

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

For the Fiscal Year Ended June 30, 2013

Prepared by:

Karl S. Daughtrey, Director of Finance

Jacqueline Green, Controller

and

The Department of Finance

**CITY OF HAMPTON, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
JUNE 30, 2013**

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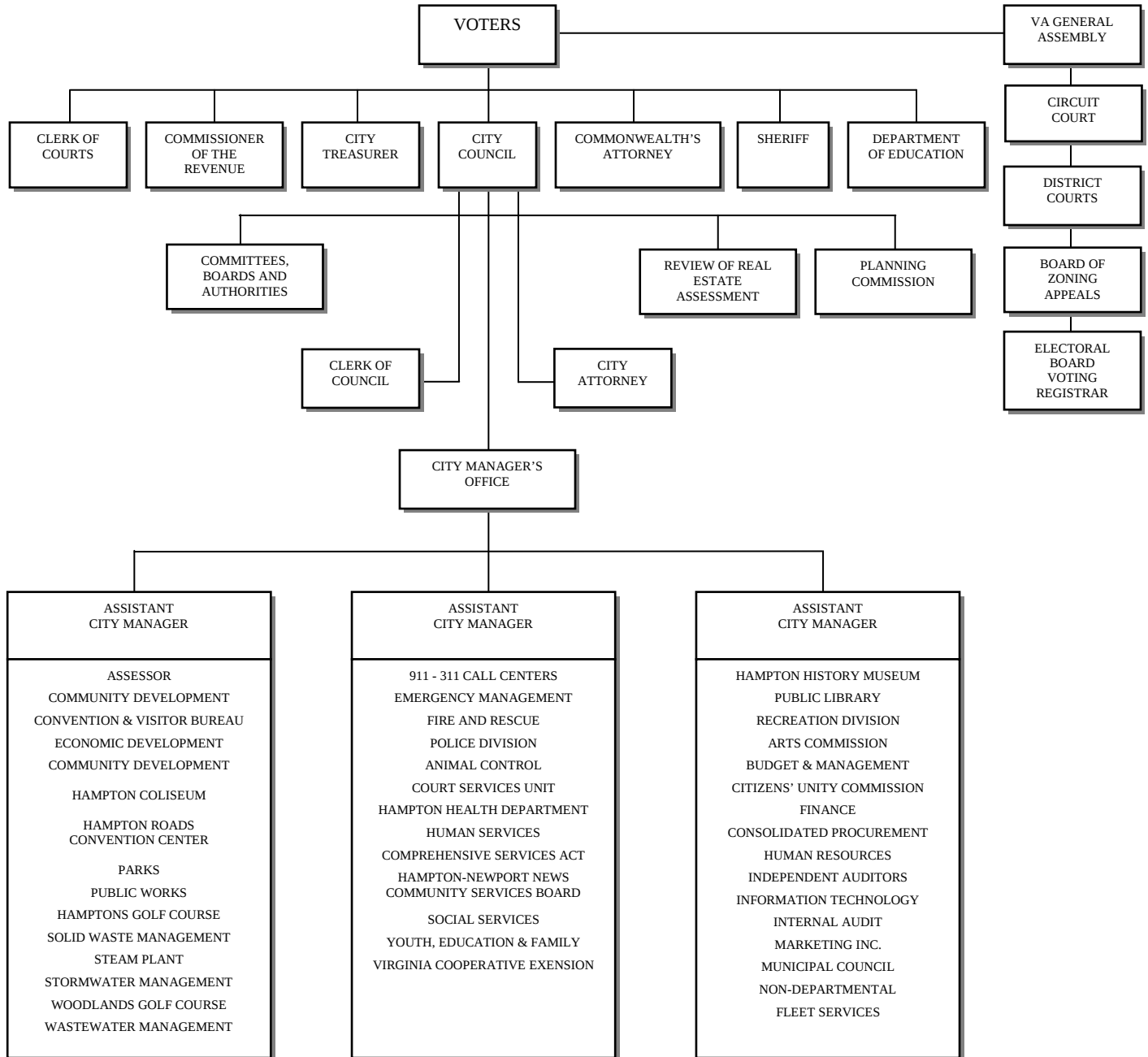
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CITY OF HAMPTON, VIRGINIA

June 30, 2013



CITY OF HAMPTON, VIRGINIA
June 30, 2013

ELECTED OFFICIALS

CITY COUNCIL

Molly Joseph Ward, Mayor
George E. Wallace, Vice Mayor
W.H. "Billy" Hobbs, Jr.
Will J. Moffett
Chris Osby Snead
Christopher G. Stuart
Donnie R. Tuck

CONSTITUTIONAL OFFICERS

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

APPOINTED OFFICIALS

CITY ADMINISTRATION

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

CITY OF HAMPTON, VIRGINIA
June 30, 2013

SCHOOL BOARD

Martha Mugler, Chair

Phyllis Taylor Henry
Linwood D. Harper
William Pearson

Joseph Kilgore, Vice Chair
Jennifer Phillips
Monica J. Smith

SCHOOL ADMINISTRATION

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

HAMPTON EMPLOYEES' RETIREMENT SYSTEM

BOARD OF TRUSTEES

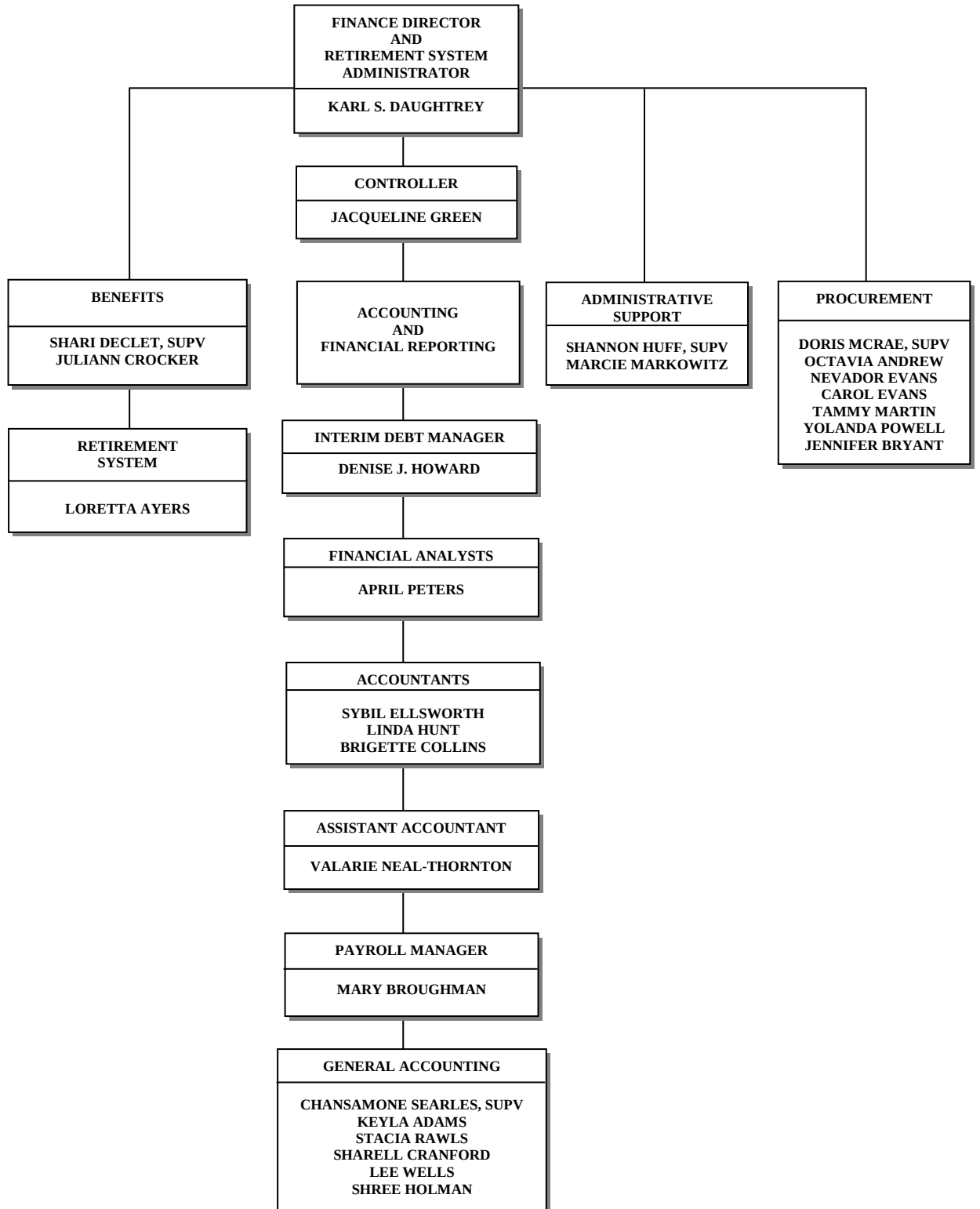
James A. Peterson, Vice Chairman
Karen James, Legal Counsel
Sue Ange
Anton Schmidt
Ron Davis

A. G. Womble, Jr., Chairman

Joe Sanders
Suzanna Scott
Ann Stephens-Cherry
William "Bill" Benson, Jr.

Karl S. Daughtrey, Administrator and Treasurer

**CITY OF HAMPTON, VIRGINIA
DEPARTMENT OF FINANCE
June 30, 2013**



Letter of Transmittal



November 27, 2013

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

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) of the City of Hampton, Virginia (the City) for the fiscal year ended June 30, 2013. State law requires the City to publish, at the close of each fiscal year, a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with Government Auditing Standards by a firm of licensed certified public accountants. This report has been prepared by the Department of Finance and the report does comply with state law and guidelines of the Auditor of Public Accounts of the Commonwealth of Virginia.

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

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

State law requires that the financial statements of the City be audited by a certified public accountant. Cherry Bekaert LLP, Certified Public Accountants have audited the City's financial statements. As a result of an audit of the City's financial records and transactions of all funds, component units and departments of the City, Cherry Bekaert LLP has concluded that the financial statements are in compliance with generally accepted accounting principles and have issued an unmodified opinion on the City of Hampton's financial statements for the year ended June 30, 2013. The report of independent auditor is presented as the first component of the financial section of this report.

Finance Department

22 Lincoln Street | Hampton, Virginia 23669
www.hampton.gov | P: (757) 727-6230

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

Profile of the City

Background

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

As of the July 1, 2012, current estimated population in Hampton was 138,848. This indicates an increase in population of 1.07% or 1,476 from the July 1, 2011 estimate of 137,372.

Hampton is an independent, full-service City with sole local government taxing authority within its boundaries. It is empowered by state statute to levy property taxes on real and personal property located within its boundaries. The governing body of the City is an elected City Council composed of a mayor and six (6) council members. The Mayor and City Council members are elected for four (4) year terms in general elections held every two (2) years. The City Council appoints the City Manager who acts as the Chief Executive Officer of the government. The City Manager serves at the pleasure of the Council and is charged with the responsibility of carrying out their policies, directing business procedures, and appointing and removing all department heads and city employees.

As a full-service City, Hampton provides a broad range of municipal services to its citizens. Those services include public safety, education, public works, refuse-collection, recreation, building inspection, public health, social services, planning, community development, etc. The City of Hampton and its citizens purchase their water and sewer service directly from Newport News Waterworks and Hampton Roads Sanitation District, respectively.

During fiscal year 2013, several awards and recognitions were received by the City of Hampton. They are listed below:

- The City received the Government Finance Officers Association Distinguished Budget Presentation Award for the FY12 budget document. This is the fifteenth year the City's Budget office has won the award.
- The City of Hampton placed fifth nationwide in the Digital Cities Survey. The Digital Cities Survey examined how city governments have progressed in adopting and utilizing digital technologies to improve the delivery of services to their citizens.

Hampton City Manager Mary Bunting was named a White House Local Innovation Champion of Change. Bunting was one of 13 municipal innovators from across the nation who have committed themselves to creating a more open and innovative government through entrepreneurship. She was nominated for the honor by Hampton Mayor Molly Ward, who cited the "I Value" budget campaign as a model other localities can adopt. Bunting decided to change the traditional model of budgeting to proactively gather public input at the beginning of the process, rather than waiting for reaction after the budget is drafted.

In her nomination, Ward wrote: "Hampton City Manager Mary Bunting believes that more public participation leads to better government, and she has demonstrated that during three years of difficult city budget. Her "I Value" campaign has centered on getting residents to discuss priorities for the city's annual budget, using traditional in-person meetings and reaching out to create community discussions virtually. The discussions have focused on core values for city services and avoided rhetoric." Ward also cited Bunting's use of technology to dramatically increase the number of people who can be involved in the decision-making process, from in-person keypad technology to online polling and from small neighborhood chats to online questions and answers.

Budgetary Systems

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

Component Units

The financial reporting entity includes all funds of the primary government (the City), as well as its component units. Component units are legally separate entities for which the City is financially accountable. 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

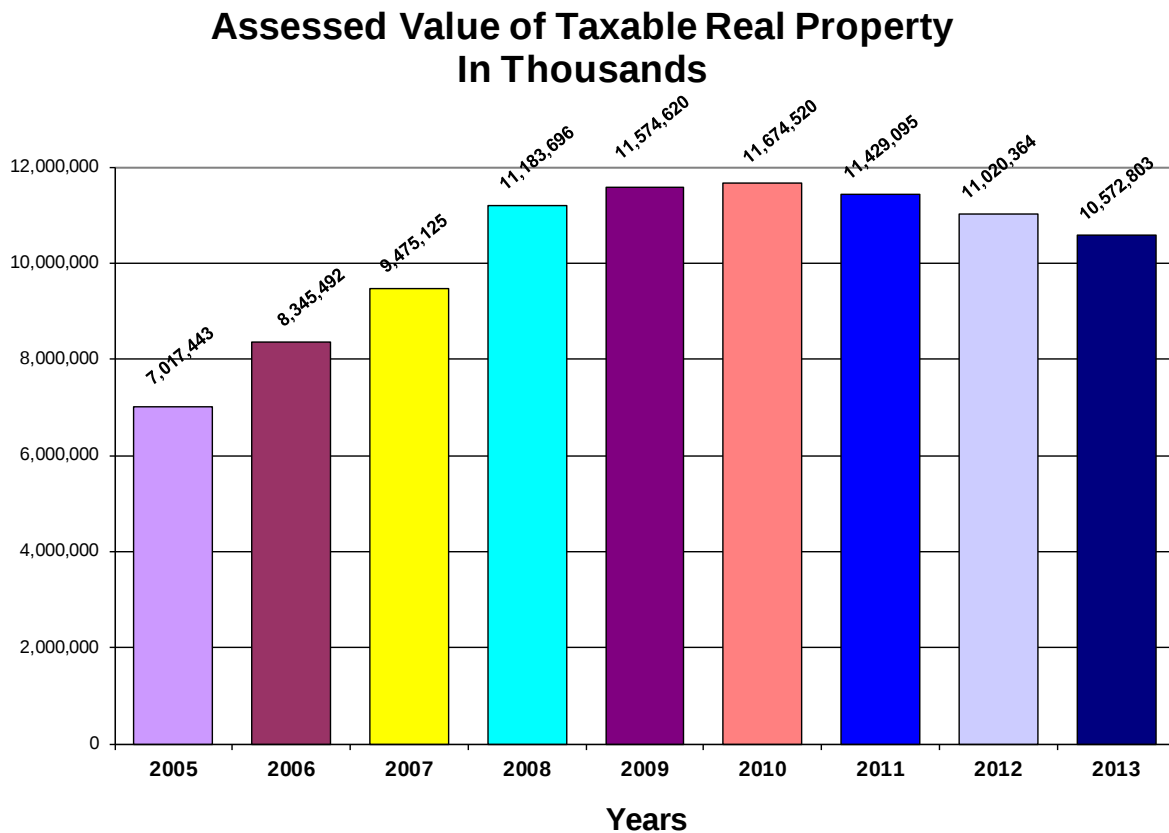
Local Economy

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

The City's strategic location and economic development activities offer its residential civilian labor force a wide range of employment opportunities. Hampton businesses draw from the largest regional workforce between Washington, D.C. and Atlanta, with over 845,000 highly educated, skilled, and technically trained workers. Each year over 13,000 trained and disciplined personnel exit the military. Many of these persons elect to stay in the area and look for private sector employment, and there are over 30,000 military spouses available to work. In addition, there are almost 107,000 students attending the region's eight universities and four community colleges with an estimated 14,000 graduates per year.

The effects of the economic downturn are still evidenced in the national, state and local economy. The Hampton Roads region's economy, as measured by Gross Regional Product, expanded at a rate of 1.63 percent in 2012. However, this growth was not accompanied by commensurate employment growth. While Department of Defense spending has continued to provide stability to overall growth in Hampton Roads, military spending within the region grew by only 1.62 percent in 2012. Compared to past economic downturns, the region's recovery process will be unusual in the sense that, despite rising income and expenditures, employment growth in Hampton Roads is expected to proceed at a relatively slow pace. As far as jobs are concerned, local firms, like their counterparts in other areas of the country, appear to have learned to do more with less. The City's unemployment rate is currently at 7.1%, a reduction of .7% from fiscal year 2012. The national unemployment rate is currently 7.8%.

The assessed value of the City's residential and commercial real property decreased by \$447.6 million or 4.06% from fiscal year 2012 to fiscal year 2013.



Economic Development

The City is home to two institutions of higher education: Hampton University and Thomas Nelson Community College. *Hampton University* has been educating scholars and leaders for over 140 years. Hampton University provides a broad range of technical, liberal arts, pre-professional, professional, and graduate degree programs and has over 6,000 students enrolled. It is located in Hampton Virginia's downtown area on the waterfront. The University is ranked 4th in the 2013 *U.S. News and World Report – Historically Black Colleges and Universities (HBCU)*.

Thomas Nelson Community College offers planning and strategic partnerships with economic development entities on the Virginia Peninsula. Services include targeted workforce development, strategic planning, joint grant opportunities, pre-employment training, employer/industry customized training programs and availability of fully equipped training facilities including classrooms, labs, and flexible manufacturing and

industrial training spaces. Old Dominion University's Peninsula Higher Education Center has combined with Thomas Nelson Community College to promote the advancement of knowledge here on the Peninsula. It is a state-of-the-art academic facility designed to support a wide array of graduate and undergraduate programs that meet the needs of the local community. Its location makes it convenient for residents to complete their bachelor degrees and for health and other professionals to complete their education through the doctorate level. The Peninsula Center offers 24 undergraduate and 25 graduate programs with over 200 classes scheduled each week.

The Department of Economic Development has a Business Development Team whose primary goals are to retain and expand businesses in the city of Hampton; they also specialize in new and entrepreneur developments. During fiscal year 2013, this team was involved in 12 commercial projects totaling \$20.9 million in private investment, creating 76 new jobs and retaining 5 jobs within the office, manufacturing and warehouse sectors. A summary of some of the commercial activity/development that has occurred during fiscal year 2013 is as follows:

Cosentino Group leased 161,985 square feet in Enterchange at Hampton in Copeland Industrial Park. The company invested \$2,298,000 and created 17 new jobs.

Liebherr Mining is expanding their space on Chestnut Avenue which includes portions of the building located on City Line Road in Copeland Industrial Park. The investment on the Hampton side is expected to be at least \$10,000,000.

Pyramid Roofing purchased a building consisting of 18,600 square feet located on 52 Street in Copeland Industrial Park. The investment was \$1,065,000.

M. Price Distributing expanded their space on Pembroke Avenue in the Pembroke Corridor. The expanded warehouse space consists of an additional 17,995 square feet and the investment was \$2,200,000.

Advex Corporation added 10,000 square feet of space to location in Langley Research and Development Park. The company has invested \$3,826,000 and 34 new jobs were created.

Military and Federal Research Facility

Langley Air Force Base is the oldest continuously active air base in the United States and headquarters for the Air Combat Command. It is also home to the U.S. Air Force's First Fighter Wing. Covering 2,900 acres, Langley has more than 9,400 military personnel and approximately 1,600 civilian employees with a combined payroll of over \$622 million. The Fiscal Year 2010-2011, Langley Air Force Base's economic impact analysis stated the base had a total economic impact of \$2.4 billion to the local community.

The National Aeronautics and Space Administration's NASA Langley Research Center is located in Hampton adjacent to Langley Air Force Base. The Center is an important national resource serving inherent government functions such as safety, national defense,

environment and the air transportation system. In 2012, Langley employed 3,600 people. Approximately 1,900 were civil service employees and 1,700 were private-sector employees working on or near-site for companies that were contracted to provide support for NASA. The Virginia Air and Space Center, located in downtown Hampton, serves as the official welcome center for NASA Langley. NASA Langley's economic output to Virginia was nearly \$1 billion which generated over 8,800 jobs throughout the Commonwealth of Virginia and Hampton Roads region in fiscal year 2012. Its impact on the Hampton Roads region was \$886 million supporting approximately 7,600 jobs.

General Government Financial Operations

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

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

	<u>000's Omitted</u>		
	<u>2013</u>	<u>2012</u>	<u>Percent Increase (Decrease)</u>
<u>Revenues and Other Financing Sources:</u>			
General Fund	\$ 302,302*	\$ 297,049*	1.77
School Operating	<u>125,288*</u>	<u>119,640*</u>	<u>4.72</u>
Total	<u>427,590</u>	<u>416,689</u>	<u>2.62</u>
<u>Expenditures and Other Financing Uses:</u>			
General Fund	239,178*	240,452*	(0.53)
School Operating	<u>190,781*</u>	<u>188,132*</u>	<u>1.41</u>
Total	<u>429,959</u>	<u>428,584</u>	<u>0.32</u>
Increase/(Decrease) to fund balance	<u>\$ (2,369)</u>	<u>\$(11,895)</u>	

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

The General Fund revenues and other financing sources increased by approximately \$5.3 million or 1.77% over fiscal year 2012 revenues. Revenues from real estate taxes declined by approximately \$5.2 million. Real estate assessed values decreased by 4% for this period. In the local taxes category, we experienced an increase of approximately \$3.2 million. Meal taxes grew by approximately \$2.3 million over fiscal year 2012. This increase is due to the rate increasing from 6.5% to 7.5% in fiscal year 2013. Also, in the

other local taxes category, recordation and motor vehicle (vehicle license) revenues increase by \$.4 million and \$.5 million, respectively. The increase in recordation taxes is due to an increase in sales of real estate and other recordation transactions. For motor vehicle licenses, the rates were increased by \$5 in 2013. For other financing sources category, transfers in increased by \$4.3 million. This increase is the result of the Capital Projects Fund returning funds that were advanced for certain projects from the General Fund's fund balance. Special assessment revenues experienced an increase of \$2 million over fiscal year 2012. Most of this increase is due to the collection of delinquent amounts from the previous year.

General Fund expenditures declined by \$1.3 million over fiscal year 2012. While operating expenditures increased by \$11.2 million, other financing uses, primarily transfers to the Capital Projects Fund, decreased by \$12.5 million. Special assessment collections were \$1.2 million more than the budgeted amount; therefore, since this revenue is a pass-through to other agencies, it had a corresponding increase in operating expenditures. Salary and wages expenditures increased by \$3.5 million over 2012. Most of this increase is related to a pay adjustment to base salaries of 6% to offset a state mandate that employees start to pay a 5% share of their retirement benefit. Employee benefits costs increased by \$1.9 million over 2012 primarily from an increase in health insurance and line of duty benefits. For fiscal year 2013, the City opted out of the state's line of duty program and became self-insured. The state requires local governments to provide death benefits and health, dental and vision insurance coverage to eligible hazardous duty employees and volunteers and their dependents if they are killed or disabled in the line of duty. The decrease in the transfer to the Capital Projects Fund is primarily from a one-time appropriation of \$6.4 million from fund balance along with other funding that was used to purchase a strategic property in fiscal year 2012.

The School Board Operating Fund revenues increased by approximately \$5.6 million or 4.7% over fiscal year 2012. State revenues increased as a result of the following: revenues for the state's share of retirement contributions to Virginia Retirement System (VRS) for \$3.1 million, additional assistance with retirement inflation for \$1.3 million and Special Education for \$1.3 million. VRS had a rate increase from 6.33% in fiscal year 2012 to 11.66% in fiscal year 2013. This increase in payment resulted in an overall increase in revenue for the year to offset the cost. Additional assistance with retirement inflation revenue was a new revenue stream in fiscal year 2013. Special Education revenues increased overall due to Standards of Quality requirements.

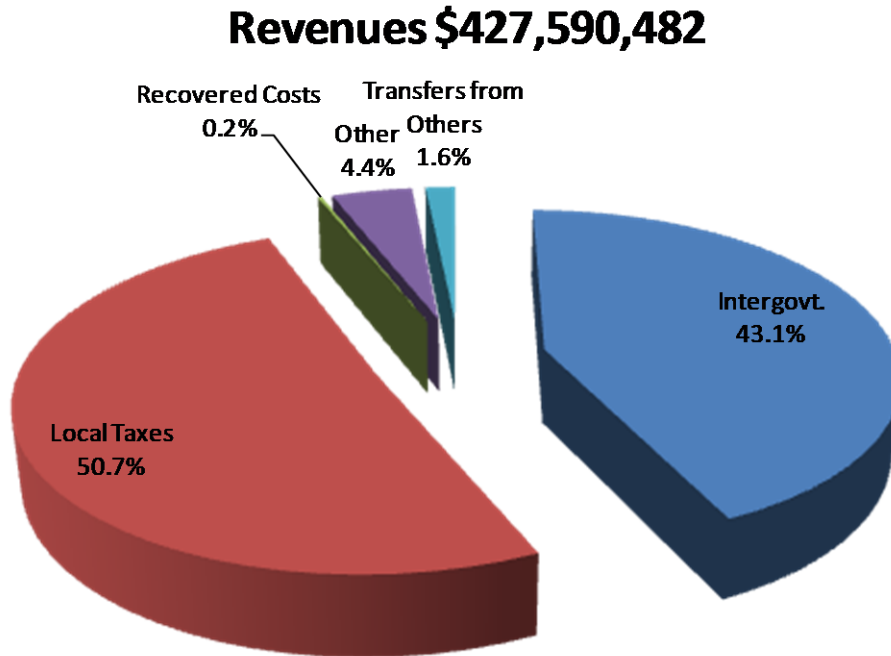
The School Board Operating Fund expenditures increased by 2.6 million or 1.4% over fiscal year 2012 due primarily to an increase in spending for instruction, transportation and operation and maintenance.

Instructional expenditures increased by \$5.5 million during fiscal year 2013. The increase resulted primarily from a \$6.2 million increase in actuarially required contributions to VRS and Hampton Employee Retirement System (HERS). While VRS and HERS retirement contributions increased, the health insurance costs declined by \$2.3 million because of a

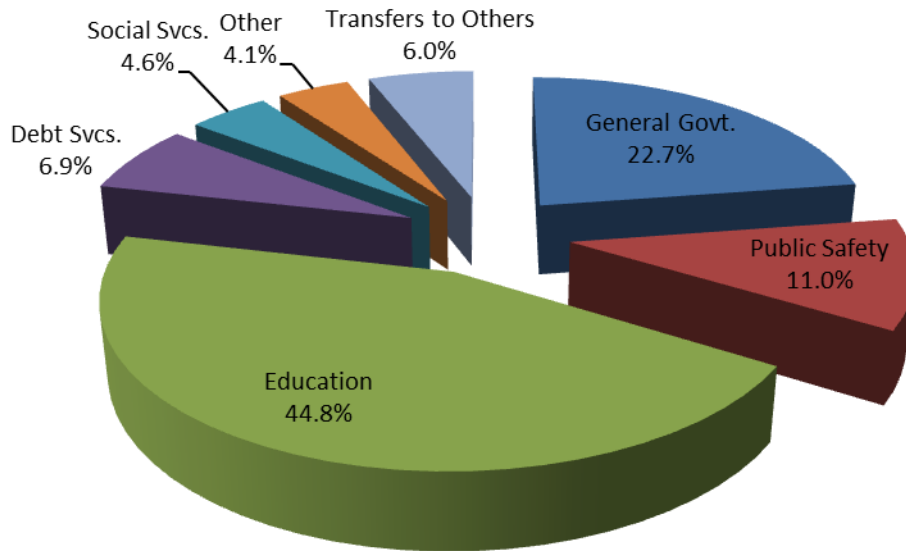
premium holiday. Additional expenses for a 1% salary increase and purchase of instructional supplies resulted in an increase of \$1.6 million. Transportation expenditures increased by \$.6 million due to increases in salaries and benefits and fuel costs. Operation and maintenance expenditures increased by \$1 million from additional contractual services procured during the fiscal year.

Technology costs declined by \$4.7 million from fiscal year 2012. During 2012, Hampton City Schools purchased computers and IPADS based on the replacement cycle for equipment that had been established.

The graphs of the 2013 General Fund and School Operating Fund revenues and expenditures are as follows:



Expenditures \$429,958,407



Long Term Financial Planning

In the years 2013-2017, there is a total of \$154.2 million that is scheduled for City and School projects. The following summarizes these projects:

- Education \$37.3 million
- Hampton's Waterways 19.1 million
- Maintenance of Public Properties 49.1 million
- Master Plans 10.2 million
- Neighborhood Support 2.8 million
- New Facilities 3.0 million
- Other CIP Projects 6.5 million
- Streets and Infrastructure 26.2 million

Financial Policies

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

1. Debt Policy Limit. (a) General obligation debt shall not exceed 3% of the assessed value of all real estate within the City subject to taxation. At June 30, 2013, general obligation debt totaled \$282 million or 2.7% of taxable real estate value, which was within the policy parameter.

(b) General obligation bonded debt together with indirect debt, which includes certain revenue backed debt and subject-to-appropriation or moral obligation commitments, and debt of certain special purpose entities (i.e. Community Development Authority) shall not exceed 4.5% of the assessed value of all real and personal property subject to taxation within the City. At June 30, 2013, this would amount to \$470 million or 4% of the assessed value of all taxable real and personal property which was within the policy parameter.

(c) Debt of certain special purpose entities, such as community development authorities, shall not exceed 1% of the assessed value of all real and personal property subject to taxation within the City. At June 30, 2013, this would amount to \$102 million or .86% 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, 2013, this would amount to \$33 million or 7.7% 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 74% of general bonded obligation debt in fiscal year 2023 that was outstanding as of June 30, 2013.

4. Equity Funding. A minimum of 2% to 6% of general fund revenues will be applied to CIP capital projects each year. At June 30, 2013, capital expenditures were \$14.4 million which is 5% of General Fund revenues. Also, a minimum of 10% to 15% of CIP projects over a rolling five-year period are to be funded from general fund revenues. For the five year period, 2013 through 2017, the City plans to use 42% 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, 2013 was \$54.2 million or 13% of actual revenues.

The City is in compliance with the Financial Policy Guidelines.

Credit Ratings

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

Major Initiatives and Accomplishments

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

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

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

Fort Monroe was identified for closure by the 2005 Base Realignment and Closure Commission and was closed by the Army on September 15, 2011. Since that time, the Commonwealth of Virginia and City of Hampton have been preparing for closure and reuse of the Fort to mitigate the impact of the lost economic activity from the closure. 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 are in negotiations over the disposition of the "non-revisionary" acres. As part of the State's partnership with the City, it was agreed that the City would receive a Payment In Lieu Of Taxes (PILOT) to cover the costs of City services that Hampton provides to state controlled

property at Fort Monroe. The PILOT is based on the City's real estate tax assessment and tax rate as if it were any other private property in the City, but excludes any property owned by the federal government or used by the City.

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

Awards and Achievements

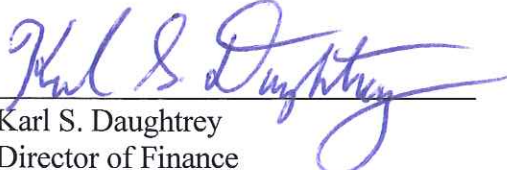
The Government Finance Officers Association of the United States and Canada (GFOA) awards a Certificate of Achievement for Excellence in Financial Reporting to governmental units that publish an easily readable and efficiently organized comprehensive annual financial report that meets all generally accepted accounting principles and applicable legal requirements. The City of Hampton has received this award for its comprehensive annual financial report for the fiscal year ended June 30, 2012.

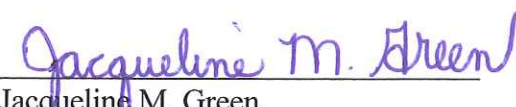
A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to Certificate of Achievement Program requirements. This report will also be submitted to the GFOA to determine its eligibility for a certificate.

Acknowledgments

We acknowledge, with gratitude, the continued efficient and dedicated service rendered by the Finance Department staff and the assistance rendered by Cherry Bekaert 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
Director of Finance


Jacqueline M. Green
Controller



**The Government Finance Officers Association
of the United States and Canada**

presents this

AWARD OF FINANCIAL REPORTING ACHIEVEMENT

to

Finance Department
City of Hampton, Virginia



The award of Financial Reporting Achievement is presented by the Government Finance Officers Association to the individual(s) designated as instrumental in their government unit achieving a Certificate of Achievement for Excellence in Financial Reporting. A Certificate of Achievement is presented to those government units whose annual financial reports are judged to adhere to program standards and represents the highest award in government financial reporting.

Executive Director

Date May 8, 2013

Auditor's Report

Report of Independent Auditor

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Hampton, Virginia (the "City"), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Downtown Hampton Development Partnership, Inc., which represents 1.1% and 0.3%, respectively, of the total assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Downtown Hampton Development Partnership, Inc., is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Hampton, Virginia, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 16 to the financial statements, the City adopted new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, and corrected errors discovered by management in previously issued financial statements. Our opinions are not modified with respect to these matters.

OTHER MATTERS**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedules of funding progress as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

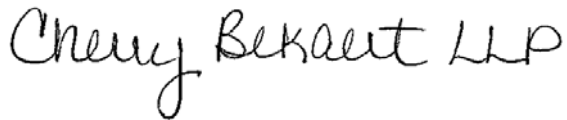
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements in Exhibits B - G, supporting schedules in Exhibits 1 – 11 and statistical section in Exhibits I – XVI are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is also presented for the purpose of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Such information is the responsibility of management and was derived from and relates to the underlying accounting and other records used to prepare the financial statements.

The combining and individual nonmajor fund financial statements, supporting schedules in Exhibits 2 - 5, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section, supporting schedules in Exhibit 1 and Exhibits 6 – 11, and the statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2013, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

A handwritten signature in black ink that reads "Cherry Bekaert LLP". The signature is written in a cursive, flowing style.

Virginia Beach, Virginia
November 27, 2013

Management's Discussion and Analysis

MANAGEMENT’S DISCUSSION AND ANALYSIS

This section of the City of Hampton’s (City’s) Comprehensive Annual Financial Report (CAFR) presents Management’s Discussion and Analysis (MD&A) of the City’s financial performance during the fiscal year ended June 30, 2013. The MD&A should be read in conjunction with the transmittal letter and the City’s financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The General Fund, on a current financial resource basis, reported expenditures in excess of revenues and other financing sources and uses by \$1.8 million (Exhibit A-4) after making a \$64.9 million payment to Hampton City Schools, \$14.4 million transfer to Capital Projects, \$9.4 million transfer to Enterprise Funds, \$1.9 million to Special Revenue Funds and \$29.7 million to Debt Service Fund.
- On a government-wide basis for governmental activities, the City’s net position increased by \$1.5 million (Exhibit A-2).
- In the City’s business-type activities, on a government-wide basis, net position increased by \$367,000 (Exhibit A-2).
- The City’s net position, excluding component units, on the government-wide basis, totaled \$798.5 million at June 30, 2013. Of this amount, \$83 million is available for spending at the government’s discretion (unrestricted net position - Exhibit A-1).

USING THE FINANCIAL SECTION OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT

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

GOVERNMENT-WIDE STATEMENTS

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

The two government-wide statements report the City’s net position and changes in net position. The net position presents financial information on all of the City’s assets, liabilities and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in the City’s net position are one indicator of whether its financial position is

improving or deteriorating. However, other non-financial factors will need to be considered, such as changes in the City's property tax base and the condition of the City's infrastructure.

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

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

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

FUND FINANCIAL STATEMENTS

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

The City has three types of funds:

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

- **Proprietary funds** – Services for which the City charges customers a fee are generally reported in proprietary funds. These funds, like the government-wide statements, provide both long- and short-term financial information. The City's enterprise funds (one type of proprietary fund) are its business-type activities, but the fund financial statements provide more detail and additional information, such as cash flow. The City maintains eight individual enterprise funds. The City uses four internal service funds (the other type of proprietary fund) to report activities that provide supplies and services for the City's other programs and activities. These funds provide for the accumulation of money to replace capital equipment used in the City's operations, maintenance services for the City's vehicle fleet, risk management and computer and telecommunication services. The basic proprietary funds financial statements can be found in Exhibits A-6, A-7 and A-8 of this report.
- **Fiduciary funds** – The City is the trustee, or fiduciary, for its employees' pension plan. All of the City's fiduciary activities are reported in separate statements of fiduciary net position and statements of changes in fiduciary net position. The City excludes these activities from the City's government-wide statements because the City cannot use these assets to finance its operations. Agency funds are City custodial funds used to provide accountability of client monies for which the City is custodian. The basic fiduciary funds financial statements can be found in Exhibits A-9 and A-10 of this report.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Table I
Summary of Statement of Net Position (In Thousands)
June 30, 2013 and 2012

	Governmental Activities		Business-type Activities		Total Primary Government		Component Units	
	2013	2012*	2013	2012*	2013	2012*	2013	2012*
Current and other assets	\$ 217,150	\$ 187,651	\$ 48,227	\$ 43,913	\$ 265,377	\$ 231,564	\$ 40,587	\$ 46,136
Capital assets	861,930	859,781	161,644	165,059	1,023,574	1,024,840	32,966	35,075
Deferred outflows of resources	7,592	-	5,991	-	13,583	-	-	-
Total assets and deferred outflows of resources	1,086,672	1,047,432	215,862	208,972	1,302,534	1,256,404	73,553	81,211
Current Liabilities	68,819	59,630	9,814	8,846	78,633	68,476	15,778	18,894
Long-term liabilities	324,693	297,386	99,478	93,923	424,171	391,309	18,531	18,123
Deferred inflows of resources	1,206	-	-	-	1,206	-	-	-
Total liabilities and deferred inflows of resources	394,718	357,016	109,292	102,769	504,010	459,785	34,309	37,017
Net position:								
Net investment in capital assets	597,191	588,035	73,585	69,003	670,776	657,038	32,437	35,120
Restricted	9,301	11,809	8,907	16,844	18,208	28,653	8,335	8,391
Unrestricted	85,462	90,572	24,078	20,356	109,540	110,928	(1,528)	683
Total net position	\$ 691,954	\$ 690,416	\$ 106,570	\$ 106,203	\$ 798,524	\$ 796,619	\$ 39,244	\$ 44,194

* Restated

The City's combined net position (which is the City's bottom line) increased by \$1.9 million in fiscal year 2013, of which approximately 2% represents resources that are subject to external restrictions. Net investment in capital assets represents 84% of net assets. These assets are used to provide services to citizens and consequently are not available for future spending. The City's

unrestricted net position – the part of net position that can be used to finance day-to-day operations total \$109.5 million.

Table II
Summary of Changes in Net Position (In Thousands)
June 30, 2013 and 2012

	Governmental Activities		Business-type Activities		Total Primary Government		Component Units	
	2013	2012*	2013	2012*	2013	2012*	2013	2012*
Revenues:								
Program revenues:								
Charges for services	\$ 23,141	\$ 21,022	\$ 39,002	\$ 42,045	\$ 62,143	\$ 63,067	\$ 7,029	\$ 6,284
Operating grants and contributions	76,144	77,821	916	1,303	77,060	79,124	144,476	149,719
Capital grants and contributions	17,429	2,782	94	613	17,523	3,395		
General revenues:								
Property taxes	142,424	146,757			142,424	146,757		
Other taxes	74,122	70,847			74,122	70,847		
Other	5,266	3,159	646	744	5,912	3,903	67,642	69,688
Total revenues	<u>338,526</u>	<u>322,388</u>	<u>40,658</u>	<u>44,705</u>	<u>379,184</u>	<u>367,093</u>	<u>219,147</u>	<u>225,691</u>
Expenses:								
General government	127,211	130,339	-	-	127,211	130,339	5,913	4,293
Public safety	53,205	49,635			53,205	49,635		
Highways and streets	15,511	11,862			15,511	11,862		
Sanitation	3,935	3,899	24,475	23,831	28,410	27,730		
Health	3,337	3,056			3,337	3,056		
Human services	28,528	29,142			28,528	29,142		
Culture and recreation	15,689	13,540	25,416	29,372	41,105	42,912		
Education - payment to school board	64,925	66,345			64,925	66,345		
Educational	7,056	14,337			7,056	14,337	218,184	226,341
Interest on long-term debt	7,991	8,351	-	-	7,991	8,351		
Total expenses	<u>327,388</u>	<u>330,506</u>	<u>49,891</u>	<u>53,203</u>	<u>377,279</u>	<u>383,709</u>	<u>224,097</u>	<u>230,634</u>
Increase (decrease) in net position before transfers	11,138	(8,118)	(9,233)	(8,498)	1,905	(16,616)	(4,950)	(4,943)
Transfers	<u>(9,600)</u>	<u>(8,865)</u>	<u>9,600</u>	<u>8,865</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net position	1,538	(16,983)	367	367	1,905	(16,616)	(4,950)	(4,943)
Net position, July 1 as restated	690,416	707,399	106,203	105,836	796,619	813,235	44,194	49,137
Net position, June 30	<u>\$ 691,954</u>	<u>\$ 690,416</u>	<u>\$ 106,570</u>	<u>\$ 106,203</u>	<u>\$ 798,524</u>	<u>\$ 796,619</u>	<u>\$ 39,244</u>	<u>\$ 44,194</u>

* Restated

GOVERNMENTAL ACTIVITIES

For the fiscal year ended June 30, 2013, revenues from governmental activities totaled \$338.5 million. Revenues from governmental activities increased by \$16.1 million; primarily in capital grants and contributions.

Property taxes, the City's largest revenue source, were \$142.4 million, a decrease of \$4.3 million when compared to fiscal year 2012. This decrease is primarily due to declining real estate

values. Real estate assessed values declined by 4.06%. Total program revenue for governmental activities was \$116.7 million. Program revenues are derived from the program itself and reduce the cost of the function to the City. One of the most significant of these revenues is the revenue category "Operating Grants and Contributions". These revenues totaled \$76.1 million for the year ended June 30, 2013, a decrease of \$1.7 million when compared to the previous year. Capital grants and contributions total \$17.4 million, an increase of \$14.6 million over the prior fiscal year. The majority of this increase is a result of federal and state funding for various road projects throughout the City.

The other taxes revenue category, which includes taxes on general sales, utilities purchases, cigarettes, hotel rooms, restaurant meals, amusements, and business and automobile licenses, totaled \$74.1 million. This represents a \$3.3 million increase compared to the previous year mainly due to a 1% increase in the meal tax rate and an increase in rate for motor vehicle license revenue in fiscal year 2013 which brought in an additional \$511,000 in motor vehicle taxes.

For the fiscal year ended June 30, 2013, expenditures for governmental activities, excluding transfers, totaled \$327.3 million, a decrease of \$3.1 million over the previous year. This decrease is primarily due to a restriction management placed on departmental spending due to an anticipated \$4.4 million shortfall in actual revenues.

BUSINESS-TYPE ACTIVITIES

Business-type activities generated revenues of \$40.7 million, a decrease of \$4 million when compared to the previous year. The majority of this change is attributed to a \$3 million decrease in charges for services and a \$519,000 decrease in capital grants. Expenses for the City's business-type activities totaled \$49.9 million, a decrease of \$3.3 million when compared to the previous year. The Coliseum experienced a \$3.4 million decrease in operating revenues along with a \$2 million decrease in expenses due to a decrease in the number of events over fiscal year 2012.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The General Fund's fund balance decreased by \$1.8 million over fiscal year 2012. This decrease is primarily due to a one-time appropriation that was made from fund balance for a non-recurring expenditure of \$2.1 million used to fund a one-time performance payment to employees in fiscal year 2013.

The Capital Projects Fund reflected an increase in fund balance of \$28.8 million. The reason for this increase is the City issued \$38,865,000 in General Obligation Public Improvement Bonds on April 24, 2013 to finance the costs of general capital improvements of the City.

The Wastewater Fund recorded an increase in net position of \$2 million in fiscal year 2013. This increase is primarily due to personnel savings from job vacancies and fewer than anticipated consent order projects occurring in fiscal year 2013. The DEQ's regional consent order is designed to address sanitary sewer overflows.

The Stormwater Fund net position increased by \$1.2 million due not only to the commercial stormwater user fee increasing in fiscal year 2013 from \$4.60 per 2,429 sq. ft. of impervious area to \$6.41 per 2,429 sq. ft. of impervious area, but also the residential user fee increasing from \$4.60 per month to \$6.41 per month.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the year, the City Council revised the budget on several occasions. City Council appropriated \$12.6 million from committed fund balance to fund uncompleted projects in the Capital Projects Fund. These projects were funded from the General Fund in fiscal year 2012 but the appropriations lapsed at the end of the fiscal year. Under the City's budget savings program, the remaining budget savings of \$2.8 million was rolled from fiscal year 2012 to fiscal year 2013. City Council adopted a budget savings program whereby departments will retain 65 percent of their end of the fiscal year budget savings, 10 percent will be put into an innovations pool and \$415,000 will be designated for drainage projects. In addition, the City reappropriated grant, donation, and other revenues.

Actual expenditures and transfers were \$14 million below the final budget. A significant amount of this variance (\$7 million) occurred in the general government function, which was related to unused funding of \$2.2 million as a result of management's decision to place a restriction on department's spending due to an estimated \$4.4 million shortfall in revenue projections. Also contributing to this variance was unused budget savings under the City's budget savings program of \$2.8 million and personnel savings of \$518,000 from vacant positions. A \$3.9 million variance was noted in transfers to other funds. The majority of this variance occurred from projects in the Capital Projects Fund that were at various stages of completion. Typically, funding for these projects is appropriated in the subsequent fiscal year.

Revenues came in at \$3.2 million over budget. This is primarily the result of the Capital Projects Fund returning funds that were advanced for certain projects from the General Fund's fund balance.

CAPITAL ASSETS

The total decrease over fiscal year 2012 in the City's investment in capital assets for the current fiscal year is \$1.27 million. At the end of fiscal year 2013, the City had invested over \$1 billion in a variety of capital assets and infrastructure, as reflected in the following schedule:

Table III Capital Assets (In Thousands)

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Non-depreciable assets:						
Land and land improvements	\$ 513,149	\$ 509,452	\$ 10,804	\$ 10,804	\$ 523,953	\$ 520,256
Easements	672	6,189	29	21	701	6,210
Construction in progress	27,977	28,593	1,451	452	29,428	29,045
Other capital assets:						
Buildings and improvements	167,594	167,524	137,691	137,698	305,285	305,222
Improvements other than buildings	67,759	67,759	35,555	34,783	103,314	102,542
Equipment and vehicles	79,582	62,359	26,799	26,040	106,381	88,399
Exhibits			13,950	13,950	13,950	13,950
Landfill			3,866	3,866	3,866	3,866
Infrastructure	176,615	175,014	66,208	65,222	242,823	240,236
Computer software	1,003	952	106	59	1,109	1,011
Other Assets	4,218	4,218			4,218	4,218
Accumulated depreciation	(176,640)	(162,279)	(134,815)	(127,836)	(311,455)	(290,115)
Total	<u>\$ 861,929</u>	<u>\$ 859,781</u>	<u>\$ 161,644</u>	<u>\$ 165,059</u>	<u>\$ 1,023,573</u>	<u>\$ 1,024,840</u>

Component Units	School Board		Economic Development Authority		Coliseum Central Business Improvement District, Inc. restated	
	2013	2012	2013	2012	2013	2012
Non-depreciable assets:						
Land and land improvements	\$ 5,111	\$ 5,111	\$ 15,803	\$ 15,803	\$ -	\$ -
Other capital assets:						
Buildings and improvements	48,963	48,963				
Improvements other than buildings	310	310	-	-		
Infrastructure			2,049	2,049		
Computer software					4	4
Equipment and vehicles	41,736	43,445	-	-	141	143
Accumulated depreciation	(80,421)	(80,145)	(964)	(861)	(91)	(80)
Total	<u>\$ 15,699</u>	<u>\$ 17,684</u>	<u>\$ 16,888</u>	<u>\$ 16,991</u>	<u>\$ 54</u>	<u>\$ 67</u>

Component Units	Downtown Hampton		Total Component Unit	
	2013	2012	2013	2012
Non-depreciable assets:				
Land and land improvements	\$ -	\$ -	\$ 20,914	\$ 20,914
Other capital assets:				
Buildings and improvements			48,963	48,963
Improvements other than buildings			310	310
Infrastructure	438	425	2,487	2,474
Computer software			4	4
Equipment and vehicles	122	120	41,999	43,708
Accumulated depreciation	(236)	(212)	(81,712)	(81,298)
	<u>\$ 324</u>	<u>\$ 333</u>	<u>\$ 32,965</u>	<u>\$ 35,075</u>

The capital budget sets forth \$42.6 million to be spent during fiscal year 2014 in various projects including \$7.3 million in school building maintenance and technology projects, \$10 million in street and infrastructure projects and \$15.9 million in maintenance of public properties and performance support. Additional information about the City's capital assets can be found in Note 6 to the financial statements.

LONG-TERM DEBT

At the end of fiscal year 2013, the City had \$280 million in outstanding general obligation bonds and \$87.7 million in outstanding revenue bonds. The City issued \$38.9 million in General Obligation Public Improvement Bonds, Series 2013 to finance general capital improvements of the city, including construction of a new courthouse. More detailed information about the City's long-term liabilities is presented in Note 8 to the financial statements.

The Commonwealth of Virginia limits the amount of general obligation debt the City can issue to 10% of the assessed valuation of real property. As of June 30, 2013, the City's aggregate general obligation indebtedness is \$777 million below this limit.

Table IV
City of Hampton
Change in General Obligation and Revenue Bonds (In Thousands)
June 30, 2013 and 2012

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
General Obligation bonds	\$ 275,766	\$ 261,100	\$ 4,304	\$ -	\$ 280,070	\$ 261,100
Revenue bonds			87,725	87,725	87,725	87,725
Serial bonds				4,304		
Unamortized premium	19,945	15,948	11,626	11,929	31,571	27,877
Total primary government	<u>\$ 295,711</u>	<u>\$ 277,048</u>	<u>\$ 103,655</u>	<u>\$ 103,958</u>	<u>\$ 399,366</u>	<u>\$ 376,702</u>
Component Unit - Economic Development Authority						
Revenue bonds					\$ 6,274	\$ 6,844

NEXT YEAR'S BUDGET

The City's staff and City Council considered many factors when developing the fiscal year 2014 budget, with the economy as one of the major factors. The fiscal year 2014 approved budget for the General Fund is \$452 million, a 4.91% increase over fiscal year 2013. Major tax and fee rate changes include real estate taxes are increasing from \$1.04 to \$1.24, the right of way tax is increasing from \$.91 per line/per month to \$0.97 per line/per month, the commercial stormwater fee is increasing from \$6.41 per 2,429 sq. ft. of impervious area per month to \$6.99 per 2,429 sq. ft. of impervious area per month and the residential stormwater user fee is increasing from \$6.41 per month to \$6.99 per month.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

Basic Financial Statements

**City of Hampton
Statement of Net Position
June 30, 2013**

	Primary Government			
	Governmental Activities	Business-type Activities	Total Primary Government	Component Units
ASSETS				
Cash and cash equivalents	\$ 136,953,136	\$ 16,019,159	\$ 152,972,295	\$ 11,653,997
Cash with fiscal agent	1,276,596		1,276,596	5,044,622
Investments	57,288,340		57,288,340	15,979
Accounts receivable	27,981,788	4,915,940	32,897,728	614,814
Lease receivable			-	7,920,475
Due from component unit	92,671	9,358	102,029	
Due from primary government			-	45,696
Internal balances	(6,974,229)	6,974,229	-	
Due from other governments			-	5,634,065
Inventories	274,136	398,539	672,675	201,732
Prepaid items	258,751	29,379	288,130	17,871
Temporarily restricted assets:				
Cash and cash equivalents		632,949	632,949	1,347,963
Cash with fiscal agent		2,322,773	2,322,773	
Investments		16,915,675	16,915,675	
Notes receivable		8,708	8,708	964,774
Land held for sale			-	7,125,361
Capital assets not being depreciated	541,797,848	12,284,167	554,082,015	20,913,814
Capital assets, net of accumulated depreciation	320,131,601	149,360,331	469,491,932	12,051,699
Total assets	<u>1,079,080,638</u>	<u>209,871,207</u>	<u>1,288,951,845</u>	<u>73,552,862</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	7,591,861	5,991,284	13,583,145	-
Total deferred outflows of resources	<u>7,591,861</u>	<u>5,991,284</u>	<u>13,583,145</u>	<u>-</u>
LIABILITIES				
Accounts payable and other liabilities	\$ 34,098,756	\$ 1,626,988	\$ 35,725,744	\$ 10,264,065
Due to component units	45,696	-	45,696	
Due to primary government				102,029
Unearned revenue	839,576	374,458	1,214,034	2,022,687
Current liabilities payable from restricted assets		2,441,776	2,441,776	
Notes and other long-term payables:				
Due within one year	10,272,628	584,084	10,856,712	2,781,813
Due in more than one year	52,544,955	609,360	53,154,315	12,864,087
Bonds payable:				
Due within one year	23,563,050	4,786,159	28,349,209	607,019
Due in more than one year	272,147,904	98,869,404	371,017,308	5,667,478
Total liabilities	<u>393,512,565</u>	<u>109,292,229</u>	<u>502,804,794</u>	<u>34,309,178</u>
DEFERRED INFLOWS OF RESOURCES				
Property taxes collected in advance	1,205,993	-	1,205,993	-
Total deferred inflows of resources	<u>1,205,993</u>	<u>-</u>	<u>1,205,993</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	597,191,038	73,585,312	670,776,350	32,436,754
Restricted for:				
Debt service	74,240	8,907,062	8,981,302	563,924
Capital reserve				590,808
Economic development projects	1,278,002		1,278,002	193,230
Public safety projects	1,170,645		1,170,645	
Stormwater management	6,778,390		6,778,390	
Food nutrition service				5,480,844
Grant projects				417,268
Small business loans and grants				1,089,228
Unrestricted	85,461,626	24,077,888	109,539,514	(1,528,372)
Total net position	<u>\$ 691,953,941</u>	<u>\$ 106,570,262</u>	<u>\$ 798,524,203</u>	<u>\$ 39,243,684</u>

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

**CITY OF HAMPTON, VIRGINIA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2013**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	Component Units
Primary government								
Governmental activities:								
General government	\$ 127,211,127	\$ 7,977,193	\$ 30,075,576	\$ 757,173	\$ (88,401,185)	\$ -	\$ (88,401,185)	\$ -
Public safety	53,204,680	2,145,838	10,213,914		(40,844,928)		(40,844,928)	
Highways and streets	15,511,459		14,709,704	16,672,205	15,870,450		15,870,450	
Sanitation	3,934,626	6,809,968			2,875,342		2,875,342	
Health	3,337,423	3,646,439			309,016		309,016	
Human Services	28,527,607	13,424	20,840,999		(7,673,184)		(7,673,184)	
Culture and recreation	15,689,076	2,506,779	144,553		(13,037,744)		(13,037,744)	
Education (payment to school district)	64,925,178	-	159,540	-	(64,765,638)		(64,765,638)	
Education and educational services	7,055,424	40,935	-		(7,014,489)		(7,014,489)	
Interest on long-term debt	7,991,493	-	-	-	(7,991,493)		(7,991,493)	
Total governmental activities	<u>327,388,093</u>	<u>23,140,576</u>	<u>76,144,286</u>	<u>17,429,378</u>	<u>(210,673,853)</u>		<u>(210,673,853)</u>	
Business-type activities:								
Culture and recreation	25,416,487	11,621,005	-	-		(13,795,482)	(13,795,482)	
Sanitation	<u>24,475,157</u>	<u>27,381,415</u>	<u>915,860</u>	<u>94,500</u>	<u>-</u>	<u>3,916,618</u>	<u>3,916,618</u>	
Total business-type activities	<u>49,891,644</u>	<u>39,002,420</u>	<u>915,860</u>	<u>94,500</u>	<u>-</u>	<u>(9,878,864)</u>	<u>(9,878,864)</u>	
Total primary government	<u>\$ 377,279,737</u>	<u>\$ 62,142,996</u>	<u>\$ 77,060,146</u>	<u>\$ 17,523,878</u>	<u>\$ (210,673,853)</u>	<u>\$ (9,878,864)</u>	<u>\$ (220,552,717)</u>	
Component units								
Public school system	\$ 218,183,547	\$ 6,007,505	\$ 144,128,456					(68,047,586)
Economic development	4,236,199	212,209						(4,023,990)
Business improvement	993,456	565,110						(428,346)
Downtown development	<u>684,521</u>	<u>243,681</u>	<u>347,577</u>					<u>(93,263)</u>
Total component units	<u>\$ 224,097,723</u>	<u>\$ 7,028,505</u>	<u>\$ 144,476,033</u>					<u>\$ (72,593,185)</u>

	Net (Expense) Revenue and Change in Net Position			
	Primary Government			Component Units
	Governmental	Business-type	Total	
General revenues				
Taxes:				
Property taxes	\$ 142,423,466	\$ -	\$ 142,423,466	\$ -
Sales taxes	14,246,684		14,246,684	
Lodging, meal and amusement taxes	22,223,938		22,223,938	
Motor vehicle taxes	4,203,198		4,203,198	
Business license taxes	11,850,335		11,850,335	
Utility taxes	5,375,675		5,375,675	
Tobacco taxes	4,263,998		4,263,998	
Recordation taxes	1,900,098		1,900,098	
Bank stock taxes	487,153		487,153	
Pari-mutuel license taxes	58,849		58,849	
Short-term rental taxes	80,120		80,120	
Communication sales tax	9,418,239		9,418,239	
Mobile home titling tax	14,303		14,303	
Payments from (to) City of Hampton			-	67,136,624
Investment earnings	355,169	528,752	883,921	504,260
Miscellaneous	4,910,733	116,670	5,027,403	2,044
Transfers	(9,600,302)	9,600,302	-	-
Total general revenues and transfers	<u>212,211,656</u>	<u>10,245,724</u>	<u>222,457,380</u>	<u>67,642,928</u>
Change in net position	1,537,803	366,860	1,904,663	(4,950,257)
Net position, beginning of year, as restated	<u>690,416,138</u>	<u>106,203,402</u>	<u>796,619,540</u>	<u>44,193,941</u>
Net position, end of year	<u>\$ 691,953,941</u>	<u>\$ 106,570,262</u>	<u>\$ 798,524,203</u>	<u>\$ 39,243,684</u>

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

**CITY OF HAMPTON, VIRGINIA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2013**

	General Fund	Special Revenue - Economic Development	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
Assets:						
Cash and cash equivalents	\$ 94,136,286	\$ 5,854,410	\$ 520,601	\$ 72,828	\$ 7,914,578	\$ 108,498,703
Investments	3,998,006			53,290,334		57,288,340
Accounts receivables:						
Taxes (net of allowance for uncollectible)	6,899,144			-		6,899,144
Due from other governments	10,330,735			5,546,679	3,074,456	18,951,870
Other	1,269,580	6,586	25		617,392	1,893,583
Due from other funds	8,326,576		58,871	4,527,895	176,102	13,089,444
Due from component units	18,540	12,500		215		31,255
Inventories	34,370					34,370
Prepaid Items	3,616	-	-	-	-	3,616
Total assets	\$ 125,016,853	\$ 5,873,496	\$ 579,497	\$ 63,437,951	\$ 11,782,528	\$ 206,690,325
Liabilities:						
Accounts payable	\$ 9,238,317	\$ 50,000	\$ -	\$ 4,948,752	\$ 1,404,497	\$ 15,641,566
Accrued health insurance	9,456,644					9,456,644
Accrued liabilities	3,482,224				50,572	3,532,796
Due to other funds	6,345,378		58,871	1,784,901	654,562	8,843,712
Due to component units	32,267	13,429				45,696
Unearned revenue	104,757	6,185	-	-	-	110,942
Total liabilities	28,659,587	69,614	58,871	6,733,653	2,109,631	37,631,356
Deferred inflows of resources:						
Unavailable revenue - property taxes	5,233,549	-	-	-	-	5,233,549
Property taxes collected in advance	1,205,993					1,205,993
Unavailable revenue - program income					734,819	734,819
Unavailable revenue - stormwater fees	-	-	-	-	348,494	348,494
Total deferred inflows of resources	6,439,542	-	-	-	1,083,313	7,522,855
Fund balances:						
Nonspendable	34,370					34,370
Restricted	332,811	1,278,002	74,240	2,401,148	8,274,395	12,360,596
Committed	29,438,914	1,347,795		52,393,574		83,180,283
Assigned	5,926,143	3,178,085	446,386	1,909,576	315,189	11,775,379
Unassigned	54,185,486	-	-	-	-	54,185,486
Total fund balances	89,917,724	5,803,882	520,626	56,704,298	8,589,584	161,536,114

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

Total fund balances of governmental funds	\$	161,536,114
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds. (Note 6)		844,594,142
Other assets are not available to pay current-period expenditures and, therefore, are deferred in the funds.		5,588,224
Deferred charge on refunding are reported as deferred outflows of resources in the government-wide financial statements but are not reported in the governmental fund statements.		7,591,861
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position. Net position on Combining Statement of Net Position - Internal Service Funds (Exhibit E-1)		35,511,118
Other liabilities not paid from current-period revenues are not reported in the funds for:		
Accrued interest		(4,794,099)
Interfund balances related to amounts eliminated in the Statement of Net Position		(11,344,539)
Long-term liabilities, including bonds payable, are not due and payable in the current period and are therefore not reported in the funds. (Note 8)		<u>(346,728,880)</u>
Net position of governmental activities	\$	<u>691,953,941</u>

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

CITY OF HAMPTON, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2013

	General Fund	Special Revenue - Economic Development	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES						
General property taxes	\$ 136,705,235	\$ -	\$ -	\$ -	\$ -	\$ 136,705,235
Other local taxes	73,710,465					73,710,465
Special assessment	6,542,579					6,542,579
Intergovernmental revenues:						
From the Commonwealth of Virginia	52,188,715			1,564,484	9,719,082	63,472,281
From the Federal government	9,025,916		259,721	9,162,422	4,016,474	22,464,533
Permits, privilege fees and regulatory licenses	1,168,810					1,168,810
Fines and forfeitures	2,385,549					2,385,549
Revenues from use of money and property	530,850	336,047	46	66,815	395,290	1,329,048
Charges for services	8,330,773				6,726,302	15,057,075
Payment from component units	2,000,287					2,000,287
Miscellaneous	4,496,097			1,702,964	2,018,746	8,217,807
Recovered costs	906,000	-	-			906,000
Total revenues	<u>297,991,276</u>	<u>336,047</u>	<u>259,767</u>	<u>12,496,685</u>	<u>22,875,894</u>	<u>333,959,669</u>
EXPENDITURES						
Current:						
General government	97,316,445	906,678			4,217,906	102,441,029
Public safety	47,325,532				5,546,800	52,872,332
Highways and streets	1,947,192					1,947,192
Sanitation	-				3,934,626	3,934,626
Health	2,567,346					2,567,346
Human services	19,610,539				8,826,428	28,436,967
Culture and recreation	13,015,627				186,409	13,202,036
Education (payment to school district)	64,925,178					64,925,178
Education and educational services	2,119,699					2,119,699
Capital improvements				38,473,072		38,473,072
Debt service:						
Principal retirement			19,660,797			19,660,797
Interest and fiscal charges			10,727,873			10,727,873
Bond issuance costs	-	-	-	468,554	-	468,554
Total expenditures	<u>248,827,558</u>	<u>906,678</u>	<u>30,388,670</u>	<u>38,941,626</u>	<u>22,712,169</u>	<u>341,776,701</u>
Excess (deficiency) of revenues over (under) expenditures	<u>49,163,718</u>	<u>(570,631)</u>	<u>(30,128,903)</u>	<u>(26,444,941)</u>	<u>163,725</u>	<u>(7,817,032)</u>
OTHER FINANCING SOURCES (USES)						
Bonds issued				38,865,000		38,865,000
Premium on bonds issued				5,262,910		5,262,910
Transfers in	4,311,049		30,115,198	15,633,136	2,300,611	52,359,994
Transfers out	(55,275,262)	(482,815)	-	(4,468,312)	(1,721,703)	(61,948,092)
Net other financing sources (uses)	<u>(50,964,213)</u>	<u>(482,815)</u>	<u>30,115,198</u>	<u>55,292,734</u>	<u>578,908</u>	<u>34,539,812</u>
Net change in fund balances	<u>(1,800,495)</u>	<u>(1,053,446)</u>	<u>(13,705)</u>	<u>28,847,793</u>	<u>742,633</u>	<u>26,722,780</u>
Fund balances, beginning of year, as restated	<u>91,718,219</u>	<u>6,857,328</u>	<u>534,331</u>	<u>27,856,505</u>	<u>7,846,951</u>	<u>134,813,334</u>
Fund balances, end of year	<u>\$ 89,917,724</u>	<u>\$ 5,803,882</u>	<u>\$ 520,626</u>	<u>\$ 56,704,298</u>	<u>\$ 8,589,584</u>	<u>\$ 161,536,114</u>

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

Net change in fund balances - total governmental funds	\$ 26,722,780
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Loss on disposal of assets are not reported in the governmental funds but are reflected in the statement of activities.	
Capital acquisitions	13,601,502
Depreciation expense	(16,855,878)
Loss on disposal of assets	(1,081,471)
Donated assets are not reported in the governmental funds but are reflected in the statement of activities	5,945,299
Revenues earned during the period that are not yet available are reported in the Statement of Activities, but not reported as revenues in the funds.	(1,771,152)
Proceeds from bond issuance and capital leases provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net 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.	
Debt increase for compensated absences	(407,027)
Net other postemployment benefits liability	(4,029,320)
Proceeds from debt issuance	(38,865,000)
Repayment of debt principal	21,068,473
Premium on bonds	(5,262,910)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue of the internal service funds is reported with governmental activities.	990,805
Expenses incurred during the period related to liabilities that are still outstanding and not yet due at year-end for accrued interest	819,811
Amortization of premiums	<u>661,891</u>
Change in net position of governmental activities	<u>\$ 1,537,803</u>

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

CITY OF HAMPTON, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Fiscal Year Ended June 30, 2013

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
REVENUES				
Intergovernmental:				
State funds	\$ 36,591,540	\$ 52,647,877	\$ 52,188,715	\$ (459,162)
Federal funds (includes pass through)	7,865,698	7,865,698	9,025,916	1,160,218
Local taxes	227,561,067	212,107,138	210,415,700	(1,691,438)
Special assessments	5,455,652	5,455,652	6,542,579	1,086,927
Licenses and permits	1,213,320	1,213,320	1,168,810	(44,510)
Fines and forfeitures	2,132,000	2,132,000	2,385,549	253,549
Revenue from use of money and property	452,190	452,190	530,850	78,660
Charges for services	8,508,472	8,508,472	8,330,773	(177,699)
Recovered costs	1,794,167	1,794,167	906,000	(888,167)
Payment from component units	2,000,000	2,000,000	2,000,287	287
Miscellaneous	4,891,859	4,891,859	4,496,097	(395,762)
Total revenues	298,465,965	299,068,373	297,991,276	(1,077,097)
EXPENDITURES				
Current:				
General government	102,906,674	104,330,788	97,316,445	(7,014,343)
Public safety	44,932,367	48,503,471	47,325,532	(1,177,939)
Highways and streets	2,056,557	2,349,466	1,947,192	(402,274)
Health	2,755,595	2,778,013	2,567,346	(210,667)
Human services	20,363,031	20,627,261	19,610,539	(1,016,722)
Culture and recreation	12,534,822	13,405,990	13,015,627	(390,363)
Education	66,979,390	67,107,705	67,044,877	(62,828)
Total expenditures	252,528,436	259,102,694	248,827,558	(10,275,136)
Excess of revenues over (under) expenditures	45,937,529	39,965,679	49,163,718	9,198,039
OTHER FINANCING SOURCES (USES)				
Transfers in		-	4,311,049	4,311,049
Transfers out	(51,554,446)	(59,208,311)	(55,275,262)	(3,933,049)
Net other financing sources (uses)	(51,554,446)	(59,208,311)	(50,964,213)	(8,244,098)
Net change in fund balances	(5,616,917)	(19,242,632)	(1,800,495)	\$ 17,442,137
Appropriations from fund balance	5,616,917	17,768,341		
Appropriations - encumbrances	-	1,474,291		
Budget - excess of revenues and appropriations from fund balance over (under) expenditures		-		
Fund balance - July 1, as restated	-	-	91,718,219	
Fund balance - June 30	\$ -	\$ -	\$ 89,917,724	

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

CITY OF HAMPTON, VIRGINIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2013

	Business-Type Activities - Enterprise Funds						Governmental Activities
	Wastewater Management	The Hamptons	Museum	Convention Center	Non-major Enterprise	Totals	Internal Service Funds
ASSETS							
Current assets:							
Cash and cash equivalents	\$ 8,012,296	\$ 800	\$ 283,348	\$ -	\$ 7,722,715	\$ 16,019,159	\$ 29,478,754
Cash with fiscal agent						-	252,275
Restricted assets to be used to liquidate current liabilities:							
Revenue bond indenture:							
Cash and cash equivalents				632,949		632,949	
Cash with fiscal agent			303,225	2,019,548		2,322,773	
Accounts receivable	1,973,837	6,768	64,888	198,640	2,671,807	4,915,940	237,192
Notes and mortgage receivable	8,708					8,708	
Due from other funds			264,905	932,729	46,711	1,244,345	133,149
Due from component units					9,358	9,358	61,416
Inventories	225,156	19,200	62,816		91,368	398,540	239,766
Prepaid items			20,179	9,200		29,379	255,135
Restricted assets:							
Revenue bond indenture:							
Cash and cash equivalents		9,894	1,590,490	183,410		1,783,794	
Investments	-	-	-	15,131,881	-	15,131,881	-
Total current assets	<u>10,219,997</u>	<u>36,662</u>	<u>2,589,851</u>	<u>19,108,357</u>	<u>10,541,959</u>	<u>42,496,826</u>	<u>30,657,687</u>
Noncurrent Assets:							
Capital assets:							
Land	145,615		1,921,420	5,332,401	3,404,805	10,804,241	
Easements	28,943					28,943	
Buildings and improvements	1,706,026	2,398,794	30,176,398	89,858,045	14,307,161	138,446,424	
Improvements	290,651	3,719,882	6,800	3,455,520	27,326,672	34,799,525	248,062
Computer Software	105,534					105,534	185,625
Equipment	4,335,773	426,317	4,264,169	874,428	16,898,799	26,799,486	36,648,828
Construction in progress	1,074,715		-	69,642	306,626	1,450,983	4,004,617
Exhibits			13,950,306			13,950,306	
Landfill					3,865,986	3,865,986	
Infrastructure	66,208,260					66,208,260	
Less accumulated depreciation	<u>(31,082,951)</u>	<u>(6,162,596)</u>	<u>(35,737,125)</u>	<u>(20,676,175)</u>	<u>(41,156,343)</u>	<u>(134,815,190)</u>	<u>(23,751,824)</u>
Net capital assets	<u>42,812,566</u>	<u>382,397</u>	<u>14,581,968</u>	<u>78,913,861</u>	<u>24,953,706</u>	<u>161,644,498</u>	<u>17,335,308</u>
Total noncurrent assets	<u>42,812,566</u>	<u>382,397</u>	<u>14,581,968</u>	<u>78,913,861</u>	<u>24,953,706</u>	<u>161,644,498</u>	<u>17,335,308</u>
Total assets	<u>53,032,563</u>	<u>419,059</u>	<u>17,171,819</u>	<u>98,022,218</u>	<u>35,495,665</u>	<u>204,141,324</u>	<u>47,992,995</u>
DEFERRED OUTFLOWS OF RESOURCES							
Deferred charge on refunding	-	-	89,464	5,901,820	-	5,991,284	-
Total deferred outflows of resources	<u>-</u>	<u>-</u>	<u>89,464</u>	<u>5,901,820</u>	<u>-</u>	<u>5,991,284</u>	<u>-</u>

	Business-Type Activities - Enterprise Funds						Governmental Activities
	Wastewater Management	The Hamptons	Museum	Convention Center	Non-major Enterprise	Totals	Internal Service Funds
LIABILITIES							
Current liabilities:							
Accounts payable	\$ 281,932	\$ 4,526	\$ -	\$ -	\$ 634,658	\$ 921,116	\$ 673,180
Accrued liabilities				75,940		75,940	
Accrued interest payable		-	37,875		52,537	90,412	
Accrued leave	122,905	10,201	43,748		215,549	392,403	59,315
Due to other funds	2,401	2,961,007	893,430	1,372	1,756,445	5,614,655	8,571
Unearned revenue		-	213,375		161,083	374,458	-
Current portion of long-term debt		191,681	1,547,026	2,898,040	341,093	4,977,840	5,170,427
Current liabilities payable from restricted assets:							
Accounts payable			989,663	386,047		1,375,710	
Accrued interest payable				1,066,066		1,066,066	
Other liabilities	425	14,292	-	75,938	448,865	539,520	469
Total current liabilities	407,663	3,181,707	3,725,117	4,503,403	3,610,230	15,428,120	5,911,962
Noncurrent liabilities:							
Claims payable						-	1,144,535
Accrued leave	64,617	12,174			321,081	397,872	92,078
Bonds payable		-		94,906,457	3,962,947	98,869,404	
Obligations under capital leases		211,488			-	211,488	4,587,468
Other post employment benefits obligation	-	-	-	-	-	-	745,834
Total noncurrent liabilities	64,617	223,662	-	94,906,457	4,284,028	99,478,764	6,569,915
Total liabilities	472,280	3,405,369	3,725,117	99,409,860	7,894,258	114,906,884	12,481,877
NET POSITION							
Net investment in capital assets	42,812,566	(20,772)	14,493,916	(4,350,064)	20,649,666	73,585,312	11,788,781
Restricted							
Debt service		-	904,052	8,003,010		8,907,062	
Unrestricted	9,747,717	(2,965,538)	(1,861,802)	861,232	6,951,741	12,733,350	23,722,337
Total net position (deficit)	\$ 52,560,283	\$ (2,986,310)	\$ 13,536,166	\$ 4,514,178	\$ 27,601,407	\$ 95,225,724	\$ 35,511,118

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

Net position of enterprise funds	\$ 95,225,724
Amounts reported for business-type activities in the Statement of Net Position are different because:	
Net revenue of internal service funds are allocated to funds receiving services	458,625
Interfund reimbursement for allocated overhead costs	10,885,913
Net position business-type activities	<u>\$ 106,570,262</u>

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

CITY OF HAMPTON, VIRGINIA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2013

	Business-Type Activities - Enterprise Funds		
	Wastewater Management	The Hamptons	Museum
Operating revenues:			
Charges for services	\$ 9,100,187	\$ 770,164	\$ 1,458,805
Federal revenues			584,481
Other	211	-	977,910
Total operating revenues	<u>9,100,398</u>	<u>770,164</u>	<u>3,021,196</u>
Operating expenses:			
Personal services	1,671,207	422,514	1,154,464
Fringe benefits	833,232	98,903	332,110
Promoters' fees			
City-sponsored events			
Cost of goods sold	305,999	44,911	62,031
Utilities	264,813	57,698	310,529
Insurance	47,061	31,349	78,360
Operating supplies	222,596	107,578	675,113
Equipment rental	1,515	293,706	163,681
Equipment and building repairs	177,842	71,317	198,208
Telephone and postage	25,830	5,222	24,227
General expense	293,774	2,045	384,635
Claims			
Landfill costs			
Contractual services	1,552,259	58,542	84,736
Indirect cost	456,000		
Depreciation and amortization	1,256,985	275,647	1,790,401
Total operating expenses	<u>7,109,113</u>	<u>1,469,432</u>	<u>5,258,495</u>
Operating income (loss)	<u>1,991,285</u>	<u>(699,268)</u>	<u>(2,237,299)</u>
Nonoperating revenues (expenses):			
Interest income		22	64,406
Interest and fiscal charges		(56,620)	(111,750)
Other			
Gain (loss) on disposal of capital assets	35,480		
Net increase (decrease) in fair value of investments	-	(2)	-
Total nonoperating revenues (expenses)	<u>35,480</u>	<u>(56,600)</u>	<u>(47,344)</u>
Income (loss) before transfers and capital contributions	2,026,765	(755,868)	(2,284,643)
Capital contributions		-	-
Transfers in (out)	-	430,000	1,644,533
Change in net position	2,026,765	(325,868)	(640,110)
Net position, (deficit) beginning of year, as restated	<u>50,533,518</u>	<u>(2,660,442)</u>	<u>14,176,276</u>
Net position, (deficit) end of year	<u>\$ 52,560,283</u>	<u>\$ (2,986,310)</u>	<u>\$ 13,536,166</u>

Exhibit A-7

Business-Type Activities - Enterprise Funds			Governmental Activities
Convention Center	Non-major Enterprise	Totals	Internal Service Funds
\$ 2,180,903	\$ 25,002,441	\$ 38,512,500	\$ 20,459,602
-	-	584,481	-
2,180,903	25,002,441	978,121	20,459,602
		40,075,102	
1,103,448	5,286,022	9,637,655	1,676,664
357,906	2,157,817	3,779,968	587,026
	2,246,937	2,246,937	
	1,020,333	1,020,333	
	258,999	671,940	6,018,049
829,365	811,863	2,274,268	51,666
76,437	566,433	799,640	2,486,459
316,529	1,187,031	2,508,847	279,698
	76,319	535,221	25,685
162,422	3,343,308	3,953,097	208,783
42,373	38,193	135,845	981,286
183,291	955,994	1,819,739	839,327
		-	4,055,451
	4,181,211	4,181,211	
189,783	857,676	2,742,996	744,297
	574,470	1,030,470	
2,833,322	2,605,964	8,762,319	1,741,584
6,094,876	26,168,570	46,100,486	19,695,975
(3,913,973)	(1,166,129)	(6,025,384)	763,627
936,110	7,387	1,007,925	45,802
(4,431,918)	(221,343)	(4,821,631)	(152,997)
		-	1,969
	(75,632)	(40,152)	110,710
(479,171)	-	(479,173)	-
(3,974,979)	(289,588)	(4,333,031)	5,484
(7,888,952)	(1,455,717)	(10,358,415)	769,111
	94,500	94,500	233,898
7,580,769	(55,000)	9,600,302	(12,204)
(308,183)	(1,416,217)	(663,613)	990,805
4,822,361	29,017,624	95,889,337	34,520,313
\$ 4,514,178	\$ 27,601,407	\$ 95,225,724	\$ 35,511,118

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

Change in net position	\$ (663,613)
Interfund reimbursement of overhead costs	1,030,473
Change in net position-business type activities	<u>\$ 366,860</u>

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

CITY OF HAMPTON, VIRGINIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2013

	Business-Type Activities- Enterprise Funds					Governmental
	Wastewater Management	The Hamptons	Museum	Convention Center	Non-major Enterprise	Activities Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash received from customers	\$ 9,092,909	\$ 767,991	\$ 3,284,869	\$ 2,227,952	\$ 24,893,722	\$ 40,267,443
Cash payments to suppliers for goods and services	(4,098,724)	(696,590)	(2,459,255)	(2,149,183)	(17,305,257)	(26,709,009)
Cash payments to employees for services	(1,658,114)	(429,840)	(1,165,353)	(1,102,657)	(5,230,753)	(9,586,717)
Net cash provided by (used in) operating activities	3,336,071	(358,439)	(339,739)	(1,023,888)	2,357,712	3,971,717
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfers in from other funds	-	430,000	1,279,629	6,648,040	(55,000)	8,302,669
Net cash provided by (used in) noncapital financing activities	-	430,000	1,279,629	6,648,040	(55,000)	8,302,669
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Acquisition and construction of capital assets	(2,262,377)	-	-	(45,343)	(2,581,662)	(4,889,382)
Principal paid on revenue bond maturities and long-term debt		(157,441)	(1,440,000)	(3,005,513)	(330,951)	(4,933,905)
Interest paid on revenue bonds and long-term debt		(58,095)	(73,786)	(4,156,113)	(225,058)	(4,513,052)
Sale of capital assets	35,480	-	-	-	106,523	142,003
Net cash provided by (used in) capital and related financing activities	(2,226,897)	(215,536)	(1,513,786)	(7,206,969)	(3,031,148)	(14,194,336)
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchase of investment securities				(12,097,310)		(12,097,310)
Sale of investment securities				13,216,539		13,216,539
Interest and dividends on investments	-	7	355	456,939	7,551	464,852
Net cash provided by (used in) investing activities	-	7	355	1,576,168	7,551	1,584,081
Net increase (decrease) in cash and cash equivalents (including restricted amounts)	1,109,174	(143,968)	(573,541)	(6,649)	(720,885)	(335,869)
Cash and cash equivalents (including restricted), July 1	6,903,122	154,662	2,750,604	2,842,556	8,443,600	21,094,544
Cash and cash equivalents (including restricted), June 30	\$ 8,012,296	\$ 10,694	\$ 2,177,063	\$ 2,835,907	\$ 7,722,715	\$ 20,758,675
						\$ 29,731,029

	Business-Type Activities- Enterprise Funds						Governmental Activities
	Wastewater Management	The Hamptons	Museum	Convention Center	Non-major Enterprise	Totals	Internal Service Funds
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:							
Operating income (loss)	<u>\$ 1,991,285</u>	<u>\$ (699,268)</u>	<u>\$ (2,237,299)</u>	<u>\$ (3,913,973)</u>	<u>\$ (1,166,129)</u>	<u>\$ (6,025,384)</u>	<u>\$ 763,627</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:							
Depreciation and amortization expense	1,256,985	275,647	1,790,401	2,833,322	2,605,964	8,762,319	1,741,584
Decrease (increase) in:							
Accounts receivable	(7,489)	(219)	179,619	47,049	150,645	369,605	(140,014)
Due from other funds		-	(264,905)	(932,729)	(5,801)	(1,203,435)	(133,149)
Due from component units					106	106	13,805
Inventories	(28,739)	4,209	7,302		8,839	(8,389)	(108,751)
Prepaid items			703			703	(80,637)
Increase (decrease) in:							
Accounts payable	108,535	(4,025)			452,649	557,159	(61,726)
Accrued leave	4,187	(4,251)	(10,889)		(13,709)	(24,662)	(10,164)
Due to other funds	2,401	74,497		1,372	447,970	526,240	8,571
Other liabilities	(333)	636	(100,000)	791	(23,965)	(122,871)	65
Nonoperating revenues reported as operating revenues							1,969
Unearned revenue		(1,700)	84,054		(161,944)	(79,590)	(39,480)
Accrued liabilities				27,411		27,411	
Current liabilities payable from restricted assets			(153,630)	(19,860)		(173,490)	
Current portion of long-term accrued claims reported as operating activity						-	166,658
Due to/from other funds reported as nonoperating activities			364,905	932,729		1,297,634	-
Accounts receivable reported as nonoperating activities						-	(1,573)
Accounts payable reported as nonoperating activities						-	263,990
Long-term accrued leave reported as operating activity	9,239	(3,965)			63,087	68,361	36,224
Long-term accrued insurance claims reported as operating activity							344,210
Other post employment benefits reported as operating activity	-	-	-	-	-	-	745,834
Total adjustments	<u>1,344,786</u>	<u>340,829</u>	<u>1,897,560</u>	<u>2,890,085</u>	<u>3,523,841</u>	<u>9,997,101</u>	<u>2,747,416</u>
Net cash provided by (used in) operating activities	<u>\$ 3,336,071</u>	<u>\$ (358,439)</u>	<u>\$ (339,739)</u>	<u>\$ (1,023,888)</u>	<u>\$ 2,357,712</u>	<u>\$ 3,971,717</u>	<u>\$ 3,511,043</u>
Non-cash transactions affecting investing capital and related financing activities:							
Acquisition of capital assets through outside capital contribution	\$ -	\$ -	\$ -	\$ -	\$ 94,500	\$ 94,500	\$ 233,898
Net increase (decrease) in fair value of investments	-	(2)	-	(479,171)	-	(479,173)	-
Total non-cash transactions	<u>\$ -</u>	<u>\$ (2)</u>	<u>\$ -</u>	<u>\$ (479,171)</u>	<u>\$ 94,500</u>	<u>\$ (384,673)</u>	<u>\$ 233,898</u>

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

CITY OF HAMPTON, VIRGINIA
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
June 30, 2013

	<u>Pension Trust</u> Hampton Employees' Retirement System	<u>Agency Funds</u>
ASSETS		
Cash and cash equivalents	\$ 40,938	\$ 2,281,248
Investments:		
Bond mutual funds	42,853,833	
Stock mutual funds	80,548,303	
Receivables:		
Accounts	15,858	
Property, Plant, and Equipment		
Office and operating equipment	7,342	
Less accumulated depreciation	(6,878)	-
Total assets	<u>\$ 123,459,396</u>	<u>\$ 2,281,248</u>
LIABILITIES		
Deposits	\$ -	\$ 2,193,318
Accounts payable	<u>9,113</u>	<u>87,930</u>
Total liabilities	<u>9,113</u>	<u>\$ 2,281,248</u>
NET POSITION		
Net position held in trust for pension benefits and other purposes	<u>\$ 123,450,283</u>	

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

CITY OF HAMPTON, VIRGINIA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the Year Ended June 30, 2013

	<u>Hampton Employees' Retirement System</u>
ADDITIONS	
Investment income:	
Net appreciation (depreciation) in fair value of investments	\$ 11,654,008
Dividends	3,022,700
Other	<u>47</u>
Total investment earnings (losses)	14,676,755
Less investment expenses	<u>(14,617)</u>
Net investment earnings (losses)	14,662,138
Employer contributions	<u>6,628,122</u>
Total additions (losses)	<u>21,290,260</u>
DEDUCTIONS	
Benefits	16,981,109
Administrative expenses	<u>255,846</u>
Total deductions	<u>17,236,955</u>
Change in net position	4,053,305
Net position, July 1	<u>119,396,978</u>
Net position, June 30	<u>\$ 123,450,283</u>

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

CITY OF HAMPTON, VIRGINIA
COMBINING STATEMENT OF NET POSITION
DISCRETELY PRESENTED COMPONENT UNITS
June 30, 2013

	Governmental Activities	Business Type Activities			
		Economic Development Authority	Coliseum Central Business Improvement District, Inc.	Downtown Hampton Development Partnership, Inc.	
ASSETS	School Board				Total
Cash and cash equivalents	\$ 9,077,633	\$ 1,218,986	\$ 877,835	\$ 479,543	\$ 11,653,997
Cash with fiscal agent	4,405,511	639,111			5,044,622
Investments	14,588	1,391			15,979
Accounts receivable	301,394	46,014	267,371	35	614,814
Lease receivable		7,920,475			7,920,475
Due from primary government	18,942	26,754			45,696
Due from other governments	5,634,065				5,634,065
Inventories	201,732				201,732
Prepaid items			9,100	8,771	17,871
Temporarily restricted assets:					
Cash and cash equivalents		1,347,963			1,347,963
Notes receivable		964,774			964,774
Land held for sale		7,125,361			7,125,361
Capital assets not being depreciated	5,111,045	15,802,769			20,913,814
Capital assets, net of accumulated depreciation	10,587,854	1,085,670	54,085	324,090	12,051,699
Total assets	<u>\$ 35,352,764</u>	<u>\$ 36,179,268</u>	<u>\$ 1,208,391</u>	<u>\$ 812,439</u>	<u>\$ 73,552,862</u>
LIABILITIES					
Accounts payable and other liabilities	\$ 9,429,590	\$ 807,142	\$ 11,664	\$ 15,669	\$ 10,264,065
Due to primary government	71,238	30,791			102,029
Unearned revenue	48,478	1,974,209			2,022,687
Notes and other long-term payables:					
Due within one year	2,781,813				2,781,813
Due in more than one year	12,864,087				12,864,087
Bonds payable:					
Due within one year		607,019			607,019
Due in more than one year	-	5,667,478	-	-	5,667,478
Total liabilities	<u>25,195,206</u>	<u>9,086,639</u>	<u>11,664</u>	<u>15,669</u>	<u>34,309,178</u>
NET POSITION					
Net investment in capital assets	15,170,140	16,888,439	54,085	324,090	32,436,754
Restricted for:					
Food nutrition service	5,480,844				5,480,844
Grant projects	417,268				417,268
Small business loans and grants		1,089,228			1,089,228
Debt service		563,924			563,924
Capital Reserve		590,808			590,808
Economic development projects		193,230			193,230
Unrestricted	<u>(10,910,694)</u>	<u>7,767,000</u>	<u>1,142,642</u>	<u>472,680</u>	<u>(1,528,372)</u>
Total net position	<u>10,157,558</u>	<u>27,092,629</u>	<u>1,196,727</u>	<u>796,770</u>	<u>39,243,684</u>
Total liabilities and net position	<u>\$ 35,352,764</u>	<u>\$ 36,179,268</u>	<u>\$ 1,208,391</u>	<u>\$ 812,439</u>	<u>\$ 73,552,862</u>

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

CITY OF HAMPTON, VIRGINIA
COMBINING STATEMENT OF ACTIVITIES
DISCRETELY PRESENTED COMPONENT UNITS
For the Year Ended June 30, 2013

<u>Functions/Programs</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Changes in Net Position</u>				
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>School Board</u>	<u>Economic Development Authority</u>	<u>Coliseum Central Business Improvement District, Inc.</u>	<u>Downtown Hampton Development Partnership, Inc.</u>	<u>Total</u>
Governmental type activities								
Public school system	\$ 218,183,547	\$ 6,007,505	\$ 144,128,456	\$ (68,047,586)	\$ -	\$ -	\$ -	\$ (68,047,586)
Business type activities								
Economic development	4,236,199	212,209			(4,023,990)			(4,023,990)
Business improvement	993,456	565,110				(428,346)		(428,346)
Downtown development	<u>684,521</u>	<u>243,681</u>	<u>347,577</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(93,263)</u>	<u>(93,263)</u>
Total component units	<u>\$ 224,097,723</u>	<u>\$ 7,028,505</u>	<u>\$ 144,476,033</u>	<u>\$ (68,047,586)</u>	<u>\$ (4,023,990)</u>	<u>\$ (428,346)</u>	<u>\$ (93,263)</u>	<u>\$ (72,593,185)</u>
General revenues:								
Payments from (to) City of Hampton				64,925,178	1,531,280	518,234	161,932	67,136,624
Investment earnings					500,660	3,600		504,260
Miscellaneous				<u>-</u>	<u>-</u>	<u>-</u>	<u>2,044</u>	<u>2,044</u>
Total general revenues, special items and transfers				<u>64,925,178</u>	<u>2,031,940</u>	<u>521,834</u>	<u>163,976</u>	<u>67,642,928</u>
Change in net position				(3,122,408)	(1,992,050)	93,488	70,713	(4,950,257)
Net position, beginning, as restated				<u>13,279,966</u>	<u>29,084,679</u>	<u>1,103,239</u>	<u>726,057</u>	<u>44,193,941</u>
Net position, ending				<u>\$ 10,157,558</u>	<u>\$ 27,092,629</u>	<u>\$ 1,196,727</u>	<u>\$ 796,770</u>	<u>\$ 39,243,684</u>

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

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

The following is a summary of the significant accounting policies.

Reporting Entity

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

The City follows GASB Statement No. 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments* (GASB No. 34). As a result of adopting GASB No. 34, the Comprehensive Annual Financial Report includes Management’s Discussion and Analysis, Government-wide (Statement of Net 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 in GASB Statement No. 61, *The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34*, GASB Statement No. 14, *The Reporting Entity* and GASB Statement No. 39, *Determining Whether Certain Organizations are Component-Units*. 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

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.

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued:

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 of Hampton. The School Board has no power to levy taxes or issue bonds. Its budget is subject to approval by the City Council; however, Council only approves, rejects, or modifies the single amount requested by the School Board. 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 along 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 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, 2021 Cunningham Drive, Suite 101, Hampton, Virginia 23666 or by calling (757) 826-6351.

Downtown Hampton Development Partnership, Inc.

The Downtown Hampton Development Partnership, Inc. (Downtown Hampton) was incorporated on August 15, 1995, to promote, develop, and market the Downtown Hampton Business Improvement District. Downtown Hampton was created by action of the City Council under provisions of the *Code of Virginia*. The City assesses an additional tax on the value of the commercial real estate located in the District to provide funds for the economic development of the District. 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

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued:

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, 756 Settlers Landing Road, Hampton, Virginia 23669 or by calling (757) 727-1271.

Other Related Organizations

The financial statements of the following public organizations, commissions, authorities and boards are not included in the reporting entity. These organizations are political subdivisions created under the laws of the Commonwealth of Virginia. Their governing boards are appointed, at least in part, by the City. The City's responsibility in most instances is limited to pro rata representation through appointments to the governing boards. The individual governing boards of the organizations appoint management, establish budgetary control and are accountable for their own fiscal affairs including deficits, debt service, operating costs, etc. The City is not 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 of Hampton and surrounding localities whose board membership is allocated among and appointed by the various localities. These agencies include: Hampton Roads Transit (HRT), Hampton Roads Planning District Commission (HRPDC), Virginia Peninsula Public Service Authority (VPPSA), Hampton Roads Economic Development Alliance (HREDA) and the Peninsula Council for Workforce Development (PCFWD). Expenditures of these agencies are financed by federal and state grants, fees, and contributions. During the year ended June 30, 2013, the City provided operating and capital support of \$3,999,738 to HRT, \$151,066 to HRPDC, \$9,750 to VPPSA, \$130,564 to HREDA and \$74,435 to PCFWD.

Jointly Governed Organizations

Hampton-Newport News Community Services Board

The City of Hampton has one jointly governed organization, the Hampton-Newport News Community Services Board (CSB). The CSB operates as an agent for the Cities of Hampton and Newport News in the establishment and operation of community mental health, mental

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued:

retardation and substance abuse programs as provided for in Chapter 10 of Title 37.1 of the Code of Virginia, relating to the Virginia Department of Mental Health and Mental Retardation. The CSB designates its own management and adopts its own budget. The operations are financed principally by state and federal funds. The City provided operating support of \$1,413,162 to the CSB during fiscal year 2013.

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 nonfiduciary activities of the City and its component units. As a general rule, the effect of interfund activity has been removed from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely primarily on fees and charges for services. The primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

Statement of Net 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 is long term debt and obligations.

Statement of Activities

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

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

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued:

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

Basis of Accounting

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

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

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

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

Under the modified accrual basis of accounting, followed by the General, Special Revenue, Debt Service, and Capital Projects Funds, revenues are recognized when they become both measurable and available to finance operations of the current year. Revenues considered susceptible to accrual consist primarily of property taxes, certain grants and sales and utility taxes.

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued:

Accordingly, real and personal property taxes are recorded as revenue when levied and billed, net of allowances for uncollectible amounts. Property taxes not collected within 45 days after year-end are reflected as deferred revenue. Revenues from federal, state, and other grants, used to fund specific City expenditures, are recorded at the time of receipt of notification of the grant. Revenues from general purpose grants are recognized in the period to which the grant applies. Sales and utility taxes collected by the State or utility companies and subsequently remitted to the City are recognized as revenue upon collection by the State or utility company, which is generally in the month preceding receipt by the City. Licenses, permits, fines and rents are recorded as revenue when received. Expenditures, other than interest and principal on long-term debt, are recorded as the related liabilities are incurred, if measurable. Interest and principal on long-term debt are recognized when due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital 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 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 in 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.

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued:

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

Budgeted amounts are as originally adopted or as amended by City Council and the School Board during fiscal year 2013. 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 the Capital Projects Fund and Special Revenue Funds except for the Stormwater Management Fund because each program grant or capital project is approved separately.

General Property Tax Calendar

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

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

Encumbrances

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

Investments

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

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued:

Receivables

Receivables of the General Fund are stated net of an allowance for uncollectible taxes of \$1,266,723. Management has determined that the allowance is sufficient to provide for any losses that may be sustained on realization of the accounts receivable.

Inventories

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

Prepays

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

Land Held for Resale

Land held for resale by the Economic Development Authority (EDA) is stated at cost or, if donated, at fair market 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 3).

Restricted Assets

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

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued:

	<u>The Hamptons</u>	<u>Museum</u>	<u>Convention Center</u>	<u>Component Unit - EDA</u>
Restricted Assets				
Cash:				
Operating and Maintenance				
Account	\$ 9,894	\$ 302,926	\$	\$
Operating Reserve Fund			2,630,243	
Bond Fund		303,225	22,254	
Debt Service Reserve Fund		1,287,564	183,410	1,347,963
Investments:				
Operating Reserve Fund			6,376,005	
Bond Fund			2,119,505	
Debt Service Reserve Fund			6,636,371	
	<u>\$ 9,894</u>	<u>\$ 1,893,715</u>	<u>\$ 17,967,788</u>	<u>\$ 1,347,963</u>

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

Capital Assets

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

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued:

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

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

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

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

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

The capital assets of the discretely presented component units – School Board, 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 financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The City has one item that qualifies for reporting in this category. It 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.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred*

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued:

inflows of resources, represents an acquisition of net position that applies to a future period(s) 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.

Fund Balance

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

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

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

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

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

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

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued:

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

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

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, it shall be the policy of the City of Hampton to consider restricted amounts to have been spent first. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it shall be the policy of the City of Hampton that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts.

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

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued:

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

	General	Economic Development	Debt Service	Capital Projects	Other Governmental	Total
Fund Balances:						
Nonspendable:						
Inventory	\$ 34,370	\$ -	\$ -	\$ -	\$ -	\$ 34,370
Restricted:						
Debt service			74,240			74,240
Donations for parks projects						
Donations for police firing range	23,000					23,000
Economic development projects		1,278,002				1,278,002
Public safety	14,407				1,156,238	1,170,645
Human services	138,446				197,368	335,814
Physical environment	156,958					156,958
Capital projects				2,401,148		2,401,148
Stormwater management					6,778,390	6,778,390
Building operations					24,815	24,815
Law library					117,584	117,584
Committed:						
Budget savings program	8,041,668					8,041,668
Economic development projects		1,347,795				1,347,795
Community development	206,301					206,301
Capital projects	7,673,655			52,393,574		60,067,229
Debt service	9,596,433					9,596,433
Home elevation loan program	2,500,000					2,500,000
Estate proceeds	68,216					68,216
Parks and recreation	140,114					140,114
Drainage projects	1,013,317					1,013,317
Physical environment	199,210					199,210
Assigned:						
Donations for parks projects	47,202					47,202
Subsequent year expense	3,750,000					3,750,000
Economic development projects		3,178,085				3,178,085
Public safety projects					315,189	315,189
Human services	174,842					174,842
Encumbrances	1,668,219					1,668,219
Capital projects	193,370			1,909,576		2,102,946
Debt service			446,386			446,386
Channel 47	92,510					92,510
Unassigned:	54,185,486					54,185,486
Total Fund Balances:	<u>\$ 89,917,724</u>	<u>\$ 5,803,882</u>	<u>\$ 520,626</u>	<u>\$ 56,704,298</u>	<u>\$ 8,589,584</u>	<u>\$ 161,536,114</u>

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued:

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

The net position (deficit) at June 30, 2013 in the Enterprise Funds and Component Units are as follows:

	<u>Primary Government</u>	<u>Discretely Presented Component Units</u>
Wastewater Management	\$ 52,560,283	
The Hamptons Golf Course	(2,986,310)	
Virginia Air & Space Museum	13,536,166	
Hampton Roads Convention Center	4,514,178	
Non-Major Enterprise:		
Hampton Coliseum	9,439,221	
The Woodlands Golf Course	1,342,381	
Solid Waste	9,876,378	
Refuse-Steam Plant	6,943,427	
Component Units:		
School Board		10,157,558
Economic Development Authority		27,092,629
Coliseum Central Business Improvement District, Inc.		1,196,727
Downtown Hampton Development Partnership, Inc.		796,770

The deficit in The Hamptons Golf Course fund is primarily attributed to accumulated depreciation charges on capital assets and current year net operating losses. Net operating losses before depreciation are usually funded in the succeeding year by operating transfers from the General Fund.

The net position in the Internal Service Funds is as follows:

Internal Service:		
Equipment Replacement	\$	18,363,076
Fleet Management		1,551,934
Risk Management		14,183,431
Information Technology		1,412,677

Pension Expense

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

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued:

Compensated Absences

It is the City's policy to permit employees to accumulate a limited amount of earned but unused annual and sick leave benefits, which will be utilized in future periods or will be paid to employees upon separation from City service. In governmental fund types, the cost of annual and sick benefits is recognized when payments are made to employees. The current and long-term liability for accrued annual and sick leave benefits at June 30, 2013 has been reported in the government-wide statements, representing the City's commitment to fund such costs from future operations. Proprietary fund types accrue annual and sick leave benefits in the period they are earned. Such benefits are included in accounts payable and other liabilities in the government-wide statements. In prior years, the General, Federal Grants, Community Development and Stormwater Management Funds have been used to liquidate the liability for compensated absences.

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

2. BASIS OF PRESENTATION - FUND ACCOUNTING:

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

General Fund

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

Debt Service Fund

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

Capital Projects Fund

The Capital Projects Fund accounts for all general City and School construction projects and

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

2. BASIS OF PRESENTATION - FUND ACCOUNTING, Continued:

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.

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,

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

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

Enterprise Funds

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

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

Internal Service Funds

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

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

Fiduciary Funds

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

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

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

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

3. INTERFUND BALANCES:

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

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

Interfund Receivables and Payables:

<u>Primary Government:</u>	<u>Due From</u>	<u>Due To</u>
General Fund	\$ 8,326,576	6,345,378
Debt Service	58,871	58,871
Capital Projects	4,527,895	1,784,901
Non-Major Governmental Funds	176,102	654,562
Proprietary Funds:		
Wastewater Management		2,401
The Hamptons		2,961,007
Museum	264,905	893,430
Convention Center	932,729	1,372
Non-Major Enterprise Funds	46,711	1,756,445
Internal Service Funds	133,149	8,571
Total Primary Government	<u>\$ 14,466,938</u>	<u>\$ 14,466,938</u>

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

3. INTERFUND BALANCES, Continued:

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

	Due From Primary Government	Due To Component Unit	Due From Component Unit	Due To Primary Government
Primary Government - General Fund	\$ -	\$ 32,267	\$ 18,540	\$ -
Primary Government - Economic Development		13,429	12,500	
Primary Government - Capital Projects Fund			215	
Primary Government - Non-Major Enterprise Funds			9,358	
Primary Government - Internal Service Funds			61,416	
Component Unit - School Board Operating Fund	18,942			71,238
Component Unit - EDA	26,754			30,791
Component Unit - FADA				
Total	<u>\$ 45,696</u>	<u>\$ 45,696</u>	<u>\$ 102,029</u>	<u>\$ 102,029</u>

Individual fund interfund transfers for the primary government were made for operating as well as capital purposes. Interfund transfers for the year ended June 30, 2013 are as follows:

<u>Primary Government:</u>	<u>Transfer From</u>	<u>Transfer To</u>
General Fund	\$ 4,311,049	\$ 55,275,262
Special Revenue:		
Economic Development		482,815
Debt Service	30,115,198	
Capital Projects	15,633,136	4,468,312
Non-Major Governmental Funds	2,300,611	1,721,703
Proprietary Funds:		
The Hamptons	430,000	
Museum	1,644,533	
Convention Center	7,580,769	
Non-Major Enterprise Funds		55,000
Internal Service Funds	37,373	49,577
Total Primary Government	<u>\$ 62,052,669</u>	<u>\$ 62,052,669</u>

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

3. INTERFUND BALANCES, Continued:

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	\$ -	\$ 66,636,300	\$ 2,000,287	\$ -
Primary Government - Economic Development		332,418		
Primary Government - Capital Projects Fund		167,906		
Component Unit - School Board Operating Fund	64,925,178			2,000,000
Component Unit - EDA	1,531,280			287
Component Unit - Coliseum BID	518,234			
Component Unit - Downtown Hampton	161,932			
Total	<u>\$67,136,624</u>	<u>\$ 67,136,624</u>	<u>\$ 2,000,287</u>	<u>\$ 2,000,287</u>

4. DEPOSITS AND INVESTMENTS:

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

Deposits

On June 30, 2013, the carrying value of the City's deposits was \$38,395,698 and the bank balance was \$6,703,313. All of the bank balances are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the "Act") Section 2.2-4400 et. seq. of the Code of Virginia. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial institutions may choose between two collateralization methodologies and depending upon that choice will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. The Commonwealth of Virginia Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and notifying local governments of compliance by financial institutions. All deposits are considered fully collateralized.

Investments

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

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

4. DEPOSITS AND INVESTMENTS, Continued:

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

HERS Investments

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

Investment Policy

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

HERS Investment Policy

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

Credit Risk

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

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

4. DEPOSITS AND INVESTMENTS, Continued:

pool, a 2a7 like pool, and the Virginia State Non-Arbitrage Program (VaSNAP), both rated AAAm by Standard & Poor's.

U. S. Government Securities

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

Custodial Credit Risk

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

Interest Rate Risk

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

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

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

4. DEPOSITS AND INVESTMENTS, Continued:

As of June 30, 2013, 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	\$ 13,994,142	A-1 + P-1	\$ 13,994,142	
U.S. Government securities	17,010,382	AAA		17,010,382
State Local Government Investment Pool-City	105,000,000	AAAm	105,000,000	
State Non-Arbitrage Fund-City	55,409,839	AAAm	55,409,839	
Mutual and Money Market Funds	3,920,753	Unrated	3,920,753	
Total Investments Controlled by City	195,335,116		\$ 178,324,734	\$ 17,010,382
Pension Plan Investments	123,402,136		123,402,136	-
Total	318,737,252		<u>\$ 301,726,870</u>	<u>\$ 17,010,382</u>

Reconciliation to Total Cash and Investments:

Add:

Cash on Hand and in Banks-City	35,820,650
Cash With Fiscal Agent	2,575,048
Total Deposits and Investments Primary Government and Fiduciary Funds Per Exhibits A-1 and A-9	<u>\$ 357,132,950</u>

Component Unit -School Board

	Investment Maturities (in years)	
	Fair Value	Less than 1 year
Repurchase Agreements	\$ 1,600,000	\$ 1,600,000
Mutual and Money Market Funds	14,588	14,588
Total Investments School Board	<u>\$ 1,614,588</u>	<u>\$ 1,614,588</u>

Other Component Units

	Investment Maturities (in years)	
	Fair Value	Less than 1 year
Stock	\$ 1,391	\$ 1,391
Mutual and Money Market Funds	1,347,963	1,347,963
Total Investments Other Component Units	<u>\$ 1,349,354</u>	<u>\$ 1,349,354</u>

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

4. DEPOSITS AND INVESTMENTS, Continued:

Reconciliation of total deposits and investments to the government-wide statements at June 30, 2013:

<u>Primary Government</u>	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Fiduciary Responsibilities</u>	<u>Total</u>
Cash Deposits-City	\$ 26,746,356	\$ 6,752,108	\$ 2,322,186	\$ 35,820,650
Cash With Fiscal Agent-City	252,275	2,322,773		2,575,048
Mutual and Money Market Funds	-	1,783,794		1,783,794
Investments-City	168,519,441	25,031,881	123,402,136	316,953,458
Total Primary Government	<u>\$ 195,518,072</u>	<u>\$ 35,890,556</u>	<u>\$ 125,724,322</u>	<u>\$ 357,132,950</u>
 <u>Component Unit - School Board</u>				
Cash Deposits	\$ 7,477,633			\$ 7,477,633
Cash With Fiscal Agent	4,405,511			4,405,511
Investments	1,614,588			1,614,588
Total Component Units School Board	<u>\$ 13,497,732</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,497,732</u>
 <u>Other Component Units</u>				
Cash Deposits	\$ 2,576,364			\$ 2,576,364
Cash With Fiscal Agent	639,111			639,111
Investments	1,349,354			1,349,354
Total Other Component Units	<u>\$ 4,564,829</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,564,829</u>

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

5. ACCOUNTS RECEIVABLE:

Accounts receivable at June 30, 2013 in the Governmental Funds are as follows:

	<u>General Fund</u>	<u>Special Revenue - Economic Development</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>
Primary Government:					
General property taxes (net of allowance for uncollectible taxes of (\$1,266,723)	\$ 6,899,144	\$	\$	\$	\$
Due from Commonwealth of Virginia	8,912,267			5,546,679	1,627,522
Due from Federal Government	1,418,468				1,446,934
Other	1,269,580	6,586	25		617,392
Total Primary Government	<u>\$ 18,499,459</u>	<u>\$ 6,586</u>	<u>\$ 25</u>	<u>\$ 5,546,679</u>	<u>\$ 3,691,848</u>

Discretely Presented Component Unit -

School Board:

Due from Commonwealth of Virginia	\$ 3,637,947
Due from federal government	1,996,118
Other	<u>301,394</u>
Total Component Unit	<u>\$ 5,935,459</u>

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

6. CAPITAL ASSETS:

Capital asset activity for the year ended June 30, 2013 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 509,452,024	\$ 5,864,880	\$ (2,168,299)	\$ 513,148,605
Easements	602,654	69,195	-	671,849
Construction in progress	34,180,089	11,014,775	(17,217,470)	27,977,394
Total capital assets not being depreciated	544,234,767	16,948,850	(19,385,769)	541,797,848
Capital assets being depreciated:				
Buildings	167,523,963	69,600	-	167,593,563
Improvements	67,759,160	-	-	67,759,160
Computer Software	952,380	50,465	-	1,002,845
Machinery & Equipment	62,357,451	21,915,377	(4,690,482)	79,582,346
Infrastructure	175,014,373	1,601,063	-	176,615,436
Other Assets	4,218,300	-	-	4,218,300
Total capital assets being depreciated	477,825,627	23,636,505	(4,690,482)	496,771,650
Less accumulated depreciation for:				
Buildings	(37,101,401)	(4,033,491)	-	(41,134,892)
Improvements	(39,441,857)	(2,670,655)	-	(42,112,512)
Computer Software	(448,771)	(187,517)	-	(636,288)
Machinery & Equipment	(43,286,831)	(3,851,791)	4,236,315	(42,902,307)
Infrastructure	(41,399,934)	(7,653,907)	-	(49,053,841)
Other Assets	(600,108)	(200,101)	-	(800,209)
Total accumulated depreciation	(162,278,902)	(18,597,462)	4,236,315	(176,640,049)
Total capital assets being depreciated, net	315,546,725	5,039,043	(454,167)	320,131,601
Governmental activities capital assets, net	\$ 859,781,492	\$ 21,987,893	\$ (19,839,936)	\$ 861,929,449

Primary Government:

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

General capital assets	\$ 844,594,142
Internal service funds	17,335,307
	<u>\$ 861,929,449</u>

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

6. CAPITAL ASSETS, Continued:

	Beginning Balance	Additions	Reductions	Ending Balance
Business-type Activities:				
Capital assets not being depreciated:				
Land	\$ 10,804,241	\$ -	\$ -	\$ 10,804,241
Easements	20,421	8,522	-	28,943
Construction in progress	452,068	2,175,974	(1,177,059)	1,450,983
Total capital assets not being depreciated	11,276,730	2,184,496	(1,177,059)	12,284,167
Capital assets being depreciated:				
Buildings	137,697,672	-	(6,780)	137,690,892
Improvements	34,783,183	771,874	-	35,555,057
Computer Software	58,832	46,702	-	105,534
Machinery & Equipment	26,040,295	2,171,682	(1,412,491)	26,799,486
Exhibits	13,950,306	-	-	13,950,306
Landfill	3,865,986	-	-	3,865,986
Infrastructure	65,222,073	986,187	-	66,208,260
Total capital assets being depreciated	281,618,347	3,976,445	(1,419,271)	284,175,521
Less accumulated depreciation for:				
Buildings	(48,157,238)	(3,702,540)	6,441	(51,853,337)
Improvements	(21,280,528)	(1,191,229)	-	(22,471,757)
Computer Software	(19,920)	(14,416)	-	(34,336)
Machinery & Equipment	(16,290,151)	(1,855,087)	1,230,673	(16,914,565)
Exhibits	(12,972,643)	(440,251)	-	(13,412,894)
Landfill	(3,649,715)	(3,407)	-	(3,653,122)
Infrastructure	(25,465,926)	(1,009,253)	-	(26,475,179)
Total accumulated depreciation	(127,836,121)	(8,216,183)	1,237,114	(134,815,190)
Total capital assets being depreciated, net	153,782,226	(4,239,738)	(182,157)	149,360,331
Business-type activities capital assets, net	\$ 165,058,956	\$ (2,055,242)	\$ (1,359,216)	\$ 161,644,498

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

6. CAPITAL ASSETS, Continued:

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

	<u>General Capital Assets</u>	<u>Internal Service Funds</u>	<u>Total</u>
Governmental activities:			
General government	\$ 3,518,944	\$ 1,741,584	\$ 5,260,528
Health	764,705		764,705
Public welfare	80,648		80,648
Public safety	1,783,477		1,783,477
Streets and highways	6,130,505		6,130,505
Culture and recreation	383,476		383,476
Education	4,194,123		4,194,123
Total depreciation expense - governmental activities	<u>\$ 16,855,878</u>	<u>\$ 1,741,584</u>	<u>\$ 18,597,462</u>
Business - type activities:			
Culture and recreation	\$ 4,939,408		
Sanitation	3,276,775		
Total depreciation expense - business-type activities	<u>\$ 8,216,183</u> *		

* Depreciation expense in the amount of \$658,829 was capitalized as part of self-constructed assets in the Wastewater Management Fund.

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

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Construction in Progress	\$ 4,004,618	\$ -
Buildings		2,064,368
Improvements	157,589	
Computer Software	171,225	
Machinery and equipment	19,250,285	182,487
Less accumulated depreciation	(1,487,275)	(2,050,761)
Capital assets, net	<u>\$ 22,096,442</u>	<u>\$ 196,094</u>

The total amount of equipment acquired through a capital lease during fiscal year ended June 30, 2013, was \$16,354,269. Depreciation expense on the leased assets totaled \$392,540 for the fiscal year ended June 30, 2013.

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

6. CAPITAL ASSETS, Continued:

Discretely Presented Component Units

School Board:

	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets not being depreciated:				
Land	\$ 5,111,045	\$ -	\$ -	\$ 5,111,045
Total capital assets not being depreciated	5,111,045	-	-	5,111,045
Capital assets being depreciated:				
Buildings	48,962,686			48,962,686
Improvements	310,100			310,100
Machinery & Equipment	43,444,958	1,756,412	(3,464,990)	41,736,380
Total capital assets being depreciated	92,717,744	1,756,412	(3,464,990)	91,009,166
Less accumulated depreciation for:				
Buildings	(47,802,442)	(353,105)		(48,155,547)
Improvements	(166,679)	(15,505)		(182,184)
Machinery & Equipment	(32,175,670)	(3,361,589)	3,453,678	(32,083,581)
Total accumulated depreciation	(80,144,791)	(3,730,199)	3,453,678	(80,421,312)
Total capital assets being depreciated, net	12,572,953	(1,973,787)	(11,312)	10,587,854
School Board capital assets, net	<u>\$ 17,683,998</u>	<u>\$ (1,973,787)</u>	<u>\$ (11,312)</u>	<u>\$ 15,698,899</u>

Economic Development Authority:

	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets not being depreciated:				
Land	\$ 15,802,769	\$ -	\$ -	\$ 15,802,769
Total capital assets not being depreciated	15,802,769	-	-	15,802,769
Capital assets being depreciated:				
Improvements	-			-
Infrastructure	2,049,350			2,049,350
Machinery & Equipment	-			-
Total capital assets being depreciated	2,049,350	-	-	2,049,350
Less accumulated depreciation for:				
Improvements	-			-
Infrastructure	(861,212)	(102,468)		(963,680)
Machinery & Equipment	-			-
Total accumulated depreciation	(861,212)	(102,468)	-	(963,680)
Total capital assets being depreciated, net	1,188,138	(102,468)	-	1,085,670
Economic Development Authority capital assets, net	<u>\$ 16,990,907</u>	<u>\$ (102,468)</u>	<u>\$ -</u>	<u>\$ 16,888,439</u>

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

6. CAPITAL ASSETS, Continued:

Downtown Hampton Development Partnership, Inc:

	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets being depreciated:				
Improvements	\$ 424,442	\$ 13,425	\$ -	\$ 437,867
Machinery & Equipment	120,017	2,384		122,401
Total capital assets being depreciated	544,459	15,809	-	560,268
Less accumulated depreciation	(211,594)	(24,584)		(236,178)
Downtown Hampton Development Partnership capital assets, net	<u>\$ 332,865</u>	<u>\$ (8,775)</u>	<u>\$ -</u>	<u>\$ 324,090</u>

Coliseum Central Business Improvement District, Inc:

	(Restated) Beginning Balance	Additions	Reductions	Ending Balance
Capital assets being depreciated:				
Improvements	\$ -			\$ -
Computer Software	4,117	463		4,580
Machinery & Equipment	142,664	1,854	(4,009)	140,509
Total capital assets being depreciated	146,781	2,317	(4,009)	145,089
Less accumulated depreciation	(79,975)	(13,902)	2,873	(91,004)
Coliseum Central Business Improvement District capital assets, net	<u>\$ 66,806</u>	<u>\$ (11,585)</u>	<u>\$ (1,136)</u>	<u>\$ 54,085</u>

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

6. CAPITAL ASSETS, Continued:

Construction in Progress

Several capital projects were in various stages of completion on June 30, 2013. 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, 2013, construction in progress by project was comprised as follows:

	Project Authorization	Expended to June 30, 2013
<u>Governmental Activities</u>		
Infrastructure	\$ 55,128,583	\$ 17,753,177
Construction & renovation	14,942,590	6,219,600
Equipment Replacement-5 new fire trucks	4,004,617	4,004,617
	<u>\$ 74,075,790</u>	<u>\$ 27,977,394</u>
 <u>Business-type Activities</u>		
Wastewater Management-Sewer projects	\$ 1,183,000	\$ 1,074,715
Coliseum-Door and window renovations	501,345	306,626
Convention Center-Acoustical modifications	72,852	69,642
	<u>\$ 1,757,197</u>	<u>\$ 1,450,983</u>

7. BUDGETARY - GAAP REPORTING RECONCILIATION:

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

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

8. GENERAL OBLIGATION AND OTHER LONG-TERM DEBT:

The following is a summary of the changes in general obligation debt and other indebtedness during the year ended June 30, 2013:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds payable:					
Serial bonds	\$ 254,394,757	\$ 38,865,000	\$ (18,553,797)	\$ 274,705,960	\$ 21,023,907
Unamortized premium & discount	15,947,787	5,262,910	(1,265,703)	19,944,994	1,479,143
Bonds payable (VRS)	2,075,000		(1,015,000)	1,060,000	1,060,000
Capital leases	12,658,124		(1,407,676)	11,250,448	1,464,146
Capital leases - Internal Service Funds	6,537,174		(990,647)	5,546,527	959,059
Literary loans payable	173,715		(92,000)	81,715	81,715
Compensated absences	6,442,960	3,904,052	(3,497,025)	6,849,987	3,497,025
Compensated absences-Internal Service Funds	125,333	85,375	(59,315)	151,393	59,315
Claims and judgments-Internal Service Funds	4,845,035	1,689,714	(1,178,846)	5,355,903	4,211,368
Net OPEB obligation - Internal Service Funds		745,834		745,834	
Net OPEB obligation	<u>28,806,456</u>	<u>6,067,153</u>	<u>(2,037,833)</u>	<u>32,835,776</u>	
Governmental activities long-term liabilities	<u>\$ 332,006,341</u>	<u>\$ 56,620,038</u>	<u>\$ (30,097,842)</u>	<u>\$ 358,528,537</u>	<u>\$ 33,835,678</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.

Long-term liabilities (detail above)	\$ 358,528,537
Less debt - Internal Service Fund	<u>(11,799,657)</u>
Combined adjustment	<u>\$ 346,728,880</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, 2013 and reflected the liability, if any, in the governmental activities column of the Statement of Net Position.

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

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

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type Activities:					
Bonds payable:					
Revenue bonds	\$ 91,800,000	\$ -	\$ (4,075,000)	\$ 87,725,000	\$ 3,760,000
Serial bonds, as restated (See footnote 16)	4,630,243		(326,203)	4,304,040	341,093
Unamortized premium & discount	12,326,813		(700,290)	11,626,523	685,066
Total bonds payable	108,757,056		(5,101,493)	103,655,563	4,786,159
Capital leases	581,643		(178,474)	403,169	191,681
Compensated absences	746,576	436,102	(392,403)	790,275	392,403
Business-type activities long-term liabilities	<u>\$ 110,085,275</u>	<u>\$ 436,102</u>	<u>\$ (5,672,370)</u>	<u>\$ 104,849,007</u>	<u>\$ 5,370,243</u>
Component Units:					
School Board:					
Compensated absences	\$ 6,695,550	\$ 2,284,354	\$ (2,585,813)	\$ 6,394,091	\$ 2,585,813
Capital leases	155,381	483,684	(110,306)	528,759	196,000
Net OPEB obligation	7,852,622	1,337,755	(467,327)	8,723,050	
Total School Board	<u>\$ 14,703,553</u>	<u>\$ 4,105,793</u>	<u>\$ (3,163,446)</u>	<u>\$ 15,645,900</u>	<u>\$ 2,781,813</u>
Economic Development Authority:					
Revenue bonds payable	<u>\$ 6,844,114</u>	<u>\$ -</u>	<u>\$ (569,617)</u>	<u>\$ 6,274,497</u>	<u>\$ 607,019</u>

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

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

Enterprise Fund

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

Details at June 30, 2013 are as follows:

	<u>Series 2004</u>
Outstanding debt	\$1,515,000
Interest rate	5%
Year of maturity	2014

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

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

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

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, 2013, \$99,545,000 of bonds outstanding are considered defeased.

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

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

Revenue bond debt service requirements to maturity are as follows:

<u>Fiscal year ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 3,760,000	\$ 4,307,210
2015	2,325,000	4,145,854
2016	2,435,000	4,035,929
2017	2,555,000	3,917,435
2018	2,680,000	3,791,388
2019-2023	15,585,000	16,770,084
2024-2028	19,995,000	12,361,537
2029-2033	25,990,000	6,558,163
2034-2035	12,400,000	634,394
	<u>\$ 87,725,000</u>	<u>\$ 56,521,994</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		
<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 341,093	\$ 210,147
2015	352,517	194,352
2016	373,837	177,545
2017	391,848	159,692
2018	411,834	140,099
2019-2023	1,995,796	370,398
2024-2026	437,115	41,055
	<u>\$ 4,304,040</u>	<u>\$ 1,293,288</u>

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

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

Capital Leases:

The City entered into a capital lease for the Hamptons Golf Course Clubhouse Facility in July 1990 at an interest rate of 9.875%. The lease is payable in 24 remaining equal monthly installments of \$18,581.

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

Capital Leases		
Year	Principal	Interest
2014	\$ 191,681	\$ 31,291
2015	211,488	11,484
	<u>\$ 403,169</u>	<u>\$ 42,775</u>

Discretely Presented Component Unit- EDA:

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

Details at June 30, 2013 are as follows:

	2002 Revenue Bonds
	<u>Tax-Exempt</u>
Outstanding Debt	\$ 6,274,497
Interest	6.17%
Years of Maturity	2014 – 2022

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

Revenue Bonds		
Year	Principal	Interest
2014	\$ 607,019	\$ 383,040
2015	645,586	344,473
2016	686,603	303,456
2017	729,460	260,599
2018	776,573	213,486
2019 - 2022	2,829,256	337,804
	<u>\$ 6,274,497</u>	<u>\$ 1,842,858</u>

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

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

Discretely Presented Component Unit-School Board:

On August 13, 2009, the School Board entered into a master lease purchase agreement with SunTrust Equipment Finance and Leasing Corporation to purchase five school buses. The lease is payable in quarterly installments of \$19,991 at an interest rate of 3.48%. At June 30, 2013 the outstanding balance on the lease is \$78,224.

On February 8, 2013, the School Board entered into a master maintenance and sales lease agreement with Ricoh Business Solutions. The lease is payable in monthly installments of \$4,190 at an interest rate of 4.1%. At June 30, 2013 the outstanding balance on the lease is \$184,378.

On March 27, 2013, the School Board entered into a master lease purchase agreement with Wells Fargo to purchase forty-nine copiers. The lease is payable in monthly installments of \$6,361 at an interest rate of 3.85%. At June 30, 2013 the outstanding balance on the lease is \$266,157.

Internal Service Funds:

The City is self-insured for workmen's compensation benefits and general liability insurance claims. At June 30, 2013, the liability for existing claims amounted to \$5,355,903. Workmen's compensation benefit claims are payable weekly or monthly through 2022.

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

Equipment Replacement Fund:

On July 9, 2009 the City entered into a master lease purchase agreement with SunTrust Equipment Finance and Leasing Corporation to purchase rolling-stock equipment. During fiscal year 2010, the City financed a fire truck through this agreement. The lease is payable in 26 quarterly remaining equal installments of \$16,899 at an interest rate of 4.52%. At June 30, 2013 the outstanding balance on the lease is \$378,881. On June 25, 2012 the City extended the term under this master lease purchase agreement and financed the replacement of eight fire trucks. The lease is payable in 24 quarterly equal installments of \$216,134 at an interest rate of 2.24%. At June 30, 2013 the outstanding balance on the lease is \$4,841,086.

During fiscal year 2005, the City entered into a master lease purchase agreement with Bank of America Leasing and Capital, LLC. The lease is to be repaid in equal quarterly installments of \$22,978 at an interest rate of 3.75%. At June 30, 2013 the outstanding balance on the lease is \$175,752.

Fleet Services Fund

On December 7, 2010, the City entered into a lease purchase agreement with SunTrust

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

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

Equipment Finance and Leasing Corporation to purchase a fuel maintenance system. The lease is payable in quarterly installments of \$19,836 at an interest rate of 2.75%. At June 30, 2013 the outstanding balance on the lease is \$150,808.

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

Internal Service Funds:

<u>Year</u>	<u>Accrued Insurance</u>	<u>Capital Lease</u>		
	<u>Claims</u>	<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 4,211,368	2014	\$ 959,059	\$ 127,587
2015	221,515	2015	983,647	102,887
2016	218,627	2016	884,513	78,986
2017	202,279	2017	874,060	58,073
2018	159,843	2018	895,178	36,955
2019- 2020	342,271	2019 - 2020	950,070	15,856
	<u>\$ 5,355,903</u>		<u>\$ 5,546,527</u>	<u>\$ 420,344</u>

General Long-Term Debt:

Details of general obligation bonds and loans reported in the government-wide statements at June 30, 2013 are as follows:

General Obligation Bonds Outstanding	\$274,705,960
Coupon interest rate	2.0% to 5.63%
Years of maturity	2014 – 2030

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

<u>General Obligation Bonds</u>		
<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 21,023,907	\$ 11,644,489
2015	23,152,483	10,879,143
2016	24,171,163	9,820,465
2017	25,143,152	8,830,457
2018	26,068,166	7,882,652
2019 - 2023	81,564,204	27,055,994
2024 - 2028	64,312,885	10,298,959
2029 - 2030	9,270,000	843,278
	<u>\$ 274,705,960</u>	<u>\$ 87,255,437</u>

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

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

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 are being used to pay for the cost of lighting upgrades in the City schools.

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

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

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%.

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

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

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

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

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, 2013, \$128,580,000 of bonds outstanding are considered defeased.

Taxable General Obligation Bonds:

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

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

Taxable General Obligation Bonds		
Year	Principal	Interest
2014	\$ 1,060,000	\$ 50,349

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

Literary Loans:

The City's indebtedness includes \$81,715 in a loan from the State Literary Loan Fund. The loan was used for major repairs and renovations to Hampton High School. Repayment is in annual installments over a 20-year term at 3% interest.

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

Literary Loans		
Year	Principal	Interest
2014	\$ 81,715	\$ 2,452

Capital Leases:

An enterprise-wide network server and storage system was also financed through the master lease purchase agreement with SunTrust Equipment Finance and Leasing Corporation in fiscal year 2010. The lease is payable in equal installments of \$13,285 at an interest rate of 3.19%. At June 30, 2013 the outstanding balance on the lease is \$77,533.

On February 27, 2009, the City entered into an equipment lease/purchase agreement with Motorola, Inc. for \$14,506,267 for the purpose of upgrading and replacing the existing radio system of the city and to provide infrastructure site improvements to the City 911 Center and three transmit/receive sites. The lease is to be repaid in 7 remaining equal yearly installments of

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

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

\$1,864,288 at an interest rate of 4.04%. The first payment was due on March 2011 and the final payment is due March 1, 2020.

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

<u>Year</u>	<u>Capital Leases</u>	
	<u>Principal</u>	<u>Interest</u>
2014	\$ 1,464,146	\$ 453,283
2015	1,496,209	394,650
2016	1,529,344	334,945
2017	1,591,134	273,155
2018	1,655,420	208,868
2019-2020	3,514,195	214,375
	<u>\$ 11,250,448</u>	<u>\$ 1,879,276</u>

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, 2013 the City's aggregate general obligation indebtedness was \$280,151,715 which is \$777,128,580 less than the State limit.

Overlapping Debt:

There are no overlapping or underlying tax jurisdictions.

9. DEFINED BENEFIT PENSION PLANS:

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

Plan Description - HERS:

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

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

9. DEFINED BENEFIT PENSION PLANS, Continued:

supplementary information for HERS. The financial report may be obtained by writing to City of Hampton, Finance Department, 22 Lincoln Street, Hampton, Virginia, 23669 or by calling (757) 727-6230.

Funding Policy - HERS:

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

Annual Pension Cost and Net Pension Obligation – HERS:

For fiscal year 2013, the annual pension cost and net pension obligation were as follows:

	City of Hampton	Component Unit- School Board
Annual required contribution	\$ 3,444,611	\$ 3,183,511
Interest on net pension obligation		
Adjustment to annual required contribution		
Annual pension cost	3,444,611	3,183,511
Contributions made	(3,444,611)	(3,183,511)
Increase (decrease) in net pension obligation	-	-
Net pension obligation, July 1, 2012		
Net pension obligation, June 30, 2013	\$ -	\$ -

The annual required contribution was determined as a part of the July 1, 2011 actuarial valuation using the entry age normal cost method with normal cost calculated on an aggregate basis. The actuarial assumptions included (a) 7.5% investment rate of return and (b) projected salary increases of 5% per year. The actuarial assumptions include a future inflation rate of 3.5% a year. The plan was amended in 2000 to provide for a one-time cost of living adjustment of 3.0% to members who retired prior to July 2, 1998. Effective July 1, 2001, the Board authorized a one-time 3.5% cost of living adjustment to members who retired prior to July 1, 1999. The actuarial value of assets was determined using market value, but with the difference between expected and actual return recognized over a five-year period. The unfunded actuarial liability is amortized on a level dollar basis. The remaining amortization period at June 30, 2013 was 10 years. The amortization period is closed.

Summary of Significant Accounting Policies - HERS

Basis of Accounting:

The financial statements of HERS are prepared using the accrual basis of accounting. Employer

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

9. DEFINED BENEFIT PENSION PLANS, Continued:

contributions are recognized as revenues in the period in which the contributions are due. Benefits and refunds are recognized when due and are payable in accordance with the terms of the plan.

Method Used to Value Investments:

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

Trend Information – HERS:

City of Hampton	Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
	6/30/11	\$ 2,293,841	100%	-
	6/30/12	\$ 2,293,841	100%	-
	6/30/13	\$ 3,444,611	100%	-

Component Unit School Board	Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
	6/30/11	\$ 1,074,622	100%	-
	6/30/12	\$ 1,074,622	100%	-
	6/30/13	\$ 3,183,511	100%	-

Plan Description - VRS:

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

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

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

- Members hired before July 1, 2010 and who were vested as of January 1, 2013 are

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

9. DEFINED BENEFIT PENSION PLANS, Continued:

covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit as early as age 55 with at least five years of service credit or age 50 with at least 10 years of service credit.

- Members hired or rehired on or after July 1, 2010 and Plan 1 members who were not vested on January 1, 2013 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.
- Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the member's plan apply.

The VRS Basic Benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the member's average final compensation multiplied by the member's total service credit. Under Plan 1, average final compensation is the average of the member's 36 consecutive months of highest compensation. Under Plan 2, average final compensation is the average of the member's 60 consecutive months of highest compensation. The retirement multiplier for non-hazardous duty members is 1.7%. The retirement multiplier for non-hazardous duty members is 1.70%. The retirement multiplier for eligible political subdivision hazardous duty employees other than sheriffs and jail superintendents is 1.70% or 1.85% as elected by the employer. The multiplier for Plan 2 members was reduced to 1.65% effective January 1, 2013 unless they are hazardous duty employees and their employer has elected the enhanced retirement multiplier. At retirement, members can elect the Basic Benefit, the Survivor Option, a Partial Lump-Sum option Payment (PLOP) or the Advance Pension Option. A retirement reduction factor is applied to the Basic Benefit amount for members electing the Survivor Option, PLOP or Advance Pension Option or those retiring with a reduced benefit.

Retirees are eligible for an annual cost-of-living adjustment (COLA) effective July 1 of the second calendar year of retirement. Under Plan 1, the COLA cannot exceed 5.00%; under Plan 2, the COLA cannot exceed 6.00%. During years of no inflation or deflation, the COLA is 0.00%. VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

9. DEFINED BENEFIT PENSION PLANS, Continued:

General Assembly of Virginia.

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be obtained by writing the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500 or from the VRS website at <http://www.varetire.org/Pdf/Publications/2012-annual-report.pdf>.

Funding Policy - VRS:

Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5% of their annual reported compensation to the VRS. All or part of the 5.00% member contribution may be assumed by the employer. Beginning July 1, 2012 new employees were required to begin paying the employee 5% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. In addition, the City of Hampton and the Component Unit - School Board are required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the *Code of Virginia* and approved by the VRS Board of Trustees. The City of Hampton's and Component Unit - School Board's nonprofessional employees contribution rates for the fiscal year ended 2013 were 18.57% and 16.09% respectively. The Component Unit - School Board's contributions to VRS for professional employees for the fiscal years ending June 30, 2013, 2012, and 2011 of \$17,731,517 (16.66%), \$12,050,108 (11.33%), and \$9,521,688 (8.93%) respectively, were equal to the required contributions for each year.

Annual Pension Cost and Net Pension Obligation:

For 2013, the City of Hampton's and Component Unit - School Board's nonprofessional employees annual pension cost and net pension obligation were as follows:

	<u>City of Hampton</u>	<u>Component Unit- School Board</u>
Annual required contribution	\$ 15,369,346	\$ 1,188,627
Interest on net pension obligation		
Adjustment to annual required contribution		
Annual pension cost	15,369,346	1,188,627
Contributions made	(15,369,346)	(1,188,627)
Increase in net pension obligation	-	-
Net pension obligation, July 1, 2012	-	
Adjustment to net pension obligation		
Net pension obligation, June 30, 2013	\$ -	\$ -

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

9. DEFINED BENEFIT PENSION PLANS, Continued:

The fiscal year 2013 required contribution for the City of Hampton and Component Unit-School Board was determined as part of the June 30, 2011 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) an investment rate of return (net of administrative expenses) of 7.00%, (b) protected salary increases ranging from 3.75% to 5.60% per year for general government employees, 3.75% to 6.20% per year for teachers, and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year for Plan 1 employees and 2.25% for Plan 2 employees. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the City of Hampton and Component Unit-School Board assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. City of Hampton's and Component Unit-School Board's unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at June 30, 2011 for the Unfunded Actuarial Accrued Liability (UAAL) was 30 years.

Trend Information - VRS:

	Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
<u>City of Hampton</u>	June 30, 2011	\$ 16,368,660	100%	-
	June 30, 2012	16,113,128	100%	-
	June 30, 2013	15,369,346	100%	-
<u>Component Unit- School Board</u> (Non-professional employees)	June 30, 2011	\$ 1,165,979	100%	-
	June 30, 2012	1,140,918	100%	-
	June 30, 2013	1,188,627	100%	-

Funded Status and Funding Progress:

Based on the most recent actuarial valuation dated June 30, 2012 for the City and School Board and June 30, 2013 for HERS, the funded status of the plans were as follows:

	City of Hampton	Component Unit School Board	Hampton Employees' Retirement System
Actuarial accrued liability (AAL)	\$ 511,793,833	\$ 30,183,177	\$ 174,902,897
Actuarial value of plan assets	331,782,884	21,414,583	114,812,149
Unfunded actuarial accrued liability (UAAL)	<u>\$ 180,010,949</u>	<u>\$ 8,768,594</u>	<u>\$ 60,090,748</u>
Funded ratio (actuarial value of plan assets/AAL)	64.83%	70.95%	65.60%
Covered payroll (active plan members)	\$ 78,952,375	\$ 7,480,489	\$ 10,188,093
UAAL as a percentage of covered payroll	228.00%	117.22%	589.8%

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

9. DEFINED BENEFIT PENSION PLANS, Continued:

Actuarial Methods and Assumptions :

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

10. DEFERRED COMPENSATION PLAN:

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

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

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

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
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11. JOINT VENTURE:

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

The Authority opened the jail facility on March 16, 1998. Summarized financial information for the Authority for fiscal year ending June 30, 2012 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	\$ 33,481,344
Expenditures and other uses	<u>(34,641,237)</u>
Change in fund equity	(1,159,893)
Fund equity, July 1, 2011	<u>21,257,050</u>
Fund equity, June 30, 2012	<u>\$ 20,097,157</u>

The revenue bonds issued by the Authority are limited obligations of the Authority payable solely from net revenues and other funds derived from the ownership and operation of the regional jail. Separate financial statements are available from the Hampton Roads Regional Jail Authority at 2690 Elmhurst Lane, Portsmouth, Virginia 23701-2745.

12. COMMITMENT AND CONTINGENCIES:

Grants:

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

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

12. COMMITMENT AND CONTINGENCIES, Continued:

Leases:

The City leases various types of equipment under capital lease agreements (see Note 8). Under an operating lease, the City leases the Pembroke Community Service Center building from the Hampton Redevelopment and Housing Authority at an annual rent of \$367,178. In addition, the City leases space under operating leases for use as branches of the City's public library.

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

Land	\$ 170,021
Buildings	17,259,370
Improvements	6,395,013
Less accumulated depreciation	(11,228,504)
Capital Assets, net	<u><u>\$ 12,595,900</u></u>

A summary of future minimum rental payments under the operating leases at June 30, 2013 is as follows:

<u>Year Ending June 30,</u>	<u>Operating Leases</u>	<u>Future Rental Income</u>
2014	\$ 947,561	\$ 159,340
2015	868,768	124,042
2016	661,160	30,979
2017	607,360	23,952
2018	454,982	2
2019-2038	953,699	42
	<u><u>\$ 4,493,530</u></u>	<u><u>\$ 338,357</u></u>

The City's rental expense and rental income for the year ended June 30, 2013 amounted to \$1,578,833 and \$180,006 respectively.

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

The City has entered into a three-party agreement with the Hampton Redevelopment and Housing Authority (HRHA) and private developers related to the Harbour Center in the downtown area. The future lease commitment for this project is \$2,527,005 for the lease of the garage facility through 2017. (A portion of the garage lease payments will be offset by fees charged for parking.)

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

12. COMMITMENT AND CONTINGENCIES, Continued:

A summary of future minimum rent payments under the operating lease with Harbour Center at June 30, 2013 is as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2014	\$ 505,401
2015	505,401
2016	505,401
2017	505,401
2018	505,401
	<u>\$ 2,527,005</u>

Self-Insurance:

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

The City and the Component Unit-School Board are self-insured for a portion of their risk up to the following self-insured levels per occurrence:

	<u>City</u>	<u>Component Unit-School Board</u>
Workers' Compensation	\$ 700,000	\$ 700,000
General Liability	1,000,000	1,000,000
Property Coverage	100,000	100,000
Medical Claims	100,000 per person/plan year	100,000 per person/plan year

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

All funds of the City participate in the program and make payments to the Risk Management and General Fund based on historical cost information. The unrestricted net assets of \$14,177,373 at June 30, 2013 are designated as a reserve for claims in the Risk Management Fund. The City accrues claims and judgments as incurred by a review of all claims on a case-by-case basis. Claims incurred, but not reported, were considered in the determination of the claims liability.

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

12. COMMITMENT AND CONTINGENCIES, Continued:

Changes in the Funds' claims liability amount in fiscal years 2013, 2012 and 2011 were:

	Claims Liability	Incurred	Claims	Claims Liability
<u>Risk Management Fund</u>	<u>July 1</u>	<u>Claims</u>	<u>Payment</u>	<u>June 30</u>
Fiscal Year 2013	\$ 4,845,035	\$ 1,689,714	\$ 1,178,846	\$ 5,355,903
Fiscal Year 2012	5,436,768	1,092,766	1,684,499	4,845,035
Fiscal Year 2011	5,079,820	2,362,572	2,005,624	5,436,768

	Claims Liability	Incurred	Claims	Claims Liability
<u>General Fund</u>	<u>July 1</u>	<u>Claims</u>	<u>Payment</u>	<u>June 30</u>
Fiscal Year 2013	\$ 330,444	15,397,463	15,114,900	613,007
Fiscal Year 2012	(9,506)	15,067,147	14,727,197	330,444
Fiscal Year 2011	(139,862)	14,715,335	14,584,979	(9,506)

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

Letters of Credit:

Old Point National of Phoebus issued a standby Letter of Credit totaling \$3,000,000 on behalf of the EDA in connection with its commitment under certain agreements for the development of the Bass Pro Project. During fiscal year 2005, Old Point National Bank issued a standby Letter of Credit in the amount of \$3,000,000 on behalf of the EDA in connection with its commitment under certain agreements for the National Institute of Aerospace Associates (NIA) project. In fiscal year 2011, the Old Point National Bank Letter of Credit for NIA was reduced to \$1,800,000. The City has agreed to pay the bank upon each drawing by the beneficiary under the Letters of Credit. During the fiscal year ended June 30, 2013, no draws were made under the Letters of Credit.

Capital Projects

Commitments for completion of capital projects in the Governmental Activities authorized at June 30, 2013 are \$7,673,655.

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

13. POST-RETIREMENT HEALTHCARE BENEFITS:

Plan Description:

The City and Component Unit-School Board (School Board) each administer a single-employer defined benefit healthcare plan in addition to the pension benefits described in Note 9. The City and School Board Other Postemployment Benefit Plans provide post-retirement health care benefits, in accordance with the Personnel Policies and Procedures, to all full-time, salaried permanent employees and public safety officers who retire on or after attaining age 55 and 50 respectively, with at least 5 years of service, as well as to employees who qualify for a disability retirement. Currently, 792 City retirees meet these eligibility requirements. Hampton City School Board employees accumulate an unlimited number of sick leave days. The School Board's post-retirement health care plan allows employees at retirement, instead of taking payment for these sick leave days, the employee may elect to take a specified credit toward their post retirement health insurance costs. During fiscal year 2013, 78 employees were participating in this plan and the cost was \$161,105. Separate, stand-alone statements are not issued for this plan.

Funding Policy:

The City Council and School Board has the authority to establish and amend the funding policy of their respective plans. The employer's contribution ranges from 0% to 100% of the premiums based on the retiree's years of continuous health care coverage and the health care option selected by the retirees. The employer contributions are financed on a pay-as-you-go basis. During fiscal year 2013, the City contributed \$2,037,833, or approximately 39% of total premiums for post-retirement health care benefits. Plan members receiving benefits contributed \$2,484,712 or approximately 49% of total premiums. Member contributions are 3% of covered payroll. The School Board contributed \$467,327 or approximately 40% of total premiums in fiscal year 2013.

Annual OPEB Cost and Net OPEB Obligation:

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

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

13. POST-RETIREMENT HEALTHCARE BENEFITS, Continued:

The following table shows the components of the City and School Board's annual OPEB cost for the year, the amount actually contributed to the plans and changes in the net OPEB obligation:

	City of Hampton OPEB Benefits	Component Unit School Board
Annual required contribution	\$ 6,580,775	\$ 1,477,768
Interest on net OPEB obligation	1,152,258	314,105
Adjustment to ARC	(1,665,880)	(454,118)
Annual OPEB cost	6,067,153	1,337,755
Contributions made	(2,037,833)	(467,327)
Increase in net OPEB obligation	4,029,320	870,428
Net OPEB obligation - beginning of year	28,806,456	7,852,622
Net OPEB obligations - end of year	<u>\$ 32,835,776</u>	<u>\$ 8,723,050</u>

The City and School Board's annual OPEB cost, employer contributions, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011, 2012 and 2013 are as follows:

City of Hampton - OPEB Benefits

			Percentage of Annual	
Fiscal year ended	Annual OPEB Cost	Employer Contributions	OPEB Cost Contributed	Net OPEB Obligation
June 30, 2011	\$ 6,561,681	\$ 2,414,243	37%	\$ 24,039,275
June 30, 2012	6,847,560	2,080,379	30%	28,806,456
June 30, 2013	6,067,153	2,037,833	34%	32,835,776

Component Unit-School Board

			Percentage of Annual	
Fiscal year ended	Annual OPEB Cost	Employer Contributions	OPEB Cost Contributed	Net OPEB Obligation
June 30, 2011	\$ 2,424,483	\$ 515,065	21%	\$ 5,816,548
June 30, 2012	2,558,611	522,537	20%	7,852,622
June 30, 2013	1,337,755	467,327	35%	8,723,050

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

13. POST-RETIREMENT HEALTHCARE BENEFITS, Continued:

Funded Status and Funding Progress:

Based on the most recent actuarial valuation dated June 30, 2013 for the City and School Board the funded status of the plans were as follows:

	City of Hampton OPEB Benefits	Component Unit School Board
Actuarial accrued liability (AAL)	\$ 63,014,400	\$ 12,451,539
Actuarial value of plan assets	-	-
Unfunded actuarial accrued liability (UAAL)	<u>\$ 63,014,400</u>	<u>\$ 12,451,539</u>
Funded ratio (actuarial value of plan assets/AAL)	0%	0%
Covered payroll (active plan members)	\$ 82,676,803	\$ 114,917,501
UAAL as a percentage of covered payroll	76%	11%

Actuarial Methods and Assumptions:

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

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

In the June 30, 2013 actuarial valuation for the City and School Board, the projected unit credit (PUC) cost method was used. The objective under PUC is to fund each participant's benefits under the plan as they would accrue. The unfunded actuarial liability is amortized as an open level dollar amount over a period of 30 years. A discount rate of 4% per annum net of expenses was used for an unfunded plan. For the City, healthcare cost trend rates ranged from an initial rate of 9% for 2013 to an ultimate rate of 5.25% for the 2028 fiscal year. For the School Board,

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

13. POST-RETIREMENT HEALTHCARE BENEFITS, Continued:

healthcare cost trend rates ranged from an initial rate of 8% for 2013 to an ultimate rate of 4.5% for the 2028 fiscal year. Retiree medical contributions are assumed to increase at the same rates as incurred claims.

14. OTHER POST-EMPLOYMENT LINE OF DUTY BENEFITS:

Plan Description:

The City administers a single-employer defined benefit Line of Duty Benefits 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 are killed or disabled in the line of duty. 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. For death in the line of duty, there is a \$100,000 death benefit paid to the deceased's beneficiary or estate. All LODA eligibility determinations are conducted and investigated by the State Comptroller in accordance with the state code. Separate, stand-alone statements are not issued for this plan.

Funding Policy:

The LODA requires the City to pay 100% of all line of duty benefits including the employee's share of insurance coverages. The employer contributions are financed on a pay-as-you-go basis. During fiscal year 2013, the City contributed \$111,053 for line of duty benefits.

Annual OPEB Cost and Net OPEB Obligation:

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

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

14. OTHER POST-EMPLOYMENT LINE OF DUTY BENEFITS, Continued:

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plans and changes in the net OPEB obligation:

	City of Hampton OPEB LODA Benefits
Annual required contribution	\$ 856,887
Interest on net OPEB obligation	-
Adjustment to ARC	-
Annual OPEB cost	856,887
Contributions made	(111,053)
Increase in net OPEB obligation	745,834
Net OPEB obligation - beginning of year	-
Net OPEB obligations - end of year	<u>\$ 745,834</u>

The City's annual OPEB cost, employer contributions, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013 is as follows:

City of Hampton - OPEB LODA Benefits

			Percentage of Annual	
Fiscal year ended	Annual OPEB Cost	Employer Contributions	OPEB Cost Contributed	Net OPEB Obligation
June 30, 2013	\$ 856,887	\$ 111,053	13%	\$ 745,834

Funded Status and Funding Progress:

Based on the most recent actuarial valuation dated June 30, 2013 for the City, the funded status of the plan was as follows:

	City of Hampton OPEB LODA Benefits
Actuarial accrued liability (AAL)	\$ 9,800,827
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	<u>\$ 9,800,827</u>
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	\$ 28,836,345
UAAL as a percentage of covered payroll	34%

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

14. OTHER POST-EMPLOYMENT LINE OF DUTY BENEFITS, Continued:

Actuarial Methods and Assumptions:

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

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

In the June 30, 2013 actuarial valuation for the City, the projected unit credit (PUC) cost method was used. The objective under PUC is to fund each participant's benefits under the plan as they would accrue. The unfunded actuarial liability is amortized as an open level dollar amount over a period of 30 years. A discount rate of 4% per annum net of expenses was used for an unfunded plan. Healthcare cost trend rates ranged from an initial rate of 9% for 2013 to an ultimate rate of 5.25% for the 2028 fiscal year.

15. LEASE RECEIVABLES:

The EDA issued Revenue Bonds (Note 8) to construct the Peninsula Workforce Development Center (PWDC). Under terms of agreements with this organization, revenue generated from the lease of the building is used to make the bond payments with the lease term being equivalent to the life of the bond. As of June 30, 2013, future lease receivable is \$7,920,475 from PWDC.

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

15. LEASE RECEIVABLES, Continued:

The minimum lease payments for future years are:

2014	\$	990,059
2015		990,059
2016		990,059
2017		990,059
2018		990,059
2019 - 2022		2,970,180
Total	\$	<u>7,920,475</u>

As of June 30, 2013, the balance of unearned interest income associated with the PWDC is \$1,974,209.

16. CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF PRIOR PERIOD NET POSITION AND FUND BALANCE:

Proprietary Funds and Business-type Activities

For fiscal year 2013, the City has adopted GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, and has early adopted GASB Statement No. 65, Items Previously Reported as Assets and Liabilities.

GASB 63 and GASB 65 establish accounting and financial reporting standards that reclassify as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. Furthermore, these Statements provide guidance for deferred outflows of resources and deferred inflows of resources and their applicability to consumption or acquisition of net position.

The beginning net position of the Proprietary Funds and Business-type Activities were restated for bond issuance costs incurred prior to fiscal year 2013. Under GASB Statement No. 65 issuance costs should be expensed as incurred.

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

16. CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF PRIOR PERIOD
NET POSITION AND FUND BALANCE, Continued:

	The Hamptons	Museum	Convention Center	Business-Type Activities
Net Position, beginning of year as previously reported	\$ (2,658,847)	\$ 14,202,423	\$ 6,439,543	\$ 107,848,326
Implementation of GASB Statement No. 65	(1,595)	(26,147)	(1,617,182)	(1,644,924)
Net Position, beginning of year, as restated	<u>\$ (2,660,442)</u>	<u>\$ 14,176,276</u>	<u>\$ 4,822,361</u>	<u>\$ 106,203,402</u>

Governmental Funds and Governmental Activities

For fiscal year 2013, the City has adopted GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, and has early adopted GASB Statement No. 65, Items Previously Reported as Assets and Liabilities.

GASB 63 and GASB 65 establish accounting and financial reporting standards that reclassify as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. Furthermore, these Statements provide guidance for deferred outflows of resources and deferred inflows of resources and their applicability to consumption or acquisition of net position.

The beginning net position of the Governmental Activities was restated for bond issuance costs incurred prior to fiscal year 2013. Under GASB Statement No. 65 issuance costs should be expensed as incurred.

During fiscal year 2013 it was discovered that certain expenditures for the General Fund should have been reported in the previous fiscal year.

Additionally, the City used a portion of its general obligation bonds in April 2002 and April 2005 to fund improvements at the Refuse-Steam Plant. The transactions were accounted for as an advance from the Debt Service Fund to the Refuse-Steam Plant Fund. In addition, the portion of the general obligation bonds used for the Refuse-Steam Plant was reflected as Bonds Payable under Governmental Activities in the Statement of Net Position. Since the Refuse-Steam Plant is a proprietary fund and all of the bonds are expected to be repaid from the resources of this fund, the bonds have been transferred to this fund and the Advances to/from other funds have been removed from the Debt Service Fund and the Refuse-Steam Plant Fund.

CITY OF HAMPTON, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

16. CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF PRIOR PERIOD NET POSITION AND FUND BALANCE, Continued:

	<u>General Fund</u>	<u>Debt Service</u>	<u>Governmental Activities</u>
Fund Balance/Net Position, beginning of year as previously reported	\$ 92,657,063	\$ 5,164,574	\$ 691,972,194
Implementation of GASB Statement No. 65			(617,212)
To correct the reporting of bonds payable from the Governmental Activities to the Refuse-Steam Plant fund			4,630,243
To correct the reporting of Advances from the Debt Service fund to the Refuse-Steam Plant fund		(4,630,243)	(4,630,243)
To correct expenditures/expenses that should have been reflected in the previous fiscal year	<u>(938,844)</u>		<u>(938,844)</u>
Fund Balance/Net Position, beginning of year, as restated	<u>\$ 91,718,219</u>	<u>\$ 534,331</u>	<u>\$ 690,416,138</u>

Component Units

The Healthy Families Partnership, Inc. (HFP) and Foundation of the Virginia Air and Space Center (Foundation) no longer met the criteria of being classified as a component unit and therefore have been excluded from the financial statements. In addition, an error in reporting site improvements for the Coliseum Central Business Improvement District was corrected. As a result, the beginning net position from Component Units was restated.

	<u>Component Units</u>
Net position, beginning of year as previously reported	\$ 42,264,846
To correct error in reporting of site improvements for Coliseum Business Improvement District, Inc.	(200,911)
To remove HFP and Foundation as Component Units	<u>2,130,006</u>
Net Position, beginning of year, as restated	<u>\$ 44,193,941</u>

Required Supplementary Information Other Than MD&A

CITY OF HAMPTON, VIRGINIA
SCHEDULE OF FUNDING PROGRESS - PENSION PLANS
UNAUDITED
Fiscal Year Ended June 30, 2013

Hampton Employees' Retirement System

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability Entry Age Normal Cost Method (b)	Unfunded AAL (Funding Excess) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL (Funding Excess) as a percentage of Covered Payroll ((b-a)/c)
6/30/11	132,979,634	181,787,402	48,807,768	73.2	13,617,358	358.0 %
6/30/12	119,647,671	178,621,123	58,973,452	67.0	10,228,275	577.0
6/30/13	114,812,149	174,902,897	60,090,748	65.6	10,188,093	589.8

Virginia Retirement System

City of Hampton

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (Funding Excess) (b) - (a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a percentage of Covered Payroll ((b-a)/c)
6/30/10	332,415,961	481,139,775	148,723,814	69.1	84,767,391	175.45 %
6/30/11	336,215,028	497,890,137	161,675,109	67.5	80,174,542	201.65
6/30/12	331,782,884	511,793,833	180,010,949	64.8	78,952,375	228.00

Component Unit-School Board non-professional employees

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (Funding Excess) (b) - (a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a percentage of Covered Payroll ((b-a)/c)
6/30/10	21,400,757	29,079,698	7,678,941	73.6	8,084,806	94.98 %
6/30/11	21,662,488	29,775,570	8,113,082	72.8	7,478,645	108.48
6/30/12	21,414,583	30,183,177	8,768,594	70.9	7,480,489	117.22

CITY OF HAMPTON, VIRGINIA
SCHEDULE OF FUNDING PROGRESS-
OTHER POST-EMPLOYMENT BENEFIT PLANS
UNAUDITED
Fiscal Year Ended June 30, 2013

City of Hampton:

City of Hampton Post-Retirement Healthcare Benefits:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)-Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
6/30/2011	-	\$ 67,451,558	\$ 67,451,588	0 %	80,458,038	84 %
6/30/2012	-	60,603,562	60,603,562	0	79,259,453	76
6/30/2013	-	63,014,400	63,014,400	0	82,676,803	73

City of Hampton Other Post-Employment Line of Duty Benefits:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)-Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
6/30/2013	\$ -	\$ 9,800,827	\$ 9,800,827	0 %	\$ 28,836,345	34 %

Component Unit-School Board Post-Retirement Healthcare Benefits:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)-Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
6/30/2011	-	\$ 20,473,923	\$ 20,473,923	0 %	115,200,000	18 %
6/30/2012	-	11,658,220	11,658,220	0	130,679,774	9
6/30/2013	-	12,451,539	12,451,539	0	114,917,501	11

**CITY OF HAMPTON, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
STORMWATER MANAGEMENT FUND
For the Year Ended June 30, 2013**

	Budgeted Amounts		Actual
	Original	Final	
REVENUES			
Charges for services	\$ 6,410,000	\$ 6,410,000	\$ 6,726,302
Total revenues	6,410,000	6,410,000	6,726,302
EXPENDITURES			
Current:			
Personal Services	1,927,246	2,157,339	1,985,075
Operating Expenses	2,669,545	2,207,458	1,906,816
Capital Outlay	1,813,209	98,313	42,735
Total expenditures	6,410,000	4,463,110	3,934,626
Excess of revenues over(under) expenditures		1,946,890	2,791,676
OTHER FINANCING SOURCES(USES)			
Transfers out		(4,766,533)	(1,546,861)
Net other financing sources(uses)		(4,766,533)	(1,546,861)
Excess of revenues and other sources over (under) expenditures and other uses		(2,819,643)	1,244,815
Appropriations from fund balance		2,800,064	
Appropriations- encumbrances		19,579	
Budget- excess of revenues and appropriations from fund balance over(under)expenditures		-	
Fund balance-July 1			5,533,575
Fund balance- June 30	\$ -	\$ -	\$ 6,778,390

General Fund

CITY OF HAMPTON, VIRGINIA
GENERAL FUND
BALANCE SHEET
June 30, 2013

Assets:		
Cash and cash equivalents	\$	94,069,288
Investments		3,998,006
Accounts receivables:		
Taxes (net of allowance for uncollectible of \$1,266,723)		6,899,144
Due from other governments		10,330,735
Other		1,269,575
Due from other funds		8,326,576
Due from component units		18,540
Inventories		34,370
Prepaid items		3,616
Total assets	\$	<u>124,949,850</u>
Liabilities:		
Accounts payable	\$	9,238,317
Accrued health insurance		9,456,644
Accrued liabilities		3,482,224
Due to other funds		6,345,378
Due to component units		32,267
Unearned revenue		104,757
Total liabilities		<u>28,659,587</u>
Deferred inflows of resources:		
Unavailable revenue- property taxes		5,233,549
Property taxes collected in advance		1,205,993
Total deferred inflows of resources		<u>6,439,542</u>
Fund balances:		
Nonspendable		34,370
Restricted		265,808
Committed		29,438,914
Assigned		5,926,143
Unassigned		54,185,486
Total fund balances		<u>89,850,721</u>
Total liabilities and deferred inflows of resources and fund balances	\$	<u>124,949,850</u>

-

This statement excludes special revenue fund Pearl Young which is included in the
General Fund basic financial statements due to the implementation of GASB 54.

CITY OF HAMPTON, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Fiscal Year Ended June 30, 2013

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
REVENUES				
Intergovernmental:				
State funds	\$ 36,591,540	\$ 52,647,877	\$ 52,188,715	\$ (459,162)
Federal funds (includes pass through)	7,865,698	7,865,698	9,025,916	1,160,218
Local taxes	227,561,067	212,107,138	210,415,700	(1,691,438)
Licenses and permits	1,213,320	1,213,320	1,168,810	(44,510)
Fines and forfeitures	2,132,000	2,132,000	2,385,549	253,549
Special assessments	5,455,652	5,455,652	6,542,579	1,086,927
Revenue from use of money and property	452,190	452,190	530,749	78,559
Charges for services	8,508,472	8,508,472	8,330,773	(177,699)
Recovered costs	1,794,167	1,794,167	906,000	(888,167)
Payment from component units	2,000,000	2,000,000	2,000,287	287
Miscellaneous	4,891,859	4,891,859	4,496,097	(395,762)
Total revenues	298,465,965	299,068,373	297,991,175	(1,077,198)
EXPENDITURES				
Current:				
General government	102,906,674	104,330,788	97,316,445	(7,014,343)
Public safety	44,932,367	48,503,471	47,325,532	(1,177,939)
Highways and streets	2,056,557	2,349,466	1,947,192	(402,274)
Health	2,755,595	2,778,013	2,567,346	(210,667)
Human services	20,363,031	20,627,261	19,610,539	(1,016,722)
Culture and recreation	12,534,822	13,405,990	13,015,627	(390,363)
Education	66,979,390	67,107,705	67,044,877	(62,828)
Total expenditures	252,528,436	259,102,694	248,827,558	(10,275,136)
Excess of revenues over (under) expenditures	45,937,529	39,965,679	49,163,617	9,197,938
OTHER FINANCING SOURCES (USES)				
Transfers in			4,311,049	4,311,049
Transfers out	(51,554,446)	(59,208,311)	(55,275,262)	(3,933,049)
Net other financing sources (uses)	(51,554,446)	(59,208,311)	(50,964,213)	(8,244,098)
Net change in fund balances	(5,616,917)	(19,242,632)	(1,800,596)	\$ 17,442,036
Appropriations from fund balance	5,616,917	17,768,341		
Appropriations - encumbrances	-	1,474,291		
Fund balance - July 1, as restated	-	-	91,651,317	
Fund balance - June 30	\$ -	\$ -	\$ 89,850,721	

**CITY OF HAMPTON, VIRGINIA
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER CREDITS-BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2013**

	Budget July 1, 2012	Net Changes	Final June 30, 2013	Actual	Variance Over (Under)
General property taxes:					
Real estate	\$ 108,697,839	\$ -	\$ 108,697,839	\$ 109,264,942	\$ 567,103
Public service	3,212,326		3,212,326	3,206,526	(5,800)
Personal property	37,140,652	(15,453,929)	21,686,723	20,578,228	(1,108,495)
Mobile homes	46,984		46,984	40,546	(6,438)
Machinery and tools	2,211,854		2,211,854	2,209,225	(2,629)
Delinquent taxes	450,000		450,000	346,245	(103,755)
Penalty	1,009,000	-	1,009,000	1,059,523	50,523
Total general property taxes	152,768,655	(15,453,929)	137,314,726	136,705,235	(609,491)
Other local taxes:					
Utility - electric and gas	5,000,000		5,000,000	4,959,026	(40,974)
Communications sales tax	9,757,000		9,757,000	9,418,239	(338,761)
Tobacco	4,232,500		4,232,500	4,263,998	31,498
Business license	12,390,000		12,390,000	11,850,335	(539,665)
Short-term rental	130,000		130,000	80,120	(49,880)
Sales and use	14,300,000		14,300,000	14,246,684	(53,316)
Recordation	1,126,000		1,126,000	1,502,276	376,276
Public right of way	550,383		550,383	416,649	(133,734)
Lodging and transit	3,000,000		3,000,000	2,859,545	(140,455)
Amusement	1,305,394		1,305,394	1,281,459	(23,935)
Meal	18,018,000		18,018,000	18,082,934	64,934
Motor vehicle	4,403,135		4,403,135	4,203,198	(199,937)
Bank stock	505,000		505,000	487,153	(17,847)
License tax - pari-mutuel	75,000	-	75,000	58,849	(16,151)
Total other local taxes	74,792,412	-	74,792,412	73,710,465	(1,081,947)
License, permits and privilege fees:					
Animal licenses	55,000		55,000	46,693	(8,307)
Street and taxi permits	107,000		107,000	154,451	47,451
Zoning and land use	205,000		205,000	188,795	(16,205)
Building permits	824,720		824,720	748,531	(76,189)
Miscellaneous	21,600	-	21,600	30,340	8,740
Total license, permits and privilege fees	1,213,320	-	1,213,320	1,168,810	(44,510)
Total fines and forfeitures	2,132,000	-	2,132,000	2,385,549	253,549
Special assessments:					
Peninsula Town Center	4,146,323		4,146,323	5,386,228	1,239,905
H2O	568,532		568,532	373,978	(194,554)
Coliseum BID	526,923		526,923	561,975	35,052
Downtown BID	161,932		161,932	169,632	7,700
Elizabeth Lakes	51,942		51,942	50,766	(1,176)
Total special assessments	5,455,652	-	5,455,652	6,542,579	1,086,927
Revenue from use of money and property:					
Interest on investments	177,815		177,815	173,658	(4,157)
Rental of property	104,356		104,356	33,042	(71,314)
Sale of materials and property	59,019		59,019	143,665	84,646
Vending machines	3,000		3,000	4,338	1,338
Parking fees	48,000		48,000	54,374	6,374
Billboard revenue	60,000		60,000	61,800	1,800
Net increase (decrease) in fair value of investments	-	-	-	59,872	59,872
Total revenue from use of money and property	452,190	-	452,190	530,749	78,559

continued

**CITY OF HAMPTON, VIRGINIA
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER CREDITS-BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2013**

	Budget July 1, 2012	Net Changes	Final June 30, 2013	Actual	Variance Over (Under)
Charges for services:					
Fees:					
Court costs	\$ 1,000	\$ -	\$ 1,000	\$ 680	\$ (320)
Clerk	54,000		54,000	97,179	43,179
Court officers	26,000		26,000	38,047	12,047
Parks & Recreation	920,572		920,572	970,112	49,540
Youth, Education & Family Services	1,518,000		1,518,000	1,281,431	(236,569)
Arts Commission	515,000		515,000	346,770	(168,230)
Sheriff	55,376		55,376	9,374	(46,002)
Legal services	-		-	-	-
Library	50,000		50,000	40,935	(9,065)
Jail admission fee	8,350		8,350	10,453	2,103
Nonconsecutive jail fee	-		-	299	299
Ambulance services	3,700,000		3,700,000	3,646,439	(53,561)
Fire Prevention	250,000		250,000	209,575	(40,425)
Public education grant fees	170,000		170,000	206,530	36,530
Passport applications	38,000		38,000	62,070	24,070
Miscellaneous charges for services	159,000		159,000	178,679	19,679
Landfill host fees	1,043,174	-	1,043,174	1,232,200	189,026
Total charges for services	8,508,472	-	8,508,472	8,330,773	(177,699)
Miscellaneous revenue:					
Payment in lieu of taxes-Fort Monroe	1,149,228		1,149,228	512,775	(636,453)
Payment in lieu of taxes-other	75,000		75,000	76,840	1,840
Returned check charges	14,010		14,010	8,888	(5,122)
Unemployment fees	4,000		4,000	3,510	(490)
School reimbursement	1,377,204		1,377,204	1,349,124	(28,080)
Indirect cost	1,098,817		1,098,817	1,066,817	(32,000)
Other	1,173,600	-	1,173,600	1,478,143	304,543
Total miscellaneous revenue	4,891,859	-	4,891,859	4,496,097	(395,762)
Recovered costs:					
Jail operation	729,667		729,667	813,923	84,256
Probation	8,500		8,500	8,276	(224)
NASA fire services	906,000		906,000	906,000	-
Miscellaneous	150,000	-	150,000	223,025	73,025
Total recovered cost	1,794,167	-	1,794,167	1,951,224	157,057
Noncategorical aid - state:					
Reduction in state aid to local governments	(1,092,765)		(1,092,765)	(1,031,720)	61,045
Personal property tax relief tax	-	15,453,929	15,453,929	15,453,929	-
Vehicle rental	306,000		306,000	368,934	62,934
Railroad rolling stock tax	-		-	15,904	15,904
Mobile home titling tax	36,959		36,959	14,303	(22,656)
Tax on deeds	356,086		356,086	397,822	41,736
State Share - (FEMA)	-	-	-	222,679	222,679
Total noncategorical aid - state	(393,720)	15,453,929	15,060,209	15,441,851	381,642
Shared expenses - state:					
Sheriff	6,210,543		6,210,543	6,062,247	(148,296)
Commonwealth Attorney	1,233,338		1,233,338	1,212,835	(20,503)
Commissioner of Revenue	269,029		269,029	274,018	4,989
Treasurer	236,522		236,522	239,561	3,039
Clerk of Courts	741,636		741,636	782,146	40,510
Registrar - election board	50,341	-	50,341	50,548	207
Total shared expenses - state	8,741,409	-	8,741,409	8,621,355	(120,054)

continued

**CITY OF HAMPTON, VIRGINIA
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER CREDITS-BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2013**

	Budget July 1, 2012	Net Changes	Final June 30, 2013	Actual	Variance Over (Under)
Categorical aid - state:					
Public assistance	\$ 7,195,577		\$ 7,195,577	\$ 5,431,122	\$ (1,764,455)
Police	6,524,180		6,524,180	6,523,451	(729)
Street and highway maintenance	13,665,170	602,408	14,267,578	14,267,578	-
E911 wireless grant	409,000		409,000	283,774	(125,226)
Public library books	165,200		165,200	159,540	(5,660)
Virginia juvenile block grant	279,724		279,724	315,703	35,979
Healthy start program	-		-	99,117	99,117
Arts Commission	5,000		5,000	-	(5,000)
Total categorical aid - state	<u>28,243,851</u>	<u>602,408</u>	<u>28,846,259</u>	<u>27,080,285</u>	<u>(1,765,974)</u>
Categorical aid - federal:					
Pass thru - public assistance	7,217,198		7,217,198	7,799,070	581,872
Pass thru - Healthy Families	400,000		400,000	297,349	(102,651)
Pass thru - Federal Rad. Emergency Response	20,500		20,500	61,153	40,653
Total categorical aid - federal	<u>7,637,698</u>	<u>-</u>	<u>7,637,698</u>	<u>8,157,572</u>	<u>519,874</u>
Noncategorical aid - federal					
Federal Share - (FEMA)			-	645,344	645,344
Indirect costs - total	228,000	-	228,000	223,000	(5,000)
Total noncategorical aid - federal	<u>228,000</u>	<u>-</u>	<u>228,000</u>	<u>868,344</u>	<u>640,344</u>
Total revenues	<u>296,465,965</u>	<u>602,408</u>	<u>297,068,373</u>	<u>295,990,888</u>	<u>(1,077,485)</u>
Other credits:					
Component Unit - EDA Fund	-		-	287	287
Component Unit - Schools	2,000,000	-	2,000,000	2,000,000	-
Transfer from Capital Projects-Bond	-		-	4,136,207	4,136,207
Transfer from Grants Fund	-		-	174,842	174,842
Total transfers	<u>2,000,000</u>	<u>-</u>	<u>2,000,000</u>	<u>6,311,336</u>	<u>4,311,336</u>
Total revenues and transfers	<u>298,465,965</u>	<u>602,408</u>	<u>299,068,373</u>	<u>302,302,224</u>	<u>3,233,851</u>
Appropriations from fund balance	5,616,917	12,151,424	17,768,341	17,768,341	-
Appropriations - encumbrances	-	3,142,085	3,142,085	3,142,085	-
Total appropriations	<u>5,616,917</u>	<u>15,293,509</u>	<u>20,910,426</u>	<u>20,910,426</u>	<u>-</u>
Total revenues and other credits	<u>\$ 304,082,882</u>	<u>\$ 15,895,917</u>	<u>\$ 319,978,799</u>	<u>\$ 323,212,650</u>	<u>\$ 3,233,851</u>

**CITY OF HAMPTON, VIRGINIA
GENERAL FUND
SCHEDULE OF APPROPRIATIONS AND EXPENDITURES
For the Fiscal Year Ended June 30, 2013**

	Appropriations			Expenditures				Variance
	Budget July 1, 2012	Net Changes	Final June 30, 2013	Personal Services	Operating Expenditures	Capital Outlay	Total	Under (Over)
General Government								
Legislative:								
Municipal Council	\$ 431,550	\$ 32,069	\$ 463,619	\$ 352,012	\$ 79,216	\$ 18,654	\$ 449,882	\$ 13,737
Legislative - Total	431,550	\$ 32,069	463,619	352,012	79,216	18,654	449,882	13,737
Executive:								
City Manager	954,681	80,155	1,034,836	904,545	67,962	1,626	974,133	60,703
Budget and Management Analysis	353,551	45,983	399,534	328,713	12,710	1,245	342,668	56,866
Citizens Unity Commission	123,011	(823)	122,188	78,592	18,093		96,685	25,503
Marketing and Outreach (Marketing, INC)	755,519	29,021	784,540	348,965	245,264	7,870	602,099	182,441
Internal Audit	158,122	8,728	166,850	154,201	11,368	-	165,569	1,281
Executive - Total	2,344,884	163,064	2,507,948	1,815,016	355,397	10,741	2,181,154	326,794
City Attorney:								
Law - City Attorney	936,529	59,026	995,555	869,721	111,526	-	981,247	14,308
City Attorney - Total	936,529	59,026	995,555	869,721	111,526	-	981,247	14,308
Human Resources - Total	642,210	157,384	799,594	517,661	80,736	3,858	602,255	197,339
Judicial:								
Clerk of Courts	880,611	146,403	1,027,014	791,242	98,863	-	890,105	136,909
Circuit Court	380,606	24,377	404,983	300,089	49,060	-	349,149	55,834
General District Court	253,330	5,450	258,780	48,331	138,868		187,199	71,581
District Court - J.D.R.	59,038	28	59,066		42,033	7,519	49,552	9,514
Commonwealth Attorney	1,499,185	81,036	1,580,221	1,456,961	81,936	985	1,539,882	40,339
City Sheriff - Administration	1,956,189	(173,726)	1,782,463	1,579,986	202,477		1,782,463	-
City Sheriff - Jail	6,619,037	598,464	7,217,501	5,007,646	2,120,688	86,414	7,214,748	2,753
Court Service Unit	1,773,228	517,294	2,290,522	179,566	1,347,898	7,636	1,535,100	755,422
Judicial - Subtotal	13,421,224	1,199,326	14,620,550	9,363,821	4,081,823	102,554	13,548,198	1,072,352
Less amount reflected as transfers	(1,574)	(26,276)	(27,850)	-	(24,640)	-	(24,640)	(3,210)
Judicial - Total	13,419,650	1,173,050	14,592,700	9,363,821	4,057,183	102,554	13,523,558	1,069,142

continued

Exhibit B-4

	Appropriations			Expenditures				Variance
	Budget July 1, 2012	Net Changes	Final June 30, 2013	Personal Services	Operating Expenditures	Capital Outlay	Total	Under (Over)
General Government, continued:								
Boards and Commissions:								
Community Development	\$ 2,979,209	\$ 61,511	\$ 3,040,720	\$ 2,415,493	\$ 383,347	\$ 31,231	\$ 2,830,071	\$ 210,649
Elections Board	244,612	(7,270)	237,342	108,143	91,577	-	199,720	37,622
Registrar	234,617	28,810	263,427	249,070	13,852	-	262,922	505
Development	1,192,449	367,804	1,560,253	709,252	304,116	20,702	1,034,070	526,183
Boards and Commissions-Subtotal	4,650,887	450,855	5,101,742	3,481,958	792,892	51,933	4,326,783	774,959
Less amount reflected as transfers	(213,144)	-	(213,144)	-	(190,299)	-	(190,299)	(22,845)
Boards and Commissions - Total	4,437,743	450,855	4,888,598	3,481,958	602,593	51,933	4,136,484	752,114
Agriculture - Extension Agent - Total	66,798	737	67,535	47,263	17,786	-	65,049	2,486
Nondepartmental:								
Nondepartmental	22,329,767	2,596,222	24,925,989	64,176	23,035,621	12,527	23,112,324	1,813,665
Civic and community support	1,098,844	(42,500)	1,056,344		1,051,344		1,051,344	5,000
Other	2,170,838	(716,020)	1,454,818	-	1,030,956	-	1,030,956	423,862
Nondepartmental - Subtotal	25,599,449	1,837,702	27,437,151	64,176	25,117,921	12,527	25,194,624	2,242,527
Less amount reflected as transfers	(306,134)	-	(306,134)	-	(186,177)	-	(186,177)	(119,957)
Nondepartmental - Total	25,293,315	1,837,702	27,131,017	64,176	24,931,744	12,527	25,008,447	2,122,570
Finance:								
Commissioner of Revenue	1,179,365	19,749	1,199,114	1,011,201	176,047	-	1,187,248	11,866
Assessor of Real Estate	1,060,196	64,139	1,124,335	919,972	106,669		1,026,641	97,694
City Treasurer	1,580,862	57,895	1,638,757	1,097,038	409,346	46,245	1,552,629	86,128
Consolidated Procurement	380,330	20,125	400,455	344,485	53,020		397,505	2,950
Independent Auditors	200,475	48,429	248,904		232,904		232,904	16,000
Finance	774,303	389,842	1,164,145	701,254	58,523	7,579	767,356	396,789
Information Technology	2,926,644	936,508	3,863,152	1,005,650	2,119,626	243,598	3,368,874	494,278
Finance - Total	8,102,175	1,536,687	9,638,862	5,079,600	3,156,135	297,422	8,533,157	1,105,705
Retirement and Employee Benefits								
Total	41,481,975	(4,244,277)	37,237,698	2,864,356	33,235,377	-	36,099,733	1,137,965

CITY OF HAMPTON, VIRGINIA
GENERAL FUND
SCHEDULE OF APPROPRIATIONS AND EXPENDITURES
For the Fiscal Year Ended June 30, 2013

	Appropriations			Expenditures				Variance Under (Over)
	Budget July 1, 2012	Net Changes	Final June 30, 2013	Personal Services	Operating Expenditures	Capital Outlay	Total	
General Government, concluded:								
Public Works:								
Administration	\$ 155,252	\$ 48,229	\$ 203,481	\$ 163,755	\$ 32,112	\$ -	\$ 195,867	\$ 7,614
Engineering	545,080	31,945	577,025	516,650	49,689	-	566,339	10,686
Property Maintenance	4,228,106	180,258	4,408,364	1,178,038	3,105,283	-	4,283,321	125,043
Parking Facilities	821,407	(2,615)	818,792	29,752	660,200	-	689,952	128,840
Public Works - Total	5,749,845	257,817	6,007,662	1,888,195	3,847,284	-	5,735,479	272,183
General Government - Total	<u>102,906,674</u>	<u>1,424,114</u>	<u>104,330,788</u>	<u>26,343,779</u>	<u>70,474,977</u>	<u>497,689</u>	<u>97,316,445</u>	<u>7,014,343</u>
Public Safety:								
Police Division	21,081,201	846,559	21,927,760	17,588,130	3,698,461	22,940	21,309,531	618,229
Traffic Engineering	2,943,235	59,206	3,002,441	653,925	2,169,426	8,160	2,831,511	170,930
Fire Division	16,927,950	2,558,434	19,486,384	15,802,291	3,479,691	201,470	19,483,452	2,932
Emergency Management	275,947	75,664	351,611	239,329	110,347	-	349,676	1,935
911/311 Call Centers	2,912,907	141,710	3,054,617	2,320,748	308,695	48,421	2,677,864	376,753
Animal Control	791,127	28,223	819,350	259,763	550,990	1,437	812,190	7,160
Public Safety - Subtotal	44,932,367	3,709,796	48,642,163	36,864,186	10,317,610	282,428	47,464,224	1,177,939
Less amount reflected as transfers	-	(138,692)	(138,692)	-	(138,692)	-	(138,692)	-
Public Safety - Total	<u>44,932,367</u>	<u>3,571,104</u>	<u>48,503,471</u>	<u>36,864,186</u>	<u>10,178,918</u>	<u>282,428</u>	<u>47,325,532</u>	<u>1,177,939</u>
Highways and Streets - Total	<u>2,056,557</u>	<u>292,909</u>	<u>2,349,466</u>	<u>849,154</u>	<u>767,982</u>	<u>330,056</u>	<u>1,947,192</u>	<u>402,274</u>

continued

Exhibit B-4

	Appropriations			Expenditures				Variance Under (Over)
	Budget July 1, 2012	Net Changes	Final June 30, 2013	Personal Services	Other Expenditures	Capital Outlay	Total	
Health:								
Preventive Medicine	\$ 1,439,960	17,634	\$ 1,457,594	\$ -	\$ 1,359,924	\$ -	\$ 1,359,924	\$ 97,670
Drainage Maintenance	1,315,635	4,784	1,320,419	666,545	530,935	9,942	1,207,422	112,997
Health - Total	<u>2,755,595</u>	<u>22,418</u>	<u>2,778,013</u>	<u>666,545</u>	<u>1,890,859</u>	<u>9,942</u>	<u>2,567,346</u>	<u>210,667</u>
Human Services:								
Administration	11,139,737	795,547	11,935,284	7,298,286	3,993,804	4,925	11,297,015	638,269
Public Assistance	738,738	(106,680)	632,058		614,508		614,508	17,550
Purchase of Services	4,775,502	(688,867)	4,086,635		4,086,581		4,086,581	54
Youth, Education and Family Services	3,709,054	264,230	3,973,284	2,766,165	775,756	70,514	3,612,435	360,849
Human Services - Total	<u>20,363,031</u>	<u>264,230</u>	<u>20,627,261</u>	<u>10,064,451</u>	<u>9,470,649</u>	<u>75,439</u>	<u>19,610,539</u>	<u>1,016,722</u>
Culture and Recreation:								
Recreation	3,688,365	81,840	3,770,205	2,377,327	1,168,419	57,208	3,602,954	167,251
Parks	4,887,547	561,599	5,449,146	1,795,509	3,584,415	67,974	5,447,898	1,248
Conventions and Tourism	2,348,405	127,802	2,476,207	762,771	1,572,227	-	2,334,998	141,209
Hampton History Museum	322,849	45,842	368,691	250,311	113,642		363,953	4,738
Arts Commission	1,287,656	54,085	1,341,741	274,703	980,743	10,378	1,265,824	75,917
Culture and Recreation - Subtotal	<u>12,534,822</u>	<u>871,168</u>	<u>13,405,990</u>	<u>5,460,621</u>	<u>7,419,446</u>	<u>135,560</u>	<u>13,015,627</u>	<u>390,363</u>
Less amount reflected as transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Culture and Recreation - Total	<u>12,534,822</u>	<u>871,168</u>	<u>13,405,990</u>	<u>5,460,621</u>	<u>7,419,446</u>	<u>135,560</u>	<u>13,015,627</u>	<u>390,363</u>

CITY OF HAMPTON, VIRGINIA
GENERAL FUND
SCHEDULE OF APPROPRIATIONS AND EXPENDITURES
For the Fiscal Year Ended June 30, 2013

	Appropriations			Expenditures				Variance Under (Over)
	Budget July 1, 2012	Net Changes	Final June 30, 2013	Personal Services	Other Expenditures	Capital Outlay	Total	
Education:								
School Operations	\$ 64,925,178	\$ -	\$ 64,925,178	\$ -	\$ 64,925,178	\$ -	\$ 64,925,178	\$ -
Public Library	2,054,212	128,315	2,182,527	1,359,283	732,091	28,325	2,119,699	62,828
Education - Subtotal	66,979,390	128,315	67,107,705	1,359,283	65,657,269	28,325	67,044,877	62,828
Less amount reflected as transfers	-	-	-	-	-	-	-	-
Education - Total	<u>66,979,390</u>	<u>128,315</u>	<u>67,107,705</u>	<u>1,359,283</u>	<u>65,657,269</u>	<u>28,325</u>	<u>67,044,877</u>	<u>62,828</u>
Total expenditures	<u>252,528,436</u>	<u>6,574,258</u>	<u>259,102,694</u>	<u>81,608,019</u>	<u>165,860,100</u>	<u>1,359,439</u>	<u>248,827,558</u>	<u>10,275,136</u>
Operating Transfers Out:								
Capital Projects Funds	10,871,039	6,632,031	17,503,070		14,376,366		14,376,366	3,126,704
Enterprise Funds	8,366,048	1,178,481	9,544,529		9,382,069		9,382,069	162,460
Special Revenue Funds	2,281,803	164,968	2,446,771		1,862,046		1,862,046	584,725
Debt Service Funds	30,035,556	(321,615)	29,713,941	-	29,654,781	-	29,654,781	59,160
Transfers - Total	<u>51,554,446</u>	<u>7,653,865</u>	<u>59,208,311</u>	<u>-</u>	<u>55,275,262</u>	<u>-</u>	<u>55,275,262</u>	<u>3,933,049</u>
Total expenditures and transfers	<u>\$ 304,082,882</u>	<u>\$ 14,228,123</u>	<u>\$ 318,311,005</u>	<u>\$ 81,608,019</u>	<u>\$ 221,135,362</u>	<u>\$ 1,359,439</u>	<u>\$ 304,102,820</u>	<u>\$ 14,208,185</u>

Non-Major Governmental Funds

**CITY OF HAMPTON, VIRGINIA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2013**

	Special Revenue					
	Federal Grants	Community Development	Stormwater Management	Pembroke Complex	Law Library	Total Non-major Governmental Funds
Assets:						
Cash and cash equivalents	\$ -	\$ 671,149	\$ 7,085,844	\$ 36,057	\$ 121,528	\$ 7,914,578
Accounts receivables:						
Due from other governments	2,932,521	141,935				3,074,456
Other	268,889		348,494		9	617,392
Due from other funds	176,102		-	-	-	176,102
Total assets	<u>\$ 3,377,512</u>	<u>\$ 813,084</u>	<u>\$ 7,434,338</u>	<u>\$ 36,057</u>	<u>\$ 121,537</u>	<u>\$ 11,782,528</u>
Liabilities:						
Accounts payable	\$ 1,354,425	\$ 33,391	\$ 1,561	\$ 11,242	\$ 3,878	\$ 1,404,497
Accrued liabilities	5,177	44,874	446		75	50,572
Due to other funds	349,115	-	305,447	-	-	654,562
Total liabilities	<u>1,708,717</u>	<u>78,265</u>	<u>307,454</u>	<u>11,242</u>	<u>3,953</u>	<u>2,109,631</u>
Deferred inflows of resources:						
Unavailable revenue-program income		734,819				734,819
Unavailable revenue-stormwater fees	-	-	348,494	-	-	348,494
Total deferred inflows of resources	<u>-</u>	<u>734,819</u>	<u>348,494</u>	<u>-</u>	<u>-</u>	<u>1,083,313</u>
Fund balances:						
Restricted	1,353,606		6,778,390	24,815	117,584	8,274,395
Assigned	315,189	-	-	-	-	315,189
Total fund balances	<u>1,668,795</u>	<u>-</u>	<u>6,778,390</u>	<u>24,815</u>	<u>117,584</u>	<u>8,589,584</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 3,377,512</u>	<u>\$ 813,084</u>	<u>\$ 7,434,338</u>	<u>\$ 36,057</u>	<u>\$ 121,537</u>	<u>\$ 11,782,528</u>

CITY OF HAMPTON, VIRGINIA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended June 30, 2013

	Special Revenue					
	Federal Grants	Community Development	Stormwater Management	Pembroke Complex	Law Library	Total Non-major Governmental Funds
REVENUES						
Intergovernmental revenues:						
From the Commonwealth of Virginia	\$ 9,719,082	\$ -	\$ -	\$ -	\$ -	\$ 9,719,082
From the Federal government	2,796,036	1,220,438				4,016,474
Revenues from use of money and property	-			395,103	187	395,290
Charges for services			6,726,302			6,726,302
Miscellaneous	<u>1,644,000</u>	<u>327,011</u>		<u>-</u>	<u>47,735</u>	<u>2,018,746</u>
Total revenues	<u>14,159,118</u>	<u>1,547,449</u>	<u>6,726,302</u>	<u>395,103</u>	<u>47,922</u>	<u>22,875,894</u>
EXPENDITURES						
Current:						
General government	2,220,339	1,547,449		394,984	55,134	4,217,906
Public safety	5,546,800					5,546,800
Sanitation			3,934,626			3,934,626
Human services	8,826,428					8,826,428
Culture and recreation	<u>186,409</u>					<u>186,409</u>
Total expenditures	<u>16,779,976</u>	<u>1,547,449</u>	<u>3,934,626</u>	<u>394,984</u>	<u>55,134</u>	<u>22,712,169</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,620,858)</u>	<u>-</u>	<u>2,791,676</u>	<u>119</u>	<u>(7,212)</u>	<u>163,725</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	2,300,611					2,300,611
Transfers out	<u>(174,842)</u>	<u>-</u>	<u>(1,546,861)</u>	<u>-</u>	<u>-</u>	<u>(1,721,703)</u>
Net other financing sources (uses)	<u>2,125,769</u>	<u>-</u>	<u>(1,546,861)</u>	<u>-</u>	<u>-</u>	<u>578,908</u>
Net change in fund balances	(495,089)		1,244,815	119	(7,212)	742,633
Fund balances, beginning of year	<u>2,163,884</u>	<u>-</u>	<u>5,533,575</u>	<u>24,696</u>	<u>124,796</u>	<u>7,846,951</u>
Fund balances, end of year	<u>\$ 1,668,795</u>	<u>\$ -</u>	<u>\$ 6,778,390</u>	<u>\$ 24,815</u>	<u>\$ 117,584</u>	<u>\$ 8,589,584</u>

Non-Major Enterprise Funds

CITY OF HAMPTON, VIRGINIA
NON-MAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF NET POSITION
June 30, 2013

	Business-Type Activities - Non-Major Enterprise Funds				
	Coliseum	Woodlands	Solid Waste	Refuse-Steam Plant	Totals
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 3,327,370	\$ 800	\$ 780	\$ 4,393,765	\$ 7,722,715
Accounts receivable	197,442	13,973	2,162,319	298,073	2,671,807
Due from other funds	38,905	-	7,806		46,711
Due from component units			9,358		9,358
Inventories	68,764	22,604	-	-	91,368
Total current assets	<u>3,632,481</u>	<u>37,377</u>	<u>2,180,263</u>	<u>4,691,838</u>	<u>10,541,959</u>
Noncurrent assets:					
Capital assets:					
Land and improvements	164,079	2,295,538	945,188		3,404,805
Buildings and improvements	12,556,583	1,750,578			14,307,161
Improvements other than buildings	6,610,117	-	2,971	20,713,584	27,326,672
Equipment	733,219	439,634	12,518,101	3,207,845	16,898,799
Landfill			3,865,986		3,865,986
Construction in progress	306,626				306,626
Less accumulated depreciation	<u>(13,598,423)</u>	<u>(1,651,741)</u>	<u>(8,852,430)</u>	<u>(17,053,749)</u>	<u>(41,156,343)</u>
Net capital assets	<u>6,772,201</u>	<u>2,834,009</u>	<u>8,479,816</u>	<u>6,867,680</u>	<u>24,953,706</u>
Total noncurrent assets	<u>6,772,201</u>	<u>2,834,009</u>	<u>8,479,816</u>	<u>6,867,680</u>	<u>24,953,706</u>
Total assets	<u>\$ 10,404,682</u>	<u>\$ 2,871,386</u>	<u>\$ 10,660,079</u>	<u>\$ 11,559,518</u>	<u>\$ 35,495,665</u>
LIABILITIES					
Current liabilities:					
Accounts payable	\$ 222,956	\$ 15,219	\$ 283,741	\$ 112,742	\$ 634,658
Accrued interest payable				52,537	52,537
Accrued leave	31,335	10,003	119,471	54,740	215,549
Due to other funds	14,962	1,479,483	262,000		1,756,445
Unearned revenue	161,083	-			161,083
Current portion of long-term debt				341,093	341,093
Other liabilities	<u>447,676</u>	<u>-</u>	<u>825</u>	<u>364</u>	<u>448,865</u>
Total current liabilities	<u>878,012</u>	<u>1,504,705</u>	<u>666,037</u>	<u>561,476</u>	<u>3,610,230</u>
Noncurrent liabilities:					
Accrued leave	87,449	24,300	117,664	91,668	321,081
Bonds payable	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,962,947</u>	<u>3,962,947</u>
Total noncurrent liabilities	<u>87,449</u>	<u>24,300</u>	<u>117,664</u>	<u>4,054,615</u>	<u>4,284,028</u>
Total liabilities	<u>965,461</u>	<u>1,529,005</u>	<u>783,701</u>	<u>4,616,091</u>	<u>7,894,258</u>
NET POSITION					
Net investment in capital assets	6,772,201	2,834,009	8,479,816	2,563,640	20,649,666
Unrestricted	<u>2,667,020</u>	<u>(1,491,628)</u>	<u>1,396,562</u>	<u>4,379,787</u>	<u>6,951,741</u>
Total net position	<u>\$ 9,439,221</u>	<u>\$ 1,342,381</u>	<u>\$ 9,876,378</u>	<u>\$ 6,943,427</u>	<u>\$ 27,601,407</u>

CITY OF HAMPTON, VIRGINIA
NON-MAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended June 30, 2013

	Business-Type Activities - Non-Major Enterprise Funds				
	Coliseum	Woodlands	Solid Waste	Refuse-Steam Plant	Totals
Operating revenues:					
Charges for services	\$ 6,202,812	\$ 645,347	\$ 10,209,392	\$ 7,944,890	\$ 25,002,441
Total operating revenues	6,202,812	645,347	10,209,392	7,944,890	25,002,441
Operating expenses:					
Personal services	1,142,740	333,562	2,166,325	1,643,395	5,286,022
Fringe benefits	374,197	133,291	956,609	693,720	2,157,817
Promoter fees	2,246,937				2,246,937
City-sponsored events	1,020,333				1,020,333
Cost of goods sold	208,838	50,161			258,999
Utilities	253,022	50,250	976	507,615	811,863
Insurance	207,708	20,129	73,734	264,862	566,433
Operating supplies	143,348	88,237	145,607	809,839	1,187,031
Equipment rental	13,223	52,524		10,572	76,319
Equipment and building repairs	214,999	45,749	1,859,675	1,222,885	3,343,308
Telephone and postage	16,827	3,488	4,114	13,764	38,193
General expense	480,656	1,905	438,230	35,203	955,994
Landfill costs			3,325,386	855,825	4,181,211
Contractual services	264,446	40,600	356,466	196,164	857,676
Indirect cost			356,470	218,000	574,470
Depreciation and amortization	514,582	71,592	1,291,892	727,898	2,605,964
Total operating expenses	7,101,856	891,488	10,975,484	7,199,742	26,168,570
Operating income (loss)	(899,044)	(246,141)	(766,092)	745,148	(1,166,129)
Nonoperating revenues (expenses):					
Interest income				7,387	7,387
Interest and fiscal charges	(52)			(221,291)	(221,343)
Gain (loss) on disposal of capital assets	-	(339)	(75,293)	-	(75,632)
Total nonoperating revenues (expenses)	(52)	(339)	(75,293)	(213,904)	(289,588)
Income (loss) before transfers and capital contributions	(899,096)	(246,480)	(841,385)	531,244	(1,455,717)
Capital contributions		94,500			94,500
Transfers in (out)	-	-	(55,000)	-	(55,000)
Change in net position	(899,096)	(151,980)	(896,385)	531,244	(1,416,217)
Net position, beginning of year	10,338,317	1,494,361	10,772,763	6,412,183	29,017,624
Net position, end of year	\$ 9,439,221	\$ 1,342,381	\$ 9,876,378	\$ 6,943,427	\$ 27,601,407

**CITY OF HAMPTON, VIRGINIA
NON-MAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
Fiscal Year Ended June 30, 2013**

	Coliseum	Woodlands	Solid Waste	Refuse-Steam Plant	Totals
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	\$ 6,100,347	\$ 642,985	\$ 10,264,105	\$ 7,886,285	\$ 24,893,722
Cash payments to suppliers for goods and services	(5,010,075)	(315,275)	(7,162,681)	(4,817,226)	(17,305,257)
Cash payments to employees for services	(1,138,259)	(327,710)	(2,146,991)	(1,617,793)	(5,230,753)
Net cash provided by (used in) operating activities	(47,987)	-	954,433	1,451,266	2,357,712
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Operating transfers in from (out to) other funds	-	-	(55,000)	-	(55,000)
Net cash provided by (used in) noncapital financing activities	-	-	(55,000)	-	(55,000)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition and construction of capital assets	(925,704)		(1,427,270)	(228,688)	(2,581,662)
Sale of capital assets			106,523		106,523
Principal paid on revenue bond maturities and long-term debt	(4,748)			(326,203)	(330,951)
Interest paid on revenue bonds and long-term debt	(52)	-	-	(225,006)	(225,058)
Net cash provided by (used in) capital and related financing activities	(930,504)	-	(1,320,747)	(779,897)	(3,031,148)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest and dividends on investments	-	-	-	7,551	7,551
Net cash provided by (used in) investing activities	-	-	-	7,551	7,551
Net increase (decrease) in cash and cash equivalents (including restricted amounts)	(978,491)	-	(421,314)	678,920	(720,885)
Cash and cash equivalents, July 1	4,305,861	800	422,094	3,714,845	8,443,600
Cash and cash equivalents, June 30	\$ 3,327,370	\$ 800	\$ 780	\$ 4,393,765	\$ 7,722,715
Operating income (loss)	\$ (899,044)	\$ (246,141)	\$ (766,092)	\$ 745,148	\$ (1,166,129)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization expense	514,582	71,592	1,291,892	727,898	2,605,964
Decrease (increase) in:					
Accounts receivable	52,220	2,893	154,137	(58,605)	150,645
Due from other funds		2,005	(7,806)		(5,801)
Due from component units			106		106
Inventories	5,950	2,889			8,839
Increase (decrease) in:					
Accounts payable	437,469	3,051	862	11,267	452,649
Accrued leave	(4,203)	3,642	(15,169)	2,021	(13,709)
Due to other funds	14,962	171,052	262,000	(44)	447,970
Other liabilities	(18,923)	(5,467)	134	291	(23,965)
Unearned revenue	(154,684)	(7,260)			(161,944)
Accounts receivable reported as nonoperating activities					-
Long-term accrued leave reported as operating activity	3,684	1,744	34,369	23,290	63,087
Total adjustments	851,057	246,141	1,720,525	706,118	3,523,841
Net cash provided by (used in) operating activities	\$ (47,987)	\$ -	\$ 954,433	\$ 1,451,266	\$ 2,357,712
Non-cash transactions affecting investing capital and related financing activities:					
Acquisition of capital assets through outside capital contribution	-	94,500	-	-	94,500
Total non-cash transactions	\$ -	\$ 94,500	\$ -	\$ -	\$ 94,500

Internal Service Funds

CITY OF HAMPTON, VIRGINIA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
June 30, 2013

	Equipment Replacement	Fleet Services	Risk Management	Information Technology	Totals
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 7,606,000	\$ 1,213,257	\$ 20,212,973	\$ 446,524	\$ 29,478,754
Cash with fiscal agent			252,275		252,275
Accounts receivable	606	199,980	1,560	35,046	237,192
Due from other funds	133,149				133,149
Due from component units		61,416			61,416
Prepaid items			85,070	170,065	255,135
Inventories	-	239,766	-	-	239,766
Total current assets	<u>7,739,755</u>	<u>1,714,419</u>	<u>20,551,878</u>	<u>651,635</u>	<u>30,657,687</u>
Noncurrent assets:					
Capital assets:					
Improvements other than buildings		248,062			248,062
Computer software	14,400	171,225			185,625
Equipment	34,253,808	835,363	36,976	1,522,681	36,648,828
Construction in progress	4,004,617				4,004,617
Less accumulated depreciation	(22,253,785)	(799,578)	(30,918)	(667,543)	(23,751,824)
Total noncurrent assets (net capital assets)	<u>16,019,040</u>	<u>455,072</u>	<u>6,058</u>	<u>855,138</u>	<u>17,335,308</u>
Total assets	<u>\$ 23,758,795</u>	<u>\$ 2,169,491</u>	<u>\$ 20,557,936</u>	<u>\$ 1,506,773</u>	<u>\$ 47,992,995</u>
LIABILITIES					
Current liabilities:					
Accounts payable	\$ -	\$ 347,873	\$ 244,939	\$ 80,368	\$ 673,180
Accrued leave		45,640	7,515	6,160	59,315
Due to other funds		765	7,806		8,571
Current portion of long-term debt	899,998	59,061	4,211,368		5,170,427
Other liabilities	-	469	-	-	469
Total current liabilities	<u>899,998</u>	<u>453,808</u>	<u>4,471,628</u>	<u>86,528</u>	<u>5,911,962</u>
Noncurrent liabilities:					
Claims payable			1,144,535		1,144,535
Accrued leave		72,002	12,508	7,568	92,078
Obligations under capital leases	4,495,721	91,747	-	-	4,587,468
Other post employment benefits obligation	-	-	745,834	-	745,834
Total noncurrent liabilities	<u>4,495,721</u>	<u>163,749</u>	<u>1,902,877</u>	<u>7,568</u>	<u>6,569,915</u>
Total liabilities	<u>5,395,719</u>	<u>617,557</u>	<u>6,374,505</u>	<u>94,096</u>	<u>12,481,877</u>
NET POSITION					
Net investment in capital assets	10,623,321	304,264	6,058	855,138	11,788,781
Unrestricted	<u>7,739,755</u>	<u>1,247,670</u>	<u>14,177,373</u>	<u>557,539</u>	<u>23,722,337</u>
Total net position	<u>\$ 18,363,076</u>	<u>\$ 1,551,934</u>	<u>\$ 14,183,431</u>	<u>\$ 1,412,677</u>	<u>\$ 35,511,118</u>

CITY OF HAMPTON, VIRGINIA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended June 30, 2013

	Equipment Replacement	Fleet Services	Risk Management	Information Technology	Totals
Operating revenues:					
Charges for services	\$ 1,637,684	\$ 8,783,762	\$ 8,357,870	\$ 1,680,286	\$ 20,459,602
Operating expenses:					
Personal services		1,233,904	272,266	170,494	1,676,664
Fringe benefits		453,959	78,039	55,028	587,026
Cost of goods sold		6,018,049			6,018,049
Utilities		51,666			51,666
Insurance		54,834	2,428,427	3,198	2,486,459
Operating supplies		216,575	4,054	59,069	279,698
Equipment rental		-	25,685		25,685
Equipment and building repairs		86,352	2,386	120,045	208,783
Telephone and postage		12,502	3,987	964,797	981,286
General expense		29,777	763,605	45,945	839,327
Claims			4,055,451		4,055,451
Contractual services	775	197,418	312,382	233,722	744,297
Depreciation and amortization	1,545,039	89,688	4,088	102,769	1,741,584
Total operating expenses	1,545,814	8,444,724	7,950,370	1,755,067	19,695,975
Operating income (loss)	91,870	339,038	407,500	(74,781)	763,627
Nonoperation revenues (expenses):					
Interest income	12,335	94	32,880	493	45,802
Interest and fiscal charges	(146,487)	(6,510)			(152,997)
Other		1,969			1,969
Gain (loss) on disposal of capital assets	110,710	-	-	-	110,710
Total nonoperation revenues (expenses)	(23,442)	(4,447)	32,880	493	5,484
Income (loss) before transfers and capital contributions	68,428	334,591	440,380	(74,288)	769,111
Capital contributions	233,898				233,898
Transfers in (out)	(49,577)	37,373	-	-	(12,204)
Change in net position	252,749	371,964	440,380	(74,288)	990,805
Net position, beginning of year	18,110,327	1,179,970	13,743,051	1,486,965	34,520,313
Net position, end of year	\$ 18,363,076	\$ 1,551,934	\$ 14,183,431	\$ 1,412,677	\$ 35,511,118

CITY OF HAMPTON, VIRGINIA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2013

	Equipment Replacement	Fleet Services	Risk Management	Information Technology	Totals
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	\$ 1,504,535	\$ 8,670,114	\$ 8,357,870	\$ 1,628,640	\$ 20,161,159
Cash payments to suppliers for goods and services	(775)	(6,747,467)	(6,174,982)	(1,622,395)	(14,545,619)
Cash payments to employees for services	-	(1,671,837)	(265,447)	(167,213)	(2,104,497)
Net cash provided by (used in) operating activities	<u>1,503,760</u>	<u>250,810</u>	<u>1,917,441</u>	<u>(160,968)</u>	<u>3,511,043</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Cash paid to other funds	(49,577)	37,373	-	-	(12,204)
Net cash provided by (used in) noncapital financing activities	<u>(49,577)</u>	<u>37,373</u>	<u>-</u>	<u>-</u>	<u>(12,204)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition and construction of capital assets	(2,369,971)	(1,430)	(4,315)	(4,862)	(2,380,578)
Principal paid on revenue bond maturities and long-term debt	(877,556)	(113,091)			(990,647)
Interest paid on revenue bonds and long-term debt	(146,487)	(6,510)			(152,997)
Sale of capital assets	181,108	-	-	-	181,108
Net cash provided by (used in) capital and related financing activities	<u>(3,212,906)</u>	<u>(121,031)</u>	<u>(4,315)</u>	<u>(4,862)</u>	<u>(3,343,114)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest and dividends on investments	13,000	94	33,788	493	47,375
Net cash provided by (used in) investing activities	<u>13,000</u>	<u>94</u>	<u>33,788</u>	<u>493</u>	<u>47,375</u>
Net increase (decrease) in cash and cash equivalents (including restricted amounts)	(1,745,723)	167,246	1,946,914	(165,337)	203,100
Cash and cash equivalents, July 1	<u>9,351,723</u>	<u>1,046,011</u>	<u>18,518,334</u>	<u>611,861</u>	<u>29,527,929</u>
Cash and cash equivalents, June 30	<u>\$ 7,606,000</u>	<u>\$ 1,213,257</u>	<u>\$ 20,465,248</u>	<u>\$ 446,524</u>	<u>\$ 29,731,029</u>

continued

	Equipment Replacement	Fleet Management	Risk Management	Information Technology	Totals
Operating income (loss)	\$ 91,870	\$ 339,038	\$ 407,500	\$ (74,781)	\$ 763,627
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization expense	1,545,039	89,688	4,088	102,769	1,741,584
Decrease (increase) in:					
Accounts receivable	665	(129,021)	908	(12,566)	(140,014)
Due from other funds	(133,149)				(133,149)
Due from component units		13,405		400	13,805
Inventories		(108,751)			(108,751)
Prepaid items			24,741	(105,378)	(80,637)
Increase (decrease) in:					
Accounts payable	(263,990)	27,692	209,785	(35,213)	(61,726)
Accrued leave		(6,770)	(176)	(3,218)	(10,164)
Due to other funds		765	7,806		8,571
Other liabilities		469		(404)	65
Nonoperating revenues reported as operating		1,969			1,969
Unearned revenue				(39,480)	(39,480)
Current portion of long-term accrued claims reported as operating activity			166,658		166,658
Accounts receivable reported as nonoperating activities	(665)		(908)		(1,573)
Accounts payable reported as nonoperating activities	263,990				263,990
Long-term accrued leave reported as operating activities		22,326	6,995	6,903	36,224
Long-term accrued insurance claims reported as operating activity	-	-	344,210	-	344,210
Other post employment benefits obligation reported as operating activity	-	-	745,834	-	745,834
Total adjustments	<u>1,411,890</u>	<u>(88,228)</u>	<u>1,509,941</u>	<u>(86,187)</u>	<u>2,747,416</u>
Net cash provided by (used in) operating activities	<u>\$ 1,503,760</u>	<u>\$ 250,810</u>	<u>\$ 1,917,441</u>	<u>\$ (160,968)</u>	<u>\$ 3,511,043</u>
Non-cash transactions affecting investing capital and related financing activities:					
Acquisition of capital assets through other funds' capital contributions	\$ 233,898	\$ -	\$ -	\$ -	\$ 233,898
Total non-cash transactions	<u>\$ 233,898</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 233,898</u>

Fiduciary Funds

CITY OF HAMPTON, VIRGINIA
FIDUCIARY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the Year Ended June 30, 2013

	Balance, July 1, 2012	Additions	Deductions	Balance, June 30, 2013
<u>Special Welfare Fund</u>				
ASSETS				
Cash and cash equivalents	\$ 39,713	\$ 59,100	\$ 80,392	\$ 18,421
Accounts receivable	-	73	73	-
	<u>\$ 39,713</u>	<u>\$ 59,173</u>	<u>\$ 80,465</u>	<u>\$ 18,421</u>
LIABILITIES				
Deposits	\$ 33,106	\$ 59,364	\$ 79,884	\$ 12,586
Accounts payable	6,607	18,635	19,407	5,835
	<u>\$ 39,713</u>	<u>\$ 77,999</u>	<u>\$ 99,291</u>	<u>\$ 18,421</u>
<u>Agency Fund</u>				
ASSETS				
Cash and cash equivalents	\$ 1,055,521	\$ 1,720,567	\$ 513,261	\$ 2,262,827
Accounts receivable	-	64,775	64,775	-
	<u>\$ 1,055,521</u>	<u>\$ 1,785,342</u>	<u>\$ 578,036</u>	<u>\$ 2,262,827</u>
LIABILITIES				
Deposits	\$ 1,036,897	\$ 1,763,286	\$ 619,451	\$ 2,180,732
Accounts payable	18,624	524,277	460,806	82,095
	<u>\$ 1,055,521</u>	<u>\$ 2,287,563</u>	<u>\$ 1,080,257</u>	<u>\$ 2,262,827</u>
<u>Total - All Agency Funds</u>				
ASSETS				
Cash and cash equivalents	\$ 1,095,234	\$ 1,779,667	\$ 593,653	\$ 2,281,248
Accounts receivable	-	64,848	64,848	-
	<u>\$ 1,095,234</u>	<u>\$ 1,844,515</u>	<u>\$ 658,501</u>	<u>\$ 2,281,248</u>
LIABILITIES				
Deposits	\$ 1,070,003	\$ 1,822,650	\$ 699,335	\$ 2,193,318
Accounts payable and accrued liabilities	25,231	542,912	480,213	87,930
	<u>\$ 1,095,234</u>	<u>\$ 2,365,562</u>	<u>\$ 1,179,548</u>	<u>\$ 2,281,248</u>

**Discretely Presented Component
Unit-School Board**

CITY OF HAMPTON, VIRGINIA
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
COMBINING BALANCE SHEET
June 30, 2013

	<u>Operating</u>	<u>Food Services</u>	<u>Reimbursable Projects</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 3,203,277	\$ 5,111,705	\$ 762,651	\$ 9,077,633
Cash with fiscal agent	4,405,511			4,405,511
Investments	14,588			14,588
Accounts receivables	148,150	13,613	139,631	301,394
Due from primary government	14,231	4,711		18,942
Due from other funds	1,707,274	10,040		1,717,314
Due from other governments	3,977,590	207,718	1,448,757	5,634,065
Inventories	-	201,732	-	201,732
Total assets	<u>\$ 13,470,621</u>	<u>\$ 5,549,519</u>	<u>\$ 2,351,039</u>	<u>\$ 21,371,179</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable and other liabilities	\$ 9,191,686	\$ 26,272	\$ 211,632	\$ 9,429,590
Due to other governments				-
Due to component units				-
Due to other funds		42,403	1,674,911	1,717,314
Due to primary government	71,238			71,238
Unearned revenue	1,250	-	47,228	48,478
Total liabilities	<u>9,264,174</u>	<u>68,675</u>	<u>1,933,771</u>	<u>11,266,620</u>
Fund balance				
Nonspendable		201,732		201,732
Restricted		5,279,112	417,268	5,696,380
Committed				-
Assigned	4,206,447			4,206,447
Unassigned	-	-	-	-
Total fund balance	<u>4,206,447</u>	<u>5,480,844</u>	<u>417,268</u>	<u>10,104,559</u>
Total liabilities and fund balances	<u>\$ 13,470,621</u>	<u>\$ 5,549,519</u>	<u>\$ 2,351,039</u>	<u>\$ 21,371,179</u>

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

Total fund balance	\$ 10,104,559
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds. (Note 6)	96,120,211
Accumulated depreciation on capital assets. (Note 6)	(80,421,312)
Net other post employment benefit liability (Note 8)	(8,723,050)
Capital lease (Note 8)	(528,759)
Long-term liability for compensated absences. (Note 8)	(6,394,091)
	<u>\$ 10,157,558</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, 2013

	<u>Operating</u>	<u>Food Services</u>	<u>Reimbursable Projects</u>	<u>Total</u>
REVENUES				
State funds	\$ 122,015,505	\$ 195,696	\$ 788,293	\$ 122,999,494
Federal funds (includes pass through)	1,070,822	6,635,677	13,422,463	21,128,962
Other receipts	1,695,161	3,292,191	1,013,484	6,000,836
Payments from City	64,925,178			64,925,178
Net increase in fair value of investments	6,669	-	-	6,669
Total revenues	<u>189,713,335</u>	<u>10,123,564</u>	<u>15,224,240</u>	<u>215,061,139</u>
EXPENDITURES				
Education	<u>190,248,198</u>	<u>9,419,779</u>	<u>15,588,124</u>	<u>215,256,101</u>
Excess of revenues over (under) expenditures	<u>(534,863)</u>	<u>703,785</u>	<u>(363,884)</u>	<u>(194,962)</u>
OTHER FINANCING SOURCES (USES)				
Transfer from:				
Food Services Fund	500,000			500,000
School Operating Fund			532,567	532,567
Transfer to:				
School Operating Fund		(500,000)		(500,000)
Reimbursable Projects Fund	(532,567)	-	-	(532,567)
Net other financing sources (uses)	<u>(32,567)</u>	<u>(500,000)</u>	<u>532,567</u>	<u>-</u>
Net change in fund balances	(567,430)	203,785	168,683	(194,962)
Fund balance - July 1	<u>4,773,877</u>	<u>5,277,059</u>	<u>248,585</u>	<u>10,299,521</u>
Fund balance - June 30	<u>\$ 4,206,447</u>	<u>\$ 5,480,844</u>	<u>\$ 417,268</u>	<u>\$ 10,104,559</u>

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

Net change in fund balances - total school funds	\$ (194,962)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. (Note 6)	
Capital acquisitions	1,756,412
Depreciation expense	(3,730,199)
In the statement of activities, the loss on disposal of capital assets is reported. However, in the governmental funds, only the proceeds from sale increase financial resources. The change in net position differs from the change in fund balance by the net book value of the capital assets abandoned. (Note 6)	(11,312)
Capital lease financing for the acquisition of capital assets does not provide current financial resources. Capital assets acquired by capital lease financing are not reported as expenditures in the governmental funds. (Note 8)	(373,378)
Increase in other post employment benefit liability reported in the Statement of Activities does not provide current financial resources and therefore is not reported in the governmental funds. (Note 8)	(870,428)
Decrease in compensated absences reported in the Statement of Activities does not provide current financial resources and therefore is not reported in the governmental funds. (Note 8)	301,459
Change in net position of governmental activities	<u>\$ (3,122,408)</u>

CITY OF HAMPTON, VIRGINIA
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2013

	School Board - School Operating Fund			
	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
REVENUES				
Intergovernmental:				
State funds	\$ 123,843,778	\$ 123,843,778	\$ 122,015,505	\$ (1,828,273)
Federal funds (includes pass through)	1,800,000	1,800,000	1,070,823	(729,177)
Miscellaneous	840,200	840,200	1,359,130	518,930
Payments from City	64,925,178	64,925,178	64,925,178	-
Total revenues	<u>191,409,156</u>	<u>191,409,156</u>	<u>189,370,636</u>	<u>(2,038,520)</u>
EXPENDITURES				
Current:				
Education	<u>191,088,054</u>	<u>191,838,688</u>	<u>189,800,168</u>	<u>(2,038,520)</u>
Total expenditures	<u>191,088,054</u>	<u>191,838,688</u>	<u>189,800,168</u>	<u>(2,038,520)</u>
Excess of revenues over (under) expenditures	<u>321,102</u>	<u>(429,532)</u>	<u>(429,532)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	500,000	500,000	500,000	-
Transfers out	<u>(821,102)</u>	<u>(821,102)</u>	<u>(821,102)</u>	<u>-</u>
Net other financing sources (uses)	<u>(321,102)</u>	<u>(321,102)</u>	<u>(321,102)</u>	<u>-</u>
Net change in fund balances	<u>-</u>	<u>(750,634)</u>	<u>(750,634)</u>	<u>-</u>
Appropriations from fund balance		4,128,422		
Appropriations - encumbrances		<u>(3,377,788)</u>		
Fund balance - July 1	<u>-</u>	<u>-</u>	<u>4,128,422</u>	
Fund balance - June 30	\$ -	\$ -	\$ 3,377,788	

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

Miscellaneous	160,743
Special Revenue	(22,354)
Fund balance, beginning	<u>482,143</u>
Fund balance, ending	<u>\$ 620,532</u>

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

Miscellaneous	177,526
Transfer from Reimbursable Projects	4,430
Transfer from Operating fund	287,000
Athletics	(424,141)
Fund balance, beginning	<u>163,312</u>
Fund balance, ending	<u>208,127</u>
Fund balance, ending (Exhibit G-2)	<u>\$ 4,206,447</u>

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

Supplementary Information

CITY OF HAMPTON, VIRGINIA
SCHEDULE OF THE TREASURER'S ACCOUNTABILITY
June 30, 2013

Assets held by the Treasurer:

Cash on hand	\$ 7,050
Cash in banks:	
Old Point National Bank	6,703,313
Investments:	
Certificates of deposit	30,896,989
Commercial Paper	13,988,290
Repurchase agreement	1,600,000
Investment in mutual and money market funds	2,136,959
State Local Government Investment Pool	113,000,000
U.S. Government securities	4,000,329
Timing differences	(103)
Total assets	<u>\$ 172,332,827</u>

Liabilities of the Treasurer:

Balance of City funds	<u>\$ 172,332,827</u>
Cash and cash equivalents	
Primary Government per Exhibit A-1	\$ 153,996,616
School Board per Exhibit A-11	9,077,633
Economic Development Authority per Exhibit A-11	3,206,060
General Fund Investments per Exhibit A-3	3,998,006
Restricted cash and investments - Enterprise funds per Exhibit A-6	
Cash and cash equivalents	4,739,516
Investments	15,131,881
Cash and cash equivalents - Fiduciary Funds per Exhibit A-9	2,322,186
Investments - Component Unit - EDA per Exhibit A-11	1,391
Adjust investments in CAFR from fair value to cost	2,323
Timing differences	2,253
Less:	
Petty cash	\$ (77,386)
Cash and investments held by trustees	<u>(20,067,652)</u>
	<u>(20,145,038)</u>
Balance of City funds	<u>\$ 172,332,827</u>

CITY OF HAMPTON, VIRGINIA
SCHEDULE OF CASH FLOWS
DISCRETELY PRESENTED COMPONENT UNIT
ECONOMIC DEVELOPMENT AUTHORITY
For the Year Ended June 30, 2013

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from customers	\$ 290,514
Cash payments to suppliers for goods and services	(3,266,308)
Cash payments to employees for services	(4,173)
Other receipts (payments)	<u>2,270</u>
Net cash provided by (used in) operating activities	<u>(2,977,697)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Payment from primary government	<u>1,354,098</u>
Net cash provided by (used in) noncapital financing activities	<u>1,354,098</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Principal paid on revenue bond maturities and long-term debt	(569,618)
Interest paid on revenue bonds and long-term debt	<u>(420,441)</u>
Net cash provided by (used in) capital and related financing activities	<u>(990,059)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest and dividends on investments	7,322
Proceeds from collection of loans	868,785
Proceeds from collection of lease receivable	588,461
Interest received on loans	30,126
Interest received on lease receivable	403,401
Disbursements for loans	<u>(798,463)</u>
Net cash provided by (used in) investing activities	<u>1,099,632</u>

Net increase (decrease) in cash and cash equivalents (including restricted amounts)	(1,514,026)
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Cash and cash equivalents (including restricted), July 1	<u>4,720,086</u>
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Cash and cash equivalents (including restricted), June 30	<u>\$ 3,206,060</u>
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continued

Operating income (loss)	\$ (3,480,349)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Depreciation and amortization expense	102,468
Cost of land sold	36,000
Bad Debt Expense	(10,168)
Decrease (increase) in:	
Accounts receivable	70,031
Due from primary government	80,575
Prepaid expenses	2,400
Increase (decrease) in:	
Accounts payable	241,074
Due to primary government	15,455
Other liabilities	(18,843)
Accounts payable reported as nonoperating activities	(11,083)
Due from/to other funds reported as nonoperating activities	(5,257)
Total adjustments	502,652
Net cash provided by (used in) operating activities	\$ (2,977,697)
Non-cash transactions affecting investing capital and related financing activities:	
Net increase (decrease) in fair value of investments	\$ 501
Total non-cash transactions	\$ 501

CITY OF HAMPTON, VIRGINIA
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
SCHOOL OPERATING FUND
SCHEDULE OF APPROPRIATIONS AND EXPENDITURES
For the Year Ended June 30, 2013

	Appropriations				Variance with
	Budget	Net	Final		Final Budget
	July 1, 2012	Changes	June 30, 2013	Expenditures	Over (Under)
EXPENDITURES					
Administration/attendance and health	\$ 9,313,557	\$ (9,725)	\$ 9,303,832	\$ 9,214,677	\$ (89,155)
Instructional	142,764,463	(1,604,417)	141,160,046	139,378,083	(1,781,963)
Public transportation service	9,250,564	896,802	10,147,366	10,147,366	-
Operation and maintenance of school plant	19,490,701	1,165,350	20,656,051	20,488,649	(167,402)
Technology	<u>10,268,769</u>	<u>302,624</u>	<u>10,571,393</u>	<u>10,571,393</u>	<u>-</u>
Total expenditures	<u>191,088,054</u>	<u>750,634</u>	<u>191,838,688</u>	<u>189,800,168</u>	<u>(2,038,520)</u>
OPERATING TRANSFERS OUT					
To Student Activities Fund	287,000		287,000	287,000	
To Reimbursable Projects Fund	<u>534,102</u>	<u>-</u>	<u>534,102</u>	<u>534,102</u>	<u>-</u>
Total transfers out	<u>821,102</u>	<u>-</u>	<u>821,102</u>	<u>821,102</u>	<u>-</u>
Total expenditures and transfers out	\$ 191,909,156	\$ 750,634	\$ 192,659,790	\$ 190,621,270	\$ (2,038,520)

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

CITY OF HAMPTON, VIRGINIA
DISCRETELY PRESENTED COMPONENT UNIT SCHOOL BOARD
SCHOOL OPERATING FUND
SCHEDULE OF REVENUES AND OTHER CREDITS - BUDGET AND ACTUAL
For the Year Ended June 30, 2013

	Final Budgeted Revenues	Actual Revenues	Variance with Final Budget Over (Under)
State funds:			
Basic appropriation	\$ 61,751,950	\$ 60,550,030	\$ (1,201,920)
At risk payment	2,364,498	2,330,695	(33,803)
Remedial education	2,626,317	2,587,804	(38,513)
K-3 Primary Class Size	3,014,847	2,898,435	(116,412)
Virginia Retirement System	6,851,899	6,751,421	(100,478)
Social security benefits	4,108,205	4,047,961	(60,244)
Group life insurance	264,099	260,226	(3,873)
Special education	12,351,281	12,443,789	92,508
Textbook payments	1,316,533	1,297,227	(19,306)
Remedial summer school	689,970	700,028	10,058
At risk 4 year old	2,623,978	2,623,978	-
Gifted	674,919	665,022	(9,897)
Foster home	162,023	126,113	(35,910)
Vocational education	1,264,773	1,216,581	(48,192)
VPSA education tech. grant	830,000	908,000	78,000
Virginia blind	11,025	6,525	(4,500)
ESL	270,055	259,490	(10,565)
Reading Intervention	369,562	292,109	(77,453)
SOL Algebra Readiness	303,587	303,482	(105)
Additional Assistance with Retirement Inflation	1,291,315	1,291,315	-
Sales tax	20,202,942	20,184,313	(18,629)
Medicaid Reimbursement	500,000	270,961	(229,039)
Total state funds	<u>123,843,778</u>	<u>122,015,505</u>	<u>(1,828,273)</u>
Federal funds:			
Public law 874	1,500,000	592,603	(907,397)
Impact Aid Special Education	-	132,495	132,495
U.S. Army - ROTC	90,000	133,297	43,297
U.S. Air Force - ROTC	60,000	70,209	10,209
U.S. Navy - ROTC	80,000	73,481	(6,519)
U.S. Marine Corps - ROTC	70,000	68,738	(1,262)
Total federal funds	<u>1,800,000</u>	<u>1,070,823</u>	<u>(729,177)</u>
Other funds:			
Fees from students	37,000	28,868	(8,132)
Tuition from regular day students	-	5,000	5,000
Miscellaneous Revenue	350,000	824,420	474,420
Medicaid Reimbursement	-	110,323	110,323
Interest	3,200	1,021	(2,179)
Other	450,000	389,498	(60,502)
Total other funds	<u>840,200</u>	<u>1,359,130</u>	<u>518,930</u>
Total revenues	<u>126,483,978</u>	<u>124,445,458</u>	<u>(2,038,520)</u>
Other credits:			
Payment from the City	64,925,178	64,925,178	-
Transfer from Food Services Fund	500,000	500,000	-
Total other credits	<u>65,425,178</u>	<u>65,425,178</u>	<u>-</u>
Total revenues and other credits	<u>\$ 191,909,156</u>	<u>\$ 189,870,636</u>	<u>\$ (2,038,520)</u>

CITY OF HAMPTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2013

Federal Granting Agency/ Recipient State Agency/ Grant Program/Grant Number	Federal Catalogue Number	Expenditures
DEPARTMENT OF AGRICULTURE:		
FOOD STAMP CLUSTER:		
Pass-through payments:		
Department of Social Services:		
State Administrative Matching Grants for Food Stamp Program	10.561	\$ 1,627,528
Total Food Stamp Cluster		1,627,528
NUTRITION CLUSTER:		
Direct payments:		
Summer Food Service Program for Children	10.559	145,129
Pass-through payments:		
Department of Education:		
National School Breakfast Program	10.553	1,480,386
National School Lunch Program	10.555	5,153,217
SNP Equipment	10.579	18,175
Frest Fruit and Vegetables	10.586	151,088
Department of Agriculture and Consumer Services:		
Donated Commodities	19.556	608,110
Total Nutrition Cluster		7,556,105
Total Department of Agriculture		9,183,633
DEPARTMENT OF DEFENSE:		
Direct Payments:		
U.S. Army - ROTC	12.000	133,297
U.S. Air Force - ROTC	12.000	70,209
U.S. Navy - ROTC	12.000	73,481
U.S. Marine Corps - ROTC	12.000	68,738
Total Department of Defense		345,725
DEPARTMENT OF EDUCATION:		
Direct payments:		
Impact Aid	84.041	725,098
Pass-through payments:		
Department of Behavioral Health and Developmental Services:		
Early Intervention Services for Infants and Toddlers with Disabilities and their Families (00-01-15)	84.181	186,638
ARRA-Early Intervention Services for Infants and Toddlers with Disabilities and their Families (00-01-15)	84.181	
Department of Education:		
Gear Up	84.334 A	474,984
Adult Education State-Administered Program	84.002	103,902
Title I, Part A Cluster:		
Educationally Deprived Children-LEA (112-00-1) (112-01-1)	84.010 A	6,090,236
School Improvement	84.377	439,131

CITY OF HAMPTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED
For the Year Ended June 30, 2013

Title II:		
Title II Training and Recruiting	84.367 A	890,130
Title II Technology Ed	84.318	1,394
Title III LEP, Immigrant	84.365	59,027
Title VI :		
Title VI 21st Century	84.287 C	154,097
Title VIB	84.027 A	4,605,566
Title VIB Preschool	84.173 A	25,968
Carl Perkins	84.048	365,122
Parent Resource Center	84.310	15,826
ARRA-Longitudinal Data System	84.384 A	48,065
Total Department of Education		<u>14,185,184</u>
DEPARTMENT OF ENERGY		
Direct payments:		
Energy Efficiency and Conservatin Block Grant ARRA	81.128	<u>19,951</u>
DEPARTMENT OF HEALTH AND HUMAN SERVICES:		
MEDICAID CLUSTER:		
Pass-through payments:		
Department of Social Services:		
Medical Assistance Program (Medicaid, Title XIX)	93.778	<u>976,400</u>
Total Medicaid Cluster		<u>976,400</u>
OTHER:		
Pass-through payments:		
Department of Social Services:		
Promoting Safe and Stable Families	93.556	83,714
Temporary Assistance for Needy Families (TANF)	93.558	1,945,566
Healthy Families Partnership - (TANF)	93.558	297,349
Refugee & Entrant Assistance	93.566	30,272
Low-Income Home Energy Assistance (LIHEAP)	93.568	98,882
Child Care and Developmental Fund Cluster:		
Child Care Development Fund	93.596	267,835
Independent Living Program - Education and Training Vouchers	95.599	2,406
Family Support	93.645	10,285
Foster Care - Title IV-E	93.658	619,906
Adoption Assistance	93.659	709,291
Social Services Block Grant (SSBG)	93.667	1,371,423
Independent Living	93.674	15,306
State Children's Insurance Program (CHIP)	93.767	<u>40,257</u>
Total Department of Health and Human Services (Other)		<u>5,492,492</u>

CITY OF HAMPTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED
For the Year Ended June 30, 2013

CORPORATION FOR NATIONAL AND COMMUNITY SERVICE:

FOSTER GRANDPARENT, SENIOR COMPANION CLUSTER:

Direct payments:

Foster Grandparent Program (08SFSVA004)	94.011	346,941
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Total Foster Grandparent, Senior Companion Cluster		346,941
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DEPARTMENT OF HOMELAND SECURITY:

Direct payments:

LEMPG	97.042	172,920
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Assistance to Firefighters	97.044	270,021
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Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	323,673
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Virginia's Operational Integrated Cyber Center of Excellence (VOICCE)	97.125	86,514
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Pass-through payments:

Virginia Department of Emergency Management:

HAZMAT	97.073	
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Citizen Corp 2010	97.073	13,478
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Total Homeland Security		866,606
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DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:

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

Direct payments:

Community Development Block Grant Program, Entitlement Grants: (\$985,600 provided to subrecipient)	14.218	851,132
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OTHER

Direct payments:

Community Development Block Grant Program, Entitlement Grants: Home Program (\$561,848 provided to subrecipient)	14.239	369,307
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Total CDBG-Entitlement and (HUD-Administered) Small Cities Cluster		1,220,439
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DEPARTMENT OF JUSTICE:

Direct payments:

State Criminal Alien Assistance Program	16.606	1,986
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Bulletproof Vest Partnership Grant	16.607	10,619
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COPS Technology	16.710	99,163
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Department of Criminal Justice Services:

Juvenile Accountability Incentive Block Grant	16.523	
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Response Effort	16.588	98,244
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Victim Witness	16.575	166,836
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Residential Substance Abuse Treatment	16.579	79,909
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Edward Byrne/Justice Assistance Grant	16.738	57,230
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Byrne/JAG: Prevention and Education	16.592	60,034
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Proceeds of seized assets	16.922	27,644
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Total Department of Justice		601,665
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CITY OF HAMPTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED
For the Year Ended June 30, 2013

DEPARTMENT OF TRANSPORTATION:

Pass-through payments:

Department of Transportation:

Highway Planning and Construction	20.205	8,446,093
ARRA-Highway Planning and Construction	20.205	442,126

Department of Motor Vehicles:

Highway Safety Grant	20.600	14,713
Highway Safety Grant	20.602	15,080
Highway Safety Grant	20.607	12,156

Total Department of Transportation		<u>8,930,168</u>
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ENVIRONMENTAL PROTECTION AGENCY:

Direct payments:

Brownfields Assessment	66.818	<u>119,788</u>
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Total Environmental Protection Agency		<u>119,788</u>
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NATIONAL AERONAUTICS AND SPACE ADMINISTRATION:

Direct payments:

NASA LaRC Visitor Center and Public Education Program (NCC-1-275)	43.000	300,000
NASA Steam Sales	43.000	5,345,308
Education Resource Center and Coop Agreement	43.000	<u>284,481</u>

Total National Aeronautics and Space Administration		<u>5,929,789</u>
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NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION (NOAA)

Direct payments:

Living Shoreline Initiative Grant	11.463	<u>40,108</u>
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Grand Total All Federally Assisted Programs and Grants		<u>\$ 48,258,889</u>
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Notes:

(A) General

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

The Schedule of Expenditures of Federal Awards does not include federal funding of \$284,153 in the General Fund. This amount represents indirect costs from other federally assisted programs administered by the City and is included in the federal revenue.

(B) Basis of Accounting

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

CITY OF HAMPTON, VIRGINIA
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
MUSEUM REVENUE BONDS
June 30, 2013

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2014	\$ 1,515,000	\$ 75,750	\$ 1,590,750

CITY OF HAMPTON, VIRGINIA
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
CONVENTION CENTER REVENUE BONDS
June 30, 2013

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2014	\$ 2,245,000	\$ 4,231,460	\$ 6,476,460
2015	2,325,000	4,145,854	6,470,854
2016	2,435,000	4,035,929	6,470,929
2017	2,555,000	3,917,435	6,472,435
2018	2,680,000	3,791,388	6,471,388
2019	2,815,000	3,656,104	6,471,104
2020	2,960,000	3,511,919	6,471,919
2021	3,110,000	3,360,150	6,470,150
2022	3,270,000	3,203,088	6,473,088
2023	3,430,000	3,038,825	6,468,825
2024	3,610,000	2,861,751	6,471,751
2025	3,795,000	2,672,822	6,467,822
2026	3,990,000	2,482,332	6,472,332
2027	4,190,000	2,282,244	6,472,244
2028	4,410,000	2,062,394	6,472,394
2029	4,640,000	1,830,488	6,470,488
2030	4,935,000	1,585,128	6,520,128
2031	5,195,000	1,325,547	6,520,547
2032	5,470,000	1,052,256	6,522,256
2033	5,750,000	764,744	6,514,744
2034	6,045,000	471,547	6,516,547
2035	<u>6,355,000</u>	<u>162,847</u>	<u>6,517,847</u>
	<u>\$ 86,210,000</u>	<u>\$ 56,446,244</u>	<u>\$ 142,656,244</u>

CITY OF HAMPTON, VIRGINIA
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
ECONOMIC DEVELOPMENT AUTHORITY REVENUE BONDS
June 30, 2013

Fiscal Year Ending June 30,	2002 Tax-Exempt Principal	Interest	Total Debt Service
2014	\$ 607,019	\$ 383,040	\$ 990,059
2015	645,586	344,473	990,059
2016	686,603	303,456	990,059
2017	729,460	260,599	990,059
2018	776,573	213,486	990,059
2019	825,913	164,146	990,059
2020	878,387	111,672	990,059
2021	933,997	56,062	990,059
2022	190,959	5,924	196,883
	<u>\$ 6,274,497</u>	<u>\$ 1,842,858</u>	<u>\$ 8,117,355</u>

CITY OF HAMPTON, VIRGINIA
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
GENERAL OBLIGATION BONDS
June 30, 2013

Serial Bonds:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2014	\$ 21,023,907	\$ 11,644,489	\$ 32,668,396
2015	23,152,483	10,879,143	34,031,626
2016	24,171,163	9,820,465	33,991,628
2017	25,143,152	8,830,457	33,973,609
2018	26,068,166	7,882,652	33,950,818
2019	18,118,024	6,814,947	24,932,971
2020	18,056,064	6,173,475	24,229,539
2021	15,273,787	5,382,647	20,656,434
2022	15,654,378	4,677,998	20,332,376
2023	14,461,951	4,006,927	18,468,878
2024	13,680,940	3,336,291	17,017,231
2025	14,209,453	2,721,461	16,930,914
2026	14,767,492	2,071,988	16,839,480
2027	10,710,000	1,394,068	12,104,068
2028	10,945,000	775,151	11,720,151
2029	2,310,000	321,936	2,631,936
2030	2,310,000	232,655	2,542,655
2031	1,550,000	143,375	1,693,375
2032	1,550,000	96,875	1,646,875
2033	1,550,000	48,437	1,598,437
	<u>\$ 274,705,960</u>	<u>\$ 87,255,437</u>	<u>\$ 361,961,397</u>

CITY OF HAMPTON, VIRGINIA
COMPUTATION OF LEGAL DEBT MARGIN
June 30, 2013

Assessed value:

Real estate	\$ 10,480,998,612	
Public service corporations - real estate	31,922,742	
Newport News Waterworks	<u>59,881,600</u>	<u>\$ 10,572,802,954</u>

Debt limit at 10% of assessed value	<u>1,057,280,295</u>
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General obligation bonded debt:

General obligation bonds	274,705,960	
General obligation bonds-Steam Plant	4,304,040	
General obligation bonds-VRS	<u>1,060,000</u>	280,070,000

Long term notes payable:

State literary loan	<u>81,715</u>
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Total long-term debt	<u>280,151,715</u>
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Legal debt margin	<u><u>\$ 777,128,580</u></u>
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Note:

Virginia state statute limits bond issuing authority of Virginia cities to 10% of the assessed real estate value. The above calculation includes all debt secured by the full faith and credit of the City. The calculation excludes installment purchase contracts, compensated absences, claims and judgements, net OPEB obligation and other post employment benefits totaling \$62,735,868 at June 30, 2013.

There are no overlapping or underlying tax jurisdictions.

Statistics

STATISTICAL SECTION

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

CONTENTS

TABLE

Financial Trends

I-IV

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

Revenue Capacity

V-VIII

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

Debt Capacity

IX-XI

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

Demographic and Economic Information

XII-XIII

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

Operating Information

XIV-XVI

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

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

Table I

CITY OF HAMPTON, VIRGINIA
NET POSITION BY COMPONENT

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Governmental activities										
Net investment in capital assets	\$ (7,827)	\$ 9,067	\$ 503,004	\$ 503,514	\$ 558,006	\$ 568,771	\$ 573,018	\$ 586,847	\$ 588,035	\$ 597,191
Restricted	43,978	24,780	18,163	13,802	23,660	32,433	21,147	10,900	11,809	9,301
Unrestricted	51,040	71,580	96,304	118,758	130,457	118,932	112,882	109,652	90,572	85,462
Total governmental activities net position	<u>\$ 87,191</u>	<u>\$ 105,427</u>	<u>\$ 617,471</u>	<u>\$ 636,074</u>	<u>\$ 712,123</u>	<u>\$ 720,136</u>	<u>\$ 707,047</u>	<u>\$ 707,399</u>	<u>\$ 690,416</u>	<u>\$ 691,954</u>
Business-type activities										
Net investment in capital assets	\$ 93,712	\$ 77,764	\$ 76,141	\$ 92,152	\$ 62,230	\$ 58,780	\$ 58,666	\$ 68,697	\$ 69,003	\$ 73,585
Restricted	15,760	33,771	31,572	27,158	26,356	25,578	26,727	18,721	16,844	8,907
Unrestricted	14,308	18,922	23,828	24,823	11,017	15,035	16,521	18,418	20,356	24,078
Total business-type activities net position	<u>\$ 123,780</u>	<u>\$ 130,457</u>	<u>\$ 131,541</u>	<u>\$ 144,133</u>	<u>\$ 99,603</u>	<u>\$ 99,393</u>	<u>\$ 101,914</u>	<u>\$ 105,836</u>	<u>\$ 106,203</u>	<u>\$ 106,570</u>
Primary government										
Net investment in capital assets	\$ 85,885	\$ 86,831	\$ 579,145	\$ 595,666	\$ 620,236	\$ 627,551	\$ 631,684	\$ 655,544	\$ 657,038	\$ 670,776
Restricted	59,738	58,551	49,735	40,960	50,016	58,011	47,874	29,621	28,653	18,208
Unrestricted	65,348	90,502	120,132	143,581	141,474	133,967	129,403	128,070	110,928	109,540
Total primary government net position	<u>\$ 210,971</u>	<u>\$ 235,884</u>	<u>\$ 749,012</u>	<u>\$ 780,207</u>	<u>\$ 811,726</u>	<u>\$ 819,529</u>	<u>\$ 808,961</u>	<u>\$ 813,235</u>	<u>\$ 796,619</u>	<u>\$ 798,524</u>

Note:

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

Table II

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Expenses										
Governmental activities:										
General government	\$ 96,371	\$ 87,744	\$ 98,704	\$ 99,822	\$ 101,494	\$ 100,134	\$ 111,650	\$ 114,765	\$ 128,783	\$ 127,211
Public safety	39,821	41,700	43,839	46,315	50,039	51,052	51,937	49,063	49,635	53,205
Highways and streets	2,302	2,665	9,943	14,658	7,774	12,374 ⁽³⁾	12,078	13,068	11,862	15,512
Sanitation	2,370	2,589	2,346	2,867	4,959	4,641	3,471	3,630	3,899	3,935
Health	3,072	2,929	2,900	3,125	3,090	3,098	2,949	3,161	3,056	3,337
Human services	24,905	25,438	28,578	28,535	30,004	30,198	31,226	31,574	29,142	28,528
Culture and recreation	13,104	16,257	15,820	16,368	23,524	19,664 ⁽⁴⁾	17,771	14,531	13,540	15,689
Education (payment to school district)	54,321	56,362	59,929	62,211	66,517	69,217 ⁽⁵⁾	68,052	67,051	66,345	64,925
Education and educational services	3,473	3,541	4,464	6,519	5,133	9,336	7,388	8,627	14,337	7,055
Capital improvements	7,976	11,232	⁽¹⁾	⁽¹⁾	⁽¹⁾	⁽¹⁾	⁽¹⁾	⁽¹⁾	⁽¹⁾	⁽¹⁾
Interest on long-term debt	7,911	7,616	9,723	8,822	12,389	15,161 ⁽⁶⁾	17,951	11,052	8,351	7,991
Total governmental activities expenses	<u>255,626</u>	<u>258,073</u>	<u>276,246</u>	<u>289,242</u>	<u>304,923</u>	<u>314,875</u>	<u>324,473</u>	<u>316,522</u>	<u>328,950</u>	<u>327,388</u>
Business-type activities										
Culture and recreation	17,894	24,115	30,344	31,799	34,409	32,295	30,454	27,766	27,727	25,417
Sanitation	13,499	13,426	14,415	19,479	20,379	21,487	22,067	22,923	23,831	24,475
Housing	22,149	24,465	23,433	24,013						
Total business-type activities expenses	<u>53,542</u>	<u>62,006</u>	<u>68,192</u>	<u>75,291</u>	<u>54,788</u>	<u>53,782</u>	<u>52,521</u>	<u>50,689</u>	<u>51,558</u>	<u>49,892</u>
Total primary government expenses	<u>\$ 309,168</u>	<u>\$ 320,079</u>	<u>\$ 344,438</u>	<u>\$ 364,533</u>	<u>\$ 359,711</u>	<u>\$ 368,657</u>	<u>\$ 376,994</u>	<u>\$ 367,211</u>	<u>\$ 380,508</u>	<u>\$ 377,280</u>
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 2,414	\$ 3,737	\$ 6,250	\$ 6,581	\$ 12,425	\$ 5,807	\$ 6,982	\$ 7,129	\$ 7,772	\$ 7,977
Public safety	1,872	3,157	2,361	2,770	2,353	1,962	2,086	2,049	2,101	2,146
Sanitation	10,015	10,530	9,459	3,836	5,006	4,905	4,869	4,856	5,007	6,810
Other activities	4,413	5,646	8,328	5,359	5,381	5,209	6,015	5,588	6,141	6,208
Operating grants and contributions	76,555	57,388	63,468	60,782	59,795 ⁽⁷⁾	76,025	79,412	82,269	77,821	76,144
Capital grants and contributions		9,355	12,590	10,066	57,530 ⁽⁷⁾	13,453	2,423	2,569	2,782	17,429
Total governmental activities program revenues	<u>95,269</u>	<u>89,813</u>	<u>102,456</u>	<u>89,394</u>	<u>142,490</u>	<u>107,361</u>	<u>101,787</u>	<u>104,460</u>	<u>101,624</u>	<u>116,714</u>
Business-type activities										
Charges for services:										
Culture and recreation	11,923	16,445	14,059	15,970	17,800	16,242	15,411	13,675	15,603	11,621
Sanitation	13,728	15,657	15,719	21,104	22,053	23,672	26,447	26,433	26,443	27,381
Housing	1,934	1,921	1,975	2,122	⁽²⁾					
Operating grants and contributions	19,109	21,136	22,990	24,859	2,848	2,528	2,522	3,132	1,302	916
Capital grants and contributions	2,068	2,604	2,572	6,049	1,531	1,180	1,472	592	613	95
Total business-type activities program revenues	<u>48,762</u>	<u>57,763</u>	<u>57,315</u>	<u>70,104</u>	<u>44,232</u>	<u>43,622</u>	<u>45,852</u>	<u>43,832</u>	<u>43,961</u>	<u>40,013</u>
Total primary government program revenues	<u>\$ 144,031</u>	<u>\$ 147,576</u>	<u>\$ 159,771</u>	<u>\$ 159,498</u>	<u>\$ 186,722</u>	<u>\$ 150,983</u>	<u>\$ 147,639</u>	<u>\$ 148,292</u>	<u>\$ 145,585</u>	<u>\$ 156,727</u>
Net (expenses)/revenue										
Governmental activities	\$ (160,357)	\$ (168,260)	\$ (173,790)	\$ (199,848)	\$ (162,433)	\$ (207,514)	\$ (222,686)	\$ (212,062)	\$ (227,326)	\$ (210,674)
Business-type activities	(4,780)	(4,243)	(10,877)	(5,187)	(10,556)	(10,160)	(6,669)	(6,857)	(7,597)	(9,879)
Total primary government net (expenses)/revenue	<u>\$ (165,137)</u>	<u>\$ (172,503)</u>	<u>\$ (184,667)</u>	<u>\$ (205,035)</u>	<u>\$ (172,989)</u>	<u>\$ (217,674)</u>	<u>\$ (229,355)</u>	<u>\$ (218,919)</u>	<u>\$ (234,923)</u>	<u>\$ (220,553)</u>

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	\$ 116,385	\$ 123,937	\$ 138,079	\$ 148,851	\$ 160,158	\$ 145,607	\$ 146,261	\$ 149,797	\$ 146,758	\$ 142,423
Sales taxes	12,218	12,885	13,415	13,804	13,765	13,172	13,590	13,828	13,962	14,247
Lodging, meal and amusement taxes	16,373	17,351	17,547	17,864	18,241	18,188	18,621	19,606	20,100	22,224
Motor vehicle taxes	3,171	3,232	3,290	3,602	3,758	3,698	3,398	3,813	3,692	4,203
Alcoholic beverage taxes	362	176	176	176	176	(8)	(8)	(8)	(8)	(8)
Business license taxes	10,435	11,019	11,750	12,391	12,783	12,207	12,349	11,562	12,126	11,850
Utility taxes	11,652	10,957	11,637	8,550	5,282	4,976	5,486	5,528	5,356	5,376
Tobacco taxes	4,567	4,084	3,889	3,942	3,760	3,629	3,538	3,681	4,364	4,264
Emergency 911 telephone taxes	2,160	2,077	2,034	956	421	408	(12)	(12)	(12)	(12)
Recordation taxes	930	1,640	2,656	2,658	2,339	1,706	1,687	1,443	1,422	1,901
Bank stock taxes	304	306	358	309	307	407	453	505	468	487
Pari-mutuel license taxes	120	123	113	113	106	93	80	79	66	59
Short-term rental taxes	97	109	126	136	127	136	98	89	94	80
Franchise license taxes	1,230	1,260	1,315	1,341	1,364	1,448	1,327	(13)	(13)	(13)
Communications sales tax				3,189	9,032	8,296	7,993	9,677	9,174	9,418
Mobile home titling tax	18	21	18	39	30	45	33	16	23	14
Investment earning	1,102	2,286	6,694	8,328	11,288	5,609	912 (9)	564	285	355
Miscellaneous	261	2,009	661	4,421	4,076	4,266	2,236 (10)	2,548	2,874	4,911
Transfers	(7,214)	(6,820)	(8,378)	(8,318)	(8,530)	(8,364)	(8,467)	(10,322)	(8,865)	(9,600)
Special Item - gain (loss) on disposal on assets	(608)	(157)								
Special Item - donated property	710									
Total governmental activities	<u>174,273</u>	<u>186,495</u>	<u>205,380</u>	<u>222,352</u>	<u>238,483</u>	<u>215,527</u>	<u>209,595</u>	<u>212,414</u>	<u>211,899</u>	<u>212,212</u>
Business-type activities:										
Investment earning	383	694	1,783	2,603	1,659	628	723	457	664	529
Gain(loss) on disposal of assets	1,248	696								
Miscellaneous	7,201	2,711	1,800	2,891	1,020	958	(11)	(11)	80	117
Transfers	7,214	6,820	8,378	8,318	8,530	8,364	8,467	10,322	8,865	9,600
Total business-type activities	<u>16,046</u>	<u>10,921</u>	<u>11,961</u>	<u>13,812</u>	<u>11,209</u>	<u>9,950</u>	<u>9,190</u>	<u>10,779</u>	<u>9,609</u>	<u>10,246</u>
Total primary government	<u>\$ 190,319</u>	<u>\$ 197,416</u>	<u>\$ 217,341</u>	<u>\$ 236,164</u>	<u>\$ 249,692</u>	<u>\$ 225,477</u>	<u>\$ 218,785</u>	<u>\$ 223,193</u>	<u>\$ 221,508</u>	<u>\$ 222,458</u>
Changes in Net Position										
Governmental activities	\$ 13,916	\$ 18,235	\$ 31,590	\$ 22,504	\$ 76,050	\$ 8,013	\$ (13,090)	\$ 352	\$ (15,427)	\$ 1,538
Business-type activities	11,266	6,678	1,084	8,625	653	(210)	2,521	3,922	2,012	367
Total primary government	<u>\$ 25,182</u>	<u>\$ 24,913</u>	<u>\$ 32,674</u>	<u>\$ 31,129</u>	<u>\$ 76,703</u>	<u>\$ 7,803</u>	<u>\$ (10,569)</u>	<u>\$ 4,274</u>	<u>\$ (13,415)</u>	<u>\$ 1,905</u>

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

Table III

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011*	2012	2013
General fund										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 29	\$ 44	\$ 34
Restricted								4,305	872	333
Committed								45,848	32,858	29,439
Assigned								2,025	7,708	5,927
Unassigned								50,198	50,236	54,185
Reserved	\$ 1,819	\$ 1,563	\$ 1,235	\$ 1,727	\$ 2,204	\$ 1,142	\$ 1,290			
Unreserved	42,706	53,175	68,394	82,015	96,902	98,120	100,080			
Total general fund	<u>\$ 44,525</u>	<u>\$ 54,738</u>	<u>\$ 69,629</u>	<u>\$ 83,742</u>	<u>\$ 99,106</u>	<u>\$ 99,262</u>	<u>\$ 101,370</u>	<u>\$ 102,405</u>	<u>\$ 91,718</u>	<u>\$ 89,918</u>
All other governmental funds										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,943	\$ - (1)	\$ -
Restricted								12,377	10,938	12,028
Committed								48,147	26,122	53,741
Assigned								6,631	6,035	5,849
Reserved	\$ 12,199	\$ 11,826	\$ 11,773	\$ 7,760	\$ 7,351	\$ 6,259	\$ 16,461			
Unreserved, reported in:										
Debt service						451	498			
Special revenue funds	10,226	9,440	13,888	12,659	18,225	18,830	13,451			
Capital projects funds	22,245	76,004	61,220	83,790	186,041	134,544	75,683			
Permanent funds	59	60	61	63	65	67	67			
Total all other governmental funds	<u>\$ 44,729</u>	<u>\$ 97,330</u>	<u>\$ 86,942</u>	<u>\$ 104,272</u>	<u>\$ 211,682</u>	<u>\$ 160,151</u>	<u>\$ 106,160</u>	<u>\$ 72,098</u>	<u>\$ 43,095</u>	<u>\$ 71,618</u>

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

(1) Restated in fiscal year 2013.

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									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues										
Taxes (see table V)	\$ 175,923	\$ 185,090	\$ 206,706	\$ 214,475	\$ 231,277	\$ 213,346	\$ 213,976	\$ 219,413	\$ 211,542	\$ 210,415
Intergovernmental revenues	67,984	58,021	56,585	55,427	59,721	82,874	82,565	81,849	78,314	85,937
Licenses and permits	1,662	1,651	1,686	2,030	1,082	939	1,078	1,024	1,072	1,169
Fines and forfeitures	1,638	2,211	2,088	2,142	2,269	2,209	2,004	2,189	2,493	2,386
Revenue from use of money and property	1,640	4,037	7,975	10,355	17,855	9,417	2,861	2,065	1,350	1,329
Charges for services	6,776	9,192	9,907	9,812	10,895	10,489	11,354	11,532	13,022	15,057
Payment from component unit								2,001	2,000	2,000
Miscellaneous	6,033	6,494	10,799	7,891	6,025	4,660	4,848	5,532	6,348	8,218
Special assessments									4,558	6,543
Recovered costs	9,484	9,406	9,834	10,558	10,489	2,057	1,170	1,158	1,145	906
Total revenues	<u>271,140</u>	<u>276,102</u>	<u>305,580</u>	<u>312,690</u>	<u>339,613</u>	<u>325,991</u>	<u>319,856</u>	<u>326,763</u>	<u>321,844</u>	<u>333,960</u>
Expenditures										
General government	88,538	75,711	82,671	87,791	89,137	91,568	98,305	99,066	96,371	102,441
Public safety	39,186	40,951	43,709	46,024	50,450	51,441	50,722	48,322	48,460	52,872
Highways and streets	2,211	2,454	2,587	2,405	2,395	2,362	2,200	1,812	1,980	1,947
Sanitation	2,370	2,589	2,346	2,883	3,656	3,543	3,455	3,637	3,949	3,935
Health	3,060	2,904	2,874	3,118	3,205	2,978	2,709	2,652	2,441	2,567
Human services	24,836	25,390	28,577	28,491	30,032	30,480	31,187	31,558	29,151	28,437
Culture and recreation	12,999	14,606	14,742	14,196	15,255	15,680	15,452	12,080	12,564	13,202
Education (payment to school district)	57,752	61,085	59,928	62,211	66,517	69,216	68,052	67,052	66,345	64,925
Education	2,147	2,252	2,295	2,314	2,404	2,394	2,262	2,133	2,098	2,120
Capital improvements	18,058	26,195	31,332	27,460	46,615	84,855	74,162	53,115	52,536	38,473
Debt service										
Principal	11,606	19,393	11,938	24,443	12,530	13,235	15,210	17,640	18,714	19,661
Interest and fiscal charges	8,255	7,545	9,701	9,348	8,825	15,757	12,939	12,901	12,619	10,728
Bond issuance cost							282	45	313	469
Total expenditures	<u>271,018</u>	<u>281,075</u>	<u>292,700</u>	<u>310,684</u>	<u>331,021</u>	<u>383,509</u>	<u>376,937</u>	<u>352,013</u>	<u>347,541</u>	<u>341,777</u>
Excess of revenues over (under) expenditures	<u>122</u>	<u>(4,973)</u>	<u>12,880</u>	<u>2,006</u>	<u>8,592</u>	<u>(57,518)</u>	<u>(57,081)</u>	<u>(25,250)</u>	<u>(25,697)</u>	<u>(7,817)</u>
Other financing sources (uses)										
Debt issuance and capital leases		73,895	350	29,540	116,275	14,506	7,435	2,545		
Proceeds from Refunding bonds issued		30,367			29,540		65,595		44,770	38,865
Payment to refunded bond escrow agent		(30,236)	(350)		(29,540)		(65,469)		(49,561)	
Premium on bond issue		-			6,438		6,105		5,118	5,263
Transfers in	32,285	27,269	30,965	39,652	37,362	41,435	39,893	48,507	59,650	52,360
Transfers in from component units	634	580								
Transfers out	(39,499)	(34,088)	(39,343)	(47,854)	(45,893)	(49,798)	(48,360)	(58,829)	(68,401)	(61,948)
Total other financing source (uses)	<u>(6,580)</u>	<u>67,787</u>	<u>(8,378)</u>	<u>21,338</u>	<u>114,182</u>	<u>6,143</u>	<u>5,199</u>	<u>(7,777)</u>	<u>(8,424)</u>	<u>34,540</u>
Net change in fund balances	<u>\$ (6,458)</u>	<u>\$ 62,814</u>	<u>\$ 4,502</u>	<u>\$ 23,344</u>	<u>\$ 122,774</u>	<u>\$ (51,375)</u>	<u>\$ (51,882)</u>	<u>\$ (33,027)</u>	<u>\$ (34,121)</u>	<u>\$ 26,723</u>
Debt service as a percentage of noncapital expenditures	9.8%	13.2%	7.9%	11.9%	7.0%	9.0%	9.0%	8.7%	9.4%	9.0%

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

Fiscal Year	General Property Taxes	Business Licenses	Sales Taxes	Utility Taxes	Tobacco Taxes	Communications Sales Taxes	Meal Taxes	Other Taxes ³	Total
2004	\$ 116,385	\$ 10,435	\$ 12,218	\$ 11,652	\$ 4,567	\$ -	\$ 11,325	\$ 9,341	\$ 175,923
2005	123,709	11,019	12,885	10,957	4,084	-	12,449	9,987	185,090
2006	139,280	11,751	13,415	11,637	3,889	-	13,426	13,308	206,706
2007	148,237	12,391	13,804	8,550	3,942	3,189	13,685	10,677	214,475
2008	160,329 ¹	12,784	13,765	5,703	3,760	9,032	13,974	11,930	231,277
2009	145,683 ²	12,207	13,172	4,976	3,629	8,296	13,912	11,471	213,346
2010	145,245	12,349	13,590	4,962	3,538	7,993	14,417	11,882	213,976
2011	144,302	11,562	13,828	5,063	3,681	9,677	15,269	16,031	219,413
2012	141,076 ¹	12,126	13,962	4,929	4,364	9,174	15,793	10,118	211,542
2013	136,705	11,850	14,247	4,959	4,264	9,418	18,083	10,889	210,415

Notes:

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

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

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

Table VI

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

Fiscal Year	Real Estate				Assessed Value		Total Direct Tax Rate
	Citizens' Property	Public Service¹	Newport News Waterworks	Total Taxable Assessed Value	Estimated Actual Taxable Value	as a Percent of Estimated Actual Value²	
2004	\$ 6,081,667	\$190,105	\$ 58,621	\$6,330,393	\$ 7,360,922	87%	1.27
2005	6,776,586	180,476	60,381	7,017,443	8,771,803	80%	1.25
2006	8,165,513	116,579	63,400	8,345,492	10,431,864	80%	1.20
2007	9,285,102	123,453	66,570	9,475,125	11,843,906	80%	1.14
2008	10,976,166	143,250	64,280	11,183,696	12,289,775	91%	1.06
2009	11,357,489	155,505	61,626	11,574,620	11,895,807	97%	1.04
2010	11,448,119	166,948	59,453	11,674,520	11,674,520	100%	1.04
2011	11,166,293	203,348	59,454	11,429,095	11,429,095	100%	1.04
2012	10,930,778	31,079	58,507	11,020,364	11,020,364	100%	1.04
2013	10,480,999	31,923	59,881	10,572,803	10,572,803	100%	1.04

Notes:

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

Table VII

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

Taxpayer	2013			2004		
	Total Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Total Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Hampton Owners LLC	\$ 138,687	1	1.3%			
City of Newport News	63,453	2	0.6%			
Hampton University	43,994	3	0.4%			
FCLA LP	39,006	4	0.4%			
Hampton Center LLC	36,575	5	0.3%			
MOLA LLC	35,278	6	0.3%			
Trail Creek Apartments LLC	35,214	7	0.3%			
Riverdale Apartments LLC	34,100	8	0.3%			
Cambridge Apartments LC	33,767	9	0.3%			
Bir Lakeridge LLC	33,589	10	0.3%			
Hampton Mall Association - shopping mall retail				\$ 63,690	1	1.0%
Liberty Property Limited Partnership				26,811	2	0.4%
Hampton Investors I LLC et al				22,811	3	0.4%
Hampton Training School NU				22,700	5	0.4%
Coliseum Crossing				20,681	4	0.3%
Gateway 2000				20,500	6	0.3%
HNN Associates				20,080	7	0.3%
Howmet Corporation				18,569	8	0.3%
Riverdale Plaza Shopping Center				18,533	9	0.3%
Megaplex Nine, Inc.				17,830	10	0.3%
	<u>\$ 493,663</u>		<u>4.5%</u>	<u>\$ 252,205</u>		<u>4.0%</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
2004	\$ 80,265	\$ 78,024	97.21%	\$ 2,235	\$ 80,259	99.99%
2005	87,249	86,162	98.75%	1,078	87,240	99.99%
2006	100,038	98,636	98.60%	1,392	100,028	99.99%
2007	108,113	106,269	98.29%	1,812	108,081	99.97%
2008	118,381	116,623	98.51%	1,691	118,314	99.94%
2009	120,167	118,427	98.55%	1,592	120,019	99.88%
2010	121,523	119,081	97.99%	1,866	120,947	99.53%
2011	118,863	116,854	98.31%	360	117,214	98.61%
2012	114,612	112,370	98.04%	-	112,370	98.04%
2013	109,957	108,589	98.76%	-	108,589	98.76%

Notes:

* There are no overlapping or underlying tax jurisdictions.

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

Fiscal Year	General Bonded Debt ¹				Percentage of Estimated Actual		Capital Leases
	General Obligation Bonds ²	Notes Payable	State Literary Loans	Total	Taxable Value of Property ³	Per Capita ⁴	
2004	\$ 154,079	\$ 1,988	\$ 1,517	\$ 157,584	2.14%	\$ 1,091.30	\$ 1,973
2005	209,490	1,590	1,328	212,408	2.42%	1,487.45	3,831
2006	198,045	1,192	1,140	200,377	1.92%	1,377.16	1,295
2007	203,635	886	952	205,473	1.49%	1,410.17	1,730
2008	307,745	709	764	309,218	2.52%	2,119.94	1,309
2009	294,835	532	616	295,983	2.49%	2,052.53	1,001
2010	294,130	355	468	294,953	2.53%	2,037.69	15,925
2011	279,360	177	320	279,857	2.45%	2,036.27	15,159
2012	261,100		174	261,274	2.35%	1,901.06	19,195
2013	280,070		82	280,152	2.65%	2,047.36	16,797

Fiscal Year	Business-Type Activities				Percentage of		Per Capita ⁴
	Revenue Bonds	Capital Leases	HRHA Notes Payable	Total Primary Government	Personal Income ⁴		
2004	\$ 121,435	\$ 1,611	\$ 10,810	\$ 293,413	6.89%	\$ 2,031.95	
2005	120,060	1,497	1,062	338,858	8.52%	2,372.96	
2006	118,715	1,379	971	322,737	7.09%	2,218.12	
2007	117,300	1,250	870	326,623	6.84%	2,241.63	
2008	115,850	1,124		427,501	8.20%	2,930.86	
2009	114,360	1,006		412,350	7.89%	2,859.49	
2010	112,810	900		424,588	7.99%	2,933.27	
2011	100,120	748		395,884	7.26%	2,880.50	
2012	91,800	582		372,851	N/A	2,712.91	
2013	87,725	403		385,077	N/A	2,814.15	

Notes:

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

² General obligation bond amounts exclude the unamortized premiums.

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 2011.

N/A-Not available

Table X

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Debt limit	\$ 633,039	\$ 701,744	\$ 834,549	\$ 947,512	\$1,118,370	\$ 1,157,462	\$ 1,167,452	\$1,142,909	\$1,102,036	\$ 1,057,280
Total net debt applicable to limit	157,584	212,408	200,377	205,473	309,218	295,983	294,953	279,857	261,274	280,152
Legal debt margin	\$ 475,455	\$ 489,336	\$ 634,172	\$ 742,039	\$ 809,152	\$ 861,479	\$ 872,499	\$ 863,052	\$ 840,762	\$ 777,128
Total net debt applicable to the limit as a percentage of debt limit	24.89%	30.27%	24.01%	21.69%	27.65%	25.57%	25.26%	24.49%	23.71%	26.50%

Legal Debt Margin Calculation for Current Fiscal Year:

Assessed value	\$10,572,803
Debt limit (10% of total assessed value)	1,057,280
Debt applicable to limit:	
General obligation debt	280,152
Total net debt applicable to limit	280,152
Legal debt margin	\$ 777,128

Notes:

Virginia state statute limits bond issuing authority of Virginia cities to 10% of the assessed real estate value. The above calculation includes all debt secured by the full faith and credit of the City. The calculation excludes installment purchase contracts, compensated absences, claims and judgements, net OPEB obligation and other post employment benefits totaling \$62,735,868 at June 30, 2013.

* There are no overlapping or underlying tax jurisdictions.

Table XI

**CITY OF HAMPTON, VIRGINIA
PLEDGE-REVENUE COVERAGE**

Last Ten Fiscal Years
(amounts expressed in thousands)

Fiscal Year	Gross Revenues (1)	Operating Expenses (2)	Net Revenue		Debt Service Requirements (3)			Coverage
			Available for Debt Service			Total		
				Principal	Interest			
The Hamptons Revenue Bonds								
2004	\$ 1,291	\$ 995	\$ 296	\$ 200	\$ 141	\$ 341	0.87	
2005	1,395	1,012	383	210	129	339	1.12	
2006	1,567	1,074	493	215	116	331	1.49	
2007	1,571	1,090	481	230	103	333	1.44	
2008	1,676	1,164	512	240	89	329	1.56	
2009	1,570	1,143	427	250	74	324	1.32	
2010	1,426	1,037	389	260	59	319	1.22	
2011	1,526	1,072	454	270	43	313	1.45	
2012	1,534	1,033	501	285	26	311	1.61	
2013	1,200	1,194	6	295	9	304	0.02	
Museum Revenue Bonds								
2004	\$ 10,924	\$ 5,136	\$ 5,788	\$ 990	\$ 798	\$ 1,788	3.24	
2005	6,767	5,450	1,317	1,165	428	1,593	0.83	
2006	7,820	5,155	2,665	1,130	460	1,590	1.68	
2007	9,682	5,729	3,953	1,185	403	1,588	2.49	
2008	8,025	6,130	1,895	1,210	365	1,575	1.20	
2009	7,368	5,561	1,807	1,240	351	1,591	1.14	
2010	7,193	5,456	1,737	1,290	301	1,591	1.09	
2011	7,405	5,299	2,106	1,330	238	1,568	1.34	
2012	5,224	3,963	1,261	1,370	182	1,552	0.81	
2013	4,730	3,468	1,262	1,440	112	1,552	0.81	

Table XI

**CITY OF HAMPTON, VIRGINIA
PLEDGE-REVENUE COVERAGE**

Last Ten Fiscal Years

(amounts expressed in thousands)

Economic Development Authority Revenue Bonds

2004	\$	5,098	\$	1,588	\$	3,510	\$	385	\$	771	\$	1,156	3.04
2005		5,944		4,298		1,646		410		750		1,160	1.42
2006		8,890		4,946		3,944		432		719		1,151	3.43
2007		5,007		4,420		587		392		693		1,085	0.54
2008		3,456		3,166		290		417		561		978	0.30
2009		6,940		4,126		2,814		445		528		973	2.89
2010		5,066		4,420		646		475		501		976	0.66
2011		2,568		2,813		(245)		505		470		975	(0.25)
2012		2,248		1,601		647		537		453		990	0.65
2013		2,244		3,555		(1,311)		570		402		972	(1.35)

Convention Center Revenue Bonds (4)

2005	\$	6,174	\$	1,211	\$	4,963	\$	-	\$	5,360	\$	5,360	0.93
2006		8,775		3,660		5,115		-		5,368		5,368	0.95
2007		9,288		2,993		6,295		-		5,363		5,363	1.17
2008		9,989		3,885		6,104		-		5,335		5,335	1.14
2009		8,626		3,092		5,534		-		5,362		5,362	1.03
2010		8,625		2,859		5,766		-		5,363		5,363	1.08
2011		10,535		3,371		7,164		2,155		4,151		6,306	1.14
2012		9,698		3,931		5,767		2,265		3,371		5,636	1.02
2013		10,698		3,262		7,436		2,340		4,432		6,772	1.10

(1) Gross revenues includes transfers in.

(2) Total operating expenses exclusive of depreciation.

(3) Includes principal and interest of revenue bonds only.

(4) Operation of the Convention Center began in March 2005.

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

Fiscal Year	Population ¹	Personal Income ² (in thousands)	Per Capita Income ³	School Membership ⁴	Unemployment Rate Percentage ⁵
2004	144,400	\$ 4,261,000	\$ 29,388	23,009	5.2%
2005	142,800	3,976,299	30,389	22,938	4.6%
2006	145,500	4,551,991	31,057	22,229	4.2%
2007	145,708	4,775,904	32,608	22,176	3.6%
2008	145,862	5,215,071	35,903	21,189	4.9%
2009	144,204	5,228,880	36,252	21,411	8.2%
2010	144,749	5,311,551	38,678	20,804	8.6%
2011	137,436	5,456,189	40,001	20,762	8.0%
2012	137,372	N/A	N/A	21,622	7.8%
2013	136,836	N/A	N/A	21,366	7.1%

Notes:

¹ Source: Weldon Cooper Center for Public Service as of July 1, 2012

² Source: Bureau of Economic Analysis. Most recent information available is 2011.

³ Source: Bureau of Economic Analysis. Most recent information available is 2011.

⁴ Source: Hampton City Schools

⁵ Source: U.S. Bureau of Labor Statistics

N/A-Not available

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

2013	2004
Over 600 Employees:	500 + Employees:
Alcoa Howmet	Association for Retarded Citizens, Inc
City of Hampton	Hampton University
Hampton City Schools	Howmet Corporation
Hampton University	Information Technology Solution
Hampton Veteran's Affairs Medical Center	Lockheed Technical Operations, Inc.
Langley Air Force Base	Science Applicats Int'l Corp.
NASA Langley Research Center	Sentara Hampton General Hospital
Sentara Hampton General Hospital	Spiegel Group Teleservice, Inc.
Sprint	Teletech Customer Care
Thomas Nelson Community College	Walmart Associates, Inc.
	West Telemarketing Corporation
200- 599 Employees:	250 - 499 Employees:
Cubic Applications (subsidiary of Cubic Corporation)	Anthem Alliance
Jacobs Technology (subsidiary of Jacobs Engineering)	Cogar Automotive
Riverside Regional Medical Centers	Cubic Applications, Inc.
Top Guard	Farm Fresh LLC
TRG Customer Solutions	Food Lion
Measurement Specialties	Graham & Rollins
	Headway Corp Staffing of NC, Inc.
	Humana Military 2 5 Inc.
	Maida Development
	Mcdonald's
	Newport News, Inc.
	Nextel
	Peninsula Behavioral Center
	Raytheon Company
	7 Eleven Stores

Source: City of Hampton, Department of Economic Development

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

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Function										
Governmental activities										
General government	541	581	588	588	578	588	588	574	562	574
Public safety	648	663	686	695	707	695	645	649	663	688
Highway and streets	29	30	31	30	29	30	27	24	24	20
Sanitation	35	31	35	41	47	48	47	46	51	49
Health	29	24	23	24	22	22	22	16	16	19
Human services	254	249	237	242	245	232	236	225	229	229
Culture and recreation	171	176	173	172	167	159	137	128	123	128
Total governmental activities	1,707	1,754	1,773	1,792	1,795	1,774	1,702	1,662	1,668	1,707
Business-type activities										
Culture and recreation	44	70	43	45	44	38	37	36	37	32
Sanitation	151	150	154	152	146	147	140	143	141	142
Housing ¹	75	71	68	68						
Total business-type activities	270	291	265	265	190	185	177	179	178	174
Total	1,977	2,045	2,038	2,057	1,985	1,959	1,879	1,841	1,846	1,881

Sources: City of Hampton, Department of Human Resources

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

Table XV

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Function/Program										
General government										
Building permits issued	3,742	3,547	3,342	3,509	3,167	2,241	2,195	2,123	2,162	2,111
Building inspections conducted	9,158	9,267	9,500	9,349	9,459	7,853	6,988	6,131	7,021	8,029
311 customer call center										
Number of calls received	307,034	288,155	290,000	242,158	191,727	170,971	168,492	148,351	147,458	148,988
Public safety										
Police										
Physical arrests	18,850	19,681	19,587	20,071	22,626	18,711	12,621	16,886	16,733	10,035
Traffic summons	28,584	32,438	30,601	30,321	34,334	34,781	30,121	30,225	30,459	29,007
Fire										
Emergency responses	19,645	19,840	22,641	21,592	22,928	22,651	22,271	22,394	23,718	23,808
Fires extinguished	367	319	689	332	168	278	378	450	320	319
Patients transported	10,283	10,517	10,730	7,678	12,105	12,015	12,133	11,620	12,149	13,665
Code inspections	103	218	335	740	1,553	2,165	2,572	2,210	2,658	839
Highway and streets										
Roads paved or resurfaced (miles)	24	20	15.17	15.11	22.25	27.5	106	68.76	68	88
Sanitation										
Yard waste collected (tons)	15,000	16,000	14,000	13,000	10,240	14,160	14,106	11,965	15,244	13,326
Debris removed (tons)	73,600	72,245	70,000	84,000	104,236	109,204	113,234	114,773	155,011	122,317
Cleanups	272	267	416	417	366	935	518	819	764	840
Street sweeping	4,500	4,500	4,500	3,060	2,689	3,339	3,231	3,364	3,384	3,384
Storm drains cleaned (linear feet)	108,533	103,989	104,962	99,913	71,619	76,202	97,046	73,901	109,767	153,605
Health										
Preventive health										
Family practice visits (closed 3/31/11)	3,223	4,217	3,986	3,522	3,183	2,602	2,755	1,615	N/A	N/A
Immunization visits	5,694	6,943	6,623	6,201	5,485	5,794	7,053	6,511	6,948	6,725
Prescriptions filled (closed 5/25/10)	33,125	35,454	39,559	34,296	30,739	26,103	22,786	N/A	N/A	N/A
Human services										
Healthy families partnership										
Number of families assessed	553	611	613	610	525	617	567	590	760	689
Number of families served	973	855	790	1,183	1,079	888	1,026	930	979	958
Number of adult participants in the parenting classes	1,469	1,733	1,500	1,602	1,595	1,430	1,242	1,875	2,585	2,850

Table XV

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Function/Program										
Social Services										
Food stamp participants	4,860	5,318	5,850	5,384	5,365	6,027	8,040	8,939	10,372	11,048
Culture and recreation										
Senior citizens attendance at Senior Center	26,278	25,645	26,414	27,338	28,021	17,047	13,730	12,985	13,050	12,997
Community center admissions										
Youth	160,555	66,975	57,663	60,602	63,632	67,421	82,134	13,512	55,558	55,873
Teen	99,043	103,995	72,428	65,888	67,535	49,802	37,359	15,033	20,369	22,340
Adult	63,904	69,655	75,500	79,124	80,706	94,481	113,178	135,786	80,605	80,685
Education										
School membership (total)	23,009	22,938	22,229	22,176	21,189	21,411	20,804	20,762	21,622	21,366
High schools	6,775	6,883	6,914	6,657	6,659	6,494	6,784	6,749	6,781	6,516
Middle schools	5,709	5,680	5,450	5,433	5,156	4,837	4,743	6,837	4,069	3,975
Elementary schools	10,525	10,375	9,865	10,086	9,374	10,080	9,277	7,849	9,876	9,885
Combined schools								2,327	896	990
School board personnel	2,841	2,903	2,906	2,902	2,866	3,194	3,138	2,992	2,821	2,980
Wastewater										
Average daily sewage treatment (thousands of gallons)	11,691	11,610	11,604	11,600	11,300	11,410	10,566	10,794	10,460	14,890

Source: City of Hampton, various departments.

N/A-Not available

Table XVI

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Function/Program										
Public safety										
Police										
Patrol units	227	227	227	246	254	278	272	195	211	211
Patrol boats	3	3	3	4	2	3	4	3	5	5
Fire										
Stations	10	10	10	10	10	10	10	10	11	11
Pumpers	19	19	19	19	19	19	19	18	18	14
Ambulances	18	18	18	17	18	18	18	17	17	16
Rescue vehicles	3	3	3	3	3	3	3	3	3	3
Ladder trucks	2	2	2	2	2	2	2	4	4	6
Fire Boats						2	2	4	4	2
Highways and streets										
Streets (miles)	435.35	437.68	437.68	439.08	445.6	459	455	460	475	482
Traffic signals	163	174	177	177	181	179	180	180	185	185
Bridges	41	41	41	41	40	40	40	40	40	40
Sanitation/solid waste										
Collection trucks	44	44	44	43	48	49	56	56	58	58
Culture and recreation										
Parks acreage ¹	1628	1628	1628	1789	1789	1791	1791	1,791	1,791	1,791
School parks acreage	675	675	675	675	675	751	751	751	751	751
Parks	17	23	23	23	23	23	23	23	23	23
Amphitheater	1	1	1	2	2	2	2	2	2	2
Baseball fields	38	38	38	38	38	38	39	39	39	41
Basketball courts	35	35	35	35	35	35	35	35	36	36
Boat ramps	3	3	3	3	3	3	3	3	3	3
Coliseum	1	1	1	1	1	1	1	1	1	1
Community centers	5	5	5	5	5	5	5	5	6	6
Convention center	0	1	1	1	1	1	1	1	1	1
Fitness trails	N/A	12	12	12	12	12	12	12	12	12
Football fields	20	20	20	20	20	20	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	1	1	1	1	1	2	2	2	3	3

Table XVI

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Function/Program										
Municipal beaches	3	3	3	3	3	3	3	3	3	3
Municipal parks	N/A	10	10	10	10	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	28	28	28	26	26	26	26	26	26	26
Playgrounds	41	41	41	41	41	40	46	46	46	46
Senior citizens center	1	1	1	1	1	1	1	1	1	1
Soccer fields	28	28	28	30	30	30	33	33	33	33
Softball fields	15	15	15	16	16	17	17	17	17	17
Tennis courts	66	66	66	66	66	66	66	66	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									1	2
Education										
High schools	4	4	4	4	4	4	4	4	4	4
Middle schools	6	6	6	6	6	6	5	8	8	7
Elementary schools	24	24	24	23	23	23	20	20	20	20
Wastewater										
Sanitary sewers lines (miles)	468	471	465	482	469	469	469	426	426	426
Sewer Pumping stations	104	105	107	107	108	108	108	108	108	108

Notes:

¹ Park land currently developed.

N/A-Not available

Source: Various city departments.

Financial Compliance Reports for Federal Funds

**Independent Auditor's Report on Compliance for Each Major
Federal Major Program and on Internal Control Over Compliance
Required by OMB Circular A-133**

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

Report on Compliance for Each Major Federal Program

We have audited the City of Hampton, Virginia's (the "City") compliance with the types of compliance requirements described in the *OMB Circular A-133 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, 2013. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Hampton, Virginia, 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, 2013.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2013-2 and 2013-3. Our opinion on each major federal program is not modified with respect to these matters.

The City's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

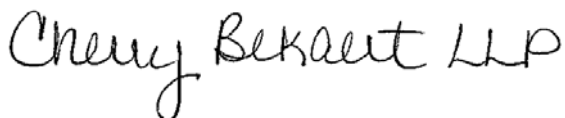
Report on Internal Control Over Compliance

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 and significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described at 2013-2 in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Cheryl Bekaert LLP". The signature is written in a cursive, flowing style.

Virginia Beach, Virginia
November 27, 2013

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

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 and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and *Specifications for Audits of Counties, Cities and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, 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, 2013, and the related notes to the financial statements and have issued our report thereon dated November 27, 2013. Our report includes a reference to other auditors who audited the financial statements of the Downtown Hampton Development Partnership, Inc. as described in our report on the City's financial statements. The financial statements of the Downtown Hampton Development Partnership, Inc. were not audited in accordance with Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described at 2013-1 in the accompanying schedule of findings and questioned costs that we consider to be a material weakness.

Compliance and Other Matters

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

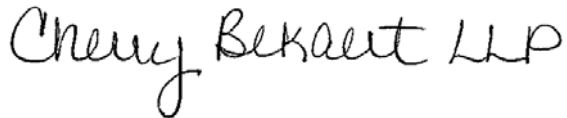
We did identify one matter of noncompliance with State compliance requirements which is described in the accompanying schedule of findings and questioned costs as 2013-4.

City of Hampton, Virginia's Response to Findings

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 City'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.

A handwritten signature in black ink that reads "Cherry Bekaert LLP". The signature is written in a cursive, flowing style.

Virginia Beach, Virginia
November 27, 2013

City of Hampton, Virginia
Schedule of Findings and Questioned Costs
Year Ended June 30, 2013

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 weaknesses identified:	Yes
Significant deficiencies identified:	None reported
Noncompliance material to the financial statements noted?	No

Federal Awards:

Type of auditor's report issued on compliance for major programs:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified:	No
Significant deficiencies identified:	Yes
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	Yes

Identification of major federal programs:

<u>Program Description</u>	<u>CFDA #</u>
U.S. Department of Agriculture Child Nutrition Cluster	10.553/10.555/10.559
Department of Transportation Highway Planning and Construction Cluster	20.205
National Aeronautics and Space Administration NASA Steam Sales	43.000
U.S. Department of Education Title 1, Part A Cluster	84.010
Improving Teacher Quality State Grants	84.367
U.S. Department of Health and Human Services Temporary Assistance to Needy Families (TANF)	93.558
Social Services Block Grant	93.667

Dollar threshold to distinguish between Types A and B Programs:	\$1,447,777
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The City of Hampton was qualified as a low risk auditee?	No
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B. Findings - Financial Statement Audit

2013-1 Internal Control over Financial Reporting

Criteria:

All expenditures should be recorded in the correct period.

Statement of Condition:

During the current year, management identified two expenditures that were not paid in a timely manner that should have been accrued in the prior year.

Cause:

These expenditures were not paid in a timely manner and therefore were not subjected to the City's year-end accrual process.

Effect or Potential Effect:

Because of these adjustments, the financial statements were misstated.

Recommendation:

We recommend management verify annual expenditures are appropriately accrued at year end regardless of the timing of payment.

Management Response:

We process payments to the Community Development Authorities (CDA) for special assessment collections and incremental taxes. The Treasurer's staff provides the Finance staff with the documentation and wire transfer information to process the payments for special assessment collections and incremental real estate taxes. The Commissioner of Revenue staff provides the information for the incremental other local taxes in April of each year although the payment is not due until August. In August 2012 the staff member responsible for this task left the City without processing the payment for the incremental other local taxes, nor did they inform anyone of the outstanding payable. The staff member assuming this role was not aware of this process or the outstanding payment. The standard operating procedures did not include anything about the processing of payments for incremental other local taxes. It was discovered by the new staff member that we had not made the payment that was due in August 2012. In addition, we discovered that a payment for additional special assessment collections for fiscal year 2012 was recorded in fiscal year 2013 in error.

To prevent these errors from reoccurring in the future, we have updated our standard operating procedures for processing payments to the CDA's. In addition, the Commissioner of Revenue staff will be providing the information to us in the same format as the Treasurer's office during the month of July of each year.

C. Findings and Questioned Costs – Major Federal Awards

2013-2 Compliance with Child Nutrition Cluster

Criteria:

The Schools Director of Food and Nutrition reviews all purchase orders and provides evidence of written approval for payment before any payment is made to a vendor.

Statement of Condition:

We noted payments that did not have evidence of written approval on the authorization for payment form.

Questioned Costs:

No questioned costs were identified as a result of this finding.

Perspective Information:

Of a sample of 20 vendor disbursements, we noted 2 payments that did not have evidence of approval on the authorization for payment form.

Cause:

The Schools Director reviews multiple authorizations for payment at any given time. The 2 items noted were inadvertently overlooked during this process.

Effect or Potential Effect:

Absent proper review and approval, it is possible grant funds could be used for unallowable costs.

Recommendation:

We recommend that the Schools Director of Food and Nutrition provide written evidence of review and approval by initialing or signing each authorization for payment form. The individual processing the vendor payment should verify that proper approval is noted on the authorization for payment form prior to processing the payment.

Management Response:

Management concurs with the recommendation that the Schools Director of Food and Nutrition Services provides written evidence of review prior to payment by initialing or signing each authorization for payment form. The Financial Services Coordinator for Food and Nutrition Services, who is responsible for processing the vendor payment, should verify that proper approval is noted on each authorization for payment form prior to processing payment. This was effective July 1, 2013.

2013-3 Compliance with TANF Cluster**Criteria:**

The Virginia Department of Social Services sets the TANF eligibility requirements one of which is to obtain a signed application by an adult household member or other authorized representative.

Statement of Condition:

We noted a case where a signed application was not obtained.

Questioned Costs:

No questioned costs were identified as a result of this finding.

Perspective Information:

Of a sample of 40 case files, we noted 1 case that did not have evidence of a signed application.

Cause:

Oversight

Effect or Potential Effect:

Absent proper documentation of signed applications, it is possible grant funds could be used for unallowable costs.

Recommendation:

We recommend the City of Hampton's Social Service Department implement a process to mitigate the omission of the documentation required by the state of Virginia.

Management Response:

The Hampton Department of Social Services has established process and procedure to monitor 100% of TANF applications to ensure completeness of all mandatory forms.

D. Findings and Questioned Costs – State Compliance

2013-4 Compliance related to Social Services (repeat finding)

Criteria:

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

Statement of Condition:

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

Questioned Costs:

No questioned costs were identified as a result of this finding.

Cause:

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

Effect or Potential Effect:

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

Recommendation:

Currently, Hampton Social Services follow's the state policy in relation to the disruption for loss of services due to a reduced workforce. We recommend Hampton Social Services include this element in their current local Business Continuity Plan to be in compliant with the requirements as outlined on VDEM's website.

Management Response:

The Hampton Department of Social Services' employees are aware they are required to be available during an emergency situation. Six teams of 20 to 25 have been created to provide coverage during any emergency event. Teams are designed with double capacity so if relief cannot get to them they are to function by rotating shifts of 12 hours. If any team or team member is unable to report to work, departments under the direct supervision of the Director of Social Services would be called upon to provide coverage.

E. Resolution of Prior Year's Findings

2012-1:

Status: Completed

2012-2:

Status: Completed

2012-3:

Status: Completed

2012-4:

Status: Completed

2012-5:

Status: Repeat finding