</u>

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

CITY OF HAMPTON, VIRGINIA STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS For the Year Ended June 30, 2023

		Special Revenue					
	General Fund	Federal Grants	Economic Development	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES							
Property taxes	\$ 208,128,155	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 208,128,155
Other local taxes	99,905,968	-	-	-	-	-	99,905,968
Special assessments	2,015,739	-	-	-	-	-	2,015,739
Intergovernmental revenues:							
From the Commonwealth of Virginia	59,856,533	12,020,779	36,775	-	1,228,672	-	73,142,759
From the Federal government	11,371,943	5,561,744	-	223,821	16,036,758	1,476,945	34,671,211
Permits, privilege fees and regulatory licenses	1,861,390	-	-	-	-	-	1,861,390
Fines and forfeitures	887,716	-	-	-	-	-	887,716
Revenues from use of money and property	6,034,422	4,002	1,766,107	10,765	7,882,556	367,103	16,064,955
Charges for services	11,043,815	-	-	-	-	12,323,255	23,367,070
Payment from component units	2,877,000	-	-	-	-	-	2,877,000
Miscellaneous	5,584,683	584,366	-	-	-	311,755	6,480,804
Recovered costs	1,473,204	-	-	-	-	-	1,473,204
Total revenues	411,040,568	18,170,891	1,802,882	234,586	25,147,986	14,479,058	470,875,971
EXPENDITURES							
Current:							
General government	113,646,843	2,172,572	732,140	-	-	2,199,849	118,751,404
Public safety	67,678,417	7,810,258	-	-	-	-	75,488,675
Highways and streets	2,323,085	-	-	-	-	-	2,323,085
Sanitation	-	-	-	-	-	7,184,042	7,184,042
Health	5,001,647	-	-	-	-	-	5,001,647
Human services	23,515,952	10,996,873	-	-	-	-	34,512,825
Culture and recreation	13,384,640	153,590	-	-	-	-	13,538,230
Education (payment to school district)	85,483,984	-	-	-	-	-	85,483,984
Education and education services	2,352,008	-	-	-	-	-	2,352,008
Capital improvements	-	-	-	-	71,885,147	-	71,885,147
Debt Service:							
Principal retirement	1,076,696	6,115	-	20,066,951	-	747,856	21,897,618
Interest and fiscal charges	59,554	21	-	11,994,762	-	726,288	12,780,625
Total expenditures	314,522,826	21,139,429	732,140	32,061,713	71,885,147	10,858,035	451,199,290
Excess (deficiency) of revenues over (under) expenditures	96,517,742	(2,968,538)	1,070,742	(31,827,127)	(46,737,161)	3,621,023	19,676,681
OTHER FINANCING SOURCES (USES)							
Lease and subscription based financing	623,628	-	-	-	-	-	623,628
Transfers in	235,690	2,577,743	36,775	31,832,930	44,569,979	30,184	79,283,301
Transfers out	(89,875,562)	(53,542)	(218,469)	-	(87,256)	(2,813,297)	(93,048,126)
Other financing sources (uses), net	(89,016,244)	2,524,201	(181,694)	31,832,930	44,482,723	(2,783,113)	(13,141,197)
Net change in fund balances	7,501,498	(444,337)	889,048	5,803	(2,254,438)	837,910	6,535,484
Fund balances, beginning of year	139,905,896	6,959,389	7,366,104	528,304	170,220,184	9,714,026	334,693,903
Fund balances, end of year	\$ 147,407,394	\$ 6,515,052	\$ 8,255,152	\$ 534,107	\$ 167,965,746	\$ 10,551,936	\$ 341,229,387

CITY OF HAMPTON, VIRGINIA
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of
Governmental Funds to the Statement of Activities (Exhibit A-2)
For the Year Ended June 30, 2023

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

Net change in fund balance - total governmental funds	\$	6,535,484
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expenses. This is the amount by which capital outlays exceeded depreciation expenses in the current period. Loss on disposal of assets is not reported in the governmental funds, but is reflected in the Statement of Activities.

Capital acquisitions	34,735,126	
Capital outlay- Intangible right-to-use assets	623,628	
Depreciation and amortization expense	<u>(23,362,310)</u>	
		11,996,444

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds. 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		2,208,700
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The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-in, and donations) is to increase (or decrease) net position.

Donated of capital assets	19,000	
Loss on disposal of assets	(169,633)	
Loss on remeasurement of lease	<u>21</u>	
		(150,612)

Bonds and other debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bonds and other debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.

Increase in compensated absences	(240,410)	
Repayment of debt principal	20,811,950	
Principal paid on leases	1,086,995	
Principal reduction from lease remeasurement	(1,328)	
Proceeds from lease issued	<u>(623,628)</u>	
		21,033,579

The internal service funds are used by management to charge the costs of equipment replacement, fleet management, information technology, and risk management to individual funds. The net revenue of the internal service funds is reported with governmental activities.		3,633,092
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Accrued interest expense for long-term debt	313,638	
Accrued interest expense for intangible right-to-use lease liabilities	15,683	
Amortization of premiums	2,604,815	
Changes in pension liabilities and related deferred outflows and inflows of resources	5,562,357	
Changes in OPEB liabilities and related deferred outflows and inflows of resources	<u>6,553,822</u>	
		15,050,315

Change in net position of governmental activities	\$	<u>60,307,002</u>
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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, 2023

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Over (Under)
REVENUES				
Intergovernmental:				
From the Commonwealth of Virginia	\$ 41,808,047	\$ 59,978,421	\$ 59,856,533	\$ (121,888)
From the Federal government	10,427,244	10,427,244	11,371,943	944,699
Local taxes	313,014,965	297,561,036	308,034,123	10,473,087
Special assessments	5,695,251	5,695,251	2,015,739	(3,679,512)
Licenses and permits	1,461,250	1,461,250	1,861,390	400,140
Fines and forfeitures	837,415	837,415	887,716	50,301
Revenues from use of money and property	1,094,846	1,094,846	6,032,912	4,938,066
Charges for services	9,959,565	9,959,565	11,043,815	1,084,250
Recovered costs	1,520,757	1,520,757	1,473,203	(47,554)
Payment from component units	3,331,603	3,331,603	2,877,000	(454,603)
Miscellaneous	5,360,740	5,141,448	5,584,683	443,235
Total revenues	394,511,683	397,008,836	411,039,057	14,030,221
EXPENDITURES				
Current:				
General government	145,124,709	117,441,988	113,369,259	(4,072,729)
Public safety	60,196,312	67,889,597	67,672,589	(217,008)
Highways and streets	2,644,655	2,323,085	2,323,085	-
Health	5,221,019	5,001,678	5,001,647	(31)
Human services	24,251,860	23,580,414	23,515,952	(64,462)
Culture and recreation	12,455,781	13,341,045	13,341,033	(12)
Education	87,731,579	87,539,385	87,539,383	(2)
Debt Service	-	1,136,250	1,136,250	-
Total expenditures	337,625,915	318,253,442	313,899,198	(4,354,244)
Excess of revenues over expenditures	56,885,768	78,755,394	97,139,859	18,384,465
OTHER FINANCING SOURCES (USES)				
Transfers in	-	229,292	235,690	6,398
Transfers out	(65,001,728)	(89,882,239)	(89,875,562)	6,677
Total other financing uses, net	(65,001,728)	(89,652,947)	(89,639,872)	13,075
Net change in fund balances	(8,115,960)	(10,897,553)	7,499,987	\$ 18,397,540
Appropriations from fund balance	8,115,960	10,896,959		
Appropriations - encumbrances	-	594		
Fund balance - July 1	-	-	139,863,877	
Fund balance - June 30	\$ -	\$ -	\$ 147,363,864	

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, 2023**

	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	\$ 11,264,368	\$ 2,805,000	\$ -	\$ 23,311,564	\$ 37,380,932	\$ 49,364,499
Cash with fiscal agent	-	-	-	-	-	6,145,433
Restricted assets to be used to liquidate current liabilities:						
Revenue bond indenture:						
Cash and cash equivalents	-	-	7,387,646	-	7,387,646	-
Cash with fiscal agent	-	-	-	-	-	-
Accounts receivable, net	2,099,499	346,029	625,403	4,595,421	7,666,352	216,306
Notes receivable	1,150	-	-	-	1,150	-
Due from other funds	-	-	-	682,500	682,500	2,000,000
Due from component units	-	-	-	13,804	13,804	59,635
Due from other governments	-	-	-	-	-	-
Inventories	313,916	148,156	-	101,692	563,764	286,847
Prepaid items	-	16,937	5,248	75,110	97,295	240,945
Restricted assets:						
Revenue bond indenture:						
Cash and cash equivalents	-	-	188,193	-	188,193	-
Investments	-	-	12,310,656	-	12,310,656	-
Total current assets	13,678,933	3,316,122	20,517,146	28,780,091	66,292,292	58,313,665
Noncurrent Assets:						
Capital Assets:						
Land	145,615	1,921,420	5,332,402	3,666,905	11,066,342	-
Easements	28,943	-	-	-	28,943	-
Buildings and improvements	2,683,118	33,211,773	90,787,868	15,224,467	141,907,226	-
Improvements other than buildings	290,651	6,800	4,396,862	31,053,414	35,747,727	477,601
Computer software	153,386	-	-	248,343	401,729	215,775
Equipment	7,100,078	5,116,637	1,054,564	25,029,991	38,301,270	47,082,519
Leased equipment	-	17,691	-	675,750	693,441	6,832
Subscription based assets	-	-	-	-	-	176,283
Construction in progress	3,027,301	313,064	-	81,465	3,421,830	2,085,751
Exhibits	-	15,071,220	-	-	15,071,220	-
Landfill	-	-	-	3,865,986	3,865,986	-
Infrastructure	80,443,668	-	-	-	80,443,668	-
Less accumulated depreciation/ amortization	(44,145,395)	(49,677,117)	(45,676,000)	(59,879,420)	(199,377,932)	(33,817,927)
Total noncurrent assets	49,727,365	5,981,488	55,895,696	19,966,901	131,571,450	16,226,834
Total assets	63,406,298	9,297,610	76,412,842	48,746,992	197,863,742	74,540,499
DEFERRED OUTFLOWS OF RESOURCES						
Deferred charge on refunding	-	-	2,426,158	-	2,426,158	-
Related to pensions	827,056	-	-	1,856,214	2,683,270	452,753
Related to other postemployment benefits	501,050	-	-	1,404,571	1,905,621	407,362
Total deferred outflows of resources	1,328,106	-	2,426,158	3,260,785	7,015,049	860,115

The accompanying notes are an integral part of these 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	\$ 746,859	\$ 158,815	\$ 50,043	\$ 1,835,886	\$ 2,791,603	\$ 1,354,234
Accrued liabilities	-	-	125,689	-	125,689	3,136
Accrued leave	146,919	29,625	-	240,686	417,230	76,602
Due to other funds	-	749,000	-	7,553,904	8,302,904	-
Due to component units	-	-	-	660	660	30
Unearned revenues	-	432,003	-	1,781,870	2,213,873	-
Current portion of lease payable	-	3,562	-	165,447	169,009	1,552
Current portion of subscription payable	-	-	-	-	-	32,682
Current portion of long-term debt	-	-	4,330,000	139,060	4,469,060	711,757
Current portion for claims and judgements	-	-	-	-	-	11,406,007
Current liabilities payable from restricted assets:						-
Accounts payable	-	-	893,950	-	893,950	-
Accrued interest payable	-	-	406,373	-	406,373	-
Notes payable	-	-	-	-	-	-
Other liabilities	-	52,734	61,010	742,371	856,115	680
Total current liabilities	893,778	1,425,739	5,867,065	12,459,884	20,646,466	13,586,680
Noncurrent liabilities:						
Claims payable	-	-	-	-	-	1,909,876
Accrued leave	33,482	-	-	261,809	295,291	72,993
Bonds payable	-	-	55,925,000	298,055	56,223,055	-
Lease payable	-	12,270	-	367,003	379,273	-
Subscription payable	-	-	-	-	-	112,188
Notes payable	-	-	-	-	-	5,442,164
Net pension liability	3,038,501	-	-	6,873,592	9,912,093	1,753,617
Net other postemployment benefits liability	972,713	-	-	2,018,539	2,991,252	726,212
Total noncurrent liabilities	4,044,696	12,270	55,925,000	9,818,998	69,800,964	10,017,050
Total liabilities	4,938,474	1,438,009	61,792,065	22,278,882	90,447,430	23,603,730
DEFERRED INFLOWS OF RESOURCES						
Deferred charge on refunding	-	-	1,041,821	-	1,041,821	-
Related to pensions	595,275	-	-	1,361,645	1,956,920	368,642
Related to other postemployment benefits	1,155,486	-	-	3,090,283	4,245,769	943,521
Total deferred inflows of resources	1,750,761	-	1,041,821	4,451,928	7,244,510	1,312,163
NET POSITION						
Net investment in capital assets	49,727,365	5,965,656	3,367,189	18,997,336	78,057,546	9,926,491
Restricted						
Bond indenture	-	-	8,145,852	-	8,145,852	-
Unrestricted	8,317,804	1,893,945	4,492,073	6,279,631	20,983,453	40,558,230
Total net position	\$ 58,045,169	\$ 7,859,601	\$ 16,005,114	\$ 25,276,967	\$ 107,186,851	\$ 50,484,721

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	\$ 107,186,851
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	458,625
Interfund reimbursement for allocated overhead costs	21,190,611
Net position business-type activities	\$ 128,836,087

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, 2023

	Business-type Activities-Enterprise Funds	
	Wastewater Management	Museum
Operating revenues:		
Charges for services	\$ 10,875,124	\$ 2,093,698
Federal revenues	-	246,615
Other	2,477	1,707,169
Total operating revenues	10,877,601	4,047,482
Operating expenses:		
Personal services	2,702,394	1,424,809
Fringe benefits	318,795	141,106
Promoters fees	-	-
Cost of goods sold	230,198	215,879
Utilities	316,603	304,678
Insurance	45,330	86,830
Operating supplies	846,977	123,322
Equipmental rental	4,784	2,809
Equipment and building repairs	523,142	146,314
Telephone and postage	40,718	23,256
General expense	85,841	29,509
Claims	-	-
Landfill costs	-	-
Contractual services	1,861,870	497,047
Indirect cost	456,000	-
Depreciation and amortization	1,767,513	867,689
Total operating expenses	9,200,165	3,863,248
Operating income (loss)	1,677,436	184,234
Nonoperating revenues (expenses):		
Interest income	-	1,025
Interest and fiscal charges	-	(737)
Gain (loss) on disposal of capital assets	3,315	(1,249)
Net decrease in fair value of investments	-	-
Total nonoperating revenues (expenses), net	3,315	(961)
Income (loss) before transfers	1,680,751	183,273
Transfers in(out)	(113,292)	-
Change in net position	1,567,459	183,273
Net position, beginning of year	56,477,710	7,676,328
Net position, (deficit) end of year	\$ 58,045,169	\$ 7,859,601

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

Business-type Activities - Enterprise Funds			Governmental Activities
Convention Center	Non-Major Enterprise Funds	Totals	Internal Service Funds
\$ 2,746,778	\$ 36,606,367	\$ 52,321,967	\$ 25,502,111
-	3,536,528	3,783,143	-
-	852	1,710,498	-
<u>2,746,778</u>	<u>40,143,747</u>	<u>57,815,608</u>	<u>25,502,111</u>
1,075,963	7,703,276	12,906,442	1,493,871
260,592	1,106,504	1,826,997	204,916
-	9,524,811	9,524,811	-
-	573,875	1,019,952	6,341,895
886,377	1,466,034	2,973,692	54,550
98,659	794,393	1,025,212	5,702,541
788,802	2,425,235	4,184,336	179,072
-	75,865	83,458	34,558
327,358	2,465,857	3,462,671	93,032
37,807	154,683	256,464	1,148,939
58,579	2,654,091	2,828,020	108,929
-	-	-	5,221,443
-	6,848,214	6,848,214	-
398,987	4,736,502	7,494,406	1,883,588
-	574,470	1,030,470	-
<u>2,834,809</u>	<u>2,681,868</u>	<u>8,151,879</u>	<u>3,020,823</u>
<u>6,767,933</u>	<u>43,785,678</u>	<u>63,617,024</u>	<u>25,488,157</u>
<u>(4,021,155)</u>	<u>(3,641,931)</u>	<u>(5,801,416)</u>	<u>13,954</u>
200,576	228,304	429,905	1,521,982
(1,649,722)	(53,908)	(1,704,367)	(70,500)
-	(64,216)	(62,150)	118,128
<u>(386,623)</u>	<u>-</u>	<u>(386,623)</u>	<u>-</u>
<u>(1,835,769)</u>	<u>110,180</u>	<u>(1,723,235)</u>	<u>1,569,610</u>
<u>(5,856,924)</u>	<u>(3,531,751)</u>	<u>(7,524,651)</u>	<u>1,583,564</u>
<u>9,432,474</u>	<u>2,396,116</u>	<u>11,715,298</u>	<u>2,049,528</u>
<u>3,575,550</u>	<u>(1,135,635)</u>	<u>4,190,647</u>	<u>3,633,092</u>
<u>12,429,564</u>	<u>26,412,602</u>	<u>102,996,204</u>	<u>46,851,629</u>
<u>\$ 16,005,114</u>	<u>\$ 25,276,967</u>	<u>\$ 107,186,851</u>	<u>\$ 50,484,721</u>

**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	\$ 4,190,647
Interfund reimbursement of overhead costs	<u>1,030,464</u>
Change in net position - Business-type activities	<u>\$ 5,221,111</u>

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, 2023**

	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	\$ 11,113,948	\$ 4,054,714	\$ 2,465,101	\$ 39,904,448	\$ 57,538,211	\$ 31,432,134
Cash payments to suppliers for goods and services	(4,274,850)	(1,394,458)	(2,323,614)	(33,044,027)	(41,036,949)	(17,601,149)
Cash payments to employees for services	(3,594,899)	(1,587,130)	(1,070,212)	(8,812,161)	(15,064,402)	(1,703,606)
Net cash provided by (used in) operating activities	3,244,199	1,073,126	(928,725)	(1,951,740)	1,436,860	12,127,379
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Cash received from other funds	-	-	9,432,474	2,575,446	12,007,920	49,528
Cash paid to other funds	(113,292)	-	-	(179,330)	(292,622)	-
Net cash provided by (used in) noncapital financing activities	(113,292)	-	9,432,474	2,396,116	11,715,298	49,528
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Acquisition and construction of capital assets	(4,198,644)	(225,861)	-	(2,900,978)	(7,325,483)	(7,515,645)
Proceeds from issuance of long-term debt	-	-	-	-	-	2,859,921
Principal paid on revenue bond maturities and long-term debt	(1,611)	(230,783)	(4,235,000)	(813,461)	(5,280,855)	(491,662)
Interest paid on revenue bonds and long-term debt	-	(737)	(1,671,536)	(53,908)	(1,726,181)	(70,500)
Sale of capital assets	171,925	-	-	88,903	260,828	3,118,061
Net cash used in capital and related financing activities	(4,028,330)	(457,381)	(5,906,536)	(3,679,444)	(14,071,691)	(2,099,825)
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchase of investment securities	-	-	(578,693)	-	(578,693)	-
Sale of investment securities	-	(1,249)	638,991	-	637,742	-
Interest and dividends on investments	-	1,025	200,576	228,304	429,905	1,388,612
Net cash provided by (used in) investing activities	-	(224)	260,874	228,304	488,954	1,388,612
Net increase (decrease) in cash and cash equivalents (including restricted amounts)	(897,424)	615,521	2,858,087	(3,006,764)	(430,579)	11,465,694
Cash and cash equivalents (including restricted), July 1	12,161,791	2,189,479	4,717,752	26,318,328	45,387,350	44,044,238
Cash and cash equivalents, June 30	\$ 11,264,368	\$ 2,805,000	\$ 7,575,839	\$ 23,311,564	\$ 44,956,771	\$ 55,509,932

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

	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)	\$ 1,677,436	\$ 184,234	\$ (4,021,155)	\$ (3,641,931)	\$ (5,801,416)	\$ 13,954
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation and amortization expense	1,767,513	867,689	2,834,809	2,681,868	8,151,879	3,020,823
Decrease (increase) in:						
Accounts receivable	236,348	414	(281,677)	177,838	132,923	(153,106)
Due from other funds	-	-	-	(608,748)	(608,748)	3,710,300
Due from component units	-	-	-	10,644	10,644	239,459
Inventories	(52,593)	2,656	-	9,071	(40,866)	242,556
Unearned revenues	-	-	-	-	-	-
Prepaid items	-	10,530	2,526	(80,219)	(67,163)	(45,189)
Increase (decrease) in:						
Accounts payable	508,040	(9,293)	563,866	1,039,258	2,101,871	274,017
Accrued leave	9,839	(21,215)	-	36,439	25,063	33,548
Due to other funds	(40)	-	(18,288)	430	(17,898)	-
Due to component unit	-	-	-	-	-	30
Other liabilities	(96,405)	31,293	5,751	399,271	339,910	(58,585)
Nonoperating revenues reported as operating activity	-	-	-	-	-	2,000,000
Unearned revenues	-	6,818	-	163,043	169,861	-
Accrued liabilities	-	-	(14,557)	-	(14,557)	3,136
Accrued claims	-	-	-	-	-	3,431,396
Accounts receivable reported as nonoperating activities	-	-	-	-	-	133,370
Long-term accrued leave	(21,859)	-	-	(38,820)	(60,679)	20,218
Accounts payable	-	-	-	-	-	-
Net pension and other postemployment benefits liability	199,201	-	-	355,362	554,563	(9,505)
Deferred outflows & inflows related to pensions and OPEB	(983,281)	-	-	(2,455,246)	(3,438,527)	(701,743)
Total adjustments	1,566,763	888,892	3,092,430	1,690,191	7,238,276	12,113,425
Net cash provided by (used in) operating activities	\$ 3,244,199	\$ 1,073,126	\$ (928,725)	\$ (1,951,740)	\$ 1,436,860	\$ 12,127,379
Non-cash transactions affecting capital and related financing activities:						
Aquisition of right to use assets through leases or subscriptions	\$ -	\$ 17,691	\$ -	\$ 675,750	\$ 693,441	\$ 183,115
Total non-cash transactions	\$ -	\$ 17,691	\$ -	\$ 675,750	\$ 693,441	\$ 183,115

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, 2023**

	Pension Trust Fund	
	Hampton Employees' Retirement System	Custodial Funds
ASSETS		
Cash and cash equivalents	\$ 126,565	\$ 2,443,456
Investments:		
Bond mutual funds	42,602,521	-
Stock mutual funds	75,888,098	-
Accounts receivable	-	284,278
Total Current Assets	<u>118,617,184</u>	<u>2,727,734</u>
Property, Plant, and Equipment:		
Equipment	7,962	-
Lease equipment	7,887	-
Less accumulated amortization/depreciation	(11,830)	-
Total noncurrent assets	<u>4,019</u>	<u>-</u>
Total assets	<u>118,621,203</u>	<u>2,727,734</u>
DEFERRED OUTFLOWS OF RESOURCES		
Related to pensions	44,233	-
Related to other postemployment benefits	9,364	-
Total deferred outflows of resources	<u>53,597</u>	<u>-</u>
LIABILITIES		
Accounts payable and other liabilities	119,917	376,682
Lease liabilities	2,166	-
Net pension liability	171,322	-
Net other postemployment benefit liability	1,534	-
Total liabilities	<u>294,939</u>	<u>376,682</u>
DEFERRED INFLOWS OF RESOURCES		
Related to pensions	36,015	-
Related to other postemployment benefits	28,819	-
Total deferred inflows of resources	<u>64,834</u>	<u>-</u>
NET POSITION		
Restricted for:		
Individuals, organizations, other governments	-	2,351,052
Net position restricted for benefits	118,315,027	-
Total net position	<u>\$ 118,315,027</u>	<u>\$ 2,351,052</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, 2023

	Pension Trust Fund	
	Hampton Employees' Retirement System	Custodial Funds
ADDITIONS		
Contributions:		
Employer	\$ 1,689,180	\$ -
Members	-	1,210,280
Individuals	-	205,495
Total contributions	<u>1,689,180</u>	<u>1,415,775</u>
Investment income:		
Net increase in fair value of investments	10,224,185	-
Interest, dividends, other	2,465,014	80,571
Total investment gains	12,689,199	80,571
Less investment expenses	(17,769)	-
Net investment gains	<u>12,671,430</u>	<u>80,571</u>
Charges for services	-	52,032
State revenues	-	380,627
Federal revenues	-	277,203
Income tax and fees collected for the State	-	2,318,995
Total additions	<u>14,360,610</u>	<u>4,525,203</u>
DEDUCTIONS		
Beneficiary payments to individuals	15,169,964	183,204
Payments to other entities		201,070
Administrative expense	260,199	1,837,768
Income tax and fees distributions to the State	-	2,242,573
Total deductions	<u>15,430,163</u>	<u>4,464,615</u>
Change in net position	(1,069,553)	60,588
Net position, July 1	<u>119,384,580</u>	<u>2,290,464</u>
Net position, June 30	<u>\$ 118,315,027</u>	<u>\$ 2,351,052</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, 2023**

	Governmental Activities	Business-type Activities				
		Coliseum		Downtown		
		Economic	Central	Hampton		
	School Board	Development	Business	Development		Total
		Authority	Improvement	Partnership, Inc.		
			District, Inc.			
ASSETS						
Cash and cash equivalents	\$ 34,086,188	\$ 2,594,093	\$ 869,095	\$ 758,186	\$	38,307,562
Cash with fiscal agent	6,963,189	2,710	-	-		6,965,899
Investments	-	1,317,915	-	-		1,317,915
Accounts receivable, net	707,610	10,615	322,947	17,000		1,058,172
Lease receivable	3,855,425	3,928,034	-	-		7,783,459
Lease receivable from Primary Government	-	605,721	-	-		605,721
Due from Primary Government	131,075	-	-	-		131,075
Due from other governments	16,606,271	-	-	-		16,606,271
Inventories	490,463	-	-	-		490,463
Prepaid items	-	-	-	32,337		32,337
Temporarily restricted assets:						
Cash and cash equivalents	-	332,921	-	-		332,921
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	15,447,607	8,515,075	299,647	257,067		24,519,396
Total assets	83,398,873	52,152,238	1,491,689	1,064,590		138,107,390
DEFERRED OUTFLOWS OF RESOURCES						
Related to pensions	37,351,147	-	-	-		37,351,147
Related to other postemployment benefits	5,357,723	-	-	-		5,357,723
Total deferred outflows of resources	42,708,870	-	-	-		42,708,870
LIABILITIES						
Accounts payable and other liabilities	25,696,611	5,377,415	50,301	25,301		31,149,628
Due to Primary Government	94,687	-	-	-		94,687
Unearned revenues	3,125,672	-	-	30,000		3,155,672
Lease /Subscription payables:						
Due within one year	575,752	-	66,037	-		641,789
Due in more than one year	643,608	-	212,745	-		856,353
Lease payables to primary goverment						
Due within one year	-	-	-	12,267		12,267
Due in more than one year	-	-	-	5,268		5,268
Notes and other long-term payables:						
Due within one year	2,931,542	79,987	-	-		3,011,529
Due in more than one year	159,446,845	515,119	-	-		159,961,964
Total liabilities	192,514,717	5,972,521	329,083	72,836		198,889,157
DEFERRED INFLOWS OF RESOURCES						
Related to leases	3,696,679	3,875,175	-	-		7,571,854
Related to leases from Primary Government	-	609,729	-	-		609,729
Related to pensions	29,207,472	-	-	-		29,207,472
Related to other postemployment benefits	4,893,494	-	-	-		4,893,494
Total deferred inflows of resources	37,797,645	4,484,904	-	-		42,282,549
NET POSITION						
Net investment in capital assets	19,339,292	28,046,671	20,865	239,532		47,646,360
Restricted for:						
Bond indenture	-	332,921	-	-		332,921
Unrestricted (deficit)	(123,543,911)	13,315,221	1,141,741	752,222		(108,334,727)
Total net position (deficit)	\$ (104,204,619)	\$ 41,694,813	\$ 1,162,606	\$ 991,754	\$	(60,355,446)

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, 2023

		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	\$ 306,647,724	\$ 7,467,750	\$ 252,561,974		- \$ (46,618,000)	\$ -	\$ -	\$ -	\$ (46,618,000)
Business-type activities:									
Economic development	2,645,210	516,588	48,000	-	- (2,080,622)		-	-	(2,080,622)
Business improvement	1,429,212	757,194	-	-	-		(672,018)	-	(672,018)
Downtown development	735,618	\$ 316,243	223,302	-	-	-	-	(196,073)	(196,073)
Total component units	\$ 311,457,764	\$ 9,057,775	\$ 252,833,276	-	\$ (46,618,000)	\$ (2,080,622)	\$ (672,018)	\$ (196,073)	\$ (49,566,713)
Payments from (to) City					85,483,984	3,133,911	687,008	197,442	89,502,345
Investment earnings					-	113,935	1,741	-	115,676
Miscellaneous					-	51,706	-	6,351	58,057
Total general revenues					85,483,984	3,299,552	688,749	203,793	89,676,078
Change in net position (deficit)					38,865,984	1,218,930	16,731	7,720	40,109,365
Net position (deficit), beginning of year					(143,070,603)	40,475,883	1,145,875	984,034	(100,464,811)
Net position (deficit), end of year					\$ (104,204,619)	\$ 41,694,813	\$ 1,162,606	\$ 991,754	\$ (60,355,446)

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

Notes to 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

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, 2023, the City provided operating and capital support of \$4,961,140 to HRT, \$186,708 to HRPDC, \$10,000 to VPPSA, \$154,687 to HREDA and \$33,760 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

Notes to financial statements

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 \$1,637,527 to the CSB during fiscal year 2023.

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 2023.

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

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.

Notes to financial statements

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 2023. 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, 2023, 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, 2023, are levied for fiscal year 2024, 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 \$2,081,110. Management has determined that the allowance is sufficient to provide for any losses that may be sustained on realization of the accounts receivable.

Inventories

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

Prepays

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:**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	\$ 7,387,646
Debt Service Reserve Fund	188,193
Investments:	
Operating Reserve Fund	6,432,715
Bond Fund	583,871
Debt Service Reserve Fund	5,294,070
	<u>\$ 19,886,495</u>

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

Capital and Intangible Right to Use Assets**Capital Assets**

Capital assets include land; buildings; machinery and equipment; infrastructure such as roads, bridges, sidewalks; and intangible assets such as easements, and proprietary software. Capital assets 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.

Intangible Right to Use Assets

Intangible right to use assets include leased buildings; leased machinery and equipment; and subscription software assets. Initially, intangible right to use assets are reported as the value of the lease or subscription liability, plus any payments made before or at the beginning of the term and any ancillary cost necessary to place the asset in services. Intangible right to use assets are amortized over the life of the contract term.. Similar to capital assets, intangible right to use assets are reported in the applicable governmental or business-type activities columns in the

Notes to financial statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

government-wide financial statements and in the proprietary fund financial statements. The City has not established a capitalization threshold for intangible right to use assets.

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>
Buildings and improvements	10-40
Right-to-use lease buildings	10-40
Improvements other than buildings	10-50
Equipment and computer software	3-20
Right-to-use lease 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.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

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:

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
Fund Balances:							
Nonspendable:							
Inventory	\$ 31,738	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 31,738
Total Nonspendable	31,738	-	-	-	-	-	31,738
Restricted:							
Debt service	-	-	-	70,558	-	-	70,558
Donations for parks projects	10,000	-	-	-	-	-	10,000
Public safety for hazmat fees	51,618	-	-	-	-	-	51,618
Wetlands Encroachment/ In Lieu	227,759	-	-	-	-	-	227,759
Title IVE	138,446	-	-	-	-	-	138,446
Urban Development Action grant projects	-	-	844,161	-	-	-	844,161
Property acquisition/ redevelopment	-	-	-	-	201,431	-	201,431
Street and Infrastructure projects	-	-	-	-	320,621	-	320,621
Park improvement projects	-	-	-	-	86,012	-	86,012
Facility maintenance and repairs	-	-	-	-	-	110,048	110,048
Stormwater management	-	-	-	-	-	10,441,888	10,441,888
Sheriff Weekend Housing and Commissions	1,075,238	-	-	-	-	-	1,075,238
City grants	-	3,637,765	-	-	-	-	3,637,765
Donations for bus shelter benches	43,529	-	-	-	-	-	43,529
Fishing pier	33,347	-	-	-	-	-	33,347
VA Land Conservation Stewardship	8,297	-	-	-	-	-	8,297
Public Works Right of Way	16,788	-	-	-	-	-	16,788
Opioid Remediation	458,456	-	-	-	-	-	458,456
Other	27,004	-	-	-	668	-	27,672
Total Restricted	2,090,482	3,637,765	844,161	70,558	608,732	10,551,936	17,803,634
Committed:							
Budget savings program	11,025,685	-	-	-	-	-	11,025,685
Computer replacement program	1,547,196	-	-	-	-	-	1,547,196
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	-	-	1,001,476	-	-	-	1,001,476
Emergency Management	5,835	-	-	-	-	-	5,835
Drainage	2,658,309	-	-	-	-	-	2,658,309
Public Works Yard Master Plan	-	-	-	-	131	-	131
Time Accounting/Tyler Munis Project	86,309	-	-	-	3,431,468	-	3,517,777
Reengineering Technology	-	-	-	-	429,316	-	429,316
Aquatics Center	-	-	-	-	56,363	-	56,363
Streets & Infrastructure projects	-	-	366,205	-	10,905,621	-	11,271,826
Prefunded Capital Projects	-	-	-	-	4,489,530	-	4,489,530
Waterways projects	-	-	-	-	26,704,476	-	26,704,476
Va Air and Space Museum support/improvements	1,614	-	-	-	691	-	2,305
Coliseum Central projects	-	-	-	-	2,747,836	-	2,747,836
Court buildings project	-	-	-	-	2,771,564	-	2,771,564
Human Resources	-	-	-	-	1,346,035	-	1,346,035

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

	General	Federal Grants	Economic Development	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
Retirement & Employee Benefits	1,173,351	-	-	-	-	-	1,173,351
Commonwealth's Attorney	68,277	-	-	-	-	-	68,277
Court Service Unit	60,000	-	-	-	-	-	60,000
Contribution to Other Agencies	1,240,649	-	-	-	-	-	1,240,649
Downtown strategic projects	-	-	-	-	4,769,059	-	4,769,059
Facilities maintenance projects	-	-	-	-	21,574,150	-	21,574,150
Fire and Rescue projects	-	-	-	-	2,401,851	-	2,401,851
Sheriff projects	-	-	-	-	3,236,036	-	3,236,036
North King Street Corridor projects	-	-	-	-	4,700	-	4,700
Neighborhood improvement projects	-	-	-	-	8,696,194	-	8,696,194
Parks improvement projects	-	-	-	-	7,202,962	-	7,202,962
Police and E911 equipment	1,153,036	-	-	-	21,246,114	-	22,399,150
Property acquisition/redevelopment	-	-	11,362	-	9,711,921	-	9,723,283
School projects	-	-	-	-	12,626,560	-	12,626,560
Small Business Incubator	-	-	278,196	-	-	-	278,196
Transportation projects	-	-	-	-	136,640	-	136,640
Other	-	-	-	-	9,040,206	-	9,040,206
Vehicles	-	-	-	-	270,000	-	270,000
Council Chambers	-	-	-	-	38,338	-	38,338
Economic development projects	-	-	-	-	758,085	-	758,085
Hampton Roads Center Business District	-	-	-	-	1,100,000	-	1,100,000
MLK Memorial	-	-	-	-	10,299	-	10,299
War Memorial Stadium	-	-	-	-	36,369	-	36,369
Total Committed	26,726,007	-	1,657,239	-	155,742,515	-	184,125,761
Assigned:							
Donations for parks projects	3,297	-	-	-	-	-	3,297
Subsequent year expense	15,858,996	-	-	-	-	-	15,858,996
Proceeds from real estate auctions	150,345	-	-	-	-	-	150,345
Economic development projects	-	-	5,753,752	-	-	-	5,753,752
Transportation projects	84,213	-	-	-	-	-	84,213
Fire and Rescue operations	1,357,517	-	-	-	-	-	1,357,517
Debt service	-	-	-	463,549	-	-	463,549
Donations for History Museum	13,357	-	-	-	-	-	13,357
Donations for General Operations	51,348	-	-	-	-	-	51,348
Facility maintenance and repairs	-	-	-	-	232,923	-	232,923
Unappropriated bond interest income-general capital projects	-	-	-	-	11,213,494	-	11,213,494
Line of Duty program	92,742	-	-	-	-	-	92,742
Police Training Academy	1,314	-	-	-	-	-	1,314
Other	-	2,877,287	-	-	168,082	-	3,045,369
Total Assigned	17,613,128	2,877,287	5,753,752	463,549	11,614,499	-	38,322,215
Unassigned	100,946,039	-	-	-	-	-	100,946,039
Total Fund Balances	\$ 147,407,394	\$ 6,515,052	\$ 8,255,152	\$ 534,107	\$ 167,965,746	\$ 10,551,936	\$ 341,229,387

Notes to financial statements

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, 2023 in the Enterprise Funds are as follows:

	Primary Government	Discretely Presented Component Units
Wastewater Management	\$ 58,045,169	\$ -
Museum	7,859,601	-
Hampton Roads Convention Center	16,005,114	-
Non-Major Enterprise:		
Hampton Coliseum	12,990,422	-
The Woodlands Golf Course	(920,294)	-
The Hamptons Golf Course	(4,905,073)	-
Solid Waste	10,359,231	-
Refuse-Steam Plant	7,752,681	-
Component Units:		
School Board	-	(104,204,619)
Economic Development Authority	-	41,694,813
Coliseum Central Business Improvement District, Inc.	-	1,162,606
Downtown Hampton Development Partnership, Inc.	-	991,754

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	\$ 31,600,660
Fleet Management	\$ 739,238
Risk Management	\$ 15,558,585
Information Technology	\$ 2,586,238

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.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

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, 2023 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 2023, the City expended \$12,193,063 of \$48,660,418 received from the American Rescue Plan Act. Total unearned revenue as a result of ARPA was \$36,096,322 as of June 30, 2023.

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

Governmental Accounting Standards Board Statement No. 96

The City adopted the provisions of GASB 96, *Subscription-Based Information Technology Arrangements (SBITA)*. The primary objective of this statement is to improve financial reporting by establishing a definition for SBITAs and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. The statement requires the recognition of intangible right-to-use assets and subscription liabilities for the right to use another party's information technology software, alone or in combination with tangible capital assets as specified in the contract for a period of time.

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.

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, 2023 (Budget basis)	\$	147,363,864
Pearl Young Fund's fund balances		43,530
Capital Outlay- leases		(623,628)
Leasing financing		623,628
Exhibit A-4 Fund balances, June 30, 2023 (GAAP)	\$	147,407,394

Reconciliation to the General Fund statements (GAAP):

Exhibit A-5 Total Actual Expenditures, June 30, 2023 (Budget basis)	\$	313,899,198
Capital Outlay- leases		623,628
Exhibit A-4 Total Actual Expenditures, June 30, 2023 (GAAP)	\$	314,522,826

Exhibit A-5 Total Other Financing Sources, June 30, 2023 (Budget basis)	\$	(89,639,872)
Leasing financing		623,628
Exhibit A-4 Total Other Financing Sources, June 30, 2023 (GAAP)	\$	(89,016,244)

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, 2023, the carrying value of the City's deposits was \$15,837,409 and the bank balance was \$35,883,857. All of the bank balances are covered by the Federal Deposit Insurance Corporation (FDIC) and secured 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 and loans holding public deposits in excess of the amount insured by the FDIC must pledge collateral to secure those public deposits in amounts set by regulations or action under the Treasury Board. Banks and savings and loans holding public deposits have two methods to secure Virginia public deposits: the dedicated method or the pooled method and depending upon that choice will pledge collateral that ranges in the amounts from 50% to 130% of their public deposit balances net of FDIC. The Commonwealth of Virginia Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and notifying local officials of compliance by banks and savings and loans. 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.

Notes to financial statements

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 two of the following ratings; A-1 rating by S&P, P-1 by Moody's or F-1 by Fitch Ratings for maturities less than 1 year, and with maturities exceeding one year and not exceeding five years, that have received at least two of the following ratings: AA by S&P, Aa by Moody's or AA by Fitch Ratings, Inc. Commercial paper must be rated "Prime Quality" with at least a P-1 rating by Moody's, A-1 rating by S&P, and F-1 by Fitch Ratings, Inc. Corporate notes with maturities of no more than five years that have received at least two of the following ratings: at least Aa by Moody's Investors Service Inc, at least AA by S&P, or AA by Fitch Ratings, Inc. 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.

5. DEPOSITS AND INVESTMENTS, continued:

As of June 30, 2023, 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	\$ 2,515,373	A-1	\$ 2,515,373	\$ -
Certificate of Deposit	1,875,000	A-1	1,875,000	-
U.S. Government securities	33,368,126		8,725,232	24,642,894
Corporate Notes	6,041,569	AAA, AA, AA+, AA-	190,562	5,851,007
LGIP - City	326,887,784	AAAm	326,887,784	-
State Non-Arbitrage Fund - City	111,372,662	AAAm	111,372,662	-
Mutual and Money Market Funds	2,333,127	Unrated	2,333,127	-
Total Investments Controlled by City	484,393,641		453,899,740	30,493,901
Pension Plan Investments	118,490,619		118,490,619	-
Total	602,884,260		\$ 572,390,359	\$ 30,493,901

Reconciliation to Total Cash and Investments:

Add:

Cash on Hand and in Banks - City	9,696,912
Cash With Fiscal Agent	6,145,433
Total Deposits and Investments Primary Government and Fiduciary Funds per Exhibits A-1 and A-9	\$ 618,726,605

Other Component Units

	Investment Maturities (in years)	
	Fair Value	Less than 1 year
Mutual and Money Market Funds	\$ 1,317,915	\$ 1,317,915
Total Investments Other Component Units	\$ 1,317,915	\$ 1,317,915

Notes to financial statements

5. DEPOSITS AND INVESTMENTS, continued:

Reconciliation of total deposits and investments to the government-wide statements at June 30, 2023:

Primary Government	Governmental Activities	Business-type Activities	Fiduciary Responsibilities	Total
Cash Deposits - City	\$ 540,126	\$ 8,110,765	\$ 1,046,021	\$ 9,696,912
Cash With Fiscal Agent - City	6,145,433	-	-	6,145,433
Mutual and Money Market Funds	42,121	2,291,006	-	2,333,127
Investments - City	433,670,858	46,865,656	120,014,619	600,551,133
Total Primary Government	<u>\$ 440,398,538</u>	<u>\$ 57,267,427</u>	<u>\$ 121,060,640</u>	<u>\$ 618,726,605</u>
Component Unit - School Board				
Cash Deposits	\$ 34,086,188	\$ -	\$ -	\$ 34,086,188
Cash With Fiscal Agent	6,963,189	-	-	6,963,189
Total Component Unit School Board	<u>\$ 41,049,377</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 41,049,377</u>
Other Component Units				
Cash Deposits	\$ -	\$ 4,221,374	\$ -	\$ 4,221,374
Cash With Fiscal Agent	-	2,710	-	2,710
Investments	-	1,317,915	-	1,317,915
Total Other Component Units	<u>\$ -</u>	<u>\$ 5,541,999</u>	<u>\$ -</u>	<u>\$ 5,541,999</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.

5. DEPOSITS AND INVESTMENTS, continued:

The following is a summary of the fair value hierarchy for investments of the City as of June 30, 2023:

	Investments at Fair Value June 30, 2023	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	\$ 2,515,373	\$ -	\$ 2,515,373	\$ -
Certificate of Deposit	1,875,000	-	1,875,000	-
Corporate Notes	6,041,569	-	6,041,569	-
U.S. Government Securities	33,368,126	-	33,368,126	-
Total Primary Government	\$ 43,800,068	\$ -	\$ 43,800,068	\$ -
Pension Plan Investments	\$ 118,490,619	\$ 118,490,619	\$ -	\$ -

6. ACCOUNTS RECEIVABLE:

Accounts receivable at June 30, 2023 in the Governmental Funds and School Board are as follows:

	General Fund	Special Revenue- Federal Grants	Special Revenue- Economic Development	Debt Service	Capital Projects	Other Governmental Funds
Primary Government:						
General property taxes (net of allowance for uncollectible taxes of \$2,081,110)	\$ 12,311,473	\$ -	\$ -	\$ -	\$ -	\$ -
Due from Commonwealth of Virginia	10,435,083	1,797,974	-	-	2,075,778	-
Due from Federal Government	995,316	2,825,881	-	-	275	136,279
Lease Receivable	-	-	113,632	-	-	-
Accounts Receivable	3,892,954	54,077	53,401	2,020	163,868	546,759
Total Primary Government	\$ 27,634,826	\$ 4,677,932	\$ 167,033	\$ 2,020	\$ 2,239,921	\$ 683,038

Discretely Presented Component Unit - School Board:

Due from Commonwealth of Virginia	\$ 2,635,735
Due from Federal Government	13,970,536
Lease Receivable	3,855,425
Other	707,610
Total Component Unit	\$ 21,169,306

Notes to financial statements

7. LEASES AND SUBSCRIPTION-BASED IT ARRANGEMENTS

A lease is defined as a contractual agreement that conveys control of the right to use another entity's nonfinancial asset, such as building, land or equipment, for a minimum contractual period of greater than one year. A subscription-based IT arrangement (SBITA) is an arrangement in which a government contracts with another party, to convey the right to use the SBITA vendor's IT software, either alone or in combination with tangible capital assets. The City has agreements in which it allows another entity to control the right to use City owned assets (lessor) and agreements in which the City has been granted the right to control another entity's assets (lessee or subscription).

In a lessor arrangement, the City recognizes a lease receivable, deferred inflows, and lease revenue in the government-wide and fund financial statements for the applicable governmental and business-type activities. Lessor receivables are initially measured 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.

In lessee and subscription arrangements, the City recognizes a lease or subscription liability and an intangible right-to-use (RTU) 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. RTU assets are reported with other capital assets and the lease and subscription liabilities are reported as such on the statement of net position.

At the commencement of a lease or subscription, the City measures the liability at the present value of payments expected to be made during the term. Subsequently, the liability is reduced by the principal portion of payments made. The City's lease and subscription payments are discounted using the interest rate charged by the lessor or SBITA vendor as the discount rate. When the interest rate charged by the lessor or SBITA vendor is not provided, the City generally uses its estimated incremental borrowing rate as the interest rate. 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 and subscription terms include the non-cancellable contract period. Payments included in the measurement of the lease and subscription liability are composed of fixed payments, extensions payments; and, purchase option price that the City is reasonably certain to exercise. In determining the 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 term if the lease or subscription is reasonably certain to be extended (or not terminated). The City monitors changes in circumstances that would require a remeasurement and will remeasure the lease asset and corresponding lease or subscription liability if certain changes occur that are expected to significantly affect the amount of the liability.

City as a Lessor

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 then subleased to a third-party. The leases' terms range from 3 to 5 years with discount rates ranging from 0.27%-2.39%. The total amount of inflows of resources, including lease revenue, interest revenue, and other lease-related inflows, recognized during the fiscal year was \$161,885. As of June 30, 2023, the total lease receivable and deferred inflows of resources for the lease balances were \$131,447 and \$151,181, respectively. These totals include a building lease with a component unit, Downtown Hampton Development Partnership, Inc. at a discount rate of 2.36% and with twenty-nine remaining months.

City as a Lessee

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. 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 ten 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. Some office space leases include variable payments, such as the City's proportionate share of the building's property taxes, insurance and common area maintenance which are not included in the liability calculations.

7. LEASES AND SUBSCRIPTION-BASED IT ARRANGEMENTS

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 to separate lease and non-lease components, such as maintenance services provided by the lessor.

The City has approximately eighty-nine 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.

During the fiscal year, the City entered into two leasing agreements for golf carts with terms of 49 months and a discount rate of 2.63% and 3.63%.

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, 2023, the City's total of the lease liability for principal is \$4,598,138, of which \$1,552 is internal service fund related. For fiscal year 2023, the City recognized a total of \$1,086,995 in principal and \$59,603 in interest expense for the governmental funds. The principal and interest expense for the Internal Service Funds were \$3,249 and \$20, respectively. For the business-type funds, the principal and interest expense were \$142,084 and \$14,799 respectively.

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

Fiscal year	City Future Lease Payments			
	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2024	\$ 1,013,970	\$ 56,531	\$ 169,009	\$ 15,201
2025	922,927	41,544	170,487	9,852
2026	744,700	27,892	165,569	4,482
2027	551,864	18,270	41,888	431
2028	350,895	11,903	1,329	52
2029-2033	465,500	11,740	-	-
	\$ 4,049,856	\$ 167,880	\$ 548,282	\$ 30,018

Notes to financial statements

7. LEASES AND SUBSCRIPTION-BASED IT ARRANGEMENTS

City Subscriptions

The City has one SBITA agreement for software. The agreement began in fiscal year 2023 and will extend three years, with two options to renew. The City is reasonably certain that renewal options will be exercised the contract is considered a 5-year term. The SBITA has been recorded at the present value of the future contract payments as of the date of their inception. Payments are made annually and include a 5 percent increase each year. The interest rate is 2.5%. The City had no other payments, such as termination penalties, not previously included in the measurement of the subscription liability. The City had no commitments under SBITA before the commencement of the subscription term or any losses associated with an impairment.

For fiscal year 2023, the City recognized \$31,413 in subscription principal paid and \$3,135 in interest. As of June 30, 2023, the City's total subscription-based asset liability was \$144,870.

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

Fiscal year	City Future Subscription Payments	
	Internal Service Funds	
	Principal	Interest
2024	\$32,682	\$2,859
2025	35,141	1,986
2026	37,917	1,051
2027	39,130	83
	\$144,870	\$5,979

Discretely Presented Component Units

Economic Development Authority as a Lessor

The Economic Development Authority (EDA) has entered into lease agreements for buildings, building space and land. The leases' terms range from 6.5 to 15 years and discount rates ranging from 1.57%-2.95%. The total amounts of inflows of resources, including lease revenue, interest revenue, and the other lease-related inflows, recognized during the fiscal year were \$540,400. As of June 30, 2023, the total lease receivable and deferred inflows of resources for lease balances for EDA were \$4,533,755 and \$3,875,175 respectively. These totals include a building lease from the primary government at a discount rate of 1.57% and eight remaining years.

School Board as a Lessor

The School Board has entered into lease agreements for buildings, building space and land. These leases include fourteen land agreements for cell towers and one lease for the use of classroom space. As of June 30, 2023, the remaining lease terms for the fourteen cell tower agreements range from 2.8 years to 23.9 years. The remaining lease term for the one lease of classroom space is two years. The School Board uses its incremental borrowing rate of 0.89%-2.24%.

The School Board receives annual payments for twelve of the existing leases and monthly payments for the remaining three existing leases. The monthly and annual payments have annual increases that range from 3% to 3.5%.

For fiscal year 2023, the School Board recognized \$350,154 in lease revenue and \$77,431 in interest revenue from these existing leases. As of June 30, 2023, the School Board's total lease receivables balance is \$3,855,425. In addition, the School Board has a deferred inflow of resources associated with these leases that will be recognized as revenue over the remaining lease terms of \$3,696,679.

School Board as a Lessee

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.

7. LEASES AND SUBSCRIPTION-BASED IT ARRANGEMENTS

The School Board has nine leasing agreements for copier machines with remaining lease terms ranging from 0.42 to 3.92 years. These leases are paid on a monthly basis with no annual increases. The discount rate ranges from 0.51-3.05%. 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.

As of June 30, 2023 the School Board has one leasing agreement for a postage machine with a remaining lease term of 2 years. This lease is paid on a quarterly basis with no annual increase. The interest rate is 0.89%. In addition, the School Board has one existing contract for a vehicle location tracker with a remaining lease term of 2.5 years. This lease is paid on a monthly basis with no annual increase. The discount 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 2023, the School Board recognized \$456,961 in lease principal paid and \$11,080 in interest from all leases. As of June 30, 2023, the School Board's total lease liability was \$1,079,345.

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

Fiscal year	School Board Future Leases Payments	
	Principal	Interest
2024	\$ 449,341	\$ 14,072
2025	410,564	8,422
2026	149,081	3,776
2027	70,359	650
	\$ 1,079,345	\$ 26,920

School Board Subscriptions

The School Board has entered into SBITAs for finance, reporting, and learning software for a period of 1 to 5 years and an incremental borrowing rate of 1.85 to 3.347 percent. The SBITAs have been recorded at the present value of the future contract payments as of the date of their inception or, for SBITAs existing prior to the implementation year at the remaining terms of the agreement, using the facts and circumstances available at July 1, 2022.

For the year ended June 30, 2023, the School Board had SBITAs with variable payments that were based on user seats which were expensed as incurred in the amount of \$56,345. The School Board had no other payments, such as termination penalties, not previously included in the measurement of the subscription liability. The School Board had no commitments under SBITAs before the commencement of the subscription term or any losses associated with an impairment.

For fiscal year 2023, the School Board recognized \$178,554 in lease principal paid and \$1,944 in interest from all subscription-based assets. As of June 30, 2023, the School Board's total SBITA liability was \$140,015.

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

Fiscal year	School Board Future Subscription Payments	
	Principal	Interest
2024	\$ 126,411	\$ 3,382
2025	7,606	342
2026	5,998	152
	\$ 140,015	\$ 3,876

Coliseum Central Business Improvement District, Inc. as Lessee

The District signed a lease amendment for office space effective April 1, 2020, the lease is for a term of seven years and three months with a discount rate of 3.0%. For fiscal year 2023, the District recognized \$61,965 in lease principal paid and \$9,200 in interest from all leases. As of June 30, 2023, the total lease liability was \$278,782.

Notes to financial statements

7. LEASES AND SUBSCRIPTION-BASED IT ARRANGEMENTS

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

Fiscal year	Coliseum Central Future Lease Payments			
	Principal		Interest	
2024	\$	66,765	\$	6,553
2025		70,340		4,983
2026		72,182		3,330
2027		69,495		1,633
	\$	278,782	\$	16,499

Downtown Hampton Development Partnership, Inc. as Lessee

The organization has an agreement with the City for office space under a 60 month term which expires November 2024. Payments are made monthly with a discount rate of 3.00%. For fiscal year 2023, the District recognized \$11,906 in lease principal paid and \$894 in interest from this lease. As of June 30, 2023, the total lease liability was \$17,535.

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

Fiscal year	Downtown Hampton Development Partnership Future Leases Payments			
	Principal		Interest	
2024		12,267	\$	533
2025		5,268		67
	\$	17,535	\$	600

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 \$8,346,299 is primarily to cover negative cash balances for several funds. The due from reflected in the Capital Projects Fund in the amount of \$24,855,640 is to fund ongoing road maintenance and other capital 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:

General Fund
Federal Grants
Capital Projects
Non-Major Governmental Funds

Due From	Due To
\$ 8,346,299	\$ 27,769,208
200,884	13,496
24,855,640	-
30,184	29,899

Proprietary Funds:

Museum
Non-Major Enterprise Funds
Internal Service Funds
Total Primary Government

-	749,000
682,500	7,553,904
2,000,000	-
\$ 36,115,507	\$ 36,115,507

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	\$ -	\$ 123,402	21,248	\$ -
Primary Government - Governmental Funds	-	6,983	-	-
Primary Government - Wastewater Management	-	-	-	-
Primary Government - Non-major Enterprise Funds	-	660	13,804	-
Primary Government - Internal Service Funds	-	30	59,635	-
Component Unit - School Board Operating Fund	131,075	-	-	94,687
Total	\$ 131,075	\$ 131,075	\$ 94,687	\$ 94,687

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, 2023 are as follows:

Primary Government:	Transfer From	Transfer To
General Fund	\$ 235,690	\$ 89,875,562
Special Revenue:		
Federal Grants	2,577,743	53,542
Economic Development	36,775	218,469
Debt Service	31,832,930	-
Capital Projects	44,569,979	87,256
Non-Major Governmental Funds	30,184	2,813,297
Proprietary Funds:		
Wastewater Management	-	113,292
Convention Center	9,432,474	-
Non-Major Enterprise Funds	2,396,116	-
Internal Service Funds	2,049,528	-
Total Primary Government	\$ 93,161,418	\$ 93,161,418

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	\$ -	\$ 88,054,707	\$ 2,877,000	\$ -
Primary Government - Economic Development	-	633,130	-	-
Primary Government - Capital Projects Fund	-	814,508	-	-
Component Unit - School Board Operating Fund	85,483,984	-	-	2,867,000
Component Unit - EDA	3,133,911	-	-	10,000
Component Unit - Coliseum BID	687,008	-	-	-
Component Unit - Downtown Hampton	197,442	-	-	-
Total	\$ 89,502,345	\$ 89,502,345	\$ 2,877,000	\$ 2,877,000

Notes to financial statements

NOTES TO FINANCIAL STATEMENTS

9. CAPITAL ASSETS:

Capital asset activity for the year ended June 30, 2023 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 520,623,771	\$ 157,261	\$ -	\$ 520,781,032
Easements	2,226,090	970	-	2,227,060
Construction in progress	57,037,678	29,818,889	(33,175,306)	53,681,261
Total capital assets not being depreciated	579,887,539	29,977,120	(33,175,306)	576,689,353
Capital assets being depreciated:				
Buildings	196,729,477	30,471,091	-	227,200,568
Improvements	70,075,539	491,202	-	70,566,741
Computer Software	2,266,837	-	-	2,266,837
Machinery & Equipment	92,499,756	9,409,385	(2,389,267)	99,519,874
Infrastructure	245,219,868	2,368,591	-	247,588,459
Other Assets	4,446,039	-	-	4,446,039
Total capital assets being depreciated	611,237,516	42,740,269	(2,389,267)	651,588,518
Less accumulated depreciation for:				
Buildings	(79,250,089)	(5,436,448)	-	(84,686,537)
Improvements	(48,485,445)	(2,914,873)	-	(51,400,318)
Computer Software	(2,121,464)	(82,746)	-	(2,204,210)
Machinery & Equipment	(68,764,908)	(7,412,606)	1,947,389	(74,230,125)
Infrastructure	(125,811,024)	(9,147,605)	-	(134,958,629)
Other Assets	(2,796,929)	(228,562)	-	(3,025,491)
Total accumulated depreciation	(327,229,859)	(25,222,840)	1,947,389	(350,505,310)
Total capital assets being depreciated, net	284,007,657	17,517,429	(441,878)	301,083,208
Right-to-use assets:				
Lease - Buildings	4,997,347	396,000	(222,775)	5,170,572
Lease - Machinery & Equipment	570,418	227,626	(120,335)	677,709
Subscription-based Information Technology Arrangements	-	176,283	-	176,283
Total right-to-use assets being amortized	5,567,765	799,909	(343,110)	6,024,564
Right-to-use asset accumulated amortization for:				
Lease - Buildings	(850,126)	(893,680)	222,795	(1,521,011)
Lease - Machinery & Equipment	(237,919)	(236,067)	119,006	(354,980)
Subscription-based Information Technology Arrangements	-	(30,546)	-	(30,546)
Total right-to-use accumulated amortization	(1,088,045)	(1,160,293)	341,801	(1,906,537)
Total right-to-use assets being amortization, net	4,479,720	(360,384)	(1,309)	4,118,027
Governmental activities capital assets, net	\$ 868,374,916	\$ 47,134,165	\$ (33,618,493)	\$ 881,890,588

Primary Government:

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

General capital assets	\$ 861,728,842
General right-to-use assets	3,934,912
Internal service funds' capital assets	16,043,719
Internal service funds right-to-use assets	183,115
	<u>\$ 881,890,588</u>

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	2,532,888	888,942	-	3,421,830
Total capital assets not being depreciated	13,628,172	888,942	-	14,517,114
Capital assets being depreciated:				
Buildings	142,718,457	-	(811,231)	141,907,226
Improvements	35,827,249	-	(79,522)	35,747,727
Computer Software	401,729	-	-	401,729
Machinery & Equipment	35,664,111	4,216,744	(1,579,585)	38,301,270
Exhibits	14,922,078	149,142	-	15,071,220
Landfill	3,865,986	-	-	3,865,986
Infrastructure	78,565,348	2,046,931	(168,611)	80,443,668
Total capital assets being depreciated	311,964,958	6,412,817	(2,638,949)	315,738,826
Less accumulated depreciation for:				
Buildings	(84,818,678)	(3,609,186)	811,133	(87,616,731)
Improvements	(30,831,575)	(998,222)	604,822	(31,224,975)
Computer Software	(401,727)	-	-	(401,727)
Machinery & Equipment	(23,001,789)	(1,947,673)	900,020	(24,049,442)
Exhibits	(14,792,523)	(76,986)	-	(14,869,509)
Landfill	(3,682,383)	(4,080)	-	(3,686,463)
Infrastructure	(36,266,608)	(1,120,449)	-	(37,387,057)
Total accumulated depreciation	(193,795,283)	(7,756,596)	2,315,975	(199,235,904)
Total capital assets being depreciated, net	118,169,675	(1,343,779)	(322,974)	116,502,922
Right to use assets:				
Lease - Machinery & Equipment	38,069	29,817	(4,021)	63,865
Lease - Vehicles	-	629,577	-	629,577
Total right to use assets being amortized	38,069	659,394	(4,021)	693,442
Right to use accumulated amortization:				
Lease - Machinery & Equipment	(6,835)	(18,070)	4,021	(20,884)
Lease - Vehicles	-	(121,144)	-	(121,144)
Total right to use accumulated amortization	(6,835)	(139,214)	4,021	(142,028)
Total lease assets being amortization, net	31,234	520,180	-	551,414
Business-type activities capital assets, net	\$ 131,829,081	\$ 65,343	\$ (322,974)	\$ 131,571,450

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	\$ 4,142,922	\$ 3,020,823	\$ 7,163,745
Health	55,948	-	55,948
Public welfare	1,072,095	-	1,072,095
Public safety	4,147,909	-	4,147,909
Streets and highways	7,786,973	-	7,786,973
Culture and recreation	1,782,158	-	1,782,158
Education	4,374,305	-	4,374,305
Total depreciation / amortization expense - governmental activities	\$ 23,362,310	\$ 3,020,823	\$ 26,383,133

CITY OF HAMPTON, VIRGINIA
June 30, 2023

Notes to financial statements

9. CAPITAL ASSETS, continued:

Business - type activities:

Coliseum	\$	600,639
The Woodlands		84,951
The Hamptons		99,443
Solid Waste		1,172,574
Refuse-Steam Plant		724,260
Wastewater Management		1,767,513
Museum		867,689
Convention Center		2,578,741
Total depreciation / amortization expense - business-type activities	\$	7,895,810

Discretely Presented Component Units School Board:

	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets not being depreciated:				
Land	\$ 5,111,045	\$ -	\$ -	\$ 5,111,045
Total capital assets not being depreciated:	5,111,045	-	-	5,111,045
Capital assets being depreciated:				
Buildings	48,962,686	-	-	48,962,686
Improvements	310,100	-	-	310,100
Computer Software	1,132,453	-	-	1,132,453
Machinery & Equipment	34,754,832	7,920,135	(1,220,019)	41,454,948
Total capital assets being depreciated	85,160,071	7,920,135	(1,220,019)	91,860,187
Less accumulated depreciation for:				
Buildings	(48,962,686)	-	-	(48,962,686)
Improvements	(310,100)	-	-	(310,100)
Computer Software	(736,096)	(226,491)	-	(962,587)
Machinery & Equipment	(26,353,596)	(2,206,297)	1,181,488	(27,378,405)
Total accumulated depreciation	(76,362,478)	(2,432,788)	1,181,488	(77,613,778)
Total capital assets being depreciated, net	8,797,593	5,487,347	(38,531)	14,246,409
Right to use assets being amortized:				
Lease - Machinery & Equipment	1,443,068	461,387	(166,844)	1,737,611
Subscription-based Information Technology Arrangements	-	318,569	(3,750)	314,819
Total right to use assets being amortized	1,443,068	779,956	(170,594)	2,052,430
Less right to use asset accumulated amortization for:				
Lease - Machinery & Equipment	(443,319)	(437,229)	166,844	(713,704)
Subscription-based Information Technology Arrangements	-	(141,278)	3,750	(137,528)
Total accumulated amortization	(443,319)	(578,507)	170,594	(851,232)
Total right to use assets being amortization, net	999,749	201,449	-	1,201,198
School Board capital assets, net	\$ 14,908,387	\$ 5,688,796	\$ (38,531)	\$ 20,558,652

9. CAPITAL ASSETS, continued:

Economic Development Authority:

	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets not being depreciated:				
Land	\$ 20,126,702	\$ -		\$ 20,126,702
Total capital assets not being depreciated	20,126,702	-		20,126,702
Capital assets being depreciated:				
Building	8,672,586	-	-	8,672,586
Improvements	1,167,136	207,004	-	1,374,140
Infrastructure	2,249,350	-	-	2,249,350
Machinery & Equipment	622,848	-	-	622,848
Total capital assets being depreciated	12,711,920	207,004	-	12,918,924
Less accumulated depreciation for:				
Buildings	(1,255,053)	(289,079)	-	(1,544,132)
Improvements	(199,872)	(48,643)	-	(248,515)
Infrastructure	(1,885,886)	(102,468)	-	(1,988,354)
Machinery & Equipment	(572,716)	(50,133)	-	(622,849)
Total accumulated depreciation	(3,913,527)	(490,323)	-	(4,403,850)
Total capital assets being depreciated, net	8,798,393	(283,319)	-	8,515,075
Economic Development Authority capital assets, net	\$ 28,925,095	\$ (283,319)	\$ -	\$ 28,641,777

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	156,093	53,131		209,224
Total capital assets being depreciated	658,288	53,131	-	711,419
Less accumulated depreciation	(420,479)	(51,408)	-	(471,887)
Total capital assets being depreciated, net	237,809	1,723	-	239,532
Right to use assets being amortized:				
Lease - Building	-	29,441	-	29,441
Total right to use assets being amortized	-	29,441	-	29,441
Less right to use asset accumulated amortization for:				
Lease - Building	-	(11,906)	-	(11,906)
Total accumulated amortization	-	(11,906)	-	(11,906)
Total right to use assets being amortization, net	-	17,535	-	17,535
Downtown Hampton Development Partnership capital assets, net	\$ 237,809	\$ 19,258	\$ -	\$ 257,067

Notes to financial statements

9. CAPITAL ASSETS, continued:

Coliseum Central Business Improvement District, Inc:

	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets being depreciated:				
Computer Software	\$ 4,580	\$ -	\$ (4,580)	\$ -
Machinery & Equipment	201,267		(36,606)	164,661
Total capital assets being depreciated	205,847	-	(41,186)	164,661
Less accumulated depreciation	(155,640)	(8,591)	41,186	(123,045)
Total capital assets being depreciated, net	50,207	(8,591)	-	41,616
Right to use assets being amortized:				
Lease - Machinery & Equipment	-	454,238	-	454,238
Total right to use assets being amortized	-	454,238	-	454,238
Less right to use asset accumulated amortization for:				
Lease - Machinery & Equipment	-	(196,207)	-	(196,207)
Total accumulated amortization	-	(196,207)	-	(196,207)
Total right to use assets being amortization, net	-	258,031	-	258,031
Coliseum Central Business Improvement District capital assets, net	\$ 50,207	\$ 249,440	\$ -	\$ 299,647

Construction in Progress

Several capital projects were in various stages of completion on June 30, 2023. 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, 2023, construction in progress by project was comprised as follows:

	Project Authorization	Expended to June 30, 2023
Governmental Activities		
Infrastructure	\$ 93,574,149	\$ 33,683,572
Construction of various capital assets	22,418,522	19,997,689
	<u>\$ 115,992,671</u>	<u>\$ 53,681,261</u>
Business-type Activities		
Wastewater Management - sewer projects	\$ 4,300,000	\$ 3,027,301
Coliseum - building renovations	271,550	81,465
Museum- exhibit and/or building construction and renovation	503,149	313,064
	<u>\$ 5,074,699</u>	<u>\$ 3,421,830</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, 2023:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds payable:					
Serial bonds	\$ 340,599,836	\$ -	\$ (20,811,951)	\$ 319,787,885	\$ 22,050,940
Unamortized premium and discount	29,515,572	-	(2,532,723)	26,982,849	2,269,577
Leases payable	3,824,683	623,627	(1,005,726)	3,442,584	929,873
Leases payable - Component Unit	686,989	-	(81,269)	605,720	82,545
Leases payable - Internal Service Funds	4,801	-	(3,249)	1,552	1,552
SBITA payable - Internal Service Funds	-	176,283	(31,413)	144,870	32,682
Notes Payable - Internal Service Funds	3,751,000	2,859,921	(457,000)	6,153,921	711,757
Compensated absences	8,391,765	5,331,943	(5,091,534)	8,632,174	5,091,533
Compensated absences - Internal Service Funds	95,829	130,368	(76,602)	149,595	76,602
Claims and judgements - Internal Service Funds	9,911,787	5,883,107	(2,479,011)	13,315,883	11,406,007
Net OPEB liability - Line of Duty Benefits	22,660,597	1,636,064	(5,418,361)	18,878,300	-
Net pension liability - Internal Service Funds	1,617,290	157,409	(21,082)	1,753,617	-
Net other postemployment benefits liability - Internal Service Funds	872,044	910	(146,742)	726,212	-
Net OPEB liability	67,726,682	57,990	(9,460,250)	58,324,423	-
Net pension liability	86,982,801	28,028,098	(2,974,882)	112,036,017	-
Governmental activities long-term liabilities	<u>\$ 576,641,676</u>	<u>\$ 44,885,720</u>	<u>\$ (50,591,795)</u>	<u>\$ 570,935,602</u>	<u>\$ 42,653,068</u>

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities in the governmental funds. Interest on long-term debt is not accrued in governmental funds, but is recognized as an expenditure when due.

Balances at June 30, 2023

Long-term liabilities (detail above)	\$ 570,935,602
Less debt - Internal Service Fund	(22,245,650)
Combined adjustment	<u>\$ 548,689,952</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, 2023 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.

Notes to financial statements

10. GENERAL OBLIGATION AND OTHER LONG-TERM DEBT:

	Beginning Balance, as restated	Additions	Reductions	Ending Balance	Due Within One Year
Business-type Activities:					
Bonds payable:					
Direct placement revenue bonds	\$ 64,490,001	\$ -	\$ (4,235,001)	\$ 60,255,000	\$ 4,330,000
Serial bonds	570,164	-	(133,049)	437,115	139,060
Total bonds payable	65,060,165	-	(4,368,050)	60,692,115	4,469,060
Leases payable	31,641	658,995	(142,354)	548,282	169,009
Notes payable	795,027	-	(795,027)	-	-
Net pension liability	8,804,127	1,213,464	(105,498)	9,912,093	-
Net other postemployment benefit liability	3,544,655	3,996	(557,399)	2,991,252	-
Compensated absences	748,137	381,614	(417,230)	712,521	417,230
Business-type activities long-term liabilities	\$ 78,983,751	\$ 2,258,069	\$ (6,385,558)	\$ 74,856,263	\$ 5,055,299
Component Units:					
School Board:					
Compensated absences	\$ 6,960,685	\$ 12,109,584	\$ (12,323,215)	\$ 6,747,054	\$ 2,931,542
Notes payable	-	-	-	-	-
Leases payable	1,074,919	461,387	(456,961)	1,079,345	449,341
SBITA payable	-	318,569	(178,554)	140,015	126,411
Net OPEB liability	28,136,086	-	(823,851)	27,312,235	-
Net pension liability	105,801,478	24,977,938	(2,460,318)	128,319,098	-
Total School Board	\$ 141,973,168	\$ 37,867,478	\$ (16,242,899)	\$ 163,597,747	\$ 3,507,294
Economic Development Authority:					
Notes payable	\$ 673,503	\$ -	\$ (78,397)	\$ 595,106	\$ 79,987
Total Economic Development Authority	\$ 673,503	\$ -	\$ (78,397)	\$ 595,106	\$ 79,987
Coliseum Central Business Improvement District, Inc.:					
Leases payable	\$ -	\$ 278,782	\$ -	\$ 278,782	\$ 66,037
Total Coliseum Central Business Imp. District, Inc.	\$ -	\$ 278,782	\$ -	\$ 278,782	\$ 66,037
Downtown Hampton Development Partnership, Inc.:					
Leases payable	\$ -	\$ 29,441	\$ (11,906)	\$ 17,535	\$ 12,267
Total Downtown Hampton Development Partnership, Inc.	\$ -	\$ 29,441	\$ (11,906)	\$ 17,535	\$ 12,267

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.

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.

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

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, 2023, \$54,775,000 defeased bonds were outstanding.

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

Fiscal year ending June 30	Principal	Interest
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	4,755,000	1,150,757
2029-2033	26,030,000	3,698,715
2034-2035	11,550,000	359,070
	<u>\$ 60,255,000</u>	<u>\$ 10,920,311</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
2024	\$ 139,060	\$ 20,217
2025	145,547	13,785
2026	152,508	7,053
	<u>\$ 437,115</u>	<u>\$ 41,055</u>

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 was paid off during fiscal year 2023.

Notes to financial statements

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

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 building. 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
2024	\$ 79,987	\$ 12,067
2025	81,581	10,474
2026	83,264	8,791
2027	84,952	7,103
2028	86,675	5,380
2029-2030	178,647	5,463
	<u>\$ 595,106</u>	<u>\$ 49,278</u>

Internal Service Funds:

The City is self-insured for workmens' compensation benefits and general liability insurance claims. At June 30, 2023, the liability for existing claims amounted to \$13,315,883. Workers' compensation benefit claims are payable weekly or monthly through 2032.

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, 2023, the outstanding balance on the notes payable is \$701,000.

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, 2023, the outstanding balance on the notes payable is \$2,593,000.

On March 30, 2023, the City entered into an equipment purchase agreement notes payable for \$2,859,921 with Banc of America Public Capital Corp. to purchase two new fire trucks. The notes payable is payable semi-annually on March 1 and September 1 with an interest rate of 3.4927% and matures March 1, 2033. At June 30, 2023 the outstanding balance on the notes payable is \$2,859,921.

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

Risk Management Fund		Equipment Replacement Fund		
Year	Accrued Insurance Claims	Notes Payable Year	Principal	Interest
2024	\$ 11,406,007	2024	\$ 711,757	\$ 152,394
2025	351,772	2025	721,405	142,480
2026	321,328	2026	740,262	124,176
2027	318,108	2027	655,432	105,618
2028	281,378	2028	566,925	89,715
2029-2032	637,290	2029-2033	2,758,140	207,213
	<u>\$ 13,315,883</u>		<u>\$ 6,153,921</u>	<u>\$ 821,596</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, 2023 are as follows:

General Obligation Bonds Outstanding	\$319,787,885
Coupon interest rate	2.0% to 5.63%
Years of maturity	2024-2043

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

Year	General Obligation Bonds	
	Principal	Interest
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	19,595,000	7,466,655
2029-2033	85,460,000	27,030,997
2034-2038	74,365,000	13,131,082
2039-2043	53,645,000	3,590,066
	<u>\$ 319,787,885</u>	<u>\$ 91,294,990</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.

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, 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.

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.

Notes to financial statements

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

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 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%

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

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, 2023, \$45,415,000 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, 2023, the City's aggregate general obligation indebtedness was \$320,225,000, which is \$1,050,138,253 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, 2023:

	Net Pension (Asset)/ Liability	Net Deferred Outflows	Net Deferred Inflows	Pension Expense/ (Reduction)
City:				
VRS	\$ 121,404,844	\$ 31,344,573	\$ (25,521,506)	\$ 12,000,466
HERS	2,468,205	1,145,315	-	926,884
Total	<u>\$ 123,873,049</u>	<u>\$ 32,489,888</u>	<u>\$ (25,521,506)</u>	<u>\$ 12,927,350</u>
	Net Pension (Asset)/ Liability	Net Deferred Outflows	Net Deferred Inflows	Pension Expense/ (Reduction)
School Board:				
VRS - Nonprofessional employees	78,615	288,855	(1,387,595)	(710,686)
VRS - Teachers	125,572,888	35,824,455	(27,819,877)	4,775,982
HERS - Teachers/Nonprofessional employees	2,667,595	1,237,837	-	1,142,637
Total	<u>\$ 128,319,098</u>	<u>\$ 37,351,147</u>	<u>\$ (29,207,472)</u>	<u>\$ 5,207,933</u>

The HERS fund, a fiduciary activity, reported \$171,322 for net pension liability, \$44,233 deferred outflows of resources, \$36,015 deferred inflows of resources and (\$41,663) pension expense reduction.

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 to 1-1/2% of their average final compensation for credited service with VRS resulting for City of Hampton service.

11. DEFINED BENEFIT PENSION PLANS, continued:

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 \$811,800 and the School Board totaled \$877,380 for the year ending June 30, 2023.

Net Pension Liability - HERS:

The City's and School Board's net pension liability was measured as of June 30, 2023 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

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	5% 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%.

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.

Notes to financial statements

11. DEFINED BENEFIT PENSION PLANS, continued:

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 (6.00%) 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, 2022	\$ 56,141,739	\$ 63,242,841	\$ 119,384,580
Contribution - employer	811,800	877,380	1,689,180
Net investment income	6,010,713	6,678,489	12,689,202
Benefit payments	(6,393,569)	(8,776,396)	(15,169,965)
Administrative expense	(117,154)	(160,816)	(277,970)
Net Changes	311,790	(1,381,343)	(1,069,553)
Balances at June 30, 2023	\$ 56,453,529	\$ 61,861,498	\$ 118,315,027

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, 2022	\$ 129,831,103	\$ 119,384,580	\$ 10,446,523
Changes for the year:			
Service cost	82,778	-	82,778
Interest	7,343,843	-	7,343,843
Differences between actual and expected	1,363,067	-	1,363,067
Contributions-employer	-	1,689,180	(1,689,180)
Net investment income	-	12,689,202	(12,689,202)
Benefit payments, including refunds of employee contributions	(15,169,965)	(15,169,965)	-
Administrative expense	-	(277,971)	277,971
Net Changes	(6,380,277)	(1,069,554)	(5,310,723)
Balances at June 30, 2023	\$ 123,450,826	\$ 118,315,026	\$ 5,135,800

At June 30, 2023, the City and School Board reported a net pension liability of \$2,468,205 and \$2,667,595, 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	\$ 6,442,252	\$ 2,468,205	\$ (1,053,695)
Net pension liability-School Board	\$ 6,962,679	\$ 2,667,595	\$ (1,138,816)

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

For the year ended June 30, 2023, the City and School Board recognized pension expense reduction of \$926,884 and \$1,142,637, respectively. At June 30, 2023, 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	\$ 1,145,315	\$ 1,237,837
Total	\$ 1,145,315	\$ 1,237,837

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
2024	\$ (101,567)	\$ (109,771)
2025	(242,955)	(262,582)
2026	2,060,092	2,226,512
2027	(570,255)	(616,322)
	<u>\$ 1,145,315</u>	<u>\$ 1,237,837</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.

11. DEFINED BENEFIT PENSION PLANS, continued:

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
		<ul style="list-style-type: none"> • 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.
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.	<p>Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014.</p> <p>This includes:</p> <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:
The Hybrid Retirement Plan 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.	<ul style="list-style-type: none"> • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees
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.	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.
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. Political subdivisions hazardous duty employees: Age 60.	VRS: Normal Social Security retirement age. Political subdivisions hazardous duty employees: Same as Plan 1.	Defined Benefit Component: VRS: Same as Plan 2. 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.	<p>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.</p> <p>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.</p>
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, 2021 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	1,877	281
Inactive members:		
Vested inactive members	397	45
Non-vested inactive members	819	123
Active elsewhere in VRS	664	70
Total inactive members	1,880	238
Active members	1,765	153
Total covered employees	5,522	672

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, 2023 was 16.62% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. 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 \$21,644,942 and \$19,587,070 for the years ended June 30, 2023 and June 30, 2022, 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, 2023 were 20.80% and 5.42% of covered employee compensation, respectively. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. 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 \$20,329,861 and \$17,482,221 for the years ended June 30, 2023 and June 30, 2022, respectively. Contributions to the pension plan from the School Board were \$288,855 and \$276,383 for the years ended June 30, 2023 and June 30, 2022, 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 Generally Accepted Account Principles (GAAP) less that employer's fiduciary net position. For the City and School Board's nonprofessional employees, the net pension liability was measured as of June 30, 2022. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2021, rolled forward to the measurement date of June 30, 2022.

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 \$125,572,888 for its proportionate share of the Net Pension Liability. The 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 performed as of June 30, 2021, and rolled forward to the measurement date of June 30, 2022. 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, 2022, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2022, the School Board's proportion was 1.32% as compared to 1.30% at June 30, 2021.

For the year ended June 30, 2023, the School Board - Teachers recognized a pension expense of \$4,775,982. 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. Beginning with the June 30, 2022 measurement date, the difference between expected and actual contributions is included with the pension expense calculation.

11. DEFINED BENEFIT PENSION PLANS, continued:

At June 30, 2023, 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	\$ -	\$ (8,658,747)
Change in assumptions	11,838,994	-
Net difference between projected and actual earnings on pension plan investments	-	(16,372,075)
Changes in proportionate share	2,340,519	(2,789,055)
Employer contributions subsequent to the measurement date	21,644,942	-
	<u>\$ 35,824,455</u>	<u>\$ (27,819,877)</u>

\$21,644,942 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, 2024. 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	
2024	\$ (5,462,755)
2025	(5,754,557)
2026	(10,208,439)
2027	7,785,387
2028	-
	<u>\$ (13,640,364)</u>

City

For the year ended June 30, 2023, the City recognized pension expense of \$12,000,466. At June 30, 2023, 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	\$ -	\$ (8,285,341)
Change in assumptions	11,014,712	-
Net difference between projected and actual earnings on pension plan investments	-	(17,236,161)
Employer contributions subsequent to the measurement date	20,329,861	-
Total	<u>\$ 31,344,573</u>	<u>\$ (25,521,504)</u>

Notes to financial statements

11. DEFINED BENEFIT PENSION PLANS, continued:

\$20,329,861 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, 2024. 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	
2024	\$ (3,203,238)
2025	(7,115,062)
2026	(12,215,335)
2027	8,026,843
2028	-
	<u>\$ (14,506,792)</u>

School Board Nonprofessional Employees

For the year ended June 30, 2023, the School Board recognized pension expense (income) of (\$710,686). At June 30, 2023, 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	\$ -	\$ (444,131)
Net difference between projected and actual earnings on pension plan investments	-	(943,464)
Employer contributions subsequent to the measurement date	288,855	-
Total	<u>\$ 288,855</u>	<u>\$ (1,387,595)</u>

\$288,855 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, 2024. 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	\$ (798,587)
2024	(374,188)
2025	(627,174)
2026	412,354
	<u>\$ (1,387,595)</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, 2021, 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, 2022.

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:

Pre-Retirement:

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

11. DEFINED BENEFIT PENSION PLANS, continued:

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.

The actuarial assumptions used in the June 30, 2021 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	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, 2021, 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, 2022.

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:

Notes to financial statements

11. DEFINED BENEFIT PENSION PLANS, continued:

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.

The actuarial assumptions used in the June 30, 2021 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	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

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, 2021, 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, 2022.

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:

11. DEFINED BENEFIT PENSION PLANS, continued:

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.

The actuarial assumptions used in the June 30, 2021 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. 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	Decrease rates
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

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:

Notes to financial statements

11. DEFINED BENEFIT PENSION PLANS, continued:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return*
Public Equity	34.00%	5.71	1.94%
Fixed Income	15.00%	2.04	0.31%
Credit Strategies	14.00%	4.78	0.67%
Real Assets	14.00%	4.47	0.63%
Private Equity	14.00%	9.73	1.36%
MAPS - Multi-Asset Public Strategies	6.00%	3.73	0.22%
PIP - Private Investment Partnership	3.00%	6.55	0.20%
Total	100.00%		5.33%
	Inflation		2.50%
Expected arithmetic nominal return*			7.83%

*The above allocation provides a one-year expected return of 7.83%. 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 6.72%, 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, 2023, 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, 2021 actuarial valuations, whichever was greater. From July 1, 2022, 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 (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at June 30, 2021	\$ 689,064,653	\$ 596,826,618	\$ 92,238,035
Changes for the year:			
Service cost	12,421,727	-	12,421,727
Interest	46,037,213	-	46,037,213
Changes of assumptions	-	-	-
Differences between expected and actual experience	(8,015,673)	-	(8,015,673)
Contributions-employer	-	17,482,221	(17,482,221)
Contributions-employee	-	4,586,069	(4,586,069)
Net investment income	-	(428,973)	428,973
Benefit payments, including refunds of employee contributions	(38,907,176)	(38,907,176)	-
Administrative expense	-	(373,226)	373,226
Other changes	-	10,367	(10,367)
Net changes	11,536,091	(17,630,718)	29,166,809
Balances at June 30, 2022	\$ 700,600,744	\$ 579,195,900	\$ 121,404,844

11. DEFINED BENEFIT PENSION PLANS, continued:

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, 2021	\$ 30,848,907	\$ 31,249,317	\$ (400,410)
Changes for the year:			
Service cost	326,796	-	326,796
Interest	2,034,266	-	2,034,266
Differences between expected and actual experience	(1,431,090)	-	(1,431,090)
Contributions-employer	-	276,383	(276,383)
Contributions-employee	-	200,963	(200,963)
Net investment income	-	(7,076)	7,076
Benefit payments, including refunds of employee contributions	(2,076,844)	(2,076,844)	-
Administrative expenses	-	(19,804)	19,804
Other changes	-	481	(481)
Net changes	(1,146,872)	(1,625,897)	479,025
Balances at June 30, 2022	\$ 29,702,035	\$ 29,623,420	\$ 78,615

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	\$ 224,282,791	\$ 125,572,888	\$ 45,201,320

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	\$ 209,038,713	\$ 121,404,844	\$ 49,115,512
School Board Nonprofessional Employees' Plan's Net Pension Liability(asset)	\$ 3,365,748	\$ 78,615	\$ (2,646,790)

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 2022 Annual Comprehensive Financial Report. A copy of the 2022 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

On June 30, 2023, the City and School Board reported a payable of \$2,218,223 and \$2,625,867 respectively, for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2023.

Notes to financial statements

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.

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, 2023

	Net OPEB Liability	Net Deferred Outflows	Net Deferred Inflows	OPEB Expense/ (Reduction)
City:				
HCB - (Note 13)	\$ 56,835,824	\$ 13,280,016	\$ (32,794,573)	\$ (5,117,761)
GLI - (Note 15)	5,207,597	1,157,346	(1,441,945)	17,139
LODA - (Note 14)	18,878,300	7,811,392	(6,292,558)	1,632,101
Total	<u>\$ 80,921,721</u>	<u>\$ 22,248,754</u>	<u>\$ (40,529,076)</u>	<u>\$ (3,468,521)</u>
School Board:				
Professional employees				
HIC - (Note 13)	\$ 16,390,863	\$ 2,322,335	\$ (1,322,308)	\$ 1,167,170
GLI - (Note 15)	6,794,475	1,626,596	(1,587,246)	149,224
Nonprofessional employees				
HCB - (Note 13)	3,327,612	1,242,360	(1,896,068)	107,781
HIC - (Note 13)	558,827	95,950	(14,079)	49,052
GLI - (Note 15)	240,458	70,482	(73,793)	1,617
Total	<u>\$ 27,312,235</u>	<u>\$ 5,357,723</u>	<u>\$ (4,893,494)</u>	<u>\$ 1,474,844</u>

The HERS reported \$1,534 for net OPEB liability, \$9,364 deferred outflows of resources, \$28,819 deferred inflows of resources and (\$5,139) net OPEB expense for HCB.

Notes to financial statements

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.

Contributions

City

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 \$2,634,891 and \$2,392,126 for the years ended June 30, 2023 and June 30, 2022, respectively.

School

The School Board contributions are financed on a pay-as-you-go basis. Contributions from the School Board were \$741,072 and \$370,332 for the years ended June 30, 2023 and June 30, 2022, respectively.

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	804	37
Active members	1,723	2,296
Total memberships	2,527	2,333

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 2023, the City contributed \$2,634,891, or approximately 66.07% of total premiums for post-retirement health care benefits. Plan members receiving benefits contributed \$1,363,958 or approximately 33.93% of total premiums. The School Board contributed \$741,072 in fiscal year 2023.

Total Health Care OPEB Liability

The City and Hampton Employees Retirement System's total retiree health care OPEB liability of \$56,835,824. The School Board's total retiree health care OPEB liability was \$3,327,612. Both were measured as of June 30, 2021 and rolled forward to June 30, 2022.

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	2.16%
Current Measurement Date	3.54%
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

CITY OF HAMPTON, VIRGINIA
June 30, 2023

Notes to financial statements

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, 2021 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, 2021 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 2.16% on the prior measurement date to 3.54% on the measurement date of June 30, 2022. The discount rate used was based on the Bond Buyer General Obligation 20-year Municipal Bond Index at June 30, 2022.

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, 2021	\$ 67,000,213	\$ 4,276,233
Changes for the year:		
Service cost	1,809,757	295,528
Interest	1,460,969	95,123
Differences between expected and actual experience	243,818	111,429
Changes in assumptions	(11,321,261)	(1,113,026)
Benefit payments	(2,357,672)	(337,675)
Net changes	(10,164,389)	(948,621)
Balances at June 30, 2022	\$ 56,835,824	\$ 3,327,612

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	\$ 49,127,405	\$ 56,835,824	\$ 66,359,505
Total OPEB Liability - School Board	\$ 3,017,700	\$ 3,327,612	\$ 3,687,911

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 3.54%, 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 (2.54%) or one percentage higher (4.54%) than the current discount rate:

	1% Decrease (2.54%)	Current Discount Rate (3.54%)	1% Increase (4.54%)
Total OPEB Liability - City	\$ 64,724,116	\$ 56,835,824	\$ 50,314,498
Total OPEB Liability - School Board	\$ 3,553,592	\$ 3,327,612	\$ 3,113,245

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

For the year ended June 30, 2023, the City recognized OPEB expense in the amount of (\$5,117,761). At June 30, 2023, 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	\$ 2,745,492	\$ (5,707,064)
Changes in assumptions or other inputs	7,899,633	(27,087,509)
Employer contributions subsequent to the measurement date	2,634,891	-
Total	\$ 13,280,016	\$ (32,794,573)

\$2,634,891 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, 2024.

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:	
2024	\$ (7,979,101)
2025	(6,589,953)
2026	(6,231,575)
2027	704,820
Thereafter	(2,053,639)
	<u>\$ (22,149,448)</u>

Notes to financial statements

13. OTHER POSTEMPLOYMENT HEALTH CARE BENEFIT PLANS, continued:

For the year ended June 30, 2023, the School Board recognized OPEB expense in the amount of \$107,781. At June 30, 2023, 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	\$ 195,468	\$ (472,007)
Changes in assumptions or other inputs	305,820	(1,424,061)
Employer contributions subsequent to the measurement date	741,072	-
Total	<u>\$ 1,242,360</u>	<u>\$ (1,896,068)</u>

\$741,072 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, 2024. Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Measurement year ended June 30:	
2023	\$ (315,527)
2024	(315,527)
2025	(228,600)
2026	(261,229)
2027	(273,897)
Thereafter	-
	<u>\$ (1,394,780)</u>

Other Postemployment Benefits-Health Insurance Credits

Health Insurance Credits

The Virginia Retirement System (VRS) Teacher Employee Health Insurance Credit Program is a multiple-employer, cost-sharing plan. The Political Subdivision Health Insurance Credit Program is a multiple-employer, agent-defined benefit plan. Both Health Insurance Credit Programs were established pursuant to § 51.1-1400 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 plans provide a credit towards the cost of health insurance coverage for retired political subdivision employees of participating employers and retired teachers.

For purposes of measuring the net School Board's professional and nonprofessional Health Insurance Credit Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Employee Health Insurance Credit Program OPEB, and the Employee Health Insurance Credit Program OPEB expense, information about the fiduciary net position of the Virginia Retirement System (VRS) Employee Health Insurance Credit Program; and the additions to/deductions from the VRS Employee Health Insurance Credit Program's 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. Investments are reported at fair value.

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. This plan is administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for public employer groups in the Commonwealth of Virginia. Members earn one month of service credit toward the benefit for each month they

13. OTHER POSTEMPLOYMENT HEALTH CARE BENEFIT PLANS, continued:

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.

The specific information about the Teacher and Political Subdivision Health Insurance Credit Program OPEB, including eligibility, coverage and benefits is set out in the table below:

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 Health Insurance Credit 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.
 - For political subdivision retirees no HIC for premiums paid and qualified under LODA; however, the employee may receive the credit for premiums paid for other qualified health plans.
-

13. OTHER POSTEMPLOYMENT HEALTH CARE BENEFIT PLANS, continued:

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, 2023 was 1.21% of covered employee compensation for employees in the VRS Teacher Employee HIC Program and 1.22% for the School Board- Nonprofessional. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. 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 \$1,575,812 and \$1,479,904 for the years ended June 30, 2023 and June 30, 2022, respectively. Contributions from the School Board to the Political Subdivision HIC Program were \$65,019 and \$42,036 for the years ended June 30, 2023 and June 30, 2022, respectively.

In June 2022, the Commonwealth made a special contribution of approximately \$12 million to the VRS Teacher Health Insurance Credit Program. This special payment was authorized by a budget amendment included in Chapter 1 of the 2022 Appropriation Act, and is classified as a nonemployer contribution.

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

At June 30, 2023, the School Board reported a liability of \$16,390,863 and \$558,827 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, 2022 the total Teacher Employee HIC Program OPEB liability used to calculate the net Teacher Employee HIC Program OPEB Liability. Both Teachers and nonprofessional HIC OPEB liabilities were determined by an actuarial valuation performed as of June 30, 2021, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022. 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, 2022, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2022, the School Board's proportion of the VRS Teacher and Nonprofessional Employee HIC Program was 1.31227% and 0.98%, as compared to 1.29479% and 0.98% at June 30, 2021.

For the year ended June 30, 2023, the School Board recognized Teacher's HIC OPEB expense of \$1,167,170. Since there was a change in proportionate share between measurement dates, a portion of the VRS Teacher Employee Health Insurance Credit Program Net OPEB expense was related to deferred amounts from changes in proportionate share and differences between actual and expected contributions.

Membership:

As of the June 30, 2021, actuarial valuation, the following School Board Nonprofessional employees were covered by the benefit terms of the HIC OPEB plan:

	Number
Active employees	153
Inactive employees	130
Total	283

For the year ended June 30, 2023, the School Board recognized Teacher's HIC OPEB expense of \$1,167,170. 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, 2023, 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:

13. OTHER POSTEMPLOYMENT HEALTH CARE BENEFIT PLANS, continued:

Teachers	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (668,117)
Net difference between projected and actual earnings on Teacher HIC OPEB program investments	-	(16,452)
Changes of assumptions	478,861	(41,857)
Changes in proportionate share	267,662	(595,882)
Employer contribution subsequent to the measurement date	1,575,812	-
Total	\$ 2,322,335	\$ (1,322,308)

For the year ended June 30, 2023, the School Board-Nonprofessional employees recognized HIC OPEB expense of \$49,052.

Nonprofessional Employees	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (14,079)
Net difference between projected and actual earnings on Political Subdivisions HIC OPEB program investments	1,540	-
Changes of assumptions	29,391	-
Changes in proportionate share	-	-
Employer contribution subsequent to the measurement date	65,019	-
Total	\$ 95,950	\$ (14,079)

\$1,575,812 and \$65,019 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, 2024. 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		
2024	\$ (192,780)	\$ 8,418
2025	(182,599)	6,123
2026	(151,929)	1,448
2027	(20,344)	863
2028	(9,282)	-
Thereafter	(18,851)	-
	\$ (575,785)	\$ 16,852

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, 2021, 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, 2022.

Inflation	2.50 percent
Salary increases, including inflation -	

Notes to financial statements

13. OTHER POSTEMPLOYMENT HEALTH CARE BENEFIT PLANS, continued:

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.

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 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, 2021 valuation were based on the results of an actuarial experience study for the four year 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, and disabled)

Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a Mortality Improvement Scale MP-2020.

13. OTHER POSTEMPLOYMENT HEALTH CARE BENEFIT PLANS, continued:

Retirement Rates - Teachers & Largest 10 Locality Employers	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 - Teachers & Largest 10 Locality Employers	Adjusted rates to better fit experience at each year age and service through 9 years of service
Retirement Rates - Teachers & Largest 10 Locality Employers	No change
Salary Scale - Teachers & Largest 10 Locality Employers	No change
Discount Rate - Teachers & Largest 10 Locality Employers	No change

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'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)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	34.00%	5.71%	1.94%
Fixed income	15.00%	2.04%	0.31%
Credit Strategies	14.00%	4.78%	0.67%
Real Assets	14.00%	4.47%	0.63%
Private Equity	14.00%	9.73%	1.36%
MAPS- Multi-Asset Public Strategies	6.00%	3.73%	0.22%
PIP - Private Investment Partnership	3.00%	6.55%	0.20%
Total	100.00%		5.33%
	Inflation		2.50%
	*Expected arithmetic nominal return		7.83%

* The above allocation provides a one-year return of 7.83%. 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 6.72%, 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, 2022, 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, 2022 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 HIC OPEB Liability	Plan Fiduciary Net Pension	Net HIC OPEB Liability
Total OPEB Liability as of June 30, 2021	\$ 585,568	\$ 42,711	\$ 542,857
Changes for the year:			
Service Cost	5,411	-	5,411
Interest	39,312	-	39,312
Difference between expected and actual experiences	(20,174)	-	(20,174)
Changes of assumptions	33,223	-	33,223
Contributions-employer		42,036	(42,036)
Net investment income		(588)	588
Benefit payments	(17,151)	(17,151)	-
Administrative expenses		(117)	117
Other changes		\$ 471	(471)
Net changes	\$ 40,621	\$ 24,651	\$ 15,970
Total OPEB Liability as of June 30, 2022	\$ 626,189	\$ 67,362	\$ 558,827

Changes in Net HIC OPEB Liability - Teachers

The net OPEB liability (NOL) for Teacher Employee Health Insurance Credit 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, 2022, NOL amounts for the VRS Teacher Employee Health Increase Credit Program are as follows (amounts expressed in thousands):

	Teacher HIC OPEB Plan
Total Teacher Employee HIC OPEB Liability	\$ 1,470,891
Plan Fiduciary Net Position	221,845
Teacher Employee Net HIC OPEB Liability	\$ 1,249,046

Plan Fiduciary Net Position as a Percentage of the Total Teacher Employee HIC OPEB Liability 15.08%

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 Discount Rate 1% Increase

13. OTHER POSTEMPLOYMENT HEALTH CARE BENEFIT PLANS, continued:

	(5.75%)	(6.75%)	(7.75%)
School Board's proportionate share of the VRS Teacher Employee HIC OPEB Plan net HIC OPEB liability	\$ 18,472,691	\$ 16,390,863	\$ 14,626,150
School Board's proportionate share of the VRS Nonprofessional HIC OPEB Plan net HIC OPEB liability	\$ 609,640	\$ 558,827	\$ 514,878

Payable to Employee Health Insurance Credit Program OPEB Plan

The HIC OPEB Plan for School Board - Teachers and Nonprofessional plans had a payable of \$153,018 and \$6,322, respectively as of June 30, 2023.

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 2022 *Annual Comprehensive Financial Report*. A copy of the 2022 VRS Annual Comprehensive Financial Report may be downloaded from the VRS website at www.varetire.org/pdf/publications/2022-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.

Notes to financial statements

14. OTHER POSTEMPLOYMENT LINE OF DUTY BENEFITS, continued:

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 \$765,676 and \$719,260 for the years ended June 30, 2023 and June 30, 2022, respectively.

Membership:

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, 2023, the City reported a liability of \$18,878,300 for its Net LODA OPEB Liability. The Net LODA OPEB Liability was measured as of June 30, 2022. The total LODA OPEB liability was determined by an actuarial valuation as of June 30, 2021 and rolled forward to the measurement date of June 30, 2022.

For the year ended June 30, 2023, the City recognized LODA OPEB expense of \$1,632,101.

At June 30, 2023, 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	\$ 1,672,513	\$ (1,419,076)
Changes in assumptions	5,373,203	(4,873,482)
Employers contributions subsequent to the measurement date	765,676	-
Total	\$ 7,811,392	\$ (6,292,558)

\$765,676 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, 2024. 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	
2024	\$ 92,338
2025	92,338
2026	92,338
2027	92,338
Thereafter	383,806
	\$ 753,158

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, 2021, 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, 2022.

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	5.250% - 4.75%
Municipal bond index rate	
Prior measurement date	2.16%
Measurement date	3.54%

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 3.54%. This rate was based on the Bond Buyer General Obligation 20-year Municipal Bond Index at June 23, 2022.

Notes to financial statements

14. OTHER POSTEMPLOYMENT LINE OF DUTY BENEFITS, continued:

Change in Net LODA OPEB Liability

	Increase (Decrease)
	Total OPEB Liability
Balances at June 30, 2021	\$ 22,660,597
Changes for the year:	
Service Cost at the end of the year	1,029,218
Interest	504,079
Difference between expected and actual experience	102,767
Changes of assumptions	(4,708,894)
Benefit payments	(709,467)
Net changes	(3,782,297)
Balances at June 30, 2022	\$ 18,878,300

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 3.54%, 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 (2.54%) or one percentage point higher (4.54%) than the current rate:

	1% Decrease (2.54%)	Discount Rate (3.54%)	1% Increase (4.54%)
Net OPEB liability	\$ 22,137,421	\$ 18,878,300	\$ 16,336,458

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. Lower healthcare trends produce lower liabilities and, higher healthcare trends produce higher liabilities. The table below shows the sensitivity of the liabilities by presenting the net LODA OPEB liability if it were calculated using a health care trend rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease	Current Trend Rate	1% Increase
Net OPEB liability	\$ 15,764,602	\$ 18,878,300	\$ 22,887,221

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
-

Notes to financial statements

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 \$8,984 as of June 30, 2023.

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, 2023 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. 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 \$543,056 and \$508,013 for the years ended June 30, 2023 and June 30, 2022, respectively. Contributions to the GLI from the School Board for professional employees were \$706,474 and \$662,822 for the years ended June 30, 2023 and June 30, 2022, respectively. Contributions to the GLI from the School Board for nonprofessional employees were \$29,008 and \$23,461 for the years ended June 30, 2023 and June 30, 2022 respectively.

In June 2022, the Commonwealth made a special contribution of approximately \$30.4 million to the Group Life Insurance plan. This special payment was authorized by a Budget Amendment included in Chapter 1 of the 2022 Appropriation Act.

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, 2023, the City and School Board's professional and nonprofessional reported a liability for its proportionate share of the Net GLI OPEB Liability of \$5,207,597, \$6,794,475 and \$240,458 respectively. The Net GLI OPEB Liability was measured as of June 30, 2022 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2021 and rolled forward to the measurement date of June 30, 2022. 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, 2022 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, 2022 and June 30, 2021 is summarized below:

	Employer's Proportion June 30, 2022	Employers's Portion June 30, 2021
City of Hampton	0.43249 %	0.44188 %
School Board Professional Employees	0.56428 %	0.55601 %
School Board Nonprofessional Employees	0.01997 %	0.01924 %

For the year ended June 30, 2023, the City recognized GLI OPEB expense of \$17,139 and the School Board recognized GLI OPEB expense for professional employees of \$149,224 and nonprofessional employees of \$1,617. Since there

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

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.

At June 30, 2023, 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	\$ 412,376	\$ (208,915)
Changes of assumptions	194,235	(507,241)
Net difference between projected and actual investments earnings on GLI OPEB program investments	-	(325,399)
Changes in proportionate share	7,679	(400,390)
Employer contributions subsequent to the measurement date	543,056	-
Total	\$ 1,157,346	\$ (1,441,945)

\$543,056 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, 2024. 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		
2024	\$	(236,987)
2025		(211,615)
2026		(330,230)
2027		11,838
2028		(60,661)
Thereafter		-
	\$	(827,655)

School Board - Professional and Nonprofessional Employees:

Professional

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 538,037	\$ (272,578)
Changes in proportionate share	128,662	(228,304)
Net difference between projected and actual investment earnings on GLI OPEB investments	-	(424,555)
Changes of assumptions	253,423	(661,809)
Employer contributions subsequent to the measurement date	706,474	-
Total	\$ 1,626,596	\$ (1,587,246)

Nonprofessional

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 19,041	\$ (9,647)
Changes in proportionate share	13,464	(25,699)
Net difference between projected and actual investment earnings on GLI OPEB investments	-	(15,025)
Changes of assumptions	8,969	(23,422)
Employer contributions subsequent to the measurement date	29,008	-
Total	\$ 70,482	\$ (73,793)

\$706,474 and \$29,008 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, 2024. 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:

Notes to financial statements

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

	School Board Professional	School Board Nonprofessional
Fiscal Year Ending June 30		
2024	\$ (192,166)	\$ (8,422)
2025	(166,882)	(8,983)
2026	(348,405)	(15,274)
2027	71,944	464
2028	(31,615)	(104)
Thereafter	-	-
	<u>\$ (667,124)</u>	<u>\$ (32,319)</u>

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2021, 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, 2022.

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

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.

The actuarial assumptions used in the June 30, 2021 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:

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

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, 2021 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

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:

Notes to financial statements

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

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, 2021 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, 2022, NOL amounts for the GLI is as follows (amounts expressed in thousands):

	Group Life Insurance OPEB Program
Total GLI OPEB Liability	\$ 3,672,085
Plan Fiduciary Net Position	2,467,989
Net GLI OPEB Liability	\$ 1,204,096
Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability	67.21%

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.

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

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%	5.71%	1.94%
Fixed income	15.00%	2.04%	0.31%
Credit Strategies	14.00%	4.78%	0.67%
Real Assets	14.00%	4.47%	0.63%
Private Equity	14.00%	9.73%	1.36%
MAPS-Multi-Asset Public Strategies	6.00%	3.73%	0.22%
PIP-Private Investment Partnership	3.00%	6.55%	0.20%
Total	100.00%		5.33%
	Inflation		2.50%
	**Expected arithmetic nominal return		7.83%

* The above allocation provides a one-year return of 7.83%. 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 6.72%, 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, 2022, 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, 2022 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.

Notes to financial statements

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	\$ 7,577,663	\$ 5,207,597	\$ 3,292,259
School Board's Professional GLI OPEB Liability	\$ 9,886,757	\$ 6,794,475	\$ 4,295,489
School Board's Non-Professional GLI OPEB Liability	\$ 349,895	\$ 240,458	\$ 152,018

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 2022 Annual Comprehensive Financial Report, which may be downloaded from the VRS website at www.varetire.org/pdf/publications/2022-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 VRS Group Life Insurance OPEB Program

The City's and School's VRS Group Life Insurance OPEB plan payable as of June 30, 2023 totaled \$116,770 and \$177,302, 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 \$15,533,550 at June 30, 2023 is designated as

16. COMMITMENT AND CONTINGENCIES, continued:

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

Changes in the Funds' claims liability amount in fiscal years 2023, 2022 and 2021 were:

	Claims Liability July 1	Incurred Claims	Claims Payment	Claims Liability June 30
Risk Management Fund				
Fiscal Year 2023	\$ 9,911,787	\$ 5,883,107	\$ 2,479,011	\$ 13,315,883
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
General Fund				
Fiscal Year 2023	\$ 1,234,000	\$ 13,680,432	\$ 13,313,432	\$ 1,601,000
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

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, 2023 were as follows:

General Fund	\$ 2,732,005
Capital Projects Funds	35,937,715
Other Governmental Funds	6,115,699
Total Encumbrances	<u>\$ 44,785,419</u>

CITY OF HAMPTON, VIRGINIA
June 30, 2023

Notes to financial statements

16. COMMITMENT AND CONTINGENCIES, continued:

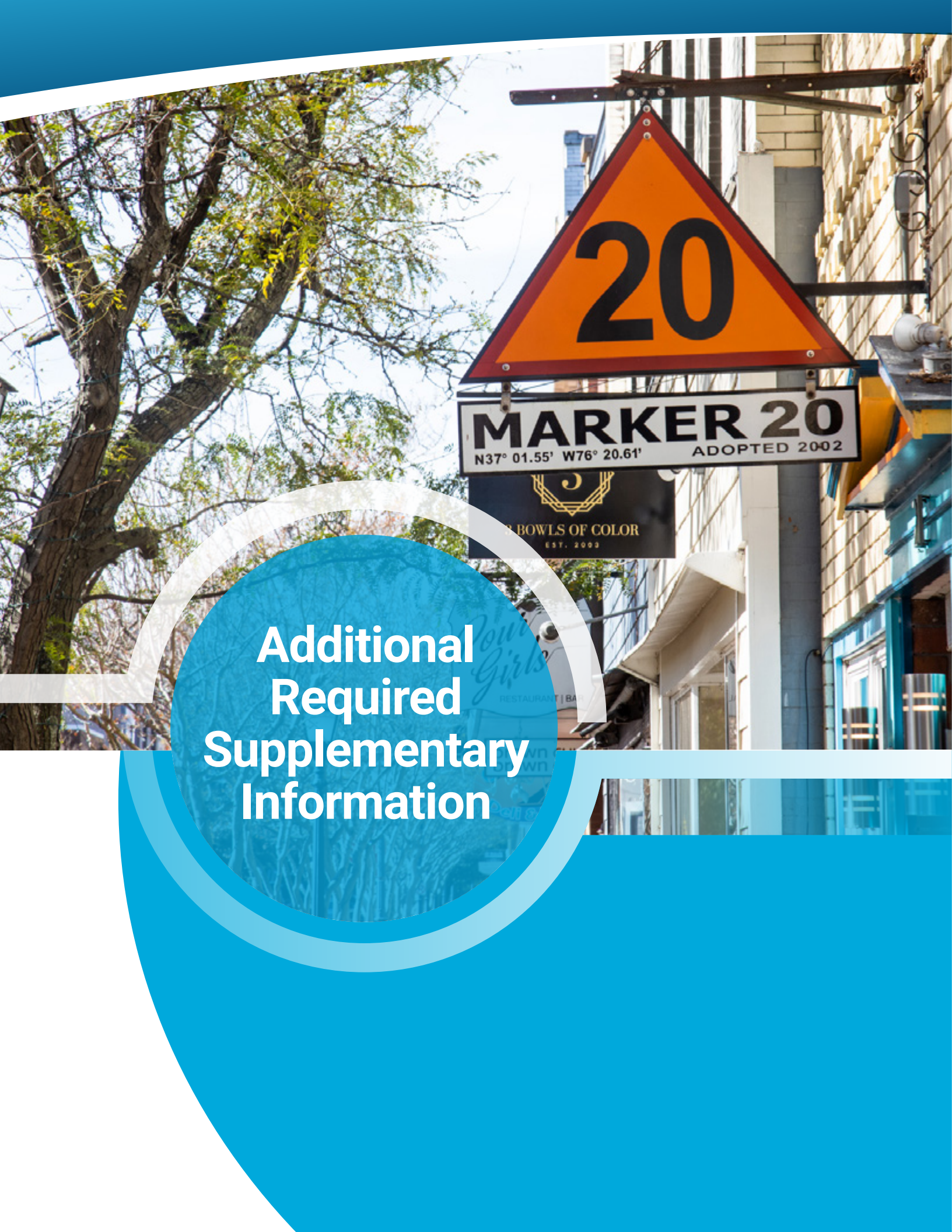
17. JOINT VENTURE:

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, 2022 is below. This information shows the jail is well able to meet its obligations. The City does not currently expect a financial benefit from its participation in this joint venture.

Revenues and other sources	\$ 46,081,748
Expenses and other uses	(45,540,056)
Change in fund equity	541,692
Net position, July 1, 2022	21,133,391
Net position, June 30, 2023	\$ 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.



**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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability										
Service cost	\$ 82,778	\$ 82,615	\$ 105,201	\$ 127,787	\$ 127,787	\$ 117,036	\$ 152,557	\$ 188,078	\$ 112,348	\$ 373,903
Interest	7,343,843	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	1,363,067	7,833,578	1,275,518	-	466,804	-	(76,396)	-	(425,331)	296
Changes of assumptions	-	-	-	-	-	(580,802)	-	-	-	-
Benefit payments, including refunds of employee contributions	(15,169,965)	(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	(6,380,277)	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	129,831,103	129,071,501	134,881,727	141,924,881	148,344,894	154,864,276	160,476,963	165,593,438	170,762,707	174,902,897
Total pension liability-ending (a)	\$ 123,450,826	\$ 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	\$ 1,689,180	\$ 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	12,689,202	(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	(15,169,965)	(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	(277,971)	(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	(1,069,554)	(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	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	123,450,283
Plan fiduciary net position-ending (b)	\$ 118,315,026	\$ 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)	\$ 5,135,800	\$ 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	 95.84%	 91.95%	 113.42%	 91.84%	 89.40%	 86.64%	 82.72%	 77.08%	 78.61%	 78.04%
Covered payroll	\$ 1,503,091	\$ 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	341.68%	678.65%	(909.18%)	489.19%	560.38%	706.91%	953.24%	689.21%	582.15%	368.09%

Notes to Schedule:

- 1) Benefit Changes: No benefit changes were enacted during fiscal year 2023.
- 2) Valuation Date: 6/30/2022; Actuarially determined contribution rates are calculated based on the actuarial valuation determined as of the odd year preceding the beginning of the Plan year.
- 2) Changes in assumptions: During FY23 no changes occurred.
- 3) GAAP requires 10- year trend information. Fiscal year 2014 is the first year of implementation.
- 4) Per GAAP, net pension liabilities are reported using the measurement date, which is June 30, 2023.

CITY OF HAMPTON, VIRGINIA
SCHEDULE OF CONTRIBUTIONS TO HERS
HERS' PENSION PLAN

REQUIRED SUPPLEMENTAL INFORMATION-UNAUDITED

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 1,689,180	\$ 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	1,689,180	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	\$ 1,503,091	\$ 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	112.38%	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

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total pension liability									
Service cost	\$ 12,421,727	\$ 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	46,037,213	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	(8,015,673)	(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	(38,907,176)	(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	11,536,091	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	689,064,653	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)	\$ 700,600,744	\$ 689,064,653	\$ 650,306,567	\$ 625,421,817	\$ 593,219,939	\$ 575,919,522	\$ 559,355,039	\$ 547,109,401	\$ 532,493,812
Plan fiduciary net position									
Contributions-employer	\$ 17,482,221	\$ 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	4,586,069	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	(428,973)	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	(38,907,176)	(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	(373,226)	(329,770)	(320,623)	(315,189)	(290,989)	(294,277)	(261,143)	(257,367)	(304,392)
Other	10,367	12,246	(14,764)	(19,486)	(29,364)	(44,266)	(3,049)	(3,890)	2,953
Net change in plan fiduciary net position	(17,630,718)	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	596,826,618	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)	\$ 579,195,900	\$ 596,826,618	\$ 482,098,115	\$ 488,142,012	\$ 473,104,571	\$ 452,964,528	\$ 415,314,880	\$ 417,719,522	\$ 407,774,878
Net pension liability-ending (a)-(b)	\$ 121,404,844	\$ 92,238,035	\$ 168,208,452	\$ 137,279,805	\$ 120,115,368	\$ 122,954,994	\$ 144,040,159	\$ 129,389,879	\$ 124,718,934
Plan fiduciary net position as a percentage of the total pension liability	82.67%	86.61%	74.13%	78.05%	79.75%	78.65%	74.25%	76.35%	76.58%
Covered payroll	\$ 91,577,899	\$ 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	132.57%	103.40%	180.53%	158.12%	134.14%	137.44%	162.14%	149.95%	144.30%

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, 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, 2016 are minimal.
- The actuarial assumptions in the June 30, 2022, 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.
- 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 CITY'S CONTRIBUTIONS TO VRS
VRS RETIREMENT PLAN
REQUIRED SUPPLEMENTAL INFORMATION-UNAUDITED

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 20,329,861	\$ 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	20,329,861	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	\$ 97,739,716	\$ 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	20.80%	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

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total pension liability									
Service cost	\$ 326,796	\$ 350,415	\$ 376,830	\$ 391,424	\$ 388,116	\$ 376,186	\$ 390,637	\$ 791,558	\$ 813,234
Interest	2,034,266	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	(1,431,090)	478,526	58,740	(233,935)	(266,110)	(405,218)	(2,626,193)	(220,586)	-
Benefit payments, including refunds of employee contributions	(2,076,844)	(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	(1,146,872)	1,718,085	254,255	763,574	20,375	(117,798)	(2,110,326)	251,239	958,877
Total pension liability-beginning	30,848,907	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)	\$ 29,702,035	\$ 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	\$ 276,383	\$ 255,272	\$ 366,592	\$ 376,506	\$ 449,019	\$ 413,542	\$ 427,758	\$ 411,361	\$ 900,981
Contributions-employee	200,963	187,439	197,377	198,458	203,832	188,884	238,049	193,337	372,764
Net investment income	(7,076)	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	(2,076,844)	(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	(19,804)	(18,217)	(18,144)	(18,113)	(17,095)	(17,696)	(16,323)	(17,081)	(19,666)
Other	481	641	(606)	(1,077)	(1,656)	(2,556)	(181)	(236)	188
Net change in plan fiduciary net position	(1,625,897)	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	31,249,317	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)	\$ 29,623,420	\$ 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)	\$ 78,615	\$ (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	99.74%	101.30%	89.13%	93.41%	94.92%	93.11%	87.06%	83.87%	86.63%
Covered payroll	\$ 3,931,479	\$ 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	2.00%	(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

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 288,855	\$ 276,383	\$ 256,014	\$ 363,067	\$ 356,901	\$ 449,018	\$ 413,542	\$ 427,758	\$ 411,361
Contribution in relation to the contractually required contribution	288,855	276,383	256,014	363,067	356,901	449,018	413,542	427,758	411,361
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 5,329,428	\$ 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	5.42%	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

	2023	2022	2021	2020	2019	2018	2017	2016	2015
School Board's proportion of the net pension liability	1.32%	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	\$ 125,572,888	\$ 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	\$ 122,307,841	\$ 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	102.67%	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	82.61%	85.46%	71.47%	0.7351	76.00 %	73.11 %	75.60 %	74.56 %	70.88%

*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) Chnages in assumptions: The actuarial assumptions used in the June 30, 2021, 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
 - Withdrawl 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
- 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

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 21,644,942	\$ 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	21,644,942	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)	\$ -	\$ 740,493	\$ 693,276	\$ 552,064	\$ 433,187	\$ 10,777	\$ 1,762,224	\$ 4,360,252	\$ 3,913,891
School Board's covered payroll	\$ 130,234,311	\$ 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%	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

	2023	2022	2021	2020	2019	2018
Total OPEB Liability						
Service cost at end of year	\$ 1,809,757	\$ 1,714,336	\$ 1,242,388	\$ 2,334,263	\$ 2,417,844	\$ 3,059,781
Interest	1,460,969	1,301,926	1,727,125	3,692,585	3,420,421	2,889,041
Differences between expected and actual experience	243,818	3,465,645	(200,395)	(12,853,356)	(182,752)	220,844
Changes of assumptions	(11,321,261)	4,313,751	8,432,167	(35,701,382)	(3,081,415)	(11,726,487)
Benefit payments	(2,357,672)	(1,972,825)	(2,236,629)	(2,656,287)	(2,580,971)	(2,798,872)
Net change in total OPEB	(10,164,389)	8,822,833	8,964,656	(45,184,177)	(6,873)	(8,355,693)
Total OPEB liability - beginning	67,000,213	58,177,380	49,212,724	94,396,901	94,403,774	102,759,467
Total OPEB liability - ending	<u>\$ 56,835,824</u>	<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	 \$ 94,253,213	 \$ 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	60.30%	73.17%	62.75%	53.71%	103.64%	104.17%

Notes to Schedule

- 1) For 2022, the discount rate changed to 3.54% from 2.16%, based on the Bond Buyer GO 20-Bond Municipal Bond Index at June 30, 2022.
- 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

	2023	2022	2021	2020	2019	2018
Total OPEB Liability						
Service cost at end of year	\$ 295,528	\$ 382,088	\$ 297,406	\$ 243,189	\$ 237,502	\$ 285,422
Interest	95,123	115,821	167,795	183,312	156,447	137,391
Changes of benefits	-	-	17,848	-	-	-
Differences between expected and actual experience	111,429	(309,868)	18,551	(480,534)	241,860	(40,581)
Changes of assumptions	(1,113,026)	(438,852)	430,224	45,320	98,094	(713,713)
Benefit payments	(337,675)	(659,649)	(109,153)	(239,385)	(504,195)	(212,196)
Net change in total OPEB	(948,621)	(910,460)	822,671	(248,098)	229,708	(543,677)
Total OPEB liability - beginning	4,276,233	5,186,693	4,364,022	4,612,120	4,382,412	4,926,089
Total OPEB liability - ending	<u>\$ 3,327,612</u>	<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	 \$ 122,306,080	 \$ 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	2.72%	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 2.16% to 3.54%; 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**

	2023	2022	2021	2020	2019	2018	2017
Primary Government							
Contractually determined contribution	\$ 2,634,891	\$ 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	2,634,891	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>	<u>\$ -</u>
Covered-employee payroll	\$100,569,761	\$ 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	2.62%	2.54%	2.19%	2.50%	3.17%	2.87%	3.09%
Component Unit-School Board							
Contractually determined contribution	\$ 741,072	\$ 370,332	\$ 688,991	\$ 132,649	\$ 504,195	\$ 534,836	\$ 212,196
Contributions in relation to contractually determined contribution	741,072	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>	<u>\$ -</u>
Covered-employee payroll	\$130,232,425	\$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	0.57%	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 2023, the discount rate increased from 2.16% to 3.54%.

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	2023	2022	2021	2020	2019	2018
Proportion of the Net OPEB liability	1.31227%	1.29479%	1.28697%	1.29655%	1.35919%	1.38996%
Proportionate Share of the Net OPEB liability	\$ 16,390,863	\$ 16,619,525	\$ 16,788,736	\$ 16,973,101	\$ 17,258,000	\$ 17,633,000
Employer's covered payroll	122,306,080	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	13.40%	14.51%	14.88%	15.61%	15.70%	16.07%
Plan fiduciary net position as a percentage of Total Teacher Employee HIC OPEB liability	15.08%	13.15%	9.95%	8.97%	8.08%	7.00%

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

	2023	2022	2021	2020	2019	2018	2017
School Board - Teachers							
Contractually determined contribution	\$ 1,575,812	\$ 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	1,575,812	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	\$130,232,425	\$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%	1.21%	1.20%	1.20%	1.23%	1.11%
School Board - Nonprofessional							
Contractually determined contribution	\$ 65,019	\$ 42,036	\$ 38,393	\$ -	\$ -	\$ -	\$ -
Contributions in relation to contractually determined contribution	65,019	42,036	38,393	-	-	-	-
Contribution deficiency	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
School Board's covered payroll	\$ 5,329,434	\$ 4,289,368	\$ 3,917,641	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered-employee payroll	1.22%	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

Changes of benefits 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, 2021 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 decrement 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

	2023	2022	2021	2020	2019	2018
Total OPEB Liability						
Service cost at end of year	\$ 1,029,218	\$ 999,697	\$ 784,953	\$ 807,017	\$ 916,561	\$ 565,127
Interest	504,079	435,900	549,137	453,230	491,686	278,308
Changes of benefit terms	-	-	-	-	-	3,162,168
Differences between expected and actual experience	102,767	153,071	(2,710)	2,166,977	(2,391,726)	(146,400)
Changes of assumptions	(4,708,894)	2,666,246	3,083,881	1,117,402	(444,636)	(526,209)
Benefit payments	(709,467)	(633,743)	(556,223)	(532,113)	(439,544)	(124,402)
Net change in total OPEB	(3,782,297)	3,621,171	3,859,038	4,012,513	(1,867,659)	3,208,592
Total OPEB liability - beginning	22,660,597	19,039,426	15,180,388	11,167,875	13,035,534	9,826,942
Total OPEB liability - ending	\$ 18,878,300	\$ 22,660,597	\$ 19,039,426	\$ 15,180,388	\$ 11,167,875	\$ 13,035,534
Covered-employee payroll	\$ 91,561,683	\$ 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	20.62%	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

	2023	2022	2021	2020	2019	2018
Contractually required contribution	\$ 765,676	\$ 719,216	\$ 640,163	\$ 567,166	\$ 546,033	\$ 468,634
Contribution in relation to the contractually required contribution	765,676	719,216	640,163	567,166	546,033	468,634
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 91,562,706	\$ 91,561,683	\$ 91,561,683	\$ 90,779,972	\$ 88,434,323	\$ 91,084,919
Contributions as a percentage of covered-employee payroll	0.84%	0.79%	0.70%	0.62%	0.62%	0.51%

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, 2021 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

No change

Salary Scale

No change

Line of Duty Disability

No change

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

	2023	2022	2021	2020	2019	2018
Primary Government - City						
Proportionate share of the net other postemployment benefit liability	0.43249%	0.44188%	0.4411%	0.4511%	0.4790%	0.4913%
Proportionate share of the net other postemployment benefit liability	\$ 5,207,597	\$ 5,144,682	\$ 7,361,237	\$ 7,340,923	\$ 7,275,000	\$ 7,394,000
Covered payroll	\$ 94,076,467	\$ 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	5.54%	5.64%	8.11%	8.30%	7.99%	8%
Plan fiduciary net position as a percentage of the total other postemployment benefit liability	67.21%	67.45%	52.64%	52.00%	51.22%	49.00%
Component Unit-School Board						
Proportionate share of the net other postemployment benefit liability	0.58425%	0.57525%	0.57371%	0.05802%	0.60247%	0.61732%
Proportionate share of the net other postemployment benefit liability	\$ 7,034,933	\$ 6,697,741	\$ 9,574,281	\$ 9,440,910	\$ 9,150,000	\$ 9,289,000
Covered payroll	\$ 127,089,296	\$ 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	5.54%	5.64%	8.41%	8.30%	7.99%	8%
Plan fiduciary net position as a percentage of the total other postemployment benefit liability	67.21%	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

	2023	2022	2021	2020	2019	2018	2017
Primary Government- City							
Contractually required contribution	\$ 543,058	\$ 508,013	\$ 492,656	\$ 472,056	\$ 459,858	\$ 473,642	\$ 471,264
Contributions in relation to the contractually required contribution	543,058	508,013	492,656	472,056	459,858	473,642	471,264
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City covered-employee payroll	\$ 100,566,260	\$ 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%	0.54%	0.52%	0.52%	0.52%	0.52%
-							
Component Unit-School Board							
Contractually required contribution	\$ 735,482	\$ 686,283	\$ 641,362	\$ 613,972	\$ 591,400	\$ 595,702	\$ 592,106
Contributions in relation to contractually required contribution	735,482	686,283	641,362	613,972	591,400	595,702	592,106
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
School Board covered payroll	\$ 136,200,363	\$ 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%	0.54%	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, 2021 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; 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

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

No change

Salary Scale

No change

Line of Duty Disability

No change

Discount Rate

No change

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; 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

CITY OF HAMPTON, VIRGINIA
GENERAL FUND
BALANCE SHEET
June 30, 2023

Assets:		
Cash and cash equivalents	\$	146,810,931
Investments		32,115,405
Property Tax Receivable (net of allowance for uncollectible of \$2,081,110)		12,311,473
Intergovernmental receivables:		
Due from Commonwealth of Virginia		10,435,083
Due from Federal Government		995,316
Accounts Receivable		3,892,789
Due from other funds		8,346,299
Due from component units		21,248
Inventories		31,738
Total assets		<u>214,960,282</u>
Liabilities:		
Accounts payable	\$	9,107,181
Accrued health insurance		12,009,686
Accrued liabilities		4,697,544
Due to other funds		27,769,208
Due to component units		123,402
Unearned revenues		168,064
Total liabilities		<u>53,875,085</u>
Deferred inflows of resources:		
Unavailable revenue-property taxes		11,114,390
Unavailable revenue-leases		12,775
Property taxes collected in advance		2,594,169
Total deferred inflows of resources		<u>13,721,334</u>
Fund balances:		
Nonspendable		31,738
Restricted		2,046,954
Committed		26,726,007
Assigned		17,613,128
Unassigned		100,946,036
Total fund balances		<u>147,363,863</u>
Total liabilities, deferred inflows of resources and fund balances	\$	<u><u>214,960,282</u></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, 2023

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget Over (Under)
REVENUES				
Intergovernmental:				
From the Commonwealth of Virginia	\$ 41,808,047	\$ 59,978,421	\$ 59,856,533	\$ (121,888)
From the Federal government	10,427,244	10,427,244	11,371,943	944,699
Local taxes	313,014,965	297,561,036	308,034,123	10,473,087
Special assessments	5,695,251	5,695,251	2,015,739	(3,679,512)
Licenses and permits	1,461,250	1,461,250	1,861,390	400,140
Fines and forfeitures	837,415	837,415	887,716	50,301
Revenues from use of money and property	1,094,846	1,094,846	6,032,912	4,938,066
Charges for services	9,959,565	9,959,565	11,043,815	1,084,250
Recovered costs	1,520,757	1,520,757	1,473,203	(47,554)
Payment from component units	3,331,603	3,331,603	2,877,000	(454,603)
Miscellaneous	5,360,740	5,141,448	5,584,683	443,235
Total revenues	394,511,683	397,008,836	411,039,057	14,030,221
EXPENDITURES				
Current:				
General government	145,124,709	117,441,988	113,369,259	(4,072,729)
Public safety	60,196,312	67,889,597	67,672,589	(217,008)
Highways and streets	2,644,655	2,323,085	2,323,085	-
Health	5,221,019	5,001,678	5,001,647	(31)
Human services	24,251,860	23,580,414	23,515,952	(64,462)
Culture and recreation	12,455,781	13,341,045	13,341,033	(12)
Education	87,731,579	87,539,385	87,539,383	(2)
Debt Service:				
Principal	-	1,076,696	1,076,696	-
Interest	-	59,554	59,554	-
Total expenditures	337,625,915	318,253,442	313,899,198	(4,354,244)
Excess of revenues over expenditures	56,885,768	78,755,394	97,139,859	18,384,465
OTHER FINANCING SOURCES (USES)				
Transfers in		229,292	235,690	6,398
Transfers out	(65,001,728)	(89,882,239)	(89,875,562)	6,677
Other financing uses, net	(65,001,728)	(89,652,947)	(89,639,872)	13,075
Net change in fund balances	(8,115,960)	(10,897,553)	7,499,987	\$ 18,397,540
Appropriations from fund balance	8,115,960	10,896,959		
Appropriations - encumbrances	-	594		
Fund balance - July 1	-	-	139,863,877	
Fund balance - June 30	\$ -	\$ -	\$ 147,363,864	

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

GENERAL FUND STATEMENTS

Exhibit B-3

CITY OF HAMPTON, VIRGINIA GENERAL FUND SCHEDULE OF REVENUES AND OTHER CREDITS - BUDGET AND ACTUAL For the Year Ended June 30, 2023

	Budget July 1, 2022	Net Changes	Final June 30, 2023	Actual	Variance Over (Under)
Local taxes					
General property taxes:					
Real estate	\$ 160,720,085	\$ -	\$ 160,720,085	\$ 160,385,574	\$ (334,511)
Public service	4,584,312	-	4,584,312	4,904,134	319,822
Personal property	50,925,270	(15,453,929)	35,471,341	37,343,661	1,872,320
Mobile homes	27,127	-	27,127	45,327	18,200
Machinery and tools	2,894,571	-	2,894,571	2,903,014	8,443
Delinquent taxes	450,000	-	450,000	711,250	261,250
Penalty	1,309,000	-	1,309,000	1,835,195	526,195
Total general property taxes	220,910,365	(15,453,929)	205,456,436	208,128,155	2,671,719
Other local taxes:					
Utility-electric and gas	5,000,000	-	5,000,000	4,948,276	(51,724)
Communications sales tax	6,416,513	-	6,416,513	6,359,822	(56,691)
Tobacco	4,000,000	-	4,000,000	3,582,327	(417,673)
Business license	14,752,004	-	14,752,004	15,865,573	1,113,569
Short-term rental	126,354	-	126,354	166,124	39,770
Sales and use	20,000,000	-	20,000,000	21,639,599	1,639,599
Recordation	2,450,000	-	2,450,000	2,212,099	(237,901)
Public right of way	410,000	-	410,000	306,023	(103,977)
Lodging and transit	4,750,000	-	4,750,000	6,166,080	1,416,080
Amusement	1,100,000	-	1,100,000	1,236,121	136,121
Meal	25,600,000	-	25,600,000	29,420,162	3,820,162
Motor vehicle	4,292,528	-	4,292,528	4,524,665	232,137
Bank stock	607,201	-	607,201	652,256	45,055
License tax par mutual	2,600,000	-	2,600,000	2,826,841	226,841
Total other local taxes	92,104,600	-	92,104,600	99,905,968	7,801,368
Total local taxes	313,014,965	(15,453,929)	297,561,036	308,034,123	10,473,087
License, permits and privilege fees:					
Animal licenses	25,000	-	25,000	22,734	(2,266)
Street and taxi permits	182,200	-	182,200	189,876	7,676
Zoning and land use	319,800	-	319,800	661,664	341,864
Building permits	907,250	-	907,250	888,542	(18,708)
Miscellaneous	27,000	-	27,000	98,574	71,574
Total license, permits and privilege fees	1,461,250	-	1,461,250	1,861,390	400,140
Total fines and forfeitures	837,415	-	837,415	887,716	50,301
Special assessments:					
Peninsula Town Center CDA	4,377,463	-	4,377,463	1,068,081	(3,309,382)
H2O CDA	336,000	-	336,000	55,161	(280,839)
Coliseum BID	712,643	-	712,643	630,790	(81,853)
Downtown BID	209,796	-	209,796	202,948	(6,848)
Elizabeth Lakes	59,349	-	59,349	58,759	(590)
Total special assessments	5,695,251	-	5,695,251	2,015,739	(3,679,512)
Revenue from use of money and property:					
Interest on investments	850,000	-	850,000	5,815,174	4,965,174
Rental of property	91,828	-	91,828	138,701	46,873
Sale of materials and property	65,019	-	65,019	59,445	(5,574)
Vending machines	4,946	-	4,946	12,917	7,971
Billboard revenue	83,053	-	83,053	7,200	(75,853)
Lease revenue	-	-	-	75,272	75,272
Net decrease in fair value of investments	-	-	-	(75,797)	(75,797)
Total revenue from use of money and property	1,094,846	-	1,094,846	6,032,912	4,938,066

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, 2023

	Budget July 1, 2022	Net Changes	Final June 30, 2023	Actual	Variance Over (Under)
Charges for services:					
Fees:					
Court costs	\$ 1,000	\$ -	\$ 1,000	\$ 1,278	\$ 278
Clerk	60,000	-	60,000	140,050	80,050
Cobra administration	1,000	-	1,000	-	(1,000)
Court officers	26,000	-	26,000	19,361	(6,639)
Parks and Recreation	792,104	-	792,104	1,107,861	315,757
Youth, Education, and Family Services	1,094,454	-	1,094,454	1,278,000	183,546
Sheriff	30,439	-	30,439	146,989	116,550
Sheriff - Canteen Fund	-	-	-	23,170	23,170
Library	25,000	-	25,000	8,816	(16,184)
Jail admission fee	8,350	-	8,350	9,845	1,495
Ambulance services	4,800,000	-	4,800,000	5,137,035	337,035
Fire Prevention	214,400	-	214,400	215,091	691
Public education grant fees	200,000	-	200,000	190,185	(9,815)
Passport applications	50,000	-	50,000	32,386	(17,614)
Miscellaneous charges for services	267,187	-	267,187	281,494	14,307
Landfill host fees	1,205,671	-	1,205,671	1,230,023	24,352
Payment in lieu of taxes-Fort Monroe	983,960	-	983,960	983,960	-
Boat license fee	200,000	-	200,000	227,782	27,782
Administrative Fees	-	-	-	10,489	10,489
Total charges for services	9,959,565	-	9,959,565	11,043,815	1,084,250
Miscellaneous revenue:					
Opioid Abatement Settlement	-	-	-	458,456	458,456
Payment in lieu of taxes-other	49,926	-	49,926	46,082	(3,844)
Returned check charges	14,010	-	14,010	5,550	(8,460)
Unemployment fees	4,000	-	4,000	3,833	(167)
School reimbursement	2,328,838	-	2,328,838	2,328,839	1
Indirect cost	1,383,037	(229,292)	1,153,745	1,153,745	-
Other	1,580,929	10,000	1,590,929	1,588,178	(2,751)
Total miscellaneous revenue	5,360,740	(219,292)	5,141,448	5,584,683	443,235
Recovered costs:					
Jail operations	404,617	-	404,617	195,688	(208,929)
Probation	8,500	-	8,500	4,889	(3,611)
NASA fire services	957,640	-	957,640	957,640	-
Miscellaneous	150,000	-	150,000	314,986	164,986
Total recovered costs	1,520,757	-	1,520,757	1,473,203	(47,554)
Noncategorical aid - state:					
Personal property tax relief reimbursement	-	15,453,929	15,453,929	15,453,929	-
Vehicle rental tax	520,000	-	520,000	659,232	139,232
Railroad rolling stock tax	10,516	-	10,516	15,655	5,139
Mobile home titling tax	20,312	-	20,312	27,983	7,671
Total noncategorical aid - state	550,828	15,453,929	16,004,757	16,156,799	152,042
Shared expenses - state:					
Sheriff	7,282,080	-	7,282,080	5,395,879	(1,886,201)
Commonwealth's Attorney	1,513,173	-	1,513,173	1,512,408	(765)
Commissioner of Revenue	368,787	-	368,787	397,223	28,436
Treasurer	303,968	-	303,968	300,426	(3,542)
Clerk of Courts	912,959	-	912,959	1,018,086	105,127
Registrar-election board	55,801	-	55,801	103,506	47,705
Total shared expenses - state	10,436,768	-	10,436,768	8,727,528	(1,709,240)

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, 2023

	Budget July 1, 2022	Net Changes	Final June 30, 2023	Actual	Variance Over (Under)
Categorical aid - state:					
Public assistance	\$ 4,912,945	\$ -	\$ 4,912,945	\$ 5,485,820	\$ 572,875
Police	7,254,948	-	7,254,948	7,989,026	734,078
Street and highway maintenance	17,556,412	2,716,445	20,272,857	20,272,857	-
E911 wireless grant	618,387	-	618,387	691,966	73,579
Public library books	162,055	-	162,055	216,834	54,779
Virginia juvenile block grant	315,704	-	315,704	315,703	(1)
Total categorical aid - state	30,820,451	2,716,445	33,536,896	34,972,206	1,435,310
Categorical aid - federal:					
Pass thru-Public assistance	9,765,854	-	9,765,854	10,537,359	771,505
Pass thru-Healthy Families	630,890	-	630,890	630,890	-
Pass thru-Federal Rad. Emergency Response	20,500	-	20,500	-	(20,500)
Federal funds - Police	-	-	-	193,313	193,313
Total categorical aid - federal	10,417,244	-	10,417,244	11,361,562	944,318
Noncategorical aid - federal					
Payment in lieu of Taxes-National Park Service	-	-	-	381	381
Indirect costs-total	10,000	-	10,000	10,000	-
Total noncategorical aid - federal	10,000	-	10,000	10,381	381
Total revenues	391,180,080	2,497,153	393,677,233	408,162,057	14,484,824
Payment from component units					
Economic Development Authority	464,603	-	464,603	10,000	(454,603)
Hampton City Schools	2,867,000	-	2,867,000	2,867,000	-
Total component Units	3,331,603	-	3,331,603	2,877,000	(454,603)
Other credits: Transfers from					
Solid Waste Fund	-	116,000	116,000	116,000	-
Grants Fund	-	-	-	6,397	6,397
Wastewater Fund	-	113,292	113,292	113,293	-
Total transfers	-	229,292	229,292	235,690	6,398
Total revenues and transfers	394,511,683	2,726,445	397,238,128	411,274,746	14,036,618
Appropriations from fund balance	8,115,960	2,780,999	10,896,959	10,884,959	(12,000)
Appropriations-encumbrances	-	-	-	2,669,080	2,669,080
Total appropriations	8,115,960	2,780,999	10,896,959	13,554,039	2,657,080
Total revenues and other credits	\$ 402,627,643	\$ 5,507,444	\$ 408,135,087	\$ 424,828,785	\$ 16,693,698

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, 2023

	Appropriations			Expenditures				Variance Under (Over)
	Budget July 1, 2022	Net Changes	Final June 30, 2023	Personal Services	Operating Expenditures	Capital Outlay	Total	
General Government								
Legislative:								
Municipal Council	\$ 514,752	\$ 69,044	\$ 583,796	\$ 427,655	\$ 155,801	\$ 338	\$ 583,794	\$ 2
Legislative - Total	514,752	69,044	583,796	427,655	155,801	338	583,794	2
Executive:								
City Manager	1,478,013	57,291	1,535,304	1,342,865	164,588	-	1,507,453	27,851
311 Customer Call Center	584,766	(44,061)	540,705	460,343	78,462	1,572	540,377	328
Citizens Unity Commission	130,076	(41,592)	88,484	70,156	18,326	-	88,482	2
Marketing, INC	839,810	67,213	907,023	579,183	321,964	5,800	906,947	76
Internal Audit	194,884	8,918	203,802	195,222	8,577	-	203,799	3
Executive - Total	3,227,549	47,769	3,275,318	2,647,769	591,917	7,372	3,247,058	28,260
City Attorney:								
Law-City Attorney	1,447,687	193,042	1,640,729	1,465,333	130,112	24,843	1,620,288	20,441
City Attorney - Total	1,447,687	193,042	1,640,729	1,465,333	130,112	24,843	1,620,288	20,441
Human Resources -Total	1,267,874	53,846	1,321,720	1,080,718	240,675	326	1,321,719	1
Judicial:								
Clerk of Courts	1,188,696	116,256	1,304,952	1,000,061	111,270	-	1,111,331	193,621
Circuit Court	354,382	(4,109)	350,273	323,450	19,563	-	343,013	7,260
General District Court	210,597	8,630	219,227	85,464	132,295	-	217,759	1,468
District Court-J.D.R.	48,786	(22,212)	26,574	-	26,545	-	26,545	29
Commonwealth's Attorney	2,988,363	(34,239)	2,954,124	2,599,924	251,015	34,908	2,885,847	68,277
City Sheriff-Administration	2,200,468	(952,992)	1,247,476	789,294	298,060	-	1,087,354	160,122
City Sheriff-Jail	7,447,771	638,142	8,085,913	4,981,149	3,085,601	18,984	8,085,734	179
Court Service Unit	1,800,936	118,942	1,919,878	150,960	1,685,114	-	1,836,074	83,804
Magistrates Office	29,259	(10,898)	18,361	11,938	3,358	3,064	18,360	1
Judicial - Total	16,269,258	(142,480)	16,126,778	9,942,240	5,612,821	56,956	15,612,017	514,761

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, 2023

	Appropriations			Expenditures				Variance
	Budget July 1, 2022	Net Changes	Final June 30, 2023	Personal Services	Operating Expenditures	Capital Outlay	Total	Under (Over)
General Government, continued:								
Boards and commissions:								
Community Development	\$ 4,184,974	\$ (99,663)	\$ 4,085,311	\$ 2,705,417	\$ 959,940	\$ 99,117	\$ 3,764,474	\$ 320,837
Elections Board	242,737	39,115	281,852	94,269	113,299	74,282	281,850	2
Registrar	295,693	(50,633)	245,060	233,894	10,659	-	244,553	507
Development	1,258,785	199,364	1,458,149	977,793	209,779	3,768	1,191,340	266,809
Boards and Commissions - Total	5,982,189	88,183	6,070,372	4,011,373	1,293,677	177,167	5,482,217	588,155
Agriculture - Extension Agent - Total	75,403	(7,842)	67,561	43,987	23,573	-	67,560	1
Nondepartmental:								
Nondepartmental	32,826,211	(5,580,357)	27,245,854	479,107	26,152,183	46,689	26,677,979	567,875
Civic and community support	867,845	2,434,895	3,302,740	-	2,062,091	-	2,062,091	1,240,649
Other	7,146,959	(5,452,541)	1,694,418	-	1,686,273	-	1,686,273	8,145
Nondepartmental - Total	40,841,015	(8,598,003)	32,243,012	479,107	29,900,547	46,689	30,426,343	1,816,669
Finance:								
Commissioner of Revenue	1,408,247	79,650	1,487,897	1,255,683	232,206	-	1,487,889	8
Assessor of Real Estate	1,273,548	(11,271)	1,262,277	1,117,034	143,484	-	1,260,518	1,759
City Treasurer	1,955,052	92,599	2,047,651	1,503,496	439,003	-	1,942,499	105,152
Consolidated Procurement	465,893	(50,120)	415,773	385,269	29,817	-	415,086	687
Independent Auditors	215,351	(3,452)	211,899	-	210,889	-	210,889	1,010
Finance	998,637	379,166	1,377,803	1,037,761	100,957	6,919	1,145,637	232,166
Information Technology	4,148,511	11,130	4,159,641	1,345,558	2,214,060	528,415	4,088,033	71,608
Finance - Total	10,465,239	497,702	10,962,941	6,644,801	3,370,416	535,334	10,550,551	412,390
Retirement and Employee Benefits								
Total	58,980,318	(20,551,381)	38,428,937	2,027,269	35,710,857	-	37,738,126	690,811
Public Works:								
Administration	225,553	36,955	262,508	225,139	36,552	-	261,691	817
Engineering	872,651	(39,567)	833,084	772,885	57,234	2,964	833,083	1
Property Maintenance	4,752,301	765,304	5,517,605	1,417,615	3,964,934	135,055	5,517,604	1
Parking Facilities	202,920	(95,294)	107,626	34,850	72,358	-	107,208	418
Public Works - Total	6,053,425	667,398	6,720,823	2,450,489	4,131,078	138,019	6,719,586	1,237

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, 2023

	Appropriations			Expenditures				Variance Under (Over)
	Budget July 1, 2022	Net Changes	Final June 30, 2023	Personal Services	Operating Expenditures	Capital Outlay	Total	
General Government - Total	\$ 145,124,709	\$ (27,682,722)	\$ 117,441,988	\$ 31,220,741	\$ 81,161,474	\$ 987,044	\$ 113,369,259	\$ 4,072,728
Public Safety:								
Police Division	27,614,143	2,393,467	30,007,610	24,040,010	5,056,698	714,878	29,811,586	196,024
Traffic Engineering	3,477,338	(139,896)	3,337,442	592,068	2,745,283	-	3,337,351	91
Fire Division	24,166,686	5,283,896	29,450,582	23,899,830	5,550,714	-	29,450,544	38
Emergency Management	392,509	(2,133)	390,376	326,200	58,631	(291)	384,540	5,836
E911	2,990,919	399,354	3,390,273	2,836,433	490,225	63,601	3,390,259	14
Animal Control	601,882	(42,640)	559,242	387,547	164,529	7,165	559,241	1
Youth Violence Prevention	952,835	(198,763)	754,072	576,991	162,077	-	739,068	15,004
Public Safety - Total	<u>60,196,312</u>	<u>7,693,285</u>	<u>67,889,597</u>	<u>52,659,079</u>	<u>14,228,157</u>	<u>785,353</u>	<u>67,672,589</u>	<u>217,008</u>
Highways and Streets-Total	<u>2,644,655</u>	<u>(321,570)</u>	<u>2,323,085</u>	<u>928,388</u>	<u>1,387,647</u>	<u>7,050</u>	<u>2,323,085</u>	<u>-</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, 2023**

	Appropriations			Expenditures				Variance Under (Over)
	Budget July 1, 2022	Net Changes	Final June 30, 2023	Personal Services	Operating Expenditures	Capital Outlay	Total	
Health:								
Preventive Medicine	\$ 1,304,428	\$ (191,805)	\$ 1,112,623	\$ -	\$ 1,112,623	\$ -	\$ 1,112,623	\$ -
Drainage Maintenance	3,916,591	(27,536)	3,889,055	619,284	3,268,235	1,505	3,889,024	31
Health - Total	<u>5,221,019</u>	<u>(219,341)</u>	<u>5,001,678</u>	<u>619,284</u>	<u>4,380,858</u>	<u>1,505</u>	<u>5,001,647</u>	<u>31</u>
Human Services:								
Administration	15,413,442	150,919	15,564,361	9,559,644	5,881,715	123,002	15,564,361	-
Public Assistance	592,122	(121,100)	471,022	-	440,440	-	440,440	30,582
Purchase of Services	4,105,900	(525,335)	3,580,565	-	3,561,169	-	3,561,169	19,396
Youth, Education and Family Services	4,140,396	(175,930)	3,964,466	3,311,524	638,458	-	3,949,982	14,484
Human Services - Total	<u>24,251,860</u>	<u>(671,446)</u>	<u>23,580,414</u>	<u>12,871,168</u>	<u>10,521,782</u>	<u>123,002</u>	<u>23,515,952</u>	<u>64,462</u>
Culture and Recreation:								
Recreation	5,287,072	531,283	5,818,355	3,930,768	1,815,432	72,147	5,818,347	8
Parks	4,333,511	221,052	4,554,563	1,886,289	2,641,727	26,544	4,554,560	3
Conventions and Tourism	2,409,751	93,120	2,502,871	969,570	1,528,572	4,729	2,502,871	-
Hampton History Museum	425,447	39,809	465,256	382,982	82,273	-	465,255	1
Culture and Recreation - Total	<u>12,455,781</u>	<u>885,264</u>	<u>13,341,045</u>	<u>7,169,609</u>	<u>6,068,004</u>	<u>103,420</u>	<u>13,341,033</u>	<u>12</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, 2023

	Appropriations			Expenditures				Variance Under (Over)
	Budget July 1, 2022	Net Changes	Final June 30, 2023	Personal Services	Operating Expenditures	Capital Outlay	Total	
Education:								
School Operations	\$ 85,483,984	\$ -	\$ 85,483,984	\$ -	\$ 85,483,984	\$ -	\$ 85,483,984	\$ -
Public Library	2,247,595	(192,194)	2,055,401	1,685,516	369,883	-	2,055,399	2
Education - Total	<u>87,731,579</u>	<u>(192,194)</u>	<u>87,539,385</u>	<u>1,685,516</u>	<u>85,853,867</u>	<u>-</u>	<u>87,539,383</u>	<u>2</u>
Debt Service:								
Principal	\$ -	\$ 1,076,696	\$ 1,076,696	\$ -	\$ 1,076,696	\$ -	\$ 1,076,696	\$ -
Interest	-	59,554	59,554	-	59,554	-	59,554	-
Debt Service - Total	<u>-</u>	<u>1,136,250</u>	<u>1,136,250</u>	<u>-</u>	<u>1,136,250</u>	<u>-</u>	<u>1,136,250</u>	<u>-</u>
Total expenditures	<u>337,625,915</u>	<u>(19,372,474)</u>	<u>318,253,442</u>	<u>107,153,785</u>	<u>204,738,039</u>	<u>2,007,374</u>	<u>313,899,198</u>	<u>4,354,244</u>
Operating Transfers Out:								
Capital Projects Fund	17,446,784	24,123,400	41,570,184	-	41,570,184	-	41,570,184	-
Enterprise Funds	9,436,235	2,574,657	12,010,892	-	12,007,920	-	12,007,920	2,972
Internal Service Funds	500,000	1,549,528	2,049,528	-	2,049,528	-	2,049,528	-
Special Revenue Funds	2,623,202	(204,498)	2,418,704	-	2,414,999	-	2,414,999	3,705
Debt Service Fund	34,995,507	(3,162,576)	31,832,931	-	31,832,931	-	31,832,931	-
Transfers - Total	<u>65,001,728</u>	<u>24,880,511</u>	<u>89,882,239</u>	<u>-</u>	<u>89,875,562</u>	<u>-</u>	<u>89,875,562</u>	<u>6,677</u>
Total expenditures and transfers	<u>\$ 402,627,643</u>	<u>\$ 5,508,037</u>	<u>\$ 408,135,681</u>	<u>\$ 107,153,785</u>	<u>\$ 294,613,601</u>	<u>\$ 2,007,374</u>	<u>\$ 403,774,761</u>	<u>\$ 4,360,921</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, 2023**

	Special Revenue				Total Non-major Governmental Funds
	Community Development	Stormwater Management	Pembroke Complex	Law Library	
Assets:					
Cash and cash equivalents	\$ 151,440	\$ 10,563,281	\$ 144,332	\$ -	\$ 10,859,053
Due from Federal Government	136,279	-	-	-	136,279
Accounts receivables	-	546,759	-	-	546,759
Due from other funds	-	-	-	30,184	30,184
Total assets	\$ 287,719	\$ 11,110,040	\$ 144,332	\$ 30,184	\$ 11,572,275
Liabilities:					
Accounts payable	87,873	121,362	34,284	285	243,804
Due to other funds	-	-	-	29,899	29,899
Due to component units	-	31	-	-	31
Total liabilities	87,873	121,393	34,284	30,184	273,734
Deferred inflows of resources:					
Unavailable revenue-program income	199,846	-	-	-	199,846
Unavailable revenue-stormwater fees	-	546,759	-	-	546,759
Total deferred inflows of resources	199,846	546,759	-	-	746,605
Fund balances:					
Restricted	-	10,441,888	110,048	-	10,551,936
Total fund balances	-	10,441,888	110,048	-	10,551,936
Total liabilities,deferred inflows of resources and fund balances	\$ 287,719	\$ 11,110,040	\$ 144,332	\$ 30,184	\$ 11,572,275

CITY OF HAMPTON, VIRGINIA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended June 30, 2023

	Special Revenue				Total Non-major Governmental Funds
	Community Development	Stormwater Management	Pembroke Complex	Law Library	
REVENUES					
Intergovernmental revenues:					
From the Federal government	\$ 1,476,945	\$ -	\$ -	\$ -	\$ 1,476,945
Revenues from use of money and property	-	-	367,103	-	367,103
Charges for services	-	12,323,255	-	-	12,323,255
Miscellaneous	271,093	-	-	40,662	311,755
Total revenues	<u>1,748,038</u>	<u>12,323,255</u>	<u>367,103</u>	<u>40,662</u>	<u>14,479,058</u>
EXPENDITURES					
Current:					
General government	1,748,038	-	379,731	72,080	2,199,849
Sanitation	-	7,184,042	-	-	7,184,042
Debt Service:					
Principal retirement	-	747,856	-	-	747,856
Interest and fiscal charges	-	726,288	-	-	726,288
Total expenditures	<u>1,748,038</u>	<u>8,658,186</u>	<u>379,731</u>	<u>72,080</u>	<u>10,858,035</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>3,665,069</u>	<u>(12,628)</u>	<u>(31,418)</u>	<u>3,621,023</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	30,184	30,184
Transfers out	-	(2,813,297)	-	-	(2,813,297)
Other financing sources (uses), net	<u>-</u>	<u>(2,813,297)</u>	<u>-</u>	<u>30,184</u>	<u>(2,783,113)</u>
Net change in fund balances	<u>-</u>	<u>851,772</u>	<u>(12,628)</u>	<u>(1,234)</u>	<u>837,910</u>
Fund balances, beginning of year	<u>-</u>	<u>9,590,116</u>	<u>122,676</u>	<u>1,234</u>	<u>9,714,026</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ 10,441,888</u>	<u>\$ 110,048</u>	<u>\$ -</u>	<u>\$ 10,551,936</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, 2023

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		Over (Under)
REVENUES				
Charges for services	\$ 11,977,520	\$ 11,977,520	\$ 12,323,255	\$ 345,735
Total revenues	11,977,520	11,977,520	12,323,255	345,735
EXPENDITURES				
Current:				
Sanitation	8,305,232	8,577,252	7,184,042	(1,393,210)
Debt Service:				
Principal retirement	745,000	747,856	747,856	-
Interest and fiscal charges	726,288	726,288	726,288	-
Total expenditures	9,776,520	10,051,396	8,658,186	(1,393,210)
Excess of revenues over expenditures	2,201,000	1,926,124	3,665,069	1,738,945
OTHER FINANCING SOURCES (USES)				
Transfers out	(2,820,000)	(2,820,000)	(2,813,297)	(6,703)
Other financing (uses), net	(2,820,000)	(2,820,000)	(2,813,297)	(6,703)
Net change in fund balances	(619,000)	(893,876)	851,772	\$ 1,745,648
Appropriation from fund balance	619,000	619,000		
Appropriations - encumbrances	-	274,876		
Fund balance - July 1	-	-	9,590,116	
Fund balance - June 30	-	-	\$ 10,441,888	

CITY OF HAMPTON, VIRGINIA
NON-MAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF NET POSITION
June 30, 2023

	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	\$ 13,118,121	\$ 800	\$ 800	\$ 4,839,063	\$ 5,352,780	\$ 23,311,564
Accounts receivable, net	86,900	1,832	-	3,587,464	919,225	4,595,421
Due from other funds	664,578	-	17,922	-	-	682,500
Due from component units	-	-	-	13,804	-	13,804
Inventories	90,507	3,213	7,972	-	-	101,692
Prepaid items	75,110	-	-	-	-	75,110
Total current assets	14,035,216	5,845	26,694	8,440,331	6,272,005	28,780,091
Noncurrent assets:						
Capital assets:						
Land	164,079	2,295,538	262,100	945,188	-	3,666,905
Buildings and improvements	11,742,752	995,046	2,398,794	-	87,875	15,224,467
Improvements other than buildings	7,730,979	755,532	3,802,031	76,921	18,687,951	31,053,414
Computer software	22,500	-	-	-	225,843	248,343
Equipment	3,269,536	629,353	477,890	13,195,421	7,457,791	25,029,991
Landfill	-	-	-	3,865,986	-	3,865,986
Lease equipment	39,090	238,942	390,635	7,083	-	675,750
Construction in progress	81,465	-	-	-	-	81,465
Less: accumulated depreciation/ amortization	(18,348,683)	(2,344,567)	(6,658,185)	(10,712,297)	(21,815,688)	(59,879,420)
Total capital assets	4,701,718	2,569,844	673,265	7,378,302	4,643,772	19,966,901
Total noncurrent assets	4,701,718	2,569,844	673,265	7,378,302	4,643,772	19,966,901
Total assets	18,736,934	2,575,689	699,959	15,818,633	10,915,777	48,746,992
DEFERRED OUTFLOWS OF RESOURCES						
Related to pensions	366,745	61,468	76,379	762,071	589,551	1,856,214
Related to other postemployment benefits	234,619	127,596	96,041	652,897	293,418	1,404,571
Total deferred outflows of resources	601,364	189,064	172,420	1,414,968	882,969	3,260,785
LIABILITIES						
Current liabilities:						
Accounts payable	1,280,048	7,983	10,736	499,323	37,796	1,835,886
Accrued leave	56,585	11,457	5,795	115,645	51,204	240,686
Due to other funds	-	2,714,575	4,839,329	-	-	7,553,904
Due to component units	-	-	-	660	-	660
Unearned revenues	1,780,205	1,665	-	-	-	1,781,870
Current portion of lease payable	13,047	57,495	92,581	2,324	-	165,447
Current portion of long-term debt	-	-	-	-	139,060	139,060
Other liabilities	716,046	10,399	14,910	1,016	-	742,371
Total current liabilities	3,845,931	2,803,574	4,963,351	618,968	228,060	12,459,884
Noncurrent liabilities:						
Accrued leave	28,700	9,470	26,503	105,444	91,692	261,809
Lease payable	9,698	124,706	229,364	3,235	-	367,003
Net pension liability	1,420,488	238,082	295,835	2,951,679	1,967,508	6,873,592
Net other postemployment benefits liability	191,161	159,692	120,774	1,101,986	444,926	2,018,539
Bonds payable	-	-	-	-	298,055	298,055
Total noncurrent liabilities	1,650,047	531,950	672,476	4,162,344	2,802,181	9,818,998
Total liabilities	5,495,978	3,335,524	5,635,827	4,781,312	3,030,241	22,278,882
DEFERRED INFLOWS OF RESOURCES						
Related to pensions	298,612	50,049	62,189	620,497	330,298	1,361,645
Related to other postemployment benefits	553,286	299,474	79,436	1,472,561	685,526	3,090,283
Total deferred inflows of resources	851,898	349,523	141,625	2,093,058	1,015,824	4,451,928
NET POSITION						
Net investment in capital assets	4,678,973	2,387,643	351,320	7,372,743	4,206,657	18,997,336
Unrestricted (deficit)	8,311,449	(3,307,937)	(5,256,393)	2,986,488	3,546,024	6,279,631
Total net position (deficit)	\$ 12,990,422	\$ (920,294)	\$ (4,905,073)	\$ 10,359,231	\$ 7,752,681	\$ 25,276,967

**CITY OF HAMPTON, VIRGINIA
NON-MAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended June 30, 2023**

	Business-type Activities - Non-Major Enterprise Funds					
	Coliseum	The Woodlands	The Hamptons	Solid Waste	Refuse- Steam Plant	Totals
Operating revenues:						
Charges for services	\$ 15,705,531	\$ 642,839	\$ 680,218	\$ 15,771,470	\$ 3,806,309	\$ 36,606,367
Federal Revenues	591,903	-	-	-	2,944,625	3,536,528
Miscellaneous	852	-	-	-	-	852
Total operating revenues	16,298,286	642,839	680,218	15,771,470	6,750,934	40,143,747
Operating expenses:						
Personal services	2,402,279	321,690	486,489	2,552,468	1,940,350	7,703,276
Fringe benefits	28,917	8,206	141,685	232,929	694,767	1,106,504
Promoters fees	9,524,811	-	-	-	-	9,524,811
Cost of goods sold	516,333	30,971	26,571	-	-	573,875
Utilities	713,266	63,289	100,989	920	587,570	1,466,034
Insurance	309,793	20,026	22,696	119,490	322,388	794,393
Operating supplies	808,889	64,833	40,847	843,392	667,274	2,425,235
Equipmental rental	34,728	-	29,025	633	11,479	75,865
Equipment and building repairs	199,564	47,428	27,316	747,959	1,443,590	2,465,857
Telephone and postage	97,277	9,442	7,758	23,463	16,743	154,683
General expense	2,485,570	5,595	6,977	116,860	39,089	2,654,091
Landfill costs	-	-	-	6,320,892	527,322	6,848,214
Contractual services	1,181,781	55,267	49,730	3,095,725	353,999	4,736,502
Indirect cost	-	-	-	356,470	218,000	574,470
Depreciation and amortization	600,639	84,951	99,444	1,172,574	724,260	2,681,868
Total operating expenses	18,903,847	711,698	1,039,527	15,583,775	7,546,831	43,785,678
Operating income (loss)	(2,605,561)	(68,859)	(359,309)	187,695	(795,897)	(3,641,931)
Nonoperating revenues (expenses):						
Interest income	21,276	-	-	-	207,028	228,304
Interest and fiscal charges	(4,523)	(5,227)	(8,616)	(9,172)	(26,370)	(53,908)
Gain (loss) on disposal of capital assets	-	-	(1,987)	(71,576)	9,347	(64,216)
Total nonoperating revenues (expenses), net	16,753	(5,227)	(10,603)	(80,748)	190,005	110,180
Income (loss) before transfers	(2,588,808)	(74,086)	(369,912)	106,947	(605,892)	(3,531,751)
Transfers in(out)	2,037,896	181,121	356,429	(179,330)	-	2,396,116
Change in net position	(550,912)	107,035	(13,483)	(72,383)	(605,892)	(1,135,635)
Net position (deficit), beginning of year	13,541,334	(1,027,329)	(4,891,590)	10,431,614	8,358,573	26,412,602
Net position (deficit), end of year	\$ 12,990,422	\$ (920,294)	\$ (4,905,073)	\$ 10,359,231	\$ 7,752,681	\$ 25,276,967

**CITY OF HAMPTON, VIRGINIA
NON-MAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
Fiscal Year Ended June 30, 2023**

	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	\$ 15,788,337	\$ 645,146	\$ 680,218	\$ 16,227,497	\$ 6,563,250	\$ 39,904,448
Cash payments to suppliers for goods and services	(14,857,694)	(435,606)	(335,452)	(13,062,114)	(4,353,161)	(33,044,027)
Cash payments to employees for services	(2,432,528)	(328,693)	(623,889)	(2,775,561)	(2,651,490)	(8,812,161)
Net cash provided by (used in) operating activities	(1,501,885)	(119,153)	(279,123)	389,822	(441,401)	(1,951,740)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Cash received from other funds	2,037,896	181,121	356,429	-	-	2,575,446
Cash paid to other funds	-	-	-	(179,330)	-	(179,330)
Net cash provided by (used in) noncapital financing activities	2,037,896	181,121	356,429	(179,330)	-	2,396,116
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Acquisition and construction of capital assets	(354,596)	-	(199)	(2,356,966)	(189,217)	(2,900,978)
Sale of capital assets	-	-	-	79,334	9,569	88,903
Principal paid on revenue bond maturities and long-term debt	(12,327)	(56,741)	(68,491)	(542,853)	(133,049)	(813,461)
Interest paid on revenue bonds and long-term debt	(4,523)	(5,227)	(8,616)	(9,172)	(26,370)	(53,908)
Net cash used in capital and related financing activities	(371,446)	(61,968)	(77,306)	(2,829,657)	(339,067)	(3,679,444)
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest and dividends on investments	21,276	-	-	-	207,028	228,304
Net cash provided by investing activities	21,276	-	-	-	207,028	228,304
Net increase (decrease) in cash and cash equivalents	185,841	-	-	(2,619,165)	(573,440)	(3,006,764)
Cash and cash equivalents, July 1	12,932,280	800	800	7,458,228	5,926,220	26,318,328
Cash and cash equivalents, June 30	\$ 13,118,121	\$ 800	\$ 800	\$ 4,839,063	\$ 5,352,780	\$ 23,311,564
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:						
Operating income (loss)	\$ (2,605,561)	\$ (68,859)	\$ (359,309)	\$ 187,695	\$ (795,897)	\$ (3,641,931)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation and amortization expense	600,639	84,951	99,444	1,172,574	724,260	2,681,868
Decrease (increase) in:						
Accounts receivable	(79,861)	-	-	445,383	(187,684)	177,838
Due from other funds	(591,466)	640	(17,922)	-	-	(608,748)
Due from component units	-	-	-	10,644	-	10,644
Due from other governments	-	-	-	-	-	-
Inventories	(5,514)	5,922	8,663	-	-	9,071
Prepaid items	(72,247)	-	(7,972)	-	-	(80,219)
Increase (decrease) in:						
Accounts payable	1,016,571	1,170	(17,337)	100,035	(61,181)	1,039,258
Accrued leave	11,438	1,671	(1,340)	12,776	11,894	36,439
Due to other funds	-	2	-	492	(64)	430
Other liabilities	602,067	(14,032)	(12,539)	(114,085)	(62,140)	399,271
Unearned revenues	161,378	1,665	-	-	-	163,043
Net pension and other postemployment benefits liability	48,643	(24,251)	77,945	(256,525)	509,550	355,362
Deferred outflows & inflows related to pensions	(575,202)	(107,564)	(54,381)	(1,166,227)	(551,872)	(2,455,246)
Long-term accrued leave	(12,770)	(468)	5,625	(2,940)	(28,267)	(38,820)
Total adjustments	1,103,676	(50,294)	80,186	202,127	354,496	1,690,191
Net cash provided by (used in) operating activities	\$ (1,501,885)	\$ (119,153)	\$ (279,123)	\$ 389,822	\$ (441,401)	\$ (1,951,740)
Non-cash transactions affecting investing, capital and related financing activities:						
Acquisition of capital assets through leases	\$ 39,090	\$ 238,942	\$ 390,635	\$ 7,083	\$ -	\$ 675,750
Total non-cash transactions	\$ 39,090	\$ 238,942	\$ 390,635	\$ 7,083	\$ -	\$ 675,750

CITY OF HAMPTON, VIRGINIA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
June 30, 2023

	Equipment Replacement	Fleet Services	Risk Management	Information Technology	Totals
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 14,789,658	\$ 2,604,495	\$ 29,137,633	\$ 2,832,713	\$ 49,364,499
Cash with fiscal agent	5,717,921	-	427,512	-	6,145,433
Accounts receivable, net	53,839	16,791	111,576	34,100	216,306
Due from other funds	2,000,000	-	-	-	2,000,000
Due from component units	-	59,635	-	-	59,635
Prepaid items	-	-	58,238	182,707	240,945
Inventories	-	286,847	-	-	286,847
Total current assets	22,561,418	2,967,768	29,734,959	3,049,520	58,313,665
Noncurrent assets:					
Capital assets:					
Improvements other than buildings	-	477,601	-	-	477,601
Computer software	14,400	171,225	-	30,150	215,775
Equipment	44,476,995	608,632	53,567	1,943,325	47,082,519
Lease equipment	-	-	6,832	-	6,832
Subscription assets	-	-	176,283	-	176,283
Construction In progress	2,085,751	-	-	-	2,085,751
Less: accumulated depreciation/amortization	(30,954,878)	(933,005)	(65,225)	(1,864,819)	(33,817,927)
Total capital assets	15,622,268	324,453	171,457	108,656	16,226,834
Total noncurrent assets (net capital assets)	15,622,268	324,453	171,457	108,656	16,226,834
Total assets	38,183,686	3,292,221	29,906,416	3,158,176	74,540,499
DEFERRED OUTFLOWS OF RESOURCES					
Related to pensions	-	295,588	102,841	54,324	452,753
Related to other postemployment benefits	-	289,353	41,119	76,890	407,362
Total deferred outflows of resources	-	584,941	143,960	131,214	860,115
LIABILITIES					
Current liabilities:					
Accounts payable	429,105	478,363	343,131	103,635	1,354,234
Accrued liabilities	-	-	3,136	-	3,136
Accrued leave	-	54,278	11,159	11,165	76,602
Due to component unit	-	15	15	-	30
Current portion of lease payable	-	-	1,552	-	1,552
Current portion of subscription payable	-	-	32,682	-	32,682
Current portion of long-term debt	711,757	-	-	-	711,757
Current portion for claims and judgements	-	-	11,406,007	-	11,406,007
Other liabilities	-	680	-	-	680
Total current liabilities	1,140,862	533,336	11,797,682	114,800	13,586,680
Noncurrent liabilities:					
Claims payable	-	-	1,909,876	-	1,909,876
Accrued leave	-	29,997	20,777	22,219	72,993
Subscription payable	-	-	112,188	-	112,188
Notes payable	5,442,164	-	-	-	5,442,164
Net pension liability	-	1,144,880	398,328	210,409	1,753,617
Net other postemployment benefit liability	-	525,069	73,173	127,970	726,212
Total noncurrent liabilities	5,442,164	1,699,946	2,514,342	360,598	10,017,050
Total liabilities	6,583,026	2,233,282	14,312,024	475,398	23,603,730
DEFERRED INFLOWS OF RESOURCES					
Related to pensions	-	240,675	83,736	44,231	368,642
Related to other postemployment benefits	-	663,967	96,031	183,523	943,521
Total deferred inflows of resources	-	904,642	179,767	227,754	1,312,163
NET POSITION					
Net investment in capital assets	9,468,347	324,453	25,035	108,656	9,926,491
Unrestricted	22,132,313	414,785	15,533,550	2,477,582	40,558,230
Total net position	\$ 31,600,660	\$ 739,238	\$ 15,558,585	\$ 2,586,238	\$ 50,484,721

CITY OF HAMPTON, VIRGINIA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended June 30, 2023

	Equipment Replacement	Fleet Services	Risk Management	Information Technology	Totals
Operating revenues:					
Charges for services	\$ 3,531,410	\$ 9,357,332	\$ 9,386,334	\$ 3,227,035	\$ 25,502,111
Operating expenses:					
Personal services	-	1,067,670	325,179	101,022	1,493,871
Fringe benefits	-	48,931	132,988	22,997	204,916
Cost of goods sold	-	6,341,895	-	-	6,341,895
Utilities	-	54,550	-	-	54,550
Insurance	-	48,134	5,651,214	3,193	5,702,541
Operating supplies	-	159,456	13,907	5,709	179,072
Equipment rental	-	7,407	27,151	-	34,558
Equipment and building repairs	-	78,662	5,110	9,260	93,032
Telephone and postage	-	13,973	13,085	1,121,881	1,148,939
General expense	-	48,365	5,793	54,771	108,929
Claims	-	-	5,221,443	-	5,221,443
Contractual services	25,400	666,334	313,064	878,790	1,883,588
Depreciation and amortization	2,888,049	47,084	40,111	45,579	3,020,823
Total operating expenses	2,913,449	8,582,461	11,749,045	2,243,202	25,488,157
Operating income(loss)	617,961	774,871	(2,362,711)	983,833	13,954
Nonoperating revenues (expenses):					
Interest income	477,492	-	956,921	87,569	1,521,982
Interest and fiscal charges	(67,346)	-	(3,154)	-	(70,500)
Gain (loss) on disposal of capital assets	118,128	-	-	-	118,128
Total nonoperating revenues (expenses), net	528,274	-	953,767	87,569	1,569,610
Income (loss) before transfers	1,146,235	774,871	(1,408,944)	1,071,402	1,583,564
Transfers in	2,000,000	-	-	49,528	2,049,528
Change in net position	3,146,235	774,871	(1,408,944)	1,120,930	3,633,092
Net position(deficit), beginning of year	28,454,425	(35,633)	16,967,529	1,465,308	46,851,629
Net position, end of year	\$ 31,600,660	\$ 739,238	\$ 15,558,585	\$ 2,586,238	\$ 50,484,721

**CITY OF HAMPTON, VIRGINIA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2023**

	Equipment Replacement	Fleet Services	Risk Management	Information Technology	Totals
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	\$ 7,891,710	\$ 9,592,625	\$ 10,736,334	\$ 3,211,465	\$ 31,432,134
Cash payments to suppliers for goods and services	273,639	(7,663,785)	(7,709,825)	(2,501,178)	(17,601,149)
Cash payments to employees for services	-	(1,135,245)	(470,540)	(97,821)	(1,703,606)
Net cash provided by operating activities	8,165,349	793,595	2,555,969	612,466	12,127,379
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Cash received from other funds	-	-	-	49,528	49,528
Net cash provided by noncapital financing activities	-	-	-	49,528	49,528
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition and construction of capital assets	(7,481,722)	(28,663)	(5,260)	-	(7,515,645)
Principal paid on long-term debt	(457,000)	(602)	(34,060)	-	(491,662)
Proceeds from long-term debt	2,859,921	-	-	-	2,859,921
Interest paid on revenue bonds and long-term debt	(67,346)	-	(3,154)	-	(70,500)
Sale of capital assets	3,118,061	-	-	-	3,118,061
Net cash used in capital and related financing activities	(2,028,086)	(29,265)	(42,474)	-	(2,099,825)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest and dividends on investments	433,069	-	867,974	87,569	1,388,612
Net cash provided by investing activities	433,069	-	867,974	87,569	1,388,612
Net increase (decrease) in cash and cash equivalents (including cash with fiscal agents)	6,570,332	764,330	3,381,469	749,563	11,465,694
Cash and cash equivalents, July 1	13,937,247	1,840,165	26,183,676	2,083,150	44,044,238
Cash and cash equivalents, June 30	\$ 20,507,579	\$ 2,604,495	\$ 29,565,145	\$ 2,832,713	\$ 55,509,932

Continued

INTERNAL SERVICE FUNDS COMBINING STATEMENT OF CASH FLOWS For the Year Ended June 30, 2023

	Equipment Replacement	Fleet Services	Risk Management	Information Technology	Totals
Reconciliation of operating income to net cash provided by operating activities:					
Operating income (loss)	\$ 617,961	\$ 774,871	\$ (2,362,711)	\$ 983,833	\$ 13,954
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation and amortization expense	2,888,049	47,084	40,111	45,579	3,020,823
Decrease (increase) in:					
Accounts receivable	(44,423)	(4,166)	(88,947)	(15,570)	(153,106)
Due from other funds	2,360,300	-	1,350,000	-	3,710,300
Due from component units	-	239,459	-	-	239,459
Inventories	-	242,556	-	-	242,556
Prepaid items	-	-	19,160	(64,349)	(45,189)
Increase (decrease) in:					
Accounts payable	299,039	62,869	124,903	(212,794)	274,017
Accrued leave	-	13,418	(2,057)	22,187	33,548
Due to component unit	-	15	15	-	30
Other liabilities	-	(39,586)	(13,585)	(5,414)	(58,585)
Accrued Liabilities	-	-	3,136	-	3,136
Nonoperating revenues reported as operating activity	2,000,000	-	-	-	2,000,000
Accrued claims	-	-	3,431,396	-	3,431,396
Accounts receivable reported as nonoperating activity	44,423	-	88,947	-	133,370
Long-term accrued leave	-	7,524	3,269	9,425	20,218
Long-term accrued insurance claims reported as operating activity	-	-	(27,300)	-	(27,300)
Net pension and other postemployment benefits liability	-	(61,675)	104,295	(52,125)	(9,505)
Deferred outflows & inflows of resources related to pensions and other postemployment benefits	-	(488,774)	(114,663)	(98,306)	(701,743)
Total adjustments	7,547,388	18,724	4,918,680	(371,367)	12,113,425
Net cash provided by operating activities	\$ 8,165,349	\$ 793,595	\$ 2,555,969	\$ 612,466	\$ 12,127,379
Non-cash transactions affecting investing, capital and related financing activities:					
Acquisition of right to use assets through subscription	\$ -	\$ -	\$ 183,115	\$ -	\$ 183,115
Total non-cash transactions	\$ -	\$ -	\$ 183,115	\$ -	\$ 183,115

CITY OF HAMPTON, VIRGINIA
COMBINING STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS - CUSTODIAL FUNDS
June 30, 2023

	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	\$ -	\$ 1,524,675	\$ 45,520	\$ 136,138	\$ 737,123	\$ 2,443,456
Accounts receivable, net	-	284,278	-	-	-	284,278
Total assets	-	1,808,953	45,520	136,138	737,123	2,727,734
LIABILITIES						
Accounts payable and other liabilities	-	\$ 12,919	26,092	2,704	334,967	376,682
Total liabilities	-	12,919	26,092	2,704	334,967	376,682
NET POSITION						
Restricted for:						
Individuals, organizations, and other governments	-	1,796,034	19,428	133,434	402,156	2,351,052
Total net position	\$ -	\$ 1,796,034	\$ 19,428	\$ 133,434	\$ 402,156	\$ 2,351,052

CITY OF HAMPTON, VIRGINIA
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS - CUSTODIAL FUNDS
For the Year Ended June 30, 2023

	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	\$ 30,857	\$ 1,071,143	\$ -	\$ -	\$ 108,280	\$ 1,210,280
Individuals	-	-	929	204,566	-	205,495
Total	30,857	1,071,143	929	204,566	108,280	1,415,775
Investment earnings:						
Interest, dividends, other	-	80,364	-	-	207	80,571
Net investment earnings	-	80,364	-	-	207	80,571
Charges for Services	-	-	-	-	52,032	52,032
State revenues	27,642	302,770	8,600	-	41,615	380,627
Federal revenues	-	277,203	-	-	-	277,203
Income tax and fees collected for the State	-	-	-	-	2,318,995	2,318,995
Total additions	58,499	1,731,480	9,529	204,566	2,521,129	4,525,203
DEDUCTIONS						
Beneficiary payments to individuals	-	-	9,664	173,540	-	183,204
Payments to other entities	201,070	-	-	-	-	201,070
Administrative expense	9,056	1,646,143	-	-	182,569	1,837,768
Income tax and fees distributions to the State	-	-	-	-	2,242,573	2,242,573
Total deductions	210,126	1,646,143	9,664	173,540	2,425,142	4,464,615
Change in net position	(151,627)	85,337	(135)	31,026	95,987	60,588
Net position, July 1,	151,627	1,710,697	19,563	102,408	306,169	2,290,464
Net position, June 30	\$ -	\$ 1,796,034	\$ 19,428	\$ 133,434	\$ 402,156	\$ 2,351,052

Exhibit G-1

**CITY OF HAMPTON, VIRGINIA
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
COMBINING BALANCE SHEET
June 30, 2023**

	Operating	Food Services	Reimbursable Projects	Rental Income	School Activity	Athletics	Total
ASSETS							
Cash and cash equivalents	\$ 19,127,677	\$ 8,501,007	\$ 3,626,904	\$ 1,512,391	\$ 993,130	\$ 325,079	\$ 34,086,188
Cash with fiscal agent	6,963,189	-	-	-	-	-	6,963,189
Accounts receivable, net	581,237	32,466	89,398	76	2,167	2,266	707,610
Lease receivable	3,753,497	-	-	101,928	-	-	3,855,425
Due from Primary Government	131,075	-	-	-	-	-	131,075
Due from other funds	9,871,967	-	-	-	-	-	9,871,967
Due from other governments	2,804,140	2,044,909	11,757,222	-	-	-	16,606,271
Inventories	224,506	265,957	-	-	-	-	490,463
Total assets	<u>43,457,288</u>	<u>10,844,339</u>	<u>15,473,524</u>	<u>1,614,395</u>	<u>995,297</u>	<u>327,345</u>	<u>72,712,188</u>
LIABILITIES AND FUND BALANCES							
Liabilities							
Accounts payable and other liabilities	21,470,637	186,020	4,004,550	2,136	13,220	17,263	25,693,826
Due to other funds	-	369,913	9,495,652	-	-	6,402	9,871,967
Due to Primary Government	94,601	-	-	-	-	86	94,687
Unearned revenues	1,218,657	382,967	1,519,517	4,531	-	-	3,125,672
Total liabilities	<u>22,783,895</u>	<u>938,900</u>	<u>15,019,719</u>	<u>6,667</u>	<u>13,220</u>	<u>23,751</u>	<u>38,786,152</u>
Deferred inflows of resources:							
Related to leases	3,598,507	-	-	98,172	-	-	3,696,679
	<u>3,598,507</u>	<u>-</u>	<u>-</u>	<u>98,172</u>	<u>-</u>	<u>-</u>	<u>3,696,679</u>
Fund balances							
Nonspendable	379,496	265,957	-	3,756	-	-	649,209
Restricted	-	9,639,482	453,805	-	-	-	10,093,287
Assigned	16,695,390	-	-	1,505,800	982,077	303,594	19,486,861
Total fund balances	<u>17,074,886</u>	<u>9,905,439</u>	<u>453,805</u>	<u>1,509,556</u>	<u>982,077</u>	<u>303,594</u>	<u>30,229,357</u>
Total liabilities and fund balances	<u>\$ 43,457,288</u>	<u>\$ 10,844,339</u>	<u>\$ 15,473,524</u>	<u>\$ 1,614,395</u>	<u>\$ 995,297</u>	<u>\$ 327,345</u>	<u>\$ 72,712,188</u>

Reconciliation of the School Board's Combining Balance Sheet to the Statement of Net Position (Exhibit A-11)

Total fund balance	\$ 30,229,357
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital and Right-to-Use assets used in governmental activities are not financial resources and, therefore, not reported in the funds	99,023,662
Accumulated depreciation/amortization on capital and right-to-use assets	(78,465,010)
Long-term liability for compensated absences	(6,747,054)
Lease/Subscription payable	(1,219,360)
Interest accrual related to lease and subscription payable	(2,785)
Net pension liability	(128,319,098)
Net other postemployment benefits liability	(27,312,235)
Deferred outflows of resources related to pensions	37,351,147
Deferred outflows of resources related to OPEB	5,357,723
Deferred inflows of resources related to pensions	(29,207,472)
Deferred inflows of resources related to OPEB	(4,893,494)
Net position discretely presented component unit School Board	<u>\$ (104,204,619)</u>

CITY OF HAMPTON, VIRGINIA
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended June 30, 2023

	Operating	Food Services	Reimbursable Projects	Rental Income	School Activity	Athletics	Total
REVENUES							
State funds	\$ 174,333,195	\$ 280,440	\$ 2,453,550	\$ -	\$ -	\$ -	\$ 177,067,185
Federal funds (includes pass through)	788,192	13,163,703	61,542,894	-	-	-	75,494,789
Other receipts	3,721,239	346,930	879,510	98,244	1,686,967	307,275	7,040,165
Lease revenue	301,068	-	-	49,086	-	-	350,154
Lease interest revenue	76,396	-	-	1,035	-	-	77,431
Payments from City	85,483,984	-	-	-	-	-	85,483,984
Total revenues	264,704,074	13,791,073	64,875,954	148,365	1,686,967	307,275	345,513,708
EXPENDITURES							
Education	257,384,715	12,683,637	64,451,043	96,428	1,723,955	799,582	337,139,360
Capital outlay- leases	446,077	-	15,310	-	-	-	461,387
Capital outlay- subscription assets	261,936	-	56,633	-	-	-	318,569
Debt Service-leases and subscriptions							
Principal	541,650	-	93,865	-	-	-	635,515
Interest	11,641	-	1,383	-	-	-	13,024
Total expenditures	258,646,019	12,683,637	64,618,234	96,428	1,723,955	799,582	338,567,855
Excess (deficiency) of revenues over (under) expenditures	6,058,055	1,107,436	257,720	51,937	(36,988)	(492,307)	6,945,853
OTHER FINANCING SOURCES (USES)							
Lease financing	446,077	-	15,310	-	-	-	461,387
Subscription-based intangible assets financing	261,936	-	56,633	-	-	-	318,569
Transfer from:							
Cafeteria Fund	459,953	-	-	-	-	-	459,953
Reimbursable Projects Fund	781,798	-	-	-	24,227	-	806,025
School Operating Fund	-	-	496,077	-	-	476,582	972,659
Transfer to:							
Athletics Fund	(476,582)	-	-	-	-	-	(476,582)
Reimbursable Projects Fund	(496,077)	-	-	-	-	-	(496,077)
Student Activity Fund	(24,227)	-	-	-	-	-	(24,227)
School Operating Fund	-	(459,953)	(781,798)	-	-	-	(1,241,751)
Total other sources (uses), net	952,878	(459,953)	(213,778)	-	24,227	476,582	779,956
Net change in fund balance	7,010,933	647,483	43,942	51,937	(12,761)	(15,725)	7,725,809
Fund balance - July 1	10,063,953	9,257,956	409,863	1,457,619	994,838	319,319	22,503,548
Fund balance - June 30	\$ 17,074,886	\$ 9,905,439	\$ 453,805	\$ 1,509,556	\$ 982,077	\$ 303,594	\$ 30,229,357

Exhibit G-2

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	\$ 7,725,809
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 and right-to-use assets	8,700,091
Depreciation expense	(2,432,788)
Amortization expense on right-to-use assets	(578,507)
Other liabilities not paid from current period revenues are not reported in the funds for accrued lease interest expense	(2,367)
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.	
Proceeds from lease/subscriptions issued	(779,956)
Principal paid for lease and subscription payable	635,515
Gain (Loss) on disposal of assets	(38,531)
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.	823,851
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.	213,631
Increase in net pension liability reported in Statement of Activities does not provide current financial resources and, therefore, is not reported in the governmental funds.	(22,517,620)
Increase 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.	(5,150,686)
Decrease 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.	<u>52,267,542</u>
Change in net position of governmental activities	<u>\$ 38,865,984</u>

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, 2023

	School Board - School Operating Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
REVENUES				
Intergovernmental:				
State Funds	\$ 176,422,228	\$ 176,422,228	\$ 174,333,195	\$ (2,089,033)
Federal funds	460,280	460,280	788,192	327,912
Miscellaneous	3,155,046	3,155,046	3,721,239	566,193
Lease revenue	301,068	301,068	301,068	-
Lease interest	76,396	76,396	76,396	-
Payments from City	85,483,984	85,483,984	85,483,984	-
Total revenues	265,899,002	265,899,002	264,704,074	(1,194,928)
EXPENDITURES				
Current:				
Education	266,576,790	276,299,497	257,384,715	18,914,782
Debt Service:				
Principal	541,650	541,650	541,650	-
Interest	11,641	11,641	11,641	-
Total expenditures	267,130,081	276,852,788	257,938,006	18,914,782
Excess (deficiency) of revenues over (under) expenditures	(1,231,079)	(10,953,786)	6,766,068	(17,719,854)
OTHER FINANCING SOURCES (USES)				
Transfers in	2,216,063	2,216,063	1,241,751	(974,312)
Transfers out	(984,984)	(996,886)	(996,886)	-
Total other financing sources, net	1,231,079	1,219,177	244,865	(974,312)
Net change in fund balance	-	(9,734,609)	7,010,933	
Appropriations from fund balance	-	4,628,191	-	
Appropriations - encumbrances	-	5,106,418	-	
	-	-		
Fund balance - July 1,			10,063,953	
Fund balance - June 30			\$ 17,074,886	

Exhibit G-4

CITY OF HAMPTON, VIRGINIA
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
COMBINING STATEMENT OF FIDUCIARY NET POSITION
June 30, 2023

	Booker Trust Fund	Syms Eaton Trust Fund	Custodial Funds Scholarship Fund	Deferred Compensation	Total
ASSETS					
Cash and pooled investments	\$ 225,283	\$ 47,212	\$ 68,810	\$ -	\$ 341,305
Total assets	<u>\$ 225,283</u>	<u>\$ 47,212</u>	<u>\$ 68,810</u>	<u>\$ -</u>	<u>\$ 341,305</u>
FUND BALANCES					
Restricted for					
Individuals, organizations and other government	\$ 225,283	\$ 47,212	\$ 68,810	\$ -	\$ 341,305
Total liabilities and fund balances	<u>\$ 225,283</u>	<u>\$ 47,212</u>	<u>\$ 68,810</u>	<u>\$ -</u>	<u>\$ 341,305</u>

CITY OF HAMPTON, VIRGINIA
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the Year Ended June 30, 2023

			Custodial Funds		
	Booker Trust Fund	Syms Eaton Trust Fund	Scholarship Fund	Deferred Compensation	Total
ADDITIONS					
Investment earnings:					
Net increase in fair value of investments	\$ 23,450	\$ 8,635	\$ -	\$ 28	\$ 32,113
Interest, dividends, other	-	-	210	8	218
Total investment earnings	23,450	8,635	210	36	32,331
Total additions	23,450	8,635	210	36	32,331
DEDUCTIONS					
Beneficiary payments to individuals	525	150	3,000	4,419	8,094
Administrative expense	-	-	1,028	-	1,028
Total deductions	525	150	4,028	4,419	9,122
Change in net position	22,925	8,485	(3,818)	(4,383)	23,209
Net position, July 1	202,358	38,727	72,628	4,383	318,096
Net position, June 30	\$ 225,283	\$ 47,212	\$ 68,810	\$ -	\$ 341,305

Schedule 1

CITY OF HAMPTON, VIRGINIA
SCHEDULE OF THE TREASURER'S ACCOUNTABILITY
June 30, 2023

Assets held by the Treasurer:

Cash on hand	\$ 7,050
Cash in banks:	
Old Point National Bank	35,883,857
Investments:	
Certificates of deposit	3,551,682
Commercial paper	2,503,889
Repurchase agreement	5,039,819
Investment in mutual and money market funds	41,121
State Local Government Investment Pool	328,897,774
U.S. Government securities	19,529,028
Corporate notes	6,223,263
Total assets	<u>\$ 401,677,483</u>

Liabilities of the Treasurer:

Balance of City funds	<u>\$ 401,677,483</u>
-----------------------	-----------------------

Cash and cash equivalents

Primary Government per Exhibit A-1	328,729,836
School Board per Exhibit A-11	34,086,188
Economic Development Authority per Exhibit A-11	2,594,093
General Fund Investments per Exhibit A-3	32,115,405

Restricted cash and investments - Enterprise Funds per Exhibit A-6

Cash and cash equivalents - Convention Center	7,575,839
Investments - Convention Center	12,310,656

Cash and cash equivalents - Fiduciary Funds per Exhibit A-9

2,570,021

Investments - Component Unit - EDA per Exhibit A-11

1,317,915

Adjust investments in ACFR from fair value to cost

(1,943,103)

Less:

Petty cash	(127,060)
Cash and investments held by trustees	<u>(17,552,308)</u>
	<u>(17,679,367)</u>

Balance of City funds

\$ 401,677,483

**CITY OF HAMPTON, VIRGINIA
SCHEDULE OF CASH FLOWS
DISCRETELY PRESENTED COMPONENT UNIT
ECONOMIC DEVELOPMENT AUTHORITY
For the Year Ended June 30, 2023**

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from customers	46,730
Cash payments to suppliers for goods and services	(3,393,339)
Cash payments to employees for services	(6,100)
Other receipts	100,531
Net cash used in operating activities	<u>(3,252,178)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Payment from Primary Government	3,112,531
Net cash provided by noncapital financing activities	<u>3,112,531</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Acquisition and construction of capital assets	(207,004)
Principal paid on revenue bond maturities and long-term debt	(78,397)
Interest paid on revenue bonds and long-term debt	(13,657)
Net cash used in capital and related financing activities	<u>(299,058)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest and dividends on investments	(710,436)
Proceeds from collection of loans	2,056
Proceeds from collection of lease receivable	386,413
Proceeds from issuance of lease receivable	78,272
Interest received on lease receivable	75,714
Net cash used in investing activities	<u>(167,981)</u>

Net increase in cash and cash equivalents (including restricted amounts) (606,686)

Cash and cash equivalents (including restricted), July 1 3,536,411
 Cash and cash equivalents (including restricted), June 30 \$ 2,929,725

Operating loss \$ (2,585,910)

Adjustments to reconcile operating loss to net cash used in operating activities:

Depreciation and amortization expense	490,324
Decrease (increase) in:	
Lease receivable	386,413
Lease interest receivable	1,053
Increase (decrease) in:	
Accounts payable	(1,254,242)
Notes payable	(78,397)
Deferred inflows related to leases	(414,051)
Accounts receivable reported as operating activities	97,650
Deferred inflows related to leases reported as nonoperating activities	414,051
Lease receivable reported as nonoperating activities	(386,413)
Lease interest receivable reported as nonoperating activities	(1,053)
Notes payables reported as nonoperating activities	78,397

Total adjustments (666,268)

Net cash used in operating activities \$ (3,252,178)

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, 2023

	Appropriations			Expenditures	Variance with Final Budget Over (Under)
	Budget July 1,2022	Net Changes	Final June 30,2023		
EXPENDITURES					
Administration/attendance and health	\$ 15,450,225	\$ 530,929	\$ 15,981,154	\$ 14,974,864	\$ (1,006,290)
Instructional	180,686,729	2,717,178	183,403,907	180,658,352	(2,745,555)
Public transportation service	15,755,548	162,639	15,918,187	15,137,967	(780,220)
Operation and maintenance of school plant	29,092,690	9,398,227	38,490,917	25,290,672	(13,200,245)
Non-instructional operations	3,756,500	131,807	3,888,307	3,888,306	(1)
Debt and fund transfers	4,525,017	148,373	4,673,390	4,623,471	(49,919)
Technology	17,863,372	(3,366,446)	14,496,926	13,364,374	(1,132,552)
Total expenditures	267,130,081	9,722,707	276,852,788	257,938,006	(18,914,782)
OPERATING TRANSFER OUT					
To Athletics Fund	468,382	8,200	476,582	476,582	-
To Reimbursable Projects Fund	496,602	(525)	496,077	496,077	-
To School Activity Fund	20,000	4,227	24,227	24,227	-
Total transfers out	984,984	11,902	996,886	996,886	-
Total expenditures and transfers out	\$ 268,115,065	\$ 9,734,609	\$ 277,849,674	\$ 258,934,892	\$ (18,914,782)

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, 2023

	Original	Final Budgeted Revenues	Actual Revenues	Variance with Final Budget Over (Under)
State funds:				
Basic appropriation	\$ 71,865,820	\$ 71,865,820	\$ 68,491,326	\$ (3,374,494)
At risk payment	9,932,055	9,932,055	9,921,421	(10,634)
Salary Supplement	6,442,497	6,442,497	6,459,226	16,729
Remedial education	3,250,818	3,250,818	3,247,451	(3,367)
K-3 Primary Class Size	4,600,527	4,600,527	4,583,076	(17,451)
Virginia Retirement System	10,287,398	10,287,398	10,276,745	(10,653)
Social security benefits	4,416,723	4,416,723	4,412,149	(4,574)
Group life insurance	315,480	315,480	315,154	(326)
Special education-SOQ	8,065,320	8,065,320	8,056,968	(8,352)
Special education-categorical	112,791	112,791	123,515	10,724
Textbook payments	1,815,794	1,815,794	1,813,914	(1,880)
Remedial summer school	379,087	379,087	1,229,804	850,717
Gifted	754,409	754,409	753,628	(781)
Infrastrucutre ops per pupil	5,561,613	5,561,613	5,535,618	(25,995)
Foster care -regular	144,795	144,795	30,759	(114,036)
Foster care -special education	-	-	75,522	75,522
Vocational education-SOQ	1,261,921	1,261,921	1,260,614	(1,307)
Vocational education-categorical	322,789	322,789	142,152	(180,637)
VPSA ed tech grant	804,000	804,000	-	(804,000)
Project Graduation-state	37,500	37,500	37,500	-
ESL	367,281	367,281	402,682	35,401
Early Reading Intervention	1,138,121	1,138,121	969,712	(168,409)
SOL Algebra Readiness	410,902	410,902	396,472	(14,430)
Virginia Preschool Initiative	3,961,654	3,961,654	3,621,390	(340,264)
New Horizons Governor's School	578,591	578,591	597,232	18,641
ISAEF	32,930	32,930	32,810	(120)
Teacher mentor	20,597	20,597	15,441	(5,156)
VPI community provider add-on	-	-	383,079	383,079
SPED-regional programs	1,970,658	1,970,658	2,276,481	305,823
School contruction	6,364,902	6,364,902	6,364,902	-
Grocery store tax	1,568,595	1,568,595	1,568,595	-
Rebenchmarking hold harmless	2,136,842	2,136,842	2,136,842	-
Sales tax	26,549,818	26,549,818	28,078,683	1,528,865
Medicaid Reimbursement	950,000	950,000	722,332	(227,668)
Total state funds	176,422,228	176,422,228	174,333,195	(2,089,033)

	Original	Final Budgeted Revenues	Actual Revenues	Variance with Final Budget Over (Under)
Federal Funds:				
Public law 874	161,637	161,637	373,666	212,029
Impact Aid Special Education	39,073	39,073	91,839	52,766
U.S. Army - ROTC	97,739	97,739	87,308	(10,431)
U.S. Air Force - ROTC	22,931	22,931	55,833	32,902
U.S. Navy - ROTC	80,919	80,919	104,485	23,566
U.S. Marine Corps - ROTC	57,981	57,981	75,061	17,080
Total federal funds	460,280	460,280	788,192	327,912
Other funds:				
Fees from students	10,110	6,810	40,852	34,042
Pharmacy revenue	2,080,000	2,080,000	2,609,139	529,139
Print Shop revenue	110,000	110,000	245,924	135,924
Tuition from regular day students	9,500	9,500	-	(9,500)
Miscellaneous revenues	200,000	200,000	78,437	(121,563)
Jury Duty	1,000	1,000	2,632	1,632
Public Surplus	225,000	225,000	129,304	(95,696)
Facility Rentals	-	-	2,013	2,013
Interest-investments	4,800	4,800	5,189	389
Cell Towers	660,000	282,536	276,334	(6,202)
Other	42,900	46,200	56,468	10,268
Driver Education	74,200	74,200	76,517	2,317
PY Expenditure refunds	15,000	15,000	107,930	92,930
Summer school	100,000	100,000	90,500	(9,500)
Lease Revenue	-	301,068	301,068	-
Lease Interest Revenue	-	76,396	76,396	-
Total other funds	3,532,510	3,532,510	4,098,703	566,193
Total revenues	180,415,018	180,415,018	179,220,090	(1,194,928)
Other credits:				
Transfer from General Fund	85,483,984	85,483,984	85,483,984	-
Transfer from Cafeteria Fund	566,063	566,063	459,953	(106,110)
Transfer from Reimbursable Fund	1,650,000	1,650,000	781,798	(868,202)
Total other credits	87,700,047	87,700,047	86,725,735	(974,312)
Total revenues and other credits	\$ 268,115,065	\$ 268,115,065	\$ 265,945,825	\$ (2,169,240)

**CITY OF HAMPTON, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2023**

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	\$ 2,962,354
Total Supplemental Nutrition Assistance Program Cluster		<u>2,962,354</u>
CHILD NUTRITION CLUSTER:		
Direct payments:		
Summer Food Service Program for Children (SFSP)	10.559	183,760
Pass-through payments:		
Department of Education:		
School Breakfast Program (APE402530)	10.553	3,578,932
National School Lunch Program (APE402540)	10.555	8,547,842
Department of Agriculture and Consumer Services:		
National School Lunch Program (APE402540) - Donated Commodities	10.555	858,995
Total National School Lunch Program		<u>9,406,837</u>
Total Child Nutrition Cluster		<u>13,169,529</u>
OTHER:		
Pass-through payments:		
Department of Education:		
Child & Adult Care Food Program (CACFP) (APE700280)	10.558	147,765
Child Nutrition Discretionary Grants Limited Availability (DOE868040)	10.579	10,098
Total Department of Agriculture		<u>16,289,746</u>
DEPARTMENT OF DEFENSE:		
Direct Payments:		
U.S. Army - ROTC	12.UNK	87,308
U.S. Air Force - ROTC	12.UNK	55,833
U.S. Navy - ROTC	12.UNK	104,485
U.S. Marine Corps - ROTC	12.UNK	75,061
Pass-through payments:		
Office of the Secretary of Defense:		
Readiness and Environmental Protection Integration Program (6000794)	12.UNK	275
Office of Economic Adjustment:		
Community Investment (CIP1286-20-01, CIP2017-22-01)	12.600	407,484
Total Department of Defense		<u>730,446</u>

**CITY OF HAMPTON, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2023**

Federal Granting Agency/ Recipient State Agency/ Grant Program/Grant Number	Assistance Listing Number		Expenditures
DEPARTMENT OF EDUCATION:			
Direct payments:			
Impact Aid	84.041	\$	465,505
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334		139,794
Pass-through payments:			
Department of Behavioral Health and Developmental Services:			
Elementary and Secondary School Emergency Relief Fund (ESSER) (APE70037, APE60171, APE60041, APE60042, DOE86537, APE606660, APE50185, APE40298, APE50195, APE60177, APE0056)	84.425D	COVID	14,317,373
American Rescue Plan-Elementary and Secondary School Emergency Relief (ARP ESSER) (APE41112, APE40299, APE50193, APE50175)	84.425U	ARPA	28,596,569
William and Mary School of Education:			
Homeless Children and Youth (S425W210048)	84.425W	ARPA	125,406
Total Education Stabilization Fund			43,039,348
Title I Grants to Local Educational Agencies (Title I, Part A of the ESEA) (APE429010, APE429350)	84.010		8,097,956
School-Based Mental Health Services Grant Program (APE43477)	84.184H		1,769
School Improvement Grants (APE428920)	84.377		12,133
Supporting Effective Instruction State Grants (APE14800)	84.367		753,615
English Language Acquisition State Grants (APE605120, APE605090)	84.365		36,393
Twenty-First Century Community Learning Centers (APE605650)	84.287		1,637,463
Student Support and Academic Enrichment Program (APE600220, APE602810)	84.424		670,783
Special Education-Grants for Infants and Families (720-4515-16)	84.181		244,785
Special Education-Grants for Infants and Families (720-4515-16)	84.181	ARPA	145,255
Total Student Support and Academic Enrichment Program			390,040
Special Education Cluster (IDEA):			
Pass-through payments:			
Special Education-Preschool Grants (IDEA, Preschool) (APE625210)	84.173		30,633
Special Education Grants to States (IDEA, Part B) (APE430710)	84.027		4,481,734
Special Education Grants to States (IDEA, Part B) (APE40286, APE40287)	84.027	ARPA	419,205
Total Special Education Grants to States			4,900,939
Total Special Education Cluster			4,931,572
Pass-through payments:			
Career and Technical Education - Basic Grants to States (Perkins V) (APE610950, APE611590)	84.048		573,791
Total Department of Education			60,750,162
DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
MEDICAID CLUSTER:			
Pass-through payments:			
Department of Social Services:			
Medical Assistance Program (Medicaid, Title XIX) (705AT53247)	93.778		1,534,124
Total Medicaid Cluster			1,534,124
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		355,244
Total Child Care and Development Fund Cluster			355,244

continued

CITY OF HAMPTON, VIRGINIA SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For the Year Ended June 30, 2023

Federal Granting Agency/ Recipient State Agency/ Grant Program/Grant Number	Assistance Listing Number	Expenditures
OTHER:		
Pass-through payments:		
Virginia Department of Education:		
Cooperative Agreement for Emergency Response (DOE86831)	93.354	92,241
Department of Social Services:		
Title IV-E Prevention Program ⁽⁹¹¹³⁰⁾	93.472	25,910
MaryLee Allen Promoting Safe and Stable Families Program ⁽⁹¹¹²⁹⁾	93.556	94,535
Temporary Assistance for Needy Families (TANF) (90601, 90603, BEN-19-024-03)	93.558	2,231,117
Refugee & Entrant Assistance State/Replacement Designee Administrated Programs ⁽⁹⁰⁶²³⁾	93.566	20,175
Low-Income Home Energy Assistance ⁽⁹¹¹¹⁴⁾	93.568	307,798
Chafee Education and Training Vouchers Program (ETV) ⁽⁹⁰³⁵³⁾	93.599	3,104
Stephanie Tubbs Jones Child Welfare Services Program ⁽⁹¹¹³¹⁾	93.645	3,148
Foster Care Title IV-E ⁽⁹⁰⁶⁵⁸⁾	93.658	1,048,261
Adoption Assistance ⁽⁹⁰⁶⁰⁶⁾	93.659	1,253,349
Social Services Block Grant (SSBG) ⁽⁹¹¹⁴²⁾	93.667	1,328,839
John H. Chafee Foster Care Program for Successful Transition to Adulthood ⁽⁹¹¹³⁴⁾	93.674	15,790
Children's Health Insurance Program ⁽⁹⁰¹⁶¹⁾	93.767	13,531
Maternal, Infant, and Early Childhood Home Visiting Grant (705A210078)	93.870	343,332
Maternal, Infant, and Early Childhood Home Visiting Grant (705BQ210106)	93.870	ARPA 16,658
Total Maternal, Infant, and Early Childhood Home Visiting Grants		359,990
Total Department of Health and Human Services		8,687,156
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE:		
FOSTER GRANDPARENT, SENIOR COMPANION CLUSTER:		
Direct payments:		
Foster Grandparent Program	94.011	307,146
Total Foster Grandparent, Senior Companion Cluster		307,146
Total Corporation for National and Community Service		307,146
DEPARTMENT OF HOMELAND SECURITY:		
Direct payments:		
Assistance to Firefighters Grant	97.044	75,606
Port Security Grant Program	97.056	18,746
U.S. Immigration and Customs Enforcement	97.UNK	142,497
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	767,254
Hazard Mitigation Grant (HMGP) (FEMA-DR-4401-VA-004, FEMA-DR-4411-VA-009)	97.039	57,824
Emergency Management Performance Grants (4262, 8628, EMP-2021-EP-0004, EMP-2022-EP-00006))	97.042	248,120
State Homeland Security Grant Program (SHSP) (8541, 8542, 8545, 8543, 8673, EMW-2021-SS-00034)	97.067	120,371
Total Department of Homeland Security		1,430,418

continued

**CITY OF HAMPTON, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2023**

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 (\$625,040 provided to subrecipient)	14.218	\$ 954,986
Community Development Block Grants/Entitlement Grants	14.218	COVID 390,225
Total CDBG - Entitlement Grants Cluster		<u>1,345,211</u>
OTHER:		
Direct payments:		
Home Investment Partnership Program (\$233,981 provided to subrecipient)	14.239	402,826
Continuum of Care Program (Planning Project - VA0405L3F052000, VA0425L3F052100)	14.267	63,092
Pass-through payments:		
Department of Housing and Community Development:		
Emergency Solutions Grant Program (22-VHSP-035, 20-CHERP-035)	14.231	119,018
Emergency Solutions Grant Program (20-CHERP-035)	14.231	COVID 898,344
Total Emergency Solutions Grant Program		<u>1,017,362</u>
Total Department of Housing and Urban Development		<u>2,828,491</u>
DEPARTMENT OF INTERIOR:		
Direct Payments:		
National Park Service Conservation, Protection, Outreach and Education	15.954	25,396
Payment in Lieu of Taxes for National Park Service	15.UNK	381
Total Department of Interior		<u>25,777</u>
DEPARTMENT OF JUSTICE		
Direct payments:		
Bureau of Alcohol, Tobacco, Firearms and Explosives	16.UNK	3,243
Drug Enforcement Administration	16.UNK	11,043
Federal Bureau of Investigation	16.UNK	17,883
United States Marshals Service	16.UNK	3,772
Pass-through payments:		
Department of Criminal Justice Services:		
Residential Substance Abuse Treatment for State Prisoners (22-A8702RS19, 495522)	16.593	9,975
Violence Against Women Formula Grants (22-Z9367VA21, 23-A9367VA21)	16.588	54,978
Crime Victim Assistance (22-01029VW19, 22-C4712VP20)	16.575	287,839
Edward Byrne Memorial Justice Assistance Grant Program (20-A4912AD16)	16.738	4,886
Equitable Sharing Program (VA1110000, VAE000289)	16.922	28,369
Pass-through payments:		
Bureau of Justice Assistance:		
Edward Byrne Memorial Justice Assistance Grant Program (15PBJA-21-GG-01928-JAGX, 15PBJA-22-GG-02409-JAGX)	16.738	95,622
National Association of VOCA Assistance Administrators		
Crime Victim Assistance/Discretionary Grants (23-1309)	16.582	3,763
Mercyhurst University:		
High Intensity Drug Trafficking Area (G22WB0004A)	16.UNK	10,094
Total Department of Justice		<u>531,467</u>

continued

CITY OF HAMPTON, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2023

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 12,339,782
Pass-through payments:		
Department of Education	21.027	ARPA 1,520,542
Department of Criminal Justice Services	21.027	ARPA 936,138
Total Coronavirus State and Local Fiscal Recovery Funds		<u>14,796,462</u>
Other Direct payments:		
Joint Law Enforcement Operations - State and Local Overtime Program	21.UNK	1,890
United States Secret Service Task Force	21.UNK	2,890
Pass-through payments:		
Internal Revenue Service:		
Federal Subsidy for Qualified Bonds	21.UNK	223,821
Total Department of Treasury		<u>15,025,063</u>
DEPARTMENT OF TRANSPORTATION FEDERAL HIGHWAY ADMINISTRATION		
HIGHWAY PLANNING AND CONSTRUCTION:		
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	3,729,324
Total Highway Planning and Construction		<u>3,729,324</u>
HIGHWAY SAFETY CLUSTER:		
Pass-through payments:		
Department of Transportation:		
State and Community Highway Safety (FSC-2022-52319-22319, BSC-2023-53233-23233)	20.600	14,242
Total Highway Safety Cluster		<u>14,242</u>
Total Department of Transportation		<u>3,743,566</u>
SMALL BUSINESS ADMINISTRATION:		
Direct payments:		
Shuttered Venue Operators Grant Program (SVOG)	59.075	591,903
Total Small Business Administration		<u>591,903</u>

continued

**CITY OF HAMPTON, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2023**

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	246,615
NASA Steam Sales	43.009	2,944,625
Total National Aeronautics and Space Administration		<u>3,191,240</u>
Grand Total All Federally Assisted Programs and Grants		<u>\$ 114,132,581</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 \$10,000 in the General Fund. This amount represents indirect costs from other federally assisted programs administered by the City and is included in the federal revenue.

(B) Basis of Accounting

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

(C) 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, 2023

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
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>\$ 60,255,000</u>	<u>\$ 10,920,311</u>	<u>\$ 71,175,311</u>

CITY OF HAMPTON, VIRGINIA
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
GENERAL OBLIGATION BONDS
For the Year Ended June 30, 2023

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
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	3,509,849	19,744,849
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	117,899	7,977,899
	<u>\$ 320,225,000</u>	<u>\$ 91,336,045</u>	<u>\$ 411,561,045</u>

CITY OF HAMPTON, VIRGINIA
COMPUTATION OF LEGAL DEBT MARGIN
June 30, 2023

Assessed value:			
Real estate	\$	13,599,780,363	
Public service corporations - real estate		38,095,464	
Newport News Waterworks		65,756,700	\$ 13,703,632,527
Debt Limit at 10% of assessed value			<u>1,370,363,253</u>
General obligation bonded debt:			
General obligations bonds		319,787,885	
General obligation bonds - Steam Plant		437,115	
Total long-term debt			<u>320,225,000</u>
Legal debt margin	\$		<u>1,050,138,253</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 judgements, net pension obligations and net OPEB obligations totaling \$251,147,716 at June 30, 2023.

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’		Newport News		Total	Citizens’		Public Service						
	Property	Public Service	Waterworks	Property		(1)	Total							
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
2023		13,599,780		38,095		65,757		13,703,632		1,277,075		377,529		1,654,604

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⁾
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
2023	1.18	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. The real estate tax rate was decreased from \$1.24 per \$100 of assessed value to \$1.18 per \$100 of assessed value effective July 1, 2022.

Schedule 11

**CITY OF HAMPTON, VIRGINIA
MORAL OBLIGATION COMMITMENTS
For the Year Ended June 30, 2023**

Convention Center Revenue Bonds	\$ 60,255,000
Total	<u>\$ 60,255,000</u>

Source: City Finance Department

CITY OF HAMPTON, VIRGINIA
GENERAL FUND EXPENDITURES
For the Year Ended June 30, 2023

Expenditures	2023 Actual	Percent of Total Actual	2022 Actual	Difference	Percentage Change
General government	\$ 113,369,259	28.08 %	\$ 111,496,694	\$ 1,872,565	1.68%
Public safety	67,672,589	16.76 %	60,261,061	7,411,528	12.30%
Highways and streets	2,323,085	0.58 %	2,426,455	(103,370)	(4.26%)
Health	5,001,647	1.24 %	4,641,828	359,819	7.75%
Human services	23,515,952	5.82 %	21,500,228	2,015,724	9.38%
Culture & recreation	13,341,033	3.30 %	11,909,146	1,431,887	12.02%
Education - city share	85,483,984	21.17 %	80,165,119	5,318,865	6.63%
Education - other sources	2,055,399	0.51 %	1,751,201	304,198	17.37%
Debt Service: Principal Retirement	1,076,696	0.27 %	1,034,958	41,738	4.03%
Interest and Fiscal Charges	59,554	0.01 %	35,713	23,841	66.76%
Transfers out	89,875,562	22.26 %	69,827,120	20,048,442	28.71%
Totals	<u>\$ 403,774,760</u>	<u>100.00%</u>	<u>\$ 365,049,523</u>	<u>\$ 38,725,237</u>	<u>10.61%</u>

Source: City of Hampton, Virginia Annual Comprehensive Financial Report for years ended June 30, 2023 and 2022.

CITY OF HAMPTON, VIRGINIA
SUMMARY OF GENERAL FUND (In Thousands)
Fiscal Years Ended June 30, 2019-2023

	2019	2020	2021	2022	2023
Revenues	\$ 341,132	\$ 347,974	\$ 357,525	\$ 376,852	\$ 411,039
Expenditures ⁽³⁾	<u>269,425</u>	<u>276,344</u>	<u>271,712</u>	<u>295,222</u>	<u>313,899</u>
Excess of Revenue over Expenditures	<u>71,707</u>	<u>71,630</u>	<u>85,813</u>	<u>81,630</u>	<u>97,140</u>
Other Financing Sources(Uses)					
Transfers in	236	230	238	234	236
Transfers out ⁽¹⁾	<u>(69,279)</u>	<u>(63,729)</u>	<u>(70,508)</u>	<u>(69,827)</u>	<u>(89,876)</u>
Other Financing Uses, net	<u>(69,043)</u>	<u>(63,499)</u>	<u>(70,270)</u>	<u>(69,593)</u>	<u>(89,640)</u>
Net Change in Fund Balances	2,664	8,131	15,543	12,037	7,500
Fund Balance, Beginning of Year	<u>100,707</u>	<u>100,371</u>	<u>112,284</u> ⁽²⁾	<u>127,827</u>	<u>139,864</u>
Fund Balance, End of Year	<u>\$ 103,371</u>	<u>\$ 111,502</u>	<u>\$ 127,827</u>	<u>\$ 139,864</u>	<u>\$ 147,364</u>

Source: City's Annual Comprehensive Financial Report Exhibit B-2 for the fiscal years June 30, 2019 through 2023.

⁽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, 2023

	<u>Amount</u>	<u>Per Capita</u>	<u>Ratio to Assessed Value</u>
Gross Direct Debt	\$ 320,225,000	\$ 2,347.91	2.34%

Source: Finance Department, City of Hampton, Virginia
(1) Per capita amounts are based on a 2023 population of 136,387 as provided by the Weldon Cooper Center for Public Service.
(2) Assessed value of total real property is \$13,704 billion as of June 30, 2023.



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									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Governmental Activities										
Net investment in capital assets	\$ 623,505	\$ 634,537	\$ 637,860	\$ 637,617	\$ 635,185	\$ 636,462	\$ 626,982	\$ 626,391	\$ 634,996	\$ 638,708
Restricted	13,271	75,606	49,062	40,734	69,681	17,817	20,198	23,793	30,085	32,083
Unrestricted	76,514	(140,469) ⁻¹	(108,850)	(106,561)	(184,735)	(116,482)	(90,695)	(65,677)	(41,818)	12,779
Total governmental activities net position	<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>	<u>683,570</u>
Business-type activities										
Net investment in capital assets	\$ 70,855	\$ 70,321	\$ 70,136	\$ 70,078	\$ 69,107	\$ 67,497	\$ 69,562	\$ 71,435	\$ 73,888	\$ 78,057
Restricted	8,256	8,031	8,037	8,048	8,068	8,017	7,906	8,119	8,121	8,146
Unrestricted	29,174	19,149	25,679	27,189	25,216	32,260	34,813	35,194	41,606	42,633
Total business-type activities net position	<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>	<u>\$ 128,836</u>
Primary government										
Net investment in capital assets	\$ 694,360	\$ 704,858	\$ 707,996	\$ 707,695	\$ 704,292	\$ 703,960	\$ 696,544	\$ 697,826	\$ 708,884	\$ 716,765
Restricted	21,527	83,637	57,099	48,782	77,749	25,834	28,104	31,912	38,206	40,229
Unrestricted	105,688	(121,320)	(83,171)	(79,372)	(159,519) ⁽²⁾	(84,223)	(55,882)	(30,483)	(212)	55,412
Total Primary Government net position	<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>	<u>\$ 812,406</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									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Expenses										
Governmental activities:										
General government	\$ 101,058	\$ 105,553	\$ 111,928	\$ 116,667	\$ 121,452	\$ 105,865	\$ 103,284	\$ 129,970	\$ 103,153	\$ 111,913
Public safety	69,813	72,324	70,781	80,442	84,859	81,673	80,967	77,266	89,395	98,288
Highway and streets	18,774	14,433	18,872	14,032	9,919	12,362	17,369	16,752	15,343	16,189
Health	1,114	3,528	1,214	1,054	(575)	1,564	1,360	7,979	8,550	11,669
Human services	32,807	33,234	32,460	34,341	34,579	34,769	35,859	31,250	31,280	34,609
Culture and recreation	17,006	18,356	17,496	16,996	16,076	16,842	18,349	15,807	18,087	22,472
Education (payment to school district)	70,773	71,112	71,112	71,471	73,036	73,827	75,572	76,948	80,165	85,484
Education and educational services	12,464	14,479	15,096	14,423	11,506	9,806	13,202	12,493	15,207	11,692
Interest on long-term debt	9,136	8,579	8,053	7,171	6,451	7,145	9,246	8,304	7,267	9,873
Total governmental activities expenses	<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>	<u>\$ 402,189</u>
Business-type activities										
Culture	\$ 28,395	\$ 29,741	\$ 26,527	\$ 27,636	\$ 27,935	\$ 30,215	\$ 25,668	\$ -	\$ -	\$ -
Sanitation	24,941	23,829	24,020	25,761	23,061	24,626	26,728	-	-	-
Coliseum	-	-	-	-	-	-	-	3,034	11,983	18,908
Convention Center	-	-	-	-	-	-	-	6,747	7,239	8,418
The Hamptons	-	-	-	-	-	-	-	814	864	1,050
The Woodlands	-	-	-	-	-	-	-	657	718	717
Museum	-	-	-	-	-	-	-	3,812	4,681	3,865
Solid Waste	-	-	-	-	-	-	-	15,553	16,055	15,308
Steam Plant	-	-	-	-	-	-	-	6,595	6,014	7,346
Wastewater	-	-	-	-	-	-	-	7,854	9,171	8,744
Total business-type activities expenses	<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>	<u>64,356</u>
Total Primary Government expenses	<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>	<u>\$ 466,545</u>

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

	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Program Revenues										
Governmental activities:										
Charges for Services:										
General government	\$ 24,458	\$ 22,911	\$ 25,865	\$ 23,324	\$ 23,832	\$ 22,206	\$ 22,355	\$ 25,997	\$ 24,658	\$ 26,163
Public safety	5,412	5,727	5,549	5,260	5,821	6,182	5,951	5,984	6,894	6,764
Human services	-	-	-	-	-	-	-	91	722	12
Culture and recreation	-	-	-	-	-	-	-	514	2,177	2,572
Education and educational services	-	-	-	-	-	-	-	3	13	9
Interest on long-term debt	-	-	-	-	-	-	-	224	233	224
Other activities	2,765	2,570	2,173	2,784	2,913	2,874	2,652	-	-	-
Operating grants and contributions	80,434	80,281	80,113	80,781	83,503	83,507	87,237	107,041	85,716	92,583
Capital grants and contributions	18,291	7,153	13,172	13,627	10,988	5,080	5,078	3,148	4,887	18,383
Total governmental activities										
program revenues	\$ 131,360	\$ 118,642	\$ 126,872	\$ 125,776	\$ 127,057	\$ 119,849	\$ 123,273	\$ 143,002	\$ 125,300	\$ 146,710
Business-type activities:										
Charges for Services:										
Culture and recreation	\$ 15,714	\$ 19,407	\$ 15,619	\$ 14,889	\$ 15,989	\$ 19,041	\$ 14,100	\$ -	\$ -	\$ -
Sanitation	27,227	25,145	30,098	28,872	29,658	29,615	32,399	-	-	-
Coliseum	-	-	-	-	-	-	-	237	10,638	15,705
Convention Center	-	-	-	-	-	-	-	419	1,772	2,747
The Hamptons	-	-	-	-	-	-	-	642	532	680
The Woodlands	-	-	-	-	-	-	-	682	629	643
Museum	-	-	-	-	-	-	-	1,032	1,759	2,094
Solid Waste	-	-	-	-	-	-	-	15,645	15,706	15,771
Steam Plant	-	-	-	-	-	-	-	6,941	6,732	3,806
Wastewater	-	-	-	-	-	-	-	8,674	11,131	10,881
Operating grants and contributions	1,832	1,256	1,236	1,923	1,805	1,024	955	3,744	7,580	5,492
Capital grants and contributions	114	58	510	-	-	-	-	666	-	-
Total business-type activities										
program revenues	44,887	45,866	47,463	45,684	47,452	49,680	47,454	38,649	56,479	57,819
Total Primary Government										
program revenues	\$ 176,247	\$ 164,508	\$ 174,335	\$ 171,460	\$ 174,509	\$ 169,529	\$ 170,727	\$ 181,651	\$ 181,779	\$ 204,529
Net (expense)/revenue										
Governmental activities	\$ (201,585)	\$ (222,956)	\$ (220,140)	\$ (230,821)	\$ 230,237	\$ (224,004)	\$ (231,936)	\$ (233,769)	\$ (243,146)	\$ (255,479)
Business-type activities	(8,449)	(7,704)	(3,084)	(7,713)	3,544	(5,161)	(4,942)	(6,415)	(246)	(6,537)
Total Primary Government net (expense)	\$ (210,034)	\$ (230,660)	\$ (223,224)	\$ (238,534)	\$ 233,781	\$ (229,165)	\$ (236,878)	\$ (240,184)	\$ (243,392)	\$ (262,016)

Table II

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

	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	\$ 156,050	\$ 156,048	\$ 158,147	\$ 159,873	\$ 162,922	\$ 163,966	\$ 171,639	\$ 179,132	\$ 193,938	\$ 211,303
Sales taxes	14,588	15,050	15,368	14,980	15,093	15,741	16,845	19,639	20,876	21,640
Lodging, meal and amusement taxes	23,639	24,041	24,751	25,141	26,109	27,370	26,540	27,141	33,354	36,822
Motor vehicle taxes	4,346	4,273	4,375	4,429	4,399	4,496	4,426	4,539	4,441	4,525
Business license taxes	12,077	11,435	12,092	12,304	12,801	14,251	14,365	16,833	15,297	15,866
Utility taxes	5,453	5,443	5,551	5,483	5,513	5,443	5,426	5,015	5,513	5,254
Tobacco taxes	4,421	4,077	4,624	4,428	4,416	4,336	4,372	3,964	3,838	3,582
Recordation taxes	1,436	1,763	2,066	1,663	1,766	1,913	2,064	2,609	3,240	2,212
Bank stock taxes	527	457	549	569	685	705	609	688	615	652
Skill games tax	-	-	-	-	-	-	-	303	55	-
Pari-mutuel license taxes	43	4	-	-	-	-	750	1,947	2,834	2,827
Short-term rental taxes	75	91	101	102	123	110	109	99	128	166
Communications sales tax	9,187	9,173	8,867	8,649	8,392	7,840	7,551	6,863	6,527	6,360
Mobile home titling tax	20	19	21	18	14	20	24	34	28	28
Investment earning	221	227	574	951	1,883	4,738	4,463	591	213	15,408
Miscellaneous	-	-	-	-	-	-	-	203	1,003	857
Transfers	(9,161)	(9,106)	(8,549)	(8,384)	(7,852)	(9,259)	(8,558)	(8,591)	(9,997)	(11,715)
Total Governmental Activities	\$ 222,922	\$ 222,995	\$ 228,537	\$ 230,206	\$ 236,264	\$ 241,670	\$ 250,625	\$ 261,009	\$ 281,903	\$ 315,787
Business-type Activities:										
Investment earning	\$ 1,003	\$ 946	\$ 887	\$ 792	\$ 930	\$ 1,285	\$ 891	\$ 292	\$ (884)	\$ 43
Transfers	9,161	9,106	8,549	8,384	7,852	9,259	8,558	8,591	9,997	11,715
Total Business-type Activities	10,164	10,052	9,436	9,176	8,782	10,544	9,449	8,883	9,113	11,758
Total Primary Government	\$ 233,086	\$ 233,047	\$ 237,973	\$ 239,382	\$ 245,046	\$ 252,214	\$ 260,074	\$ 269,589	\$ 291,016	\$ 327,545
Changes in Net Position										
Governmental activities	\$ 21,337	\$ 39	\$ 8,397	\$ (615)	\$ 6,027	\$ 17,666	\$ 18,688	\$ 27,240	\$ 38,756	\$ 60,307
Business-type activities	1,715	2,348	6,352	1,463	5,238	5,383	4,506	2,467	8,867	5,221
Total Primary Government	\$ 23,052	\$ 2,387	\$ 14,749	\$ 848	\$ 11,265	\$ 23,049	\$ 23,194	\$ 29,707	\$ 47,623	\$ 65,528

⁽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									
	2014	2015	2016	2017	2018	2019	2020*	2021	2022	2023
General fund										
Nonspendable	\$ 224	\$ 598	\$ 26	\$ 112	\$ 15	\$ 27	\$ 135	\$ 90	\$ 249	\$ 32
Restricted	398	412	419	338	373	423	351	1,410	1,524	2,090
Committed	32,308	34,959	34,470	35,178	32,454	22,019	24,893	25,390	27,040	26,726
Assigned	7,257	5,237	6,250	5,549	6,374	6,190	5,744	20,158	19,443	17,613
Unassigned	51,589	52,112	54,301	54,330	61,532	74,754	80,422	80,822	91,650	100,946
Total general fund	<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>	<u>\$ 147,407</u>
All other governmental funds										
Nonspendable	\$ -	\$ -	\$ 44	\$ -	\$ -	\$ -	\$ 1	\$ -(2)	\$ -(2)	\$ -
Restricted	13,368	14,107	15,455	15,437	15,178	15,923	18,030	13,169	14,272	15,713
Committed	39,064	66,535	35,957	22,610	57,367	48,986	93,994	104,447	167,356	157,400
Assigned	6,233	5,421	5,939	5,789	6,098	7,293	8,479	8,543	9,175	20,709
Total all other governmental funds	<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>	<u>\$ 193,822</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									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenues										
Taxes (see table V)	\$ 229,596	\$ 230,933	\$ 236,457	\$ 238,209	\$ 241,943	\$ 248,133	\$ 254,317	\$ 268,704	\$ 286,750	\$ 308,034
Intergovernmental revenues	92,705	84,165	88,459	89,342	90,882	86,518	90,923	108,241	89,119	107,814
Licenses and permits	1,156	1,299	1,409	1,450	1,466	1,641	1,604	1,654	1,625	1,861
Fines and forfeitures	2,307	1,967	1,550	1,560	1,377	1,439	1,104	969	943	888
Revenue from use of money and property	1,395	2,142	1,469	1,714	2,525	5,145	4,918	3,634	2,795	16,065
Charges for services	17,297	17,240	18,093	18,148	19,123	19,395	19,516	19,833	23,149	23,367
Payment from component unit	2,000	2,000	2,000	2,000	2,227	2,232	2,012	2,010	2,010	2,877
Miscellaneous	8,056	5,529	5,877	6,482	5,103	5,885	5,078	4,792	4,474	6,481
Special assessments	4,730	4,183	6,358	4,765	5,443	2,457	2,782	2,835	1,947	2,016
Recovered costs	906	906	906	954	951	958	958	958	958	1,473
Total Revenues	360,148	350,364	362,578	364,624	371,040	373,803	383,212	413,630	413,770	470,876
Expenditures										
General government	103,076	106,074	110,436	106,446	109,057	104,885	107,241	132,060	118,511	118,751
Public safety	54,064	53,491	55,771	57,410	59,809	60,146	63,162	54,025	66,889	75,489
Highways and streets	1,932	1,908	2,026	2,187	2,491	2,025	2,261	2,190	2,436	2,323
Sanitation	4,332	4,413	5,004	5,484	5,246	4,935	5,084	5,940	6,825	7,184
Health	2,649	2,605	2,485	2,396	2,432	2,496	2,723	4,740	4,642	5,002
Human Services	28,557	29,394	28,993	30,415	30,370	30,027	31,532	31,234	31,387	34,513
Culture and recreation	11,678	12,725	13,150	13,015	12,715	13,146	12,860	10,187	12,878	13,538
Education (payment to school district)	70,773	71,112	71,112	71,471	73,036	73,827	75,572	76,948	80,165	85,484
Education	2,120	2,129	2,071	2,102	2,073	2,081	2,051	1,988	3,631	2,352
Capital improvements	49,030	48,449	56,298	46,130	52,992	43,394	44,164	43,414	68,187	71,885
Debt service										
Principal	22,166	23,152	22,336	21,738	31,223	20,498	22,407	19,332	23,403	21,898
Payment to refunded bond escrow agent	-	-	-	-	-	-	-	-	25,272	-
Interest and fiscal charges	11,707	10,899	11,154	10,963	10,316	10,864	10,758	10,815	10,203	12,781
Bond issuance cost	-	519	3	-	99	43	543	392	611	-
Total expenditures	362,084	366,870	380,839	369,757	391,859	368,367	380,358	393,265	455,040	451,200
Excess (deficiency) of revenues over (under) expenditures	(1,936)	(16,506)	(18,261)	(5,133)	(20,819)	5,436	2,854	20,365	(41,270)	19,676
Other financing sources (uses)										
Debt issuance and notes payable	-	46,770	-	-	55,320	-	58,405	10,725	115,615	-
Proceeds from refunding bonds issued	-	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	-	21,684	-	-	4,698	-	6,372	1,545	16,376	-
Lease and subscription based financing	-	-	-	-	-	-	-	-	5,558	624
Transfers in	55,156	50,289	55,227	55,907	52,935	64,061	57,400	72,807	61,332	79,283
Transfers out	(64,317)	(59,395)	(63,776)	(64,291)	(61,272)	(73,320)	(67,131)	(84,378)	(77,040)	(93,048)
Total other financing sources (uses), net	(9,161)	45,447	(8,549)	(8,384)	60,866	(9,211)	53,580	834	121,936	(13,141)
Net change in fund balances	\$ (11,097)	\$ 28,941	\$ (26,810)	\$ (13,517)	\$ 40,047	\$ (3,775)	\$ 56,434	\$ 21,199	\$ 80,666	\$ 6,535
Debt service as a percentage of noncapital expenditures	10.28 %	9.98 %	9.31 %	9.19 %	11.18 %	8.82 %	9.03 %	8.06 %	8.67 %	8.34 %

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
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
2023	208,128	15,866	21,640	4,948	3,582	6,360	29,420	18,089	308,034

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					
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
2023	13,599,780	38,095	65,757		13,703,632	13,703,632	100.00%	1.18

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	2023			2014		
	Total Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Total Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Lumen Owner LLC	\$ 77,905	1	0.6 %			
Newport News City of c/o NN Waterworks-Judy Morin	69,405	2	0.5 %			
FCLA LP C/O Beco Asset Mgt LLC	66,014	3	0.5 %			
New Mola LLC	62,146	4	0.5 %			
Pinnacle Apartments LLC	58,761	5	0.4 %			
Accend Ellipse LLC	57,427	6	0.4 %			
5109 Goldsboro Drive LLC c/o Levco Management LLC	56,668	7	0.4 %			
The Lakes at Town Center LLC	50,888	8	0.4 %			
Peninsula Main VA LLC	48,973	9	0.4 %			
Peninsula Grove LLC c/o Tryko Partners	47,723	10	0.3 %			
Hampton Owners LLC				\$ 138,687	1	1.4 %
City of Newport News				62,870	2	0.6 %
Hampton University				43,994	3	0.4 %
FCLA LP				39,105	4	0.4 %
Hampton Center LLC				36,575	5	0.4 %
MOLA LLC				35,602	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				33,588	10	0.3 %
	<u>\$ 595,910</u>		<u>4.35%</u>	<u>\$ 493,502</u>		<u>4.81%</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
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 %	1,290	147,409	99.68%
2023	161,703	159,813	98.83 %		159,813	98.83%

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 & SBITA Payable
	General Obligation Bonds ⁽²⁾	Notes Payable	State Literary Loans	Total				
2014	\$ 272,162	\$ -	\$ -	\$ 272,162	2.66%	\$ 1,958.00	\$ 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
2023	346,771	-	-	346,771	2.53%	2,543	6,154	4,195

Fiscal Year	Business-type Activities				Percentage of Personal Income	Per Capita ⁽⁴⁾
	Revenue Bonds	Notes Payable	Lease & SBITA Payable	Total Primary Government		
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	5.41%	2,682.00
2022	65,060	795	32	444,269	N/A	3,218.00
2023	60,692	-	549	418,361	N/A	3,067.00

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									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Debt limit	\$ 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	\$ 1,370,363
Total net debt applicable to limit	257,645	273,840	251,130	229,000	261,870	241,300	276,795	269,107	341,170	320,225
Legal debt margin	\$ 767,436	\$ 744,399	\$ 770,468	\$ 804,851	\$ 783,801	\$ 817,468	\$ 808,644	\$ 865,000	\$ 851,416	\$ 1,050,138
Total net debt applicable to the limit as a percentage of debt limit	25.13 %	26.89 %	24.58 %	22.15 %	25.04 %	22.79 %	22.50 %	23.73 %	28.61 %	23.37 %

Legal Debt Margin Calculation for current Fiscal Year: 2023

Assessed value	\$13,703,633
Debt limit (10% of total assessed value)	1,370,363
Debt applicable to limit:	
General obligation debt	320,225
Total net debt applicable to limit:	320,225
Legal debt margin	\$ 1,050,138

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 \$251,147,716 at June 30, 2023.

*There are no overlapping or underlying tax jurisdictions.

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

Fiscal Year	Gross Revenues ⁽¹⁾	Operating Expenses ⁽²⁾	Net Revenue Available for Debt Service	Debt Service Requirements ⁽³⁾			Coverage
				Principal	Interest	Total	
Museum Revenue Bonds							
2014	\$ 4,412	\$ 3,084	\$ 1,328	\$ 1,515	\$ 38	\$ 1,553	0.86
Economic Development Authority Revenue Bonds							
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)
2023	3,843	2,134	1,709	78	14	92	18.58
Convention Center Revenue Bonds							
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
2023	12,380	3,933	8,447	4,235	1,650	5,885	1.44

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⁾
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	6,781,644	49,233	18,807	6.3%
2022	136,581	N/A	N/A	19,026	4.0%
2023	136,387	N/A	N/A	19,306	3.6%

⁽¹⁾Source: Weldon Cooper Center for Public Service as of July 1, 2023.

Source: Bureau of Economic Analysis. November 16, 2022 - new estimates for 2021; revised statistics for 2010-2020.

⁽²⁾Source: Bureau of Economic Analysis. November 16, 2022 - new estimates for 2021; revised statistics for 2010-2020.

⁽³⁾Source: Bureau of Economic Analysis. November 16, 2022 - new estimates for 2021; revised statistics for 2010-2020.

⁽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

2023	2014
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
Hampton University	Langley Air Force Base
Hampton-Newport News Community Services Board	NASA Langley Research Center
Howmet Castings & Services Inc	Sentara Hampton General Hospital
Food Lion	Thomas Nelson Community College
Thomas Nelson Community College	TRG Customer Solutions
Riverside Regional Medical Center	
250- 499 Employees(2):	200 - 599 Employees:
Telespecturm Inc	Analytical Mechanics Associates
Wal Mart	Cubic Applications (subsidiary of Cubic Corporation)
Sverdrup Technology	Jacobs Technology (subsidiary of Jacobs Engineering)
Amsec	Riverside Regional Medical Centers
URS Federal Services	Sprint
McDonald's Restaurant	Top Guard
Faneuil Inc	Measurement Specialties
FedEX Ground	
Ferguson Enterprises Inc	
Simos Insourcing Solution Inc	
Science Systems and Applications	
Top Guard Inc	
Wps Health Solutions	
Analytical Mechanics Associates	

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)

Table XIV

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION
Last Ten Fiscal Years

Function	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Governmental activities:										
General government	568	577	574	557	533	508	573	572	594	671
Public safety	697	704	706	711	673	671	708	684	690	807
Highway and streets	24	21	19	22	21	19	17	21	27	32
Sanitation	54	56	61	57	60	54	54	56	69	76
Health	20	20	16	15	15	13	13	15	17	15
Human services	228	234	233	245	245	247	250	247	235	245
Culture and recreation	123	126	130	118	118	120	113	110	112	115
Total Governmental activities	1,714	1,738	1,739	1,725	1,665	1,632	1,728	1,705	1,744	1,961
Business-type activities:										
Culture and recreation	35	32	36	37	35	37	37	32	39	42
Sanitation	138	126	135	133	122	132	129	128	136	131
Total Business-type activities	173	158	171	170	157	169	166	160	175	173
Total	1,887	1,896	1,910	1,895	1,822	1,801	1,894	1,865	1,919	2,134

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	2014	2015	2016	2017	2018
General government					
Building permits issued	1,564	1,281	1,107	1,106	1,045
Building inspections conducted	4,602	4,520	4,421	4,623	4,155
311 customer call center					
Calls	141,891	130,387	164,878	176,367	149,320
Emails ⁽¹⁾	-	-	-	-	-
Website (web forms & chats) ⁽¹⁾	-	-	-	-	-
Mobile (text & app) ⁽¹⁾	-	-	-	-	-
Public safety					
Police					
Physical arrests	9,067	14,862	14,073	10,304	8,543
Traffic summons	29,080	21,391	20,795	17,893	10,591
Fire					
Emergency responses	24,815	26,149	27,541	25,906	25,928
Fires extinguished	331	491	531	508	465
Patients transported	14,262	14,910	14,228	13,783	14,039
Code inspections	3,223	2,146	2,909	1,600	1,940
Highway and streets					
Roads paved or resurfaced (miles)	21	26	22	107	89
Bridges Inspected ⁽¹⁾	-	-	-	-	-
Sanitation					
Yard waste collected (tons)	12,896	9,762	9,761	10,196	9,800
Debris removed (tons)	58,223	59,422	62,173	77,034	56,459
Cleanups	817	891	991	901	586
Street sweeping	4,607	2,583	1,445	1,445	3,367
Storm drains cleaned (linear feet)	57,064	49,550	61,845	61,669	44,948
Health					
Preventive health ⁽²⁾					
Immunization visits	5,342	3,394	3,260	2,980	2,167
Human services					
Healthy families partnership					
Number of families assessed	547	527	421	501	421
Number of families served	908	948	856	718	639
Number of adult participants in the parenting classes	2,327	2,487	3,140	3,772	3,742
Social Services					
Food stamp households	11,101	9,824	8,986	9,443	8,944
Culture and recreation					
Senior citizens attendance at Senior Center	10,449	15,046	16,681	22,574	18,477
Community Center memberships ⁽³⁾					
Youth	51,901	51,422	51,968	88,634	66,880
Teen	43,133	42,254	24,086	36,298	29,294
Adult	77,345	78,844	56,829	283	70,934
Education					
School membership (total)	21,113	19,854	20,698	18,807	19,996
High schools	6,218	6,066	6,197	6,748	6,042
Middle schools	3,934	3,710	3,775	3,978	3,601
Elementary schools	8,319	7,667	8,562	5,812	7,896
Combined schools	2,642	2,410	2,164	2,296	2,427
Virtual ⁽¹⁾	-	-	-	-	-
School board personnel	2,835	2,543	2,507	2,683	2,455
Wastewater					
Average daily sewage treatment (thousands of gallons)	14,390	14,450	2,683	15,592	13,620

Table XV (Continued)

OPERATING INDICATORS BY FUNCTION/PROGRAM Last Ten Fiscal Years

Function/Program	2019	2020	2021	2022	2023
General government					
Building permits issued	1,118	1,609	1,254	1,799	1,214
Building inspections conducted	4,056	4,568	4,909	5,296	4,989
311 customer call center					
Calls	143,636	165,034	126,763	96,680	106,760
Emails ⁽¹⁾	-	-	-	7,944	7,299
Website (web forms & chats) ⁽¹⁾	-	-	-	3,113	2,720
Mobile (text & app) ⁽¹⁾	-	-	-	5,597	3,890
Public safety					
Police					
Physical arrests	5,446	4,439	3,865	3,986	4,081
Traffic summons	15,967	9,443	7,991	5,984	5,853
Fire					
Emergency responses	26,313	26,359	28,382	30,620	32,339
Fires extinguished	475	479	481	692	523
Patients transported	14,401	13,481	14,319	15,639	16,037
Code inspections	2,701	1,785	2,073	1,719	1,985
Highway and streets					
Roads paved or resurfaced (miles)	66	72	76	83	55
Bridges Inspected ⁽¹⁾	-	-	-	21	18
Sanitation					
Yard waste collected (tons)	10,951	12,765	11,670	9,402	10,218
Debris removed (tons)	57,075	54,057	51,273	52,561	50,264
Cleanups	700	255	631	577	599
Street sweeping	3,802	2,792	1,443	2,202	2,212
Storm drains cleaned (linear feet)	74,421	10,997	32,698	10,778	37,748
Health					
Preventive health ⁽²⁾					
Immunization visits	2,230	1,857	1,336	1,724	1,852
Human services					
Healthy families partnership					
Number of families assessed	434	333	277	258	248
Number of families served	624	543	893	557	554
Number of adult participants in the parenting classes	3,376	2,690	1,147	626	533
Social Services					
Food stamp households	8,801	9,286	9,931	11,603	13,007
Culture and recreation					
Senior citizens attendance at Senior Center	20,553	13,097	209	5,385	14,083
Community Center memberships ⁽³⁾					
Youth	54,497	17,943	83	386	7697
Teen	21,253	8,898	33	264	534
Adult	76,349	24,705	283	1,625	2,028
Education					
School membership (total)	18,651	19,055	18,807	19,026	19,306
High schools	5,862	5,891	6,748	5,942	4,746
Middle schools	3,591	3,128	3,978	3,578	3,908
Elementary schools	7,070	7,740	5,812	6,653	7,985
Combined schools	2,128	2,296	2,296	2,089	2,439
Virtual ⁽¹⁾	-	-	-	764	228
School board personnel	2,461	2,461	2,683	2,653	2,701
Wastewater					
Average daily sewage treatment (thousands of gallons)	15,133	14,100	15,592	12,600	11,800

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	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Public safety										
Police										
Patrol units	225	253	257	226	219	229	227	219	203	219
Patrol boats	5	5	6	5	7	8	6	6	6	6
Fire										
Stations	11	11	11	11	11	11	11	11	11	11
Pumpers	16	17	17	17	17	17	15	16	17	16
Ambulances	16	15	15	15	15	15	15	17	16	17
Rescue Vehicles	2	-	-	-	-	-	-	-	-	-
Ladder trucks	5	5	5	5	5	5	5	5	7	5
Fire Boats	2	2	2	2	2	2	2	2	2	3
Highways and streets										
Streets (miles) ⁽³⁾	497	486	1,118	1,125	1,125	1,156	1,156	1,157	1,132	1,163
Traffic signals	187	186	189	185	189	186	186	188	188	188
Bridges	40	40	39	40	39	40	40	40	40	40
Sanitation										
Solid waste										
Collection trucks	58	58	57	58	57	60	64	56	56	57
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	1	1	1	1	1	1	1	1
Aquaplex ⁽²⁾	-	-	-	-	-	-	-	-	1	1
Baseball fields	42	42	42	42	42	42	42	42	42	42
Basketball courts	36	36	36	36	36	35	35	35	35	35
Boat ramps	3	3	3	3	3	3	3	3	3	3
Coliseum	1	1	1	1	1	1	1	1	1	1
Community centers	7	7	7	7	7	7	8	8	5	5
Convention center	1	1	1	1	1	1	1	1	1	1
Fitness trails	12	12	13	13	14	13	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	2	2	2	2	2	2	2	1
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	27	27	28	28	29	29	29	29	29	29
Playgrounds	46	46	43	43	44	81	81	81	81	81
Senior citizens center	1	1	1	1	3	1	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	3
Education										
High schools	4	4	4	4	4	4	4	4	4	4
Middle schools	5	5	6	6	6	6	6	6	6	6
Elementary schools	24	19	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)	490	497	572	572	605	605	605	605	605	605
Sewer Pumping stations	109	109	108	105	106	103	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



A photograph of Fort Mifflin, a large stone fortification with a grassy roof, situated in the water. An American flag flies on a tall pole in the background under a blue sky with scattered white clouds. The image is framed by a white curved border at the top and a large blue circular graphic at the bottom.

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, 2023. 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, 2023.

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 1, 2023



**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, 2023, 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 1, 2023. 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*.

Report on 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on 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* or the Specifications.

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.

Cherry Bekaert LLP

Virginia Beach, Virginia
December 1, 2023

City of Hampton, Virginia
Schedule of Findings and Questioned Costs
Year Ended June 30, 2023

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:	No
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:	

Program Description:

U.S. Department of Agriculture:	<u>CFDA #</u>
Child Nutrition Cluster	10.553/555/559
U.S. Department of Treasury:	
Coronavirus Relief Fund	21.027
U.S. Department of Education:	
Education Stabilization Fund	84.425D/U/W

Dollar threshold to distinguish between Types A and B Programs:	\$3,000,000
The City of Hampton was qualified as a low risk auditee?	No

B. Findings Relating to Financial Statements Reported in Accordance with *Government Auditing Standards*

None noted.

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

None noted.

E. Resolution of Prior Year Findings

2022-001: Status: Corrective action complete – not a repeat finding

2022-002: Status: Corrective action complete – not a repeat finding



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 highway interchange, and various commercial and residential buildings. The foreground is dominated by a dense residential neighborhood with many houses and trees.

HAMPTON VA