



COMPREHENSIVE ANNUAL FINANCIAL REPORT

CITY OF HAMPTON, VIRGINIA
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

HAMPTON VA

COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY OF HAMPTON, VIRGINIA

For the Fiscal Year Ended June 30, 2018

Prepared by:

Karl S. Daughtrey, Director of Finance

Jacqueline Green, Deputy Director of Finance, Controller

and

The Department of Finance

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**CITY OF HAMPTON, VIRGINIA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 June 30, 2018**

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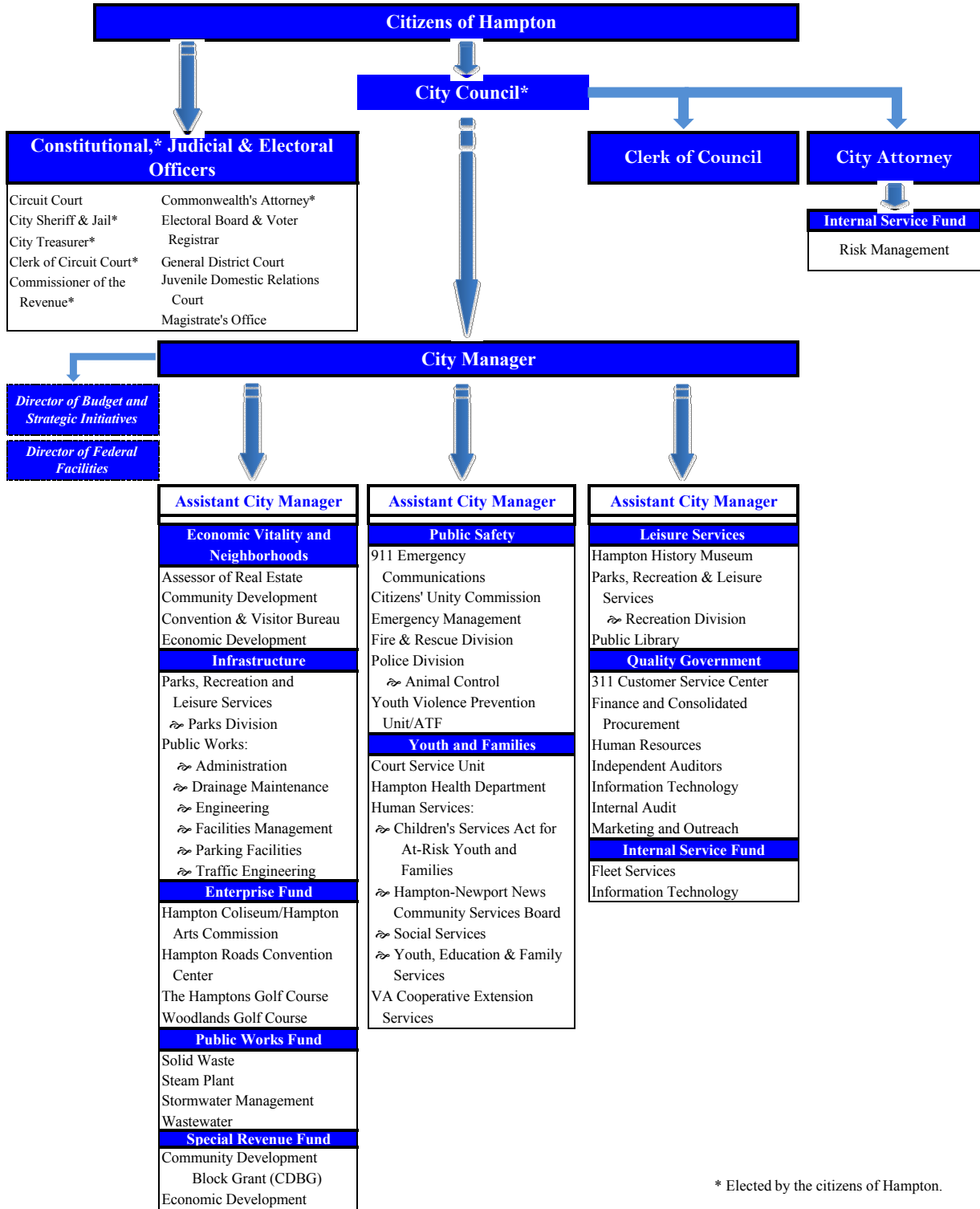
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JUNE 30, 2018 ORGANIZATIONAL CHART



* Elected by the citizens of Hampton.

CITY OF HAMPTON, VIRGINIA
June 30, 2018

ELECTED OFFICIALS

CITY COUNCIL

Donnie Tuck, Mayor
Linda Curtis, Vice Mayor
Jimmy Gray
W.H. "Billy" Hobbs, Jr.
Will J. Moffett
Teresa L.V. Schmidt
Chris Osby Snead

CONSTITUTIONAL OFFICERS

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

APPOINTED OFFICIALS

CITY ADMINISTRATION

Mary B. Bunting - City Manager
James A. Peterson - Assistant City Manager
Steven Bond - Assistant City Manager
Brian DeProfio - Assistant City Manager
Karl S. Daughtrey - Director of Finance
Lori Green - Interim Director of Budget and Strategic Initiatives
Jacqueline Green - Deputy Director of Finance, Controller

CITY OF HAMPTON, VIRGINIA
June 30, 2018

SCHOOL BOARD

Jason S. Samuels, Chair
Linwood "Butch" Harper
Martha M. Mugler
Dr. Reginald Woodhouse

Ann Cherry, Vice Chair
Phyllis Taylor Henry
Joe C. Kilgore
Carolyn Bowers, Clerk of the Board

SCHOOL ADMINISTRATION

Dr. Jeffery Smith - Superintendent
Dr. John Caggiano - Deputy Superintendent for Curriculum and Instruction
Dr. Patricia Johnson - Interim Deputy Superintendent for Operations and Support
Dr. Raymond Haynes - Executive Director of School Leadership
Dr. Anita Owens - Executive Director of School Leadership
Dr. Donna Woods - Executive Director of School Leadership
Ann Bane - Director of Community and Legislative Relations
Dr. Cynthia L. Cooper - Executive Director of Research, Planning and Evaluation
Kellie Goral - Executive Director of Public Relations and Marketing
Robbin Ruth - Executive Director of Human Resources

HAMPTON EMPLOYEES' RETIREMENT SYSTEM

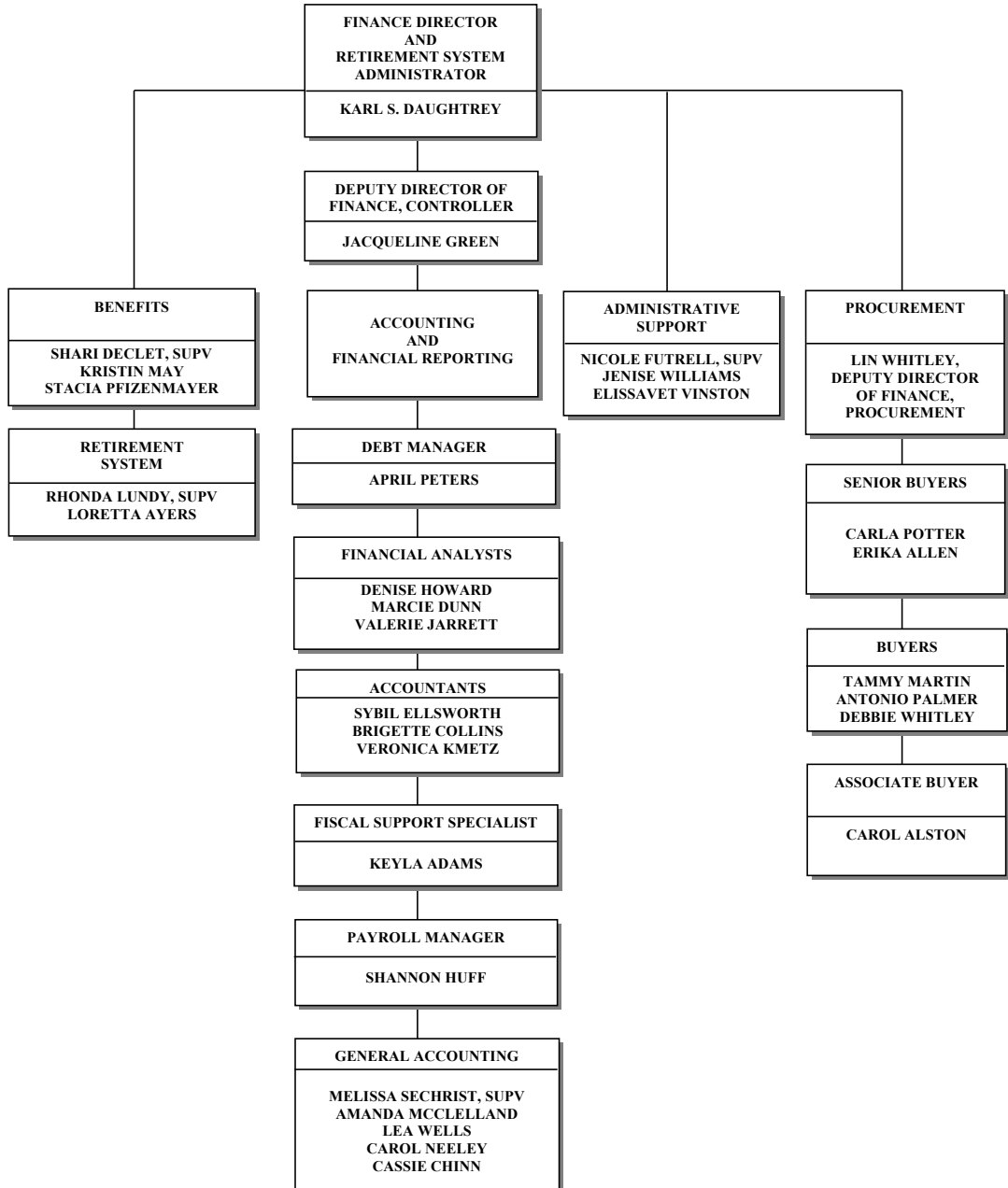
BOARD OF TRUSTEES

Andrew G. Womble, Jr., Chairman
James T. Wilson, Trustee
Vizel Townsend, Trustee
Carolyn Bowers, Trustee

James A. Peterson, Vice Chairman
Michael Monteith, Trustee
Dr. Martha Milo-Avery, Trustee

Karl S. Daughtrey, Administrator and Treasurer
Rhonda Lundy, Secretary
David J. Sanders, Risk Manager
Patricia A. Melochick, Legal Council

**CITY OF HAMPTON, VIRGINIA
DEPARTMENT OF FINANCE
June 30, 2018**



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November 30, 2018

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, 2018. State law requires the City to publish, at the close of each fiscal year, a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America (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 presented fairly in all material respects, in accordance with GAAP and have issued an unmodified opinion on the City's financial statements for the year ended June 30, 2018. The independent auditor's report is presented as the first component of the financial section of this report.

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

Profile of the City

Background

The City of Hampton, Virginia, settled in 1610, is the oldest English-speaking community in continuous existence in the United States. The City was incorporated on March 30, 1908 and has operated under its existing charter since December 16, 1952. Its boundaries were extended on July 1, 1952 through the annexation of Elizabeth City County and Phoebus. The City is comprised of 72 square miles, including 54.7 square miles of land and 17.3 square miles of water. Hampton is situated at the extreme southeastern tip of the

Lower Peninsula of Virginia. It is bounded on the west by the City of Newport News, on the north by York County and the City of Poquoson, on the east by the Chesapeake Bay and on the south by the Harbors of Hampton Roads. Hampton is part of the Norfolk-Virginia Beach-Newport News Metropolitan Statistical Area (MSA).

As of July 1, 2017, current estimated population in Hampton was 136,743.

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 2018, several awards and recognitions were received by the City of Hampton. They are listed below:

The Hampton Division of Fire and Rescue maintained Accredited Agency status by the Commission on Fire Accreditation (CFAI) for meeting the criteria established through the CFAI's voluntary self-assessment and accreditation program. The Hampton Division of Fire and Rescue is now one of only 220 agencies worldwide, with 11 others in Virginia, to achieve internationally Accredited Agency status with the CFAI and the Center for Public Safety Excellence, Inc. (CPSE). The City of Hampton was the first combination fire and rescue agency in the Commonwealth that is fully accredited and holds an ISO-1 rating. Of further note, the Hampton Division of Fire and Rescue was the second in Hampton Roads to receive the "Agency of Excellence" designation from the state for operating above required emergency medical service standards.

- The City's Budget Department received the Government Finance Officers Association Distinguished Budget Presentation Award for the fiscal year 2018 Budget document.
- For the seventeenth time Hampton was named as one of the most technologically-advanced cities in the nation by the Center for Digital Government. The survey focuses on results achieved by cities through the use of technology in operating efficiencies, realizing strategic objectives, innovative or creative solutions or approaches, effective collaboration and transparency measures.

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.

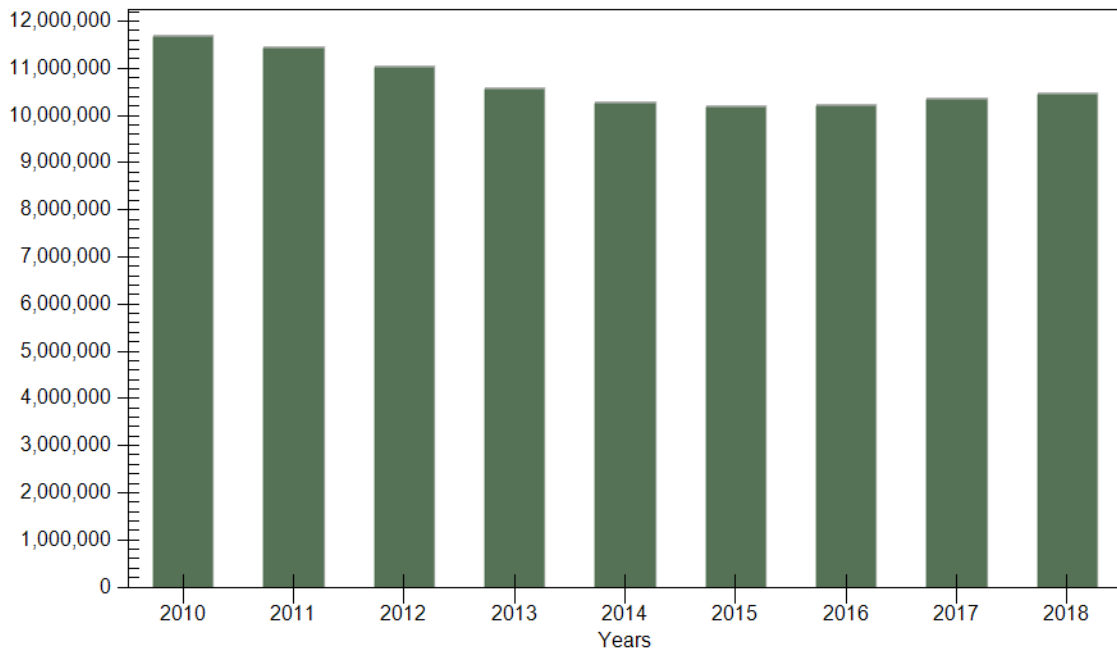
The City's strategic location and economic development activities offer its residential civilian labor force a wide range of employment opportunities. Hampton businesses draw from the largest regional workforce between Washington, D.C. and Atlanta, with over 830,400 highly educated, skilled, and technically trained workers. Each year, over 10,000 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 97,000 students attending the region's eight universities and four community colleges with an estimated 14,000 graduates per year.

After a decade of stagnant economic growth, the Hampton Roads region has finally turned the corner and is experiencing an improved economy. This recovery is due, in large measure, to increases in defense spending, growth in cargo traffic at the ports, low unemployment, and stronger performance in both the housing and hotel sectors. Continued growth at the port is predicted as its natural deep-water harbor is one of the few places on the east coast of the country that can accommodate the largest container ships. Improvements in the housing sector have resulted in the development of several new upscale multifamily projects in the downtown Hampton, Coliseum Center and Phoebus areas of the City. Monroe Gates in Phoebus will host 162 units and Ellipse and Axis in Coliseum Central will host 260 and 169 units, respectively. The region's unemployment rate has decreased from 3.6% to 3.0%, compared to the national rate of 3.9%. Hampton's unemployment rate has decreased to 4.3% as of June 30, 2018, compared to 5.1% in the prior year.

The real estate market appears to be stable after years of decline. For the third consecutive year, the City has experienced an increase in real estate assessments.

Assessed Value of Taxable Real Property

In Thousands



Economic Development

Some of the City's business expansions and new businesses that located to Hampton in Fiscal Year 2018 are listed below:

- The Element Hotel at Peninsula Town Center headlines some major upgrades to the area. The 120 room, 78,800 square foot hotel will be Hampton's first project to qualify for the Virginia Tourism Development Financing Program.
- Floor & Decor and Sky Zone are also coming online in the Peninsula Town Center. Floor & Decor, a retail store specializing in tile and high quality flooring, is investing more than \$4.3 million into the 70,000 square foot location. Sky Zone, which is an indoor trampoline park, is investing \$1.6 million and will be locating next door to Floor & Decor, into a 27,000 square foot facility.
- Riverpointe Shopping Center, one of Hampton's oldest and commercially desirable shopping centers, was bought in 2016 by Southeastern Development Associates. Plans for the center include \$60 million in investments, the renovation of 130,000 square foot commercial space and construction of 150,000 square foot of additional new space. New anchor tenants planned for Riverpointe are AT Home, Kroger and Conn's. When completed, the center is expected to add \$1.6 million to the city's annual tax revenue.
- Aldi, an international grocery store, opened an 18,800 square foot store in the Coliseum Central district and added more than 40 new jobs.

Military, Federal Research Facility and Veterans Medical Center

Langley Air Force Base celebrated its 100th anniversary in 2016 as the oldest continuously serving active installation 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 with one-third of the Nation's Air Superiority Fighter Aircraft, the F-22 Raptors stationed on the installation along with two intelligence, surveillance and reconnaissance organizations. Covering 2,900 acres, Langley has more than 13,000 military personnel and approximately 5,984 civilian employees with a combined payroll of over \$1.5 million. The combined Joint Base Langley Air Force Base, Hampton and Ft Eustis, Newport News total fiscal year 2017 economic impact to the region was \$2.1 billion.

The National Aeronautics and Space Administration's NASA Research Center is located in Hampton adjacent to Langley Joint Base Langley-Eustis. The Center is an important national resource serving inherent government functions such as aeronautics, science, space technology, human space exploration, climate research and the air transportation system. NASA Langley is underway with construction of the new Measurement Systems Laboratory. The structure will be 175,000 square foot with an investment of \$95.6 million. The Measurement Systems Laboratory will be a world-class facility for research and development of new measurement concepts, technologies, and systems that will enable NASA to achieve its mission in space exploration, science, and aeronautics. The lab will have about 40 modular research labs for research and development functions such as electronics, lasers, clean rooms, and instrumentation. The facility will allow the consolidation of many laboratories that currently are dispersed throughout the center.

Construction has been completed on NASA Langley's Katherine Johnson Computational Research Facility (CRF). The \$23-million, 37,000-square foot structure is consolidating four Langley data centers. The building incorporates energy-saving features that are expected to be 33 percent more efficient than if those features had not been included. The significance of the facility is that it advances Langley's capabilities in modeling and simulation, big data and analysis. Powerful computers like those in the CRF are capable of more complex analysis and simulation, in some cases replacing but also validating and complimenting the research done in NASA's labs and wind tunnels. The CRF also houses an office area for researchers to perform their work.

The Virginia Air and Space Center, located in downtown Hampton, proudly serves as the official welcome center for NASA Langley.

The Hampton Veterans Affairs Medical Center (HVAMC) is located on an 86 acre campus along the historic banks of the Chesapeake Bay and next to Hampton University. The HVAMC is a world class facility with highly skilled and compassionate staff. The medical center is a leader in technology and innovation providing health care services to veterans in southeastern Virginia and northeastern North Carolina. The HVAMC is a tertiary care, Complexity Level 2 hospital. HVAMC provides comprehensive primary and specialty care in medicine, surgery and psychiatry. The Medical Center is geographically positioned among one of the largest Department of Defense (DOD) active duty and military retiree populations in the United States. As a result, the Medical Center has seen a 7% increase among Veterans seeking VA care. The Hampton VAMC recently opened a state of the art Women's Clinic designed to provide gender specific care under one roof. Additional expansions at the medical center include the Spinal Cord Injury Unit and Mental Health Unit. The mental health unit is the newest addition providing 13 group therapy rooms and employing 90 staff.

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:

	000's Omitted		Percent Increase
	2018	2017	(Decrease)
Revenues and Other Financing Sources:			
General Fund	\$334,996	\$328,438	2.00
School Operating	<u>130,150*</u>	<u>126,583*</u>	<u>2.82</u>
Total	<u>465,146</u>	<u>455,021</u>	<u>2.23</u>
Expenditures and Other Financing Uses:			
General Fund	256,719*	256,924*	(0.08)
School Operating	<u>203,353*</u>	<u>198,782*</u>	<u>2.30</u>
Total	<u>(460,072)</u>	<u>(455,706)</u>	<u>0.96</u>
Net change to fund balance	<u>\$5,074</u>	<u>\$(685)</u>	

*Excludes payments between the General Fund and School Operating Fund

The General Fund revenues and other financing sources increased by approximately \$6.6 million or 2.00% when compared to fiscal year 2017 revenues. General property tax collections increased by approximately \$2.2 million as a result of revenue collected for additional supplemental real estate assessments for new construction. In the other local taxes category, we experienced an increase of approximately \$1.6 million. Meal tax continued to grow with a \$.543 million increase or 2.6% over the prior year. Also in the other local taxes category, business license taxes increased by \$.496 million due to the collection of back taxes discovered by audits conducted in fiscal year 2018.

Interest earned on investments exceeded prior year revenue by \$.658 million which was directly related to the Federal Reserve increasing interest rates three times during fiscal year 2018. Charges for services revenue increased by \$1 million over fiscal year 2017. Increased landfill tonnage and the Fire Division's policy change related to emergency medical service (EMS) fees make up the majority of the increase in this category.

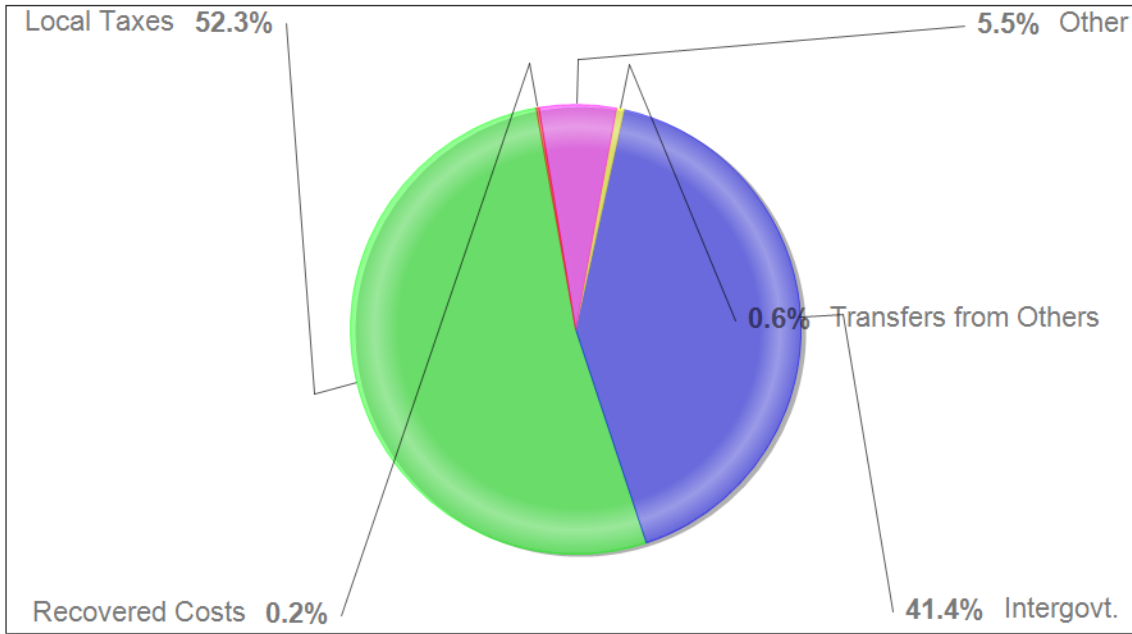
General Fund expenditures and other financing uses decreased by approximately \$205,000 or 0.15% from fiscal year 2017. This decrease is due to other financing uses, primarily transfers to the Capital Projects Fund, offset by increases in expenditures in General Government and Public Safety. Transfers to the Capital Projects Fund decreased by \$3.8 due to several projects that were completed in fiscal year 2018. For fiscal year 2018, an increase of \$2.2 million in the General Government category is mainly a result of an early retirement incentive payout offered to City employees. The Public Safety category increased by \$1.4 million as a result of investments in technology and police equipment and also the addition of police officers to maintain a strong, consistent presence on the streets.

The School Board Operating Fund revenues increased by approximately \$3.1 million or 1.6% over fiscal year 2017. This variance resulted primarily from a \$3 million increase in supplemental lottery per pupil and a \$.606 million increase in salary supplemental. Federal funds reflected a net decrease of \$.125 million or 15.7%. While the Local Contribution is not included in the overall increase to the Operating Fund, the City of Hampton increased their contribution to the School Board by approximately \$1.6 million or 2.2% between fiscal years. The Local Contribution included one-time funding for the Academies of Hampton.

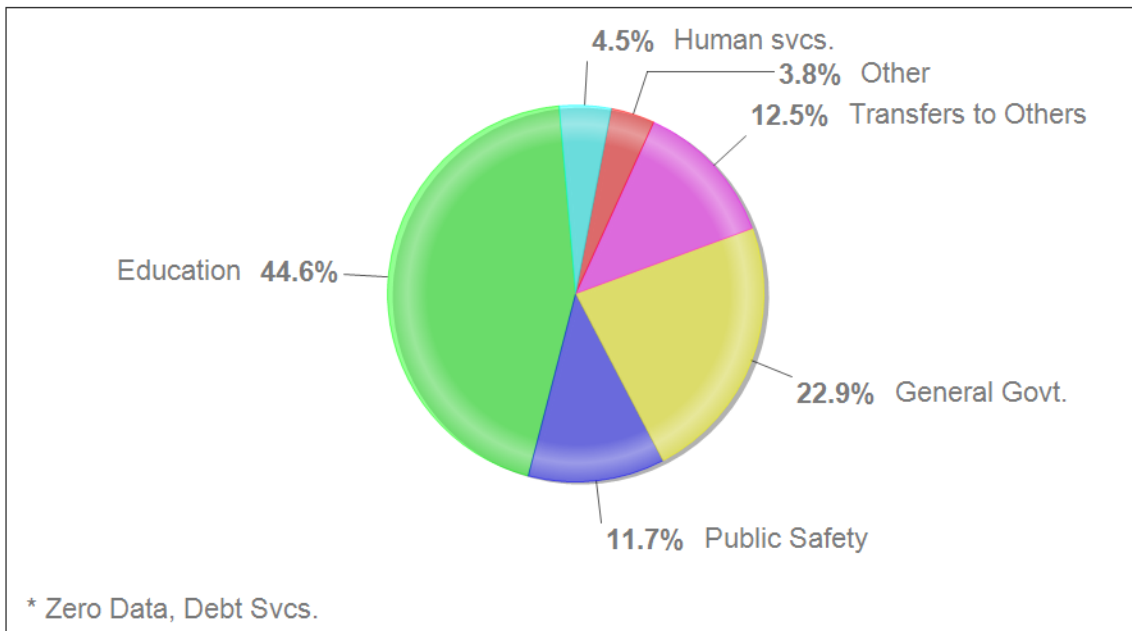
The School Board Operating Fund expenditures increased by \$3.7 million or 1.9% over fiscal year 2017. Spending for technology increased \$2.7 million due primarily to the purchase of projectors, laptops, a training simulator package, computer licenses and e-books for the Academies of Hampton. Instruction expenditures increased \$1.2 million and public transportation expenditures increased \$.36 million due to the purchase of several regular buses and one special education bus in fiscal year 2018 to replenish the bus fleet.

The graphs of the 2018 General Fund and School Operating Fund revenues and expenditures are as follows:

Revenues \$462,989,529



Expenditures \$460,071,871



Long Term Financial Planning

In the years 2018-2022 \$210.5 million is scheduled for City and School projects. The following summarizes these projects:

• Education	\$32.3 million
• Hampton’s Waterways	\$21.2 million
• Good Government	\$97 million
• Economic Growth	\$8.4 million
• Place Making	\$16.8 million
• Safe and Clean City	\$34.8 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, 2018, general obligation debt totaled \$262 million or 2.5% 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, 2018, this would amount to \$428 million or 3.6% 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, 2018, this would amount to \$92 million or .80% 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, 2018, this would amount to \$36 million or 7.9% of total expenditures, which was within the policy parameter.

3. General Obligation Debt Retirement Policy. The City shall retire at least 60% of the principal balance of general bonded obligation debt within 10 years of the date the debt is issued. The City will retire approximately 74% of general bonded obligation debt in fiscal year 2028 that was outstanding as of June 30, 2018.

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, 2018, capital expenditures were \$14.6 million which is 4.4% 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, 2018 through 2022, the City plans to use 35% of General Fund revenues on CIP projects.

5. Unassigned Fund Balance. The City will maintain an unassigned General Fund balance equal to 10% of total General Fund and School Operating Fund revenues. To the extent unassigned fund balance falls below the policy, the shortfall shall be replenished over a three-year period. The unassigned fund balance at June 30, 2018 was \$61.5 million or 13.3% of actual revenues.

The City is in compliance with the Financial Policy Guidelines.

Credit Ratings

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

Major Initiatives and Accomplishments

Fort Monroe

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 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 finalized the negotiations of the disposition of the "non-reversionary" acres in 2017 and transferred the remaining balance of federal land to the Fort Monroe Authority. That transfer included approximately 45 acres with an additional 20 acres to be transferred after the environmental remediation actions are completed. It is anticipated this final transfer will occur before the end of calendar year 2018. Furthermore, the Commonwealth has transferred previously owned land to the Department of Interior to be incorporated into the Fort Monroe National Monument under the purview of the National Park Service. As part of the State's partnership with the City, it was agreed that the City would receive a Payment In Lieu Of Taxes (PILOT) to cover the costs of City services that Hampton provides to state controlled property at Fort Monroe. The PILOT is based on the City's real estate tax assessment and tax rate as if it was any other private property in the City, but excludes any property owned by the federal government or used by the City.

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

Awards and Achievements

The Government Finance Officers Association of the United States and Canada (GFOA) awards a Certificate of Achievement for Excellence in Financial Reporting to governmental units that publish an easily readable and efficiently organized 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, 2017.

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.

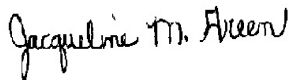
Acknowledgments

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
Deputy Director of Finance, Controller



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Hampton
Virginia**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morill

Executive Director/CEO

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Report of Independent Auditor

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

Report on Financial Statements

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, 2018, 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 1.2% and 0.3%, respectively, of the 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. The financial statements of the Downtown Hampton Development Partnership, Inc. were not audited in accordance with *Government Auditing Standards*. Those standards and specifications 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, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund 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 17 to the basic financial statements, the City adopted the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective July 1, 2017. Our opinions are not modified with respect to this matter.

Other Matters**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis ("MD&A") and additional required supplementary information, 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 statements and supporting schedules, as listed in the table of contents and the statistical section, 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 presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual statements, supporting schedules 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 combining and individual statements, supplementary schedules, and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section 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 December 6, 2018, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Cheryl Bekant LLP

Virginia Beach, Virginia
December 6, 2018

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MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Hampton, Virginia'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, 2018. The MD&A should be read in conjunction with the transmittal letter and the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The General Fund, on a current financial resource basis, reported revenues in excess of expenditures and other financing sources and uses by \$5.24 million (Exhibit A-4) after making a \$73.0 million payment to Hampton City Schools, \$14.6 million transfer to Capital Projects, \$8.6 million transfer to Enterprise Funds, \$2.0 million to Special Revenue Funds and \$32.0 million to Debt Service Fund.
- On a government-wide basis for governmental activities, the City's net position increased by \$6.0 million (Exhibit A-2).
- In the City's business-type activities, on a government-wide basis, net position increased by \$5.2 million (Exhibit A-2).
- The City's net position, excluding component units, on the government-wide basis, totaled \$622.5 million at June 30, 2018. Of this amount, \$77.7 million represents restricted net position and \$(159.5) million represents the unrestricted net deficit (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, liabilities and deferred inflows/outflows of resources reported using the full accrual basis of accounting. The *Statement of Activities* (Exhibit A-2) presents all of the City's current year's revenues and expenses, regardless of when cash is received or paid.

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

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

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

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

FUND FINANCIAL STATEMENTS

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

The City has three types of funds:

- Governmental funds – Most of the City's basic services are reported in governmental funds, which focus on (1) the inflows and outflows of cash and other financial assets that can readily be converted into cash and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements (Exhibits A-3, A-4 and A-5) provide a short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the future to finance the City's programs. Because this information does not address the long-term focus of the government-wide statements, additional information is provided at the bottom of the governmental funds statements that explains the relationship (or differences) between these statements. The city maintains nine individual governmental funds.
- Proprietary funds – Services for which the City charges customers a fee are generally reported in proprietary funds. These funds, like the government-wide statements, provide both long and short-term financial information. The City's enterprise funds (one type of proprietary fund) are its business-type activities, but the fund financial statements provide more detail and additional information, such as cash flow. The City maintains eight individual enterprise funds. The City uses four internal service funds (the other type of proprietary fund) to report activities that provide supplies and services for the City's other programs and activities. These funds provide for the accumulation of money to replace capital equipment used in the City's operations, maintenance services for the City's vehicle fleet, risk management and computer and telecommunication services. The basic proprietary funds financial statements can be found in Exhibits A-6, A-7 and A-8 of this report.
- Fiduciary funds – The City is the trustee, or fiduciary, for its employees' pension plan. 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, 2018 and 2017

	Governmental Activities		Business-type Activities		Total Primary Government		Component Units	
	2018	2017	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 230,981	\$ 188,987	\$ 68,575	\$ 62,916	\$ 299,556	\$ 251,903	\$ 45,061	\$ 46,893
Capital assets	868,553	869,357	142,096	146,202	1,010,649	1,015,559	43,736	33,334
Total assets	<u>1,099,534</u>	<u>1,058,344</u>	<u>210,671</u>	<u>209,118</u>	<u>1,310,205</u>	<u>1,267,462</u>	<u>88,797</u>	<u>80,227</u>
Deferred outflows of resources	<u>26,216</u>	<u>35,025</u>	<u>5,656</u>	<u>7,038</u>	<u>31,872</u>	<u>42,063</u>	<u>23,921</u>	<u>31,931</u>
Current liabilities	75,376	74,529	10,403	10,154	85,779	84,683	28,376	27,191
Long-term liabilities	505,122	497,260	101,614	108,302	606,736	605,562	216,895	248,365
Total liabilities	<u>580,498</u>	<u>571,789</u>	<u>112,017</u>	<u>118,456</u>	<u>692,515</u>	<u>690,245</u>	<u>245,271</u>	<u>275,556</u>
Deferred inflows of resources	<u>25,121</u>	<u>7,466</u>	<u>1,919</u>	<u>547</u>	<u>27,040</u>	<u>8,013</u>	<u>29,611</u>	<u>18,243</u>
Net position								
Investment in capital assets	635,185	637,617	69,107	70,078	704,292	707,695	43,735	33,334
Restricted	69,681	40,734	8,068	8,048	77,749	48,782	1,316	1,570
Unrestricted (deficit)	<u>(184,735)</u>	<u>(164,237)</u>	<u>25,216</u>	<u>19,027</u>	<u>(159,519)</u>	<u>(145,210)</u>	<u>(207,215)</u>	<u>(216,545)</u>
Total net position, as restated (Note 17)	<u>\$ 520,131</u>	<u>\$ 514,114</u>	<u>\$ 102,391</u>	<u>\$ 97,153</u>	<u>\$ 622,522</u>	<u>\$ 611,267</u>	<u>\$ (162,164)</u>	<u>\$ (181,641)</u>

The City's combined net position (which is the City's bottom line) restated, increased by \$11.3 million in fiscal year 2018. Approximately 12.5% represents resources that are subject to external restrictions. Net investment in capital assets represents 113% of net position. These assets are used to provide services to citizens and consequently are not available for future spending. The City's unrestricted net deficit totals \$(159.5) million.

Table II
Summary of Changes in Net Position (In Thousands)
For the Fiscal Years Ended June 30, 2018 and 2017

	Governmental Activities		Business-type Activities		Total Primary Government		Component Units	
	2018	2017	2018	2017	2018	2017	2018	2017
Revenues:								
Program Revenues								
Charges for service	\$ 32,565	\$ 31,369	\$ 45,647	\$ 43,760	\$ 78,212	\$ 75,129	\$ 7,403	\$ 5,684
Operating grants and contributions	83,503	80,781	1,805	1,923	85,308	82,704	150,740	147,891
Capital grants and contributions	10,988	13,627	-	-	10,988	13,627	317	4,027
General revenues								
Property taxes	162,922	159,873	-	-	162,922	159,873	-	-
Other taxes	79,311	77,765	-	-	79,311	77,765	-	-
Other	1,883	951	930	792	2,813	1,743	84,776	74,051
Total revenues	<u>371,172</u>	<u>364,366</u>	<u>48,382</u>	<u>46,475</u>	<u>419,554</u>	<u>410,841</u>	<u>243,236</u>	<u>231,653</u>
Expenses								
General government	121,452	140,901	-	-	121,452	140,901	6,043	7,261
Public safety	84,859	97,152	-	-	84,859	97,152	-	-
Highways and streets	9,919	16,947	-	-	9,919	16,947	-	-
Sanitation	-	-	23,061	29,679	23,061	29,679	-	-
Health	(575)	1,211	-	-	(575)	1,211	-	-
Human services	34,579	41,475	-	-	34,579	41,475	-	-
Culture and recreation	16,076	20,525	27,935	31,880	44,011	52,405	-	-
Education - payment to school board	73,036	71,471	-	-	73,036	71,471	-	-
Educational	11,506	17,419	-	-	11,506	17,419	217,716	242,986
Interest on long-term debt	6,451	7,171	-	-	6,451	7,171	-	-
Total expenses	<u>357,303</u>	<u>414,272</u>	<u>50,996</u>	<u>61,559</u>	<u>408,299</u>	<u>475,831</u>	<u>223,759</u>	<u>250,247</u>
Increase (decrease) in net position before transfers	13,869	(49,906)	(2,614)	(15,084)	11,255	(64,990)	19,477	(18,594)
Transfers	(7,852)	(8,384)	7,852	8,384	-	-	-	-
Increase (decrease) in net position	6,017	(58,290)	5,238	(6,700)	11,255	(64,990)	19,477	(18,594)
Net position, July 1, as restated (Note 17)	514,114	572,404	97,153	103,853	611,267	676,257	(181,641)	(163,047)
Net position, June 30	<u>\$ 520,131</u>	<u>\$ 514,114</u>	<u>\$ 102,391</u>	<u>\$ 97,153</u>	<u>\$ 622,522</u>	<u>\$ 611,267</u>	<u>\$ (162,164)</u>	<u>\$ (181,641)</u>

GOVERNMENTAL ACTIVITIES

For the fiscal year ended June 30, 2018, revenues from governmental activities totaled \$371.2 million. Revenues from governmental activities increased by \$6.8 million; primarily in property taxes which increased \$3 million over fiscal year 2017. Capital grants and contributions totaled \$10.9 million, a decrease of \$2.6 million over the prior year. The majority of funding in capital grants and contributions consists of federal and state funding for various road projects throughout the City.

Property taxes, the City's largest revenue source, were \$162.9 million, increasing \$3 million over fiscal year 2017 primarily as a result of additional supplemental real estate assessments for new construction. Program revenues for governmental activities totaled \$127.1 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 \$83.5 million for the year ended June 30, 2018 which is an increase of \$2.7 million over the previous year.

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 \$79.3 million, an increase of \$1.6 million over fiscal year 2017. Business license, sales and use tax, lodging and transit and amusement tax increased by \$.497 million, \$.114 million, \$.219 million and \$.206 million, respectively. In addition, meal tax revenues increased \$.543 million.

For the fiscal year ended June 30, 2018, expenses for governmental activities, excluding transfers, decreased by \$57 million. This decrease was due to a restatement of the net other postemployment benefits expense totaling \$57.6 million for fiscal year 2017. The restatement was required due to the implementation of GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

BUSINESS-TYPE ACTIVITIES

Business-type activities generated revenues of \$48.4 million, an increase of \$1.9 million when compared to the previous year. The majority of this variance is due to a \$1.16 million increase in charges for services experienced by the Coliseum Fund due to the variety of shows held in fiscal year 2018. Expenses for business-type activities totaled \$51 million, a decrease of \$10.6 million compared to the prior year. The majority of this decrease is attributed to the restatement of the net other postemployment benefits expense totaling \$8.2 million for fiscal year 2017.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The General Fund's fund balance increased by \$5.2 million over fiscal year 2017. Revenues exceeded budget by \$3.2 million. Also, contributing to this variance was \$3.7 million in salary and benefits savings primarily due to vacant positions in fiscal year 2018.

The Capital Projects Fund reflected an increase in fund balance of \$35.4 million. The City issued \$46.1 million in general obligation public improvement bonds on June 27, 2018.

The Solid Waste Fund experienced an increase in net position totaling \$2.3 million. The Steam Plant Fund reflected an increase in net position of \$2.15 million. The majority of this increase is due to pension expense required by GAAP. Pension expense for the Solid Waste Fund and Steam Plant Fund totaled (\$438,384) and (\$1,139, 575), respectively.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the year, the City Council revised the budget on several occasions. City Council appropriated \$15.2 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 2018 but the appropriations lapsed at the end of the fiscal year. Under the City's budget savings program, the remaining budget savings of \$1.9 million was rolled from fiscal year 2017 to fiscal year 2018. City Council adopted a budget savings program whereby departments will retain 65 percent of their end of the fiscal year budget savings, 15 percent will be placed into an innovations pool, 15% will be placed in a computer replaced program and \$415,000 will be designated for drainage projects. In addition, the City reappropriated grant, donation, and other revenues.

Actual expenditures and transfers were \$14.6 million below the final budget. A significant amount of this variance (\$6.5 million) occurred in the general government function, specifically in non-departmental in the amount of \$2.3 million and retirement and employee benefits in the amount of \$2 million. Also contributing to this variance was unused budget savings under the City's budget savings program of \$1.4 million. A \$5.5 million variance was noted in transfers to other funds. The majority of this variance occurred from projects in the Capital Projects Fund that were at various stages of completion. Typically, funding for these projects is appropriated in the subsequent fiscal year.

Revenues exceeded budget by \$3.2 million. This is primarily due to general property taxes exceeding budget by \$1.6 million due to additional supplemental real estate assessments for new construction. Also contributing to this variance is interest earned on investments, landfill host fees, ambulance services revenue and federal public assistance funding tracking over budget by \$456,781, \$326,910, \$219,142, and \$1.1 million, respectively.

CAPITAL ASSETS

The total decrease over fiscal year 2017 in the City’s investment in capital assets for the current fiscal year is \$4.9 million. At the end of fiscal year 2018, 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	
	2018	2017	2018	2017	2018	2017
Non-depreciable assets:						
Land and land improvements	\$ 517,593	\$ 514,356	\$ 11,065	\$ 11,067	\$ 528,658	\$ 525,423
Easements	2,162	1,443	29	29	2,191	1,472
Construction in progress	23,400	23,018	957	798	24,357	23,816
Other capital assets:						
Buildings and improvements	196,613	196,873	140,142	140,079	336,755	336,952
Improvements other than buildings	80,624	77,216	35,809	35,782	116,433	112,998
Equipment and vehicles	85,969	85,721	30,272	29,450	116,241	115,171
Exhibits	-	-	14,683	14,638	14,683	14,638
Landfill	-	-	3,866	3,866	3,866	3,866
Infrastructure	217,332	206,291	73,450	71,992	290,782	278,283
Computer software	2,121	1,840	402	402	2,523	2,242
Other assets	4,446	4,321	-	-	4,446	4,321
Accumulated depreciation	(261,707)	(241,722)	(168,579)	(161,901)	(430,286)	(403,623)
Total	<u>\$ 868,553</u>	<u>\$ 869,357</u>	<u>\$ 142,096</u>	<u>\$ 146,202</u>	<u>\$ 1,010,649</u>	<u>\$ 1,015,559</u>

	School Board		Economic Development Authority		Coliseum Central Business Improvement District, Inc.	
	2018	2017	2018	2017	2018	2017
Component Units						
Non-depreciable assets:						
Land and land improvements	\$ 5,111	\$ 5,111	\$ 21,470	\$ 21,470	\$ -	\$ -
Other capital assets:						
Buildings and improvements	48,963	48,963	7,834	-	-	-
Improvements other than buildings	310	310	755	-	-	-
Infrastructure	-	-	2,049	2,049	-	-
Computer software	-	-	-	-	5	5
Equipment and vehicles	42,521	40,635	623	-	144	143
Accumulated depreciation	(84,460)	(84,100)	(1,690)	(1,373)	(142)	(139)
Total	<u>\$ 12,445</u>	<u>\$ 10,919</u>	<u>\$ 31,041</u>	<u>\$ 22,146</u>	<u>\$ 7</u>	<u>\$ 9</u>

Component Units	Downtown Hampton		Total Component Units	
	2018	2017	2018	2017
Non-depreciable assets:				
Land and land improvements	\$ -	\$ -	\$ 26,581	\$ 26,581
Other capital assets:				
Buildings and improvements	-	-	56,797	48,963
Improvements other than buildings	-	-	1,065	310
Infrastructure	447	447	2,496	2,496
Computer software	8	9	13	14
Equipment and vehicles	107	102	43,395	40,880
Accumulated depreciation	(321)	(298)	(86,613)	(85,910)
	<u>\$ 241</u>	<u>\$ 260</u>	<u>\$ 43,734</u>	<u>\$ 33,334</u>

The capital budget sets forth \$51.5 million to be spent during fiscal year 2019 in various projects including \$7.5 million in school building maintenance and technology projects, \$6 million in street and infrastructure projects, \$8.1 in economic growth projects, \$7.7 million in Hampton's waterways projects, \$16.8 in good government projects and \$2.6 million in maintenance of public properties. Additional information about the City's capital assets can be found in Note 6 to the financial statements.

LONG-TERM DEBT

At the end of fiscal year 2018, the City had \$261.9 million in outstanding general obligation bonds and \$74.0 million in outstanding revenue bonds. 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, 2018, the City's aggregate general obligation indebtedness is \$784 million below this limit.

Table IV
Change in General Obligation and Revenue Bonds (In Thousands)
June 30, 2018 and 2017

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
General Obligation bonds	\$ 259,437	\$ 226,155	\$ 2,433	\$ 2,845	\$ 261,870	\$ 229,000
Revenue bonds	-	-	73,970	76,650	73,970	76,650
Unamortized premium	32,319	30,343	8,413	9,050	40,732	39,393
Total primary government	<u>\$ 291,756</u>	<u>\$ 256,498</u>	<u>\$ 84,816</u>	<u>\$ 88,545</u>	<u>\$ 376,572</u>	<u>\$ 345,043</u>

Component Unit - Economic Development Authority

Revenue bonds \$ 2,829 \$ 3,606

NEXT YEAR'S BUDGET

The City's staff and City Council considered many factors when developing the fiscal year 2019 budget, with the economy as one of the major factors. The fiscal year 2019 approved budget for the General Fund is \$471.2 million, a .71% increase over fiscal year 2018. The most important priorities for the fiscal year 2019 budget was to invest in public safety to increase the focus on crime reduction, a 2% salary increase for City employees and an increase for Hampton City Schools to facilitate employee raises and support the College and Career Academy Program. The only tax and fee rate change in the fiscal year 2019 budget is a decrease in public right of way use fees, from \$1.11 per line per month to \$1.09 per line per month.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

CITY OF HAMPTON, VIRGINIA
Statement of Net Position
June 30, 2018

	Primary Government			
	Governmental Activities	Business-type Activities	Total Primary Government	Component Units
ASSETS				
Cash and cash equivalents	\$ 130,594,596	\$ 32,134,230	\$ 162,728,826	\$ 17,288,513
Cash with fiscal agent	258,431	2,600,000	2,858,431	5,822,771
Investments	81,244,913		81,244,913	29,940
Accounts receivable	27,575,957	5,729,403	33,305,360	677,538
Lease receivable				2,970,178
Due from component units	255,550	46,503	302,053	
Due from Primary Government				312,528
Internal balances	(9,603,011)	9,603,011		
Due from other governments				5,539,229
Inventories	410,564	556,902	967,466	370,760
Prepaid items	243,997	18,734	262,731	27,621
Temporarily restricted assets:				
Cash and cash equivalents		1,811,635	1,811,635	1,315,643
Cash with fiscal agent		491,591	491,591	
Investments		15,553,427	15,553,427	
Notes receivable		29,471	29,471	319,337
Land held for sale				10,387,152
Capital assets not being depreciated	543,154,953	12,052,175	555,207,128	26,581,314
Capital assets, net of accumulated depreciation	325,398,203	130,043,783	455,441,986	17,154,451
Total assets	<u>1,099,534,153</u>	<u>210,670,865</u>	<u>1,310,205,018</u>	<u>88,796,975</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	7,642,601	4,163,989	11,806,590	
Related to pensions	15,022,882	1,299,552	16,322,434	21,386,615
Related to other postemployment benefits	3,550,863	192,379	3,743,242	2,534,590
Total deferred outflows of resources	<u>26,216,346</u>	<u>5,655,920</u>	<u>31,872,266</u>	<u>23,921,205</u>
LIABILITIES				
Accounts payable and other liabilities	38,220,678	2,064,367	40,285,045	17,629,413
Due to component units	312,528		312,528	
Due to Primary Government				302,053
Unearned revenues	158,260	2,606,309	2,764,569	2,012,781
Current liabilities payable from restricted assets		1,141,077	1,141,077	
Notes and other long-term payables:				
Due within one year	13,231,021	708,017	13,939,038	7,605,707
Due in more than one year	236,819,698	20,680,909	257,500,607	214,891,502
Bonds Payable:				
Due within one year	23,453,929	3,883,216	27,337,145	825,913
Due in more than one year	268,302,521	80,932,992	349,235,513	2,003,342
Total liabilities	<u>580,498,635</u>	<u>112,016,887</u>	<u>692,515,522</u>	<u>245,270,711</u>
DEFERRED INFLOWS OF RESOURCES				
Property taxes collected in advance	1,924,947		1,924,947	
Related to pensions	12,570,539	1,089,407	13,659,946	27,642,350
Related to other postemployment benefits	10,625,101	829,608	11,454,709	1,968,825
Total deferred inflows of resources	<u>25,120,587</u>	<u>1,919,015</u>	<u>27,039,602</u>	<u>29,611,175</u>
NET POSITION				
Net investment in capital assets	635,184,611	69,106,544	704,291,155	43,735,765
Restricted for:				
Capital projects	54,569,327		54,569,327	
Debt service	82,082		82,082	
Public safety projects	1,101,642		1,101,642	
Stormwater management	11,435,291		11,435,291	
Human services	485,379		485,379	
Bond indenture		8,068,109	8,068,109	1,315,643
Culture and recreation	46,546		46,546	
Physical environment	154,125		154,125	
Education	6		6	
Community development	878,262		878,262	
Operations and maintenance	40,762		40,762	
Other purposes	888,065		888,065	
Unrestricted (deficit)	(184,734,821)	25,216,230	(159,518,591)	(207,215,114)
Total net position (deficit)	<u>\$ 520,131,277</u>	<u>\$ 102,390,883</u>	<u>\$ 622,522,160</u>	<u>\$ (162,163,706)</u>

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

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CITY OF HAMPTON, VIRGINIA
Statement of Activities
For the Year Ended June 30, 2018

Functions/Programs	Program Revenues				Net (Expenses) Revenue and Change in Net Position			Component Units
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary Government								
Governmental activities:								
General government	\$ 121,452,403	\$ 23,831,520	\$ 34,949,261	\$ 2,152,378	\$ (60,519,244)		\$ (60,519,244)	\$
Public safety	84,858,784	5,821,152	10,026,230		(69,011,402)		(69,011,402)	
Highways and streets	9,919,198		16,300,233	8,835,455	15,216,490		15,216,490	
Health	(575,310)				575,310		575,310	
Human services	34,578,765	1,699,898	21,565,452		(11,313,415)		(11,313,415)	
Culture and recreation	16,076,194	1,186,477	242,681		(14,647,036)		(14,647,036)	
Education (payment to school district)	73,036,416				(73,036,416)		(73,036,416)	
Education and educational services	11,505,570	26,345	165,919		(11,313,306)		(11,313,306)	
Interest on long-term debt	6,451,324		253,612		(6,197,712)		(6,197,712)	
Total Governmental Activities	<u>357,303,344</u>	<u>32,565,392</u>	<u>83,503,388</u>	<u>10,987,833</u>	<u>(230,246,731)</u>		<u>(230,246,731)</u>	
Business-type activities								
Culture and recreation	\$ 27,934,999	\$ 15,988,792	\$ 1,805,000			\$ (10,141,207)	\$ (10,141,207)	
Sanitation	23,061,329	29,657,704				6,596,375	6,596,375	
Total Business-type activities	<u>50,996,328</u>	<u>45,646,496</u>	<u>1,805,000</u>			<u>(3,544,832)</u>	<u>(3,544,832)</u>	
Total Primary Government	<u>\$ 408,299,672</u>	<u>\$ 78,211,888</u>	<u>\$ 85,308,388</u>	<u>\$ 10,987,833</u>	<u>\$ (230,246,731)</u>	<u>\$ (3,544,832)</u>	<u>\$ (233,791,563)</u>	
Component units								
Public school system	\$ 217,716,412	\$ 5,007,873	\$ 150,469,017					\$ (62,239,522)
Economic development	3,874,166	1,520,028		316,800				(2,037,338)
Business improvement	1,423,752	620,520						(803,232)
Downtown development	745,439	255,597	271,061					(218,781)
Total component units	<u>\$ 223,759,769</u>	<u>\$ 7,404,018</u>	<u>\$ 150,740,078</u>	<u>\$ 316,800</u>				<u>\$ (65,298,873)</u>
General revenues								
Taxes:								
Property taxes					\$ 162,922,122	\$	\$ 162,922,122	\$
Sales taxes					15,092,986		15,092,986	
Lodging, meal and amusement taxes					26,109,459		26,109,459	
Motor vehicle taxes					4,398,644		4,398,644	
Business license taxes					12,800,674		12,800,674	
Utility taxes					5,513,473		5,513,473	
Tobacco taxes					4,416,382		4,416,382	
Recordation taxes					1,765,973		1,765,973	
Bank stock taxes					684,558		684,558	
Short-term rental taxes					123,399		123,399	
Communication sales tax					8,391,675		8,391,675	
Mobile home titling tax					13,628		13,628	
Payments from (to) City								84,502,311
Investment earnings					1,882,546	930,387	2,812,933	279,288
Miscellaneous								(5,454)
Transfers					(7,851,890)	7,851,890	-	
Total general revenues and transfers					<u>236,263,629</u>	<u>8,782,277</u>	<u>245,045,906</u>	<u>84,776,145</u>
Change in net position (deficit)					6,016,898	5,237,445	11,254,343	19,477,272
Net position(deficit), beginning of year, as restated (Note 17)					<u>514,114,379</u>	<u>97,153,438</u>	<u>611,267,817</u>	<u>(181,640,978)</u>
Net position(deficit), ending					<u>\$ 520,131,277</u>	<u>\$ 102,390,883</u>	<u>\$ 622,522,160</u>	<u>\$ (162,163,706)</u>

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

CITY OF HAMPTON, VIRGINIA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2018

	General Fund	Special Revenue- Economic Development	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
Assets:						
Cash and cash equivalents	\$ 88,901,781	\$ 5,974,784	\$ 554,445	\$	\$ 11,782,130	\$ 107,213,140
Investments	22,673,254			58,571,659		81,244,913
Accounts receivables:						
Taxes (net of allowance of uncollectible)	7,958,229					7,958,229
Due from other governments	10,335,367			4,349,747	2,653,652	17,338,766
Other	1,328,839	12,200	636	162,776	724,044	2,228,495
Due from other funds	10,023,532			1,895,361	323,665	12,242,558
Due from component units	1,012	12,500				13,512
Inventories	14,546					14,546
Total assets	\$ 141,236,560	\$ 5,999,484	\$ 555,081	\$ 64,979,543	\$ 15,483,491	\$ 228,254,159
Liabilities:						
Accounts payable	\$ 10,280,876	\$ 26,609	\$ 30,716	\$ 3,858,013	\$ 1,037,886	\$ 15,234,100
Accrued health insurance	14,067,938					14,067,938
Accrued liabilities	4,273,321				139,138	4,412,459
Due to other funds	3,309,092			2,282,308	264,471	5,855,871
Due to component units	262,528	50,000				312,528
Unearned revenues	158,259	6,185				164,444
Total liabilities	32,352,014	82,794	30,716	6,140,321	1,441,495	40,047,340
Deferred inflows of resources:						
Unavailable revenue-property taxes	6,211,595					6,211,595
Property taxes collected in advance	1,924,947					1,924,947
Unavailable revenue-program income					184,005	184,005
Unavailable revenue-stormwater fees					495,610	495,610
Total deferred inflows of resources	8,136,542				679,615	8,816,157
Fund balances:						
Nonspendable	14,546					14,546
Restricted	372,907	863,498	82,082	946,481	13,285,929	15,550,897
Committed	32,454,417	1,649,586		55,717,076		89,821,079
Assigned	6,374,299	3,403,606	442,283	2,175,665	76,452	12,472,305
Unassigned	61,531,835					61,531,835
Total fund balances	100,748,004	5,916,690	524,365	58,839,222	13,362,381	179,390,662
Total liabilities, deferred inflows of resources and fund balances	\$ 141,236,560	\$ 5,999,484	\$ 555,081	\$ 64,979,543	\$ 15,483,491	\$ 228,254,159

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

Total fund balances of governmental funds	\$ 179,390,662
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital Assets used in governmental activities are not financial resources, and therefore, are not reported in the funds. (Note 6)	850,446,468
Other assets are not available to pay current-period expenditures and, therefore, are deferred in the funds.	6,897,393
Deferred charges on refunding are reported as deferred outflows of resources in the government-wide financial statements, but are not reported in the governmental fund statements.	7,642,601
Deferred outflows of resources related to pensions are reported in the government-wide financial statements, but are not reported in the governmental fund statements	15,022,882
Deferred outflows of resources related to other postemployment benefits are reported in the government-wide financial statements, but are not reported in the governmental fund statements	3,550,863
Deferred inflows of resources related to pensions are reported in the government-wide financial statements, but are not reported in the governmental fund statements	(12,570,539)
Deferred inflows of resources related to other postemployment benefits are reported in the government-wide financial statements, but are not reported in the governmental fund statements	(10,625,101)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets, liabilities and deferred flows of resources of the internal service funds are included in governmental activities in the Statement of Net Position. Net position on Combining Statement of Net Position-Internal Service Funds (Exhibit E-1)	27,921,929
Internal service funds deferred outflows of resources related to pensions are reported in the government-wide financial statements, but are not reported in the governmental fund statements	(323,523)
Internal service funds deferred outflows of resources related to other postemployment benefits are reported in the government-wide financial statements, but are not reported in the governmental fund statements	(83,416)
Internal service funds deferred inflows of resources related to pensions are reported in the government-wide financial statements, but are not reported in the governmental fund statements	261,582
Internal service funds deferred inflows of resources related to other postemployment benefits are reported in the government-wide financial statements, but are not reported in the governmental fund statements	188,101
Other liabilities not paid from current-period revenues are not reported in the funds for:	
Accrued interest	(3,166,253)
Interfund balances related to amounts eliminated in the Statement of Net Position	(16,496,889)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, not reported in the funds. (Note 8)	<u>(527,925,483)</u>
Net position of governmental activities	<u>\$ 520,131,277</u>

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

CITY OF HAMPTON, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2018

	General Fund	Special Revenue- Economic Development	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES						
General property taxes	\$ 162,989,409	\$	\$	\$	\$	\$ 162,989,409
Other local taxes	78,953,967					78,953,967
Special assessments	5,443,628					5,443,628
Intergovernmental revenues:						
From the Commonwealth of Virginia	54,781,813			5,093,802	9,941,500	69,817,115
From the Federal government	10,824,050		253,612	4,161,733	5,825,261	21,064,656
Permits, privilege fees and regulatory licenses	1,465,726					1,465,726
Fines and forfeitures	1,377,434					1,377,434
Revenues from use of money and property	1,364,647	375,426	3,135	385,880	395,762	2,524,850
Charges for services	10,329,145				8,793,975	19,123,120
Payment from component units	2,227,127					2,227,127
Miscellaneous	4,048,056	1,500		361,017	692,134	5,102,707
Recovered costs	950,700					950,700
Total revenues	<u>334,755,702</u>	<u>376,926</u>	<u>256,747</u>	<u>10,002,432</u>	<u>25,648,632</u>	<u>371,040,439</u>
EXPENDITURES						
Current:						
General government	105,265,582	788,626			3,002,239	109,056,447
Public safety	53,970,951				5,838,450	59,809,401
Highways and streets	2,491,197					2,491,197
Sanitation					5,245,805	5,245,805
Health	2,431,995					2,431,995
Human services	20,835,963				9,533,732	30,369,695
Culture and recreation	12,448,404				266,476	12,714,880
Education (payment to school district)	73,036,416					73,036,416
Education and education services	2,073,001					2,073,001
Capital improvements				52,992,091		52,992,091
Debt Service:						
Principal retirement			31,223,166			31,223,166
Interest and fiscal charges			10,316,426			10,316,426
Bond issuance costs			98,897			98,897
Total expenditures	<u>272,553,509</u>	<u>788,626</u>	<u>41,638,489</u>	<u>52,992,091</u>	<u>23,886,702</u>	<u>391,859,417</u>
Excess (deficiency) of revenues over (under) expenditures	<u>62,202,193</u>	<u>(411,700)</u>	<u>(41,381,742)</u>	<u>(42,989,659)</u>	<u>1,761,930</u>	<u>(20,818,978)</u>
OTHER FINANCING SOURCES (USES)						
Bonds issued				55,320,000		55,320,000
Refunding bonds issued			9,185,000			9,185,000
Premium on bonds issued			167,749	4,529,931		4,697,680
Transfers in	239,802		32,036,184	18,550,630	2,108,099	52,934,715
Transfers out	(57,201,811)	(16,250)		(62,949)	(3,990,595)	(61,271,605)
Other financing sources (uses), net	<u>(56,962,009)</u>	<u>(16,250)</u>	<u>41,388,933</u>	<u>78,337,612</u>	<u>(1,882,496)</u>	<u>60,865,790</u>
Net change in fund balances	5,240,184	(427,950)	7,191	35,347,953	(120,566)	40,046,812
Fund balances, beginning of year	<u>95,507,820</u>	<u>6,344,640</u>	<u>517,174</u>	<u>23,491,269</u>	<u>13,482,947</u>	<u>139,343,850</u>
Fund balances, end of year	<u>\$ 100,748,004</u>	<u>\$ 5,916,690</u>	<u>\$ 524,365</u>	<u>\$ 58,839,222</u>	<u>\$ 13,362,381</u>	<u>\$ 179,390,662</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 balance - total governmental funds	\$ 40,046,812
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Loss on disposal of assets is not reported in the governmental funds, but is reflected in the statement of activities.	
Capital acquisitions	20,311,438
Depreciation expense	(19,527,276)
Loss on disposal of assets	(874,386)
Donated assets are not reported in the governmental funds, but are reflected in the statement of activities.	1,081,162
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.	(1,015,420)
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.	
Decrease in compensated absences	(17,091)
Net other postemployment benefits liability	(4,714,682)
Proceeds from debt issuance	(64,505,000)
Repayment of debt principal	32,911,480
Premium on bonds	(4,697,680)
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.	(291,524)
Expenses incurred during the period related to liabilities that are still outstanding and not yet due at year-end for accrued interest	350,265
Amortization of premiums	1,962,374
Change in net pension liability, which is recognized as an expense in the Statement of Activities as compared to the pension contributions reported in the governmental funds	<u>4,996,426</u>
Change in net position of governmental activities	<u>\$ 6,016,898</u>

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

CITY OF HAMPTON, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget
				<u>Over (Under)</u>
REVENUES				
Intergovernmental:				
From the Commonwealth of Virginia	\$ 40,259,483	\$ 55,843,792	\$ 54,781,813	\$ (1,061,979)
From the Federal government	9,381,750	9,464,886	10,824,050	1,359,164
Local taxes	255,748,963	240,295,034	241,943,376	1,648,342
Special assessments	5,727,021	5,727,021	5,443,628	(283,393)
Licenses and permits	1,364,600	1,364,600	1,465,726	101,126
Fines and forfeitures	1,516,890	1,516,890	1,377,434	(139,456)
Revenues from use of money and property	1,034,950	1,034,950	1,364,169	329,219
Charges for services	9,334,510	9,334,510	10,329,145	994,635
Recovered costs	916,000	916,000	950,700	34,700
Payment from component units	2,000,000	2,000,000	2,227,127	227,127
Miscellaneous	3,977,861	4,028,945	4,048,056	19,111
Total revenues	331,262,028	331,526,628	334,755,224	3,228,596
EXPENDITURES				
Current:				
General government	112,610,597	111,605,269	105,265,582	(6,339,687)
Public safety	51,984,929	54,702,574	53,970,951	(731,623)
Highways and streets	2,519,219	2,566,798	2,491,197	(75,601)
Health	2,679,809	2,623,537	2,431,995	(191,542)
Human services	21,271,462	21,413,156	20,835,963	(577,193)
Culture and recreation	13,287,386	13,366,185	12,448,404	(917,781)
Education	75,131,413	75,149,666	75,109,417	(40,249)
Total expenditures	279,484,815	281,427,185	272,553,509	(8,873,676)
Excess of revenues over expenditures	51,777,213	50,099,443	62,201,715	12,102,272
OTHER FINANCING SOURCES (USES)				
Transfers in	583,880	229,292	239,802	10,510
Transfers out	(57,735,494)	(62,738,331)	(57,201,811)	(5,536,520)
Total other financing uses, net	(57,151,614)	(62,509,039)	(56,962,009)	(5,547,030)
Net change in fund balances	(5,374,401)	(12,409,596)	5,239,706	<u>\$ 17,649,302</u>
Appropriations from fund balance	5,374,401	12,099,224		
Appropriations - encumbrances		<u>310,372</u>		
Fund balance - July 1			<u>95,467,768</u>	
Fund balance - June 30	<u>\$</u>	<u>\$</u>	<u>\$ 100,707,474</u>	

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

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CITY OF HAMPTON, VIRGINIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2018

	Business-type Activities - Enterprise Funds					Governmental	
	Wastewater Management	The Hamptons	Museum	Convention Center	Non-Major Enterprise Funds	Totals	Internal Service Funds
ASSETS							
Current assets:							
Cash and cash equivalents	\$ 10,626,082	\$ 800	\$ 1,931,791	\$	\$ 19,575,557	\$ 32,134,230	\$ 23,381,456
Cash with fiscal agent					2,600,000	2,600,000	258,431
Restricted assets to be used to liquidate current liabilities:							
Revenue bond indenture:							
Cash and cash equivalents				1,277,579		1,277,579	
Cash with fiscal agent				491,591		491,591	
Accounts receivable, net	1,670,224	6,503	113,731	376,338	3,562,606	5,729,402	50,465
Notes receivable	29,471					29,471	
Due from other funds		500		574,354		574,854	507,190
Due from component units					46,503	46,503	242,038
Inventories	174,301	11,822	135,253		235,527	556,903	396,017
Prepaid items			4,977	13,757		18,734	243,997
Restricted assets:							
Revenue bond indenture:							
Cash and cash equivalents				534,056		534,056	
Investments				15,553,427		15,553,427	
Total current assets	12,500,078	19,625	2,185,752	18,821,102	26,020,193	59,546,750	25,079,594
Noncurrent Assets:							
Capital Assets:							
Land	145,615	262,100	1,921,420	5,332,401	3,404,805	11,066,341	
Easements	28,943					28,943	
Buildings and improvements	2,683,118	2,398,794	31,565,309	89,858,046	13,636,907	140,142,174	
Improvements other than buildings	290,651	3,802,031	6,800	4,396,863	27,312,670	35,809,015	458,468
Computer software	153,386				248,343	401,729	215,775
Equipment	5,000,117	618,060	4,780,004	822,995	19,050,790	30,271,966	43,244,330
Construction in progress	956,891					956,891	
Exhibits			14,682,501			14,682,501	
Landfill					3,865,986	3,865,986	
Infrastructure	73,449,765					73,449,765	
Less accumulated depreciation	(36,249,793)	(6,552,874)	(42,970,174)	(33,009,264)	(49,797,247)	(168,579,352)	(25,811,885)
Net capital assets	46,458,693	528,111	9,985,860	67,401,041	17,722,254	142,095,959	18,106,688
Total noncurrent assets	46,458,693	528,111	9,985,860	67,401,041	17,722,254	142,095,959	18,106,688
Total assets	58,958,771	547,736	12,171,612	86,222,143	43,742,447	201,642,709	43,186,282
DEFERRED OUTFLOWS OF RESOURCES							
Deferred charge on refunding				4,163,989		4,163,989	
Related to pensions	398,199	39,130			862,223	1,299,552	323,523
Related to other postemployment benefits	62,890	569			128,920	192,379	83,416
Total deferred outflows of resources	461,089	39,699		4,163,989	991,143	5,655,920	406,939

	Business-type Activities - Enterprise Funds						Governmental
	Wastewater Management	The Hamptons	Museum	Convention Center	Non-Major Enterprise Funds	Totals	Internal Service Funds
LIABILITIES							
Current liabilities:							
Accounts payable	\$ 280,312	\$ 10,654	\$ 335,981	\$	\$ 781,890	\$ 1,408,837	\$ 1,302,768
Accrued liabilities				93,841		93,841	
Accrued leave	52,667	2,412	54,090		109,032	218,201	49,149
Due to other funds		4,076,713	854,525	196,093	2,341,400	7,468,731	
Unearned revenues			237,744		2,368,565	2,606,309	
Current portion of long-term debt				3,451,240	921,792	4,373,032	7,965,577
Current liabilities payable from restricted assets:							
Accounts payable				209,399		209,399	
Accrued interest payable				931,678		931,678	
Other liabilities	46,428	18,392	54,092	83,987	358,791	561,690	37,155
Total current liabilities	<u>379,407</u>	<u>4,108,171</u>	<u>1,536,432</u>	<u>4,966,238</u>	<u>6,881,470</u>	<u>17,871,718</u>	<u>9,354,649</u>
Noncurrent liabilities:							
Claims payable							1,364,834
Accrued leave	163,089	26,805			375,820	565,714	128,090
Bonds payable				78,932,057	2,000,935	80,932,992	
Obligations under capital leases					2,110,184	2,110,184	33,234
Other postemployment benefits obligation							1,906,595
Net pension liability	3,140,109	294,417			7,184,971	10,619,497	2,434,207
Net other postemployment benefit liability	2,234,047	49,217			5,102,249	7,385,513	
Total noncurrent liabilities	<u>5,537,245</u>	<u>370,439</u>	<u></u>	<u>78,932,057</u>	<u>16,774,159</u>	<u>101,613,900</u>	<u>5,866,960</u>
Total liabilities	<u>5,916,652</u>	<u>4,478,610</u>	<u>1,536,432</u>	<u>83,898,295</u>	<u>23,655,629</u>	<u>119,485,618</u>	<u>15,221,609</u>
DEFERRED INFLOWS OF RESOURCES							
Related to pensions	328,579	31,639			729,189	1,089,407	261,582
Related to other postemployment benefits	264,828	14,464			550,316	829,608	188,101
Total deferred inflows of resources	<u>593,407</u>	<u>46,103</u>	<u></u>	<u></u>	<u>1,279,505</u>	<u>1,919,015</u>	<u>449,683</u>
NET POSITION							
Net investment in capital assets	46,458,693	528,112	9,985,860	(3,155,461)	15,289,343	69,106,547	17,156,619
Restricted							
Bond indenture				8,068,109		8,068,109	
Unrestricted (deficit)	6,451,108	(4,465,390)	649,319	1,575,189	4,509,113	8,719,339	10,765,310
Total net position (deficit)	<u>\$ 52,909,801</u>	<u>\$(3,937,278)</u>	<u>\$ 10,635,179</u>	<u>\$ 6,487,837</u>	<u>\$ 19,798,456</u>	<u>\$ 85,893,995</u>	<u>\$ 27,921,929</u>
Reconciliation of the Statement of Net Position for Proprietary Funds to the Business-type Activities Statement of Net Position (Exhibit A-1)							
Net position of enterprise funds						85,893,995	
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						16,038,263	
Net position business-type activities						<u>\$ 102,390,883</u>	

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

CITY OF HAMPTON, VIRGINIA
STATEMENT OF REVENUES, EXPENSES IN CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2018

	Business-type Activities-Enterprise Funds		
	Wastewater Management	The Hamptons	Museum
Operating revenues:			
Charges for services	\$ 8,254,410	\$ 569,093	\$ 1,689,194
Federal revenues			621,748
Other			1,522,183
Total operating revenues	<u>8,254,410</u>	<u>569,093</u>	<u>3,833,125</u>
Operating expenses:			
Personal services	2,197,869	399,562	1,177,513
Fringe benefits	451,999	10,338	313,010
Promoters fees			
City-sponsored events			
Cost of goods sold	118,570	23,945	146,422
Utilities	253,566	58,571	256,337
Insurance	44,280	22,035	64,096
Operating supplies	298,642	48,649	444,224
Equipmental rental	182	111,199	127,322
Equipment and building repairs	494,560	35,756	141,050
Telephone and postage	37,002	5,423	34,450
General expense	150,964	2,120	353,219
Claims			
Landfill costs			
Contractual services	1,087,159	36,447	346,978
Indirect cost	456,000		
Depreciation and amortization	1,638,081	53,365	1,451,123
Total operating expenses	<u>7,228,874</u>	<u>807,410</u>	<u>4,855,744</u>
Operating income (loss)	<u>1,025,536</u>	<u>(238,317)</u>	<u>(1,022,619)</u>
Nonoperating revenues (expenses):			
Interest income			186
Interest and fiscal charges			
Other			
Gain on disposal of capital assets	23,124		
Net decrease in fair value of investments			
Total nonoperating revenues (expenses), net	<u>23,124</u>	<u></u>	<u>186</u>
Income (loss) before transfers	<u>1,048,660</u>	<u>(238,317)</u>	<u>(1,022,433)</u>
Transfers in(out)	<u>(113,292)</u>	<u></u>	<u>10,912</u>
Change in net position (deficit)	<u>935,368</u>	<u>(238,317)</u>	<u>(1,011,521)</u>
Net position, (deficit) beginning of year, as restated (Note 17)	<u>51,974,433</u>	<u>(3,698,961)</u>	<u>11,646,700</u>
Net position, (deficit) end of year	<u>\$ 52,909,801</u>	<u>\$ (3,937,278)</u>	<u>\$ 10,635,179</u>

Business-type Activities - Enterprise Funds			Governmental Activities
Convention Center	Non-Major Enterprise Funds	Totals	Internal Service
\$ 2,685,003	\$ 32,090,482	\$ 45,288,182	\$ 22,362,468
	4,069	621,748	
<u>2,685,003</u>	<u>32,094,551</u>	<u>47,436,182</u>	<u>22,362,468</u>
1,252,901	5,697,790	10,725,635	1,888,808
415,871	473,374	1,664,592	400,957
	4,398,197	4,398,197	
	1,048,285	1,048,285	
	347,638	636,575	5,582,043
726,676	761,309	2,056,459	45,160
105,063	642,611	878,085	2,589,523
561,781	869,176	2,222,472	250,223
	101,140	339,843	175,241
284,666	3,423,428	4,379,460	195,598
30,515	101,520	208,910	1,097,652
68,954	1,805,618	2,380,875	271,712
			6,210,026
	3,856,695	3,856,695	
242,036	2,036,710	3,749,330	1,654,468
	574,470	1,030,470	
<u>2,872,763</u>	<u>2,533,132</u>	<u>8,548,464</u>	<u>3,052,636</u>
<u>6,561,226</u>	<u>28,671,093</u>	<u>48,124,347</u>	<u>23,414,047</u>
<u>(3,876,223)</u>	<u>3,423,458</u>	<u>(688,165)</u>	<u>(1,051,579)</u>
845,623	68,418	914,227	282,082
(3,762,350)	(140,099)	(3,902,449)	(36,955)
	(7,809)	15,315	42,949
16,159		16,159	(13,021)
<u>(2,900,568)</u>	<u>(79,490)</u>	<u>(2,956,748)</u>	<u>275,055</u>
<u>(6,776,791)</u>	<u>3,343,968</u>	<u>(3,644,913)</u>	<u>(776,524)</u>
<u>7,299,168</u>	<u>655,102</u>	<u>7,851,890</u>	<u>485,000</u>
522,377	3,999,070	4,206,977	(291,524)
<u>5,965,460</u>	<u>15,799,386</u>	<u>81,687,018</u>	<u>28,213,453</u>
<u>\$ 6,487,837</u>	<u>\$ 19,798,456</u>	<u>\$ 85,893,995</u>	<u>\$ 27,921,929</u>

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

Change in net position	\$ 4,206,977
Interfund reimbursement of overhead costs	<u>1,030,468</u>
Change in net position - Business-type activities	<u>\$ 5,237,445</u>

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

CITY OF HAMPTON, VIRGINIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2018

	Business-type Activities-Enterprise Funds						Governmental Activities
	Wastewater Management	The Hamptons	Museum	Convention Center	Non-Major Enterprise Funds	Totals	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES							
Cash received from customers	\$ 8,271,303	\$ 566,401	\$ 3,678,045	\$ 2,601,251	\$ 32,306,015	\$ 47,423,015	\$ 21,786,989
Cash payments to suppliers for goods and services	(3,564,365)	(179,207)	(2,149,770)	(2,332,478)	(22,525,319)	(30,751,139)	(17,390,856)
Cash payments to employees for services	(2,668,233)	(394,958)	(1,164,786)	(1,249,944)	(5,759,381)	(11,237,302)	(2,347,737)
Net cash provided by (used in) operating activities	<u>2,038,705</u>	<u>(7,764)</u>	<u>363,489</u>	<u>(981,171)</u>	<u>4,021,315</u>	<u>5,434,574</u>	<u>2,048,396</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
Cash received from other funds			10,912	6,950,788	826,102	7,787,802	485,000
Cash paid to other funds	(113,292)				(171,000)	(284,292)	
Net cash provided by (used in) noncapital financing activities	<u>(113,292)</u>	<u>-</u>	<u>10,912</u>	<u>6,950,788</u>	<u>655,102</u>	<u>7,503,510</u>	<u>485,000</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Acquisition and construction of capital assets	(1,893,671)		(78,071)	(161,122)	(2,030,078)	(4,162,942)	(1,110,494)
Principal paid on revenue bond maturities and long-term debt				(2,680,000)	(411,834)	(3,091,834)	(895,179)
Interest paid on revenue bonds and long-term debt				(3,794,688)	(140,099)	(3,934,787)	(36,955)
Sale of capital assets	32,873				67,053	99,926	44,940
Net cash used in capital and related financing activities	<u>(1,860,798)</u>	<u>-</u>	<u>(78,071)</u>	<u>(6,635,810)</u>	<u>(2,514,958)</u>	<u>(11,089,637)</u>	<u>(1,997,688)</u>
CASH FLOWS FROM INVESTING ACTIVITIES							
Purchase of investment securities				(6,651,275)		(6,651,275)	
Sale of investment securities				6,894,647		6,894,647	
Interest and dividends on investments			186	192,583	68,418	261,187	269,140
Net cash provided by investing activities			<u>186</u>	<u>435,955</u>	<u>68,418</u>	<u>504,559</u>	<u>269,140</u>
Net increase (decrease) in cash and cash equivalents (including restricted amounts)	64,615	(7,764)	296,516	(230,238)	2,229,877	2,353,006	804,848
Cash and cash equivalents (including restricted), July 1	<u>10,624,357</u>	<u>8,564</u>	<u>1,635,275</u>	<u>2,533,464</u>	<u>17,345,680</u>	<u>32,147,340</u>	<u>22,835,039</u>
Cash and cash equivalents, June 30	<u>\$ 10,688,972</u>	<u>\$ 800</u>	<u>\$ 1,931,791</u>	<u>\$ 2,303,226</u>	<u>\$ 19,575,557</u>	<u>\$ 34,500,346</u>	<u>\$ 23,639,887</u>

	Business-type Activities-Enterprise Funds						Governmental
	Wastewater Management	The Hamptons	Museum	Convention Center	Non-Major Enterprise Funds	Totals	Internal Service Funds
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:							
Operating income (loss)	\$ 1,025,536	\$ (238,317)	\$ (1,022,619)	\$ (3,876,223)	\$ 3,423,458	\$ (688,165)	\$ (1,051,579)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:							
Depreciation and amortization expense	1,638,081	53,365	1,451,123	2,872,763	2,533,132	8,548,464	3,052,636
Decrease (increase) in:							
Accounts receivable	16,892	(2,415)	(28,312)	(83,752)	(99,802)	(197,389)	(3,902)
Due from other funds		(500)		(348,380)		(348,880)	(507,190)
Due from component units					(13,248)	(13,248)	(120,279)
Inventories	37,659	11,714	(23,195)		(140,651)	(114,473)	(326,378)
Prepaid items			59,385	2,029		61,414	(101,004)
Deferred charges			(189,032)			(189,032)	
Increase (decrease) in:							
Accounts payable	(209,100)	1,104	41,150		(488,113)	(654,959)	71,709
Accrued leave	(72,665)	(2,812)	9,722		(104,024)	(169,779)	(30,656)
Due to other funds		238,676		196,093	212,759	647,528	(20,731)
Other liabilities	(426)	(278)	3,003	2,958	21,062	26,319	(2,617)
Nonoperating revenues reported as operating activity							42,949
Unearned revenues			62,264		467,362	529,626	
Accrued liabilities				34,791		34,791	
Current liabilities payable from restricted assets				(129,830)		(129,830)	
Current portion of long-term accrued claims							1,900,346
Accounts receivable reported as nonoperating activities							12,943
Long-term accrued leave	55,764				44,509	100,273	26,598
Accounts payable							(204,935)
Long-term accrued insurance claims							(411,894)
Prepaid items		7,416		348,380		355,796	
Net pension liability	(1,157,468)	(136,791)			(3,726,108)	(5,020,367)	(716,852)
Deferred Outflows & Inflows related to pensions	704,432	61,074			1,890,979	2,656,485	439,232
Total adjustments	1,013,169	230,553	1,386,108	2,895,052	597,857	6,122,739	3,099,975
Net cash provided by (used in) operating activities	\$ 2,038,705	\$ (7,764)	\$ 363,489	\$ (981,171)	\$ 4,021,315	\$ 5,434,574	\$ 2,048,396

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

CITY OF HAMPTON, VIRGINIA
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2018

	<u>Pension Trust</u>	
	Hampton Employees' Retirement System	<u>Agency Funds</u>
ASSETS		
Cash and cash equivalents	\$ 11,156	\$ 878,958
Investments:		
Bond mutual funds	45,338,706	
Stock mutual funds	83,376,713	
Receivables:		
Accounts		4,259
Property, Plant, and Equipment		
Office and operating equipment	5,976	
Less accumulated depreciation	(3,314)	
Total assets	<u>\$ 128,729,237</u>	<u>\$ 883,217</u>
DEFERRED OUTFLOWS OF RESOURCES		
Related to pensions	19,141	
Related to other postemployment benefits	169	
Total deferred outflows of resources	<u>19,310</u>	
LIABILITIES		
Deposits		\$ 858,213
Accounts payable	19,876	25,004
Net pension liability	144,017	
Net other postemployment benefit liability	36,332	
Total liabilities	<u>200,225</u>	<u>\$ 883,217</u>
DEFERRED INFLOWS OF RESOURCES		
Related to pensions	15,477	
Related to other postemployment benefits	3,306	
Total deferred inflows of resources	<u>18,783</u>	
NET POSITION		
Net position restricted for pensions	<u>\$ 128,529,539</u>	

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

CITY OF HAMPTON, VIRGINIA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the Year Ended June 30, 2018

	Hampton Employees' Retirement System
ADDITIONS	
Investment income:	
Appreciation in fair value of investments	\$ 7,911,633
Dividends	2,770,772
Total investment earnings	10,682,405
Less investment expenses	(26,257)
Net investment earnings	10,656,148
Employer contributions	7,100,125
Total additions	17,756,273
 DEDUCTIONS	
Benefits	17,047,039
Administrative expenses	251,699
Total deductions	17,298,738
 Change in net position	 457,535
Net position, July 1, as restated (Note 17)	128,072,004
 Net position, June 30	 \$ 128,529,539

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

CITY OF HAMPTON, VIRGINIA
COMBINING STATEMENT OF NET POSITION
DISCRETELY PRESENTED COMPONENT UNITS
June 30, 2018

	Governmental Activities		Business-type Activities			Total
	School Board	Economic Development Authority	Coliseum Central Business Improvement District, Inc.	Downtown Hampton Development Partnership, Inc.		
ASSETS						
Cash and cash equivalents	\$ 14,737,874	\$ 1,104,368	\$ 662,421	\$ 783,850	\$ 17,288,513	
Cash with fiscal agent	3,421,769	2,401,002			5,822,771	
Investments	29,940				29,940	
Accounts receivable, net	312,220	87,894	275,319	2,105	677,538	
Lease receivable		2,970,178			2,970,178	
Due from Primary Government		312,528			312,528	
Due from other governments	5,539,229				5,539,229	
Inventories	370,760				370,760	
Prepaid items			18,737	8,884	27,621	
Temporarily restricted assets:						
Cash and cash equivalents		1,315,643			1,315,643	
Notes receivable		319,337			319,337	
Land held for sale		10,387,152			10,387,152	
Capital assets not being depreciated	5,111,045	21,470,269			26,581,314	
Capital assets, net of accumulated depreciation	7,334,049	9,571,204	7,508	241,690	17,154,451	
Total assets	<u>\$ 36,856,886</u>	<u>\$ 49,939,575</u>	<u>\$ 963,985</u>	<u>\$ 1,036,529</u>	<u>\$ 88,796,975</u>	
DEFERRED OUTFLOWS OF RESOURCES						
Related to pensions	21,386,615				21,386,615	
Related to other postemployment benefits	2,534,590				2,534,590	
Total deferred outflows of resources	<u>23,921,205</u>				<u>23,921,205</u>	
LIABILITIES						
Accounts payable and other liabilities	\$ 14,265,583	\$ 3,217,795	\$ 67,991	\$ 78,044	\$ 17,629,413	
Due to Primary Government	289,553	12,500			302,053	
Unearned revenues	1,618,315	335,206		59,260	2,012,781	
Notes and other long-term payables:						
Due within one year	7,605,707				7,605,707	
Due in more than one year	214,891,502				214,891,502	
Bonds payable:						
Due within one year		825,913			825,913	
Due in more than one year		2,003,342			2,003,342	
Total liabilities	<u>238,670,660</u>	<u>6,394,756</u>	<u>67,991</u>	<u>137,304</u>	<u>245,270,711</u>	
DEFERRED INFLOWS OF RESOURCES						
Related to pensions	27,642,350				27,642,350	
Related to other postemployment benefits	1,968,825				1,968,825	
Total deferred inflows of resources	<u>29,611,175</u>				<u>29,611,175</u>	
NET POSITION						
Net investment in capital assets	12,445,094	31,041,473	7,508	241,690	43,735,765	
Restricted for:						
Bond indenture		1,315,643			1,315,643	
Unrestricted (deficit)	(219,948,838)	11,187,703	888,486	657,535	(207,215,114)	
Total net position (deficit)	<u>\$ (207,503,744)</u>	<u>\$ 43,544,819</u>	<u>\$ 895,994</u>	<u>\$ 899,225</u>	<u>\$ (162,163,706)</u>	

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

CITY OF HAMPTON, VIRGINIA
COMBINING STATEMENT OF ACTIVITIES
DISCRETELY PRESENTED COMPONENT UNITS
For the Year Ended June 30, 2018

Functions/Programs	Program Revenues				Net (Expenses) Revenues and Changes in Net Position				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	School Board	Economic Development Authority	Coliseum Central Business Improvement District, Inc.	Downtown Hampton Development Partnership, Inc.	Total
Governmental type activities									
Public school system	\$ 217,716,412	\$ 5,007,873	\$ 150,469,017	\$	\$ (62,239,522)	\$	\$	\$	\$ (62,239,522)
Business-type activities									
Economic development	3,874,166	1,520,028		316,800		(2,037,338)			(2,037,338)
Business improvement	1,423,752	620,520					(803,232)		(803,232)
Downtown development	745,439	255,597	271,061					(218,781)	(218,781)
Total component units	<u>\$ 223,759,769</u>	<u>\$ 7,404,018</u>	<u>\$ 150,740,078</u>	<u>\$ 316,800</u>	<u>\$ (62,239,522)</u>	<u>\$ (2,037,338)</u>	<u>\$ (803,232)</u>	<u>\$ (218,781)</u>	<u>\$ (65,298,873)</u>
Payments from City					73,036,416	10,756,884	538,701	170,310	84,502,311
Investment earnings						278,414	874		279,288
Miscellaneous						(5,454)			(5,454)
Total general revenues					<u>73,036,416</u>	<u>11,029,844</u>	<u>539,575</u>	<u>170,310</u>	<u>84,776,145</u>
Change in net position (deficit)					10,796,894	8,992,506	(263,657)	(48,471)	19,477,272
Net position (deficit), beginning of year, as restated (Note 17)					<u>(218,300,638)</u>	<u>34,552,313</u>	<u>1,159,651</u>	<u>947,696</u>	<u>(181,640,978)</u>
Net position (deficit), end of year					<u>\$ (207,503,744)</u>	<u>\$ 43,544,819</u>	<u>\$ 895,994</u>	<u>\$ 899,225</u>	<u>\$ (162,163,706)</u>

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

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

The following is a summary of the significant accounting policies.

Reporting Entity

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

Component Unit Disclosures

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

Discretely Presented Component Units

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

Hampton City School Board

The Hampton City School Board (School Board) is a legally separate entity which oversees the operations of and establishes educational policies for the City's public school system. Seven School Board members are elected by the voters of the City 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.

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

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 Improvement 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, 4410 E. Claiborne Square, Suite 211, Hampton, Virginia 23666 or by calling (757) 826-6351.

Downtown Hampton Development Partnership, Inc.

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

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 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, 2018, the City provided operating and capital support of \$4,854,947 to HRT, \$167,329 to HRPDC, \$10,500 to VPPSA, \$129,631 to HREDA and \$74,435 to PCFWD.

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

Jointly Governed Organizations

Hampton-Newport News Community Services Board

The City of Hampton has one jointly governed organization, the Hampton-Newport News Community Services Board (CSB). The CSB operates as an agent for the Cities of Hampton and Newport News in the establishment and operation of community mental health, mental retardation and substance abuse programs as provided for in Chapter 10 of Title 37.1 of the Code of Virginia, relating to the Virginia Department of Mental Health and Mental Retardation. The CSB designates its own management and adopts its own budget. The operations are financed principally by state and federal funds. The City provided operating support of \$1,570,662 to the CSB during fiscal year 2018.

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 are long term debt and obligations.

Statement of Activities

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

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

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

Basis of Accounting

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

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

In 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. Accordingly, real and personal property taxes are recorded as revenue when levied and billed, net of allowances for uncollectible amounts. Property taxes not collected within 45 days after year-end are reflected as unearned 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.

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

4. The City Manager or his/her designee is authorized to transfer budgeted amounts within departments within the General Fund. Revisions that alter the total appropriations for a department must be approved by City Council. Therefore, the level of control at which expenditures may not exceed appropriations is the total expenditure level of each department. Transfers within the School Operating Fund are under the control of the School Board.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund and School Board Component Unit Operating Fund.
6. Budgets for the City General Fund and School Board Operating Fund are legally adopted on a basis consistent with Generally Accepted Accounting Principles.

Budgeted amounts are as originally adopted or as amended by City Council and the School Board during fiscal year 2018. Unencumbered appropriations lapse at year-end in the General and School Operating Funds. Appropriations which are encumbered at year-end are carried forward into the following year's appropriation to allow liquidation of the encumbrances.

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

General Property Tax Calendar

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

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

Encumbrances

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

Investments

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

Receivables

Receivables of the General Fund are stated net of an allowance for uncollectible taxes of \$1,701,504. Management has determined that the allowance is sufficient to provide for any losses that may be sustained on realization of the accounts receivable.

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

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

Land Held for Resale

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

Interfund Activity

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

Restricted Assets

Restricted assets represent the following invested assets set aside in The Convention Center and discretely presented component unit – EDA:

	Convention Center	Component Unit- EDA
Restricted Assets		
Cash:		
Operating and Maintenance Account	\$	\$ 87,488
Operating/Capital Reserve Fund	1,769,170	662,057
Debt Service Reserve Fund	534,056	566,098
Investments:		
Operating Reserve Fund	7,579,868	
Bond Fund	1,208,659	
Debt Service Reserve Fund	6,764,900	
	\$ 17,856,653	\$ 1,315,643

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

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

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 acquisition value at the date of donation. When assets are retired or otherwise disposed of, the related cost and accumulated depreciation are eliminated and any resulting gain or loss is reflected as non-operating revenue or expense.

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

<u>Assets</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 Net 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. One of the deferred outflows resources is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The other deferred outflows of resources are related to

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

pensions and other postemployment benefits which consist of employer contributions subsequent to the measurement date, changes in proportion and differences between employer contributions and proportionate share of contributions and net difference between projected and actual earnings on pension plan investments. These amounts are deferred and amortized in accordance with GAAP.

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

The other deferred inflows of resources are related to pensions and other postemployment benefits (OPEB) which consist of differences between expected and actual experience, net difference between projected and actual earnings on plan investments, and changes in proportion and differences between employer contributions and proportionate share of contributions. These amounts are deferred and amortized in accordance with GAAP.

Fund Balance

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

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

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

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

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

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

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

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

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

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

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

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

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

	General	Economic Development	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
Fund Balances:						
Nonspendable:						
Inventory	\$ 14,546					\$ 14,546
Restricted:						
Debt service			82,082			82,082
Donations for parks projects	10,000					10,000
Public safety for hazmat fees	33,201					33,201
Wetlands Encroachment/In Lieu	148,726					148,726
Donations for bike racks				1,300		1,300
Title IVE	138,446					138,446
Urban Development Action grant projects		863,498				863,498
Property acquisition/redevelopment				216,512		216,512
Street and Infrastructure projects				263,289		263,289
Waterways projects				844	99,259	100,103
Park improvement projects				465,168	15,803	480,971
Public Works equipment					215,334	215,334
Facilities maintenance and repairs					40,762	40,762
Law library books and subscriptions					42,519	42,519
Stormwater management					11,435,291	11,435,291
Commonwealth Attorney						
investigations,training and equipment					117,339	117,339
Probation supervision services					167,992	167,992
Emergency preparedness					221,309	221,309
Fire equipment,training and supplies					339,357	339,357
Police investigations,training and equipment					211,673	211,673
Early intervention and special education services					314,729	314,729
Neighborhood improvement projects					36,287	36,287
Donations for bus shelter benches	40,530					40,530
Other	2,004			667	2,310	4,981
Committed:						
Budget savings program	8,532,106					8,532,106
Computer Replacement Program	802,700					802,700
Capital projects	12,012,270					12,012,270
Debt service	6,201,513					6,201,513
Home elevation loan program	1,894,619					1,894,619
Maintenance of driving range	161,114					161,114
Job creation grants			1,305,591			1,305,591
EDA grants program	600,000					600,000

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

	General	Economic Development	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
Emergency Management	41,000					41,000
Ft. Monroe Sailing Center				89,071		89,071
Public Works Yard Master Plan				51,750		51,750
KRONOS Time Accounting System	86,309					86,309
Police Department	9,840					9,840
Streets & Infrastructure projects		178,051		11,080,206		11,258,257
Waterways projects	2,111,332			6,361,635		8,472,967
Buckroe redevelopment projects		86,274		97,380		183,654
Va Air and Space Museum support/improvements	1,614			691		2,305
Coliseum Central projects		60,333		3,714,534		3,774,867
Court buildings projects				120,958		120,958
Downtown strategic projects				3,547,419		3,547,419
Facilities maintenance projects				6,767,889		6,767,889
Fire and Rescue projects				430,074		430,074
Sheriff projects				122,676		122,676
North King Street Corridor projects				141,571		141,571
Neighborhood improvement projects				3,269,772		3,269,772
Parks improvement projects				5,614,649		5,614,649
Police and E911 equipment				138,963		138,963
Property acquisition/redevelopment		19,337		326,500		345,837
School projects				10,250,095		10,250,095
Transportation projects				159,489		159,489
Other				61,214	25,963	87,177
War Memorial Stadium				3,369,241		3,369,241
Assigned:						
Donations for parks projects	3,247					3,247
Subsequent year expense	4,629,925					4,629,925
Proceeds from real estate auctions	39,700					39,700
Economic development projects		3,403,606				3,403,606
Transportation projects	324,956					324,956
Fire and Rescue operations	219,142					219,142
Debt service			442,283			442,283
Donations for History Museum	1,632					1,632
Donations for general operations	39,125					39,125
Police Department equipment and supplies	338,258					338,258
Public Works Drainage-Equipment and Supplies	53,400					53,400
Traffic Engineering equipment and supplies	114,252					114,252
Information Technology equipment and supplies	168,041					168,041
Youth, Education and Family Services equipment and supplies	42,358					42,358
City Sheriff equipment and supplies	41,782					41,782
Unappropriated bond interest income- general capital projects				2,007,583		2,007,583
Line of Duty program	92,743					92,743
Other	265,738			168,082	76,452	510,272
Unassigned	61,531,835					61,531,835
Total Fund Balances	\$00,748,004	\$ 5,916,690	\$ 524,365	\$ 58,839,222	\$ 13,362,379	\$ 179,390,660

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

Net Position(deficit) - Enterprise Funds and Internal Service Funds

The net position(deficit) at June 30, 2018 in the Enterprise Funds are as follows:

	Primary Government	Discretely Presented Component Units
Wastewater Management	\$ 52,909,801	\$
The Hamptons Golf Course	(3,937,278)	
Museum	10,635,179	
Hampton Roads Convention Center	6,487,837	
Non-Major Enterprise:		
Hampton Coliseum	7,108,470	
The Woodlands Golf Course	(521,386)	
Solid Waste	7,912,293	
Refuse-Steam Plant	5,299,079	
Component Units:		
School Board		(207,503,744)
Economic Development Authority		43,544,819
Coliseum Central Business Improvement District, Inc.		895,994
Downtown Hampton Development Partnership, Inc.		899,225

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

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

Internal Service:		
Equipment Replacement		\$ 18,462,468
Fleet Management		(2,409,592)
Risk Management		11,636,228
Information Technology		232,825

Pensions

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

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

Group Life

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

Health Insurance Credit Program

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

Compensated Absences

It is the City's policy to permit employees to accumulate a limited amount of earned but unused annual and sick leave benefits, which will be utilized in future periods or will be paid to employees upon separation from City service. In governmental fund types, the cost of annual and sick benefits is recognized when payments are made to employees. The current and long-term liability for accrued annual and sick leave benefits at June 30, 2018 has been reported in the government-wide statements, representing the City's commitment to fund such costs from future operations. Proprietary fund types accrue annual and sick leave benefits in the period they are earned. Such benefits are included in accounts payable and other liabilities in the government-wide statements. In prior years, the General, Federal Grants, Community Development, Pembroke Complex and Stormwater Management Funds have been used to liquidate the liability for compensated absences.

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

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 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.

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

2. BASIS OF PRESENTATION - FUND ACCOUNTING , continued:

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 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.

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.

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

2. BASIS OF PRESENTATION - FUND ACCOUNTING , continued:

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 and certain self-insured liabilities of the City and the School Board. The Information Technology Fund accounts for the costs of providing the following services: personal computer support and telecommunications services.

Fiduciary Funds

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

HERS pension trust fund (Exhibits A-9 and A-10) accounts for the revenues and expenditures related to the City-sponsored retirement plan, which is administered by a board of trustees appointed by City Council. The 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 Hampton Roads Peninsula Drug Initiative.

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."

The \$196,093 due to the Convention Center Fund from the General Fund is for operating support for the year. The General Fund's due from of \$10,023,532 is primarily to cover negative cash balances for several funds. All remaining balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur and (2) payments between the funds are made.

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

3. INTERFUND BALANCES, continued:

Interfund Receivables and Payables:

<u>Primary Government:</u>	<u>Due From</u>	<u>Due To</u>
General Fund	\$ 10,023,532	\$ 3,309,092
Capital Projects	1,895,361	2,282,308
Non-Major Governmental Funds	323,665	264,471
<u>Proprietary Funds:</u>		
The Hamptons	500	4,076,713
Museum		854,525
Convention Center	574,354	196,093
Non-Major Enterprise Funds		2,341,400
Internal Service Funds	507,190	
Total Primary Government	<u>\$ 13,324,602</u>	<u>\$ 13,324,602</u>

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

	<u>Due From Primary Government</u>	<u>Due To Component Unit</u>	<u>Due From Component Unit</u>	<u>Due To Primary Government</u>
Primary Government - General Fund	\$	\$ 262,528	\$ 1,012	\$
Primary Government - Economic Development		50,000	12,500	
Primary Government - Non-major Enterprise Funds			46,503	
Primary Government - Internal Service Funds			242,038	
Component Unit - School Board Operating Fund				289,553
Component Unit - EDA	312,528			12,500
Total	<u>\$ 312,528</u>	<u>\$ 312,528</u>	<u>\$ 302,053</u>	<u>\$ 302,053</u>

Individual fund interfund transfers for the primary government were made for operating as well as capital purposes. The more significant transfers were made from the General Fund for the purposes of funding debt service, various capital projects and operating support to the Enterprise Funds. Interfund transfers for the year ended June 30, 2018 are as follows:

<u>Primary Government:</u>	<u>Transfer From</u>	<u>Transfer To</u>
General Fund	\$ 239,802	\$ 57,201,811
Special Revenue:		
Economic Development		16,250
Debt Service	32,036,184	
Capital Projects	18,550,630	62,949
Non-Major Governmental Funds	2,108,099	3,990,595
Proprietary Funds:		
Wastewater Management		113,292
Museum	10,912	
Convention Center	7,299,168	
Non-Major Enterprise Funds	655,102	
Internal Service Funds	485,000	
Total Primary Government	<u>\$ 61,384,897</u>	<u>\$ 61,384,897</u>

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

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	\$	\$ 75,061,112	\$ 2,227,127	\$
Primary Government - Economic Development		207,535		
Primary Government - Capital Projects Fund		9,460,791		
Component Unit - School Board Operating Fund	73,036,416			2,000,000
Component Unit - EDA	10,984,011			227,127
Component Unit - Coliseum BID	538,701			
Component Unit - Downtown Hampton	170,310			
Total	<u>\$84,729,438</u>	<u>\$ 84,729,438</u>	<u>\$ 2,227,127</u>	<u>\$ 2,227,127</u>

4. DEPOSITS AND INVESTMENTS:

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

Deposits

On June 30, 2018, the carrying value of the City’s deposits was \$23,360,543 and the bank balance was \$7,769,285. All of the bank balances are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the “Act”) Section 2.2-4400 et. seq. of the Code of Virginia. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial institutions may choose between two collateralization methodologies and depending upon that choice will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. The Commonwealth of Virginia Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and notifying local governments of compliance by financial institutions. All deposits are considered fully collateralized.

Investments

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

Investments for the City are primarily reported at fair value. The State Treasurer’s LGIP operates in accordance with appropriate state laws and regulations. There are no restrictions on participant withdrawals for LGIP. The reported value of the pool is the same as the fair value of the pool shares.

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

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

4. DEPOSITS AND INVESTMENTS , continued:

HERS Investments

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

Investment Policy

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

HERS Investment Policy

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

Credit Risk

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

HERS Credit Risk

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

HERS Concentration of Credit Risk

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

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

4. DEPOSITS AND INVESTMENTS , continued:

U. S. Government Securities

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

Custodial Credit Risk

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

HERS Custodial Credit Risk

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

Interest Rate Risk

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

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

HERS Interest Rate Risk

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

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

4. DEPOSITS AND INVESTMENTS , continued:

As of June 30, 2018, the City had the following investments and maturities:

Primary Government	Fair Value	Actual Credit Rating	Investment Maturities (in years)	
			Less than 1 year	1-5 years
Commercial Paper	\$ 2,978,639	A-1 + P-1	\$ 2,978,639	\$
Certificate of Deposit	4,184,306	A-1, AA- AAA, AA+,	3,000,000	1,184,306
U.S. Government securities	32,881,030	AA- AAA, AA,	5,052,795	27,828,235
Corporate Notes	4,136,992	AA+, AA-, A+		4,136,992
LGIP - City	139,013,159	AAAm	139,013,159	
State Non-Arbitrage Fund-City	59,780,318	AAAm	59,780,318	
Mutual and Money Market Funds	<u>2,243,950</u>	Unrated	<u>2,243,950</u>	
Total Investments Controlled by City	245,218,394		212,068,861	33,149,533
Pension Plan Investments	<u>128,715,419</u>		<u>128,715,419</u>	
Total	<u>373,933,813</u>		<u>\$ 340,784,280</u>	<u>\$ 33,149,533</u>

Reconciliation to Total Cash and Investments:

Add:

Cash on Hand and in Banks-City	17,010,521
Cash With Fiscal Agent	<u>3,350,022</u>
Total Deposits and Investments Primary Government and Fiduciary Funds per Exhibits A-1 and A-9	<u>\$ 394,294,356</u>

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

4. DEPOSITS AND INVESTMENTS, continued:

Component Unit - School Board

	Investment Maturities (in years)	
	Fair Value	Less than 1 year
Repurchase Agreements	\$ 1,300,000	\$ 1,300,000
Mutual and Money Market Funds	29,940	29,940
Total Investments School Board	<u>\$ 1,329,940</u>	<u>\$ 1,329,940</u>

Other Component Units

	Investment Maturities (in years)	
	Fair Value	Less than 1 year
Mutual and Money Market Funds	\$ 1,315,643	\$ 1,315,643
Total Investments Other Component Units	<u>\$ 1,315,643</u>	<u>\$ 1,315,643</u>

Reconciliation of total deposits and investments to the government-wide statements at June 30, 2018;

<u>Primary Government</u>	Governmental Activities	Business-type Activities	Fiduciary Responsibilities	Total
Cash Deposits-City	\$ 268,422	\$ 15,851,985	\$ 890,114	\$ 17,010,521
Cash With Fiscal Agent-City	258,431	3,091,591		3,350,022
Mutual and Money Market Funds		2,093,880		2,093,880
Investments-City	211,571,087	31,553,427	128,715,419	371,839,933
Total Primary Government	<u>\$ 212,097,940</u>	<u>\$ 52,590,883</u>	<u>\$ 129,605,533</u>	<u>\$ 394,294,356</u>
<u>Component Unit - School Board</u>				
Cash Deposits	\$ 13,437,874	\$	\$	\$ 13,437,874
Cash With Fiscal Agent	3,421,769			3,421,769
Investments	1,329,940			1,329,940
Total Component Unit School Board	<u>\$ 18,189,583</u>	<u>\$</u>	<u>\$</u>	<u>\$ 18,189,583</u>
<u>Other Component Units</u>				
Cash Deposits	\$	\$ 2,550,639	\$	\$ 2,550,639
Cash With Fiscal Agent		2,401,002		2,401,002
Investments		1,315,643		1,315,643
Total Other Component Units	<u>\$</u>	<u>\$ 6,267,284</u>	<u>\$</u>	<u>\$ 6,267,284</u>

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

4. DEPOSITS AND INVESTMENTS , continued:

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

Fair Value Hierarchy

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of assets. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs and Level 3 inputs are significant unobservable inputs (the City does not value any of its investments using Level 3 inputs).

The following is a summary of the fair value hierarchy for investments of the City as of June 30, 2018:

	Investments at Fair Value June 30, 2018	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Primary Government				
Commercial Paper	\$ 2,978,639	\$	\$ 2,978,639	\$
Certificate of Deposit	4,184,306		4,184,306	
Corporate Notes	4,136,992		4,136,992	
U.S. Government Securities	32,881,030		32,881,030	
Total Primary Government	<u>\$ 44,180,967</u>	<u>\$</u>	<u>\$ 44,180,967</u>	<u>\$</u>
Pension Plan Investments	<u>\$ 128,715,419</u>	<u>\$ 128,715,419</u>	<u>\$</u>	<u>\$</u>

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

5. ACCOUNTS RECEIVABLE:

Accounts receivable at June 30, 2018 in the Governmental Funds and School Board 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 \$1,701,504)	\$ 7,958,229	\$	\$	\$	\$
Due from Commonwealth of Virginia	9,602,127			4,349,747	1,729,824
Due from Federal Government	733,240				923,828
Other	1,328,839	12,200	636	162,776	724,044
Total Primary Government	<u>\$ 19,622,435</u>	<u>\$ 12,200</u>	<u>\$ 636</u>	<u>\$ 4,512,523</u>	<u>\$ 3,377,696</u>
 <u>Discretely Presented Component Unit - School Board:</u>					
Due from Commonwealth of Virginia		\$ 3,677,877			
Due from Federal Government		1,861,352			
Due from other municipalities		6,112			
Other		306,108			
Total Component Unit		<u>\$ 5,851,449</u>			

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

6. CAPITAL ASSETS:

Capital asset activity for the year ended June 30, 2018 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 514,355,888	\$ 3,780,429	\$ (543,272)	\$ 517,593,045
Easements	1,443,217	718,736		2,161,953
Construction in progress	23,018,008	12,740,806	(12,358,859)	23,399,955
Total capital assets not being depreciated	<u>538,817,113</u>	<u>17,239,971</u>	<u>(12,902,131)</u>	<u>543,154,955</u>
Capital assets being depreciated:				
Buildings	196,872,813	81,489	(341,728)	196,612,574
Improvements	77,216,137	3,407,928		80,624,065
Computer Software	1,839,639	281,827		2,121,466
Machinery & Equipment	85,721,426	2,889,700	(2,642,091)	85,969,035
Infrastructure	206,291,255	11,040,974		217,332,229
Other Assets	4,321,039	125,000		4,446,039
Total capital assets being depreciated	<u>572,262,309</u>	<u>17,826,918</u>	<u>(2,983,819)</u>	<u>587,105,408</u>
Less accumulated depreciation for:				
Buildings	(56,945,489)	(4,481,813)	78,557	(61,348,745)
Improvements	(52,779,003)	(2,788,282)		(55,567,285)
Computer Software	(961,373)	(225,998)		(1,187,371)
Machinery & Equipment	(48,904,195)	(6,261,506)	2,516,186	(52,649,515)
Infrastructure	(80,476,815)	(8,606,251)		(89,083,066)
Other Assets	(1,655,161)	(216,062)		(1,871,223)
Total accumulated depreciation	<u>(241,722,036)</u>	<u>(22,579,912)</u>	<u>2,594,743</u>	<u>(261,707,205)</u>
Total capital assets being depreciated, net	<u>330,540,273</u>	<u>(4,752,994)</u>	<u>(389,076)</u>	<u>325,398,203</u>
Governmental activities capital assets, net	<u>\$ 869,357,386</u>	<u>\$ 12,486,977</u>	<u>\$ (13,291,207)</u>	<u>\$ 868,553,156</u>

Primary Government:

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

General capital assets	\$ 850,446,468
Internal service funds	18,106,688
	<u>\$ 868,553,156</u>

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

6. CAPITAL ASSETS, continued:

	Beginning Balance	Additions	Reductions	Ending Balance
Business-type Activities:				
Capital assets not being depreciated:				
Land	\$ 11,066,341	\$	\$	\$ 11,066,341
Easements	28,943			28,943
Construction in progress	798,040	1,088,010	(929,159)	956,891
Total capital assets not being depreciated	11,893,324	1,088,010	(929,159)	12,052,175
Capital assets being depreciated:				
Buildings	140,079,256	62,918		140,142,174
Improvements	35,782,467	169,997	(143,450)	35,809,014
Computer Software	401,729			401,729
Machinery & Equipment	29,449,797	2,268,721	(1,446,553)	30,271,965
Exhibits	14,638,250	44,251		14,682,501
Landfill	3,865,986			3,865,986
Infrastructure	71,991,562	1,458,203		73,449,765
Total capital assets being depreciated	296,209,047	4,004,090	(1,590,003)	298,623,134
Less accumulated depreciation for:				
Buildings	(66,752,440)	(3,802,005)		(70,554,445)
Improvements	(25,240,927)	(1,073,058)	91,446	(26,222,539)
Computer Software	(233,751)	(63,682)		(297,433)
Machinery & Equipment	(21,165,146)	(2,047,379)	1,413,950	(21,798,575)
Exhibits	(14,190,897)	(99,296)		(14,290,193)
Landfill	(3,664,349)	(3,156)		(3,667,505)
Infrastructure	(30,653,138)	(1,095,524)		(31,748,662)
Total accumulated depreciation	(161,900,648)	(8,184,100)	1,505,396	(168,579,352)
Total capital assets being depreciated, net	134,308,399	(4,180,010)	(84,607)	130,043,782
Business-type activities capital assets, net	\$ 146,201,723	\$ (3,092,000)	\$ (1,013,766)	\$ 142,095,957

Depreciation expense was charged to functions/programs of the Primary Government as follows:

	General Capital Assets	Internal Service Funds	Total
Governmental activities			
General government	\$ 3,587,405	\$ 3,052,636	\$ 6,640,041
Health	784,144		784,144
Public welfare	61,756		61,756
Public safety	3,509,289		3,509,289
Streets and highways	7,155,769		7,155,769
Culture and recreation	418,979		418,979
Education	4,009,934		4,009,934
Total depreciation expense - governmental activities	\$ 19,527,276	\$ 3,052,636	\$ 22,579,912
Business - type activities:			
Culture and recreation	\$ 4,714,866		
Sanitation	3,469,234		
Total depreciation expense - business-type activities	\$ 8,184,100		

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

6. CAPITAL ASSETS , continued:

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

	Governmental Activities
Machinery and equipment	\$ 20,900,308
Less accumulated depreciation	(8,798,202)
Capital assets, net	\$ 12,102,106

No equipment was acquired through a capital lease during fiscal year ended June 30, 2018. Depreciation expense on the leased assets totaled \$1,915,747 for the fiscal year ended June 30, 2018.

Discretely Presented Component Units

School Board:

	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets not being depreciated:				
Land	\$ 5,111,045	\$	\$	\$ 5,111,045
Total capital assets not being depreciated:	5,111,045			5,111,045
Capital assets being depreciated:				
Buildings	48,962,686			48,962,686
Improvements	310,100			310,100
Machinery & Equipment	40,634,607	3,041,759	(1,155,345)	42,521,021
Total capital assets being depreciated	89,907,393	3,041,759	(1,155,345)	91,793,807
Less accumulated depreciation for:				
Buildings	(48,962,686)			(48,962,686)
Improvements	(244,018)	(15,319)		(259,337)
Machinery & Equipment	(34,893,285)	(1,380,670)	1,036,220	(35,237,735)
Total accumulated depreciation	(84,099,989)	(1,395,989)	1,036,220	(84,459,758)
Total capital assets being depreciated, net	5,807,404	1,645,770	(119,125)	7,334,049
School Board capital assets, net	\$ 10,918,449	\$ 1,645,770	\$ (119,125)	\$ 12,445,094

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

6. CAPITAL ASSETS , continued:

Economic Development Authority:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 21,470,269	\$	\$	\$ 21,470,269
Total capital assets not being depreciated	<u>21,470,269</u>			<u>21,470,269</u>
Capital assets being depreciated:				
Building		7,833,807		7,833,807
Improvements		755,136		755,136
Infrastructure	2,049,350			2,049,350
Machinery & Equipment		622,848		622,848
Total capital assets being depreciated	<u>2,049,350</u>	<u>9,211,791</u>		<u>11,261,141</u>
Less accumulated depreciation for:				
Buildings		(152,324)		(152,324)
Improvements		(20,663)		(20,663)
Infrastructure	(1,373,550)	(102,468)		(1,476,018)
Machinery & Equipment		(40,932)		(40,932)
Total accumulated depreciation	<u>(1,373,550)</u>	<u>(316,387)</u>		<u>(1,689,937)</u>
Total capital assets being depreciated, net	<u>675,800</u>	<u>8,895,404</u>		<u>9,571,204</u>
Economic Development Authority capital assets, net	<u>\$ 22,146,069</u>	<u>\$ 8,895,404</u>	<u>\$</u>	<u>\$ 31,041,473</u>

Downtown Hampton Development Partnership, Inc:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Capital assets being depreciated:				
Improvements	\$ 446,537	\$	\$	\$ 446,537
Computer Software	9,000			9,000
Machinery & Equipment	103,046	4,325		107,371
Total capital assets being depreciated	<u>558,583</u>	<u>4,325</u>		<u>562,908</u>
Less accumulated depreciation	<u>(298,318)</u>	<u>(22,900)</u>		<u>(321,218)</u>
Downtown Hampton Development Partnership capital assets, net	<u>\$ 260,265</u>	<u>\$ (18,575)</u>	<u>\$</u>	<u>\$ 241,690</u>

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

6. CAPITAL ASSETS , continued:

Coliseum Central Business Improvement District, Inc:

	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets being depreciated:				
Computer Software	\$ 4,580	\$	\$	\$ 4,580
Machinery & Equipment	143,515	1,461		144,976
Total capital assets being depreciated	148,095	1,461		149,556
Less accumulated depreciation	(139,140)	(2,908)		(142,048)
Coliseum Central Business Improvement District				
capital assets, net	\$ 8,955	\$ (1,447)	\$ -	\$ 7,508

Construction in Progress

Several capital projects were in various stages of completion on June 30, 2018. 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, 2018, construction in progress by project was comprised as follows:

	Project Authorization	Expended to June 30, 2018
<u>Governmental Activities</u>		
Infrastructure	\$ 42,960,237	\$ 20,867,476
Construction	4,813,332	2,532,479
	\$ 47,773,569	\$ 23,399,955
<u>Business-type Activities</u>		
Wastewater Management - Sewer Projects	\$ 4,300,000	\$ 956,891
	\$ 4,300,000	\$ 956,891

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 Pearl Young Fund, a fund previously reported as a Special Revenue Fund, but now is reported as a part of the General Fund for GAAP purposes, does not have a legally adopted budget. Therefore, the Pearl Young Fund has not been included in Exhibit A-5 Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual. Therefore, the General Fund budget basis is different from GAAP.

Reconciliation to the General Fund statements (GAAP):	
Exhibit A-5 Fund balances, June 30, 2018 (Budget basis)	\$100,707,474
Pearl Young Fund's fund balances	40,530
Exhibit A-4 Fund balances, June 30, 2018 (GAAP)	\$100,748,004

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

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, 2018:

	Beginning Balance, as restated*	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds payable:					
Serial bonds	\$ 226,155,255	\$ 55,255,000	\$ (21,973,166)	\$ 259,437,089	\$ 20,498,024
Unamortized premium and discount	30,342,546	4,697,680	(2,720,865)	32,319,361	2,955,905
Capital leases	5,124,647		(1,688,314)	3,436,333	1,708,138
Capital leases - Internal Service Funds	1,845,248		(895,178)	950,070	916,836
General Obligation Bond Anticipation Notes		9,250,000	(9,250,000)		
Compensated absences	7,394,515	3,525,248	(3,508,157)	7,411,606	3,508,157
Compensated absences - Internal Service Funds	181,297	45,091	(49,149)	177,239	49,149
Claims and judgements - Internal Service Funds	6,925,124	3,489,735	(2,001,284)	8,413,575	7,048,742
Net OPEB liability - Line of Duty Benefits*	9,826,942	4,005,603	(797,011)	13,035,534	
Net pension liability - Internal Service Funds	3,037,295		(603,088)	2,434,207	
Net other postemployment benefit liability - Internal Service Funds*	2,099,964	117,224	(310,593)	1,906,595	
Net OPEB liability*	101,056,785	5,627,315	(14,214,766)	92,469,334	
Net pension liability	139,758,178		(19,941,952)	119,816,226	
 Governmental activities long-term liabilities	 <u>\$ 533,747,796</u>	 <u>\$ 86,012,896</u>	 <u>\$ (77,953,523)</u>	 <u>\$ 541,807,169</u>	 <u>\$ 36,684,951</u>

*Net OPEB liabilities have been restated as of July 1, 2017 in accordance with GAAP.

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

Balances at June 30, 2018

Long-term liabilities (detail above)	\$ 541,807,169
Less debt - Internal Service Fund	<u>(13,881,686)</u>
Combined adjustment	<u>\$ 527,925,483</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, 2018 and reflected the liability, if any, in the governmental activities column of the Statement of Net Position.

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

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

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

	Beginning Balance, as restated*	Additions	Reductions	Ending Balance	Due Within One Year
Business-type Activities:					
Bonds payable:					
Revenue bonds	\$ 76,650,000	\$	\$ (2,680,000)	\$ 73,970,000	\$ 2,815,000
Serial bonds	2,844,745		(411,834)	2,432,911	431,976
Unamortized premium and discount	9,049,537		(636,240)	8,413,297	636,240
Total bonds payable	<u>88,544,282</u>		<u>(3,728,074)</u>	<u>84,816,208</u>	<u>3,883,216</u>
Capital leases		2,600,000		2,600,000	489,816
Net pension liability	14,637,784		(4,018,287)	10,619,497	
Net other postemployment benefit liability*	8,200,477	210,776	(1,025,740)	7,385,513	
Compensated absences	846,005	175,202	(237,292)	783,915	218,201
	<u>112,228,548</u>	<u>2,985,978</u>	<u>(9,009,393)</u>	<u>106,205,133</u>	<u>4,591,233</u>
Business-type activities long-term liabilities	<u>\$ 112,228,548</u>	<u>\$ 2,985,978</u>	<u>\$ (9,009,393)</u>	<u>\$ 106,205,133</u>	<u>\$ 4,591,233</u>
Component Units:					
School Board:					
Compensated absences	\$ 5,477,261	\$ 7,584,404	\$ (6,013,266)	\$ 7,048,399	\$ 7,048,399
Capital leases		2,156,444	(534,375)	1,622,069	555,707
Net OPEB liability*	33,366,089		(2,061,677)	31,304,412	
Net pension liability	212,170,709		(29,648,380)	182,522,329	
	<u>251,014,059</u>	<u>9,740,848</u>	<u>(38,257,698)</u>	<u>222,497,209</u>	<u>7,604,106</u>
Total School Board	<u>\$ 251,014,059</u>	<u>\$ 9,740,848</u>	<u>\$ (38,257,698)</u>	<u>\$ 222,497,209</u>	<u>\$ 7,604,106</u>
Economic Development Authority:					
Revenue bonds payable	<u>\$ 3,605,828</u>	<u>\$</u>	<u>\$ (776,573)</u>	<u>\$ 2,829,255</u>	<u>\$ 776,573</u>

* Net OPEB liabilities have been restated as of July 1, 2017 in accordance with GAAP.

Enterprise Funds

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, 2018, no defeased bonds were outstanding.

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

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>
2019	\$ 2,815,000	\$ 3,656,104
2020	2,960,000	3,511,919
2021	3,110,000	3,360,150
2022	3,270,000	3,203,088
2023	3,430,000	3,038,825
2024-2028	19,995,000	12,361,543
2029-2033	25,990,000	6,558,163
2034-2035	12,400,000	634,394
	<u>\$ 73,970,000</u>	<u>\$ 36,324,186</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>
2019	\$ 431,976	\$ 119,507
2020	453,936	97,908
2021	476,213	75,212
2022	500,622	51,401
2023	133,049	26,370
2024-2026	437,115	41,055
	<u>\$ 2,432,911</u>	<u>\$ 411,453</u>

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

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

Solid Waste Fund:

On March 23, 2018, the City entered into an equipment lease purchase agreement for \$2,600,000 with Key Government Finance, Inc. to purchase ten refuse trucks. The Lease is payable in 20 quarterly remaining equal installments of \$139,358 at an interest rate of 2.623%. At June 30, 2018, the outstanding balance on the lease is \$2,600,000.

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

Year	Principal	Interest
2019	\$ 489,816	\$ 67,615
2020	507,041	50,390
2021	520,472	36,959
2022	534,259	23,172
2023	548,412	9,019
	<u>\$ 2,600,000</u>	<u>\$ 187,155</u>

Discretely Presented Component Unit-EDA:

On September 7, 2001, the EDA 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, 2018 are as follows:

	2002 Revenue Bonds
	<u>Tax-Exempt</u>
Outstanding Debt	\$ 2,829,255
Interest	6.17%
Years of maturity	2019- 2022

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

Revenue Bonds		
Year	Principal	Interest
2019	\$ 825,913	\$ 164,146
2020	878,387	111,672
2021	933,997	56,062
2022	190,958	5,924
	<u>\$ 2,829,255</u>	<u>\$ 337,804</u>

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

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

Discretely Presented Component Unit-School Board:

On March 20, 2018, the School Board entered into a Government Obligation Contract with KS StateBank for the purchase of software. The note is payable in 3 yearly remaining equal intallments of \$299,729. At June 30, 2018 the outstanding balance on the note is \$832,724.

In 2017, the School Board entered into a master maintenance and lease agreement with Virginia Business Systems. The lease is payable in monthly installments of \$21,331. As of June 30, 2018, the outstanding balance is \$789,345.

Internal Service Funds:

The City is self-insured for workmens' compensation benefits and general liability insurance claims. At June 30, 2018, the liability for existing claims amounted to \$8,413,575. Workmens' compensation benefit claims are payable weekly or monthly through 2025.

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 6 quarterly remaining equal installments of \$16,899 at an interest rate of 4.52%. At June 30, 2018 the outstanding balance on the lease is \$97,503. 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 4 quarterly equal installments of \$216,134 at an interest rate of 2.24%. At June 30, 2018, the outstanding balance on the lease is \$950,070.

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

<u>Year</u>	<u>Accrued Insurance Claims</u>	<u>Capital Lease</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 7,048,742	2019	\$ 916,836	\$ 15,300
2020	381,313	2020	33,234	555
2021	309,272	2021		
2022	238,261			
2023	188,341			
2024-2026	247,646			
	<u>\$ 8,413,575</u>		<u>\$ 950,070</u>	<u>\$ 15,855</u>

General Long-Term Debt:

Details of general obligation bonds and loans reported in the government-wide statements at June 30, 2018 are as follows:

General Obligation Bonds Outstanding	\$259,437,089
Coupon interest rate	2.0% to 5.63%
Years of maturity	2019-2039

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

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

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>
2019	\$ 20,498,024	\$ 10,857,891
2020	21,861,064	10,809,345
2021	19,263,787	9,828,467
2022	19,979,378	8,752,193
2023	19,056,951	7,813,785
2024-2028	91,777,885	24,817,028
2029-2033	41,345,000	8,838,621
2034-2038	22,350,000	2,183,334
2039	3,305,000	56,185
	<u>\$259,437,089</u>	<u>\$ 83,956,849</u>

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

The net proceeds from the 2018B refunding bonds of \$9,250,000 (net of underwriter's discount and issuance costs of \$102,749) were paid to Branch Banking & Trust for the repayment of principal on the City's previously issued General Obligation Bond Anticipation Note, Series 2017.

In the government-wide statements this transaction resulted in an economic loss of \$129,093.

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

On April 23, 2015, the City issued \$46,770,000 in General Obligation Public Improvement Bonds, Series 2015A with interest rates ranging from 3.5% to 5.0% and \$56,250,000 in General Obligation Public Improvement Refunding Bonds, Series 2015B with an interest rate of 5.0%. The proceeds of the 2015B Bonds were used to refund portions of the City's Series 2007 General Obligation Bonds in the amount of \$63,320,000 and the remaining balance will be used to finance the cost of general capital improvement projects of the City. Interest on the Bonds is due and payable semi-annually on each March 1 and September 1.

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

On June 20, 2012, the City issued \$26,390,000 in General Obligation Public Improvement Refunding Bonds, Series 2012A (Tax-

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

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

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

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

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

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

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

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

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, 2018, no defeased bonds were outstanding.

Capital Leases:

On February 27, 2009, the City entered into an equipment lease/purchase agreement 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's 911 Center and three transmit/receive sites. The lease is to be repaid in 4 remaining semi-annual installments at an interest rate of 1.1742%. The final payment is due March 1, 2020.

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

Year	Capital Leases	
	Principal	Interest
2019	\$ 1,708,138	\$ 40,350
2020	1,728,195	20,292
	\$ 3,436,333	\$ 60,642

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

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

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, 2018, the City's aggregate general obligation indebtedness was \$261,870,000, which is \$783,801,257 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, HERS and 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.

The City's aggregate totals reported for all pension plans were as follows: \$133,013,947 net pension liabilities; \$16,341,574 deferred outflows of resources; \$(13,675,420); deferred inflows of resources and \$10,068,142 pension expense.

Plan Description - HERS:

HERS is a single employer public employee defined benefit pension plan established and administered by the City to augment the retirement benefits provided to full-time permanent City and School Board employees under VRS.

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

HERS provides retirement benefits as well as death-in-service and disability benefits. All benefits vest after five years of credited service. Employees who retire on or after age 60 with five or more years of credited service or upon attaining age 55 with 25 or more years of credited service (age 50 for public safety officers) are entitled to an annual benefit, payable monthly for life, in an amount equal to 2% of their final average compensation for each of the first 20 years of credited service, plus 2-1/4% for each year of service thereafter, offset by an assumed VRS benefit equal to 1-1/2% of their average final compensation for credited service with VRS resulting for City of Hampton service. Final average compensation is the employee's average salary, excluding overtime, over the three highest consecutive years of credited service as a member. Employees with five years of credited service may retire on or after 55 (age 50 for public safety officers) and receive a reduced retirement benefit. Additionally, a plan amendment passed in 1999 allows for early retirement at age 50 for school and general members having at least 10 years of credited service.

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

HERS is considered a part of the City's reporting entity and is included in the City's financial reports as a pension trust fund. HERS issues a publicly available financial report that includes financial statements and required supplementary information for HERS. The financial report may be obtained by writing to City of Hampton, Finance Department, 22 Lincoln Street, Hampton, Virginia, 23669 or by calling (757) 727-6230.

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

9. DEFINED BENEFIT PENSION PLANS , continued:

Employees Covered by Benefit Terms - HERS:

As of the June 30, 2017, the following employees were covered by the benefit terms of the pension plan :

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	2,525
Vested inactive members	400
Active members	<u>53</u>
Total	<u><u>2,978</u></u>

Contributions - HERS:

The contribution requirements of plan members, the City and 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.

Net Pension Liability - HERS:

The City's and School Board's net pension liability was measured as of June 30, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial assumptions: The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	2.5% per annum for all members of the plan
Investment rate of return	7.0%, net of investment expenses, annually

Mortality rates were based on the RP-2014 Combined Annuitant and Non-Annuitant Mortality Table projected with Scale AA to 2010. The actuarial assumptions used for the June 30, 2017 valuation were based on the results of an experience study for the period July 1, 2005 through June 30, 2009.

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

9. DEFINED BENEFIT PENSION PLANS , continued:

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity- Large Cap	45%	7.20%
Domestic Equity-Small Cap	9%	8.90%
International Equity	11%	7.40%
Fixed Income	35%	2.10%
Total	<u>100%</u>	

The discount rate used to measure the total pension liability was 7.50 percent. A formal cash flow projection was not performed; however, the assumption was made that the City and School Board will continue the historical and legally required practice of contributing to the plan based on an actuarially determined contribution, reflecting a payment equal to the normal cost plus an amount necessary to amortize the June 30, 2013 unfunded actuarial liability as a level dollar amount over a closed 10 year period, plus layers of future actuarial gains and losses over separate fixed 10 year periods. Based on that assumption, the pension plans' fiduciary net position was projected to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability - HERS:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (as restated)* (b)	Net Pension Liability (a)-(b)
Balances at June 30, 2017	\$ 154,864,276	\$ 128,072,004	\$ 26,792,272
Changes for the year:			
Service cost	117,036		117,036
Interest	10,991,423		10,991,423
Changes in assumptions	(580,802)		(580,802)
Contributions-employer		7,100,125	(7,100,125)
Net investment income		10,682,406	(10,682,406)
Benefit payments, including refunds of employee contributions	(17,047,039)	(17,047,039)	
Administrative expense		(277,957)	277,957
Net Changes	<u>(6,519,382)</u>	<u>457,535</u>	<u>(6,976,917)</u>
Balances at June 30, 2018	<u>\$ 148,344,894</u>	<u>\$ 128,529,539</u>	<u>\$ 19,815,355</u>

* As restated for OPEB liabilities as of July 1, 2017 in accordance with GAAP.

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

9. DEFINED BENEFIT PENSION PLANS, continued:

At June 30, 2018, the City and School Board reported a net pension liability of \$10,058,954 and \$9,756,401, respectively.

Sensitivity of the net pension liability to changes in the discount rate - The following presents the net pension liability of the City and School Board, calculated using the discount rate of 7.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00 percent) or 1-percentage higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Net pension liability	\$ 30,208,032	\$ 19,815,355	\$ 10,653,292

Pension plan fiduciary net position detailed information about the the pension plan's fiduciary net position is available in the separately issued HERS financial report.

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

For the year ended June 30, 2018, the City and School Board recognized pension expense of \$1,230,629 and \$1,193,615, respectively. At June 30, 2018, the City and Component Unit - School Board reported deferred outflows of resources related to pensions from the following sources:

	City	School Board
	Deferred Inflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ (462,540)	\$ (448,628)
Total	\$ (462,540)	\$ (448,628)

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

Year ended June 30:	City	School Board
2019	\$ 430,223	\$ 417,308
2020	(8,510)	(8,254)
2021	(736,674)	(714,558)
2022	(147,566)	(143,137)

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

9. DEFINED BENEFIT PENSION PLANS , continued:

Pension Plan Fiduciary Net Position - HERS

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

Plan Description - VRS:

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

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

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

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

9. DEFINED BENEFIT PENSION PLANS , continued:

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula.</p>	<p>About Plan 2 Plan 2 is a defined benefit plan. The retirement benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula.</p>	<p>About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (See “Eligible Members”)</p> <ul style="list-style-type: none"> • The defined benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

9. DEFINED BENEFIT PENSION PLANS , continued:

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

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

9. DEFINED BENEFIT PENSION PLANS , continued:

<p>Creditable Service Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member’s total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p>	<p>Creditable Service Same as Plan 1.</p>	<p>Creditable Service <u>Defined Benefit Component:</u> Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member’s total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p> <p><u>Defined Contributions Component:</u> Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p>
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CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

9. DEFINED BENEFIT PENSION PLANS , continued:

<p>Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.</p> <p>Members are always 100% vested in the contributions that they make.</p>	<p>Vesting Same as Plan 1.</p>	<p>Vesting <u>Defined Benefit Component:</u> Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p> <p><u>Defined Contributions Component:</u> Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.</p> <p>Members are always 100% vested in the contributions that they make.</p> <p>Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p> <ul style="list-style-type: none"> • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. <p>Distribution is not required by law until age 70½.</p>
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CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

9. DEFINED BENEFIT PENSION PLANS , continued:

<p>Calculating the Benefit The Basic Benefit is calculated based on a formula using the member’s average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.</p> <p>An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.</p>	<p>Calculating the Benefit See definition under Plan 1.</p>	<p>Calculating the Benefit <u>Defined Benefit Component:</u> See definition under Plan 1</p> <p><u>Defined Contribution Component:</u> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.</p>
<p>Average Final Compensation A member’s average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation A member’s average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>
<p>Service Retirement Multiplier VRS: The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.7%.</p> <p>Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.</p> <p>Political subdivision hazardous duty employees: The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.7% or 1.85% as elected by the employer.</p>	<p>Service Retirement Multiplier VRS: Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.</p> <p>Sheriffs and regional jail superintendents: Same as Plan 1</p> <p>Political subdivision hazardous duty employees: Same as Plan 1.</p>	<p>Service Retirement Multiplier <u>Defined Benefit Component:</u> VRS: The retirement multiplier for the defined benefit component is 1.0%.</p> <p>For members that opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.</p> <p>Sheriffs and regional jail superintendents: Not applicable.</p> <p>Political subdivision hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Not applicable.</p>

CITY OF HAMPTON, VIRGINIA
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9. DEFINED BENEFIT PENSION PLANS , continued:

<p>Normal Retirement Age : VRS: Age 65.</p> <p>Political subdivisions hazardous duty employees: Age 60.</p>	<p>Normal Retirement Age: VRS: Normal Social Security retirement age.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Normal Retirement Age <u>Defined Benefit Component:</u> VRS: Same as Plan 2.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Earliest Unreduced Retirement Eligibility VRS: Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.</p> <p>Political subdivisions hazardous duty employees: Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.</p>	<p>Earliest Unreduced Retirement Eligibility VRS: Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Earliest Unreduced Retirement Eligibility <u>Defined Benefit Component:</u> VRS: Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Earliest Reduced Retirement Eligibility VRS: Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.</p> <p>Political subdivisions hazardous duty employees: 50 with at least five years of creditable service.</p>	<p>Earliest Reduced Retirement Eligibility VRS: Age 60 with at least five years (60 months) of creditable service.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Earliest Reduced Retirement Eligibility <u>Defined Benefit Component:</u> VRS: Age 60 with at least five years (60 months) of creditable service.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
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9. DEFINED BENEFIT PENSION PLANS , continued:

<p>Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.</p> <p><u>Eligibility:</u> For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.</p> <p>For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p> <p><u>Exceptions to COLA Effective Dates:</u> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member’s survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one 	<p>COLA in Retirement The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.</p> <p><u>Eligibility:</u> Same as Plan 1.</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1.</p>	<p>COLA in Retirement <u>Defined Benefit Component:</u> Same as Plan 2.</p> <p><u>Defined Contribution Component:</u> Not applicable.</p> <p><u>Eligibility:</u> Same as Plan 1 and Plan 2.</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1 and Plan 2.</p>
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CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
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9. DEFINED BENEFIT PENSION PLANS , continued:

<p>full calendar year (January 1 to December 31) from the date the monthly benefit begins.</p>		
<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p> <p>Not applicable to VRS Teacher Retirement plan members.</p>	<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p> <p>Not applicable to VRS Teacher Retirement plan members.</p>	<p>Disability Coverage Eligible political subdivision and school division (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.</p> <p>Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>
<p>Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.</p>	<p>Purchase of Prior Service Same as Plan 1.</p>	<p>Purchase of Prior Service <u>Defined Benefit Component:</u> Same as Plan 1, with the following exceptions: • Hybrid Retirement Plan members are ineligible for ported service.</p> <p><u>Defined Contribution Component:</u> Not applicable.</p>

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

9. DEFINED BENEFIT PENSION PLANS, continued:

Employees Covered by Benefit Terms - VRS Retirement Plan

As of the June 30, 2016 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Number	
	City	School Board Nonprofessional Employees
Inactive members or their beneficiaries currently receiving benefits	1,593	270
Inactive members:		
Vested inactive members	331	42
Non-vested inactive members	608	123
Active elsewhere in VRS	572	75
Total inactive members	1,511	240
Active members	1,880	199
Total covered employees	4,984	709

Contributions - VRS:

The contribution requirement for active employees is governed by Title 51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to political subdivisions and school divisions by the Virginia General Assembly. Employees are required to contribute 5% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5% member contribution may have been assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 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.

For the Teacher Retirement Plan, each school division's contractually required contribution rate for the year ended June 30, 2018 was 16.32% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015 and reflects the transfer in June 2015 of \$192,884,000 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the Teacher Retirement Plan from the School Board were \$17,587,597 and \$15,562,773 for the years ended June 30, 2018 and June 30, 2017, respectively.

For the VRS Retirement Plan, the City's and School Board's nonprofessional employees contractually required contribution rates for the year ended June 30, 2018 were 15.91% and 10.82% of covered employee compensation, respectively. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the City were \$14,246,313 and \$14,233,220 for the years ended June 30, 2018 and June 30, 2017, respectively. Contributions to the pension plan from the School Board were \$449,018 and \$413,542 for the years ended June 30, 2018 and June 30, 2017, respectively.

Net Pension Liability - VRS Retirement Plan

The City and School Board's nonprofessional employees net pension liabilities were measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2016, using

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

9. DEFINED BENEFIT PENSION PLANS , continued:

updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

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

At June 30, 2018, the School Board reported a liability of \$170,830,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2017 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The School Board's proportion of the Net Pension Liability was based on the School Board's actuarially determined employer contributions to the pension plan for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the School Board's proportion was 1.39% as compared to 1.39% at June 30, 2016.

For the year ended June 30, 2018, the School Board recognized pension expense of \$10,236,000. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2018, the School Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 2,493,000	\$ (12,097,000)
Change in assumptions		
Net difference between projected and actual earnings on pension plan investments		(6,206,000)
Changes in proportion and differences between Employer contributions and proportionate share of contributions	857,000	(8,326,000)
Employer contributions subsequent to the measurement date	<u>17,587,597</u>	
	<u>\$ 20,937,597</u>	<u>\$ (26,629,000)</u>

CITY OF HAMPTON, VIRGINIA
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June 30, 2018

9. DEFINED BENEFIT PENSION PLANS , continued:

\$17,587,597 reported as deferred outflows of resources related to pensions resulting from the School Board's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30	
2019	\$ (9,078,000)
2020	\$ (3,115,000)
2021	\$ (4,124,000)
2022	\$ (6,269,000)
2023	\$ (693,000)

Actuarial Assumptions - VRS Teacher Retirement Plan

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Inflation	2.5 percent
Salary increases, including Inflation	3.5 percent – 5.95 percent
Investment rate of return	7.0 percent, net of pension plan investment expense, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GAAP purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

Mortality rates:

Pre-Retirement:

RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement:

RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1.0% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; 115% of rates for males and females.

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9. DEFINED BENEFIT PENSION PLANS , continued:

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

Actuarial Assumptions – VRS Retirement Plan General Employees

The total pension liability for General Employees in the Political Subdivision’s Retirement Plan was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Inflation	2.5 percent
Salary increases, including inflation	3.5 percent – 5.35 percent
Investment rate of return	7.0 Percent, net of pension plan investment expense, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GAAP purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

9. DEFINED BENEFIT PENSION PLANS , continued:

Mortality rates:

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

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

All Others (Non 10 Largest) – Non-Hazardous Duty: 15% of deaths are assumed to be service related:

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – Non-Hazardous Duty:

Mortality Rates (Pre-retirement, post-retirement healthy, disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered Rates
Salary Scale	No change
Line of Duty Disability	Increase rate from 14% to 20%

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

9. DEFINED BENEFIT PENSION PLANS , continued:

All Others (Non 10 Largest) – Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered Rates
Salary Scale	No change
Line of Duty Disability	Increase rate from 14% to 15%

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

The total pension liability for Public Safety employees with Hazardous Duty Benefits in the Political Subdivision Retirement Plan was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Inflation	2.5 percent
Salary increases, including Inflation	3.5 percent - 4.75 percent
Investment rate of return	7.0 percent, net of pension plan investment expense, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GAAP purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

CITY OF HAMPTON, VIRGINIA
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9. DEFINED BENEFIT PENSION PLANS , continued:

Mortality rates:

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

Pre-Retirement: RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year; females 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, unisex using 100% male.

All Others (Non 10 Largest) - Hazardous Duty: 45% of deaths are assumed to be service related

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year, 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, unisex using 100% male.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 2, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - Hazardous Duty:

Mortality Rates (Pre-retirement, post-retirement healthy, disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Increased rates
Salary Scale	No change
Line of Duty Disability	Increase rate from 60% to 70%

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
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9. DEFINED BENEFIT PENSION PLANS , continued:

All Others (Non 10 Largest) - Hazardous Duty:

Mortality Rates (Pre-retirement, post-retirement healthy, disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Increase age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decrease rate from 60% to 45%

Long-Term Expected Rate of Return

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

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return</u>
Public Equity	40.00%	4.54	1.82%
Fixed Income	15.00%	0.69	0.10%
Credit Strategies	15.00%	3.96	0.59%
Real Assets	15.00%	5.76	0.86%
Private Equity	15.00%	9.53	1.43%
Total	<u>100.00%</u>		<u>4.80%</u>
	Inflation		<u>2.50%</u>
* Expected arithmetic nominal return			<u>7.30%</u>

*The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
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9. DEFINED BENEFIT PENSION PLANS , continued:

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by the school division and political subdivision will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, school divisions and political subdivisions are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability - VRS Retirement Plan City

	Increase (Decrease)	
	Plan Fiduciary Net Position Net Position (b)	Net Pension Liability Liability (a)-(b)
Balances at June 30, 2016	\$415,314,880	\$144,040,159
Changes for the year:		
Service cost	10,934,809	10,934,809
Interest	38,078,180	38,078,180
Changes in assumptions	2,910,537	2,910,537
Differences between expected and actual experience	(4,596,969)	(4,596,969)
Contributions-employer	14,235,281	(14,235,281)
Contributions-employee	4,539,420	(4,539,420)
Net investment income	49,975,564	(49,975,564)
Benefit payments, including refunds of employee contributions	(30,762,074)	(30,762,074)
Administrative expense	(294,277)	294,277
Other changes	(44,266)	44,266
Net changes	<u>16,564,483</u>	<u>(21,085,165)</u>
Balances at June 30, 2017	<u>\$452,964,528</u>	<u>\$122,954,994</u>

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
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9. DEFINED BENEFIT PENSION PLANS, continued:

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

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at June 30, 2016	\$ 28,210,416	\$ 24,559,556	\$ 3,650,860
Changes for the year:			
Service cost	376,186		376,186
Interest	1,908,394		1,908,394
Changes in assumptions	(101,861)		(101,861)
Differences between expected and actual experience	(405,218)		(405,218)
Contributions-employer		413,542	(413,542)
Contributions-employee		188,884	(188,884)
Net investment income		2,910,259	(2,910,259)
Benefit payments, including refunds of employee contributions	(1,895,299)	(1,895,299)	
Administrative expenses		(17,696)	17,696
Other changes		(2,556)	2,556
Net changes	<u>(117,798)</u>	<u>1,597,134</u>	<u>(1,714,932)</u>
Balances at June 30, 2017	<u>\$ 28,092,618</u>	<u>\$ 26,156,690</u>	<u>\$ 1,935,928</u>

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

The following presents the School Board's proportionate share of the net pension liability using the discount rate of 7.00%, as well as what the School Board's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	1.00% Decrease (6.00%)	Current Discount Rate (7%)	1.00% Increase (8%)
School Division's proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability	\$ 255,107,000	\$ 170,830,000	\$ 101,117,000

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

9. DEFINED BENEFIT PENSION PLANS , continued:

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - VRS Retirement Plan

The following presents the net pension liability of the City and School Board Nonprofessional employees using the discount rate of 7.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	1.00% Decrease (6.00%)	Current Discount Rate (7%)	1.00% Increase (8%)
City of Hampton Plan's Net Pension Liability	\$ 193,513,914	\$ 122,954,994	\$ 63,999,552
Component Unit-School Board Nonprofessional Employees' Plan's Net Pension Liability	\$ 4,929,280	\$ 1,935,928	\$ (591,228)

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

City

For the year ended June 30, 2018, the City recognized pension expense of \$8,837,513. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,095,261	\$ (6,885,953)
Change in assumptions		(6,326,927)
Net difference between projected and actual earnings on pension plan investments	14,246,313	
Employer contributions subsequent to the measurement date	\$ 16,341,574	\$ (13,212,880)
Total	<u>\$ 16,341,574</u>	<u>\$ (13,212,880)</u>

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

9. DEFINED BENEFIT PENSION PLANS, continued:

\$14,246,313 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30	
2019	\$ (7,025,294)
2020	348,894
2021	(174,234)
2022	(4,266,985)

School Board Nonprofessional Employees

For the year ended June 30, 2018, the School Board recognized pension expense of (\$1,464,776). At June 30, 2018, the School Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$	\$ (177,567)
Change in assumptions		(44,636)
Net difference between projected and actual earnings on pension plan investments		(342,519)
Employer contributions subsequent to the measurement date	449,018	
Total	<u>\$ 449,018</u>	<u>\$ (564,722)</u>

\$449,018 reported as deferred outflows of resources related to pensions resulting from the School Board's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30	
2019	\$ (477,451)
2020	142,680
2021	17,458
2022	(247,409)

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

9. DEFINED BENEFIT PENSION PLANS , continued:

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement and VRS Retirement Plans' Fiduciary Net Position is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/PDF/Publications/2017-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Payables to the Pension Plan

At June 30, 2018, the City reported a payable of \$1,009,610 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2018.

10. DEFERRED COMPENSATION PLAN:

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

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

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

11. JOINT VENTURE:

The Hampton Roads Regional Jail Authority (the Authority), a political subdivision of the Commonwealth of Virginia, was created through an agreement by the Cities of Hampton, Newport News, Norfolk and Portsmouth (the member jurisdictions). The Authority has the responsibility to finance the acquisition, construction and operation of a regional jail facility for the benefit of the member jurisdictions. Each member jurisdiction is responsible for paying the Authority a per diem charge, as established in the Authority's annual budget, for the care, maintenance and subsistence of prisoners from the member jurisdictions. The member jurisdictions have agreed to commit to the Authority its prisoners equal to its initial guaranteed capacity as follows: Hampton, 175 prisoners or 15.56%; Newport News, 200 prisoners or 17.78%; Norfolk, 250 prisoners or 22.22%; Portsmouth, 250 prisoners or 22.22%; Chesapeake, 250 prisoners or 22.22%. 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.

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

11. JOINT VENTURE , continued:

The Authority opened the jail facility on March 16, 1998. Summarized financial information for the Authority for fiscal year ending June 30, 2017 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	\$ 42,534,563
Expenses and other uses	<u>(39,928,695)</u>
Change in fund equity	2,605,868
Net position, as adjusted, July 1, 2016	<u>13,202,967</u>
Net position, June 30, 2017	<u><u>\$ 15,808,835</u></u>

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

12. COMMITMENT AND CONTINGENCIES:

Grants:

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

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 \$367,103. 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	\$ 714,778
Buildings	25,043,465
Improvements	8,326,017
Less accumulated depreciation	<u>(23,627,532)</u>
Capital Assets, net	<u><u>\$ 10,456,728</u></u>

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

12. COMMITMENT AND CONTINGENCIES , continued:

A summary of future minimum rental payments under the operating leases at June 30, 2018 is as follows:

<u>Year Ending June 30,</u>	<u>Operating Leases</u>	<u>Future Rental Income</u>
2019	\$ 1,030,454	\$ 664,931
2020	986,452	664,163
2021	983,916	569,049
2022	836,804	537,449
2023	468,723	435,712
2024-2028	1,389,753	125,766
	<u>\$ 5,696,102</u>	<u>\$ 2,997,070</u>

The City's rental expense and rental income for the year ended June 30, 2018 amounted to \$1,652,000 and \$262,486, 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.

Self-Insurance:

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

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

	<u>City</u>	<u>School Board</u>
Workers' Compensation	\$ 1,000,000	\$ 1,000,000
General Liability	1,000,000	1,000,000
Property Coverage	100,000	100,000
Medical Claims	125,000 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 position of \$11,636,228 at June 30, 2018 is 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 FINANCIAL STATEMENTS
June 30, 2018

12. COMMITMENT AND CONTINGENCIES , continued:

Changes in the Funds' claims liability amount in fiscal years 2018 , 2017 and 2016 were:

Risk Management Fund	Claims Liability July 1	Incurred Claims	Claims Payment	Claims Liability June 30
Fiscal Year 2018	\$ 6,925,124	\$ 3,489,736	\$ 2,001,285	\$ 8,413,575
Fiscal Year 2017	4,806,137	3,024,925	905,938	6,925,124
Fiscal Year 2016	10,668,203	492,089	6,354,155	4,806,137

General Fund	Claims Liability July 1	Incurred Claims	Claims Payment	Claims Liability June 30
Fiscal Year 2018	\$ 483,488	\$ 13,713,872	\$ 14,148,150	\$ 49,210
Fiscal Year 2017	542,882	16,093,245	16,152,639	483,488
Fiscal Year 2016	575,585	15,445,558	15,478,261	542,882

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 Bank 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. The City has agreed to pay the EDA for any draws by the beneficiary under the Letter of Credit. During the fiscal year ended June 30, 2018, no draws were made under the Letters of Credit. The Letter of Credit expires January 15, 2020. Any draws under the Letters of Credit are charged interest at prime rate.

Encumbrances

Encumbrances outstanding at year-end represent the estimated amount of expenditures required to complete contracts, purchase orders and other commitments in process of completion at year-end. Outstanding encumbrances as of June 30, 2018 were as follows:

General Fund	\$ 1,023,829
Capital Projects Funds	12,012,270
Other Governmental Funds	1,218,963
Total Encumbrances	<u>\$ 14,255,062</u>

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

13. OTHER POSTEMPLOYMENT BENEFIT PLANS - HEALTH CARE BENEFITS AND HEALTH INSURANCE CREDITS:

Health Care Benefits

Plan Description:

City

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

School

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

Benefits Provided:

City

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

School

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

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

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

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

13. OTHER POSTEMPLOYMENT BENEFIT PLANS - HEALTH CARE BENEFITS AND HEALTH INSURANCE CREDITS, continued:

Contributions

City

The City's contribution ranges from 0% to 100% of the premium based on the retiree's years of continuous health coverage and the healthcare care option selected by the retirees. The employer contributions are financed on a pay-as-you-go basis. Contributions from the City were \$2,614,315 and \$2,798,872 for the years ended June 30, 2018 and June 30, 2017, respectively.

School

The School Board contributions are financed on a pay-as-you-go basis. Contributions from the School Board were \$534,836 and \$212,196 for the years ended June 30, 2018 and June 30, 2017, respectively.

The following summaries the memberships of the Plan as of June 30, 2017, the valuation date:

	Number	
City	School Board Nonprofessional Employees	
Inactive members or their beneficiaries currently receiving benefit payments	675	58
Active members	1,867	2,248
Total memberships	2,542	2,306

Funding Policy:

The City Council and Hampton School Board has the authority to establish and amend the funding policy of their respective plans. The employer's contribution ranges from 0% to 100% of the premiums based on the retiree's years of continuous health care coverage and the health care option selected by the retirees. The employer contributions are financed on a pay-as-you-go basis. During fiscal year 2018, the City contributed \$2,614,135, or approximately 52.6% of total premiums for post-retirement health care benefits. Plan members receiving benefits contributed \$2,359,052 or approximately 47.4% of total premiums. Member contributions are 3% of covered payroll. The School Board contributed \$534,836 in fiscal year 2018.

Total OPEB Liability:

The City and School Board's total retiree medical OPEB liability of \$94,403,774 and \$4,382,412, respectively, were measured as of June 30, 2017 and determined by an actuarial valuation as of that date.

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

13. OTHER POSTEMPLOYMENT BENEFIT PLANS - HEALTH CARE BENEFITS AND HEALTH INSURANCE CREDITS, continued:

Actuarial Assumptions:

The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Real wage growth	1.00%
Wage Inflation	3.50%
Salary increases, including wage inflation	
Regular (General) Employees	3.50% - 5.35%
LEO	3.50% - 4.75%
Municipal Bond Index (Discount Rate)	
Prior Measurement Date	2.85%
Measurement Date	3.58%
Health Care Cost Trends	
Pre-Medicare	7.75% for 2017 decreasing to an ultimate rate of 5.00% by 2023
Medicare	5.75% for 2017 decreasing to an ultimate rate of 5.00% by 2020

Mortality rates were based on the RP-2014 mortality tables, with adjustments for VRS experience and projected with scale BB to 2020.

The demographic actuarial assumptions for mortality, retirement, disability incidence, and withdrawal used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2012 through June 30, 2016, adopted by the Virginia Retirement System.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2017 valuation were based on a review of recent plan experience done concurrently with the June 30, 2017 valuation.

Discount Rate

There was a change in the total OPEB liability arising from the change in the discount rate from 2.85% on the prior measurement date to 3.58% on the measurement date of June 30, 2017. The discount rate used was based on the Bond Buyer General Obligation 20-year Municipal Bond Index published for the last week of June by The Bond Buyer (www.bondbuyer.com). Additionally, the demographic actuarial assumptions for mortality, retirement, disability incidence, and withdrawal were updated based on the results of an actuarial experience study for the period July 1, 2012 through June 30, 2016, adopted by the Virginia Retirement System. Therefore, the change in total OPEB liability resulting from the change in the discount rate and the updated assumptions is to be recognized in the OPEB Expense (OE), beginning in the current measurement period, over a closed period equal to 6.74 years for City and 8.07 years for Non-professional teachers.

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

13. OTHER POSTEMPLOYMENT BENEFIT PLANS - HEALTH CARE BENEFITS AND HEALTH INSURANCE CREDITS, continued:

Changes in the Total Retiree Medical OPEB Liability - City

	Increase (Decrease)
	Total OPEB Liability
	(a)
Balances at June 30, 2016	\$ 102,759,467
Changes for the year:	
Service cost	3,059,781
Interest	2,889,041
Differences between expected and actual experience	220,844
Changes in assumptions	(11,726,487)
Benefit payments	(2,798,872)
Net changes	(8,355,693)
Balances at June 30, 2017	\$ 94,403,774

Changes in the Total Retiree Medical OPEB Liability - School Board

	Increase (Decrease)
	Total OPEB Liability
	(a)
Balances at June 30, 2016	\$ 4,926,089
Changes for the year:	
Service cost	285,422
Interest	137,391
Differences between expected and actual experience	(40,581)
Changes in assumptions	(713,713)
Benefit payments	(212,196)
Net changes	(543,677)
Balances at June 30, 2017	\$ 4,382,412

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

13. OTHER POSTEMPLOYMENT BENEFIT PLANS - HEALTH CARE BENEFITS AND HEALTH INSURANCE CREDITS, continued:

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

The following presents the total OPEB liability of the City and School Board, calculated using the discount rate of 3.58%, as well as what the City's and the School Board's total retiree medical OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.58 percent) or 1-percentage higher (4.58 percent) than the current rate:

	1% Decrease (2.58%)	Current Discount Rate (3.58%)	1% Increase (4.58%)
Total OPEB Liability - City	\$ 110,650,775	\$ 94,403,774	\$ 81,375,608
Total OPEB Liability - School Board	4,708,768	4,382,412	4,705,259

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

The following presents the total OPEB liability of the City and School Board, calculated using the discount rate of 7.75%, as well as what the City's and the School Board's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.75% decreasing by 0.46% percent annually to an ultimate rate of 4%) or 1-percentage higher (8.75% decreasing by 0.46% percent annually to an ultimate rate of 6%) than the current health care cost trend rate:

	1% Decrease (6.75% decreasing to 4.0%)	Current Discount Rate (7.75%)	1% Increase (8.75% decreasing to 6.0%)
Total OPEB Liability - City	\$ 80,092,935	\$ 94,403,774	\$ 112,691,659
Total OPEB Liability - School Board	3,977,375	4,382,412	4,860,766

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

For the year ended June 30, 2018, the City recognized OPEB expense in the amount of \$4,274,094. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 188,078	\$ -
Changes in assumptions or other inputs	-	(9,986,652)
Employer contributions subsequent to the measurement date	2,614,135	-
Total	\$ 2,802,213	\$ (9,986,652)

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

13. OTHER POSTEMPLOYMENT BENEFIT PLANS - HEALTH CARE BENEFITS AND HEALTH INSURANCE CREDITS, continued:

\$2,614,315 reported as deferred outflows of resources related to the retiree medical resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net retiree medical OPEB liability in the fiscal year ending June 30, 2019.

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

Year ended:	
2018	\$ (1,707,069)
2019	(1,707,069)
2020	(1,707,069)
2021	(1,707,069)
2022	(1,707,069)
Thereafter	(1,263,229)

For the year ended June 30, 2018, the School Board recognized OPEB expense in the amount of \$361,804. At June 30, 2018, the School Board reported deferred outflows of resources and deferred inflows of resources related to health care from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (35,552)
Changes in assumptions or other inputs	-	(625,273)
Employer contributions subsequent to the measurement date	534,836	-
Total	<u>\$ 534,836</u>	<u>\$ (660,825)</u>

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

Year ended June 30:	
2018	\$ (93,469)
2019	(93,469)
2020	(93,469)
2021	(93,469)
2022	(93,469)
Thereafter	(193,480)

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

13. OTHER POSTEMPLOYMENT BENEFIT PLANS - HEALTH CARE BENEFITS AND HEALTH INSURANCE CREDITS, continued:

Health Insurance Credits

Other Postemployment Benefits-Health Insurance Credits

Plan Description

Professional staff of the School Board are automatically covered by the VRS Teacher Employee Health Insurance Credit Program (HIC). This plan is administered by the Virginia Retirement System (VRS), along with pension and other OPEB plans, for public employer groups in the Commonwealth of Virginia. The benefit vests with eligible employees who retire with at least 15 years of service credit. Detailed information about the HIC Program's fiduciary net position is available in the separately issued VRS 2017 Comprehensive Annual Financial Report which can be accessed from the VRS website at http://www.varetire.org/Pdf/Publications/2017-annual_report.pdf.

Benefit

Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The HIC is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree's death. For teacher and other professional school employees who retire, the monthly benefit is \$4 per year of service per month with no cap on the benefit amount. For teachers and other professional employees who retire on disability, the monthly benefits is either \$4 per month multiplied by twice the amount of service credit or \$4 per month multiplied by the amount of service earned had the employee been active until age 60, whichever is lower.

Contributions

The contribution requirement for active employees is governed by §51.1-1401(E) of the Code of Virginia, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly.

Each school division's contractually required employer contribution rate for the year ended June 30, 2018 was 1.23% of covered employee compensation for employees in the HIC Program. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the School Board to the VRS HIC Program were \$1,352,052 and \$1,217,627 for the years ended June 30, 2018 and June 30, 2017, respectively.

Liabilities

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

At June 30, 2018, the School Board reported a liability of \$17,633,000 for its proportionate share of the VRS HIC net OPEB liability. The HIC OPEB liability was measured as of June 30, 2017 and the total HIC OPEB liability used to calculate the net HIC OPEB Liability was determined by an actuarial valuation as of that date. The School Board's proportion of the net HIC OPEB liability was based on the School Board's actuarially determined employer contributions to the HIC OPEB plan for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the School Board's proportion of the HIC program was 1.38996% as compared to 1.39384% at June 30, 2016.

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

13. OTHER POSTEMPLOYMENT BENEFIT PLANS - HEALTH CARE BENEFITS AND HEALTH INSURANCE CREDITS, continued:

For the year ended June 30, 2018, the School Board recognized HIC OPEB expense of \$1,428,000. Since there was a change in proportionate share between June 30, 2016 and June 30, 2017 a portion of the HIC net OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2018, the School Board reported deferred outflows of resources and deferred inflows of resources related to the HIC OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (32,000)
Changes in proportionate share	-	(43,000)
Changes of assumptions or other inputs	-	(181,000)
Employer contribution subsequent to the measurement date	1,352,052	-
Total	\$ 1,352,052	\$ (256,000)

\$1,352,052 reported as deferred outflows of resources related to the HIC OPEB resulting from the School Board's contributions subsequent to the measurement date will be recognized as a reduction of the net HIC OPEB liability in the Fiscal Year ending June 30, 2019. Other amounts reported as deferred inflows of resources related to the HIC OPEB will be recognized in the HIC OPEB expense in future reporting periods as follows:

Fiscal Year Ending June 30		
2019	\$	(41,000)
2020		(41,000)
2021		(41,000)
2022		(41,000)
2023		(33,000)
Thereafter		(59,000)

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

13. OTHER POSTEMPLOYMENT BENEFIT PLANS - HEALTH CARE BENEFITS AND HEALTH INSURANCE CREDITS, continued:

Actuarial Assumptions

The total HIC OPEB liability for the VRS HIC was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Inflation	2.5 percent
Salary increases, including inflation - Teacher Employees	3.5 percent - 5.95 percent
Investment rate of return	7.0 percent, net of plan investment expenses, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of OPEB liabilities.

Mortality rates

Pre-Retirement:

RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement:

RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with Scale BB to 2020; 115% of rates for males and females.

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

13. OTHER POSTEMPLOYMENT BENEFIT PLANS - HEALTH CARE BENEFITS AND HEALTH INSURANCE CREDITS, continued:

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

13. OTHER POSTEMPLOYMENT BENEFIT PLANS - HEALTH CARE BENEFITS AND HEALTH INSURANCE CREDITS, continued:

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long- Term Expected Rate of Return
Public Equity	40.00%	4.54%	1.82%
Fixed income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		4.80%
		Inflation	2.50%
		<u>*Expected arithmetic nominal return</u>	7.30%

* The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total HIC OPEB was 7.00%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2019, the rate contributed by each school division for the VRS HIC Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, all agencies are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the HIC OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore; the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total HIC OPEB liability.

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

13. OTHER POSTEMPLOYMENT BENEFIT PLANS - HEALTH CARE BENEFITS AND HEALTH INSURANCE CREDITS, continued:

Sensitivity of the School Board’s Proportionate Share of HIC Net OPEB Liability to Changes in the Discount Rate

The following presents the School Board’s proportionate share of net HIC OPEB liability using the discount rate of 7.00%, as well as what the School Board’s proportionate share of the net HIC OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	1% Decrease (6.0%)	Discount Rate (7.0%)	1% Increase (8.0%)
School Board's proportionate share of the HIC OPEB Plan net HIC OPEB liability	\$ 19,680,000	\$ 17,633,000	\$ 15,893,000

Payables

The HIC OPEB Plan had a payable of \$129,693 as of June 30, 2018.

14. OTHER POSTEMPLOYMENT LINE OF DUTY BENEFITS:

Plan Description:

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

Benefit

Death

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

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

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

14. OTHER POSTEMPLOYMENT LINE OF DUTY BENEFITS: , continued

Health Insurance

Premium continued health plan coverage for LODA-eligible disabled individuals, survivors and family members are provided as long as they continue to meet eligibility requirements as defined by the Line of Duty Act.

Contributions

The Line of Duty Act requires the City to fund all costs of the program. Contributions to the Line of Duty Act Program were \$468,634 and \$124,402 for the years ended June 30, 2018 and June 30, 2017, respectively.

Membership:

The following table summarizes the members of the Plan as of June 30, 2017, the Valuation Date:

	Number
Inactive employees or beneficiaries currently receiving benefit payments	19
Active employees	779
Total	798

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

At June 30, 2018, the City reported a liability of \$13,035,534 for its Net LODA OPEB Liability. The Net LODA OPEB Liability was measured as of June 30, 2017. The total LODA OPEB liability was determined by an actuarial valuation as of that date.

For the year ended June 30, 2018, the City recognized LODA OPEB expense of \$3,951,585.

At June 30, 2018, the agency reported deferred outflows of resources and deferred inflows of resources related to the LODA OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (133,614)
Changes of assumptions or other inputs	-	(480,252)
Employers contributions subsequent to the measurement date	468,634	-
Total	\$ 468,634	\$ (613,866)

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

14. OTHER POSTEMPLOYMENT LINE OF DUTY BENEFITS: , continued

\$468,634 reported as deferred outflows related to LODA resulting from the City's contribution subsequent to the measurement date will be recognized as a reduction of Net LODA OPEB Liability in the fiscal year ended June 30, 2019. Amounts reported as deferred outflows of resources and deferred inflows of resources related to the LODA OPEB will be recognized in LODA OPEB expense in future reporting periods as follows:

Fiscal year Ending June 30	
2019	\$ (58,743)
2020	(58,743)
2021	(58,743)
2022	(58,743)
2023	(58,743)
Thereafter	(320,151)

Actuarial Assumptions

The total LODA OPEB liability was based on an actuarial valuation as of June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions:

Inflation	2.50%
Real wage growth	1.00%
Wage inflation	3.50%
Salary increases, including wage inflation	
Regular employees	3.50% - 5.35%
LEO	3.50% - 4.75%
Health care cost trend rates assumption -	
Under age 65	7.75% for 2017 decreasing to an ultimate rate of 5.00% by 2023
Ages 65 and older	5.75% for 2017 decreasing to an ultimate rate of 5.00% by 2020
Municipal bond index rate	
Prior measurement date	2.85%
Measurement date	3.58%

Mortality rates - Largest Ten Locality Employers With Public Safety Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

14. OTHER POSTEMPLOYMENT LINE OF DUTY BENEFITS: , continued

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

Discount Rate

The discount rate used to measure the total LODA OPEB liability was 3.58%. This rate was based on the Bond Buyer General Obligation 20-year Municipal Bond Index published for the week of June.

Change in Net LODA OPEB Liability

Total OPEB Liability as of June 30, 2016	\$ 9,826,942
Changes for the year:	
Service Cost at the end of the year*	565,127
Interest	278,308
Change in benefit terms	3,162,168
Difference between expected and actual experience	(146,400)
Changes of assumptions or other inputs	(526,209)
Benefit payments	(124,402)
Net changes	\$ 3,208,592
Total OPEB Liability as of June 30, 2017	\$ 13,035,534

*Service Cost includes interest for the year

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

The following presents the covered employer's proportionate share of the net LODA OPEB liability using the discount rate of 3.58%, as well as what the covered employer's proportionate share of the net LODA OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.58%) or one percentage point higher (4.58%) than the current rate:

	1% Decrease (2.58%)	Discount Rate (3.58%)	1% Increase (4.58%)
Net OPEB liability	\$ 15,059,583	\$ 13,035,534	\$ 11,425,910

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

14. OTHER POSTEMPLOYMENT LINE OF DUTY BENEFITS: , continued

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

Because the Line of Duty Act Program contains a provisions for the payment of health insurance premiums, the liabilities are also impacted by the health care trend rates. The following presents the net LODA OPEB liability would be if it were calculated using a health care trend rate that is one percentage point lower or one percentage point higher than the current rate:

		Current Healthcare Cost		
	1% Decrease	Trend Rates	1% Increase	
Net OPEB liability	\$ 10,984,717	\$ 13,035,534	\$ 15,615,996	

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

Plan Description:

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

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

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

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

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

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS
<p>Eligible Employees</p> <p>The Group Life Insurance Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement:</p> <ul style="list-style-type: none">• City of Richmond• City of Portsmouth• City of Roanoke• City of Norfolk• Roanoke City Schools Board <p>Basic group life insurance coverage is automatic upon employment. Coverage end for employees who leave their position before retirement eligibility or who take a refund of their member contributions and accrued interest.</p>

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

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

Benefit Amounts

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

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

Reduction in benefit Amounts

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

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

For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at \$8,000 by statute. This amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and is currently \$8,111.

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

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

Contributions

The contribution requirements for GLI are governed by §51.1-506 and §51.1-508 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the Group Life Insurance Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% X 60%) and the employer component was 0.52% (1.31% X 40%). Employers may elect to pay all or part of the employee contribution, however the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2018 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the GLI from the City were \$473,642 and \$471,264 for the years ended June 30, 2018 and June 30, 2017, respectively. Contributions to the GLI from the School Board for Professional employees were \$573,445 and \$571,842 for the years ended June 30, 2018 and June 30, 2017, respectively. Contributions to the GLI from the School Board for Nonprofessional employees were \$22,257 and \$20,264 for the years ended June 30, 2018 and June 30, 2017 respectively.

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

At June 30, 2018, the City reported a liability for its proportionate share of the Net GLI OPEB Liability of \$7,394,000. The School Board reported a liability for professional employees and nonprofessional employees of \$8,971,000 and \$318,000, respectively. The Net GLI OPEB Liability was measured as of June 30, 2017 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers.

The City and School Board employer's proportion for June 30, 2017 and June 30, 2016 is summarized below:

	<u>Employer's Proportion June 30, 2017</u>	<u>Employers's Portion June 30, 2016</u>
City of Hampton	0.49133 %	0.49361 %
School Board Professional Employees	0.59619 %	0.59272 %
School Board Nonprofessional Employees	0.02113 %	0.02234 %

For the year ended June 30, 2018, the City recognized GLI OPEB expense of \$77,000 and the School Board recognized GLI OPEB expense for professional employees of \$110,000 and nonprofessional employees of \$1,000. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

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

At June 30, 2018, the City and School Board reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

City

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (164,000)
Changes of assumptions	-	(381,000)
Net difference between projected and actual investments earning on GLI OPEB program investments	-	(278,000)
Changes in porportionate share	-	(34,000)
Employer contributions subsequent to the measurement date	473,642	-
Total	\$ 473,642	\$ (857,000)

\$473,642 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future report periods as follows:

Fiscal Year Ending June 30	
2019	\$ (175,000)
2020	(175,000)
2021	(175,000)
2022	(176,000)
2023	(106,000)
Thereafter	(50,000)

School Board - Professional Employees

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (199,000)
Changes in porportionate share	52,000	-
Net difference between projected and actual investment earnings on GLI OPEB investments	-	(338,000)
Changes of assumptions or other inputs	-	(462,000)
Employer contributions subsequent to the measurement date	573,445	-
Total	\$ 625,445	\$ (999,000)

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

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

\$573,445 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future report periods as follows:

Fiscal Year Ending June 30	
2019	\$ (197,000)
2020	(197,000)
2021	(197,000)
2022	(197,000)
2023	(112,000)
Thereafter	(47,000)

School Board - Nonprofessional Employees

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (7,000)
Changes in porportionate share	-	(18,000)
Net difference between projected and actual investment earnings on GLI OPEB investments	-	(12,000)
Changes of assumptions or other inputs	-	(16,000)
Employer contributions subsequent to the measurement date	22,257	-
Total	<u>\$ 22,257</u>	<u>\$ (53,000)</u>

\$22,257 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future report periods as follows:

Fiscal Year Ending June 30	
2019	\$ (10,000)
2020	(10,000)
2021	(10,000)
2022	(10,000)
2023	(7,000)
Thereafter	(6,000)

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

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

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Inflation	2.5 percent
Salary increases, including inflation -	
Teachers	3.5 percent - 5.95 percent
City/School - General employees	3.5 percent - 5.35 percent
City Hazardous Duty employees	3.5 percent - 4.75 percent
Investment rate of return	7.0 percent, net of investment expenses, including inflation

*Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GAAP purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of the OPEB liabilities

Mortality rates – Teachers

Pre-Retirement:

RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement:

RP-2014 White Collar Employee Rates to age 49, White Collar Health Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with Scale BB to 2020; 115% of rates for males and females.

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

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

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

Mortality rates – Largest Ten Locality Employers - General Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

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

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

Mortality rates – Largest Ten Locality Employers – Hazardous Duty Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

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

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

Net GLI OPEB Liability

The net OPEB liability (NOL) for the Group Life Insurance Program represents the program’s total OPEB liability determined in accordance with GAAP, less the associated fiduciary net position. As of June 30, 2017, NOL amounts for the GLI is as follows (amounts expressed in thousands):

	Group Life Insurance OPEB Program
Total GLI OPEB Liability	\$ 2,942,426
Plan Fiduciary Net Position	<u>1,437,586</u>
Employers' Net GLI OPEB Liability	<u>1,504,840</u>
Plan fiduciary Net position as a Percentage of Total GLI OPEB Liability	<u>48.86 %</u>

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

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

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

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Long-Term Expected Real Rate of Return
Public Equity	40.00%	4.50%	1.82%
Fixed income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		4.80%
	Inflation		2.50%
	*Expected arithmetic nominal return		7.30%

* The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future return under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median rate of 6.83%, including expected inflation of 2.50%

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore; the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

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

Sensitivity of the Employer's Proportionate Share of the Net GLI OPEB Liability to Changes in the Discount Rate

The following tables presents the City and School Board's proportionate share of the net GLI OPEB liability using the discount rate of 7.00%, as well as what the employer's proportionate share of the net GLI OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	1.00% Decrease 6.00%	Discount Rate 7.00%	1.00% Increase 8.00%
City's GLI OPEB Liability	\$ 9,563,000	\$ 7,394,000	\$ 5,635,000
School's GLI OPEB Liability			
Professional Employees	11,604,000	8,971,000	6,838,000
Nonprofessional Employees	411,000	318,000	242,000

Group Life Insurance Program Fiduciary Net Position

Detailed information about the Group Life Insurance Program's Fiduciary Net Position is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/PDF/Publications/2017-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Payables to the Group Life Insurance Program

The VRS Group Life Insurance OPEB plan payable totaled \$98,805 as of June 30, 2018.

16. 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, 2018, future lease receivable is \$2,970,178 from PWDC.

The minimum lease payments for future years are:

2019	\$	990,059
2020		990,059
2021		990,060
 Total		\$ 2,970,178

As of June 30, 2018, the balance of unearned interest income associated with the PWDC is \$334,841.

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

17. RESTATEMENT OF BEGINNING NET POSITION

Beginning net position for the Governmental Activities and the Component Unit-School Board were restated due to the implementation of GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* for beginning net OPEB liabilities and deferred outflows of resources related to contributions made subsequent to the measurement date (June 30, 2017). These changes had the following effect on the beginning net position as previously reported.

The beginning net position for the Museum was adjusted to decrease revenue previously recognized. The revenue should have been reflected as a deferred revenue to be recognized in the fiscal year ended June 30, 2018.

Component Unit - School Board	
Net position, beginning of year	\$ (196,729,179)
OPEB liability under GASB 45	9,740,241
OPEB liability restated under GASB 75	(33,366,089)
Deferred outflows of resources	<u>2,054,389</u>
Net position, beginning of year, as restated	<u>\$ (218,300,638)</u>
Component Units	
Net position, beginning of year	\$ (160,069,519)
OPEB liability under GASB 45	9,740,241
Net OPEB liability	(33,366,089)
Deferred outflows of resources	<u>2,054,389</u>
Net position, beginning of year, as restated	<u>\$ (181,640,978)</u>
Governmental Activities	
Net position, beginning of year	\$ 571,789,893
OPEB liability under GASB 45	48,679,056
OPEB liability under GASB 45-Line of Duty	3,425,528
OPEB liability restated under GASB 75	(103,156,749)
OPEB liability restated under GASB 75-Line of Duty	(9,826,942)
Deferred outflows of resources	<u>3,203,593</u>
Net position, beginning of year, as restated	<u>\$ 514,114,379</u>
Wastewater Management	
Net position, beginning of year	\$ 54,387,820
Net OPEB liability	(2,480,636)
Deferred outflows of resources	<u>67,249</u>
Net position, beginning of year, as restated	<u>\$ 51,974,433</u>
The Hamptons	
Net position, beginning of year	\$ (3,637,332)
Net OPEB liability	(61,857)
Deferred outflows of resources	<u>228</u>
Net position, beginning of year, as restated	<u>\$ (3,698,961)</u>
The Museum	
Net position, beginning of year	\$ 11,835,734
Decrease in revenue	<u>(189,034)</u>
Net position, beginning of year, as restated	<u>\$ 11,646,700</u>
Non-Major Enterprise Funds	
Net position, beginning of year	\$ 21,297,004
Net OPEB liability	(5,657,984)
Deferred outflows of resources	<u>160,366</u>
Net position, beginning of year, as restated	<u>\$ 15,799,386</u>

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

17. RESTATEMENT OF BEGINNING NET POSITION , continued

**Governmental Activities - Internal
Service Funds**

Net position, beginning of year	30,233,812
Net OPEB liability	(2,099,964)
Deferred outflows of resources	<u>79,605</u>
Net position, beginning of year as restated	<u><u>28,213,453</u></u>

Business-type Activities

Net position, beginning of year	105,315,106
Net OPEB liability	(8,200,477)
Decrease in revenues	(189,034)
Deferred outflows of resources	<u>227,843</u>
Net position, beginning of year as restated	<u><u>97,153,438</u></u>

**Pension Trust - Hampton Employees'
Retirement System**

Net position, beginning of year	\$ 128,110,077
Net OPEB liability	(38,241)
Deferred outflows of resources	<u>168</u>
Net position, beginning of year, as restated	<u><u>\$ 128,072,004</u></u>

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

	2018	2017	2016	2015	2014
Total pension liability					
Service cost	\$ 117,036	\$ 152,557	\$ 188,078	\$ 112,348	\$ 373,903
Interest	10,991,423	11,411,712	11,796,729	12,183,886	12,518,593
Differences between expected and actual experience		(76,396)		(425,331)	296
Changes of assumptions	(580,802)				
Benefit payments, including refunds of employee contributions	<u>(17,047,039)</u>	<u>(17,100,560)</u>	<u>(17,101,282)</u>	<u>(17,040,172)</u>	<u>(17,032,982)</u>
Net change in total pension liability	<u>(6,519,382)</u>	<u>(5,612,687)</u>	<u>(5,116,475)</u>	<u>(5,169,269)</u>	<u>(4,140,190)</u>
Total pension liability-beginning	<u>154,864,276</u>	<u>160,476,963</u>	<u>165,593,438</u>	<u>170,762,707</u>	<u>174,902,897</u>
Total pension liability-ending (a)	<u><u>\$ 148,344,894</u></u>	<u><u>\$ 154,864,276</u></u>	<u><u>\$ 160,476,963</u></u>	<u><u>\$ 165,593,438</u></u>	<u><u>\$ 170,762,707</u></u>
Plan fiduciary net position					
Contributions-employer	\$ 7,100,125	\$ 7,100,148	\$ 8,880,839	\$ 8,880,839	\$ 6,628,122
Net investment income	10,682,406	14,694,582	2,144,248	5,361,684	20,494,864
Benefit payments, including refunds of employee contributions	(17,047,039)	(17,100,560)	(17,101,282)	(17,040,172)	(17,032,982)
Administrative expense	<u>(277,957)</u>	<u>(286,431)</u>	<u>(386,247)</u>	<u>(299,195)</u>	<u>(278,663)</u>
Net change in plan fiduciary net position	<u>457,535</u>	<u>4,407,739</u>	<u>(6,462,442)</u>	<u>(3,096,844)</u>	<u>9,811,341</u>
Plan fiduciary net position-beginning	<u>128,072,004</u>	<u>123,702,338</u>	<u>130,164,780</u>	<u>133,261,624</u>	<u>123,450,283</u>
Plan fiduciary net position-ending (b)	<u><u>\$ 128,529,539</u></u>	<u><u>\$ 128,110,077</u></u>	<u><u>\$ 123,702,338</u></u>	<u><u>\$ 130,164,780</u></u>	<u><u>\$ 133,261,624</u></u>
Net pension liability-ending (a)-(b)	<u><u>\$ 19,815,355</u></u>	<u><u>\$ 26,754,199</u></u>	<u><u>\$ 36,774,625</u></u>	<u><u>\$ 35,428,658</u></u>	<u><u>\$ 37,501,083</u></u>
Plan fiduciary net position as a percentage of the total pension liability	86.64 %	82.72 %	77.08 %	78.61 %	78.04 %
Covered payroll	\$ 2,803,090	\$ 2,806,674	\$ 5,335,759	\$ 6,085,814	\$ 10,188,093
Net pension liability as a percentage of covered payroll	706.91 %	953.24 %	689.21 %	582.15 %	368.09 %

Notes to Schedule:

- 1) Benefit Changes: No benefit changes were enacted during fiscal year 2018.
- 2) Valuation Date: 6/30/2015; Actuarially determined contribution rates are calculated based on the actuarial valuation determined as of the odd year preceding the beginning of the Plan year.
- 2) Changes in assumptions: During FY18; there were assumption changes that resulted in a decrease in the total pension liability of \$580,801 which was recognized immediately and expenses are over expected remaining one year.
- 3) GAAP requires 10- year trend information. Fiscal year 2014 is the first year of implementation.
- 4) Per GAAP, net pension liabilities are reported using the measurement date, which is June 30, 2018.

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

	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 7,100,125	\$ 7,100,148	\$ 8,880,839	\$ 8,880,839	\$ 6,628,122
Contributions in relation to the actuarially determined contribution	<u>7,100,125</u>	<u>7,100,148</u>	<u>8,880,839</u>	<u>8,880,839</u>	<u>6,628,122</u>
Contribution deficiency (excess)	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Covered payroll	\$ 2,803,090	\$ 2,806,674	\$ 5,335,759	\$ 6,085,814	\$ 10,188,093
Contributions as a percentage of covered payroll	253.30 %	252.97 %	166.44 %	145.93 %	65.06 %

Notes to Schedule

Valuation Date:

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

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

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

	2018	2017	2016	2015
Total pension liability				
Service cost	\$ 10,934,809	\$ 10,835,551	\$ 10,960,536	\$ 10,938,812
Interest	38,078,180	37,250,101	36,276,354	34,999,056
Changes in assumptions	2,910,537			
Differences between expected and actual experience	(4,596,969)	(5,909,803)	(4,100,921)	
Benefit payments, including refunds of employee contributions	<u>(30,762,074)</u>	<u>(29,930,211)</u>	<u>(28,520,380)</u>	<u>(26,861,136)</u>
Net change in total pension liability	16,564,483	12,245,638	14,615,589	19,076,732
Total pension liability-beginning	<u>559,355,039</u>	<u>547,109,401</u>	<u>532,493,812</u>	<u>513,417,080</u>
Total pension liability-ending (a)	<u>\$ 575,919,522</u>	<u>\$ 559,355,039</u>	<u>\$ 547,109,401</u>	<u>\$ 532,493,812</u>
Plan fiduciary net position				
Contributions-employer	\$ 14,235,281	\$ 16,240,833	\$ 15,816,808	\$ 16,046,763
Contributions-employee	4,539,420	4,451,221	4,393,892	4,400,548
Net investment income	49,975,564	7,097,707	18,515,581	56,039,049
Benefit payments, including refunds of employee contributions	(30,762,074)	(29,930,211)	(28,520,380)	(26,861,136)
Administrative expense	(294,277)	(261,143)	(257,367)	(304,392)
Other	<u>(44,266)</u>	<u>(3,049)</u>	<u>(3,890)</u>	<u>2,953</u>
Net change in plan fiduciary net position	37,649,648	(2,404,642)	9,944,644	49,323,785
Plan fiduciary net position-beginning	<u>415,314,880</u>	<u>417,719,522</u>	<u>407,774,878</u>	<u>358,451,093</u>
Plan fiduciary net position-ending (b)	<u>\$ 452,964,528</u>	<u>\$ 415,314,880</u>	<u>\$ 417,719,522</u>	<u>\$ 407,774,878</u>
Net pension liability-ending (a)-(b)	<u>\$ 122,954,994</u>	<u>\$ 144,040,159</u>	<u>\$ 129,389,879</u>	<u>\$ 124,718,934</u>
Plan fiduciary net position as a percentage of the total pension liability	78.65 %	74.25 %	76.35 %	76.58 %
Covered payroll	\$ 89,460,842	\$ 88,836,512	\$ 86,291,441	\$ 86,428,123
Net pension liability as a percentage of covered payroll	137.44 %	162.14 %	149.95 %	144.30 %

Notes to Schedule:

- 1) Changes of benefit terms: There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. A hybrid plan with changes to the defined benefit plan structure and a new defined contribution component was adopted in 2012. The hybrid plan applies to most new employees hired on January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this is still a fairly new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2017 is not material. The liabilities presented do not reflect the hybrid plan since it covers new members joining the Plan after the valuation date of June 30, 2013 and the impact on the liabilities as of the measurement date of June 30, 2014 are minimal.
- 2) Changes in assumptions: Changes in actuarial assumptions were made effective June 30, 2013 based on the most recent experience study of the Plan for the four-year period ending June 30, 2012. Changes were made to the mortality table, decrease in rates of service retirement, decrease in rates of disability retirement, reduced rates of salary increase by 0.25% per year, increase in rates of withdrawal.
- 3) GAAP requires 10-year trend information. Fiscal year 2015 is the first year of implementation.
- 4) Per GAAP, net pension liabilities are reported using the measurement date, which is one year prior to the reporting date.

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

	2018	2017	2016	2015
Actuarially determined contribution	\$ 14,246,313	\$ 14,233,220	\$ 16,241,604	\$ 15,816,817
Contributions in relation to the actuarially determined contribution	<u>14,246,313</u>	<u>14,233,220</u>	<u>16,241,604</u>	<u>15,816,817</u>
Contribution deficiency (excess)	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Covered payroll	\$ 89,543,136	\$ 89,460,842	\$ 88,078,113	\$ 85,774,496
Contributions as a percentage of covered payroll	15.91 %	15.91 %	18.44 %	18.44 %

Notes to Schedule

Valuation Date: Fiscal years ending 2015 and 2016 are based on June 30, 2013 actuarial valuation and the rates for fiscal years 2017 and 2018 are based on June 30, 2015 actuarial valuation.

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

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

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

	2018	2017	2016	2015
Total pension liability				
Service cost	\$ 376,186	\$ 390,637	\$ 791,558	\$ 813,234
Interest	1,908,394	2,054,913	2,022,874	1,973,760
Changes in assumptions	(101,861)			
Differences between expected and actual experience	(405,218)	(2,626,193)	(220,586)	
Benefit payments, including refunds of employee contributions	(1,895,299)	(1,929,683)	(2,342,607)	(1,828,117)
Net change in total pension liability	(117,798)	(2,110,326)	251,239	958,877
Total pension liability-beginning	28,210,416	30,320,742	30,069,503	29,110,626
Total pension liability-ending (a)	<u>\$ 28,092,618</u>	<u>\$ 28,210,416</u>	<u>\$ 30,320,742</u>	<u>\$ 30,069,503</u>
Plan fiduciary net position				
Contributions-employer	\$ 413,542	\$ 427,758	\$ 411,361	\$ 900,981
Contributions-employee	188,884	238,049	193,337	372,764
Net investment income	2,910,259	410,877	1,135,856	3,582,353
Benefit payments, including refunds of employee contributions	(1,895,299)	(1,929,683)	(2,342,607)	(1,828,117)
Administrative expense	(17,696)	(16,323)	(17,081)	(19,666)
Other	(2,556)	(181)	(236)	188
Net change in plan fiduciary net position	1,597,134	(869,503)	(619,370)	3,008,503
Plan fiduciary net position-beginning	24,559,556	25,429,059	26,048,429	23,039,926
Plan fiduciary net position-ending (b)	<u>\$ 26,156,690</u>	<u>\$ 24,559,556</u>	<u>\$ 25,429,059</u>	<u>\$ 26,048,429</u>
Net pension liability-ending (a)-(b)	<u>\$ 1,935,928</u>	<u>\$ 3,650,860</u>	<u>\$ 4,891,683</u>	<u>\$ 4,021,074</u>
Plan fiduciary net position as a percentage of the total pension liability	93.11 %	87.06 %	83.87 %	86.63 %
Covered payroll	\$ 3,822,015	\$ 3,952,516	\$ 3,802,628	\$ 7,346,439
Net pension liability as a percentage of covered payroll	50.65 %	92.37 %	128.64 %	54.74 %

Notes to Schedule:

- 1) Changes of benefit terms: There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. A hybrid plan with changes to the defined benefit plan structure and a new defined contribution component was adopted in 2012. The hybrid plan applies to most new employees hired on January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this is still a fairly new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2017 is not material. The liabilities presented do not reflect the hybrid plan since it covers new members joining the Plan after the valuation date of June 30, 2013 and the impact on the liabilities as of the measurement date of June 30, 2014 are minimal.
- 2) Changes in assumptions: Changes in actuarial assumptions were made effective June 30, 2013 based on the most recent experience study of the Plan for the four-year period ending June 30, 2012. Changes were made to the mortality table, decrease in rates of service retirement, decrease in rates of disability retirement, reduced rates of salary increase by 0.25% per year, increase in rates of withdrawal.
- 3) GAAP requires 10-year trend information. Fiscal year 2015 is the first year of implementation.
- 4) Per GAAP, net pension liabilities are reported using the measurement date, which is one year prior to the reporting date.

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

	2018	2017	2016	2015
Actuarially determined contribution	\$ 449,018	\$ 413,542	\$ 427,758	\$ 411,361
Contributions in relation to the actuarially determined contribution	449,018	413,542	427,758	411,361
Contribution deficiency (excess)	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Covered payroll	\$ 4,624,284	\$ 3,822,015	\$ 3,957,058	\$ 3,805,375
Contributions as a percentage of covered payroll	9.71 %	10.82 %	10.81 %	10.81 %

Notes to Schedule

Valuation Date: Fiscal years ending 2015 and 2016 are based on June 30, 2013 actuarial valuation and the rates shown for fiscal years 2017 and 2018 are based on June 30, 2015 actuarial valuation.

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

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

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

	2018	2017	2016	2015
School Board's proportion of the net pension liability	1.39 %	1.39 %	1.43 %	1.50 %
School Board's proportionate share of the net pension liability	\$ 170,830,000	\$ 195,347,000	\$ 180,096,000	\$ 181,847,000
School Board's covered payroll	\$ 106,158,070	\$ 105,320,099	\$ 105,909,421	\$ 110,084,974
School Board's proportionate share of the net pension liability as a percentage of its covered payroll	160.92 %	185.48 %	170.05 %	165.19 %
Plan fiduciary net position as a percentage of the total pension liability	73.11 %	75.60 %	74.56 %	70.88 %

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

Notes:

- 1) This schedule is intended to show information for 10 years. Since 2018 is the first year for the presentation, there are only four years available. However, additional years will be included as they become available.
- 2) Changes of benefit terms: There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this is still a fairly new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2017 is not material.
- 3) Changes in assumptions: The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study for the System for the four-year period ending June 30, 2016:

- Mortality Rates (Pre-retirement, post-retirement healthy, disabled)	Update to a more current mortality table - RP-2014 projected to 2020
- Retirement Rates	Lowered rates at older ages and changes final retirement from 70 to 75
- Withdrawl Rates	Adjusted rates to better fit experience at each age and service through 9 years of service
- Disability Rates	Adjusted to better match experience
- Salary Scale	No change

- 4) Per GAAP, net pension liabilities are reported using the measurement date, which is one year prior to the reporting date.

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

	2018	2017	2016	2015
Contractually required contribution	\$ 17,598,373	\$ 17,324,997	\$ 19,168,258	\$ 19,270,757
Contribution in relation to the contractually required contribution	17,587,596	15,562,773	14,808,006	15,356,866
Contribution deficiency (excess)	<u>\$ 10,777</u>	<u>\$ 1,762,224</u>	<u>\$ 4,360,252</u>	<u>\$ 3,913,891</u>
School Board's covered payroll	\$ 107,767,132	\$ 106,158,070	\$ 105,320,099	\$ 105,909,421
Contributions as a percentage of covered payroll	16.3 %	14.7 %	14.1 %	14.5 %

Notes to Schedule

Valuation Date :

1. Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which the contributions are reported.
2. Changes of benefit terms- There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this is still a fairly new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2017 is not material.

3. Changes in assumptions:

The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

- | | |
|---|---|
| - Mortality Rates (Pre-retirement, post-retirement healthy, disabled) | Update to a more current mortality table - RP-2014 projected to 2020 |
| - Retirement Rates | Lowered rates at older ages and changed final retirement from 70 to 75 |
| - Withdrawl Rates | Adjusted rates to better fit experience at each year age and service through 9 years of service |
| - Disability Rates | Adjusted rates to better match experience |
| - Salary Scale | No change |

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

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

	2018
Total OPEB Liability	
Service cost at end of year	\$ 3,059,781
Interest	2,889,041
Differences between expected and actual experience	220,844
Changes of assumptions or other inputs	(11,726,487)
Benefit payments	<u>(2,798,872)</u>
Net change in total OPEB	(8,355,693)
Total OPEB liability - beginning	<u>102,759,467</u>
Total OPEB liability - ending	<u>\$ 94,403,774</u>
Covered payroll	\$ 90,627,625
Net OPEB liability as a percentage of covered payroll	104.17 %

Notes to Schedule

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

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

	2018
Total OPEB Liability	
Service cost at end of year	\$ 285,422
Interest	137,391
Differences between expected and actual experience	(40,581)
Changes of assumptions or other inputs	(713,713)
Benefit payments	(212,196)
Net change in total OPEB	(543,677)
Total OPEB liability - beginning	4,926,089
Total OPEB liability - ending	\$ 4,382,412
Covered payroll	\$ 109,696,113
Net OPEB liability as a percentage of covered payroll	4.00 %

Notes to Schedule

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

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

	2018	2017
<u>Primary Government</u>		
Contractually determined contribution	\$ 2,614,135	\$ 2,798,872
Contributions in relation to the contractually determined contribution	<u>2,614,135</u>	<u>2,798,872</u>
Employee covered payroll	\$ 91,084,919	\$ 90,627,625
Contributions as a percentage of covered payroll	2.87 %	3.09 %
 <u>Component Unit-School Board</u>		
Contractually determined contribution	534,836	212,196
Contributions in relation to contractually determined contribution	<u>534,836</u>	<u>212,196</u>
Employee payroll	109,922,935	109,696,113
Contributions as a percentage of covered payroll	0.49 %	0.19 %

Notes to Schedule

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

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

	2018
Proportionate Share of the Net OPEB liability	1.38996 %
Proportionate Share of the Net OPEB liability	\$ 17,633,000
Covered payroll	109,696,113
Proportionate share of the net OPEB liability as a percentage of covered payroll	16.07 %
Plan fiduciary net position as a percentage of total OPEB liability	7.04 %

Notes to Schedule

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

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

	2018	2017
Contractually determined contribution	\$ 1,352,052	\$ 1,349,262
Contributions in relation to the contractually determined contribution	1,352,052	1,217,627
Contribution deficiency (excess)	\$ -	\$ 131,635
School Board's covered payroll	\$ 109,922,935	\$ 109,696,113
Contributions as a percentage of covered payroll	1.23 %	1.11 %

Notes to Schedule

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

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

Changes of benefit term - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions - The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

Largest Ten Locality Employers - General Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

Largest Ten Locality Employers - Hazardous Duty Employees

Mortality Rates (Pre-retirement, post retirement healthy, and disabled)	Updated to a more current mortality table-RP2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

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

	2018
Total OPEB Liability	
Service cost at end of year	\$ 565,127
Interest	278,308
Changes of benefit terms	3,162,168
Differences between expected and actual experience	(146,400)
Changes of assumptions or other inputs	(526,209)
Benefit payments	(124,402)
Net change in total OPEB	3,208,592
Total OPEB liability - beginning	9,826,942
Total OPEB liability - ending	\$ 13,035,534
Covered payroll	\$ 90,627,625
Net OPEB liability as a percentage of covered payroll	14.38 %

Notes to Schedule

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

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

	2018	2017
Contractually required contribution	\$ 468,634	\$ 124,402
Contribution in relation to the contractually required contribution	468,634	124,402
City's covered-employee payroll	\$ 91,084,919	\$ 90,627,625
Contributions as a percentage of covered-employee payroll	0.51 %	0.14 %

CITY OF HAMPTON, VIRGINIA
NOTES TO VRS REQUIRED SUPPLEMENTAL INFORMATION PRIMARY GOVERNMENT
OTHER POSTEMPLOYMENT BENEFITS-LINE OF DUTY

Changes in benefit terms - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions - The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

Largest Ten Locality Employers - General Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

CITY OF HAMPTON, VIRGINIA
SCHEDULE OF EMPLOYERS' PROPORTIONATE SHARE OF THE NET OTHER POSTEMPLOYMENT BENEFIT
LIABILITY
VIRGINIA RETIREMENT SYSTEM-GROUP LIFE
REQUIRED SUPPLEMENTAL INFORMATION-UNAUDITED

	2018
<u>Primary Government</u>	
Proportionate share of the net other post employment benefit liability	0.4913 %
Proportionate share of the net other post employment benefit liability	\$ 7,394,000
Covered payroll	\$ 90,627,625
Proportionate share of the net other post employment benefit liability as a percentage of covered payroll	8 %
Plan fiduciary net position as a percentage of the total other post employment benefit liability	49.00 %
<u>Component Unit-School Board</u>	
Proportionate share of the net other post employment benefit liability	0.61732 %
Proportionate share of the net other post employment benefit liability	\$ 9,289,000
Covered payroll	\$ 113,866,451
Proportionate share of the net other post employment benefit liability as a percentage of covered payroll	8 %
Plan fiduciary net position as a percentage of the total other post employment benefit liability	48.86 %

Notes to Schedule

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

CITY OF HAMPTON, VIRGINIA
SCHEDULE OF EMPLOYER OTHER POSTEMPLOYMENT BENEFIT CONTRIBUTIONS
OTHER POST EMPLOYMENT BENEFITS-GROUP LIFE INSURANCE
LAST 10 FISCAL YEARS
REQUIRED SUPPLEMENTARY INFORMATION-UNAUDITED

	2018	2017
<u>Primary Government</u>		
Contractually required contribution	\$ 473,642	\$ 471,264
Contributions in relation to the contractually required contribution	473,642	471,264
Contribution deficiency (excess)	\$ -	\$ -
City covered payroll	\$ 91,084,919	\$ 90,627,625
Contributions as a percentage of covered payroll	0.52 %	0.52 %
<u>Component Unit-School Board</u>		
Contractually required contribution	\$ 595,702	\$ 592,106
Contributions in relation to contractually required contribution	595,702	592,106
Contribution deficiency (excess)	-	-
School Board covered payroll	\$ 114,558,220	\$ 113,866,451
	0.52 %	0.52 %

CITY OF HAMPTON, VIRGINIA
NOTES TO VRS REQUIRED SUPPLEMENTAL INFORMATION
PRIMARY GOVERNMENT AND SCHOOL BOARD COMPONENT UNIT
OTHER POST EMPLOYMENT BENEFITS - GROUP LIFE INSURANCE PROGRAM

Changes of benefit terms - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions - The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

Largest Ten Locality Employers - General Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

Largest Ten Locality Employers - Hazardous Duty Employees

Mortality Rates (Pre-retirement, post retirement healthy, and disabled)	Updated to a more current mortality table-RP2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

Teachers

Mortality Rates (Pre-retirement, post retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

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CITY OF HAMPTON, VIRGINIA
GENERAL FUND
BALANCE SHEET
June 30, 2018

Assets:		
Cash and cash equivalents	\$	88,861,298
Investments		22,673,254
Accounts receivables:		
Taxes (net of allowance for uncollectible of \$1,701,504)		7,958,229
Due from other governments		10,335,367
Other		1,328,791
Due from other funds		10,023,532
Due from component units		1,012
Inventories		14,546
Total assets	\$	<u>141,196,029</u>
Liabilities:		
Accounts payable	\$	10,280,875
Accrued health insurance		14,067,938
Accrued liabilities		4,273,321
Due to other funds		3,309,092
Due to component units		262,528
Unearned revenues		158,259
Total liabilities		<u>32,352,013</u>
Deferred inflows of resources:		
Unavailable revenue-property taxes		6,211,595
Property taxes collected in advance		1,924,947
Total deferred inflows of resources		<u>8,136,542</u>
Fund balances:		
Nonspendable		14,546
Restricted		332,377
Committed		32,454,417
Assigned		6,374,299
Unassigned		61,531,835
Total fund balances		<u>100,707,474</u>
Total liabilities, deferred inflows of resources and fund balances	\$	<u>141,196,029</u>

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

CITY OF HAMPTON, VIRGINIA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Over (Under)
REVENUES				
Intergovernmental:				
From the Commonwealth of Virginia	\$ 40,259,483	\$ 55,843,792	\$ 54,781,813	\$ (1,061,979)
From the Federal government	9,381,750	9,464,886	10,824,050	1,359,164
Local taxes	255,748,963	240,295,034	241,943,376	1,648,342
Special assessments	5,727,021	5,727,021	5,443,628	(283,393)
Licenses and permits	1,364,600	1,364,600	1,465,726	101,126
Fines and forfeitures	1,516,890	1,516,890	1,377,434	(139,456)
Revenues from use of money and property	1,034,950	1,034,950	1,364,169	329,219
Charges for services	9,334,510	9,334,510	10,329,145	994,635
Recovered costs	916,000	916,000	950,700	34,700
Payment from component units	2,000,000	2,000,000	2,227,127	227,127
Miscellaneous	3,977,861	4,028,945	4,048,056	19,111
Total revenues	331,262,028	331,526,628	334,755,224	3,228,596
EXPENDITURES				
Current:				
General government	112,610,597	111,605,269	105,265,582	(6,339,687)
Public safety	51,984,929	54,702,574	53,970,951	(731,623)
Highways and streets	2,519,219	2,566,798	2,491,197	(75,601)
Health	2,679,809	2,623,537	2,431,995	(191,542)
Human services	21,271,462	21,413,156	20,835,963	(577,193)
Culture and recreation	13,287,386	13,366,185	12,448,404	(917,781)
Education	75,131,413	75,149,666	75,109,417	(40,249)
Total expenditures	279,484,815	281,427,185	272,553,509	(8,873,676)
Excess of revenues over expenditures	51,777,213	50,099,443	62,201,715	12,102,272
OTHER FINANCING SOURCES (USES)				
Transfers in	583,880	229,292	239,802	10,510
Transfers out	(57,735,494)	(62,738,331)	(57,201,811)	(5,536,520)
Other financing uses, net	(57,151,614)	(62,509,039)	(56,962,009)	5,547,030
Net change in fund balances	(5,374,401)	(12,409,596)	5,239,706	<u>\$ 17,649,302</u>
Appropriations from fund balance	5,374,401	12,099,224		
Appropriations - encumbrances		310,372		
Fund balance - July 1			95,467,768	
Fund balance - June 30	<u>\$</u>	<u>\$</u>	<u>\$ 100,707,474</u>	

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

CITY OF HAMPTON, VIRGINIA
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER CREDITS - BUDGET AND ACTUAL
For the Year Ended June 30, 2018

	Budget July 1, 2017	Net Changes	Final June 30, 2018	Actual	Variance Over (Under)
General property taxes:					
Real estate	\$ 127,675,257	\$	\$ 127,675,257	\$ 129,047,054	\$ 1,371,797
Public service	4,112,534		4,112,534	4,307,444	194,910
Personal property	41,115,281	(15,453,929)	25,661,352	25,462,049	(199,303)
Mobile homes	40,910		40,910	36,824	(4,086)
Machinery and tools	2,396,043		2,396,043	2,572,261	176,218
Delinquent taxes	450,000		450,000	434,962	(15,038)
Penalty	1,009,000		1,009,000	1,128,815	119,815
Total general property taxes	<u>176,799,025</u>	<u>(15,453,929)</u>	<u>161,345,096</u>	<u>162,989,409</u>	<u>1,644,313</u>
Other local taxes:					
Utility-electric and gas	5,000,000		5,000,000	5,011,214	11,214
Communications sales tax	8,692,370		8,692,370	8,391,675	(300,695)
Tobacco	4,550,000		4,550,000	4,416,382	(133,618)
Business license	12,390,000		12,390,000	12,800,674	410,674
Short-term rental	95,199		95,199	123,399	28,200
Sales and use	15,556,505		15,556,505	15,092,986	(463,519)
Recordation	1,450,000		1,450,000	1,422,717	(27,283)
Public right of way	550,383		550,383	502,259	(48,124)
Lodging and transit	3,775,000		3,775,000	3,942,078	167,078
Amusement	1,218,306		1,218,306	1,255,268	36,962
Meal	20,700,529		20,700,529	20,912,114	211,585
Motor vehicle	4,403,135		4,403,135	4,398,644	(4,491)
Bank stock	568,511		568,511	684,558	116,047
Total other local taxes	<u>78,949,938</u>		<u>78,949,938</u>	<u>78,953,968</u>	<u>4,030</u>
License, permits and privilege fees:					
Animal licenses	55,000		55,000	73,742	18,742
Street and taxi permits	168,000		168,000	197,923	29,923
Zoning and land use	320,000		320,000	471,690	151,690
Building permits	800,000		800,000	683,531	(116,469)
Miscellaneous	21,600		21,600	38,841	17,241
Total license, permits and privilege fees	<u>1,364,600</u>		<u>1,364,600</u>	<u>1,465,727</u>	<u>101,127</u>
Total fines and forfeitures	<u>1,516,890</u>		<u>1,516,890</u>	<u>1,377,434</u>	<u>(139,456)</u>
Special assessments:					
Peninsula Town Center CDA	4,377,463		4,377,463	4,126,601	(250,862)
H2O CDA	539,170		539,170	507,331	(31,839)
Coliseum BID	588,689		588,689	584,698	(3,991)
Downtown BID	175,567		175,567	178,778	3,211
Elizabeth Lakes	46,132		46,132	46,219	87
Total special assessments	<u>5,727,021</u>		<u>5,727,021</u>	<u>5,443,627</u>	<u>(283,394)</u>
Revenue from use of money and property:					
Interest on investments	814,271		814,271	1,271,052	456,781
Rental of property	33,016		33,016	20,517	(12,499)
Sale of materials and property	65,019		65,019	92,760	27,741
Vending machines	3,000		3,000	9,602	6,602
Parking fees	48,000		48,000	20,580	(27,420)
Billboard revenue	71,644		71,644	73,793	2,149
Net decrease in fair value of investments				(124,135)	(124,135)
Total revenue from use of money and property	<u>\$ 1,034,950</u>		<u>\$ 1,034,950</u>	<u>\$ 1,364,169</u>	<u>\$ 329,219</u>

continued

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

CITY OF HAMPTON, VIRGINIA
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER CREDITS - BUDGET AND ACTUAL
For the Year Ended June 30, 2018

	Budget July 1, 2017	Net Changes	Final June 30, 2018	Actual	Variance Over (Under)
Charges for services:					
Fees:					
Court costs	\$ 1,000	\$	\$ 1,000	\$ 1,812	\$ 812
Clerk	60,000		60,000	76,924	16,924
Court officers	26,000		26,000	30,017	4,017
Parks and Recreation	1,080,350		1,080,350	1,205,426	125,076
Youth, Education, and Family Services	1,366,346		1,366,346	1,570,216	203,870
Sheriff	55,376		55,376	44,241	(11,135)
Library	50,000		50,000	26,345	(23,655)
Jail admission fee	8,350		8,350	12,354	4,004
Ambulance services	3,919,061		3,919,061	4,138,203	219,142
Fire Prevention	211,750		211,750	215,823	4,073
Public education grant fees	200,000		200,000	226,521	26,521
Passport applications	50,000		50,000	37,610	(12,390)
Miscellaneous charges for services	322,317		322,317	348,790	26,473
Landfill host fees	800,000		800,000	1,126,910	326,910
Payment in lieu of taxes-Fort Monroe	983,960		983,960	1,027,730	43,770
Boat license fee	200,000		200,000	240,224	40,224
Total charges for services	<u>9,334,510</u>		<u>9,334,510</u>	<u>10,329,146</u>	<u>994,636</u>
Miscellaneous revenue:					
Payment in lieu of taxes-other	75,000		75,000	47,983	(27,017)
Returned check charges	14,010		14,010	7,361	(6,649)
Unemployment fees	4,000		4,000	3,903	(97)
School reimbursement	1,482,426		1,482,426	1,482,426	
Indirect cost	935,745		935,745	935,745	
Other	1,466,680	51,084	1,517,764	1,570,637	52,873
Total miscellaneous revenue	<u>3,977,861</u>	<u>51,084</u>	<u>4,028,945</u>	<u>4,048,055</u>	<u>19,110</u>
Recovered costs:					
Jail operations	677,495		677,495	614,880	(62,615)
Probation	8,500		8,500	8,926	426
NASA fire services	916,000		916,000	950,700	34,700
Miscellaneous	150,000		150,000	223,287	73,287
Total recovered costs	<u>1,751,995</u>		<u>1,751,995</u>	<u>1,797,793</u>	<u>45,798</u>
Noncategorical aid - state:					
Personal property tax relief reimbursement		15,453,929	15,453,929	15,453,929	
Vehicle rental tax	405,000		405,000	403,409	(1,591)
Railroad rolling stock tax	10,516		10,516	15,497	4,981
Mobile home titling tax	20,312		20,312	13,628	(6,684)
Taxes on deeds	394,000		394,000	343,256	(50,744)
State Share-FEMA				70,976	70,976
State Board of Elections				1,695	1,695
Total noncategorical aid - state	<u>829,828</u>	<u>15,453,929</u>	<u>16,283,757</u>	<u>16,302,390</u>	<u>18,633</u>
Shared expenses - state:					
Sheriff	6,594,123		6,594,123	6,122,539	(471,584)
Commonwealth's Attorney	1,402,569		1,402,569	1,325,593	(76,976)
Commissioner of Revenue	300,897		300,897	302,789	1,892
Treasurer	266,623		266,623	267,419	796
Clerk of Courts	814,236		814,236	815,279	1,043
Registrar-election board	53,144		53,144	53,752	608
Total shared expenses - state	<u>\$ 9,431,592</u>		<u>\$ 9,431,592</u>	<u>\$ 8,887,371</u>	<u>\$ (544,221)</u>

continued

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

CITY OF HAMPTON, VIRGINIA
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER CREDITS - BUDGET AND ACTUAL
For the Year Ended June 30, 2018

	Budget July 1, 2017	Net Changes	Final June 30, 2018	Actual	Variance Over (Under)
Categorical aid - state:					
Public assistance	\$ 5,370,600		\$ 5,370,600	\$ 4,765,217	\$ (605,383)
Police	6,733,487		6,733,487	6,733,488	1
Street and highway maintenance	16,171,222	124,831	16,296,053	16,296,053	
E911 wireless grant	409,000		409,000	462,740	53,740
Public library books	162,055		162,055	165,919	3,864
Virginia juvenile block grant	315,704		315,704	315,703	(1)
State funds - Healthy Families		5,550	5,550	5,839	289
Total categorical aid - state	<u>29,162,068</u>	<u>130,381</u>	<u>29,292,449</u>	<u>28,744,959</u>	<u>(547,490)</u>
Categorical aid - federal:					
Pass thru-public assistance	8,493,169		8,493,169	9,583,491	1,090,322
Pass thru-Healthy Families	640,081		640,081	630,890	(9,191)
Pass thru-Federal Rad. Emergency Response	20,500		20,500	41,000	20,500
Pass thru-Virginia Department of Transportation				4,179	4,179
Federal funds		83,136	83,136	92,687	9,551
Total categorical aid - federal	<u>9,153,750</u>	<u>83,136</u>	<u>9,236,886</u>	<u>10,352,247</u>	<u>1,115,361</u>
Noncategorical aid - federal					
Federal Share-FEMA				243,803	243,803
Indirect costs-total	228,000		228,000	228,000	
Total noncategorical aid - federal	<u>228,000</u>		<u>228,000</u>	<u>471,803</u>	<u>243,803</u>
Total revenues	<u>329,262,028</u>	<u>213,517</u>	<u>329,526,629</u>	<u>332,528,098</u>	<u>3,001,469</u>
Other credits:					
Component unit-EDA Fund				227,127	227,127
Transfer from Solid Waste Fund	470,588	(354,588)	116,000	116,000	
Transfer from Grants Fund				10,510	10,510
Transfer from Wastewater Fund	113,292		113,292	113,292	
Component Unit-Schools	2,000,000		2,000,000	2,000,000	
Total transfers	<u>2,583,880</u>	<u>(354,588)</u>	<u>2,229,292</u>	<u>2,466,929</u>	<u>237,637</u>
Total revenues and transfers	<u>331,845,908</u>	<u>(141,071)</u>	<u>331,755,921</u>	<u>334,995,027</u>	<u>3,239,106</u>
Appropriations from fund balance	5,374,401	6,724,823	12,099,224	12,099,224	
Appropriations-encumbrances				1,363,180	1,363,180
Total appropriations	<u>5,374,401</u>	<u>6,724,823</u>	<u>12,099,224</u>	<u>13,462,404</u>	<u>1,363,180</u>
Total revenues and other credits	<u>\$ 337,220,309</u>	<u>\$ 6,583,752</u>	<u>\$ 343,855,145</u>	<u>\$ 348,457,431</u>	<u>\$ 4,602,286</u>

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

**CITY OF HAMPTON, VIRGINIA
GENERAL FUND
SCHEDULE OF APPROPRIATIONS AND EXPENDITURES
For the Year Ended June 30, 2018**

	Appropriations			Expenditures			Variance Under (Over)	
	Budget	Net Changes	Final	Personal	Operating	Capital Outlay		Total
	July 1, 2017		June 30, 2018	Services	Expenditures			
General Government								
Legislative:								
Municipal Council	\$ 488,774	\$ 50,178	\$ 538,952	\$ 380,896	\$ 152,221	\$ -	\$ 533,117	\$ 5,835
Legislative - Total	488,774	50,178	538,952	380,896	152,221	-	533,117	5,835
Executive:								
City Manager	1,329,702	65,325	1,395,027	1,206,584	81,982	337	1,288,903	106,124
311 Customer Call Center	542,915	1,799	544,714	450,932	72,635	502	524,069	20,645
Citizens Unity Commission	130,029	3,618	133,647	91,170	28,323	-	119,493	14,154
Marketing, INC	735,113	5,676	740,789	425,725	256,039	25,057	706,821	33,968
Internal Audit	182,878	5,392	188,270	169,651	18,128	-	187,779	491
Executive - Total	2,920,637	81,810	3,002,447	2,344,062	457,107	25,896	2,827,065	175,382
City Attorney:								
Law-City Attorney	1,150,153	2,152	1,152,305	995,557	93,665	2,027	1,091,249	61,056
City Attorney - Total	1,150,153	2,152	1,152,305	995,557	93,665	2,027	1,091,249	61,056
Human Resources -Total	749,416	79,830	829,246	650,180	123,952	9,068	783,200	46,046
Judicial:								
Clerk of Courts	974,793	104,412	1,079,205	805,126	71,127	-	876,253	202,952
Circuit Court	365,104	13,239	378,343	303,398	34,067	5,000	342,465	35,878
General District Court	176,438	9,447	185,885	38,605	129,485	-	168,090	17,795
District Court-J.D.R.	48,155	6,052	54,207	-	35,974	2,690	38,664	15,543
Commonwealth's Attorney	1,832,258	192,598	2,024,856	1,718,177	118,751	22,369	1,859,297	165,559
City Sheriff-Administration	1,908,552	(303,839)	1,604,713	1,223,198	289,117	-	1,512,315	92,398
City Sheriff-Jail	7,073,610	575,448	7,649,058	5,195,151	2,309,725	32,255	7,537,131	111,927
Court Service Unit	1,691,725	574,538	2,266,263	220,056	1,941,676	-	2,161,732	104,531
Magistrates Office	29,973	6,205	36,178	7,163	7,688	13,400	28,251	7,927
Judicial - Total	14,100,608	1,178,100	15,278,708	9,510,874	4,937,610	75,714	14,524,198	754,510

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

**CITY OF HAMPTON, VIRGINIA
GENERAL FUND
SCHEDULE OF APPROPRIATIONS AND EXPENDITURES
For the Year Ended June 30, 2018**

	Appropriations			Expenditures			Variance Under (Over)	
	Budget		Final	Personal	Operating			
	July 1, 2017	Net Changes	June 30, 2018	Services	Expenditures	Capital Outlay		Total
General Government, concluded:								
Boards and commissions:								
Community Development	\$ 3,143,910	\$ 47,313	\$ 3,191,223	\$ 2,429,968	\$ 597,744	\$ 87,112	\$ 3,114,824	\$ 76,399
Elections Board	160,072	45,350	205,422	100,433	103,075	-	203,508	1,914
Registrar	224,164	(8,193)	215,971	175,070	12,413	-	187,483	28,488
Development	1,072,280	244,378	1,316,658	769,164	174,152	-	943,316	373,342
Boards and Commissions - Total	<u>4,600,426</u>	<u>328,848</u>	<u>4,929,274</u>	<u>3,474,635</u>	<u>887,384</u>	<u>87,112</u>	<u>4,449,131</u>	<u>480,143</u>
Agriculture - Extension Agent - Total	<u>62,818</u>	<u>5,105</u>	<u>67,923</u>	<u>41,556</u>	<u>26,367</u>	<u>-</u>	<u>67,923</u>	<u>-</u>
Nondepartmental:								
Nondepartmental	27,005,300	457,147	27,462,447	655,378	25,427,829	-	26,083,207	1,379,240
Civic and community support	911,176	8,019	919,195	-	919,194	-	919,194	1
Other	2,677,763	(921,342)	1,756,421	-	1,046,633	-	1,046,633	709,788
Nondepartmental - Total	<u>30,594,239</u>	<u>(456,176)</u>	<u>30,138,063</u>	<u>655,378</u>	<u>27,393,656</u>	<u>-</u>	<u>28,049,034</u>	<u>2,089,029</u>
Finance:								
Commissioner of Revenue	1,321,747	20,996	1,342,743	1,121,536	159,684	4,622	1,285,842	56,901
Assessor of Real Estate	1,152,615	30,404	1,183,019	1,039,978	123,585	3,356	1,166,919	16,100
City Treasurer	1,817,959	(26,308)	1,791,651	1,238,490	372,784	41,603	1,652,877	138,774
Consolidated Procurement	428,180	(27,439)	400,741	344,977	38,465	-	383,442	17,299
Independent Auditors	200,475	8,972	209,447	-	194,948	-	194,948	14,499
Finance	830,032	281,906	1,111,938	735,668	85,834	-	821,502	290,436
Information Technology	3,680,537	(75,718)	3,604,819	1,205,992	1,758,256	465,130	3,429,378	175,441
Finance - Total	<u>9,431,545</u>	<u>212,813</u>	<u>9,644,358</u>	<u>5,686,641</u>	<u>2,733,556</u>	<u>514,711</u>	<u>8,934,908</u>	<u>709,450</u>
Retirement and Employee Benefits Total	<u>42,864,268</u>	<u>(2,720,856)</u>	<u>40,143,412</u>	<u>2,192,118</u>	<u>35,996,386</u>	<u>-</u>	<u>38,188,504</u>	<u>1,954,908</u>
Public Works:								
Administration	\$ 228,987	\$ 4,821	\$ 233,808	\$ 194,365	\$ 20,181	\$ -	\$ 214,546	\$ 19,262
Engineering	694,599	64,366	758,965	674,346	63,106	12,310	749,762	9,203
Property Maintenance	4,266,045	207,639	4,473,684	1,183,198	3,253,780	4,543	4,441,521	32,163
Parking Facilities	458,082	(43,959)	414,123	33,035	378,389	-	411,424	2,699
Public Works - Total	<u>5,647,713</u>	<u>232,867</u>	<u>5,880,580</u>	<u>2,084,944</u>	<u>3,715,456</u>	<u>16,853</u>	<u>5,817,253</u>	<u>63,327</u>

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

**CITY OF HAMPTON, VIRGINIA
GENERAL FUND
SCHEDULE OF APPROPRIATIONS AND EXPENDITURES
For the Year Ended June 30, 2018**

	Appropriations			Expenditures			Variance Under (Over)	
	Budget July 1, 2017	Net Changes	Final June 30, 2018	Personal Services	Operating Expenditures	Capital Outlay		Total
General Government - Total	112,610,597	(1,005,329)	111,605,268	28,016,841	76,517,360	731,381	105,265,582	6,339,686
Public Safety:								
Police Division	24,071,233	1,579,488	25,650,721	20,310,132	3,834,066	1,023,619	25,167,817	482,904
Traffic Engineering	3,047,773	(121,030)	2,926,743	461,287	2,450,666	-	2,911,953	14,790
Fire Division	20,910,903	1,189,114	22,100,017	17,824,268	4,248,879	17,210	22,090,357	9,660
Emergency Management	313,940	119,053	432,993	198,952	64,875	78,902	342,729	90,264
E911	2,617,309	55,922	2,673,231	2,205,234	402,014	28,139	2,635,387	37,844
Animal Control	534,677	(107,052)	427,625	248,860	153,651	1,864	404,375	23,250
Youth Violence Prevention	489,094	2,151	491,245	288,689	127,875	1,769	418,333	72,912
Public Safety - Total	\$ 51,984,929	\$ 2,717,646	\$ 54,702,575	\$ 41,537,422	\$ 11,282,026	\$ 1,151,503	\$ 53,970,951	\$ 731,624
Highways and Streets-Total	2,519,219	47,579	2,566,798	1,024,118	1,258,916	208,163	2,491,197	75,601

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

Continued

**CITY OF HAMPTON, VIRGINIA
GENERAL FUND
SCHEDULE OF APPROPRIATIONS AND EXPENDITURES
For the Year Ended June 30, 2018**

	Appropriations			Expenditures			Variance Under (Over)	
	Budget		Final	Personal	Other			
	July 1, 2017	Net Changes	June 30, 2018	Services	Expenditures	Capital Outlay		
Health:								
Preventive Medicine	\$ 1,316,571	\$ 17,634	\$ 1,334,205	\$ -	\$ 1,277,897	\$ -	\$ 1,277,897	\$ 56,308
Drainage Maintenance	1,363,238	(73,906)	1,289,332	595,630	558,468	-	1,154,098	135,234
Health - Total	2,679,809	(56,272)	2,623,537	595,630	1,836,365	-	2,431,995	191,542
Human Services:								
Administration	1,284,234	11,452,250	12,736,484	7,853,099	4,634,965	(775)	12,487,289	249,195
Public Assistance	8,078,173	(7,504,507)	573,666	-	486,428	-	486,428	87,238
Purchase of Services	8,276,786	(3,947,743)	4,329,043	-	4,183,472	-	4,183,472	145,571
Youth, Education and Family Services	3,632,269	141,694	3,773,963	2,963,012	708,438	7,324	3,678,774	95,189
Human Services - Total	21,271,462	141,694	21,413,156	10,816,111	10,013,303	6,549	20,835,963	577,193
Culture and Recreation:								
Recreation	4,610,084	12,282	4,622,366	2,758,708	1,403,920	43,062	4,205,690	416,676
Parks	6,023,054	25,287	6,048,341	1,947,805	3,705,546	4,486	5,657,837	390,504
Conventions and Tourism	2,294,472	34,783	2,329,255	787,398	1,412,704	38,340	2,238,442	90,813
Hampton History Museum	359,776	6,446	366,222	298,486	47,949	-	346,435	19,787
Culture and Recreation - Total	13,287,386	78,798	13,366,184	5,792,397	6,570,119	85,888	12,448,404	917,780

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

**CITY OF HAMPTON, VIRGINIA
GENERAL FUND
SCHEDULE OF APPROPRIATIONS AND EXPENDITURES
For the Year Ended June 30, 2018**

	Appropriations			Expenditures			Variance Under (Over)	
	Budget		Final	Personal	Other			
	July 1, 2017	Net Changes	June 30, 2018	Services	Expenditures	Capital Outlay		
						Total		
Education:								
School Operations	73,036,416	-	73,036,416	-	73,036,416	-	73,036,416	-
Public Library	2,094,997	18,253	2,113,250	1,335,515	737,486	-	2,073,001	40,249
Education - Total	75,131,413	18,253	75,149,666	1,335,515	73,773,902	-	75,109,417	40,249
Total expenditures	279,484,815	1,942,369	281,427,184	89,118,034	181,251,991	2,183,484	272,553,509	8,873,675
Operating Transfers Out:								
Capital Projects Fund	14,038,105	3,908,443	17,946,548	-	14,604,410	-	14,604,410	3,342,138
Enterprise Funds	7,996,293	810,120	8,806,413	-	8,610,270	-	8,610,270	196,143
Special Revenue Funds	2,338,124	64,970	2,403,094	-	1,950,947	-	1,950,947	452,147
Debt Service Fund	33,362,972	219,304	33,582,276	-	32,036,184	-	32,036,184	1,546,092
Transfers - Total	57,735,494	5,002,837	62,738,331	-	57,201,811	-	57,201,811	5,536,520
Total expenditures and transfers	\$ 337,220,309	\$ 6,945,206	\$ 344,165,515	\$ 89,118,034	\$ 238,453,802	\$ 2,183,484	\$ 329,755,320	\$ 14,410,195

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

CITY OF HAMPTON, VIRGINIA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2018

	Federal Grants	Community Development	Stormwater Management	Pembroke Complex	Law Library	Total Non-major Governmental Funds
Assets:						
Cash and cash equivalents	\$	\$ 97,898	\$ 11,590,574	\$ 47,117	\$ 46,541	\$ 11,782,130
Accounts receivables:						
Due from other governments	2,512,863	140,789				2,653,652
Other	62,105	166,271	495,610		58	724,044
Due from other funds	323,665					323,665
Total assets	\$ 2,898,633	\$ 404,958	\$ 12,086,184	\$ 47,117	\$ 46,599	\$ 15,483,491
Liabilities:						
Accounts payable	\$ 840,704	\$ 91,802	\$ 96,329	\$ 4,971	\$ 4,080	\$ 1,037,886
Accrued liabilities	70,649	8,151	58,954	1,384		139,138
Due to other funds	143,471	121,000				264,471
Total liabilities	1,054,824	220,953	155,283	6,355	4,080	1,441,495
Deferred inflows of resources:						
Unavailable revenue-program income		184,005				184,005
Unavailable revenue-stormwater fees			495,610			495,610
Total deferred inflows of resources		184,005	495,610			679,615
Fund balances:						
Restricted	1,767,357		11,435,291	40,762	42,519	13,285,929
Assigned	76,452					76,452
Total fund balances	1,843,809		11,435,291	40,762	42,519	13,362,381
Total liabilities, deferred inflows of resources and fund balances	\$ 2,898,633	\$ 404,958	\$ 12,086,184	\$ 47,117	\$ 46,599	\$ 15,483,491

CITY OF HAMPTON, VIRGINIA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended June 30, 2018

	<u>Special Revenue</u>					Total Non-major Governmental Funds
	<u>Federal Grants</u>	<u>Community Development</u>	<u>Stormwater Management</u>	<u>Pembroke Complex</u>	<u>Law Library</u>	
REVENUES						
Intergovernmental revenues:						
From the Commonwealth of Virginia	\$ 9,941,500					\$ 9,941,500
From the Federal government	3,683,341	2,141,920				5,825,261
Revenues from use of money and property				395,103	659	395,762
Charges for services			8,793,975			8,793,975
Miscellaneous	492,380	155,900			43,854	692,134
Total revenues	<u>14,117,221</u>	<u>2,297,820</u>	<u>8,793,975</u>	<u>395,103</u>	<u>44,513</u>	<u>25,648,632</u>
EXPENDITURES						
Current:						
General government	286,374	2,297,820		354,375	63,670	3,002,239
Public safety	5,838,450					5,838,450
Sanitation			5,245,805			5,245,805
Human services	9,533,732					9,533,732
Culture and recreation	266,476					266,476
Total expenditures	<u>15,925,032</u>	<u>2,297,820</u>	<u>5,245,805</u>	<u>354,375</u>	<u>63,670</u>	<u>23,886,702</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,807,811)</u>		<u>3,548,170</u>	<u>40,728</u>	<u>(19,157)</u>	<u>1,761,930</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	2,108,099					2,108,099
Transfers out	(10,510)		(3,980,085)			(3,990,595)
Other financing sources (uses), net	<u>2,097,589</u>		<u>(3,980,085)</u>			<u>(1,882,496)</u>
Net change in fund balances	289,778		(431,915)	40,728	(19,157)	(120,566)
Fund balances, beginning of year	<u>1,554,031</u>		<u>11,867,206</u>	<u>34</u>	<u>61,676</u>	<u>13,482,947</u>
Fund balances, end of year	<u>\$ 1,843,809</u>	<u>\$</u>	<u>\$ 11,435,291</u>	<u>\$ 40,762</u>	<u>\$ 42,519</u>	<u>\$ 13,362,381</u>

CITY OF HAMPTON, VIRGINIA
NON-MAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF NET POSITION
June 30, 2018

	Business-Type Activities - Non-Major Enterprise Funds				
	Coliseum	Woodlands	Solid Waste	Refuse-Steam Plant	Totals
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 7,442,613	\$ 800	\$ 6,682,347	\$ 5,449,797	\$ 19,575,557
Cash with fiscal agent			2,600,000		2,600,000
Accounts receivable, net	220,929	8,896	3,177,476	155,305	3,562,606
Due from component units			46,503		46,503
Inventories	62,130	16,595	156,802		235,527
Total current assets	<u>7,725,672</u>	<u>26,291</u>	<u>12,663,128</u>	<u>5,605,102</u>	<u>26,020,193</u>
Noncurrent assets:					
Capital assets:					
Land	164,079	2,295,538	945,188		3,404,805
Buildings and improvements	12,553,986	995,046		87,875	13,636,907
Improvements other than buildings	7,736,065	755,532	2,971	18,818,102	27,312,670
Computer software	22,500			225,843	248,343
Equipment	971,540	665,162	11,900,730	5,513,358	19,050,790
Landfill			3,865,986		3,865,986
Less accumulated depreciation	<u>(16,341,967)</u>	<u>(2,073,665)</u>	<u>(12,625,553)</u>	<u>(18,756,062)</u>	<u>(49,797,247)</u>
Net capital assets	<u>5,106,203</u>	<u>2,637,613</u>	<u>4,089,322</u>	<u>5,889,116</u>	<u>17,722,254</u>
Total noncurrent assets	<u>5,106,203</u>	<u>2,637,613</u>	<u>4,089,322</u>	<u>5,889,116</u>	<u>17,722,254</u>
Total assets	<u>\$ 12,831,875</u>	<u>\$ 2,663,904</u>	<u>\$ 16,752,450</u>	<u>\$ 11,494,218</u>	<u>\$ 43,742,447</u>
DEFERRED OUTFLOWS OF RESOURCES					
Related to pensions	222,029	45,270	356,057	238,867	862,223
Related to other postemployment benefits	<u>26,975</u>	<u>11,514</u>	<u>51,299</u>	<u>39,132</u>	<u>128,920</u>
Total deferred outflows of resources	<u>249,004</u>	<u>56,784</u>	<u>407,356</u>	<u>277,999</u>	<u>991,143</u>
LIABILITIES					
Current liabilities:					
Accounts payable	\$ 150,292	\$ 6,482	\$ 417,900	\$ 207,216	\$ 781,890
Accrued leave	39,943	4,609	39,606	24,874	109,032
Due to other funds	36,996	2,304,404			2,341,400
Unearned revenues	2,368,565				2,368,565
Current portion of long-term debt			489,816	431,976	921,792
Other liabilities	<u>267,649</u>	<u>14,166</u>	<u>45,517</u>	<u>31,459</u>	<u>358,791</u>
Total current liabilities	<u>2,863,445</u>	<u>2,329,661</u>	<u>992,839</u>	<u>695,525</u>	<u>6,881,470</u>
Noncurrent liabilities:					
Accrued leave	69,109	32,125	173,768	100,818	375,820
Obligations under capital leases			2,110,184		2,110,184
Net pension liability	1,909,556	340,617	2,791,234	2,143,564	7,184,971
Net other postemployment benefit liability	864,567	447,460	2,592,274	1,197,948	5,102,249
Bonds payable				2,000,935	2,000,935
Total noncurrent liabilities	<u>2,843,232</u>	<u>820,202</u>	<u>7,667,460</u>	<u>5,443,265</u>	<u>16,774,159</u>
Total liabilities	<u>5,706,677</u>	<u>3,149,863</u>	<u>8,660,299</u>	<u>6,138,790</u>	<u>23,655,629</u>
DEFERRED INFLOWS OF RESOURCES					
Related to pensions	190,499	36,603	293,044	209,043	729,189
Related to other postemployment benefits	<u>75,233</u>	<u>55,608</u>	<u>294,170</u>	<u>125,305</u>	<u>550,316</u>
Total deferred inflows of resources	<u>265,732</u>	<u>92,211</u>	<u>587,214</u>	<u>334,348</u>	<u>1,279,505</u>
NET POSITION					
Net investment in capital assets	5,106,203	2,637,613	4,089,322	3,456,205	15,289,343
Unrestricted (deficit)	<u>2,002,267</u>	<u>(3,158,999)</u>	<u>3,822,971</u>	<u>1,842,874</u>	<u>4,509,113</u>
Total net position (deficit)	<u>\$ 7,108,470</u>	<u>\$ (521,386)</u>	<u>\$ 7,912,293</u>	<u>\$ 5,299,079</u>	<u>\$ 19,798,456</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, 2018

	Business-Type Activities - Non-Major Enterprise Funds				Totals
	Coliseum	Woodlands	Solid Waste	Refuse-Steam Plant	
Operating revenues:					
Charges for services	\$ 10,206,785	\$ 495,821	\$ 13,617,051	\$ 7,770,825	\$ 32,090,482
Other	4,069				4,069
Total operating revenues	<u>10,210,854</u>	<u>495,821</u>	<u>13,617,051</u>	<u>7,770,825</u>	<u>32,094,551</u>
Operating expenses:					
Personal services	1,393,714	305,179	2,312,325	1,686,572	5,697,790
Fringe benefits	350,954	72,657	536,139	(486,376)	473,374
Promoters fees	4,398,197				4,398,197
City-sponsored events	1,048,285				1,048,285
Cost of goods sold	317,258	30,380			347,638
Utilities	287,799	49,181	1,416	422,913	761,309
Insurance	213,400	19,443	94,306	315,462	642,611
Operating supplies	182,765	54,509	185,089	446,813	869,176
Equipmental rental	23,904	55,748		21,488	101,140
Equipment and building repairs	193,892	14,043	1,953,053	1,262,440	3,423,428
Telephone and postage	69,894	7,380	10,956	13,290	101,520
General expense	1,301,715	1,212	492,288	10,403	1,805,618
Landfill costs			3,198,349	658,346	3,856,695
Contractual services	820,742	34,038	944,913	237,017	2,036,710
Indirect cost			356,470	218,000	574,470
Depreciation and amortization	612,493	89,486	1,083,898	747,255	2,533,132
Total operating expenses	<u>11,215,012</u>	<u>733,256</u>	<u>11,169,202</u>	<u>5,553,623</u>	<u>28,671,093</u>
Operating income (loss)	<u>(1,004,158)</u>	<u>(237,435)</u>	<u>2,447,849</u>	<u>2,217,202</u>	<u>3,423,458</u>
Nonoperating revenues (expenses):					
Interest income				68,418	68,418
Interest and fiscal charges				(140,099)	(140,099)
Gain on disposal of capital assets		(105)	(7,704)		(7,809)
Total nonoperating revenues (expenses), net		<u>(105)</u>	<u>(7,704)</u>	<u>(71,681)</u>	<u>(79,490)</u>
Income (loss) before transfers	(1,004,158)	(237,540)	2,440,145	2,145,521	3,343,968
Transfers in(out)	826,102		(171,000)		655,102
Change in net position	(178,056)	(237,540)	2,269,145	2,145,521	3,999,070
Net position (deficit), beginning of year, as restated	<u>7,286,526</u>	<u>(283,846)</u>	<u>5,643,148</u>	<u>3,153,558</u>	<u>15,799,386</u>
Net position (deficit), end of year	<u>\$ 7,108,470</u>	<u>\$ (521,386)</u>	<u>\$ 7,912,293</u>	<u>\$ 5,299,079</u>	<u>\$ 19,798,456</u>

CITY OF HAMPTON, VIRGINIA
NON-MAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
Fiscal Year Ended June 30, 2018

	Coliseum	Woodlands	Solid Waste	Refuse-Steam Plant	Totals
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	\$ 10,689,242	\$ 495,610	\$ 13,267,523	\$ 7,853,640	\$ 32,306,015
Cash payments to suppliers for goods and services	(9,537,363)	(188,636)	(8,682,961)	(4,116,359)	(22,525,319)
Cash payments to employees for services	(1,452,748)	(306,974)	(2,310,432)	(1,689,227)	(5,759,381)
Net cash provided by (used in) operating activities	(300,869)	-	2,274,130	2,048,054	4,021,315
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Cash received from other funds	826,102				826,102
Cash paid to other funds			(171,000)		(171,000)
Net cash provided by (used in) noncapital financing activities	826,102		(171,000)		655,102
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition and construction of capital assets	(213,919)		(1,118,080)	(698,079)	(2,030,078)
Sale of capital assets			15,047	52,006	67,053
Principal paid on revenue bond maturities and long-term debt				(411,834)	(411,834)
Interest paid on revenue bonds and long-term debt				(140,099)	(140,099)
Net cash used in capital and related financing activities	(213,919)		(1,103,033)	(1,198,006)	(2,514,958)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest and dividends on investments				68,418	68,418
Net cash provided by investing activities				68,418	68,418
Net increase in cash and cash equivalents	311,314		1,000,097	918,466	2,229,877
Cash and cash equivalents, July 1	7,131,299	800	5,682,250	4,531,331	17,345,680
Cash and cash equivalents, June 30	\$ 7,442,613	\$ 800	\$ 6,682,347	\$ 5,449,797	\$ 19,575,557
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	\$ (1,004,158)	\$ (237,435)	\$ 2,447,849	\$ 2,217,202	\$ 3,423,458
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization expense	612,493	89,486	1,083,898	747,255	2,533,132
Decrease (increase) in:					
Accounts receivable	11,027	(211)	(193,433)	82,815	(99,802)
Due from component units			(13,248)		(13,248)
Inventories	1,045	15,106	(156,802)		(140,651)
Increase (decrease) in:					
Accounts payable	(147,048)	(8,883)	(481,814)	149,632	(488,113)
Accrued leave	3,353	(4,897)	(71,836)	(30,644)	(104,024)
Due to other funds	25,197	187,562			212,759
Other liabilities	24,292	(1,153)	(1,478)	(599)	21,062
Unearned revenue	467,362				467,362
Net pension and other postemployment benefit liability	(537,191)	(550,041)	(1,045,354)	(1,593,522)	(3,726,108)
Deferred outflows & inflows related to pensions	305,146	507,364	631,141	447,328	1,890,979
Long-term accrued leave	(62,387)	3,102	75,207	28,587	44,509
Total adjustments	703,289	237,435	(173,719)	(169,148)	597,857
Net cash provided by (used in) operating activities	\$ (300,869)	\$	\$ 2,274,130	\$ 2,048,054	\$ 4,021,315

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CITY OF HAMPTON, VIRGINIA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
June 30, 2018

ASSETS	Equipment Replacement	Fleet Services	Risk Management	Information Technology	Totals
Current assets:					
Cash and cash equivalents	\$ 2,227,502	\$ 40,990	\$ 20,809,123	\$ 303,841	\$ 23,381,456
Cash with fiscal agent			258,431		258,431
Accounts receivable, net	2,648	14,664	24,995	8,158	50,465
Due from other funds	507,190				507,190
Due from component units		242,038			242,038
Prepaid items			54,671	189,326	243,997
Inventories		396,017			396,017
Total current assets	<u>2,737,340</u>	<u>693,709</u>	<u>21,147,220</u>	<u>501,325</u>	<u>25,079,594</u>
Noncurrent assets:					
Capital assets:					
Improvements other than buildings		458,468			458,468
Computer software	14,400	171,225		30,150	215,775
Equipment	40,609,997	757,846	23,896	1,852,591	43,244,330
Less accumulated depreciation	<u>(23,618,767)</u>	<u>(918,598)</u>	<u>(23,896)</u>	<u>(1,250,624)</u>	<u>(25,811,885)</u>
Total noncurrent assets (net capital assets)	<u>17,005,630</u>	<u>468,941</u>	<u>632,117</u>	<u>18,106,688</u>	
Total assets	<u>\$ 19,742,970</u>	<u>\$ 1,162,650</u>	<u>\$ 21,147,220</u>	<u>\$ 1,133,442</u>	<u>\$ 43,186,282</u>
DEFERRED OUTFLOWS OF RESOURCES					
Related to pensions		237,067	45,860	40,596	323,523
Related to other postemployment benefits		60,537	6,724	16,155	83,416
Total deferred outflows of resources		<u>297,604</u>	<u>52,584</u>	<u>56,751</u>	<u>406,939</u>
LIABILITIES					
Current liabilities:					
Accounts payable	\$ 330,433	\$ 252,531	\$ 538,883	\$ 180,921	\$ 1,302,768
Accrued leave		34,042	5,056	10,051	49,149
Current portion of long-term debt	916,835		7,048,742		7,965,577
Other liabilities		26,608	5,764	4,783	37,155
Total current liabilities	<u>1,247,268</u>	<u>313,181</u>	<u>7,598,445</u>	<u>195,755</u>	<u>9,354,649</u>
Noncurrent liabilities:					
Claims payable			1,364,834		1,364,834
Accrued leave		82,061	28,869	17,160	128,090
Obligations under capital leases	33,234				33,234
Net pension liability		1,783,706	345,054	305,447	2,434,207
Net other postemployment benefit liability		1,371,958	167,882	366,755	1,906,595
Total noncurrent liabilities	<u>33,234</u>	<u>3,237,725</u>	<u>1,906,639</u>	<u>689,362</u>	<u>5,866,960</u>
Total liabilities	<u>1,280,502</u>	<u>3,550,906</u>	<u>9,505,084</u>	<u>885,117</u>	<u>15,221,609</u>
DEFERRED INFLOWS OF RESOURCES					
Related to pensions	-	191,679	37,080	32,823	261,582
Related to other postemployment benefits	-	127,261	21,412	39,428	188,101
Total deferred inflows of resources	<u>-</u>	<u>318,940</u>	<u>58,492</u>	<u>72,251</u>	<u>449,683</u>
NET POSITION					
Net investment in capital assets	16,055,561	468,941		632,117	17,156,619
Unrestricted (deficit)	2,406,907	(2,878,533)	11,636,228	(399,292)	10,765,310
Total net position(deficit)	<u>\$ 18,462,468</u>	<u>\$ (2,409,592)</u>	<u>\$ 11,636,228</u>	<u>\$ 232,825</u>	<u>\$ 27,921,929</u>

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CITY OF HAMPTON, VIRGINIA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended June 30, 2018

	Equipment Replacement	Fleet Services	Risk Management	Information Technology	Totals
Operating revenues:					
Charges for services	\$ 3,017,905	\$ 8,310,610	\$ 8,825,228	\$ 2,208,725	\$ 22,362,468
Operating expenses:					
Personal services		1,405,938	260,731	222,139	1,888,808
Fringe benefits		452,254	(23,020)	(28,277)	400,957
Cost of goods sold		5,582,043			5,582,043
Utilities		45,160			45,160
Insurance		47,161	2,539,164	3,198	2,589,523
Operating supplies		140,445	11,975	97,803	250,223
Equipment rental	91,025	52,620	31,596		175,241
Equipment and building repairs		183,664	7,401	4,533	195,598
Telephone and postage		19,750	10,645	1,067,257	1,097,652
General expense		87,837	111,561	72,314	271,712
Claims			6,210,026		6,210,026
Contractual services		301,075	672,795	680,598	1,654,468
Depreciation and amortization	2,836,021	57,745		158,870	3,052,636
Total operating expenses	<u>2,927,046</u>	<u>8,375,692</u>	<u>9,832,874</u>	<u>2,278,435</u>	<u>23,414,047</u>
Operating income (loss)	<u>90,859</u>	<u>(65,082)</u>	<u>(1,007,646)</u>	<u>(69,710)</u>	<u>(1,051,579)</u>
Nonoperating revenues (expenses):					
Interest income	21,259		257,902	2,921	282,082
Interest and fiscal charges	(36,955)				(36,955)
Other		42,949			42,949
Loss on disposal of capital assets	(13,021)				(13,021)
Total nonoperating revenues (expenses), net	<u>(28,717)</u>	<u>42,949</u>	<u>257,902</u>	<u>2,921</u>	<u>275,055</u>
Income (Loss) before transfers	<u>62,142</u>	<u>(22,133)</u>	<u>(749,744)</u>	<u>(66,789)</u>	<u>(776,524)</u>
Transfers in	414,435	70,565			485,000
Change in net position	476,577	48,432	(749,744)	(66,789)	(291,524)
Net position(deficit), beginning of year, as restated	<u>17,985,891</u>	<u>(2,458,024)</u>	<u>12,385,972</u>	<u>299,614</u>	<u>28,213,453</u>
Net position(deficit), end of year	<u>\$ 18,462,468</u>	<u>\$ (2,409,592)</u>	<u>\$ 11,636,228</u>	<u>\$ 232,825</u>	<u>\$ 27,921,929</u>

CITY OF HAMPTON, VIRGINIA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2018

	Equipment Replacement	Fleet Services	Risk Management	Information Technology	Totals
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	\$ 2,510,715	\$ 8,225,301	\$ 8,825,228	\$ 2,225,745	\$ 21,786,989
Cash payments to suppliers for goods and services	(91,025)	(7,300,957)	(8,025,744)	(1,973,130)	(17,390,856)
Cash payments to employees for services		(1,878,177)	(258,851)	(210,709)	(2,347,737)
Net cash provided by operating activities	<u>2,419,690</u>	<u>(953,833)</u>	<u>540,633</u>	<u>41,906</u>	<u>2,048,396</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Cash received from other funds	414,435	70,565			485,000
Net cash provided by noncapital financing activities	<u>414,435</u>	<u>70,565</u>			<u>485,000</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition and construction of capital assets	(1,010,315)	(37,360)		(62,819)	(1,110,494)
Principal paid on revenue bond maturities and long-term debt	(895,179)				(895,179)
Interest paid on revenue bonds and long-term debt	(36,955)				(36,955)
Sale of capital assets	44,940				44,940
Net cash used in capital and related financing activities	<u>(1,897,509)</u>	<u>(37,360)</u>		<u>(62,819)</u>	<u>(1,997,688)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest and dividends on investments	19,499		246,720	2,921	269,140
Net cash provided by investing activities	<u>19,499</u>		<u>246,720</u>	<u>2,921</u>	<u>269,140</u>
Net increase (decrease) in cash and cash equivalents (including cash with fiscal agents)	956,115	(920,628)	787,353	(17,992)	804,848
Cash and cash equivalents, July 1	<u>1,271,387</u>	<u>961,618</u>	<u>20,280,201</u>	<u>321,833</u>	<u>22,835,039</u>
Cash and cash equivalents, June 30	<u>\$ 2,227,502</u>	<u>\$ 40,990</u>	<u>\$ 21,067,554</u>	<u>\$ 303,841</u>	<u>\$ 23,639,887</u>

	Equipment Replacement	Fleet Services	Risk Management	Information Technology	Totals
Reconciliation of operating loss to net cash provided by (used in) operating activities:					
Operating income (loss)	\$ 90,859	\$ (65,082)	\$ (1,007,646)	\$ (69,710)	\$ (1,051,579)
Adjustments to reconcile operating income (loss) to net cash provided used in operating activities:					
Depreciation and amortization expense	2,836,021	57,745		158,870	3,052,636
Decrease (increase) in:					
Accounts receivable	(1,762)	(7,979)	(11,181)	17,020	(3,902)
Due from other funds	(507,190)				(507,190)
Due from component units		(120,279)			(120,279)
Inventories		(326,378)			(326,378)
Prepaid expenses			427	(101,431)	(101,004)
Increase (decrease) in:					
Accounts payable	204,935	(436,207)	167,903	135,078	71,709
Accrued leave		(19,688)	(11,834)	866	(30,656)
Due to other funds		(20,731)			(20,731)
Other liabilities		(3,373)	(899)	1,655	(2,617)
Nonoperating revenues reported as operating activity		42,949			42,949
Accrued claims			1,900,346		1,900,346
Accounts payable	(204,935)				(204,935)
Accounts receivable	1,762		11,181		12,943
Long-term accrued leave		3,076	14,613	8,909	26,598
Long-term accrued insurance claims reported as operating activity			(411,894)		(411,894)
Net pension and other postemployment benefit liability		(348,137)	(183,688)	(185,027)	(716,852)
Deferred outflows & inflows related to pensions and other postemployment benefits		290,251	73,305	75,676	439,232
Total adjustments	<u>2,328,831</u>	<u>(888,751)</u>	<u>1,548,279</u>	<u>111,616</u>	<u>3,099,975</u>
Net cash provided by (used in) operating activities	<u>\$ 2,419,690</u>	<u>\$ (953,833)</u>	<u>\$ 540,633</u>	<u>\$ 41,906</u>	<u>\$ 2,048,396</u>

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CITY OF HAMPTON, VIRGINIA
FIDUCIARY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the Year Ended June 30, 2018

	Balance, July 1, 2017	Additions	Deductions	Balance, June 30, 2018
<u>Special Welfare Fund</u>				
ASSETS				
Cash and cash equivalents	\$ 22,470	\$ 49,619	\$ 49,624	\$ 22,465
LIABILITIES				
Deposits	\$ 12,523	\$ 769	\$	\$ 13,292
Accounts payable	9,947	29,673	30,447	9,173
	<u>\$ 22,470</u>	<u>\$ 30,442</u>	<u>\$ 30,447</u>	<u>\$ 22,465</u>
<u>Agency Fund</u>				
ASSETS				
Cash and cash equivalents	\$ 821,539	\$ 464,501	\$ 429,547	\$ 856,493
Accounts	1,306	33,709	30,756	4,259
	<u>\$ 822,845</u>	<u>\$ 498,210</u>	<u>\$ 460,303</u>	<u>\$ 860,752</u>
LIABILITIES				
Deposits	\$ 804,377	\$ 409,536	\$ 368,992	\$ 844,921
Accounts payable	18,468	373,885	376,522	15,831
	<u>\$ 822,845</u>	<u>\$ 783,421</u>	<u>\$ 745,514</u>	<u>\$ 860,752</u>
<u>Total - All Agency Funds</u>				
ASSETS				
Cash and cash equivalents	\$ 844,009	\$ 514,120	\$ 479,171	\$ 878,958
Accounts receivable	1,306	33,709	30,756	4,259
	<u>\$ 845,315</u>	<u>\$ 547,829</u>	<u>\$ 509,927</u>	<u>\$ 883,217</u>
LIABILITIES				
Deposits	\$ 816,900	\$ 410,305	\$ 368,992	\$ 858,213
Accounts payable and accrued liabilities	28,415	403,558	406,969	25,004
	<u>\$ 845,315</u>	<u>\$ 813,863</u>	<u>\$ 775,961</u>	<u>\$ 883,217</u>

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CITY OF HAMPTON, VIRGINIA
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
COMBINING BALANCE SHEET
June 30, 2018

	<u>Operating</u>	<u>Food Services</u>	<u>Reimbursable Projects</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 9,767,734	\$ 3,335,653	\$ 1,634,487	\$ 14,737,874
Cash with fiscal agent	3,421,769			3,421,769
Investments	29,940			29,940
Accounts receivable, net	138,621	100,999	72,600	312,220
Due from other funds	1,514,782			1,514,782
Due from other governments	3,711,157	360,552	1,467,520	5,539,229
Inventories	206,926	163,834		370,760
Total assets	<u>\$ 18,790,929</u>	<u>\$ 3,961,038</u>	<u>\$ 3,174,607</u>	<u>\$ 25,926,574</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable and other liabilities	\$ 13,746,902	\$ 40,281	\$ 478,400	\$ 14,265,583
Due to other funds		363,525	1,151,257	1,514,782
Due to Primary Government	289,553			289,553
Unearned revenues	1,215,968		402,347	1,618,315
Total liabilities	<u>15,252,423</u>	<u>403,806</u>	<u>2,032,004</u>	<u>17,688,233</u>
Fund balances				
Nonspendable	206,926	163,834		370,760
Restricted		3,393,398	1,142,603	4,536,001
Assigned	3,331,580			3,331,580
Total fund balances	<u>3,538,506</u>	<u>3,557,232</u>	<u>1,142,603</u>	<u>8,238,341</u>
Total liabilities and fund balances	<u>\$ 18,790,929</u>	<u>\$ 3,961,038</u>	<u>\$ 3,174,607</u>	<u>\$ 25,926,574</u>

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

Total fund balance	\$ 8,238,341
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.	96,904,852
Accumulated depreciation on capital assets	(84,459,758)
Net other postemployment benefits liability	(31,304,412)
Obligations under capital leases	(1,622,069)
Long-term liability for compensated absences	(7,048,399)
Net pension liability	(182,522,329)
Deferred outflows of resources related to pensions	21,386,615
Deferred outflows of resources related to OPEB	2,534,590
Deferred inflows of resources related to pensions	(27,642,350)
Deferred inflows of resources related to OPEB	<u>(1,968,825)</u>
Net position discretely presented component unit School Board	<u>\$ (207,503,744)</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, 2018

	<u>Operating</u>	<u>Food Services</u>	<u>Reimbursable Projects</u>	<u>Total</u>
REVENUES				
State funds	\$ 125,188,802	\$ 260,655	\$ 996,383	\$ 126,445,840
Federal funds (includes pass through)	674,842	8,766,960	13,448,923	22,890,725
Other receipts	1,621,093	2,241,880	894,192	4,757,165
Payments from City	73,036,416			73,036,416
Increase in fair value of investments	5,481			5,481
Total revenues	<u>200,526,634</u>	<u>11,269,495</u>	<u>15,339,498</u>	<u>227,135,627</u>
EXPENDITURES				
Education	<u>202,918,865</u>	<u>10,647,443</u>	<u>15,593,998</u>	<u>229,160,306</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,392,231)</u>	<u>622,052</u>	<u>(254,500)</u>	<u>(2,024,679)</u>
OTHER FINANCING SOURCES (USES)				
Capital lease proceeds	2,156,444			2,156,444
Transfer from:				
Food Services Fund	500,000			500,000
School Operating Fund			434,102	434,102
Reimbursable Projects Fund	3,807			3,807
Transfer to:				
School Operating Fund		(500,000)	(3,807)	(503,807)
Reimbursable Projects Fund	(434,102)			(434,102)
Total other uses, net	<u>2,226,149</u>	<u>(500,000)</u>	<u>430,295</u>	<u>2,156,444</u>
Excess (deficiency) of revenues and other sources over (under) expenditures and other financing uses	(166,082)	122,052	175,795	131,765
Fund balance - July 1	<u>3,704,588</u>	<u>3,435,180</u>	<u>966,808</u>	<u>8,106,576</u>
Fund balance - June 30	<u>\$ 3,538,506</u>	<u>\$ 3,557,232</u>	<u>\$ 1,142,603</u>	<u>\$ 8,238,341</u>
Reconciliation of the School Board's Combining Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities (Exhibit A-12)				
Net change in fund balances - total school funds				\$ 131,765
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.				
Capital acquisitions				3,041,759
Depreciation expense				(1,395,989)
In the Statement of Activities, the loss on disposal of capital assets is reported. However, in the governmental funds, only the proceeds from sales 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.				(119,125)
Increase in capital leases are not reported as expenditures in the governmental funds.				(1,622,069)
Increase in other postemployment benefits liability reported in the Statement of Activities does not provide current financial resources and, therefore, is not reported in the governmental funds.				2,061,677
Increase in compensated absences reported in the Statement of Activities does not provide current financial resources and, therefore, is not reported in the governmental funds.				(1,571,138)
Decrease in net pension liability reported in Statement of Activities does not provide current financial resources and, therefore, is not reported in the governmental funds				29,648,380
Increase in deferred inflows of resources related to pensions and OPEB reported in the Statement of Activities does not provide current financial resources and, therefore, is not reported in the governmental funds				(11,368,263)
Decrease in deferred outflows of resources related to pensions and OPEB reported in the Statement of Activities does not provide current financial resources and, therefore, is not reported in the governmental funds				(8,010,103)
Change in net position of governmental activities				<u>\$ 10,796,894</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, 2018

	School Board - School Operating Fund			Variance with Final Budget Over (Under)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Intergovernmental:				
State Funds	\$ 127,961,191	\$ 127,961,191	\$ 125,188,802	\$ (2,772,389)
Federal funds (includes pass through)	940,000	940,000	674,842	(265,158)
Miscellaneous	1,222,500	1,222,500	1,337,768	115,268
Payments from City	73,036,416	73,036,416	73,036,416	
Total revenues	<u>203,160,107</u>	<u>203,160,107</u>	<u>200,237,828</u>	<u>(2,922,279)</u>
EXPENDITURES				
Current:				
Education	202,949,005	205,335,063	201,424,233	(3,910,830)
Total expenditures	<u>202,949,005</u>	<u>205,335,063</u>	<u>201,424,233</u>	<u>(3,910,830)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>211,102</u>	<u>(2,174,956)</u>	<u>(1,186,405)</u>	
OTHER FINANCING SOURCES (USES)				
Transfers in	500,000	500,000	1,632,453	1,132,453
Transfers out	(711,102)	(711,102)	(711,102)	
Total other financing sources (uses), net	<u>(211,102)</u>	<u>(211,102)</u>	<u>921,351</u>	<u>1,132,453</u>
Deficiency of revenues and other financing sources under expenditures and other financing uses		(2,386,058)	(265,054)	
Appropriations from fund balance				
Appropriations - encumbrances		<u>2,386,058</u>		
Fund balance - July 1			<u>2,386,059</u>	
Fund balance - June 30	<u>\$</u>	<u>\$</u>	<u>\$ 2,121,005</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.

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CITY OF HAMPTON, VIRGINIA
SCHEDULE OF THE TREASURER'S ACCOUNTABILITY
June 30, 2018

Assets held by the Treasurer:

Cash on hand	\$ 8,050
Cash in banks:	
Old Point National Bank	7,769,285
Investments:	
Certificates of deposit	30,549,738
Commercial paper	2,956,350
Repurchase agreement	1,300,000
Investment in mutual and money market funds	175,312
State Local Government Investment Pool	139,013,159
U.S. Government securities	18,680,751
Corporate bonds	4,159,878
Timing differences	(243,668)
Total assets	<u>\$ 204,368,855</u>

Liabilities of the Treasurer:

Balance of City funds	<u>\$ 204,368,855</u>
Cash and cash equivalents	
Primary Government per Exhibit A-1	\$ 159,750,187
School Board per Exhibit A-11	14,737,874
Economic Development Authority per Exhibit A-11	2,308,197
General Fund Investments per Exhibit A-3	25,651,892
Restricted cash and investments - Enterprise Funds per Exhibit A-6	
Cash and cash equivalents - Convention Center	4,903,226
Investments - Convention Center	15,553,427
Cash and cash equivalents - Fiduciary Funds per Exhibit A-9	890,115
Investments - Component Unit - EDA per Exhibit A-11	2,512,816
Adjust investments in CAFR from fair value to cost	207,383
Less:	
Petty cash	\$ (23,765)
Cash and investments held by trustees	<u>(22,122,497)</u>
	<u>(22,146,262)</u>
Balance of City funds	<u>\$ 204,368,855</u>

**CITY OF HAMPTON, VIRGINIA
SCHEDULE OF CASH FLOWS
DISCRETELY PRESENTED COMPONENT UNIT
ECONOMIC DEVELOPMENT AUTHORITY
For the Year Ended June 30, 2018**

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from customers	\$ 1,365,862
Cash payments to suppliers for goods and services	(2,457,902)
Cash payments to employees for services	(4,950)
Other receipts	51,340
Net cash used in operating activities	<u>(1,045,650)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Payment from primary government	<u>10,756,883</u>
Net cash provided by noncapital financing activities	<u>10,756,883</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Acquisition and construction of capital assets	(9,498,591)
Principal paid on revenue bond maturities and long-term debt	(776,573)
Interest paid on revenue bonds and long-term debt	(213,487)
Contributions and donations from private sources and other funds	286,800
Net cash used in capital and related financing activities	<u>(10,201,851)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest and dividends on investments	(20,140)
Proceeds from collection of loans	16,110
Proceeds from collection of lease receivable	729,460
Interest received on lease receivable	303,698
Net cash provided by investing activities	<u>1,029,128</u>

Net increase in cash and cash equivalents (including restricted amounts) 538,510

Cash and cash equivalents (including restricted), July 1 4,282,503

Cash and cash equivalents (including restricted), June 30 \$ 4,821,013

**CITY OF HAMPTON, VIRGINIA
SCHEDULE OF CASH FLOWS
DISCRETELY PRESENTED COMPONENT UNIT
ECONOMIC DEVELOPMENT AUTHORITY
For the Year Ended June 30, 2018**

Operating loss	<u>\$ (2,422,903)</u>
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation and amortization expense	316,387
Cost of land sold	134,760
Decrease (increase) in:	
Notes receivable	(19,799)
Due from Primary Government	(88,891)
Increase (decrease) in:	
Accounts payable	749,879
Due to Primary Government	12,500
Other liabilities	(24,091)
Deferred revenue	365
Nonoperating revenues reported as operating revenues	288,162
Notes receivable reported as nonoperating activities	(16,110)
Other liabilities reported as nonoperating revenues	24,091
Total adjustments	<u>1,377,253</u>
Net cash used in operating activities	<u>\$ (1,045,650)</u>
Non-cash transactions affecting investing capital and related financing activities:	
Acquisition of fixed assets through other funds' capital contributions and donations	<u>286,800</u>
Total non-cash transactions	<u>\$ 286,800</u>

CITY OF HAMPTON, VIRGINIA
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
SCHOOL OPERATING FUND
SCHEDULE OF APPROPRIATIONS AND EXPENDITURES - BUDGET AND ACTUAL
For the Year Ended June 30, 2018

	Appropriations			Expenditures	Variance with Final Budget Over (Under)
	Budget July 1,2017	Net Changes	Final June 30,2018		
EXPENDITURES					
Administration/attendance and health	\$ 10,780,756	\$ (17,288)	\$ 10,763,468	\$ 10,151,649	\$ (611,819)
Instructional	150,965,697	(1,149,875)	149,815,822	148,547,715	(1,268,107)
Public transportation service	10,063,791	603,150	10,666,941	9,262,137	(1,404,804)
Operation and maintenance of school plant	19,114,544	770,254	19,884,798	19,090,890	(793,908)
Technology	12,024,217	2,179,817	14,204,034	14,371,842	167,808
Total expenditures	<u>202,949,005</u>	<u>2,386,058</u>	<u>205,335,063</u>	<u>201,424,233</u>	<u>(3,910,830)</u>
OPERATING TRANSFER OUT					
To Student Activities Fund	277,000		277,000	277,000	
To Reimbursable Projects Fund	434,102		434,102	434,102	
Total transfers out	<u>711,102</u>		<u>711,102</u>	<u>711,102</u>	
Total expenditures and transfers out	<u>\$ 203,660,107</u>	<u>\$ 2,386,058</u>	<u>\$ 206,046,165</u>	<u>\$ 202,135,335</u>	<u>\$ (3,910,830)</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.

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, 2018

	Original	Final Budgeted Revenues	Actual Revenues	Variance with Final Budget Over (Under)
State funds:				
Basic appropriation	\$ 58,698,738	\$ 58,698,738	\$ 57,666,113	\$ (1,032,625)
At risk payment	2,961,581	2,961,581	3,003,871	42,290
Salary supplement	613,832	613,832	606,324	(7,508)
Remedial education	3,269,314	3,269,314	3,229,109	(40,205)
K-3 Primary Class Size	3,985,862	3,985,862	3,916,993	(68,869)
Virginia Retirement System	8,889,752	8,889,752	8,780,429	(109,323)
Social security benefits	3,881,441	3,881,441	3,833,708	(47,733)
Group life insurance	264,328	264,328	261,077	(3,251)
Special education	9,180,403	9,180,403	8,619,893	(560,510)
Textbook payments	1,527,257	1,527,257	1,508,475	(18,782)
Remedial summer school	1,298,031	1,298,031	956,234	(341,797)
At risk 4 year old	2,775,439	2,775,439	2,775,439	
Gifted	667,775	667,775	659,563	(8,212)
Supplemental Lottery per pupil	3,813,551	3,813,551	3,770,088	(43,463)
Foster home	83,643	83,643	127,377	43,734
Vocational education	1,060,486	1,060,486	1,059,426	(1,060)
VPSA education tech grant	1,375,200	1,375,200	568,800	(806,400)
Project graduation	37,500	37,500	37,500	
ESL	274,696	274,696	277,064	2,368
Early Reading Intervention	294,970	294,970	328,007	33,037
SOL Algebra Readiness	341,454	341,454	338,583	(2,871)
Sales tax	21,603,117	21,603,117	21,734,255	131,138
Medicaid Reimbursement	900,000	900,000	921,132	21,132
Early reading specialists initiative	162,821	162,821	209,341	46,520
Total state funds	<u>127,961,191</u>	<u>127,961,191</u>	<u>125,188,801</u>	<u>(2,772,390)</u>
Federal Funds:				
Public law 874	480,000	480,000	291,401	(188,599)
Impact Aid Special Education	120,000	120,000	51,676	(68,324)
U.S. Army- ROTC	138,502	138,502	129,296	(9,206)
U.S. Air Force- ROTC	55,339	55,339	64,310	8,971
U.S. Navy - ROTC	74,806	74,806	71,650	(3,156)
U.S. Marine Corps - ROTC	71,353	71,353	66,509	(4,844)
Total federal funds	<u>(940,000)</u>	<u>940,000</u>	<u>674,842</u>	<u>(265,158)</u>
Other funds:				
Fees from students	21,000	21,000	15,703	(5,297)
Miscellaneous revenue	100,000	100,000	26,065	(73,935)
Public surplus			275,418	275,418
Interest	1,500	1,500	3,357	1,857
Other	1,100,000	1,100,000	1,017,225	(82,775)
Total other funds	<u>1,222,500</u>	<u>1,222,500</u>	<u>1,337,768</u>	<u>115,268</u>
Total revenues	<u>130,123,691</u>	<u>130,123,691</u>	<u>127,201,411</u>	<u>(2,922,280)</u>
Other credits:				
Payment from the City	73,036,416	73,036,416	73,036,416	
Transfer from Food Services Fund	500,000	500,000	500,000	
Reappropriated Fund Balance	877,332	877,332	877,332	
Total other credits	<u>74,413,748</u>	<u>74,413,748</u>	<u>74,413,748</u>	
Total revenues and other credits	<u>\$ 204,537,439</u>	<u>\$ 204,537,439</u>	<u>\$ 201,615,159</u>	<u>\$ (2,922,280)</u>

CITY OF HAMPTON, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2018

Federal Granting Agency/ Recipient State Agency/ Grant Program/Grant Number	Federal Catalogue Number	Expenditures
DEPARTMENT OF AGRICULTURE		
SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM CLUSTER:		
Pass-through payments:		
Virginia Department of Social Services:		
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (90304)	10.561	\$ <u>1,885,097</u>
Total Supplemental Nutrition Assistance Program Cluster		<u>1,885,097</u>
CHILD NUTRITION CLUSTER:		
Direct payments:		
Summer Food Service Program for Children	10.559	242,636
Pass-through payments:		
Department of Education:		
School Breakfast Program (184356012)	10.553	2,317,790
National School Lunch Program (184356012)	10.555	5,912,990
Department of Agriculture and Consumer Services:		
Special Milk Program for Children (184356012)	10.556	<u>796,835</u>
Total Child Nutrition Cluster		<u>9,270,251</u>
OTHER:		
Pass-through payments:		
Department of Education		
Child & Adult Care Food Program (184356012)	10.558	18,796
State Administrative Expenses for Child Nutrition (184356012)	10.560	550
Virginia Department of Social Services		
Pilot Projects to Reduce Dependency and Increase Work Requirements and Work Effort under SNAP (90508)	10.596	<u>27,845</u>
Total Department of Agriculture		<u>11,202,539</u>
DEPARTMENT OF COMMERCE:		
Direct Payments:		
Chesapeake Bay Studies	11.457	<u>67,232</u>
Total Department of Commerce		<u>67,232</u>
DEPARTMENT OF DEFENSE:		
Direct Payments:		
U.S. Army - ROTC	12.UNK	129,296
U.S. Air Force - ROTC	12.UNK	64,310
U.S. Navy - ROTC	12.UNK	71,650
U.S. Marine Corps - ROTC	12.UNK	66,509
Pass-through payments:		
Readiness and Environmental Protection Integration Program (6000794)	12.UNK	<u>170,081</u>
Total Department of Defense		<u>501,846</u>

CITY OF HAMPTON, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2018

Federal Granting Agency/ Recipient State Agency/ <u>Grant Program/Grant Number</u>	Federal Catalogue Number	Expenditures
DEPARTMENT OF EDUCATION:		
Direct payments:		
Impact Aid	84.041	343,076
Pass-through payments:		
Department of Behavioral Health and Developmental Services:		
Title I Grants to Local Educational Agencies (184356012)	84.010	5,582,641
School Improvement Grants (184356012)	84.377	494,715
Supporting Effective Instruction State Grant (184356012)	84.367	730,439
English Language Acquisition State Grant (184356012)	84.365	39,956
Twenty-First Century Community Learning Centers (184365012)	84.287	1,943,944
Special Education-Grants for Infants and Families (720C-4515-16, 720C-4515-17LEB-16)	84.181	334,121
Student Support and Academic Enrichment Program (S424A170048)	84.424	42,761
SPECIAL EDUCATION CLUSTER:		
Pass-through payments:		
Special Education - Grants to States (184365012)	84.027	4,319,076
Special Education - Preschool Grants (184365012)	84.173	71,146
Total Special Education Cluster		<u>4,390,222</u>
Pass-through payments:		
Career and Technical Education - Basic Grants to States (184365012)	84.048	157,297
Total Department of Education		<u>14,059,172</u>
DEPARTMENT OF HEALTH AND HUMAN SERVICES:		
MEDICAID CLUSTER:		
Pass-through payments:		
Department of Social Services:		
Medical Assistance Program (705AT53247)	93.778	1,876,886
Total Medicaid Cluster		<u>1,876,886</u>
MATERNAL, INFANT, AND EARLY CHILDHOOD HOME VISITING CLUSTER:		
Pass-through payments:		
Department of Social Services:		
Affordable Care Act (ACA) Maternal, Infant and Early Childhood Home Visiting Program (705BJ632554)	93.505	90,431
Maternal, Infant and Early Childhood Home Visiting Grant Program (705BJ632554)	93.870	263,261
Total Maternal, Infant, and Early Childhood Home Visiting Cluster		<u>353,692</u>
CHILD CARE AND DEVELOPMENT FUND CLUSTER:		
Pass-through payments:		
Department of Social Services:		
Child Care and Development Block Grant (90544)	93.575	(196)
Child Care Mandatory and Matching Funds of the Child Care Development Fund (91416)	93.596	243,881
Total Child Care and Development Fund Cluster		<u>243,685</u>

continued

CITY OF HAMPTON, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2018

Federal Granting Agency/ Recipient State Agency/ Grant Program/Grant Number	Federal Catalogue Number	Expenditures
TANF CLUSTER:		
Pass-through payments:		
Department of Social Services:		
Temporary Assistance for Needy Families (TANF) (90601, 90603)	93.558	2,472,650
Total TANF Cluster		<u>2,472,650</u>
OTHER:		
Pass-through payments:		
Department of Social Services:		
Promoting Safe and Stable Families (91129)	93.556	76,826
Refugee & Entrant Assistance State/Replacement Designee Administrated Programs (90623)	93.566	3,245
Low-Income Home Energy Assistance (91114)	93.568	217,619
Chafee Education and Training Vouchers Program (91134)	93.599	11,780
Stephanie Tubbs Jones Child Welfare Services Program (91131)	93.645	5,079
Foster Care - Title IV-E (90658)	93.658	1,156,800
Adoption Assistance (90606)	93.659	750,435
Social Services Block Grant (SSBG) (91142)	93.667	1,408,722
Children's Health Insurance Program (90161)	93.767	<u>77,715</u>
Total Department of Health and Human Services		<u>8,655,134</u>
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE:		
FOSTER GRANDPARENT, SENIOR COMPANION CLUSTER:		
Direct payments:		
Foster Grandparent Program	94.011	<u>319,185</u>
Total Foster Grandparent, Senior Companion Cluster		<u>319,185</u>
DEPARTMENT OF HOMELAND SECURITY:		
Direct payments:		
Emergency Management Performance Grants	97.042	56,145
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	25,975
Port Security Grant Program	97.056	10,960
Pass-through payments:		
Virginia Department of Emergency Management:		
Hazard Mitigation Grant (HMGP-4042-016, HMPG-4042-021)	97.039	1,258,457
Homeland Security Grant Program (7284, 7616)	97.067	<u>69,205</u>
Total Department of Homeland Security		<u>1,420,742</u>
DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT:		
Direct payments:		
Emergency Solutions Grant Program	14.231	<u>140,016</u>
Total Department of Housing and Community Development		<u>140,016</u>
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:		
CDBG - ENTITLEMENT GRANTS CLUSTER:		
Direct payments:		

continued

CITY OF HAMPTON, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2018

Federal Granting Agency/ Recipient State Agency/ <u>Grant Program/Grant Number</u>	Federal Catalogue Number	<u>Expenditures</u>
Community Development Block Grants/Entitlement Grants (\$493,546 provided to subrecipient)	14.218	1,774,269
Total CDBG - Entitlement Grants Cluster		<u>1,774,269</u>
OTHER:		
Direct payments:		
Home Investment Partnership Program (\$335,914 provided to subrecipient)	14.239	523,550
Continuum of Care Planning Grant (VA0283L3F051601)	14.267	102,707
Total Department of Housing and Urban Development		<u>2,400,526</u>
DEPARTMENT OF INTERIOR:		
Direct Payments:		
National Park Service Conservation, Protection, Outreach and Education	15.954	13,905
Total Department of Interior		<u>13,905</u>
DEPARTMENT OF JUSTICE		
Pass-through payments:		
Department of Criminal Justice Services:		
Juvenile Justice and Delinquency Prevention (17-B3231JJ15)	16.540	2,046
Violence Against Women Formula Grant (17-U9367VA16, 18-V9367VA17)	16.588	59,181
Crime Victim Assistance (18-X8574VW16)	16.575	393,198
Edwards Byrne Memorial Justice Assistance Grant Program (2014-DJ-BX-0522, 2015-DJ-BX-0654, 2016-DJ-BX-0254, 17-A6073AD13, 18-A257AD11, 18-A4280D12, 18-A4369AD14)	16.738	99,502
Public Safety Partnership and Community Policing Grants (2016-UM-WX-0100)	16.710	204,329
Equitable Sharing Program (VA1110000, VAEO00289)	16.922	74,510
Total Department of Justice		<u>832,766</u>

CITY OF HAMPTON, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2018

Federal Granting Agency/ Recipient State Agency/ <u>Grant Program/Grant Number</u>	Federal Catalogue Number	<u>Expenditures</u>
DEPARTMENT OF TRANSPORTATION FEDERAL HIGHWAY ADMINISTRATION HIGHWAY PLANNING AND CONSTRUCTION CLUSTER:		
Pass-through payments:		
Department of Transportation:		
Highway Planning and Construction (83454, 84474, 109687, 108731, 87010, 93081)	20.205	3,984,337
Total Highway Planning and Construction Cluster		<u>3,984,337</u>
HIGHWAY SAFETY CLUSTER:		
Pass-through payments:		
Department of Transportation:		
State and Community Highway Safety (SC-2018-58082-8082)	20.600	46,216
Total Highway Safety Cluster		<u>46,216</u>
Total Department of Transportation Federal Highway Administration		<u>4,030,553</u>
ENVIRONMENTAL PROTECTION AGENCY:		
Pass-through payments:		
National Fish and Wildlife Foundation:		
Chesapeake Bay Program (BF) (0603.15.49526)	66.466	42,834
Total Environmental Protection Agency		<u>42,834</u>
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION:		
Direct payments:		
Education	43.008	217,248
NASA Steam Sales	43.UNK	5,416,875
Cross Agency Support	43.009	404,500
Total National Aeronautics and Space Administration		<u>6,038,623</u>
Grand Total All Federally Assisted Programs and Grants		<u>\$ 49,725,073</u>

Notes:

(A) General

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

The Schedule of Expenditures of Federal Awards does not include federal funding of \$223,000 in the General Fund. This amount represents indirect costs from other federally assisted programs administered by the City and is included in the federal revenue.

(B) Basis of Accounting

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

(C) Indirect Cost

The City has elected to not use the 10% de minimis indirect cost rate.

CITY OF HAMPTON, VIRGINIA
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
CONVENTION CENTER REVENUE BONDS
June 30, 2018

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
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	6,355,000	162,847	6,517,847
	<u>\$ 73,970,000</u>	<u>\$ 36,324,186</u>	<u>\$ 110,294,186</u>

CITY OF HAMPTON, VIRGINIA
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
ECONOMIC DEVELOPMENT AUTHORITY REVENUE BONDS
June 30, 2018

Fiscal Year Ending June 30,	2002		Total Debt Service
	Tax-Exempt Principal	Interest	
2019	\$ 825,913	\$ 164,146	\$ 990,059
2020	878,387	111,672	990,059
2021	933,997	56,062	990,059
2022	190,958	5,924	196,882
	<u>\$ 2,829,255</u>	<u>\$ 337,804</u>	<u>\$ 3,167,059</u>

CITY OF HAMPTON, VIRGINIA
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
GENERAL OBLIGATION BONDS
For the Year Ended June 30, 2018

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2019	\$ 20,930,000	\$ 10,977,398	\$ 31,907,398
2020	22,315,000	10,907,254	33,222,254
2021	19,740,000	9,903,679	29,643,679
2022	20,480,000	8,803,594	29,283,594
2023	19,190,000	7,840,154	27,030,154
2024	18,695,000	6,880,409	25,575,409
2025	19,525,000	5,959,635	25,484,635
2026	20,400,000	4,996,080	25,396,080
2027	16,510,000	3,986,132	20,496,132
2028	17,085,000	3,035,827	20,120,827
2029	8,200,000	2,445,312	10,645,312
2030	8,470,000	2,088,222	10,558,222
2031	7,965,000	1,742,216	9,707,216
2032	8,225,000	1,436,414	9,661,414
2033	8,485,000	1,126,457	9,611,457
2034	6,405,000	816,564	7,221,564
2035	6,670,000	555,064	7,225,064
2036	2,990,000	373,076	3,363,076
2037	3,090,000	272,345	3,362,345
2038	3,195,000	166,286	3,361,286
2039	3,305,000	56,185	3,361,185
	<u>\$ 261,870,000</u>	<u>\$ 84,368,303</u>	<u>\$ 346,238,303</u>

CITY OF HAMPTON, VIRGINIA
COMPUTATION OF LEGAL DEBT MARGIN
June 30, 2018

Assessed value:		
Real estate	\$ 10,362,686,256	
Public service corporations - real estate	33,539,411	
Newport News Waterworks	<u>60,486,900</u>	<u>\$ 10,456,712,567</u>
Debt Limit at 10% of assessed value		<u>1,045,671,257</u>
General obligation bonded debt:		
General obligations bonds	259,437,089	
General obligation bonds - Steam Plant	<u>2,432,911</u>	
Total long-term debt		<u>261,870,000</u>
Legal debt margin		<u>\$ 783,801,257</u>

Note:

Virginia state statute limits bonds issuing authority of Virginia cities to 10% of the assessed real estate value. The above calculation includes all debt secured by the full faith and credit of the City. The calculation excludes installment purchase contracts, compensated absences, claims and judgements, net pension obligations and net OPEB obligations totaling \$250,042,124 at June 30, 2018.

There are no overlapping or underlying tax jurisdictions.

CITY OF HAMPTON, VIRGINIA
Assessed Value of Taxable Property
(\$ in Thousands)

Fiscal Year Ended June 30	Real Estate Assessed Value				Personal Property Assessed Value		
	Citizens' Property	Public Service	Newport News Waterworks	Total	Citizens' Property	Public Service ⁽¹⁾	Total
2009	\$ 11,357,489	\$ 155,505	\$ 61,626	\$ 11,574,620	\$ 888,999	\$ 93,427	\$ 982,426
2010	11,448,119	166,948	59,453	11,674,520	857,853	103,642	961,495
2011	11,166,293	203,348	59,454	11,429,095	876,337	104,558	980,895
2012	10,930,778	31,079	58,507	11,020,364	893,459	274,803	1,168,262
2013	10,480,999	31,923	59,881	10,572,803	929,896	280,117	1,210,013
2014	10,162,678	28,837	59,298	10,250,813	948,177	251,247	1,199,424
2015	10,092,713	30,562	59,119	10,182,394	927,856	279,504	1,207,360
2016	10,127,280	32,236	56,459	10,215,975	970,772	289,756	1,260,528
2017	10,249,204	33,071	56,237	10,338,512	983,860	303,254	1,287,114
2018	10,362,686	33,539	60,487	10,456,712	996,733	314,545	1,311,278

Source: City Department of Finance.

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

CITY OF HAMPTON, VIRGINIA
Tax Rates

Fiscal Year Ended June 30	Rate per \$100 of Assessed Value	
	Real Estate	Personal Property ⁽¹⁾⁽²⁾
2009	\$ 1.04	\$ 4.25
2010	1.04	4.25
2011	1.04	4.25
2012	1.04	4.25
2013	1.04	4.25
2014	1.24	4.25
2015	1.24	4.50
2016	1.24	4.50
2017	1.24	4.50
2018	1.24	4.50

Source: City Department of Finance.

(1) Personal property is assessed on a calendar year basis. The taxes levied are due in two installments on June 5 and December 5. Changes in the tax rate are implemented on the same basis. When a rate change is enacted by City Council, the first half of the fiscal year's tax levy is at the old rate and the second half is at the new rate. The personal property tax rate was increased from \$4.25 per \$100 to \$4.50 per \$100 levied effective January 1, 2015.

(2) Machinery and tool taxes are assessed, levied and due on the same basis as other property taxes. In fiscal year 2006, the tax rate for machinery and tools was changed to \$3.50 per \$100 levied.

CITY OF HAMPTON, VIRGINIA
Moral Obligation Commitments
For the Year Ended June 30, 2018

Economic Development Authority Revenue Bonds	\$ 2,829,255
Convention Center Revenue Bonds	<u>73,970,000</u>
Total	<u><u>\$ 76,799,255</u></u>

Source: City Finance Department

CITY OF HAMPTON, VIRGINIA
General Fund Expenditures
For the Year Ended June 30, 2018

<u>Expenditures</u>	2018 <u>Actual</u>	Percent of Total <u>Actual</u>	2017 <u>Actual</u>	<u>Difference</u>	<u>Percentage Change</u>
General government	\$ 105,265,582	31.92 %	\$ 103,382,304	\$ 1,883,278	1.79 %
Public safety	53,970,951	16.37 %	52,550,351	1,420,600	2.63 %
Highways and streets	2,491,197	0.76 %	2,187,322	303,875	12.20 %
Health	2,431,995	0.74 %	2,396,124	35,871	1.47 %
Human services	20,835,963	6.32 %	20,556,062	279,901	1.34 %
Culture & recreation	12,448,404	3.78 %	12,632,230	(183,826)	(1.48)%
Education - city share	73,036,416	22.15 %	71,471,416	1,565,000	2.14 %
Education - other sources	2,073,001	0.63 %	2,102,054	(29,053)	(1.40)%
Transfers out	57,201,811	17.35 %	61,090,241	(3,888,430)	(6.80)%
Totals	<u>\$ 329,755,320</u>	<u>100.00 %</u>	<u>\$ 328,368,104</u>	<u>\$ 1,387,216</u>	<u>0.42 %</u>

Source: City of Hampton, Virginia Comprehensive Annual Financial Report for years ended June 30, 2017 and 2018.

CITY OF HAMPTON, VIRGINIA
Summary of General Fund (In Thousands)
Fiscal Years Ended June 30, 2014-2018

	2014	2015	2016	2017	2018
Revenues	\$ 317,298	\$ 317,103	\$ 326,631	\$ 328,196	\$ 334,755
Expenditures ⁽³⁾	<u>254,591</u>	<u>258,544</u>	<u>265,663</u>	<u>267,278</u>	<u>272,554</u>
Excess of Revenue over Expenditures	<u>62,707</u>	<u>58,559</u>	<u>60,968</u>	<u>60,918</u>	<u>62,201</u>
Other Financing Sources(Uses)					
Transfers in	7	117	230	242	240
Transfers out ⁽¹⁾	<u>(60,856)</u>	<u>(57,134)</u>	<u>(59,341)</u>	<u>(61,090)</u>	<u>(57,202)</u>
Other Financing Uses, net	<u>(60,849)</u>	<u>(57,017)</u>	<u>(59,111)</u>	<u>(60,848)</u>	<u>(56,962)</u>
Net Change in Fund Balances	1,858	1,542	1,857	70	5,239
Fund Balance, Beginning of Year	<u>89,851</u>	<u>91,709</u>	<u>93,541</u> ⁽²⁾	<u>95,398</u>	<u>95,468</u>
Fund Balance, End of Year	<u>\$ 91,709</u>	<u>\$ 93,251</u>	<u>\$ 95,398</u>	<u>\$ 95,468</u>	<u>\$ 100,707</u>

Source: City's Comprehensive Annual Financial Report Exhibit B-2 for the fiscal years June 30, 2014 through 2018.

- (1) Transfers to the Debt Service Fund constitute a majority of transfers
(2) Restated Fund Balance.
(3) Contributions to the schools are reflected in total expenditures.

CITY OF HAMPTON, VIRGINIA
Debt Ratios
As of June 30, 2018

	<u>Amount</u>	<u>Per Capita</u>	<u>Ratio to Assessed Value</u>
Gross Direct Debt	\$ 261,870,000	\$ 1,915.05	2.50 %

Source: Finance Department, City of Hampton, Virginia

(1) Per capita amounts are based on a 2018 population of 136,743, as provided by the Weldon Cooper Center for Public Service.

(2) Assessed value of total real property is \$10,457 billion as of June 30, 2018.

STATISTICAL SECTION

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

CONTENTS	0
<u>Financial Trends</u> These tables contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	I-IV
<u>Revenue Capacity</u> These tables contain information to help the reader assess the City's most significant local revenue source, the property tax.	V-VIII
<u>Debt Capacity</u> 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.	IX-XI
<u>Demographic and Economic Information</u> These tables offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	XII-XIII
<u>Operating Information</u> 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.	XIV-XVI

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

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

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental Activities										
Net investment in capital assets	\$ 568,771	\$ 573,018	\$ 586,847	\$ 588,035	\$ 623,887	\$ 623,505	\$ 634,537	\$ 637,860	\$ 637,617	\$ 635,185
Restricted	32,433	21,147	10,900	11,809	12,452	13,271	75,606	49,062	40,734	69,681
Unrestricted	<u>118,932</u>	<u>112,882</u>	<u>109,652</u>	<u>92,128</u>	<u>55,615</u>	<u>76,514</u>	<u>(140,469)⁽³⁾</u>	<u>(108,850)</u>	<u>(106,561)</u>	<u>(184,735)</u>
Total governmental activities net position	<u>\$ 720,136</u>	<u>\$ 707,047</u>	<u>\$ 707,399</u>	<u>\$ 691,972</u>	<u>\$ 691,954</u>	<u>\$ 713,290</u>	<u>\$ 569,674</u>	<u>\$ 578,072</u>	<u>\$ 571,790</u>	<u>\$ 520,131</u>
Business-type activities										
Net investment in capital assets	\$ 58,780	\$ 58,666	\$ 68,697 ⁽¹⁾	\$ 69,003	\$ 73,585	\$ 70,855	\$ 70,321	\$ 70,136	\$ 70,078	\$ 69,107
Restricted	25,578	26,727	18,721	16,844	904	8,256	8,031	8,037	8,048	8,068
Unrestricted	<u>15,035</u>	<u>16,521</u>	<u>18,418</u>	<u>22,001</u>	<u>32,081</u>	<u>29,174</u>	<u>19,149</u>	<u>25,679</u>	<u>27,189</u>	<u>25,216</u>
Total business-type activities net position	<u>\$ 99,393</u>	<u>\$ 101,914</u>	<u>\$ 105,836</u>	<u>\$ 107,848</u>	<u>\$ 106,570</u>	<u>\$ 108,285</u>	<u>\$ 97,501</u>	<u>\$ 103,852</u>	<u>\$ 105,315</u>	<u>\$ 102,391</u>
Primary government										
Net investment in capital assets	\$ 627,551	\$ 631,684	\$ 655,544	\$ 657,037	\$ 697,472	\$ 694,360	\$ 704,858	\$ 707,996	\$ 707,695	\$ 704,292
Restricted	58,011	47,874	29,621 ⁽²⁾	28,655	13,356	21,527	83,637	57,099	48,782	77,749
Unrestricted	<u>133,967</u>	<u>129,403</u>	<u>128,070</u>	<u>114,129</u>	<u>87,696</u>	<u>105,688</u>	<u>(121,320)</u>	<u>(83,171)</u>	<u>(79,372)</u>	<u>(159,519)</u>
Total Primary Government net position	<u>\$ 819,529</u>	<u>\$ 808,961</u>	<u>\$ 813,235</u>	<u>\$ 799,821</u>	<u>\$ 798,524</u>	<u>\$ 821,575</u>	<u>\$ 667,175</u>	<u>\$ 681,924</u>	<u>\$ 677,105</u>	<u>\$ 622,522</u>

Note:

- (1) 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.
- (2) The decrease in restricted assets for fiscal year 2011 is due to the decrease in debt service.
- (3) The decrease in net position for fiscal year 2015 is due to implementation of GASB 68, Accounting and Financial Reporting for Pensions.
- (4) The decrease in net position for fiscal year 2018 is due to the implementation of GASB 75, Accounting and Financial Reporting for Postemployment Benefits other than Pensions.

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

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Expenses										
Governmental activities:										
General government	\$ 100,134	\$ 111,650	\$ 114,765	\$ 128,783	\$ 127,924	\$ 101,058	\$ 105,553	\$ 111,928	\$ 116,667	\$ 121,443
Public safety	51,052	51,937	49,063	49,635	53,205	69,813	72,324	70,781	80,442	84,859
Highway and streets	12,374 ⁽²⁾	12,078	13,068	11,862	15,511	18,774	14,433	18,872	14,032	9,919
Sanitation	4,641	3,471	3,630	3,899						
Health	3,098	2,949	3,161	3,056	3,337	1,114	3,528	1,214	1,054	(575)
Human services	30,198	31,226	31,574	29,142	28,528	32,807	33,234	32,460	34,341	34,579
Culture and recreation	19,664 ⁽³⁾	17,771	14,531	13,540	15,798	17,006	18,356	17,496	16,996	16,076
Education (payment to school district)	69,217 ⁽⁴⁾	68,052	67,051	66,345	64,925	70,773	71,112	71,112	71,471	73,036
Education and educational services	9,336	7,388	8,627	14,337	9,930	12,464	14,479	15,096	14,423	11,506
Interest on long-term debt	15,161 ⁽⁵⁾	17,951	11,052	8,351	7,991	9,136	8,579	8,053	7,171	6,451
Total governmental activities expenses	<u>\$ 314,875</u>	<u>\$ 324,473</u>	<u>\$ 316,522</u>	<u>\$ 328,950</u>	<u>\$ 327,149</u>	<u>\$ 332,945</u>	<u>\$ 341,598</u>	<u>\$ 347,012</u>	<u>\$ 356,597</u>	<u>\$ 357,294</u>
Business-type activities										
Culture	32,295	30,454	27,766	27,727	25,416	28,395	29,741	26,527	27,636	27,935
Sanitation	21,487	22,067	22,923	23,831	24,475	24,941	23,829	24,020	25,761	23,061
Total business-type activities expenses	<u>53,782</u>	<u>52,521</u>	<u>50,689</u>	<u>51,558</u>	<u>49,891</u>	<u>53,336</u>	<u>53,570</u>	<u>50,547</u>	<u>53,397</u>	<u>50,996</u>
Total Primary Government expenses	<u>\$ 368,657</u>	<u>\$ 376,994</u>	<u>\$ 367,211</u>	<u>\$ 380,508</u>	<u>\$ 377,040</u>	<u>\$ 386,281</u>	<u>\$ 395,168</u>	<u>\$ 397,559</u>	<u>\$ 409,994</u>	<u>\$ 408,290</u>
Program Revenues										
Governmental activities:										
Charges for Services:										
General government	\$ 5,807	\$ 6,982	\$ 7,129	\$ 7,772	\$ 24,293	\$ 24,458	\$ 22,911	\$ 25,865	\$ 23,324	\$ 23,832
Public safety	1,962	2,086	2,049	2,101	5,206	5,412	5,727	5,549	5,260	5,821
Sanitation	4,905	4,869	4,856	5,007						
Other activities	5,209	6,015	5,588	6,141	2,727	2,765	2,570	2,173	2,784	2,913
Operating grants and contributions	76,025	79,412	82,269	77,821	75,926	80,434	80,281	80,113	80,781	83,503
Capital grants and contributions	13,453	2,423	2,569	2,782	19,778	18,291	7,153	13,172	13,627	10,988
Total governmental activities program revenues	<u>107,361</u>	<u>101,787</u>	<u>104,460</u>	<u>101,624</u>	<u>127,930</u>	<u>131,360</u>	<u>118,642</u>	<u>126,872</u>	<u>125,776</u>	<u>127,057</u>
Business-type activities:										
Charges for Services:										
Culture and recreation	16,242	15,411	13,675	15,603	11,722	15,714	19,407	15,619	14,889	15,989
Sanitation	23,672	26,447	26,433	26,443	27,215	27,227	25,145	30,098	28,872	29,658
Operating grants and contributions	2,528	2,522	3,132	1,302	1,098	1,832	1,256	1,236	1,923	1,805
Capital grants and contributions	1,180	1,472	592	613	95	114	58	510		
Total business-type activities program revenues	<u>43,622</u>	<u>45,852</u>	<u>43,832</u>	<u>43,961</u>	<u>40,130</u>	<u>44,887</u>	<u>45,866</u>	<u>47,463</u>	<u>45,684</u>	<u>47,452</u>
Total Primary Government program revenues	<u>\$ 150,983</u>	<u>\$ 147,639</u>	<u>\$ 148,292</u>	<u>\$ 145,585</u>	<u>\$ 168,060</u>	<u>\$ 176,247</u>	<u>\$ 164,508</u>	<u>\$ 174,335</u>	<u>\$ 171,460</u>	<u>\$ 174,509</u>
Net (expense)/revenue										
Governmental activities	\$ (207,514)	\$ (222,686)	\$ (212,062)	\$ (227,326)	\$ (199,219)	\$ (201,585)	\$ (222,956)	\$ (220,140)	\$ (230,821)	\$ (230,237)
Business-type activities	(10,160)	(6,669)	(6,857)	(7,597)	(9,761)	(8,449)	(7,704)	(3,084)	(7,713)	(3,544)
Total Primary Government net (expense)/revenue	<u>\$ (217,674)</u>	<u>\$ (229,355)</u>	<u>\$ (218,919)</u>	<u>\$ (227,409)</u>	<u>\$ (208,980)</u>	<u>\$ (210,034)</u>	<u>\$ (230,660)</u>	<u>\$ (223,224)</u>	<u>\$ (238,534)</u>	<u>\$ (233,781)</u>

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

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	\$ 145,607	\$ 146,261	\$ 149,797	\$ 146,758	\$ 135,881	\$ 156,050	\$ 156,048	\$ 158,147	\$ 159,873	\$ 162,922
Sales taxes	13,172	13,590	13,828	13,962	14,247	14,588	15,050	15,368	14,980	15,093
Lodging, meal and amusement taxes	18,188	18,621	19,606	20,100	22,224	23,639	24,041	24,751	25,141	26,109
Motor vehicle taxes	3,698	3,398	3,813	3,692	4,203	4,346	4,273	4,375	4,429	4,399
Business license taxes	12,207	12,349	11,562	12,126	11,850	12,077	11,435	12,092	12,304	12,801
Utility taxes	4,976	5,486	5,528	5,356	5,376	5,453	5,443	5,551	5,483	5,513
Tobacco taxes	3,629	3,538	3,681	4,364	4,264	4,421	4,077	4,624	4,428	4,416
Emergency 911 telephone taxes	408 ⁽¹¹⁾	1,687 ⁽¹¹⁾	1,443 ⁽¹¹⁾	1,422 ⁽¹¹⁾	1,900	1,436	1,763	2,066	1,663	1,766
Recordation taxes	1,706	1,687	1,443	1,422	1,900	1,436	1,763	2,066	1,663	1,766
Bank stock taxes	407	453	505	468	487	527	457	549	569	685
Pari-mutuel license taxes	93	80	79	66	59	43	4			
Short-term rental taxes	136	98	89	94	80	75	91	101	102	123
Franchise license taxes	1,448	1,327 ⁽¹²⁾								
Communications sales tax	8,296	7,993	9,677	9,174	9,418	9,187	9,173	8,867	8,649	8,392
Mobile home titling tax	45	33	16	23	14	20	19	21	18	14
Investment earning	5,609	912 ⁽⁸⁾	564	285	355	221	227	574	951	1,883
Miscellaneous	4,266	2,236 ⁽⁹⁾	2,548	2,874						
Transfers	(8,364)	(8,467)	(10,322)	(8,865)	(9,600)	(9,161)	(9,106)	(8,549)	(8,384)	(7,852)
Total Governmental Activities	<u>215,527</u>	<u>209,595</u>	<u>212,414</u>	<u>211,899</u>	<u>200,758</u>	<u>222,922</u>	<u>222,995</u>	<u>228,537</u>	<u>230,206</u>	<u>236,264</u>
Business-type Activities:										
Investment earning	628	723	457	664	529	1,003	946	887	792	930
Miscellaneous	958			80 ⁽¹⁰⁾						
Transfers	8,364	8,467	10,322	8,865	9,600	9,161	9,106	8,549	8,384	7,852
Total Business-type Activities	<u>9,950</u>	<u>9,190</u>	<u>10,779</u>	<u>9,609</u>	<u>10,129</u>	<u>10,164</u>	<u>10,052</u>	<u>9,436</u>	<u>9,176</u>	<u>8,782</u>
Total Primary Government	<u>\$ 225,477</u>	<u>\$ 218,785</u>	<u>\$ 223,193</u>	<u>\$ 221,508</u>	<u>\$ 210,887</u>	<u>\$ 233,086</u>	<u>\$ 233,047</u>	<u>\$ 237,973</u>	<u>\$ 239,382</u>	<u>\$ 245,046</u>
Changes in Net Position										
Governmental activities	\$ 8,013	\$ (13,091)	\$ 352	\$ (15,427)	\$ 1,539	\$ 21,337	\$ 39	\$ 8,397	\$ (615)	\$ 6,027
Business-type activities	(210)	2,521	3,922	2,012	368	1,715	2,348	6,352	1,463	5,238
Total Primary Government	<u>\$ 7,803</u>	<u>\$ (10,570)</u>	<u>\$ 4,274</u>	<u>\$ (13,415)</u>	<u>\$ 1,907</u>	<u>\$ 23,052</u>	<u>\$ 2,387</u>	<u>\$ 14,749</u>	<u>\$ 848</u>	<u>\$ 11,265</u>

- (2) Highways and streets expenses increased \$4.1 million due to additional road improvements.
- (3) Culture and recreation capitalized \$3.1 million of expenses for capital projects that included the Buckroe Pier and the Hampton Teen Center.
- (4) 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.
- (5) Interest on the 2008 Bonds came due in FY09 and was over \$8 million.
- (6) Capital contributions for FY2008 included contributions for prior years.
- (7) Alcoholic beverage tax revenue was cut from the budget of all localities in FY09.
- (8) Rate of return decreased in FY10 due to the economy.
- (9) Land sale of \$1.5M reflected in FY09.
- (10) There were no miscellaneous changes that could not be applied to another category.
- (11) Emergency 911 telephone tax is included in state aid.
- (12) Franchise license tax is included in the Communication sales tax beginning FY11.

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

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016*	2017	2018
General fund										
Nonspendable	\$ -	\$ -	\$ 29	\$ 44	\$ 34	\$ 224	\$ 598	\$ 26	\$ 112	\$ 15
Restricted			4,305	871	333	398	412	419	338	373
Committed			45,848	32,858	29,439	32,308	34,959	34,470	35,178	32,454
Assigned			2,025	7,708	5,926	7,257	5,237	6,250	5,549	6,374
Unassigned			50,198	51,175	54,185	51,589	52,112	54,301	54,330	61,532
Reserved	1,142	1,290	-	-	-	-	-	-	-	-
Unreserved	98,120	100,080	-	-	-	-	-	-	-	-
Total general fund	<u>\$ 99,262</u>	<u>\$ 101,370</u>	<u>\$ 102,405</u>	<u>\$ 92,656</u>	<u>\$ 89,917</u>	<u>\$ 91,776</u>	<u>\$ 93,318</u>	<u>\$ 95,466</u>	<u>\$ 95,507</u>	<u>\$ 100,748</u>
All other governmental funds										
Nonspendable	\$ -	\$ -	\$ 4,943	\$ -	(1) \$ -	\$ -	\$ -	\$ 44	\$ -	\$ -
Restricted			12,377	10,938	12,336	13,368	14,107	15,455	15,437	15,178
Committed			48,147	26,122	53,748	39,064	66,535	35,957	22,610	57,367
Assigned			6,631	6,035	5,534	6,233	5,421	5,939	5,789	6,098
Reserved	6,259	16,461	-	-	-	-	-	-	-	-
Unreserved, reported in:										
Debt service	451	498	-	-	-	-	-	-	-	-
Special revenue funds	18,830	13,451	-	-	-	-	-	-	-	-
Capital projects fund	134,544	75,683	-	-	-	-	-	-	-	-
Permanent funds	67	67	-	-	-	-	-	-	-	-
Total all other governmental funds	<u>\$ 160,151</u>	<u>\$ 106,160</u>	<u>\$ 72,098</u>	<u>\$ 43,095</u>	<u>\$ 71,618</u>	<u>\$ 58,665</u>	<u>\$ 86,063</u>	<u>\$ 57,395</u>	<u>\$ 43,836</u>	<u>\$ 78,643</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									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues										
Taxes (see table V)	\$ 213,346	\$ 213,976	\$ 219,413	\$ 211,542	\$ 210,415	\$ 229,596	\$ 230,933	\$ 236,457	\$ 238,209	\$ 241,943
Intergovernmental revenues	82,874	82,565	81,849	78,314	85,937	92,705	84,165	88,459	89,342	90,882
Licenses and permits	939	1,078	1,024	1,072	1,169	1,156	1,299	1,409	1,450	1,466
Fines and forfeitures	2,209	2,004	2,189	2,493	2,386	2,307	1,967	1,550	1,560	1,377
Revenue from use of money and property	9,417	2,861	2,065	1,319	1,329	1,395	2,142	1,469	1,714	2,525
Charges for services	10,489	11,354	11,532	13,414	15,570	17,297	17,240	18,093	18,148	19,123
Payment from component unit	-	-	2,001	2,000	2,000	2,000	2,000	2,000	2,000	2,227
Miscellaneous	4,660	4,848	5,532	5,987	7,705	8,056	5,529	5,877	6,482	5,103
Special assessments	-	-	-	4,558	6,543	4,730	4,183	6,358	4,765	5,443
Recovered costs	2,057	1,170	1,158	1,145	906	906	906	906	954	951
Total Revenues	325,991	319,856	326,763	321,844	333,960	360,148	350,364	362,578	364,624	371,040
Expenditures										
General government	91,568	98,305	99,066	96,371	102,441	103,076	106,074	110,436	106,446	109,057
Public safety	51,441	50,722	48,322	48,460	52,872	54,064	53,491	55,771	57,410	59,809
Highways and streets	2,362	2,200	1,812	1,980	1,947	1,932	1,908	2,026	2,187	2,491
Sanitation	3,543	3,455	3,637	3,949	3,935	4,332	4,413	5,004	5,484	5,246
Health	2,978	2,709	2,652	2,441	2,567	2,649	2,605	2,485	2,396	2,432
Human Services	30,480	31,187	31,558	29,151	28,437	28,557	29,394	28,993	30,415	30,370
Culture and recreation	15,680	15,452	12,080	12,564	13,202	11,678	12,725	13,150	13,015	12,715
Education (payment to school district)	69,216	68,052	67,052	66,345	64,925	70,773	71,112	71,112	71,471	73,036
Education	2,394	2,262	2,133	2,098	2,120	2,120	2,129	2,071	2,102	2,073
Capital improvements	84,855	74,162	53,115	52,536	38,473	49,030	48,449	56,298	46,130	52,992
Debt service										
Principal	13,235	15,210	17,640	18,714	19,661	22,166	23,152	22,336	21,738	31,223
Interest and fiscal charges	15,757	12,939	12,901	12,619	10,726	11,707	10,899	11,154	10,963	10,316
Bond issuance cost	-	282	45	313	470	-	519	3	-	99
Total expenditures	383,509	376,937	352,013	347,541	341,776	362,084	366,870	380,839	369,757	391,859
Deficiency of revenues under expenditures	(57,518)	(57,081)	(25,250)	(25,697)	(7,816)	(1,936)	(16,506)	(18,261)	(5,133)	(20,819)
Other financing sources (uses)										
Debt issuance and capital leases	14,506	7,435	2,545	-	-	-	46,770	-	-	55,320
Proceeds from refunding bonds issued	-	65,595	-	44,770	38,865	-	56,250	-	-	9,185
Payment to refunded bond escrow agent	-	(65,469)	-	(49,562)	-	-	(70,151)	-	-	-
Premium on bond issue	-	-	-	5,118	5,263	-	21,684	-	-	4,698
Transfers in	41,435	39,893	48,507	59,650	52,360	55,156	50,289	55,227	55,907	52,935
Transfers out	(49,798)	(48,360)	(58,829)	(68,401)	(61,948)	(64,317)	(59,395)	(63,776)	(64,291)	(61,272)
Total other financing sources (uses), net	6,143	5,199	(7,777)	(8,425)	34,540	(9,161)	45,447	(8,549)	(8,384)	60,866
Net change in fund balances	\$ (51,375)	\$ (51,882)	\$ (33,027)	\$ (34,122)	\$ 26,724	\$ (11,097)	\$ 28,941	\$ (26,810)	\$ (13,517)	\$ 40,047
Debt service as a percentage of noncapital expenditures	9.33 %	8.97 %	9.62 %	9.40 %	9.26 %	10.28 %	9.98 %	9.31 %	9.19 %	8.93 %

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	Business	Sales	Utility	Tobacco	Communications	Meal	Other	Total
	Property					Sales			
	Taxes	Licenses	Taxes	Taxes	Taxes	Taxes	Taxes	Taxes ⁽³⁾	
2009	\$ 145,682	\$ 12,207	\$ 13,172	\$ 4,976	\$ 3,629	\$ 8,296	\$ 13,912	\$ 11,472	\$ 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
2014	154,193	12,077	14,588	4,986	4,421	9,187	18,974	11,170	229,596
2015	155,527	11,435	15,050	4,916	4,077	9,173	19,471	11,284	230,933
2016	158,543	12,092	15,368	5,056	4,624	8,867	20,073	11,834	236,457
2017	160,810	12,304	14,979	4,978	4,427	8,649	20,370	11,693	238,210
2018	162,989	12,801	15,093	5,011	4,416	8,392	20,912	12,329	241,943

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 revenue 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.

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

Real Estate							
Fiscal Year	Citizens' Property	Public Service ¹	Newport News Waterworks	Total Taxable Assessed Value	Estimated Actual Taxable Value	Assessed Value as a Percent of Estimated Actual Value ²	Total Direct Tax Rate
2009	\$ 11,357,489	\$ 155,505	\$ 61,626	\$ 11,574,620	\$ 12,321,290	93.90	\$1.04
2010	11,448,119	166,948	59,453	11,674,520	11,637,281	100.32	1.04
2011	11,166,293	203,348	59,454	11,429,095	11,514,301	99.26	1.04
2012	10,930,778	31,079	58,507	11,020,364	10,643,581	103.54	1.04
2013	10,480,999	31,923	59,881	10,572,803	10,254,901	103.10	1.04
2014	10,162,678	28,837	59,298	10,250,813	10,373,217	98.82	1.24
2015	10,092,713	30,562	59,119	10,182,394	10,337,456	98.50	1.24
2016	10,127,280	32,236	56,459	10,215,975	10,356,475	98.64	1.24
2017	10,249,204	33,071	56,237	10,338,512	10,591,512	97.61	1.24
2018	10,362,686	33,539	60,487	10,456,712	10,456,712	100.00	1.24

Notes:

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

²The state requires all real estate to be assessed at 100% of its appraised value. There is no state statute or city charter limitation on the tax rate. The latest State Department of Taxation comparison of sales to appraisal indicates a true rate of 100% for 2017. We assumed the sales to appraisal ratio would be 100% for fiscal year 2018.

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

Taxpayer	2018			2009		
	Total Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Total Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Peninsula Main VA LLC	124,014	1	1.2 %			
Newport News City of C/O NN Waterworks	60,881	2	0.6 %			
FCLA LP	41,598	3	0.4 %			
MOLA LLC	40,856	4	0.4 %			
Hampton University OFC of General Counsel	39,794	5	0.4 %			
Ginkgo Lake Ridge C/O LLC	38,906	6	0.4 %			
Trail Creek Community LLC C/O The Wolff Company	38,195	7	0.4 %			
Pinnacle Apartments LLC	36,046	8	0.3 %			
Cambridge Apartments LC	31,856	9	0.3 %			
RP Hampton Exchange LLC & RP Hampton CTR LLC	31,500	10	0.3 %			
Hampton Roads Associates				59,222	1	0.5 %
John Q Hammons				46,293	2	0.4 %
Peninsula Town Center LLC				44,483	3	0.4 %
Liberty Property Limited Partnership				41,648	4	0.4 %
Coliseum Crossing Associates LP				31,857	5	0.3 %
Hampton Training School Nurses Carrithers				25,702	6	0.2 %
				25,642	7	0.2 %
Netcenter Partners LLC				24,500	8	0.2 %
Power Plant Hotels LLC				23,485	9	0.2 %
Armada/Hoffler-Hpt Centre Association				23,288	10	0.2 %
	<u>483,646</u>		<u>4.7 %</u>	<u>346,120</u>		<u>3.0 %</u>

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

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

<u>Fiscal Year</u>	Taxes Levied for the Fiscal Year	<u>Collected within the Fiscal Year of the Levy</u>		Collections in Subsequent Years	<u>Total Collections to Date</u>	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2009	\$ 120,167	\$ 117,338	97.65 %	\$ 1,810	\$ 119,148	99.15%
2010	121,523	117,902	97.02 %	2,246	120,148	98.87%
2011	118,863	115,317	97.02 %	2,117	117,434	98.80%
2012	114,612	114,334	99.76 %	1,284	115,618	100.88%
2013	109,957	108,589	98.76 %	489	109,078	99.20%
2014	127,110	125,559	98.78 %	1,364	126,923	99.85%
2015	126,262	124,440	98.56 %	1,618	126,058	99.84%
2016	126,678	124,791	98.51 %	1,662	126,453	99.82%
2017	128,198	126,403	98.60 %	1,799	128,202	100.00%
2018	129,663	127,793	98.56 %	-	127,793	98.56%

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 Taxable Value of Property	Per Capita	Capital Leases
	General Obligation Bonds ²	Notes Payable	State Literary Loans	Total			
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%	2,044.91	16,797
2014	272,162	-	-	272,162	2.66%	1,958.00	14,374
2015	306,061	-	-	306,061	3.01%	2,201.88	11,894
2016	280,960	-	-	280,960	2.75%	2,021.29	9,517
2017	256,498	-	-	256,498	2.48%	1,872.25	6,970
2018	291,756	-	-	291,756	2.79%	2,129.61	4,386

Fiscal Year	Business-type Activities		Total Primary Government	Percentage of Personal Income	Per Capita ⁴
	Revenue Bonds	Capital Leases			
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	6.47 %	2,712.91
2013	87,725	403	385,077	6.56 %	2,810.78
2014	98,886	211	385,633	7.10 %	2,774.34
2015	95,572	-	413,527	7.44 %	2,975.01
2016	92,128	-	382,605	6.83 %	2,752.55
2017	88,545	-	352,013	N/A %	2,569.44
2018	84,816	2,600	383,558	N/A	2,799.69

Notes:

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

²General obligation bond amounts include the unamortized premiums.

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

⁴See Table XII for personal income and population data. The most recent personal income data available from the Bureau of Economic analysis is 2017.

N/A-Not available

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Debt limit	\$ 1,157,462	\$ 1,167,452	\$ 1,142,909	\$ 1,102,036	\$ 1,057,280	\$ 1,025,081	\$ 1,018,239	\$ 1,021,598	\$ 1,033,851	\$ 1,045,671
Total net debt applicable to limit	295,983	294,953	279,857	261,274	280,152	257,645	273,840	251,130	229,000	261,870
Legal debt margin	\$ 861,479	\$ 872,499	\$ 863,052	\$ 840,762	\$ 777,128	\$ 767,436	\$ 744,399	\$ 770,468	\$ 804,851	\$ 783,801
Total net debt applicable to the limit as a percentage of debt limit	25.57 %	25.26 %	24.49 %	23.71 %	26.50 %	25.13 %	26.89 %	24.58 %	22.15 %	25.04 %

Legal Debt Margin Calculation for current Fiscal Year: 2018

Assessed value	\$ 10,456,713
Debt limit (10% of total assessed value)	1,045,671
Debt applicable to limit:	
General obligation debt	<u>261,870</u>
Total net debt applicable to limit:	<u>261,870</u>
Legal debt margin	<u><u>\$ 783,801</u></u>

Notes:

Virginia state statute limits bond issuing authority of Virginia cities to 10% of the assessed real estate value. The above calculation includes all debt secured by the full faith and credit of the City. The calculation excludes installment purchase of contracts, accrued sick and annual leave, net pension obligations, net OPEB obligations and net pension liability totaling \$250,042,124 at June 30, 2018.

*There are no overlapping or underlying tax jurisdictions.

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

Fiscal Year	Gross Revenues(1)	Operating Expenses(2)	Net Revenue Available for Debt Service	Debt Service Requirements(3)			Coverage
				Principal	Interest	Total	
The Hamptons Revenue Bonds							
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							
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
2014	4,412	3,084	1,328	1,515	38	1,553	0.86

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

Fiscal Year	Gross Revenues(1)	Operating Expenses(2)	Net Revenue Available for Debt Service	Debt Service Requirements(3)			Coverage
				Principal	Interest	Total	
Economic Development Authority Revenue Bonds							
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)
2014	3,401	2,343	1,058	607	364	971	1.09
2015	3,585	3,145	440	646	324	970	0.45
2016	5,538	2,711	2,827	687	284	971	2.91
2017	5,980	5,150	830	729	237	966	0.86
2018	12,951	3,774	9,177	777	189	966	9.50
Convention Center Revenue Bonds(4)							
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
2014	10,647	3,359	7,288	2,245	4,218	6,463	1.13
2015	10,714	3,470	7,244	2,325	4,123	6,448	1.12
2016	10,533	3,370	7,163	2,435	4,010	6,445	1.11
2017	10,855	3,515	7,340	2,555	3,890	6,445	1.14
2018	10,830	3,688	7,142	2,680	3,762	6,442	1.11

Notes:

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

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

Fiscal Year	Population ¹	Personal Income ² (In Thousands)	Per Capita Income ³	School Membership ⁴	Unemployment Rate Percentage ⁵
2009	137,833	\$ 4,847,563	\$ 35,170	21,411	8.2%
2010	137,416	4,933,249	35,924	20,804	8.6%
2011	136,435	5,084,002	37,241	20,762	8.0%
2012	136,843	5,173,458	37,734	21,622	7.8%
2013	136,948	5,207,725	37,924	21,366	7.1%
2014	136,879	5,370,168	38,984	21,113	6.7%
2015	138,454	5,559,605	40,773	19,854	6.3%
2016	138,626	5,603,945	41,385	20,698	5.4%
2017	137,492	5,674,070	42,133	20,384	5.1%
2018	136,743	N/A	N/A	19,996	4.3%

Notes:

¹Source: Weldon Cooper Center for Public Service as of July 1, 2016.

²Source: Bureau of Economic Analysis. Most recent information available is 2016.

³Source: Bureau of Economic Analysis. Most recent information available is 2016.

⁴Source: Hampton City Schools

⁵Source: U.S. Bureau of Labor Statistics

N/A-Not available

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

2018	2009
Over 600 Employees	Over 600 Employees
City of Hampton	Air Force Command and Control Intelligence, Surveillance, and Reconnaissance Center
Commonwealth of Virginia	Aloca Howmet
Hampton City School Board	City of Hampton
Hampton Newport News Community Board	Fort Monroe
Hampton University	Hampton City Schools
Arconic	Hampton University
Langley Air Force Base	Hampton Virginia Medical Center-Veteran's Hospital
NASA Langley Research Center	Langley Air Force Base
Riverside Regional Medical Center	NASA Langley Research Center
Sentara Health Systems	Sentara Healthcare System
Hunington Ingalls	Sprint-Nextel
IBEX Global Customer Solutions	Thomas Nelson Community College
Thomas Nelson Community College	Verizon
Department of Veterans Affairs	West Corporation
U.S. Department of Defense	
MAXIMUS	
WPS Health Solutions	
200-599 Employees:	300-599 Employees:
Analytical Mechanics Associates	AMSEC LLC
Versability	Headway Corporate Resources
Cobb Theatres IV, LLC	Northrop Grumman
Faneuil Inc,	Riverside Regional Medical Centers
Kroger	SAIC
Food Lion LLC	
Jacobs Technology	
Measurement Specialties Inc.	
Scribe America LLC	
Science Systems and Applications	
Simos Insourcing Solutions	
Top Guard Inc	
Virginia Oncology Associates	
Walmart Associates Inc	
Verzion	
New James River Clinic P.C.	

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

Function	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental activities										
General government	588	588	574	562	574	568	577	574	557	533
Public safety	695	645	649	663	688	697	704	706	711	673
Highway and streets	30	27	24	24	20	24	21	19	22	21
Sanitation	48	47	46	51	49	54	56	61	57	60
Health	22	22	16	16	19	20	20	16	15	15
Human services	232	236	225	229	229	228	234	233	245	245
Culture and recreation	159	137	128	123	128	123	126	130	118	118
Total Governmental activities	1,774	1,702	1,662	1,668	1,707	1,714	1,738	1,739	1,725	1,665
Business-type activities										
Culture and recreation	38	37	36	37	32	35	32	36	37	35
Sanitation	147	140	143	141	142	138	126	135	133	122
Total Business-type activities	185	177	179	178	174	173	158	171	170	157
Total	1,959	1,879	1,841	1,846	1,881	1,887	1,896	1,910	1,895	1,822

Sources: City of Hampton, Department of Human Resources

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

Function/Program	2009	2010	2011	2012	2013
General government					
Building permits issued	2,241	2,195	2,123	2,162	2,111
Building inspections conducted	7,853	6,988	6,131	7,021	8,029
311 customer call center	170,971	168,492	148,351	147,458	148,988
Public safety					
Police					
Physical arrests	18,711	12,621	16,886	16,733	10,035
Traffic summons	34,781	30,121	30,225	30,459	29,007
Fire					
Emergency responses	22,651	22,271	22,394	23,718	23,808
Fires extinguished	278	378	450	320	319
Patients transported	12,015	12,133	11,620	12,149	13,665
Code inspections	2,165	2,572	2,210	2,658	839
Highway and streets					
Roads paved or resurfaced (miles)	28	106	69	68	88
Sanitation					
Yard waste collected (tons)	14,160	14,106	11,965	15,244	13,326
Debris removed (tons)	109,204	113,234	114,773	155,011	122,317
Cleanups	935	518	819	764	840
Street sweeping	3,339	3,231	3,364	3,384	3,384
Storm drains cleaned (linear feet)	76,202	97,046	73,901	109,767	153,605
Health					
Preventive health					
Family practice visits (closed 3/31/11)	2,602	2,755	1,615	-	N/A
Immunization visits	5,794	7,053	6,511	6,948	6,725
Prescriptions filled (closed 5/25/10)	26,103	22,786	-	N/A	N/A
Human services					
Healthy families partnership					
Number of families assessed	617	567	590	760	689
Number of families served	888	1,026	930	979	958
Number of adult participants in the parenting classes	1,430	1,242	1,875	2,585	2,850
Social Services					
Food stamp households	6,027	8,040	8,939	10,372	11,048
Culture and recreation					
Senior citizens attendance at Senior Center					
Center	17,047	13,730	12,985	13,050	12,997
Community center admissions					
Youth	67,421	82,134	13,512	55,558	55,873
Teen	49,802	37,359	15,033	20,369	22,340
Adult	94,481	113,178	135,786	80,605	80,685
Education					
School membership (total)					
High schools	21,411	20,804	20,762	21,622	21,366
Middle schools	6,494	6,784	6,749	6,781	6,516
Elementary schools	4,837	4,743	6,837	4,069	3,975
Elementary schools	10,080	9,277	7,849	9,876	9,885
Combined schools	-	-	2,327	896	990
School board personnel	3,194	3,138	2,992	2,821	2,980
Wastewater					
Average daily sewage treatment (thousands of gallons)	11,410	10,566	10,794	10,460	14,890

Function/Program	2014	2015	2016	2017	2018
General government					
Building permits issued	1,564	1,281	1,107	1,106	1,045
Building inspections conducted	4,602	4,520	4,421	4,623	4,155
311 customer call center	141,891	130,387	164,878	176,367	149,320
Public safety					
Police					
Physical arrests	9,067	14,862	14,073	10,304	8,543
Traffic summons	29,080	21,391	20,795	17,893	10,591
Fire					
Emergency responses	24,815	26,149	27,541	25,906	25,928
Fires extinguished	331	491	531	508	465
Patients transported	14,262	14,910	14,228	13,783	14,039
Code inspections	3,223	2,146	2,909	1,600	1,940
Highway and streets					
Roads paved or resurfaced (miles)	21	26	22	107	89
Sanitation					
Yard waste collected (tons)	12,896	9,762	9,761	10,196	9,800
Debris removed (tons)	58,223	59,422	62,173	77,034	56,459
Cleanups	817	891	991	901	586
Street sweeping	4,607	2,583	1,445	1,445	3,367
Storm drains cleaned (linear feet)	57,064	49,550	61,845	61,669	44,948
Health					
Preventive health					
Family practice visits (closed 3/31/11)	N/A	N/A	N/A	N/A	N/A
Immunization visits	5,342	3,394	3,260	2,980	2,167
Prescriptions filled (closed 5/25/10)	N/A	N/A	N/A	N/A	N/A
Human services					
Healthy families partnership					
Number of families assessed	547	527	421	501	421
Number of families served	908	948	856	718	639
Number of adult participants in the parenting classes	2,327	2,487	3,140	3,772	3,742
Social Services					
Food stamp households	11,101	9,824	8,986	9,443	8,944
Culture and recreation					
Senior citizens attendance at Senior Center					
Community center admissions	10,449	15,046	16,681	22,574	18,477
Youth	51,901	51,422	51,968	88,634	66,880
Teen	43,133	42,254	24,086	36,298	29,294
Adult	77,345	78,844	56,829	109,246	70,934
Education					
School membership (total)					
High schools	21,113	19,854	20,698	20,384	19,996
Middle schools	6,218	6,066	6,197	6,143	6,042
Elementary schools	3,934	3,710	3,775	3,723	3,601
Combined schools	8,319	7,667	8,562	8,074	7,896
School board personnel	2,642	2,410	2,164	2,444	2,427
	2,835	2,543	2,507	2,492	2,455
Wastewater					
Average daily sewage treatment (thousands of gallons)	14,390	14,450	14,800	14,800	13,620

Source: Various city departments.

N/A - Not available

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

Function/Program	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Public safety										
Police										
Patrol units	278	272	195	211	211	225	253	257	226	219
Patrol boats	3	4	3	5	5	5	5	6	5	7
Fire										
Stations	10	10	10	11	11	11	11	11	11	11
Pumpers	19	19	18	18	14	16	17	17	17	17
Ambulances	18	18	17	17	16	16	15	15	15	15
Rescue Vehicles	3	3	3	3	3	2	-	-	-	-
Ladder trucks	2	2	4	4	6	5	5	5	5	5
Fire Boats	2	2	4	4	2	2	2	2	2	2
Highways and streets										
Streets (miles) ⁽²⁾	459	455	460	475	482	497	486	1,118	1,125	1,125
Traffic signals	179	180	180	185	185	187	186	189	185	189
Bridges	40	40	40	40	40	40	40	39	40	39
Sanitation/solid waste										
Collection trucks	49	56	56	58	58	58	58	57	58	57
Culture and recreation										
Parks acreage ⁽¹⁾	1,791	1,791	1,791	1,791	1,791	1,791	1,791	1,791	1,791	1,791
School parks acreage	751	751	751	751	751	751	751	751	751	751
Parks	23	23	23	23	23	23	23	23	23	23
Amphitheater	2	2	2	2	2	2	2	1	1	1
Baseball fields	38	39	39	39	41	42	42	42	42	42
Basketball courts	35	35	35	36	36	36	36	36	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	6	6	7	7	7	7	7
Convention center	1	1	1	1	1	1	1	1	1	1
Fitness trails	12	12	12	12	12	12	12	13	13	14
Football fields	20	21	21	21	21	21	21	21	21	21
Football stadium	1	1	1	1	1	1	1	1	1	1
Golf courses	2	2	2	2	2	2	2	2	2	2
Indoor swimming pools	2	2	2	3	3	3	3	2	2	2
Municipal beaches	3	3	3	3	3	3	3	3	3	3
Municipal parks	11	11	11	11	11	11	11	11	11	11
Museums	2	2	2	2	2	2	2	2	2	2
Outreach centers	4	4	4	4	4	4	4	4	4	4
Picnic shelters	26	26	26	26	26	27	27	28	28	29
Playgrounds	40	46	46	46	46	46	46	43	43	44
Senior citizens center	1	1	1	1	1	1	1	1	1	3
Soccer fields	30	33	33	33	33	33	33	33	33	33
Softball fields	17	17	17	17	17	17	17	17	17	17
Tennis courts	66	66	66	67	67	67	67	67	67	67
Theatres	1	1	1	1	1	1	1	1	1	1
Fort Wool	1	1	1	1	1	1	1	1	1	1
Fishing Pier				1	2	2	2	2	2	2
Education										
High schools	4	4	4	4	4	4	4	4	4	4
Middle schools	6	5	8	8	7	5	5	6	6	6
Elementary schools	23	20	20	20	20	24	19	19	19	19
Combined schools	-	-	-	2	2	2	2	2	2	2
Wastewater										
Sanitary sewer lines (miles)	469	469	426	426	426	490	497	572	572	605
Sewer Pumping stations	108	108	108	108	108	109	109	108	105	106

Notes:

(1) Park land currently developed.

(2) Beginning FY2017, lane miles are reported to remain consistent with annual report to VDOT.

N/A-Not available

Source: Various city departments.

N/A - Not available

Report of Independent Auditor on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance

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 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, 2018. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion 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, 2018.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Cheryl Bekant LLP

Virginia Beach, Virginia
December 6, 2018



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the 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, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 6, 2018. That report recognizes that the City implemented a new accounting standard effective July 1, 2017. Our report includes a reference to other auditors who audited the financial statements of the Downtown Hampton Development Partnership, Inc. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported separately by those auditors. The financial statements of the Downtown Hampton Development Partnership, Inc. were not audited in accordance with *Government Auditing Standards*.

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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

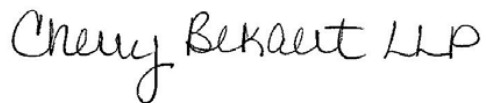
As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, non-compliance with which could have a direct and material effect on the 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* and one instance of noncompliance that is required to be reported under the *Specifications for Audits of Counties, Cities and Towns*, which is described in the accompanying schedule of findings and questioned costs as item 2018-001.

City of Hampton, Virginia's Response to Findings

The City's response to the finding 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 the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Cheryl Bekant LLP".

Virginia Beach, Virginia
December 6, 2018

**City of Hampton, Virginia
Schedule of Findings and Questioned Costs**

Year Ended June 30, 2018

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

Federal Awards:

Type of auditor's report issued on compliance for major programs:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified:	No
Significant deficiencies identified:	None reported
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No

Identification of major federal programs:

<u>Program Description</u>	<u>CFDA #</u>
U.S. Department of Agriculture Child Nutrition Cluster	10.553 / 10.555 / 10.556 / 10.559
U.S. Department of Transportation Highway Planning and Construction Cluster	20.205
U.S. Department of Education Title I Grants to Local Educational Agencies	84.010
Department of Homeland Security Hazard Mitigation Grant	97.039

Dollar threshold to distinguish between Types A and B Programs:	\$1,491,752
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The City of Hampton was qualified as a low risk auditee?	No
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B. Findings – Financial Audit

None noted.

C. Findings and Questioned Costs - Major Federal Awards

None noted.

D. Findings and Questioned Costs – Commonwealth of Virginia Compliance

2018-001 Nonmaterial Noncompliance – Conflicts of Interest

Criteria:

In accordance with Section 2.2-3115 of the Code of Virginia, certain local government employees are required to file Statement of Economic Interest (“SOEI”) forms with their respective local body. Prior to assuming office or taking employment, each local official must file his or her required disclosure form. Thereafter, the local official must file on an annual basis. The filing deadline is February 1 for the previous calendar year.

Statement of Condition:

There were two local officials who did not properly file their Statement of Economic Interest forms.

Perspective Information:

One local official did not file the SOEI prior to taking office. Another local official did not file the SOEI by the deadline.

Cause:

The local officials were late in filing their forms.

Effect or Potential Effect:

Hampton City Schools was not in compliance with the APA.

Recommendation:

We recommend that Hampton City Schools ensure all local officials submit their SOEI forms timely.

Views of Responsible Officials:

- **Contact Person:** Vazel Townsend, Director of Business and Finance
- **Corrective Action and Anticipated Completion Date:** Local officials will be given notification of the deadline for the conflict of interest forms and contacted for their submission prior to the due date. In addition, any new local officials will fill out the conflict of interest notification prior to taking the oath of office. The completion date will be no later than December 31, 2019.

E. Resolution of Prior Year Findings

2017-001:

Status: Corrected

2017-002:

Status: Corrected

2017-003:

Status: Corrected

2017-004:

Status: Corrected

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