

COMPREHENSIVE ANNUAL FINANCIAL REPORT

CITY OF HAMPTON, VIRGINIA
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

HAMPTON VA



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COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY OF HAMPTON, VIRGINIA

For the Fiscal Year Ended June 30, 2015

Prepared by:

Karl S. Daughtrey, Director of Finance

Jacqueline Green, Controller

and

The Department of Finance

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**CITY OF HAMPTON, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
June 30, 2015**

TABLE OF CONTENTS

	<u>Exhibit</u>	<u>Page</u>
<i>Introductory Section</i>		
Organizational Chart - City		1
List of Officials		2
Organization Chart - Finance Department		4
Letter of Transmittal		5
Certificate of Achievement for Excellence in Financial Reporting		16
<i>Financial Section</i>		
Report of Independent Auditor		17
Management's Discussion and Analysis		20
<i>Basic Financial Statements:</i>		
Government-wide Statements:		
Statement of Net Position	A-1	27
Statement of Activities	A-2	28
Fund Financial Statements:		
Balance Sheet- Governmental Funds	A-3	29
Reconciliation of the Balance Sheet Governmental Funds to the Statement of Net Position	A-3	30
Statement of Revenues, Expenditures and Changes in Fund Balances- Governmental Funds	A-4	31
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities (Exhibit A-2)	A-4	32
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	A-5	33
Statement of Net Position - Proprietary Funds	A-6	34
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds	A-7	36
Statement of Cash Flows - Proprietary Funds	A-8	38
Statement of Fiduciary Net Position - Fiduciary Funds	A-9	40
Statement of Changes in Fiduciary Net Position - Fiduciary Funds	A-10	41
Combining Statement of Net Position - Discretely Presented Component Units	A-11	42
Combining Statement of Activities - Discretely Presented Component Units	A-12	43
Notes to Financial Statements:		
Notes to the Financial Statements		44
<i>Additional Required Supplementary Information</i>		
Schedule of Changes in the HERS" Net Pension Liability and Related Ratios		115
Schedule of Contributions to HERS		116
Schedule of Changes in the City's VRS Pension Plan Liability and Related Ratios		117
Schedule of City's Contributions to VRS		118
Schedule of Changes in the School Board's VRS Nonprofessional Employees Net Pension Plan Liability and Related Ratios		119
Schedule of School Board's Nonprofessional Employees Contributions to VRS		120
Schedule of the School Board's Proportionate Share of the Net Pension Liability		121
Schedule of Component Unit- School Board'S Contributions		122
Schedule of Funding Progress-		

TABLE OF CONTENTS, Continued

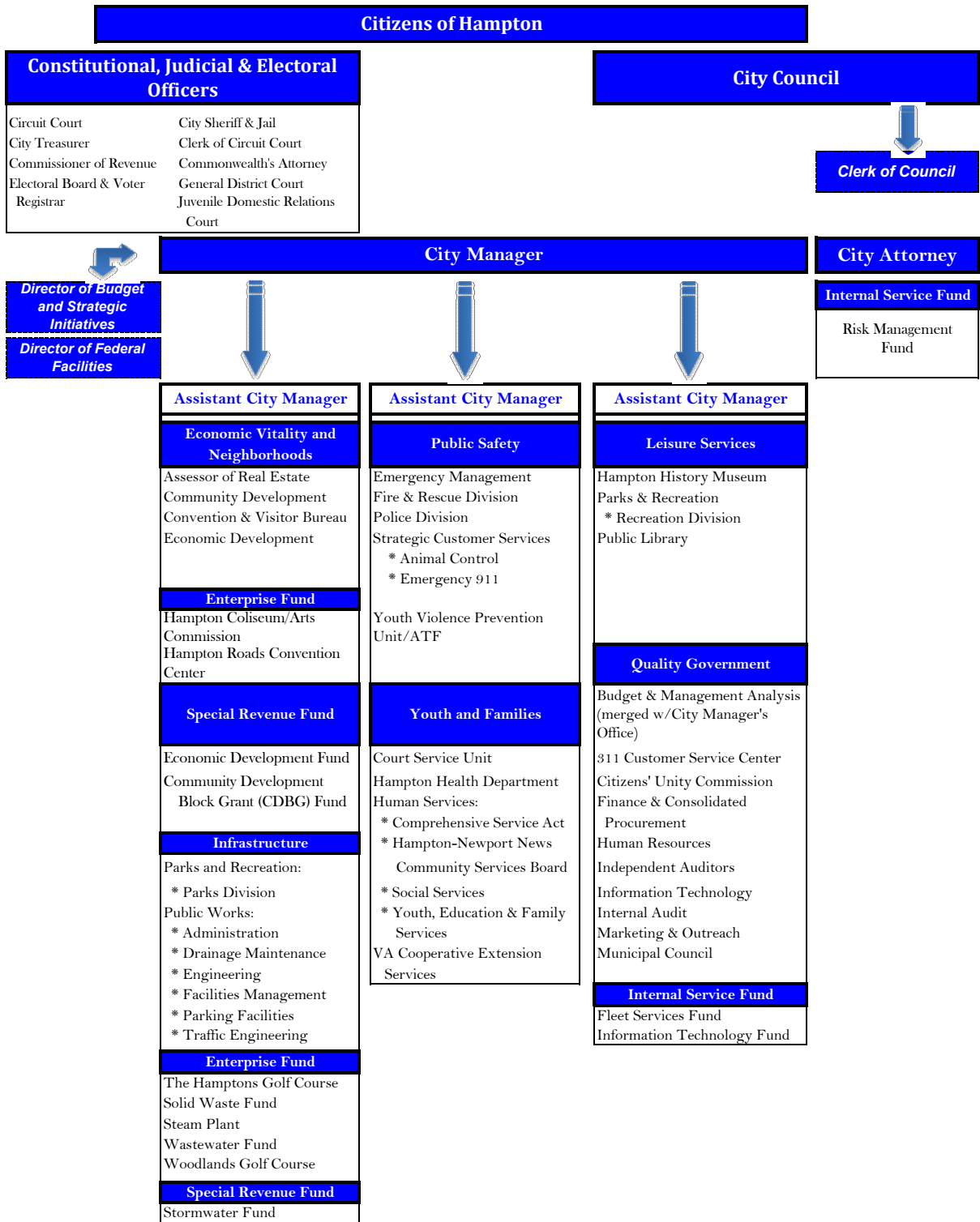
	<u>Exhibit</u>	<u>Page</u>
Other Post-Retirement Benefit Plans		123
<i>Combining and Individual Statements</i>		
General Fund		
Balance Sheet	B-1	124
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	B-2	125
Schedule of Revenues and Other Credits - Budget and Actual	B-3	126
Schedule of Appropriations and Expenditures	B-4	129
<i>Non-major Governmental Funds:</i>		
Combining Balance Sheet	C-1	134
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	C-2	135
<i>Non-major Enterprise Funds:</i>		
Combining Statement of Net Position	D-1	136
Combining Statement of Revenues, Expenses and Changes in Net Position	D-2	137
Combining Statement of Cash Flows	D-3	138
<i>Internal Service Funds:</i>		
Combining Statement of Net Position	E-1	139
Combining Statement of Revenues, Expenses and Changes in Net Position	E-2	140
Combining Statement of Cash Flows	E-3	141
<i>Fiduciary Funds:</i>		
Combining Statement of Changes in Assets and Liabilities	F-1	143
<i>Discretely Presented Component Unit-School Board</i>		
Combining Balance Sheet	G-1	144
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	G-2	145
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	G-3	146
<i>Supporting Schedules</i>		
<i>Supplementary Information:</i>		
Schedule of the Treasurer's Accountability	1	147
Discretely Presented Component Unit - Economic Development Authority - Schedule of Cash Flows	2	148
Discretely Presented Component Unit- School Board:		
School Operating Fund Schedule of Appropriations and Expenditures	3	150
School Operating Fund Schedule of Revenues and Other Credits - Budget and Actual	4	151
Schedule of Expenditures of Federal Awards	5	152
Schedule of Debt Service Requirements to Maturity		
Convention Center Revenue Bonds	6	157
Economic Development Authority Revenue Bonds	7	158
General Obligation Bonds	8	159

TABLE OF CONTENTS, Continued

	<u>Exhibit</u>	<u>Page</u>
Computation of Legal Debt Margin		
Computation of Legal Debt Margin	9	160
Continuing Disclosure Information for Bond Indentures		
Assessed Value of Taxable Property	10	161
Tax Rates	11	162
Moral Obligation Commitments	12	163
General Fund Expenditures	13	164
Summary of General Fund	14	165
Debt Ratios	15	166
 <i>Statistical Section</i>		
Tables		
Schedules:		
Statistical Narrative		167
Net Position By Component - Last Ten Fiscal Years	I	168
Changes in Net Position - Last Ten Fiscal Years	II	169
Fund Balances of Governmental Funds - Last Ten Fiscal Years	III	171
Changes in Fund Balances of Governmental Funds - Last Ten Fiscal Years	IV	172
General Government Tax Revenues by Source - Last Ten Fiscal Years	V	173
Assessed and Estimated Actual Value of Taxable Property - Last Ten Fiscal Years	VI	174
Principal Property Tax Payers - Current Year and Nine Years Prior	VII	175
Real Estate Tax Levies and Collections - Last Ten Fiscal Years	VIII	176
Ratio of Outstanding Debt By Type - Last Ten Fiscal Years	IX	177
Legal Debt Margin Information - Last Ten Fiscal Years	X	178
Pledged-Revenue Coverage - Last Ten Fiscal Years	XI	179
Demographic and Economic Statistics - Last Ten Fiscal Years	XII	181
Principal Employers - Current Year and Nine Years Prior	XIII	182
Full-Time Equivalent City Governmental Employees by Function - Last Ten Fiscal Years	XIV	183
Operating Indicators By Function/Program - Last Ten Fiscal Years	XV	184
Capital Assets Statistics By Function/Program - Last Ten Fiscal Years	XVI	186
 <i>Compliance Reports</i>		
Reports on Compliance		
Report of Independent Auditor on Compliance for each Major Federal Program and on Internal Control over Compliance Required by OMB Circular A-133		187
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		189
Schedule of Findings and Questioned Costs		191

CITY OF HAMPTON, VIRGINIA

JUNE 30, 2015



CITY OF HAMPTON, VIRGINIA
June 30, 2015

ELECTED OFFICIALS

CITY COUNCIL

George E. Wallace, Mayor
Linda Curtis, Vice Mayor
W.H. "Billy" Hobbs, Jr.
Will J. Moffett
Teresa V. Schmidt
Chris Osby Snead
Donnie R. Tuck

CONSTITUTIONAL OFFICERS

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

APPOINTED OFFICIALS

CITY ADMINISTRATION

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

**CITY OF HAMPTON, VIRGINIA
June 30, 2015**

SCHOOL BOARD

Martha Mugler, Chair

Phyllis Taylor Henry
Linwood D. Harper
Jason Samuels

Joseph Kilgore
William Pearson, Vice Chair
Monica J. Smith

SCHOOL ADMINISTRATION

Dr. Linda Shifflette - Superintendent
Dr. Patricia Johnson - Deputy Superintendent for Curriculum and Instruction
Suzanna Scott - Deputy Superintendent for Operations and Support
Dr. John Caggiano - Executive Director of School Leadership
Dr. Raymond Haynes - Executive Director of School Leadership
Dr. Donna Woods - Executive Director of School Leadership
Dr. Cynthia L. Cooper, Executive Director of Research, Planning and Evaluation
Robbin Ruth - Executive Director of Human Resources
Carolyn Bowers, Clerk of the School Board

HAMPTON EMPLOYEES' RETIREMENT SYSTEM

BOARD OF TRUSTEES

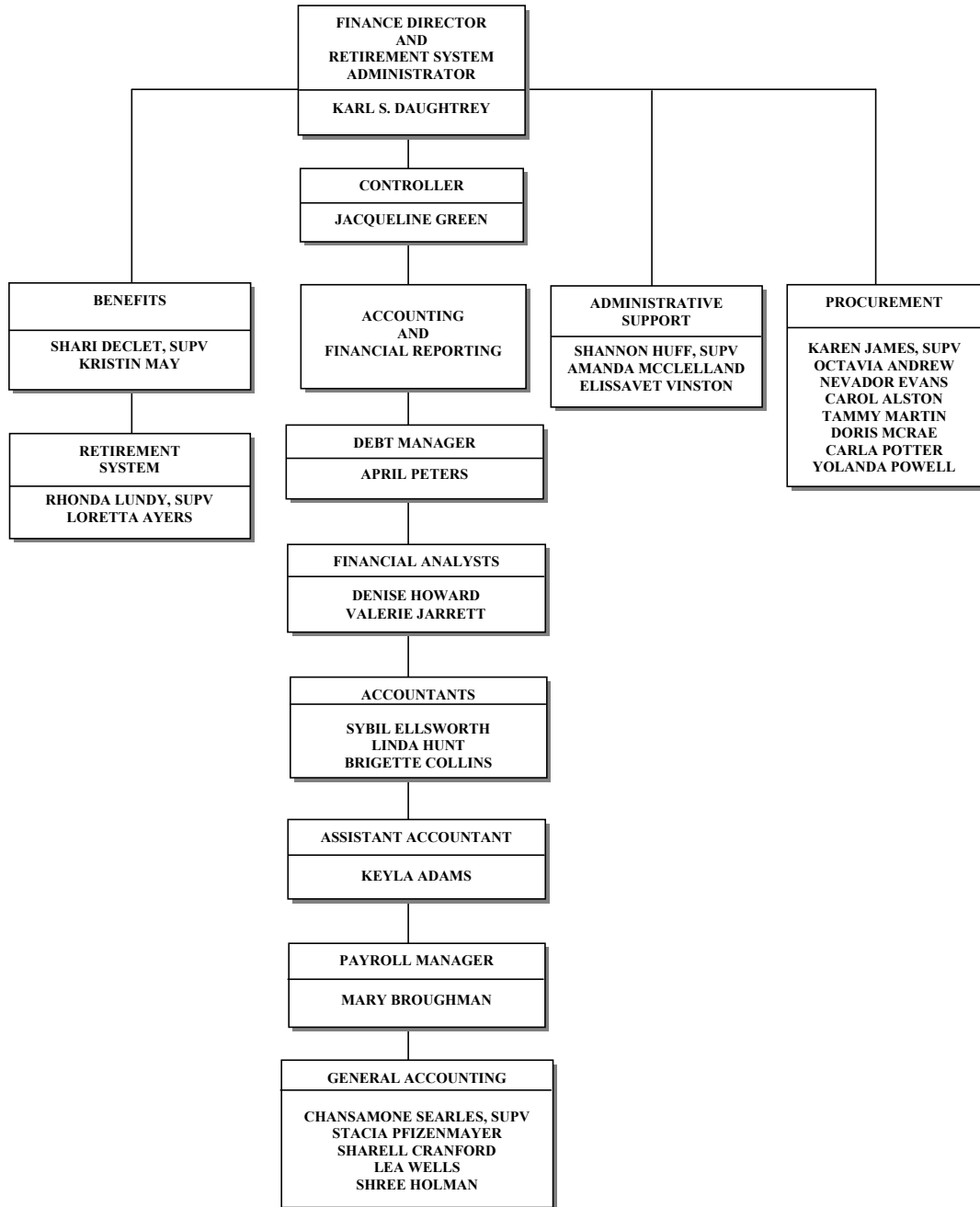
James A. Peterson, Vice Chairman
Karen James, Legal Counsel
Sue Ange
Michael Monteith

A. G. Womble, Jr., Chairman

Joe Sanders
Suzanna Scott
William "Bill" Benson, Jr.
James Wilson

Karl S. Daughtrey, Administrator and Treasurer

**CITY OF HAMPTON, VIRGINIA
DEPARTMENT OF FINANCE
June 30, 2015**



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December 2, 2015

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, 2015. State law requires the City to publish, at the close of each fiscal year, a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with Government Auditing Standards by a firm of licensed certified public accountants. This report has been prepared by the Department of Finance and the report does comply with state law and guidelines and of the Auditor of Public Accounts of the Commonwealth of Virginia.

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

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

State law requires that the financial statements of the City be audited by a certified public accountant. Cherry Bekaert LLP, Certified Public Accountants have audited the City's financial statements. As a result of an audit of the City's financial records and transactions of all funds, component units and departments of the City, Cherry Bekaert LLP has concluded that the financial statements are in compliance with generally accepted accounting principles and have issued an unmodified opinion on the City of Hampton's financial statements for the year ended June 30, 2015. 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 the July 1, 2014, current estimated population in Hampton was 138,545.

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 2015, several awards and recognitions were received by the City of Hampton. They are listed below:

- The City's Fleet Services Department was named the 17th best fleet operation in North America by Governing Magazine. The department, which manages and services the city's cars and trucks, was singled out for its "uses of technology, accountability, pricing, customer service, innovation, efficiency, and continuous improvements", noted judges. The award also noted the department's "reflection of the culture of public service."
- In addition, the City's Fleet Services Department earned the Blue Seal of Excellence from the National Institute for Automotive Service Excellence for the training level of their certified technicians.
- The City's Budget Department received the Government Finance Officers Association Distinguished Budget Presentation Award for the FY15 Budget document.
- For the thirteenth 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.

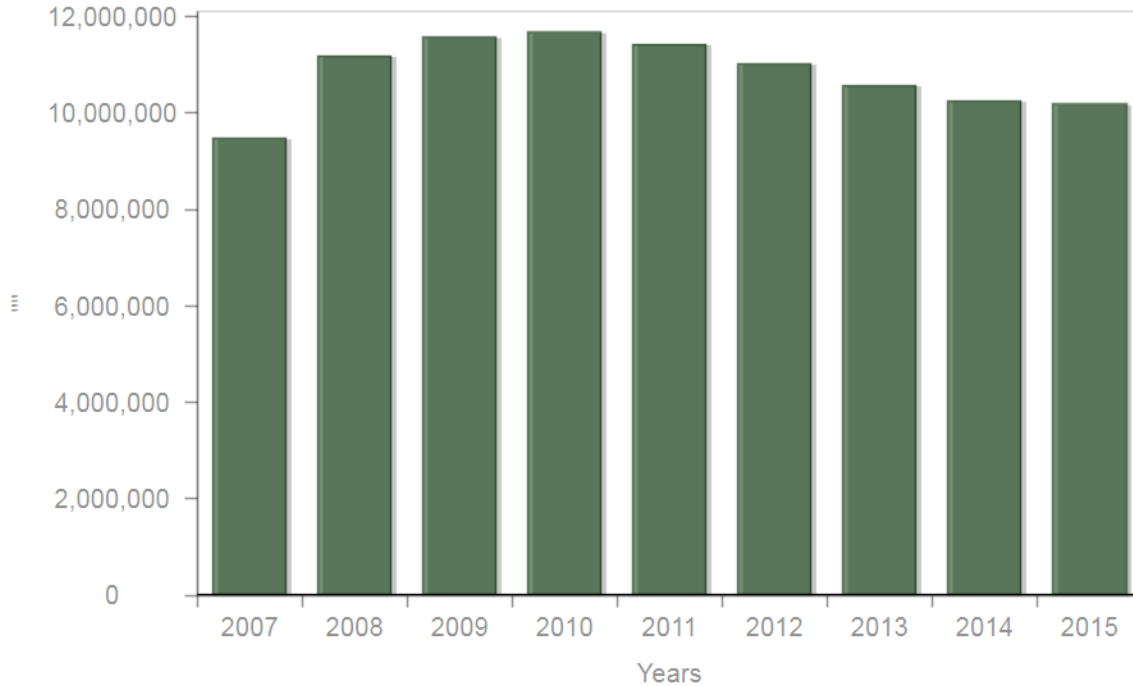
The City's strategic location and economic development activities offer its residential civilian labor force a wide range of employment opportunities. Hampton businesses draw from the largest regional workforce between Washington, D.C. and Atlanta, with over 824,000 highly educated, skilled, and technically trained workers. Each year, over 13,000 trained and disciplined personnel exit the military. Many of these persons elect to stay in the area and look for private sector employment, and there are over 25,000 military spouses available to work. In addition, there are almost 100,000 students attending the region's eight universities and four community colleges with an estimated 14,000 graduates per year.

The effects of the economic downturn continue to impact the national, state, and regional economies. The federal government's budget sequestration also continues to be a drag on the region due to the large federal presence in the area. However, Hampton Roads is continuing to gradually recover with the region's economy, as measured by Gross Regional Product, expanding at a rate of 1.3% percent in 2014. The other legs of the regional economic stool, the tourism industry and the port, are seeing positive growth. Port growth has been a bright spot with General Cargo Tonnage increasing 10.7% from June 2014 to June 2015, while growth in the tourism industry has been solid with hotel revenue increasing 5.4% over the past year. Employment growth continues to be sluggish with Civilian Nonfarm Jobs increasing 0.8%. The region's unemployment rate has come down from 5.8% to 5.4%, compared to the 5.3% national rate. Hampton's unemployment rate has decreased to 6.5% as of June 2015, versus 6.8% last year.

There are other positive signs for the regional economy. The drag of sequestration may soon be relieved, as there appears to be a consensus building in Washington to relax budget-spending caps. Even with the spending caps in place, the budgets for Langley Air Force Base, NASA Langley Research Center and the Veterans Administration hospital in Hampton have all seen some budget growth recently. Prospects for continued growth at the port is also strong as its natural deep-water harbor is one of the few places on the east coast of the country that can take the largest container ships traveling the oceans today. Hampton, being in close proximity to the port and at the intersection of I-64 and I-664, is well situated to take advantage of future growth at the port. In fact, the City saw strong demand for warehouse space as the Port of Hampton Roads experienced increased traffic due to the labor dispute at the Port of Los Angeles this year. Hampton also continues to see positive results from tourist destinations like the Boo Williams SportsPlex and business at the Convention Center continues to recover.

It also appears that the real estate market is beginning to stabilize after years of decline. While we saw a decline from 2014 to 2015 of .7%, this decline is approximately one-third of the prior year's decline and we are starting to see some stabilization in assessments driven by commercial and multifamily properties that will get us back to positive growth in the future.

Assessed Value of Taxable Real Property
In Thousands



Economic Development

The City is home to two institutions of higher education: Hampton University and Thomas Nelson Community College. Hampton University has been educating scholars and leaders for over 140 years. Hampton University provides a broad range of technical, liberal arts, pre-professional, professional, and graduate degree programs and has over 6,000 students enrolled. It is located in Hampton Virginia's downtown area on the waterfront. The University is ranked among the top southern universities in the regional university category in the *2015 U.S. News and World Report – Best Colleges* rankings.

Thomas Nelson Community College offers planning and strategic partnerships with economic development entities on the Virginia Peninsula. Services include targeted workforce development, strategic planning, joint grant opportunities, pre-employment training, employer/industry customized training programs and availability of fully equipped training facilities including classrooms, labs, and flexible manufacturing and industrial training spaces. Old Dominion University's Peninsula Higher Education Center has combined with Thomas Nelson Community College to promote the advancement of knowledge here on the Peninsula. It is a state-of-the-art academic facility designed to support a wide array of graduate and undergraduate programs that meet the needs of the local community. Its location makes it convenient for residents to complete their bachelor degrees and for health and other professionals to complete their education through the doctorate level. The Peninsula Center offers 24 undergraduate and 25 graduate programs with over 200 classes scheduled each week.

The City of Hampton continued to amplify its economic development efforts to attract new businesses while expanding and retaining existing businesses thereby creating new jobs. Hampton's central location and its skilled workforce are two economic assets that allowed it to persevere through the recession and continue its economic prosperity during the recovery period. A diversified business community, fueled by the flow of private and federal funding, propels Hampton's stable growth

The private sector accounted for more than \$72 million in new investment in the city (\$56 million in commercial and industrial investment and \$16 million in retail investment). It is also important to note that the commercial and industrial investments resulted in

1,591 new jobs being created, and the retail investments resulted in 373 new jobs being created. The federal sector accounted for over \$80 million in new investment.

One of Hampton’s largest economic development projects in recent years was recently completed. FedEx Ground opened a \$40 million, 200,000 square foot package distribution center on a 22 acre site in the Langley Research and Development Park. It is projected that 220 warehouse package handlers and office workers and 144 drivers and their assistants will occupy this facility during normal and peak periods of the operation. In addition to this facility being supported by a skilled local and regional workforce, the immediate access to Interstates 64 and 664 made this the ideal site for this Fortune 500 Company

Hampton’s economic growth will continue as the City continues its focus on cultivating its primary industry clusters of aerospace, communications, homeland security and defense, advanced manufacturing, and medical. Utilizing assets such as the Hampton Roads Center North Business Park, a 220 acre shovel ready site for development, Hampton will continue to market to the national and international investment community to expand upon its economic development successes. Hampton citizens will also benefit as new high wage and high skilled jobs are created in the City. This in turn will facilitate and support the expansion of Hampton’s retail assets.

The following charts highlight some of the fiscal year 2015 economic development activity:

<u>New Business</u>	<u>Sector</u>	<u>Investment</u>
FedEx Ground	Logistics/Distribution	\$ 40,000,000
Rite Aid	Retail	\$ 6,550,000
CVS	Retail	\$ 2,800,000
Wal-Mart Neighborhood Market	Retail	\$ 2,000,000
Liberty Source	Financial Services	\$ 1,560,000
Ferguson	Wholesale/Distribution	\$ 1,080,000

<u>Expansion Business</u>	<u>Sector</u>	<u>Investment</u>
AMSEC, LLC	Industrial Design Services	\$ 3,500,000
Consentino	Logistics/Distribution	\$ 2,200,000
TPMG Hampton Family Medicine	Medical	\$ 1,582,000
Eagle Distributing Enterprises, Inc.	Transportation Equipment and Supplies	\$ 1,100,000
M2 Pictures	Information	\$ 1,000,000
Registrar Corp	Business and Professional Services	\$ 1,000,000

Military, Federal Research Facility and Veterans Medical Center

Langley Air Force Base is 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 there. Covering 2,900 acres, Langley has more than 9,500 military personnel and approximately 3,250 civilian employees with a combined payroll of over \$697 million. For the fiscal year 2013-2014, Langley Air Force Base’s economic impact analysis stated the base had a total economic impact of \$1.1 billion to the local community. The fiscal year 2015 active construction program totaled \$54.4 million - of which \$4.9 million was design cost and \$49.5 million was actual construction.

The National Aeronautics and Space Administration's NASA Research Center is located in Hampton adjacent to Langley Air Force Base. The Center is an important national resource serving inherent government functions such as aeronautics, science, space technology, human space exploration, climate research and the air transportation system. In 2015, Langley employed 3,600 people. Approximately 1,900 were civil service employees and 1,700 were private-sector employees working on or near-site for companies that were contracted to provide support for NASA. For fiscal year 2016, \$120 million is planned for the active construction program at NASA Langley. NASA covers 788 acres with 166 buildings with a replacement value of \$3.5 billion. The Virginia Air and Space Center, located in downtown Hampton, serves as the official welcome center for NASA Langley. NASA Langley’s economic output to Virginia was nearly \$1.1 billion which generated over 10,000 jobs throughout the Commonwealth of Virginia and Hampton Roads

region in fiscal year 2014. Its impact on the Hampton Roads region was \$782 million supporting approximately 5,600 jobs.

The Hampton Veterans Affairs Medical Center (HVAMC) is located on 85 acres with 45 significant buildings. Active construction for fiscal year 2014 totaled \$58 million of which \$6.1 million was for design and \$51.4 million was actual construction. The HVAMC has over 1,750 employees with an annual operating budget of \$285 million. They are the fastest growing VA Medical Center in the Nation serving a population over 400,000.

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 (Decrease)
	2015	2014	
Revenues and Other Financing Sources:			
General Fund	\$317,220	\$317,305	(0.03)
School Operating	123,849*	126,833*	(2.35)
Total	441,069	444,138	(0.69)
Expenditures and Other Financing Uses:			
General Fund	244,565*	244,674	(0.04)
School Operating	197,160*	195,064	1.07
Total	(441,725)	(439,738)	0.45
Net change to fund balance	\$(656)	\$4,400	

*Excludes payments between the General Fund and School Operating Fund

The General Fund revenues and other financing sources were relatively flat when compared to fiscal year 2014, decreasing by approximately \$127,500 or 0.03%. Current year real estate tax revenues decreased by \$1 million from fiscal year 2014. The decline was due to a decrease in assessed values. Current personal property tax revenues increased by \$1.1 million over the previous fiscal year. The personal property tax rate was increased by City Council from \$4.25 to \$4.50 per \$100 of assessed values effective January 1, 2015. In the other local taxes category, meal and sales taxes grew by approximately \$0.5 million and \$0.7 million, respectively, over fiscal year 2014. Business license revenues decreased by \$0.6 million from fiscal year 2014. This decline in business license revenues was primarily due to refunds.

General Fund expenditures decreased by approximately \$109,000 from the fiscal year 2014 amount. This decrease is due to other financing uses, primarily transfers to the Capital Projects Fund offset by increases in expenditures from General Government and Culture and Recreation. Transfers to the Capital Projects Fund decreased by \$4.03 million due to greater activity in fiscal year 2014 for the Hampton City Schools "One to One" Technology Project and a decrease in VDOT revenue sharing projects. For fiscal year 2015, a 3.0% or \$2.9 million increase in the General Government category is the result of a one-time performance payment to employees totaling approximately \$2.6 million. The Culture and Recreation category increased by \$1.05 million mainly due to an increase in School maintenance (\$0.7 million), \$0.3 million for personnel for the community centers and the Performing Arts Center formerly known as the Teen Center.

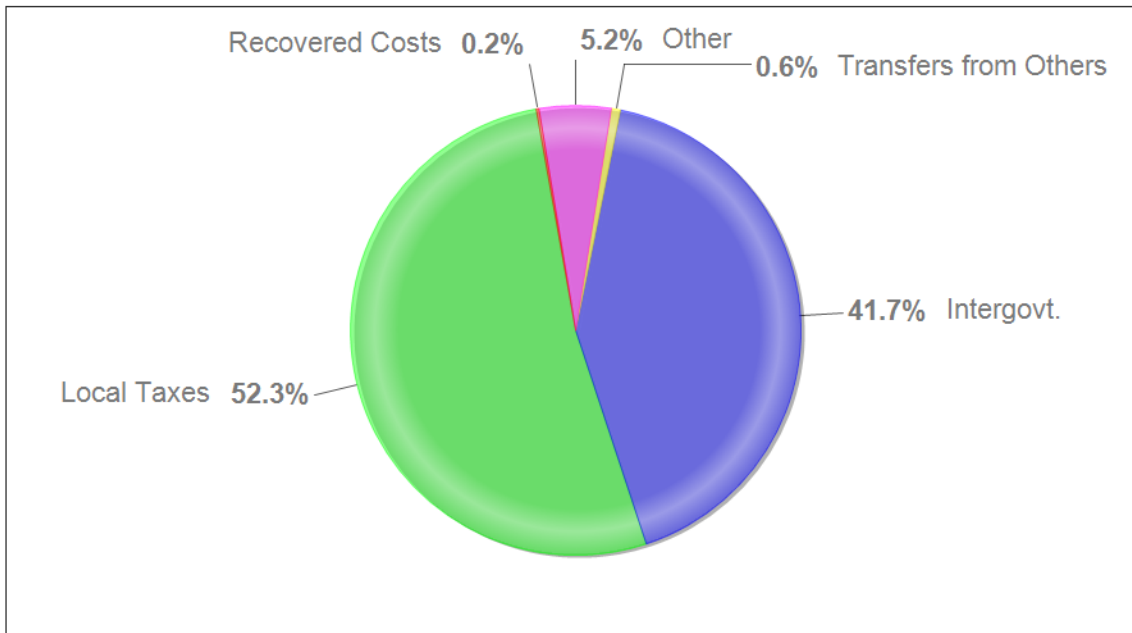
The School Board Operating Fund revenues decreased by approximately \$3.0 million or 2.35% over fiscal year 2014. State revenues decreased by \$2.8 million. This decline resulted from a reduction in 345 students over the previous year. Average Daily Membership (ADM) dropped from 20,226 in fiscal year 2014 to 19,881 in fiscal year 2015. The most significant decreases were for Special

Education (\$2.7 million), Salary Supplements (\$1.5 million) and Assistance with Retirement (\$1.3 million).The School Board primarily had increases in revenues for At-Risk (\$.541 million), Remedial Education (\$.421 million), K-3 Primary (\$.318 million) and Sales Tax (\$.782 million). Federal and Other funds decreased by \$.171 million or 6.82%. The Local Contribution from the City increased slightly from the previous year by \$.339 million or .48%.

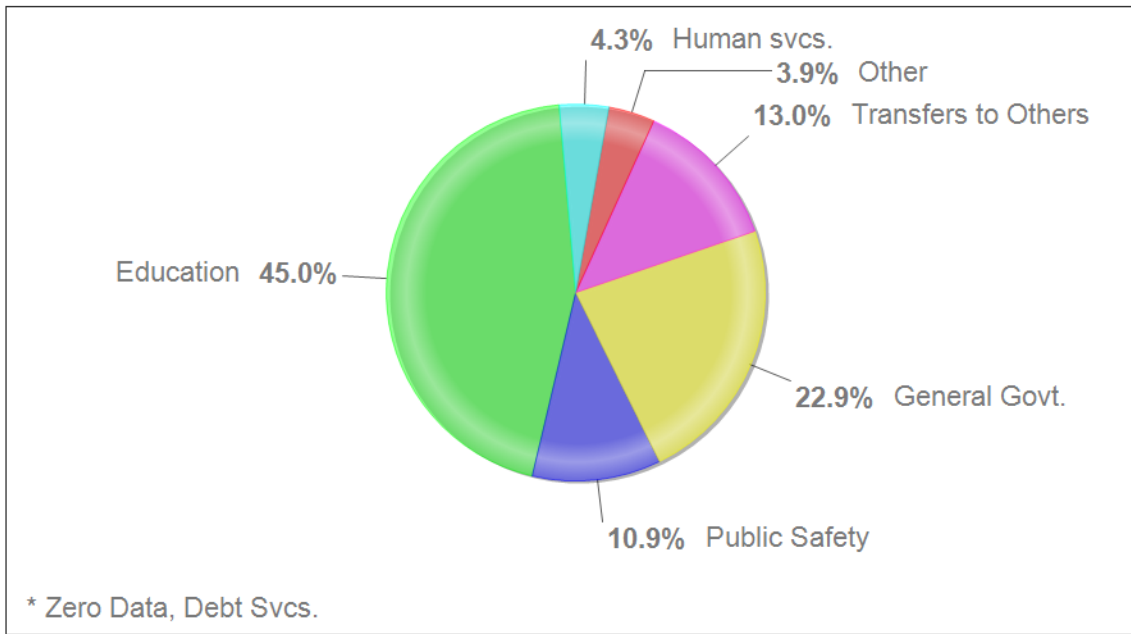
The School Board Operating Fund expenditures increased by \$2.1 million or 1.07% over fiscal year 2014 due mainly to an increase in spending for technology, instruction, administration, attendance and health. Expenditures for Transportation as well as Operations and Maintenance decreased from 2014. Technology expenditures increased approximately \$2.4 million during fiscal year 2015 while Administration, Attendance and Health increased \$.359 million. Technology’s increase was due primarily to purchases of computers and iPads. The iPad purchases were for students in the 1:1 initiative program. Transportation costs decreased slightly (\$.51 million) due to a slight decline of average fuel costs. Operation and Maintenance expenditures decreased in 2015 by \$.6 million due to a reduction in contractual services.

The graphs of the 2015 General Fund and School Operating Fund revenues and expenditures are as follows:

Revenues \$441,068,523



Expenditures \$441,725,118



Long Term Financial Planning

In the years 2015-2019, \$224.3 million is scheduled for City and School projects. The following summarizes these projects:

• Education	\$47.3 million
• Hampton’s Waterways	\$21.0 million
• Maintenance of Public Properties	\$66.1 million
• Master Plans	\$14.2 million
• Neighborhood Support	\$1.7 million
• Other Economic Development Support	\$3.9 million
• Other CIP Projects	\$9.8 million
• Public Safety	\$7.3 million
• Streets and Infrastructure	\$53.0 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, 2015, general obligation debt totaled \$270 million or 2.65% 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, 2015, this would amount to \$453 million or 4% of the assessed value of all taxable real and personal property which was within the policy parameter.

(c) Debt of certain special purpose entities, such as community development authorities, shall not exceed 1% of the assessed value of all real and personal property subject to taxation within the City. At June 30, 2015, this would amount to \$101 million or .88% 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, 2015, this would amount to \$38 million or 8.7% of total expenditures, which was within the policy parameter.

3. General Obligation Debt Retirement Policy. The City shall retire at least 60% of the principal balance of general bonded obligation debt within 10 years of the date the debt is issued. The City will retire approximately 71% of general bonded obligation debt in fiscal year 2025 that was outstanding as of June 30, 2015.

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, 2015, capital expenditures were \$17 million which is 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, 2015 through 2019, the City plans to use 39% 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, 2015 was \$52.1 million or 12% of actual revenues.

The City is in compliance with the Financial Policy Guidelines.

Credit Ratings

The City's credit ratings are as follows: AA+ by Standard and Poor's, 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 are in negotiations over the disposition of the “non-reversionary” acres. As part of the State’s partnership with the City, it was agreed that the City would receive a Payment In Lieu Of Taxes (PILOT) to cover the costs of City services that Hampton provides to state controlled property at Fort Monroe. The PILOT is based on the City’s real estate tax assessment and tax rate as if it were any other private property in the City, but excludes any property owned by the federal government or used by the City.

The key priority of the City and Commonwealth has been to keep 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.

Plan to Address Sea Level Rise and Other Resiliency Issues

In June 2015, Hampton partnered with the City of Norfolk and the Hampton Roads Planning District Commission to host a five day symposium and charette entitled: "Dutch Dialogue Hampton Roads: Living With the Water." The Dutch Dialogue concept was pioneered by partners in the New Orleans region as they struggled with life after Hurricane Katrina. Local experts partnered with the Royal Netherlands Embassy to engage Dutch experts to assist the New Orleans region in developing a resiliency plan for living with the water. Hampton and Hampton Roads have embarked on a similar path.

The five day session in June 2015 was a kick-off for this effort. At the close of this session, the mayors and city managers of Norfolk and Hampton pledged to take a leadership role in addressing sea level rise and other resiliency issues facing the region. Hampton is now in the process of assembling a consulting team comprised of key members of the Dutch Dialogue team including experts from the Netherlands. This team will assist Hampton and the region to develop a holistic plan to address sea level rise, re-occurring flooding and other resiliency issues. Partnerships will include working with the City of Norfolk, the Hampton Roads Region, the City of Newport News, the City of Poquoson as well as Langley Air Force Base, NASA Langley and research institutions like Old Dominion University, Hampton University, and the Virginia Institute of Marine Sciences.

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, 2014.

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.

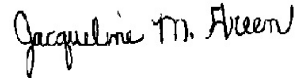
Acknowledgments

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,

Handwritten signature of Karl S. Daughtrey in blue ink.

Karl S. Daughtrey
Director of Finance

Handwritten signature of Jacqueline M. Green in black ink.

Jacqueline M. Green
Controller



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
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Presented to

**City of Hampton
Virginia**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

Executive Director/CEO

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, 2015, 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, 2015, 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

Change in Accounting Principle

As described in Note 16 to the financial statements, effective July 1, 2014, the City adopted the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27 and Governmental Accounting Standards Board ("GASB") Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68. 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") on pages 18-24 and additional required supplementary information other than MD&A on pages 113-121 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements in Exhibits B – G, supplementary schedules in Schedules 1 – 15 and the statistical section in Tables I – XVI, as presented in the table of contents, 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 in Schedule 5 is also presented for the purpose of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

The combining and individual nonmajor fund financial statements in Exhibits B – G and the supplementary schedules in Schedules 1 – 15 are the responsibility of management and were derived from and relates 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 by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the combining and individual nonmajor fund financial statements in Exhibits B – G and the supplementary schedules in Schedules 1 – 15 are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and the statistical section in Tables I – XVI 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 2, 2015, on our consideration of the City of Hampton's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Hampton's internal control over financial reporting and compliance.

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

Virginia Beach, Virginia
December 2, 2015

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MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Hampton's (City's) Comprehensive Annual Financial Report (CAFR) presents Management's Discussion and Analysis (MD&A) of the City's financial performance during the fiscal year ended June 30, 2015. The MD&A should be read in conjunction with the transmittal letter and the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The General Fund, on a current financial resource basis, reported expenditures in excess of revenues and other financing sources and uses by \$1.5 million (Exhibit A-4) after making a \$71.1 million payment to Hampton City Schools, \$12.9 million transfer to Capital Projects, \$8.6 million transfer to Enterprise Funds, \$2.2 million to Special Revenue Funds and \$33.4 million to Debt Service Fund.
- On a government-wide basis for governmental activities, the City's net position increased by \$0.038 million (Exhibit A-2).
- In the City's business-type activities, on a government-wide basis, net position increased by \$2.3 million (Exhibit A-2).
- The City's net position, excluding component units, on the government-wide basis, totaled \$667.2 million at June 30, 2015. Of this amount, \$(121.3) million represents the unrestricted net deficit (unrestricted net position - Exhibit A-1). The decrease in net position occurred as result of implementing GASB Statement No. 68, "Accounting and Financial Reporting for Pensions- an amendment of GASB Statement No. 27", and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date- an amendment of GASB Statement No. 68". A prior period adjustment was made to the City's July 1, 2014 net position. This prior period adjustment decreased the City's unrestricted net position by \$156,786,629.

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, 2015 and 2014

	Governmental Activities		Business-type Activities		Total Primary Government		Component Units	
	2015	2014	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 231,956	\$ 203,790	\$ 52,941	\$ 50,887	\$ 284,897	\$ 254,677	\$ 50,741	\$ 50,998
Capital assets	878,238	870,042	152,564	156,317	1,030,802	1,026,359	29,487	30,093
Deferred outflows of resources	26,215	21,818	6,647	6,765	32,862	28,583	20,086	13,732
Total assets and deferred outflows of resources	1,136,409	1,095,650	212,152	213,969	1,348,561	1,309,619	100,314	94,823
Current liabilities	73,915	64,152	8,257	8,491	82,172	72,643	26,141	23,553
Long-term liabilities	468,162	460,490	104,511	110,325	572,673	570,815	222,531	248,242
Deferred inflows of resources	24,658	1,372	1,883		26,541	1,372	28,580	
Total liabilities and deferred inflows of resources	566,735	526,014	114,651	118,816	681,386	644,830	277,252	271,795
Net position								
Investment in capital assets	634,537	623,505	70,321	70,855	704,858	694,360	29,487	30,093
Restricted	75,606	13,271	8,031	8,256	83,637	21,527	1,467	1,342
Unrestricted	(140,469)	(67,140)	19,149	16,042	(121,320)	(51,098)	(207,892)	(208,407)
Total net position	\$ 569,674	\$ 569,636	\$ 97,501	\$ 95,153	\$ 667,175	\$ 664,789	\$ (176,938)	\$ (176,972)

The City's combined net position (which is the City's bottom line) increased by \$2.4 million in fiscal year 2015 (excluding the restatement of net position) which approximately 12.5% represents resources that are subject to external restrictions. Net investment in capital assets represents 106% 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 \$(121.3) million.

Table II

Summary of Changes in Net Position (In Thousands)

For the Fiscal Years Ended June 30, 2015 and 2014

	Governmental Activities		Business-type Activities		Total Primary Government		Component Units	
	2015	2014	2015	2014	2015	2014	2015	2014
Revenue:								
Program Revenue								
Charges for service	\$ 31,207	\$ 32,635	\$ 44,552	\$ 42,941	\$ 75,759	\$ 75,576	\$ 7,239	\$ 6,142
Operating grants and contributions	80,281	80,434	1,256	1,832	81,537	82,266	145,225	146,407
Capital grants and contributions	7,153	18,291	58	114	7,211	18,405	711	
General revenues								
Property taxes	156,048	156,050	-	-	156,048	156,050	-	-
Other taxes	75,826	75,811	-	-	75,826	75,811	-	-
Other	227	221	946	1,003	1,173	1,224	73,161	74,909
Total revenues	<u>350,742</u>	<u>363,442</u>	<u>46,812</u>	<u>45,890</u>	<u>397,554</u>	<u>409,332</u>	<u>226,336</u>	<u>227,458</u>
Expenses								
General government	105,553	148,522	-	-	105,553	148,522	5,575	9,285
Public safety	72,324	134,652	-	-	72,324	134,652	-	-
Highways and streets	14,433	20,534	-	-	14,433	20,534	-	-
Sanitation	-	-	23,829	30,930	23,829	30,930	-	-
Health	3,528	2,272	-	-	3,528	2,272	-	-
Human services	33,234	49,522	-	-	33,234	49,522	-	-
Culture and recreation	18,356	26,342	29,741	35,538	48,097	61,880	-	-
Education - payment to school board	71,112	70,773	-	-	71,112	70,773	-	-
Educational	14,479	14,846	-	-	14,479	14,846	220,727	434,389
Interest on long-term debt	8,579	9,136	-	-	8,579	9,136	-	-
Total expenses	<u>341,598</u>	<u>476,599</u>	<u>53,570</u>	<u>66,468</u>	<u>395,168</u>	<u>543,067</u>	<u>226,302</u>	<u>443,674</u>
Increase (decrease) in net position before transfers	9,144	(113,157)	(6,758)	(20,578)	2,386	(133,735)	34	(216,216)
Transfers	(9,106)	(9,161)	9,106	9,161				
Increase (decrease) in net position	38	(122,318)	2,348	(11,417)	2,386	(133,735)	34	(216,216)
Net position, as restated, July 1	<u>569,636</u>	<u>691,954</u>	<u>95,153</u>	<u>106,570</u>	<u>664,789</u>	<u>798,524</u>	<u>(176,972)</u>	<u>39,244</u>
Net position, June 30	<u>\$ 569,674</u>	<u>\$ 569,636</u>	<u>\$ 97,501</u>	<u>\$ 95,153</u>	<u>\$ 667,175</u>	<u>\$ 664,789</u>	<u>\$ (176,938)</u>	<u>\$ (176,972)</u>

GOVERNMENTAL ACTIVITIES

For the fiscal year ended June 30, 2015, revenues from governmental activities totaled \$351 million. Revenues from governmental activities decreased by \$12.7 million; primarily in capital grants and contributions. Capital grants and contributions totaled \$7 million, a decrease of \$11 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 \$156 million, remaining flat with fiscal year 2014. Program revenues for governmental activities totaled \$119 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 \$80.3 million for the year ended June 30, 2015 which is in line with 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 \$75.8 million which is consistent with the previous year.

For the fiscal year ended June 30, 2015, expenditures for governmental activities, excluding transfers, totaled \$341.6 million, a decrease of \$135 million over the previous year. The majority of this decrease occurred in the general government, public safety, and human services categories primarily due to a restatement of the pension expense totaling \$143.7 million for fiscal year 2014. This restatement was required due to the implementation of GASB No. 68, Accounting and Financial Reporting for Pensions and GASB No. 71, Transition for Contributions Made Subsequent to the Measurement Date. Also, contributing to this variance is a \$3.5 million decrease in interest on long-term debt in fiscal year 2015.

BUSINESS-TYPE ACTIVITIES

Business-type activities generated revenues of \$46.8 million, an increase of \$.9 million when compared to the previous year. The majority of this change is attributed to a \$1.6 million increase in charges for services and a \$.6 million decrease in operating grants and contributions revenues. Expenses for business-type activities totaled \$53.6 million, a decrease of \$12.9 million when compared to the previous year. The majority of this decrease is attributed to the restatement of pension expense totaling \$13.1 million for fiscal year 2014.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The General Fund's fund balance increased by \$1.5 million over fiscal year 2014. This increase is primarily due to unexpended appropriations for the year, primarily in the funding of uncompleted capital projects that were carried forward to fiscal year 2016.

The Capital Projects Fund reflected an increase in fund balance of \$25.3 million. This increase in fund balance resulted from the issuance of \$46.8 million in General Obligation Public Improvement Bonds on April 23, 2015 to finance general capital improvements of the City.

The Wastewater Fund recorded an increase in net position of \$2 million in fiscal year 2015. This increase is primarily due to personnel savings from job vacancies and fewer than anticipated consent order projects occurring in fiscal year 2015. The DEQ's regional consent order is designed to address sanitary sewer overflows.

The Risk Management Fund net position decreased by \$9.1 million due to an increase in claims incurred during the fiscal year.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the year, the City Council revised the budget on several occasions. City Council appropriated \$9.9 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 2014 but the appropriations lapsed at the end of the fiscal year. Under the City's budget savings program, the remaining budget savings of \$2 million was rolled from fiscal year 2014 to fiscal year 2015. City Council adopted a budget savings program whereby departments will retain 65 percent of their end of the fiscal year budget savings, 10 percent will be put into an innovations pool and \$415,000 will be designated for drainage projects. In addition, the City reappropriated grant, donation, and other revenues.

Actual expenditures and transfers were \$17.8 million below the final budget. A significant amount of this variance (\$6.6 million) occurred in the general government function, specifically in non-departmental in the amount of \$2.5 million and retirement and employee benefits in the amount of \$1.3 million. Also contributing to this variance was unused budget savings under the City's budget savings program of \$2 million. A \$7.8 million variance was noted in transfers to other funds. The majority of this variance occurred from projects in the Capital Projects Fund that were at various stages of completion. Typically, funding for these projects is appropriated in the subsequent fiscal year.

Revenues came in at \$1.4 million under budget. This is primarily due to state revenues tracking under budget. Most of this is related to the Social Services function whereby reimbursements are based on expenditures.

CAPITAL ASSETS

The total increase over fiscal year 2014 in the City's investment in capital assets for the current fiscal year is \$4.4 million. At the end of fiscal year 2015, 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	
	2015	2014	2015	2014	2015	2014
Non-depreciable assets:						
Land and land improvements	\$ 522,896	\$ 519,891	\$ 10,803	\$ 10,806	\$ 533,699	\$ 530,697
Easements	1,341	778	29	29	1,370	807
Construction in progress	50,629	32,941	3,712	1,706	54,341	34,647
Other capital assets:						
Buildings and improvements	168,816	168,816	138,785	137,762	307,601	306,578
Improvements other than buildings	71,923	70,571	34,985	36,446	106,908	107,017
Equipment and vehicles	81,433	81,556	25,728	26,732	107,161	108,288
Exhibits	-	-	14,432	14,413	14,432	14,413
Landfill	-	-	3,866	3,866	3,866	3,866
Infrastructure	182,031	181,884	67,160	66,909	249,191	248,793
Computer software	1,322	1,323	344	118	1,666	1,441
Other assets	4,218	4,218	-	-	4,218	4,218
Accumulated depreciation	(206,371)	(191,936)	(147,280)	(142,470)	(353,651)	(334,406)
Total	<u>\$ 878,238</u>	<u>\$ 870,042</u>	<u>\$ 152,564</u>	<u>\$ 156,317</u>	<u>\$1,030,802</u>	<u>\$1,026,359</u>

Component Units	School Board		Economic Development Authority		Coliseum Central Business Improvement District, Inc.	
	2015	2014	2015	2014	2015	2014
Non-depreciable assets:						
Land and land improvements	\$ 5,111	\$ 5,111	\$ 15,803	\$ 15,803	\$ -	\$ -
Other capital assets:						
Buildings and improvements	48,963	48,963	-	-	-	-
Improvements other than buildings	310	310	-	-	-	-
Infrastructure	-	-	2,049	2,049	-	-
Computer software	-	-	-	-	5	10
Equipment and vehicles	42,386	41,549	-	-	147	141
Accumulated depreciation	(84,308)	(82,972)	(1,169)	(1,066)	(119)	(105)
Total	<u>\$ 12,462</u>	<u>\$ 12,961</u>	<u>\$ 16,683</u>	<u>\$ 16,786</u>	<u>\$ 33</u>	<u>\$ 46</u>

Component Units	Downtown Hampton		Total Component Units	
	2015	2014	2015	2014
Non-depreciable assets:				
Land and land improvements	\$ -	\$ -	\$ 20,914	\$ 20,914
Other capital assets:				
Buildings and improvements	-	-	48,963	48,963
Improvements other than buildings	-	-	310	310
Infrastructure	438	438	2,487	2,487
Computer software	9	-	14	10
Equipment and vehicles	97	122	42,630	41,812
Accumulated depreciation	(235)	(260)	(85,831)	(84,403)
Total	<u>\$ 309</u>	<u>\$ 300</u>	<u>\$ 29,487</u>	<u>\$ 30,093</u>

The capital budget sets forth \$48.8 million to be spent during fiscal year 2016 in various projects including \$12.4 million in school building maintenance and technology projects, \$15.6 million in street and infrastructure projects and \$10.6 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 2015, the City had \$273.8 million in outstanding general obligation bonds and \$81.6 million in outstanding revenue bonds. On April 15, 2015, The City issued \$46.8 million in General Obligation Public Improvement Bonds, Series 2015A and \$56.3 million in General Obligation Public Improvement Refunding Bonds, Series 2015B. 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, 2015, the City's aggregate general obligation indebtedness is \$744 million below this limit.

Table IV
City of Hampton
Change in General Obligation and Revenue Bonds (In Thousands)
June 30, 2015 and 2014

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
General Obligation bonds	\$ 270,230	\$ 253,682	\$ 3,610	\$ 3,963	\$ 273,840	\$ 257,645
Revenue bonds	-	-	81,640	83,965	81,640	83,965
Unamortized premium	35,831	18,479	10,322	10,958	46,153	29,437
Total primary government	<u>\$ 306,061</u>	<u>\$ 272,161</u>	<u>\$ 95,572</u>	<u>\$ 98,886</u>	<u>\$ 401,633</u>	<u>\$ 371,047</u>
Component Unit - Economic Development Authority						
Revenue bonds					<u>\$ 5,022</u>	<u>\$ 5,667</u>

NEXT YEAR'S BUDGET

The City's staff and City Council considered many factors when developing the fiscal year 2016 budget, with the economy as one of the major factors. The fiscal year 2016 approved budget for the General Fund is \$450.4 million, a 0.38% decrease over fiscal year 2015. The most important priority for the fiscal year 2016 budget was a general wage increase for the City staff and the initial implementation of some of the recommendations from the salary study. Tax and fee rate changes included an increase in the Cigarette Tax rate from \$.80 per pack to \$.85 per pack and an increase in the Public Right-Of Way Use Fee from \$1.02 per line per month to \$1.05 per line per month. In addition, a Boat License Fee was implemented: \$20 for motorized boats less than 16 feet, \$40 for all boats and watercraft from 16 feet but less than 20 feet, \$75 for all boats and watercraft from 20 to less than 40 feet and \$150 for boats and watercraft over 40 feet.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

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**City of Hampton
Statement of Net Position
June 30, 2015**

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total Primary Government	
ASSETS				
Cash and cash equivalents	\$ 127,681,857	\$ 22,498,950	\$ 150,180,807	\$ 15,884,680
Cash with fiscal agent	230,868		230,868	11,980,833
Investments	79,988,463		79,988,463	20,246
Accounts receivable	30,381,379	4,185,843	34,567,222	740,784
Lease receivable				5,940,356
Due from component units	384,935	19,819	404,754	
Due from primary government				7,187
Internal balances	(7,595,810)	7,595,810		
Due from other governments				7,105,808
Inventories	143,886	372,433	516,319	138,798
Prepaid items	740,240	9,010	749,250	23,777
Temporarily restricted assets:				
Cash and cash equivalents		1,719,417	1,719,417	1,466,921
Cash with fiscal agent		1,579,964	1,579,964	
Investments		14,951,359	14,951,359	
Notes receivable		8,708	8,708	389,667
Land held for sale				7,041,877
Capital assets not being depreciated	574,866,600	14,544,797	589,411,397	20,913,814
Capital assets, net of accumulated depreciation	303,371,704	138,019,005	441,390,709	8,572,807
Total assets	<u>1,110,194,122</u>	<u>205,505,115</u>	<u>1,315,699,237</u>	<u>80,227,555</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	10,176,070	5,206,687	15,382,757	
Related to pensions	16,038,763	1,440,580	17,479,343	20,086,429
Total deferred outflows of resources	<u>26,214,833</u>	<u>6,647,267</u>	<u>32,862,100</u>	<u>20,086,429</u>
LIABILITIES				
Accounts payable and other liabilities	\$ 33,167,425	\$ 2,927,162	\$ 36,094,587	\$ 21,482,924
Due to component units	7,187		7,187	
Due to primary government				404,754
Unearned revenue	150,407	241,806	392,213	1,193,748
Current liabilities payable from restricted assets		1,288,593	1,288,593	
Notes and other long-term payables				
Due within one year	15,391,443	354,743	15,746,186	2,373,000
Due in more than one year	187,300,290	12,383,448	199,683,738	218,195,969
Bonds Payable				
Due within one year	25,198,869	3,445,077	28,643,946	686,603
Due in more than one year	280,861,749	92,127,370	372,989,119	4,335,289
Total liabilities	<u>542,077,370</u>	<u>112,768,199</u>	<u>654,845,569</u>	<u>248,672,287</u>
DEFERRED INFLOWS OF RESOURCES				
Property taxes collected in advance	1,620,607		1,620,607	
Related to pensions	23,037,037	1,883,017	24,920,054	28,579,714
Total deferred inflows of resources	<u>24,657,644</u>	<u>1,883,017</u>	<u>26,540,661</u>	<u>28,579,714</u>
NET POSITION				
Net investment in capital assets	634,536,490	70,320,529	704,857,019	29,486,621
Restricted for:				
Capital projects	61,602,284		61,602,284	
Debt service	80,288		80,288	
Public safety projects	1,069,970		1,069,970	
Stormwater management	9,937,531		9,937,531	
Human services	439,292		439,292	
Bond indenture		8,031,275	8,031,275	1,466,921
Culture and recreation	99,959		99,959	
Physical environment	129,854		129,854	
Education	6		6	
Community development	866,262		866,262	
Operations and maintenance	316		316	
Other purposes	1,380,732		1,380,732	
Unrestricted	(140,469,043)	19,149,362	(121,319,681)	(207,891,559)
Total net position (deficit)	<u>\$ 569,673,941</u>	<u>\$ 97,501,166</u>	<u>\$ 667,175,107</u>	<u>\$ (176,938,017)</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, 2015

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	\$ 105,552,645	\$ 22,911,078	\$ 34,143,045	\$ 1,395,761	\$ (47,102,761)		\$ (47,102,761)	\$
Public safety	72,324,252	5,727,330	9,388,549		(57,208,373)		(57,208,373)	
Highways and streets	14,433,252		15,160,821	5,757,026	6,484,595		6,484,595	
Health	3,527,913				(3,527,913)		(3,527,913)	
Human services	33,233,678	1,424,996	20,981,251		(10,827,431)		(10,827,431)	
Culture and recreation	18,356,412	1,110,781	183,552		(17,062,079)		(17,062,079)	
Education(payment to school district)	71,112,223				(71,112,223)		(71,112,223)	
Education and educational services	14,479,052	33,724	163,524		(14,281,804)		(14,281,804)	
Interest on long-term debt	8,579,095		260,335		(8,318,760)		(8,318,760)	
Total Governmental Activities	<u>341,598,522</u>	<u>31,207,909</u>	<u>80,281,077</u>	<u>7,152,787</u>	<u>(222,956,749)</u>		<u>(222,956,749)</u>	
Business-type activities								
Culture and recreation	\$ 29,741,212	\$ 19,406,969	\$ 1,256,114	\$ 58,437		\$ (9,019,692)	\$ (9,019,692)	
Sanitation	23,829,101	25,145,460				1,316,359	1,316,359	
Total Business-type activities	<u>53,570,313</u>	<u>44,552,429</u>	<u>1,256,114</u>	<u>58,437</u>		<u>(7,703,333)</u>	<u>(7,703,333)</u>	
Total Primary Government	<u>\$ 395,168,835</u>	<u>\$ 75,760,338</u>	<u>\$ 81,537,191</u>	<u>\$ 7,211,224</u>	<u>\$ (222,956,749)</u>	<u>\$ (7,703,333)</u>	<u>\$ (230,660,082)</u>	<u>\$</u>
Component units								
Public school system	\$ 220,727,045	\$ 5,254,375	\$ 145,022,308	\$				\$ (70,450,362)
Economic development	3,985,585	1,101,055		711,000				(2,173,530)
Business improvement	946,857	579,104						(367,753)
Downtown development	642,619	303,607	203,084					(135,928)
Total component units	<u>\$ 226,302,106</u>	<u>\$ 7,238,141</u>	<u>\$ 145,225,392</u>	<u>\$ 711,000</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ (73,127,573)</u>
General revenues								
Taxes:								
Property taxes					\$ 156,048,023	\$	\$ 156,048,023	\$
Sales taxes					15,050,331		15,050,331	
Lodging, meal and amusement taxes					24,040,695		24,040,695	
Motor vehicle taxes					4,273,362		4,273,362	
Business license taxes					11,435,245		11,435,245	
Utility taxes					5,442,812		5,442,812	
Tobacco taxes					4,077,120		4,077,120	
Recordation taxes					1,762,614		1,762,614	
Bank stock taxes					456,550		456,550	
Pari-mutuel license taxes					3,557		3,557	
Short-term rental taxes					91,234		91,234	
Communication sales tax					9,172,979		9,172,979	
Mobile home titling tax					19,404		19,404	
Payments from (to) City of Hampton								72,741,559
Investment earnings					226,708	945,722	1,172,430	405,734
Miscellaneous								13,814
Transfers					(9,106,079)	9,106,079	-	
Total general revenues and transfers					<u>222,994,555</u>	<u>10,051,801</u>	<u>233,046,356</u>	<u>73,161,107</u>
Change in net position					37,806	2,348,468	2,386,274	33,534
Net position(deficit), beginning of year, as restated					<u>569,636,135</u>	<u>95,152,698</u>	<u>664,788,833</u>	<u>(176,971,551)</u>
Net position(deficit), ending					<u>\$ 569,673,941</u>	<u>\$ 97,501,166</u>	<u>\$ 667,175,107</u>	<u>\$ (176,938,017)</u>

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

**CITY OF HAMPTON, VIRGINIA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2015**

	General Fund	Special Revenue- Economic Development	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
Assets:						
Cash and cash equivalents	\$ 83,820,692	\$ 6,112,541	\$ 555,844	\$ -	\$ 10,937,470	\$ 101,426,547
Investments	14,000,458			65,988,005		79,988,463
Accounts receivables:						
Taxes(net of allowance of uncollectible)	9,418,807					9,418,807
Due from other governments	10,359,639			5,621,018	2,859,325	18,839,982
Other	1,141,836	7,005	87		936,622	2,085,550
Due from other funds	9,937,252			3,038,605	424,578	13,400,435
Due from component units	1,777	200,000		-		201,777
Inventories	13,849					13,849
Prepaid items	584,475					584,475
Total assets	\$ 129,278,785	\$ 6,319,546	\$ 555,931	\$ 74,647,628	\$ 15,157,995	\$ 225,959,885
Liabilities:						
Accounts payable	\$ 8,314,088	\$ 25,000	\$ 39,613	\$ 4,277,682	\$ 1,211,102	\$ 13,867,485
Accrued health insurance	11,039,493					11,039,493
Accrued liabilities	3,432,744				51,668	3,484,412
Due to other funds	3,785,031			2,916,762	952,477	7,654,270
Due to component units	7,187					7,187
Unearned revenue	150,406	6,185				156,591
Total liabilities	\$ 26,728,949	\$ 31,185	\$ 39,613	\$ 7,194,444	\$ 2,215,247	\$ 36,209,438
Deferred inflows of resources:						
Unavailable revenue-property taxes	7,611,036					7,611,036
Property taxes collected in advance	1,620,607					1,620,607
Unavailable revenue-program income					705,850	705,850
Unavailable revenue-stormwater fees					431,370	431,370
Total deferred inflows of resources	\$ 9,231,643				\$ 1,137,220	\$ 10,368,863
Fund balances:						
Nonspendable	598,324					598,324
Restricted	412,117	851,498	80,288	1,454,819	11,720,656	14,519,378
Committed	34,959,103	2,577,572		63,957,448		101,494,123
Assigned	5,236,726	2,859,291	436,030	2,040,917	84,872	10,657,836
Unassigned	52,111,923					52,111,923
Total fund balances	\$ 93,318,193	\$ 6,288,361	\$ 516,318	\$ 67,453,184	\$ 11,805,528	\$ 179,381,584
Total liabilities, deferred inflows of resources and fund balances	\$ 129,278,785	\$ 6,319,546	\$ 555,931	\$ 74,647,628	\$ 15,157,995	\$ 225,959,885

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

Total fund balances of governmental funds	\$ 179,381,584
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)	859,409,349
Other assets are not available to pay current-period expenditures and, therefore, are deferred in the funds.	8,754,439
Deferred charge on refunding are reported as deferred outflows of resources in the government-wide financial statements but are not reported in the governmental fund statements.	10,176,070
Deferred outflows of resources related to pensions are reported in the government-wide financial statements but are not reported in the governmental fund statements	16,038,763
Deferred inflows of resources related to pensions are reported in the government-wide financial statements but are not reported in the governmental fund statements	(23,037,037)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position.	
Net position on Combining Statement of Net Position-Internal Service Funds (Exhibit E-1)	25,540,507
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	(278,470)
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	439,198
Other liabilities not paid from current-period revenues are not reported in the funds for:	
Accrued interest	(3,632,018)
Interfund balances related to amounts eliminated in the Statement of Net Position	(13,405,480)
Long-term liabilities, including bonds payable, are not due and payable in the current period and are therefore not reported in the funds. (Note 8)	<u>(489,712,964)</u>
Net position of governmental activities	<u><u>\$ 569,673,941</u></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, 2015

	General Fund	Special Revenue- Economic Development	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES						
General property taxes	\$ 155,527,304					\$ 155,527,304
Other local taxes	75,405,819					75,405,819
Special assessments	4,182,877					4,182,877
Intergovernmental revenues:						
From the Commonwealth of Virginia	53,025,330	500,000		1,672,277	10,951,606	66,149,213
From the Federal government	9,091,195		251,711	4,399,750	4,273,466	18,016,122
Permits, privilege fees and regulatory licenses	1,298,883					1,298,883
Fines and forfeitures	1,967,230					1,967,230
Revenues from use of money and property	454,122	1,235,251	408	57,413	395,210	2,142,404
Charges for services	9,231,186				8,008,433	17,239,619
Payment from component units	2,000,042					2,000,042
Miscellaneous	4,012,640		8,624	134,984	1,372,289	5,528,537
Recovered costs	906,000					906,000
Total revenues	<u>317,102,628</u>	<u>1,735,251</u>	<u>260,743</u>	<u>6,264,424</u>	<u>25,001,004</u>	<u>350,364,050</u>
EXPENDITURES						
Current:						
General government	101,211,513	1,056,901			3,805,669	106,074,083
Public safety	48,021,370				5,469,604	53,490,974
Highways and streets	1,908,348					1,908,348
Sanitation					4,412,541	4,412,541
Health	2,604,809					2,604,809
Human services	19,034,980				10,358,865	29,393,845
Culture and recreation	12,521,859				203,292	12,725,151
Education (payment to school district)	71,112,223					71,112,223
Education and education services	2,128,797					2,128,797
Capital improvements				48,448,547		48,448,547
Debt Service:						
Principal retirement			23,152,483			23,152,483
Interest and fiscal charges			10,899,116			10,899,116
Bond issuance costs			519,407			519,407
Total expenditures	<u>258,543,899</u>	<u>1,056,901</u>	<u>34,571,006</u>	<u>48,448,547</u>	<u>24,249,971</u>	<u>366,870,324</u>
Excess (deficiency) of revenues over (under) expenditures	<u>58,558,729</u>	<u>678,350</u>	<u>(34,310,263)</u>	<u>(42,184,123)</u>	<u>751,033</u>	<u>(16,506,274)</u>
OTHER FINANCING SOURCES (USES)						
Bonds issued				46,770,000		46,770,000
Refunding bonds issued			56,250,000			56,250,000
Premium on bonds issued			14,425,435	7,258,679		21,684,114
Payment to refunded bond escrow agent			(70,150,935)			(70,150,935)
Transfers in	117,340		33,799,820	14,098,702	2,273,130	50,288,992
Transfers out	(57,133,811)	(2,250)		(668,596)	(1,590,414)	(59,395,071)
Net other financing sources (uses)	<u>(57,016,471)</u>	<u>(2,250)</u>	<u>34,324,320</u>	<u>67,458,785</u>	<u>682,716</u>	<u>45,447,100</u>
Net change in fund balances	<u>1,542,258</u>	<u>676,100</u>	<u>14,057</u>	<u>25,274,662</u>	<u>1,433,749</u>	<u>28,940,826</u>
Fund balances, beginning of year	<u>91,775,935</u>	<u>5,612,261</u>	<u>502,261</u>	<u>42,178,522</u>	<u>10,371,779</u>	<u>150,440,758</u>
Fund balances, end of year	<u>\$ 93,318,193</u>	<u>\$ 6,288,361</u>	<u>\$ 516,318</u>	<u>\$ 67,453,184</u>	<u>\$ 11,805,528</u>	<u>\$ 179,381,584</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	\$ 28,940,826
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	25,807,564
Depreciation expense	(18,103,733)
Loss on disposal of assets	(1,518,582)
Donated assets are not reported in the governmental funds but are reflected in the statement of activities.	274,154
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.	(93,391)
Proceeds from bond issuance and capital leases provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	
Debt increase for compensated absences	(613,436)
Net other postemployment benefits liability	(3,187,717)
Proceeds from debt issuance	(103,020,000)
Payment to refunded bond escrow agent	70,150,935
Repayment of debt principal	24,648,692
Premium on bonds	(21,684,114)
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.	(9,723,146)
Expenses incurred during the period related to liabilities that are still outstanding and not yet due at year-end for accrued interest	766,958
Amortization of premiums	679,145
Change in net pension liability which is recognized as an expense in the Statement of Activities as a compared to the pension contributions reported in the governmental funds	<u>6,713,651</u>
Change in net position of governmental activities	<u><u>\$ 37,806</u></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, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
				<u>Over (Under)</u>
REVENUES				
Intergovernmental:				
From the Commonwealth of Virginia	\$ 38,590,598	\$ 54,457,598	\$ 53,025,330	\$ (1,432,268)
From the Federal government	8,780,939	8,780,939	9,091,195	310,256
Local taxes	246,624,727	230,405,798	230,933,123	527,325
Special assessments	4,826,635	4,826,635	4,182,877	(643,758)
Licenses and permits	1,234,019	1,234,019	1,298,883	64,864
Fines and forfeitures	2,242,118	2,242,118	1,967,230	(274,888)
Revenues from use of money and property	364,707	364,707	454,122	89,415
Charges for services	9,454,149	9,454,149	9,231,186	(222,963)
Recovered costs	906,000	906,000	906,000	
Payment from component units	2,000,000	2,000,000	2,000,042	42
Miscellaneous	3,864,157	3,864,157	4,012,640	148,483
	<u>318,888,049</u>	<u>318,536,120</u>	<u>317,102,628</u>	<u>(1,433,492)</u>
Total revenues				
EXPENDITURES				
Current:				
General government	105,436,121	107,787,095	101,211,513	(6,575,582)
Public safety	48,562,820	48,898,856	48,021,370	(877,486)
Highways and streets	2,142,124	2,202,854	1,908,348	(294,506)
Health	2,720,115	2,752,174	2,604,809	(147,365)
Human services	20,628,333	20,494,218	19,034,980	(1,459,238)
Culture and recreation	12,763,756	13,171,345	12,521,859	(649,486)
Education	72,787,630	73,297,236	73,241,020	(56,216)
	<u>265,040,899</u>	<u>268,603,778</u>	<u>258,543,899</u>	<u>(10,059,879)</u>
Total expenditures				
Excess of revenues over (under) expenditures	<u>53,847,150</u>	<u>49,932,342</u>	<u>58,558,729</u>	<u>8,626,387</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	116,000	116,000	117,340	1,340
Transfers out	(61,974,587)	(64,898,192)	(57,133,811)	(7,764,381)
	<u>(61,858,587)</u>	<u>(64,782,192)</u>	<u>(57,016,471)</u>	<u>(7,765,721)</u>
Total other financing sources (uses)				
Net change in fund balances	(8,011,437)	(14,849,850)	1,542,258	<u>\$ 16,392,108</u>
Appropriations from fund balance	8,011,437	14,129,475		
Appropriations - encumbrances		<u>720,376</u>		
Fund balance - July 1			<u>91,775,935</u>	
Fund balance - June 30	<u>\$</u>	<u>\$</u>	<u>\$ 93,318,193</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, 2015

	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	\$ 12,288,174	\$ 21,680	\$ 709,134	\$	\$ 9,479,961	\$ 22,498,949	\$ 26,255,310
Cash with fiscal agent							230,868
Restricted assets to be used to liquidate current liabilities:							
Revenue bond indenture:							
Cash and cash equivalents				1,397,992		1,397,992	
Cash with fiscal agent				1,579,964		1,579,964	
Accounts receivable	1,744,893	5,108	140,011	269,093	2,026,738	4,185,843	37,043
Notes and mortgage receivable	8,708					8,708	
Due from other funds	3,606	80		182,305		185,991	65,430
Due from component units					19,819	19,819	183,158
Inventories	178,296	26,869	72,066		95,202	372,433	130,037
Prepaid items			2,951	6,059		9,010	155,766
Restricted assets:							
Revenue bond indenture:							
Cash and cash equivalents				321,425		321,425	
Investments				14,951,359		14,951,359	
Total current assets	<u>14,223,677</u>	<u>53,737</u>	<u>924,162</u>	<u>18,708,197</u>	<u>11,621,720</u>	<u>45,531,493</u>	<u>27,057,612</u>
Noncurrent Assets:							
Capital Assets:							
Land	145,615		1,921,420	5,332,401	3,404,805	10,804,241	
Easements	28,943					28,943	
Buildings and improvements	2,683,118	2,398,794	30,257,046	89,858,046	13,587,498	138,784,502	
Improvements other than buildings	290,651	3,719,882	6,800	4,046,307	26,920,882	34,984,522	265,514
Computer software	105,534				238,343	343,877	185,625
Equipment	4,227,941	484,754	4,316,586	825,969	15,872,571	25,727,821	40,032,826
Construction in progress	1,329,735		943,107		1,438,771	3,711,613	
Exhibits			14,432,266			14,432,266	
Landfill					3,865,986	3,865,986	
Infrastructure	67,160,138					67,160,138	
Less accumulated depreciation	<u>(33,268,769)</u>	<u>(6,392,382)</u>	<u>(38,646,056)</u>	<u>(25,587,491)</u>	<u>(43,385,411)</u>	<u>(147,280,109)</u>	<u>(21,655,010)</u>
Net capital assets	<u>42,702,906</u>	<u>211,048</u>	<u>13,231,169</u>	<u>74,475,232</u>	<u>21,943,445</u>	<u>152,563,800</u>	<u>18,828,955</u>
Total noncurrent assets	<u>42,702,906</u>	<u>211,048</u>	<u>13,231,169</u>	<u>74,475,232</u>	<u>21,943,445</u>	<u>152,563,800</u>	<u>18,828,955</u>
Total assets	<u>56,926,583</u>	<u>264,785</u>	<u>14,155,331</u>	<u>93,183,429</u>	<u>33,565,165</u>	<u>198,095,293</u>	<u>45,886,567</u>
DEFERRED OUTFLOWS OF							
RESOURCES							
Deferred charge on refunding				5,206,687		5,206,687	
Related to pensions	372,983	39,348			1,028,250	1,440,581	278,470
Total deferred outflows of resources	<u>372,983</u>	<u>39,348</u>		<u>5,206,687</u>	<u>1,028,250</u>	<u>6,647,268</u>	<u>278,470</u>

	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	\$ 642,962	\$ 11,396	\$ 284,516	\$	\$ 1,172,025	\$ 2,110,899	\$ 1,128,083
Accrued liabilities				46,021		46,021	
Accrued interest payable					44,386	44,386	
Accrued leave	103,439	6,053	44,592		200,658	354,742	61,368
Due to other funds		3,290,054	854,525		1,851,081	5,995,660	1,926
Unearned revenue			100,839		140,967	241,806	
Current portion of long-term debt				3,071,240	373,837	3,445,077	9,776,038
Current liabilities payable from restricted assets:							
Accounts payable			(1)	265,330		265,329	
Accrued interest payable				1,023,263		1,023,263	
Other liabilities	17,145	15,150	45,148	76,753	571,662	725,858	15,936
Total current liabilities	<u>763,546</u>	<u>3,322,653</u>	<u>1,329,619</u>	<u>4,482,607</u>	<u>4,354,616</u>	<u>14,253,041</u>	<u>10,983,351</u>
Noncurrent liabilities:							
Claims payable							1,776,678
Accrued leave	94,458	13,679			333,249	441,386	98,267
Bonds payable				88,890,777	3,236,593	92,127,370	
Obligations under capital leases							2,719,307
Other post employment benefits obligation							2,411,934
Net pension liability	3,029,090	310,267			8,602,704	11,942,061	2,195,795
Total noncurrent liabilities	<u>3,123,548</u>	<u>323,946</u>		<u>88,890,777</u>	<u>12,172,546</u>	<u>104,510,817</u>	<u>9,201,981</u>
Total liabilities	<u>3,887,094</u>	<u>3,646,599</u>	<u>1,329,619</u>	<u>93,373,384</u>	<u>16,527,162</u>	<u>118,763,858</u>	<u>20,185,332</u>
DEFERRED INFLOWS OF RESOURCES							
Related to pensions	529,489	62,059	-	-	1,291,469	1,883,017	439,198
Total deferred inflows of resources	<u>529,489</u>	<u>62,059</u>	<u>-</u>	<u>-</u>	<u>1,291,469</u>	<u>1,883,017</u>	<u>439,198</u>
NET POSITION							
Net investment in capital assets	42,702,906	211,048	13,231,170	(4,157,611)	18,333,015	70,320,528	15,225,136
Restricted							
Bond indenture				8,031,275		8,031,275	
Unrestricted	10,180,077	(3,615,573)	(405,458)	1,143,068	(1,558,232)	5,743,882	10,315,371
Total net position (deficit)	<u>\$ 52,882,983</u>	<u>\$(3,404,525)</u>	<u>\$ 12,825,712</u>	<u>\$ 5,016,732</u>	<u>\$ 16,774,783</u>	<u>\$ 84,095,685</u>	<u>\$ 25,540,507</u>

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

Net position of enterprise funds	84,095,685
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	12,946,856
Net position business-type activities	<u>\$ 97,501,166</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, 2015

	Business-Type Activities-Enterprise Funds		
	Wastewater Management	The Hamptons	Museum
Operating revenues:			
Charges for services	\$ 8,791,809	\$ 771,413	\$ 1,559,390
Federal revenues			488,821
Other	975		1,292,812
Total operating revenues	<u>8,792,784</u>	<u>771,413</u>	<u>3,341,023</u>
Operating expenses:			
Personal services	1,873,417	385,576	1,169,692
Fringe benefits	706,813	98,214	310,931
Promoters fees			
City-sponsored events			
Cost of goods sold	245,832	32,171	106,565
Utilities	237,837	50,672	239,863
Insurance	49,410	27,215	62,680
Operating supplies	507,542	100,132	377,649
Equipmental rental	262	316,447	79,954
Equipment and building repairs	572,994	73,075	230,926
Telephone and postage	40,196	3,953	36,850
General expense	170,283	3,408	273,830
Claims			
Landfill costs			
Contractual services	580,794	43,531	122,263
Indirect cost	456,000		
Depreciation and amortization	1,337,835	110,853	1,247,493
Total operating expenses	<u>6,779,215</u>	<u>1,245,247</u>	<u>4,258,696</u>
Operating income (loss)	<u>2,013,569</u>	<u>(473,834)</u>	<u>(917,673)</u>
Nonoperating revenues (expenses):			
Interest income	636		47
Interest and fiscal charges		(11,482)	
Other			
Gain(loss) on disposal of capital assets	12,097		
Net increase(decrease) in fair value of investments			
Total nonoperating revenues (expenses)	<u>12,733</u>	<u>(11,482)</u>	<u>47</u>
Income (loss) before transfers and capital contributions	2,026,302	(485,316)	(917,626)
Capital contributions		58,437	
Transfers in(out)		430,000	668,596
Change in net position	2,026,302	3,121	(249,030)
Net position, (deficit) beginning of year, as restated	<u>50,856,681</u>	<u>(3,407,646)</u>	<u>13,074,742</u>
Net position, (deficit) end of year	<u>\$ 52,882,983</u>	<u>\$ (3,404,525)</u>	<u>\$ 12,825,712</u>

Business-Type Activities - Enterprise Funds			Governmental Activities
<u>Convention Center</u>	<u>Non-Major Enterprise Funds</u>	<u>Totals</u>	<u>Internal Service</u>
\$ 2,530,390	\$ 30,596,847	\$ 44,249,849	\$ 20,702,428
	2,609	488,821	1,749
<u>2,530,390</u>	<u>30,599,456</u>	<u>46,035,066</u>	<u>20,704,177</u>
1,180,726	5,648,449	10,257,860	1,724,849
384,274	1,925,954	3,426,186	491,874
	6,514,291	6,514,291	
	838,743	838,743	
	369,240	753,808	6,171,062
719,384	858,124	2,105,880	50,633
94,989	591,588	825,882	2,629,114
403,574	1,058,716	2,447,613	205,713
	94,933	491,596	251,213
268,187	3,792,350	4,937,532	522,283
39,432	98,059	218,490	1,059,409
184,404	1,652,715	2,284,640	181,033
			14,198,083
	3,713,263	3,713,263	
195,101	1,202,061	2,143,750	1,185,640
	574,470	1,030,470	
2,843,191	2,747,025	8,286,397	2,097,627
<u>6,313,262</u>	<u>31,679,981</u>	<u>50,276,401</u>	<u>30,768,533</u>
<u>(3,782,872)</u>	<u>(1,080,525)</u>	<u>(4,241,335)</u>	<u>(10,064,356)</u>
799,712	5,512	805,907	31,154
(4,122,752)	(190,150)	(4,324,384)	(102,885)
	(238,620)	(226,523)	32,679
139,815		139,815	380,262
<u>(3,183,225)</u>	<u>(423,258)</u>	<u>(3,605,185)</u>	<u>341,210</u>
(6,966,097)	(1,503,783)	(7,846,520)	(9,723,146)
		58,437	
<u>7,243,656</u>	<u>763,827</u>	<u>9,106,079</u>	
277,559	(739,956)	1,317,996	(9,723,146)
<u>4,739,173</u>	<u>17,514,739</u>	<u>82,777,689</u>	<u>35,263,653</u>
<u>\$ 5,016,732</u>	<u>\$ 16,774,783</u>	<u>\$ 84,095,685</u>	<u>\$ 25,540,507</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	\$1,317,996
Interfund reimbursement of overhead costs	<u>1,030,472</u>
Change in net position-business type activities	<u><u>\$2,348,468</u></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, 2015

	Business-Type Activities-Enterprise Funds					Governmental	
	Wastewater Management	The Hamptons	Museum	Convention Center	Non-Major Enterprise Funds	Totals	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES							
Cash received from customers	\$ 8,987,624	\$ 771,783	\$ 3,388,194	\$ 2,500,609	\$ 30,642,560	\$ 46,290,770	\$ 20,732,761
Cash payments to suppliers for goods and services	(3,314,344)	(613,241)	(2,041,465)	(2,416,638)	(23,025,042)	(31,410,730)	(16,717,224)
Cash payments to employees for services	(2,058,767)	(390,852)	(1,125,255)	(1,176,983)	(5,645,619)	(10,397,476)	(2,092,070)
Net cash provided by (used in) operating activities	<u>3,614,513</u>	<u>(232,310)</u>	<u>221,474</u>	<u>(1,093,012)</u>	<u>1,971,899</u>	<u>4,482,564</u>	<u>1,923,467</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
Transfers in from other funds		430,000	668,726	7,383,567	763,827	9,246,120	
Net cash provided by (used in) noncapital financing activities		<u>430,000</u>	<u>668,726</u>	<u>7,383,567</u>	<u>763,827</u>	<u>9,246,120</u>	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Acquisition and construction of capital assets	(1,902,534)		(628,579)	(7,833)	(1,969,352)	(4,508,298)	(4,045,490)
Principal paid on revenue bond maturities and long-term debt		(211,486)		(2,325,000)	(352,517)	(2,889,003)	(983,761)
Interest paid on revenue bonds and long-term debt		(11,482)		(4,149,493)	(194,352)	(4,355,327)	(102,885)
Sale of capital assets	140,570				30,891	171,461	415,524
Net cash provided by (used in) capital and related financing activities	<u>(1,761,964)</u>	<u>(222,968)</u>	<u>(628,579)</u>	<u>(6,482,326)</u>	<u>(2,485,330)</u>	<u>(11,581,167)</u>	<u>(4,716,612)</u>
CASH FLOWS FROM INVESTING ACTIVITIES							
Purchase of investment securities				(2,448,109)		(2,448,109)	
Sale of investment securities				2,445,758		2,445,758	
Interest and dividends on investments	636		44	146,673	5,512	152,865	29,269
Net cash provided by (used in) investing activities	<u>636</u>		<u>44</u>	<u>144,322</u>	<u>5,512</u>	<u>150,514</u>	<u>29,269</u>
Net increase (decrease) in cash and cash equivalents (including restricted amounts)	1,853,185	(25,278)	261,665	(47,449)	255,908	2,298,031	(2,763,876)
Cash and cash equivalents (including restricted), July 1	<u>10,434,989</u>	<u>46,958</u>	<u>447,469</u>	<u>3,346,830</u>	<u>9,224,053</u>	<u>23,500,299</u>	<u>29,250,054</u>
Cash and cash equivalents, June 30	<u>\$ 12,288,174</u>	<u>\$ 21,680</u>	<u>\$ 709,134</u>	<u>\$ 3,299,381</u>	<u>\$ 9,479,961</u>	<u>\$ 25,798,330</u>	<u>\$ 26,486,178</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)	\$ 2,013,569	\$ (473,834)	\$ (917,673)	\$ (3,782,872)	\$ (1,080,525)	\$ (4,241,335)	\$ (10,064,356)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:							
Depreciation and amortization expense	1,337,835	110,853	1,247,493	2,843,191	2,747,025	8,286,397	2,097,627
Decrease (increase) in:							
Accounts receivable	198,446	1,037	39,054	(29,781)	756,300	965,056	(13,607)
Due from other funds	(3,606)	(80)	130	139,911	8	136,363	(49,475)
Due from component units					(1,411)	(1,411)	57,104
Inventories	4,396	(5,164)	(12,149)		16,292	3,375	1,765
Prepaid items			2,256	(337)		1,919	122,322
Increase (decrease) in:							
Accounts payable	249,221	457	266,398		219,374	735,450	257,019
Accrued leave	(21,608)	(1,615)	2,284		(58,715)	(79,654)	(5,984)
Due to other funds		152,981			157,785	310,766	1,153
Other liabilities	8,314	(667)	45,150	3,743	366,831	423,371	7,899
Nonoperating revenues reported as operating activity							32,677
Unearned revenue			8,117		(623,561)	(615,444)	
Accrued liabilities				(52)		(52)	
Current liabilities payable from restricted assets			(459,456)	(127,243)		(586,699)	
Current portion of long-term accrued claims reported as operating activity							7,607,952
Due to/from other funds reported as nonoperating activities			(130)	(139,909)		(140,039)	
Accounts receivable reported as nonoperating activities							1,886
Long-term accrued leave reported as operating activities	(9,264)				44,956	35,692	5,238
Accounts payable reported as nonoperating activities							175,613
Long-term accrued insurance claims reported as operating activity							906,446
Other post employment benefits obligation reported as operating activity							871,469
Prepaid items reported as nonoperating activities		(3,662)		337		(3,325)	-
Net pension liability reported as operating activity	(659,894)	(75,247)			(1,666,430)	(2,401,571)	(532,528)
Deferred Outflows & Inflows related to pensions reported as operating activity	497,104	62,631			1,093,970	1,653,705	443,247
Total adjustments	<u>1,600,944</u>	<u>241,524</u>	<u>1,139,147</u>	<u>2,689,860</u>	<u>3,052,424</u>	<u>8,723,899</u>	<u>11,987,823</u>
Net cash provided by (used in) operating activities	\$ <u>3,614,513</u>	\$ <u>(232,310)</u>	\$ <u>221,474</u>	\$ <u>(1,093,012)</u>	\$ <u>1,971,899</u>	\$ <u>4,482,564</u>	\$ <u>1,923,467</u>
Non-cash transactions affecting investing capital and related financing activities:							
Acquisition of capital assets through outside capital contribution		58,437				58,437	
Net increase (decrease) in fair value of investments				139,815		139,815	
Total non-cash transactions	\$	\$ <u>58,437</u>	\$	\$ <u>139,815</u>	\$	\$ <u>198,252</u>	\$

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

CITY OF HAMPTON, VIRGINIA
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2015

	<u>Pension Trust</u>	
	Hampton Employees' Retirement System	Agency Funds
ASSETS		
Cash and cash equivalents	\$ 43,117	\$ 689,450
Investments:		
Bond mutual funds	45,196,015	
Stock mutual funds	84,927,236	
Receivables:		
Accounts	14,580	9,189
Property, Plant, and Equipment		
Office and operating equipment	7,342	
Less accumulated depreciation	<u>(7,342)</u>	
Total assets	<u>\$ 130,180,948</u>	<u>\$ 698,639</u>
DEFERRED OUTFLOWS OF RESOURCES		
Related to pensions	<u>16,454</u>	<u>-</u>
Total deferred outflows of resources	<u>16,454</u>	<u>-</u>
LIABILITIES		
Deposits	\$	\$ 644,993
Accounts payable	16,168	53,646
Net pension liability	<u>129,743</u>	<u>-</u>
Total liabilities	<u>145,911</u>	<u>\$ 698,639</u>
DEFERRED INFLOWS OF RESOURCES		
Related to pensions	<u>25,951</u>	<u>-</u>
Total deferred inflows of resources	<u>25,951</u>	<u>-</u>
NET POSITION		
Net position held in trust for pension benefits and other purposes	<u>\$ 130,025,540</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, 2015

	Hampton Employees' Retirement System
ADDITIONS	
Investment income:	
Net appreciation(depreciation) in fair value of investments	\$ 2,405,935
Dividends	2,955,749
Total investment earnings (losses)	5,361,684
Less investment expenses	(16,415)
Net investment earnings (losses)	5,345,269
Employer contributions	8,880,839
Total additions (losses)	14,226,108
 DEDUCTIONS	
Benefits	17,040,171
Administrative expenses	277,505
Total deductions	17,317,676
Change in net position	(3,091,568)
Net position, July 1, as restated	133,117,108
 Net position, June 30	 \$ 130,025,540

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, 2015

	<u>Governmental</u>		<u>Business Type Activities</u>			<u>Total</u>
	<u>Activities</u>		Coliseum Central Business Improvement District, Inc.	Downtown Hampton Development Partnership, Inc.		
	<u>School Board</u>	<u>Economic Development Authority</u>				
ASSETS						
Cash and cash equivalents	\$ 13,050,529	\$ 1,320,853	\$ 993,440	\$ 519,858		\$ 15,884,680
Cash with fiscal agent	10,296,535	1,684,298				11,980,833
Investments	19,968	278				20,246
Accounts receivable	321,341	46,014	260,048	113,381		740,784
Lease receivable		5,940,356				5,940,356
Due from primary government	7,187					7,187
Due from other governments	7,105,808					7,105,808
Inventories	138,798					138,798
Prepaid items			14,143	9,634		23,777
Temporarily restricted assets:						
Cash and cash equivalents		1,466,921				1,466,921
Notes receivable		389,667				389,667
Land held for sale		7,041,877				7,041,877
Capital assets not being depreciated	5,111,045	15,802,769				20,913,814
Capital assets, net of accumulated depreciation	7,350,719	880,735	32,520	308,833		8,572,807
Total assets	<u>\$ 43,401,930</u>	<u>\$ 34,573,768</u>	<u>\$ 1,300,151</u>	<u>\$ 951,706</u>		<u>\$ 80,227,555</u>
DEFERRED OUTFLOWS OF RESOURCES						
Related to pensions	20,086,429					20,086,429
Total deferred outflows of resources	<u>20,086,429</u>	<u>-</u>	<u>-</u>	<u>-</u>		<u>20,086,429</u>
LIABILITIES						
Accounts payable and other liabilities	\$ 20,059,967	\$ 1,360,640	\$ 29,143	\$ 33,174		\$ 21,482,924
Due to primary government	204,734	200,020				404,754
Unearned revenue	27,985	1,165,763				1,193,748
Notes and other long-term payables:						
Due within one year	2,373,000					2,373,000
Due in more than one year	218,195,969					218,195,969
Bonds payable						
Due within one year		686,603				686,603
Due in more than one year		4,335,289				4,335,289
Total liabilities	<u>240,861,655</u>	<u>7,748,315</u>	<u>29,143</u>	<u>33,174</u>		<u>248,672,287</u>
DEFERRED INFLOWS OF RESOURCES						
Related to pensions	28,579,714	-	-	-		28,579,714
Total deferred inflows of resources	<u>28,579,714</u>	<u>-</u>	<u>-</u>	<u>-</u>		<u>28,579,714</u>
NET POSITION						
Net investment in capital assets	12,461,764	16,683,504	32,520	308,833		29,486,621
Restricted for:						
Bond indenture		1,466,921				1,466,921
Unrestricted	(218,414,774)	8,675,028	1,238,488	609,699		(207,891,559)
Total net position	<u>\$ (205,953,010)</u>	<u>\$ 26,825,453</u>	<u>\$ 1,271,008</u>	<u>\$ 918,532</u>		<u>\$ (176,938,017)</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, 2015

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	\$ 220,727,045	\$ 5,254,375	\$ 145,022,308	\$	\$ (70,450,362)	\$	\$	\$	\$ (70,450,362)
Business type activities									
Economic development	3,985,585	1,101,055		711,000		(2,173,530)			(2,173,530)
Business improvement	946,857	579,104					(367,753)		(367,753)
Downtown development	642,619	303,607	203,084					(135,928)	(135,928)
Total component units	\$ 226,302,106	\$ 7,238,141	\$ 145,225,392	\$ 711,000	\$ (70,450,362)	\$ (2,173,530)	\$ (367,753)	\$ (135,928)	\$ (73,127,573)
Payments from (to) City of Hampton					71,112,223	964,458	505,806	159,072	72,741,559
Investment earnings					-	404,220	1,514	-	405,734
Miscellaneous					13,814	-	-	-	13,814
Total general revenues, special items and transfers					71,126,037	1,368,678	507,320	159,072	73,161,107
Change in net position					675,675	(804,852)	139,567	23,144	33,534
Net position, beginning, as restated					(206,628,685)	27,630,305	1,131,441	895,388	(176,971,551)
Net position, ending					\$ (205,953,010)	\$ 26,825,453	\$ 1,271,008	\$ 918,532	\$ (176,938,017)

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

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

The following is a summary of the significant accounting policies.

Reporting Entity

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

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

Component Unit Disclosures

The component units discussed in the following section are included in the City's reporting entity because the City is financially accountable for these organizations, as defined in GASB Statement No. 61, *The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34*, GASB Statement No. 14, *The Reporting Entity* and GASB Statement No. 39, *Determining Whether Certain Organizations are Component-Units*. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

Discretely Presented Component Units

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,

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

industrial and commercial enterprises to locate or remain in the City. The EDA is included as a discretely presented component unit because the City appoints the governing body of the EDA, funds the EDA's operating and capital budgets and it receives all of the revenues derived from EDA land sales. The EDA does not issue separate financial statements.

Coliseum Central Business Improvement District, Inc.

The Coliseum Central Business Improvement District, Inc. (Coliseum BID) was incorporated on January 22, 1996, to promote, develop and market the Coliseum Central Business District in the City. Coliseum BID was created by action of the City Council under provisions of the *Code of Virginia*. An additional tax is assessed on commercial real estate located in the District to provide funds for the economic development of the District. City Council levies the additional tax for the District and provides other funding for operations. Coliseum BID is included in the City's reporting entity because it is fiscally dependent and it imposes specific financial burdens on the City. A copy of the separately issued financial statements for Coliseum BID may be obtained by writing to Coliseum BID, 2021 Cunningham Drive, Suite 101, Hampton, Virginia 23666 or by calling (757) 826-6351.

Downtown Hampton Development Partnership, Inc.

The Downtown Hampton Development Partnership, Inc. (Downtown Hampton) was incorporated on August 15, 1995, to promote, develop, and market the Downtown Hampton Business Improvement District. Downtown Hampton was created by action of the City Council under provisions of the *Code of Virginia*. The City assesses an additional tax on the value of the commercial real estate located in the District to provide funds for the economic development of the District. City Council levies the additional tax for the District and provides other funding for operations. Downtown Hampton is included in the City's reporting entity because it is fiscally dependent and it imposes specific financial burdens on the City. A copy of the separately issued financial statements for Downtown Hampton may be obtained by writing to Downtown Hampton Development Partnership, 756 Settlers Landing Road, Hampton, Virginia 23669 or by calling (757) 727-1271.

Other Related Organizations

The financial statements of the following public organizations, commissions, authorities and boards are not included in the reporting entity. These organizations are political subdivisions created under the laws of the Commonwealth of Virginia. Their governing boards are appointed, at least in part, by the City. The City's responsibility in most instances is limited to pro rata representation through appointments to the governing boards. The individual governing boards of the organizations appoint management, establish budgetary control and are accountable for their own fiscal affairs including deficits, debt service, operating costs, etc. The City is not financially accountable for these organizations.

Peninsula Airport Commission

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

Other

There are certain other agencies and commissions that service the City of Hampton and surrounding localities whose board membership is allocated among and appointed by the various localities. These agencies include: Hampton Roads Transit (HRT), Hampton Roads Planning District Commission (HRPDC), Virginia Peninsula Public Service Authority (VPPSA), Hampton Roads Economic Development Alliance (HREDA) and the Peninsula Council for Workforce Development (PCFWD). Expenditures of these agencies are financed by federal and state grants, fees, and contributions. During the year ended June 30, 2015, the City provided operating and capital support of \$4,258,090 to

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

HRT, \$155,115 to HRPDC, \$10,000 to VPPSA, \$129,994 to HREDA and \$74,435 to PCFWD.

Jointly Governed Organizations

Hampton-Newport News Community Services Board

The City of Hampton has one jointly governed organization, the Hampton-Newport News Community Services Board (CSB). The CSB operates as an agent for the Cities of Hampton and Newport News in the establishment and operation of community mental health, mental 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 2015.

Government-wide and Fund Financial Statements

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

Statement of Net Position

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

Statement of Activities

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

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

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

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

measurement focus. Basis of accounting refers to when revenues, expenditures (governmental) or expenses (proprietary), transfers and the related assets and liabilities are recognized in the accounts and reported in the financial statements.

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

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

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

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

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES , continued:

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

Budgeted amounts are as originally adopted or as amended by City Council and the School Board during fiscal year 2015. 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 investments are generally stated at fair value, except for short-term cash equivalents, which are stated at cost.

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

Receivables

Receivables of the General Fund are stated net of an allowance for uncollectible taxes of \$1,433,622. Management has determined that the allowance is sufficient to provide for any losses that may be sustained on realization of the accounts receivable.

Inventories

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

Prepays

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

Land Held for Resale

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

Interfund Activity

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

Restricted Assets

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

	Convention Center	Component Unit- EDA
Restricted Assets		
Cash:		
Operating and Maintenance Account	\$	\$ 245,864
Operating/Capital Reserve Fund	2,955,702	657,020
Bond Fund	22,254	
Debt Service Reserve Fund	321,425	564,037
Investments:		
Operating Reserve Fund	6,560,247	
Bond Fund	1,631,505	
Debt Service Reserve Fund	6,759,607	
	\$ 18,250,740	\$ 1,466,921

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

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

Indenture.

Capital Assets

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

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 financial position will sometimes report a separate section for deferred outflows

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES , continued:

of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The City has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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

Fund Balance

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

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

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

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

Authority to Commit – Commitments for specific purposes require a formal action (resolution) of the City Council. A majority vote is required to approve or remove a commitment. 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 of Hampton for a specific purpose but do not meet the criteria to be classified as restricted or committed. The intent should be expressed by the governing body itself or an official or committee that the governing body has delegated the authority to assign amounts to be used for specific purposes.

Authority to Assign – The City Council'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

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES , continued:

that has not been restricted, committed or assigned to specific purposes within the General Fund.

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

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

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

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES , continued:

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

	General	Economic Development	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
Fund Balances:						
Nonspendable:						
Inventory	\$ 13,849					\$ 13,849
Prepaid items	584,475					584,475
Restricted:						
Debt service			80,288			80,288
Donations for parks projects	10,000					10,000
Donations for Police Firing Range	23,000					23,000
Wetlands Encroachment/In Lieu	108,815					108,815
Hazmat clean ups and restoration	18,050					18,050
Title IVE	138,446					138,446
Urban Development Action grant projects		851,498				851,498
Property						
acquisition/redevelopment				312,367		312,367
Street & Infrastructure projects				215,139		215,139
Waterways projects				844	80,049	80,893
Park improvement projects				926,469	15,804	942,273
Public Works equipment					215,334	215,334
Facilities maintenance and repairs					316	316
Law library books and subscriptions					83,334	83,334
Stormwater management					9,937,531	9,937,531
Fishing Pier operations	46,662					46,662
Commonwealth Attorney investigations,training and equipment					187,230	187,230
Probation supervision services					201,796	201,796
Emergency preparedness					110,611	110,611
Fire equipment,training and supplies					117,740	117,740
Police investigations,training and equipment					338,138	338,138
Early intervention and special education services					263,262	263,262
Neighborhood improvement projects					36,287	36,287
Donations for bus shelter benches	67,144					67,144
Other					133,224	133,224
Committed:						
Budget savings program	7,648,535					7,648,535
Capital projects	14,115,140					14,115,140
Debt service	8,410,465					8,410,465
Home elevation loan program	2,500,000					2,500,000
Proceeds from real estate auctions	14,136					14,136
Maintenance of driving range	152,114					152,114
Youth Violence Initiative	490,302					490,302
EDA grants program	29,750					29,750

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

	General	Economic Development	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
Buckroe demolition services		86,274				86,274
Kecoughtan Corridor projects		105,000				105,000
Coliseum area sewer study		100,729				100,729
National Institute of Aerospace support		938,748				938,748
Job creation grants		1,214,500				1,214,500
Streets & Infrastructure projects		77,321		3,927,655		4,004,976
Waterways projects	1,597,047	55,000		1,997,125		3,649,172
Buckroe redevelopment projects				838,555		838,555
Va Air & Space Museum support/improvements	1,614			397,049		398,663
Coliseum Central projects				3,758,805		3,758,805
Court buildings projects				7,224,625		7,224,625
Downtown strategic projects				1,575,228		1,575,228
Facilities maintenance projects				2,227,910		2,227,910
Fire and Rescue projects				71,336		71,336
For FY16 Capital Projects				25,753,200		25,753,200
Human Resources software				63,525		63,525
North King Street Corridor projects				50,390		50,390
Neighborhood improvement projects				4,061,101		4,061,101
Parks improvement projects				1,279,668		1,279,668
Police and E911 equipment Property				114,184		114,184
acquisition/redevelopment				2,189,479		2,189,479
School projects				7,562,710		7,562,710
Transportation projects				855,808		855,808
Other				9,095		9,095
Assigned:						
Donations for parks projects	2,117					2,117
Subsequent year expense	2,750,000					2,750,000
Economic development projects		2,859,291				2,859,291
Transportation projects	324,956					324,956
Fire and Rescue operations	411,049					411,049
Donations for History Museum	1,031					1,031
Donations for general operations	39,125					39,125
Police Department equipment and supplies	484,439					484,439
Debt service			436,030			436,030
Traffic Engineering equipment and supplies	166,238					166,238
Social Services equipment and supplies	247,093					247,093
Information Technology equipment and supplies	242,951					242,951
Youth, Education and Family Services equipment and supplies	91,541					91,541
City Sheriff equipment and supplies	53,478					53,478
Drainage Maintenance equipment and supplies	49,033					49,033

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES , continued:

	General	Economic Development	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
Recreation equipment and supplies	41,866					41,866
Unappropriated bond interest income- general capital projects				1,872,930		1,872,930
Other	331,809			167,987	84,872	584,668
Unassigned	52,111,923					52,111,923
Total Fund Balances	<u>\$ 93,318,193</u>	<u>\$ 6,288,361</u>	<u>\$ 516,318</u>	<u>\$ 67,453,184</u>	<u>\$ 11,805,528</u>	<u>\$ 179,381,584</u>

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES , continued:

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

The net position(deficit) at June 30, 2015 in the Enterprise Funds are as follows:

	Primary Government	Discretely Presented Component Units
Wastewater Management	\$ 52,882,983	\$
The Hamptons Golf Course	(3,404,525)	
Virginia Air & Space Museum	12,825,712	
Hampton Roads Convention Center	5,016,732	
Non-Major Enterprise:		
Hampton Coliseum	8,584,979	
The Woodlands Golf Course	383,585	
Solid Waste	4,578,379	
Refuse-Steam Plant	3,227,840	
Component Units:		
School Board		(205,953,010)
Economic Development Authority		26,825,453
Coliseum Central Business Improvement District, Inc.		1,271,008
Downtown Hampton Development Partnership, Inc.		918,532

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

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

Internal Service:		
Equipment Replacement		\$ 18,275,753
Fleet Management		(799,324)
Risk Management		7,231,388
Information Technology		832,690

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 Component Unit 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.

Compensated Absences

It is the City's policy to permit employees to accumulate a limited amount of earned but unused annual and sick leave

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES , continued:

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, 2015 has been reported in the government-wide statements, representing the City's commitment to fund such costs from future operations. Proprietary fund types accrue annual and sick leave benefits in the period they are earned. Such benefits are included in accounts payable and other liabilities in the government-wide statements. In prior years, the General, Federal Grants, Community Development and Stormwater Management Funds have been used to liquidate the liability for compensated absences.

The accounts of the City are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts, which comprise each fund's assets, liabilities, 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 of Hampton Public Schools and debt service requirements of the City. Expenditures include, among other things, those for general government, public safety, highways and streets, culture and recreation, health and human services.

Debt Service Fund

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

Capital Projects Fund

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

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

2. BASIS OF PRESENTATION - FUND ACCOUNTING , continued:

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.

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, mailing and telecommunications services.

Fiduciary Funds

Fiduciary Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals,

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

2. BASIS OF PRESENTATION - FUND ACCOUNTING , continued:

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

3. INTERFUND BALANCES:

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

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

Interfund Receivables and Payables:

<u>Primary Government:</u>	<u>Due From</u>	<u>Due To</u>
General Fund	\$ 9,937,252	\$ 3,785,031
Capital Projects	3,038,605	2,916,762
Non-Major Governmental Funds	424,578	952,477
Proprietary Funds:		
Wastewater Management	3,606	
The Hamptons	80	3,290,054
Museum		854,525
Convention Center	182,305	
Non-Major Enterprise Funds		1,851,081
Internal Service Funds	65,430	1,926
Total Primary Government	<u>\$ 13,651,856</u>	<u>\$ 13,651,856</u>

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

3. INTERFUND BALANCES , continued:

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	\$	\$ 7,187	\$ 1,777	\$
Primary Government - Economic Development			200,000	
Primary Government - Non-major Enterprise Funds			19,819	
Primary Government - Internal Service Funds			183,158	
Component Unit - School Board Operating Fund	7,187			204,734
Component Unit - EDA				200,020
Total	<u>\$ 7,187</u>	<u>\$ 7,187</u>	<u>\$ 404,754</u>	<u>\$ 404,754</u>

Individual fund interfund transfers for the primary government were made for operating as well as capital purposes. Interfund transfers for the year ended June 30, 2015 are as follows:

<u>Primary Government:</u>	<u>Transfer From</u>	<u>Transfer To</u>
General Fund	\$ 117,340	\$ 57,133,811
Special Revenue:		
Economic Development		2,250
Debt Service	33,799,820	
Capital Projects	14,098,702	668,596
Non-Major Governmental Funds	2,273,130	1,590,414
Proprietary Funds:		
The Hamptons	430,000	
Museum	668,596	
Convention Center	7,243,656	
Non-Major Enterprise Funds	763,827	
Total Primary Government	<u>\$ 59,395,071</u>	<u>\$ 59,395,071</u>

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

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	\$	\$ 72,496,559	\$	\$
Primary Government - Economic Development		245,000		
Component Unit - School Board Operating Fund	71,112,223			
Component Unit - EDA	964,458			
Component Unit - Coliseum BID	505,806			
Component Unit - Downtown Hampton	159,072			
Total	<u>\$72,741,559</u>	<u>\$ 72,741,559</u>	<u>\$</u>	<u>\$</u>

4. DEPOSITS AND INVESTMENTS:

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

Deposits

On June 30, 2015 the carrying value of the City’s deposits was \$23,551,375 and the bank balance was \$9,940,717. All of the bank balances are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the “Act”) Section 2.2-4400 et. seq. of the Code of Virginia. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial institutions may choose between two collateralization methodologies and depending upon that choice will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. The Commonwealth of Virginia Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and notifying local governments of compliance by financial institutions. All deposits are considered fully collateralized.

Investments

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

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

HERS Investments

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

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

4. DEPOSITS AND INVESTMENTS , continued:

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 Code of Hampton, 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 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 unless 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 Virginia State Non-Arbitrage Program (VaSNAP), 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.

U. S. Government Securities

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

Custodial Credit Risk

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

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

4. DEPOSITS AND INVESTMENTS , continued:

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, 2015

4. DEPOSITS AND INVESTMENTS , continued:

As of June 30, 2015, 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	\$ 9,991,828	A-1 + P-1	\$ 9,991,828	\$
U.S. Government securities	27,320,313	AAA		27,320,313
State Local Government Investment Pool-City	120,000,000	AAAm	120,000,000	
State Non-Arbitrage Fund-City	67,619,510	AAAm	67,619,510	
Mutual and Money Market Funds	<u>900,419</u>	Unrated	<u>900,419</u>	
Total Investments Controlled by City	225,832,070		198,511,757	27,320,313
Pension Plan Investments	<u>130,123,251</u>	Unrated	<u>130,123,251</u>	
Total	<u>355,955,321</u>		<u>\$ 328,635,008</u>	<u>\$ 27,320,313</u>
Reconciliation to Total Cash and Investments:				
Add:				
Cash on Hand and in Banks-City	21,740,543			
Cash With Fiscal Agent	<u>1,810,832</u>			
Total Deposits and Investments Primary Government and Fiduciary Funds per Exhibits A-1 and A-9	<u>\$ 379,506,696</u>			

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

4. DEPOSITS AND INVESTMENTS , continued:

Component Unit - School Board

	Investment Maturities (in years)	
	Fair Value	Less than 1 year
Repurchase Agreements	\$ 1,600,000	\$ 1,600,000
Mutual and Money Market Funds	19,968	19,968
Total Investments School Board	<u>\$ 1,619,968</u>	<u>\$ 1,619,968</u>

Other Component Units

	Investment Maturities (in years)	
	Fair Value	Less than 1 year
Stock	\$ 278	\$ 278
Mutual and Money Market Funds	1,466,921	1,466,921
Total Investments Other Component Units	<u>\$ 1,467,199</u>	<u>\$ 1,467,199</u>

Reconciliation of total deposits and investments to the government-wide statements at June 30, 2015;

<u>Primary Government</u>	Governmental Activities	Business Type Activities	Fiduciary Responsibilities	Total
Cash Deposits-City	\$ 12,057,570	\$ 9,450,405	\$ 232,568	\$ 21,740,543
Cash With Fiscal Agent-City	230,868	1,579,964		1,810,832
Mutual and Money Market Funds		767,961		767,961
Investments-City	195,612,749	28,951,360	130,623,251	355,187,360
Total Primary Government	<u>\$ 207,901,187</u>	<u>\$ 40,749,690</u>	<u>\$ 130,855,819</u>	<u>\$ 379,506,696</u>
<u>Component Unit - School Board</u>				
Cash Deposits	\$ 11,450,529	\$	\$	\$ 11,450,529
Cash With Fiscal Agent	10,296,535			10,296,535
Investments	1,619,968			1,619,968
Total Component Unit School Board	<u>\$ 23,367,032</u>	<u>\$</u>	<u>\$</u>	<u>\$ 23,367,032</u>
<u>Other Component Units</u>				
Cash Deposits	\$	\$ 2,834,151	\$	\$ 2,834,151
Cash With Fiscal Agent		1,684,298		1,684,298
Investments		1,467,199		1,467,199
Total Other Component Units	<u>\$</u>	<u>\$ 5,985,648</u>	<u>\$</u>	<u>\$ 5,985,648</u>

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

5. ACCOUNTS RECEIVABLE:

Accounts receivable at June 30, 2015 in the Governmental Funds are as follows:

	<u>General Fund</u>	<u>Special Revenue- Economic Development</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>
Primary Government:					
General property taxes (net of allowance for uncollectible taxes of \$1,433,622)	\$ 9,418,807	\$	\$	\$	\$
Due from Commonwealth of Virginia	9,660,993			5,621,018	1,596,612
Due from Federal Government	698,646				1,262,713
Other	1,141,836	7,005	87		936,622
Total Primary Government	<u>\$ 20,920,282</u>	<u>\$ 7,005</u>	<u>\$ 87</u>	<u>\$ 5,621,018</u>	<u>\$ 3,795,947</u>
 <u>Discretely Presented Component Unit - School Board:</u>					
Due from Commonwealth of Virginia		\$ 6,381,490			
Due from federal government		724,318			
Total Component Unit		<u>\$ 7,105,808</u>			

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

6. CAPITAL ASSETS:

Capital asset activity for the year ended June 30, 2015 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 519,889,629	\$ 4,423,213	\$ (1,416,023)	\$ 522,896,819
Easements	778,071	562,541		1,340,612
Construction in progress	32,941,218	18,093,460	(405,509)	50,629,169
Total capital assets not being depreciated	<u>553,608,918</u>	<u>23,079,214</u>	<u>(1,821,532)</u>	<u>574,866,600</u>
Capital assets being depreciated:				
Buildings	168,815,882			168,815,882
Improvements	70,571,456	1,351,523		71,922,979
Computer Software	1,323,117	99,269	(100,700)	1,321,686
Machinery & Equipment	81,555,642	5,809,026	(5,931,912)	81,432,756
Infrastructure	181,884,159	147,226		182,031,385
Other Assets	4,218,300			4,218,300
Total capital assets being depreciated	<u>508,368,556</u>	<u>7,407,044</u>	<u>(6,032,612)</u>	<u>509,742,988</u>
Less accumulated depreciation for:				
Buildings	(44,888,571)	(3,795,484)		(48,684,055)
Improvements	(44,788,815)	(2,705,160)		(47,493,975)
Computer Software	(871,964)	(206,116)	100,700	(977,380)
Machinery & Equipment	(43,742,227)	(5,549,114)	5,664,936	(43,626,405)
Infrastructure	(56,622,025)	(7,734,561)		(64,356,586)
Other Assets	(1,021,958)	(210,925)		(1,232,883)
Total accumulated depreciation	<u>(191,935,560)</u>	<u>(20,201,360)</u>	<u>5,765,636</u>	<u>(206,371,284)</u>
Total capital assets being depreciated, net	<u>316,432,996</u>	<u>(12,794,316)</u>	<u>(266,976)</u>	<u>303,371,704</u>
Governmental activities capital assets, net	<u>\$ 870,041,914</u>	<u>\$ 10,284,898</u>	<u>\$ (2,088,508)</u>	<u>\$ 878,238,304</u>

Primary Government:

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

General capital assets	\$ 859,409,349
Internal service funds	18,828,955
	<u>\$ 878,238,304</u>

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

6. CAPITAL ASSETS , continued:

	Beginning Balance	Additions	Reductions	Ending Balance
Business-type Activities:				
Capital assets not being depreciated:				
Land	\$ 10,804,241			\$ 10,804,241
Easements	28,943			28,943
Construction in progress	1,706,473	2,446,625	(441,485)	3,711,613
Total capital assets not being depreciated	<u>12,539,657</u>	<u>2,446,625</u>	<u>(441,485)</u>	<u>14,544,797</u>
Capital assets being depreciated:				
Buildings	137,761,927	1,022,575		138,784,502
Improvements	36,446,349	329,010	(1,790,838)	34,984,521
Computer Software	118,034	225,843		343,877
Machinery & Equipment	26,732,442	677,029	(1,681,650)	25,727,821
Exhibits	14,413,321	18,945		14,432,266
Landfill	3,865,986			3,865,986
Infrastructure	66,909,297	250,841		67,160,138
Total capital assets being depreciated	<u>286,247,356</u>	<u>2,524,243</u>	<u>(3,472,488)</u>	<u>285,299,111</u>
Less accumulated depreciation for:				
Buildings	(55,542,435)	(3,695,598)		(59,238,033)
Improvements	(23,557,287)	(1,057,991)	1,601,342	(23,013,936)
Computer Software	(69,136)	(47,532)		(116,668)
Machinery & Equipment	(18,240,278)	(2,002,977)	1,510,519	(18,732,736)
Exhibits	(13,904,023)	(80,941)		(13,984,964)
Landfill	(3,656,014)	(2,716)		(3,658,730)
Infrastructure	(27,500,763)	(1,034,276)		(28,535,039)
Total accumulated depreciation	<u>(142,469,936)</u>	<u>(7,922,031)</u>	<u>3,111,861</u>	<u>(147,280,106)</u>
Total capital assets being depreciated, net	<u>143,777,420</u>	<u>(5,397,788)</u>	<u>(360,627)</u>	<u>138,019,005</u>
Business-type activities capital assets, net	<u>\$ 156,317,077</u>	<u>\$ (2,951,163)</u>	<u>\$ (802,112)</u>	<u>\$ 152,563,802</u>

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

	General Capital Assets	Internal Service Funds	Total
Governmental activities			
General government	\$ 3,363,598	\$ 2,097,627	\$ 5,461,225
Health	789,680		789,680
Public welfare	82,646		82,646
Public safety	3,298,029		3,298,029
Streets and highways	6,260,295		6,260,295
Culture and recreation	383,404		383,404
Education	3,926,081		3,926,081
Total depreciation expense - governmental activities	<u>\$ 18,103,733</u>	<u>\$ 2,097,627</u>	<u>\$ 20,201,360</u>
Business - type activities:			
Culture and recreation	\$ 4,471,736		
Sanitation	3,450,295		
Total depreciation expense - business-type activities	<u>\$ 7,922,031</u>		*

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

6. CAPITAL ASSETS , continued:

*Depreciation expense in the amount of \$483,880 was capitalized as part of self-constructed assets in the Wastewater Management Fund.

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

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Buildings	\$	\$ 2,064,368
Improvements	157,589	
Computer Software	171,225	
Machinery and equipment	23,281,857	182,487
Less accumulated depreciation	<u>(5,176,193)</u>	<u>(2,221,409)</u>
Capital assets, net	<u>\$ 18,434,478</u>	<u>\$ 25,446</u>

No equipment was acquired through a capital lease during fiscal year ended June 30, 2015. Depreciation expense on the leased assets totaled \$2,070,197 for the fiscal year ended June 30, 2015.

Discretely Presented Component Units

School Board:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 5,111,045	\$	\$	\$ 5,111,045
Total capital assets not being depreciated:	<u>5,111,045</u>			<u>5,111,045</u>
Capital assets being depreciated:				
Buildings	48,962,686			48,962,686
Improvements	310,100			310,100
Machinery & Equipment	41,549,304	1,895,353	(1,058,778)	42,385,879
Total capital assets being depreciated	<u>90,822,090</u>	<u>1,895,353</u>	<u>(1,058,778)</u>	<u>91,658,665</u>
Less accumulated depreciation for:				
Buildings	(48,508,633)	(315,930)		(48,824,563)
Improvements	(197,689)	(15,505)		(213,194)
Machinery & Equipment	(34,265,361)	(2,052,168)	1,047,340	(35,270,189)
Total accumulated depreciation	<u>(82,971,683)</u>	<u>(2,383,603)</u>	<u>1,047,340</u>	<u>(84,307,946)</u>
Total capital assets being depreciated, net	<u>7,850,407</u>	<u>(488,250)</u>	<u>(11,438)</u>	<u>7,350,719</u>
School Board capital assets, net	<u>\$ 12,961,452</u>	<u>\$ (488,250)</u>	<u>\$ (11,438)</u>	<u>\$ 12,461,764</u>

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

6. CAPITAL ASSETS , continued:

Economic Development Authority:

	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets not being depreciated:				
Land	\$ 15,802,769	\$ -	\$ -	\$ 15,802,769
Total capital assets not being depreciated	<u>15,802,769</u>			<u>15,802,769</u>
Capital assets being depreciated:				
Infrastructure	2,049,350			2,049,350
Total capital assets being depreciated	<u>2,049,350</u>			<u>2,049,350</u>
Less accumulated depreciation for:				
Infrastructure	(1,066,147)	(102,468)		(1,168,615)
Total accumulated depreciation	<u>(1,066,147)</u>	<u>(102,468)</u>		<u>(1,168,615)</u>
Total capital assets being depreciated, net	<u>983,203</u>	<u>(102,468)</u>		<u>880,735</u>
Economic Development Authority capital assets, net	<u>\$ 16,785,972</u>	<u>\$ (102,468)</u>	<u>\$ -</u>	<u>\$ 16,683,504</u>

Downtown Hampton Development Partnership, Inc:

	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets being depreciated:				
Improvements	\$ 437,867	\$ -	\$ -	\$ 437,867
Computer Software		9,000		9,000
Machinery & Equipment	122,401	28,919	(54,378)	96,942
Total capital assets being depreciated	<u>560,268</u>	<u>37,919</u>	<u>(54,378)</u>	<u>543,809</u>
Less accumulated depreciation	<u>(260,406)</u>	<u>(28,948)</u>	<u>54,378</u>	<u>(234,976)</u>
Downtown Hampton Development Partnership capital assets, net	<u>\$ 299,862</u>	<u>\$ 8,971</u>	<u>\$ -</u>	<u>\$ 308,833</u>

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

6. CAPITAL ASSETS , continued:

Coliseum Central Business Improvement District, Inc:

	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets being depreciated:				
Computer Software	\$ 9,969	\$	\$ (5,389)	\$ 4,580
Machinery & Equipment	140,509	6,850		147,359
Total capital assets being depreciated	150,478	6,850	(5,389)	151,939
Less accumulated depreciation	(104,761)	(14,658)		(119,419)
Coliseum Central Business Improvement District capital assets, net	\$ 45,717	\$ (7,808)	\$ (5,389)	\$ 32,520

Construction in Progress

Several capital projects were in various stages of completion on June 30, 2015. 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, 2015, construction in progress by project was comprised as follows:

	Project Authorization	Expended to June 30, 2015
<u>Governmental Activities</u>		
Infrastructure	\$ 69,690,279	\$ 29,911,646
Construction and renovation	24,970,464	20,295,608
Computer Hardware and Software	909,645	421,914
	\$ 95,570,388	\$ 50,629,168
<u>Business-type Activities</u>		
Wastewater Management - Sewer Projects	\$ 3,063,889	\$ 1,329,734
Museum-Building and Lighting Renovations	2,846,000	943,108
Steam Plant- Boiler Retubung Project	2,200,000	1,438,771
	\$ 8,109,889	\$ 3,711,613

7. BUDGETARY - GAAP REPORTING RECONCILIATION:

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

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

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, 2015:

	Beginning Balance, as Restated	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds payable:					
Serial bonds	\$ 253,682,053	\$103,020,000	\$ (86,472,483)	\$ 270,229,570	\$ 22,336,163
Unamortized premium and discount	18,479,452	21,684,114	(4,332,518)	35,831,048	2,862,706
Capital leases	9,786,302		(1,496,209)	8,290,093	1,529,344
Capital leases - Internal Service Funds	4,587,581		(983,761)	3,603,820	884,513
Compensated absences	6,995,409	4,638,130	(4,024,694)	7,608,845	4,024,693
Compensated absences-Internal Service Funds	160,380	60,623	(61,368)	159,635	61,368
Claims and judgements-Internal Service Funds	2,153,808	10,228,672	(1,714,277)	10,668,203	8,891,525
Net OPEB obligation-Internal Service Funds	1,540,461	944,192	(72,719)	2,411,934	
Net pension liability-Internal Service Funds	2,728,323		(532,528)	2,195,795	
Net OPEB obligation	36,908,428	6,036,241	(2,848,524)	40,096,145	
Net pension liability	155,744,742	53,084	(28,140,563)	127,657,263	
		<u>53,084</u>	<u>(28,140,563)</u>	<u>127,657,263</u>	
Governmental activities long-term liabilities	<u>\$ 492,766,939</u>	<u>\$146,665,056</u>	<u>\$(130,679,644)</u>	<u>\$ 508,752,351</u>	<u>\$ 40,590,312</u>

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

Balances at June 30, 2015

Long-term liabilities (detail above)	\$ 508,752,351
Less debt - Internal Service Fund	<u>(19,039,387)</u>
Combined adjustment	<u>\$ 489,712,964</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, 2015 and reflected the liability, if any, in the governmental activities column of the Statement of Net Position.

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

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-type Activities:					
Bonds payable:					
Revenue bonds	\$ 83,965,000	\$	\$ (2,325,000)	\$ 81,640,000	\$ 2,435,000
Serial bonds	3,962,947		(352,517)	3,610,430	373,837
Unamortized premium and discount	10,958,257		(636,240)	10,322,017	636,240
Total bonds payable	98,886,204		(3,313,757)	95,572,447	3,445,077
Capital leases	211,488		(211,488)		
Net pension liability	14,343,633		(2,401,572)	11,942,061	
Compensated absences	843,754	307,118	(354,742)	796,130	354,743
	<u>\$ 114,285,079</u>	<u>\$ 307,118</u>	<u>\$ (6,281,559)</u>	<u>\$ 108,310,638</u>	<u>\$ 3,799,820</u>
Business-type activities long-term liabilities					
Component Units:					
School Board:					
Compensated absences	\$ 6,774,983	\$ 1,588,379	\$ (2,247,721)	\$ 6,115,641	\$ 2,250,000
Capital leases	332,953		(120,158)	212,795	123,000
Net OPEB obligation	9,640,643	509,086		10,149,729	
Net pension liability	229,754,863		(25,664,059)	204,090,804	
	<u>\$ 246,503,442</u>	<u>\$ 2,097,465</u>	<u>\$ (28,031,938)</u>	<u>\$ 220,568,969</u>	<u>\$ 2,373,000</u>
Total School Board					
Economic Development Authority:					
Revenue bonds payable	<u>\$ 5,667,478</u>	<u>\$</u>	<u>\$ (645,586)</u>	<u>\$ 5,021,892</u>	<u>\$ 686,603</u>

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, 2015, \$94,565,000 of bonds outstanding are considered defeased.

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

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>
2016	\$ 2,435,000	\$ 4,035,929
2017	2,555,000	3,917,435
2018	2,680,000	3,791,388
2019	2,815,000	3,656,104
2020	2,960,000	3,511,919
2021-2025	17,215,000	15,136,636
2026-2030	22,165,000	10,242,586
2031-2035	28,815,000	3,776,941
	<u>\$ 81,640,000</u>	<u>\$ 48,068,938</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.

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

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

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

General Obligation Bonds		
Year	Principal	Interest
2016	\$ 373,837	\$ 177,545
2017	391,848	159,692
2018	411,834	140,099
2019	431,976	119,507
2020	453,936	97,908
2021-2025	1,394,491	186,985
2026	152,508	7,053
	\$ 3,610,430	\$ 888,789

Discretely Presented Component Unit-EDA:

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

Details at June 30, 2015 are as follows:

	2002 Revenue Bonds
	<u>Tax-Exempt</u>
Outstanding Debt	\$ 5,021,892
Interest	6.17%
Years of maturity	2016- 2022

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

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

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

<u>Year</u>	<u>Revenue Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2016	\$ 686,603	\$ 303,456
2017	729,460	260,599
2018	776,573	213,486
2019	825,913	164,146
2020	878,387	111,672
2021-2022	1,124,956	61,986
	<u>\$ 5,021,892</u>	<u>\$ 1,115,345</u>

Discretely Presented Component Unit-School Board:

On February 8, 2013, the School Board entered into a master maintenance and sales lease agreement with Ricoh Business Solutions. The lease is payable in monthly installments of \$4,190 at an interest rate of 4.1%. At June 30, 2015 the outstanding balance on the lease is \$83,808.

On March 27, 2013, the School Board entered into a master lease purchase agreement with Wells Fargo to purchase forty-nine copiers. The lease is payable in monthly installments of \$6,361 at an interest rate of 3.85%. At June 30, 2015 the outstanding balance on the lease is \$128,987.

Internal Service Funds:

The City is self-insured for workmen's compensation benefits and general liability insurance claims. At June 30, 2015, the liability for existing claims amounted to \$10,668,203. Workmen's compensation benefit claims are payable weekly or monthly through 2023.

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 18 quarterly remaining equal installments of \$16,899 at an interest rate of 4.52%. At June 30, 2015 the outstanding balance on the lease is \$273,853. 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 16 quarterly equal installments of \$216,134 at an interest rate of 2.24%. At June 30, 2015 the outstanding balance on the lease is \$3,298,922.

Fleet Services Fund:

On December 7, 2010, the City entered into a lease purchase agreement with SunTrust Equipment Finance and Leasing Corporation to purchase a fuel maintenance system. The lease is payable in quarterly installments of \$19,836 at an interest rate of 2.75%. At June 30, 2015 the outstanding balance on the lease is \$31,045.

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

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

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

<u>Year</u>	<u>Accrued</u>	<u>Capital Lease</u>		
	<u>Insurance</u>	<u>Year</u>	<u>Principal</u>	<u>Interest</u>
	<u>Claims</u>			
2016	\$ 8,891,525	2016	\$ 884,513	\$ 78,986
2017	386,096	2017	874,060	58,072
2018	340,151	2018	895,178	36,955
2019	315,286	2019	916,835	15,300
2020	255,902	2020	33,234	555
2021-2024	479,243	2021		
	<u>\$ 10,668,203</u>		<u>\$ 3,603,820</u>	<u>\$189,868</u>

General Long-Term Debt:

Details of general obligation bonds and loans reported in the government-wide statements at June 30, 2015 are as follows:

General Obligation Bonds Outstanding	\$270,229,570
Coupon interest rate	2.0% to 5.63%
Years of maturity	2016-2035

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>
2016	\$ 22,336,163	\$ 11,150,268
2017	21,738,152	10,959,076
2018	21,973,166	10,181,521
2019	19,943,024	9,272,941
2020	19,976,064	8,537,844
2021-2025	85,345,509	29,311,481
2026-2030	56,727,492	9,564,635
2031-2035	22,190,000	2,053,450
	<u>\$270,229,570</u>	<u>\$ 91,031,216</u>

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-

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

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

annually on each March 1 and September 1.

The net proceeds from the 2015B refunding bonds of \$70,150,935 (net of underwriter's discount and issuance costs of \$524,501) were deposited with Regions Bank, Richmond, Virginia (Trustee), under a refunding trust agreement dated as of April 23, 2015. The Trustee used such proceeds to purchase direct, non-callable obligations of U.S. Treasury including state and local government series (collectively, government obligations). The government obligations will mature and bear interest at times and in amounts sufficient to pay debt service requirements on the refunded bonds until their redemption date.

This transaction is in substance a defeasance of debt and, accordingly, the refunded bonds (of which \$63,320,000 remain outstanding at June 30, 2015) have been removed from the financial statements and the government obligations will not be recorded in the financial statements.

As a result of the refunding, the City will reduce its total debt service costs by approximately \$5,587,463 for a net present value savings of \$5,527,350. The present value savings represents approximately 8.73% of the refunded bonds. In the government-wide statements this transaction resulted in an economic loss of \$3,823,766.

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

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

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

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

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

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

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

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

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, 2015, \$173,770,000 of bonds outstanding are considered defeased.

Capital Leases:

On February 27, 2009, the City entered into an equipment lease/purchase agreement with Motorola, Inc. for \$14,506,267 for the purpose of upgrading and replacing the existing radio system of the city and to provide infrastructure site improvements to the City 911 Center and three transmit/receive sites. The lease is to be repaid in 5 remaining equal yearly installments of \$1,864,288 at an interest rate of 4.04%. The first payment was due on March 2011 and the final payment is due March 1, 2020.

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

Capital Leases		
<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 1,529,344	\$ 334,945
2017	1,591,134	273,155
2018	1,655,420	208,868
2019	1,722,304	141,984
2020	1,791,891	72,391
	<u>\$ 8,290,093</u>	<u>\$ 1,031,343</u>

Debt Limit:

The Commonwealth of Virginia imposes a legal limit of 10% of assessed valuation on the amount of general obligation borrowings which may be issued by the City. As of June 30, 2015 the City's aggregate general obligation indebtedness was \$273,840,000 which is \$744,399,430 less than the State limit.

Overlapping Debt:

There are no overlapping or underlying tax jurisdictions.

9. DEFINED BENEFIT PENSION PLANS:

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

The City of Hampton's aggregate totals reported for all pension plans were as follows: \$141,924,862 net pension liabilities, \$470,997,255 pension assets, \$26,724,207 deferred outflows of resources, \$24,946,005 deferred inflows of

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

9. DEFINED BENEFIT PENSION PLANS , continued:

resources and \$12,803,672 pension expense.

Plan Description - HERS:

HERS is a single employer public employee defined benefit pension plan established and administered by the City of Hampton to augment the retirement benefits provided to full-time permanent City and School Board employees under the Virginia Retirement System (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 Code of the City of Hampton, Virginia. All full-time permanent employees of the City of Hampton and Component Unit - 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 of Hampton'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.

Employees Covered by Benefit Terms - HERS:

As of the June 30, 2015, the following employees were covered by the benefit terms of the pension plan :

	<u>Number</u>
Inactive members or their beneficiaries	
currently receiving benefits	2,602
Vested inactive members	446
Active members	<u>96</u>
Total	<u><u>3,144</u></u>

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

9. DEFINED BENEFIT PENSION PLANS , continued:

Contributions - HERS:

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

Net Pension Liability - HERS:

The City of Hampton's and Component Unit - School Board's net pension liability was measured as of June 30, 2015, 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, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.50%
Salary increases	5% per annum for all members of the plan
Investment rate of return	7.50%, net of investment expenses, annually

Mortality rates were based on the RP-2000 Combined Annuitant and Non-Annuitant Health Mortality Table projected with Scale AA to 2010. The actuarial assumptions used for the June 30, 2015 valuation were based on the results of an experience study for the period July 1, 2005 through June 30, 2009.

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity- Large	44%	7.20%
U.S. Equity-Small and Mid	9%	8.90%
International Equity	10%	7.40%
Fixed Income	37%	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 of Hampton and Component Unit - School Board will continue the historical and legally required practice of contributing to the plan based on an actuarially determined

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

9. DEFINED BENEFIT PENSION PLANS , continued:

contribution, reflecting a payment equal to the normal cost plus an amount necessary to amortize the remaining unfunded actuarial liability as a level dollar amount over a closed 10 years, 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 (b)	Net Pension Liability (a)-(b)
Balances at June 30, 2014	\$ 170,762,707	\$ 133,261,624	\$ 37,501,083
Changes for the year:			
Service cost	112,348		112,348
Interest	12,183,886		12,183,886
Differences between expected and actual experience	(425,331)		(425,331)
Contributions-employer		8,880,839	(8,880,839)
Net investment income		5,361,684	(5,361,684)
Benefit payments, including refunds of employee contributions	(17,040,172)	(17,040,172)	
Administrative expense		(299,195)	299,195
Net Changes	(5,169,269)	(3,096,844)	(2,072,425)
Balances at June 30, 2015	\$ 165,593,438	\$ 130,164,780	\$ 35,428,658

At June 30, 2015, the City of Hampton and Component Unit - School reported a net pension liability of \$17,205,928 and \$18,222,730, respectively.

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

9. DEFINED BENEFIT PENSION PLANS , continued:

Sensitivity of the net pension liability to changes in the discount rate - The following presents the net pension liability of the City of Hampton and Component Unit- School Board, calculated using the discount rate of 7.50%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Net pension liability	\$ 47,696,503	\$ 35,428,658	\$ 24,651,173

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 of Resources and Deferred Inflows of Resources Related to Pensions - HERS

For the year ended June 30, 2015, the City of Hampton and Component Unit-School Board recognized pension expense of \$1,828,011 and \$1,523,221, respectively. At June 30, 2015, the City of Hampton and Component Unit - School Board reported deferred outflows of resources related to pensions from the following sources:

	City of Hampton	Component Unit- School Board
	Deferred Outflows of Resources	Deferred Outflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 1,678,980	\$ 1,778,202
Total	\$ 1,678,980	\$ 1,778,202

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

	City of Hampton	Component Unit- School Board
Year ended June 30:		
2016	\$ 419,745	\$ 444,550
2017	419,745	444,550
2018	419,745	444,550
2019	419,745	444,552

Pension Plan Fiduciary Net Position - HERS

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

9. DEFINED BENEFIT PENSION PLANS , continued:

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

Plan Description - VRS:

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

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 Component Unit - 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, 2015

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. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</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. Employees are eligible for 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>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, 2015

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.</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>
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CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

9. DEFINED BENEFIT PENSION PLANS , continued:

<p>Retirement Contributions Employees contribute up to 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some school divisions and political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016. 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. Some school divisions and political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016.</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>
<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>

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

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, 2015

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 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 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> 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
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

9. DEFINED BENEFIT PENSION PLANS , continued:

<p>Normal Retirement Age : Age 65.</p> <p>Political subdivisions hazardous duty employees: Age 60.</p>	<p>Normal Retirement Age: 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> 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 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 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> 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 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 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> Age members may retire with a reduced benefit as early as 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
June 30, 2015

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 	<p>Cost-of-Living Adjustment (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>Cost-of-Living Adjustment (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
June 30, 2015

9. DEFINED BENEFIT PENSION PLANS , continued:

<p>into effect on July 1 following one 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:</p> <ul style="list-style-type: none"> • Hybrid Retirement Plan members are ineligible for ported service. • The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation. • Plan members have one year from the date of hire or return from their leave to purchase all but refunded prior service at approximate normal cost. After that period, the rate for most categories of service will change to actuarial cost <p><u>Defined Contribution Component:</u> Not applicable.</p>

Employees Covered by Benefit Terms - VRS Retirement Plan

As of the June 30, 2013 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

9. DEFINED BENEFIT PENSION PLANS , continued:

	Number	
	City of Hampton	Component Unit- School Board Nonprofessional Employees
Inactive members or their beneficiaries currently receiving benefits	1,399	245
Inactive members:		
Vested inactive members	329	25
Non-vested inactive members	687	111
Inactive members active elsewhere in VRS	540	49
Total inactive members	1,556	185
Active members	1,870	349
Total covered employees	4,825	779

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, 2015 was 14.50% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013. The actuarial rate for the Teacher Retirement Plan was 18.20%. 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. Based on the provisions of Title 51.1-145 of the *Code of Virginia*, as amended, the contributions were funded at 79.69% of the actuarial rate for the year ended June 30, 2015. Contributions to the Teacher Retirement Plan from the school division were \$15,356,866 and \$12,831,186 for the years ended June 30, 2015 and June 30, 2014, respectively.

For the VRS Retirement Plan, the City of Hampton's and and Component Unit - School Board's nonprofessional employees contractually required contribution rates for the year ended June 30, 2015 were 18.44% and 10.81% of covered employee compensation, respectively. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013. 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 of Hampton were \$15,816,817 and \$16,046,763 for the years ended June 30, 2015 and June 30, 2014, respectively. Contributions to the pension plan from the Component Unit -

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

9. DEFINED BENEFIT PENSION PLANS , continued:

School Board were \$411,361 and \$900,981 for the years ended June 30, 2015 and June 30, 2014, respectively.

Net Pension Liability - VRS Retirement Plan

The City of Hampton and Component Unit - School Board's nonprofessional employees net pension liabilities were measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2013, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

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

At June 30, 2015, the Component Unit - School Board reported a liability of \$181,847,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2014 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The Component Unit - School Board's proportion of the Net Pension Liability was based on the Component Unit - School Board's actuarially determined employer contributions to the pension plan for the year ended June 30, 2014 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2014, the Component Unit - School Board's proportion was 1.50% as compared to 1.48% at June 30, 2013.

For the year ended June 30, 2015, the Component Unit - School Board recognized pension expense of \$12,419,320. Since there was a change in proportionate share between June 30, 2013 and June 30, 2014, 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, 2015, the Component Unit - 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>
Net difference between projected and actual earnings on pension plan investments	\$	\$ 26,988,000
Changes in proportion and differences between Employer contributions and proportionate share of contributions	2,540,000	
Employer contributions subsequent to the measurement date	15,356,866	
	<u>\$ 17,896,866</u>	<u>\$ 26,988,000</u>

\$15,356,866 reported as deferred outflows of resources related to pensions resulting from the Component Unit - 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, 2016. 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	
2016	\$ (6,186,000)
2017	\$ (6,186,000)
2018	\$ (6,186,000)

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

9. DEFINED BENEFIT PENSION PLANS , continued:

Year ended June 30	
2019	\$ (6,186,000)
2020	\$ 296,000

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, 2013, 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, 2014.

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 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 pension liabilities.

Mortality rates:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 3 years and females were set back 5 years.

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females were set back 3 years.

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 1 year and no provision for future mortality improvement.

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

- Update mortality table
- Adjustments to the rates of service retirement

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

9. DEFINED BENEFIT PENSION PLANS , continued:

- Decrease in rates of withdrawals for 3 through 9 years of service
- Decrease in rates of disability
- Reduce rates of salary increase by 0.25% per year

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, 2013, 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, 2014.

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 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 pension liabilities.

Mortality rates: 14% of deaths are assumed to be service related

Largest 10 – Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females were set back 2 years.

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement.

All Others (Non 10 Largest) – Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females were set back 2 years.

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

9. DEFINED BENEFIT PENSION PLANS , continued:

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement.

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Actuarial Assumptions – VRS Retirement Plan Public Safety Employees

The total pension liability for Public Safety employees in the Political Subdivision Retirement Plan was based on an actuarial valuation as of June 30, 2013, 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, 2014.

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 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 pension liabilities.

Mortality rates: 60% of deaths are assumed to be service related.

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

9. DEFINED BENEFIT PENSION PLANS , continued:

Largest 10 - LEOS:

Pre-Retirement: RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years.

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement.

All Others (Non 10 Largest) - LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years.

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement.

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 2, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) - LEOS:

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

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:

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

9. DEFINED BENEFIT PENSION PLANS , continued:

<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>
U.S. Equity	19.50%	6.46	1.26%
Developed Non U.S. Equity	16.50%	6.28	1.04%
Emerging Market Equity	6.00%	10.00	0.60%
Fixed Income	15.00%	0.09	0.01%
Emerging Debt	3.00%	3.51	0.11%
Rate Sensitive Credit	4.50%	3.51	0.16%
Non Rate Sensitive Credit	4.50%	5.00	0.23%
Convertibles	3.00%	4.81	0.14%
Public Real Estate	2.25%	6.12	0.14%
Private Real Estate	12.75%	7.10	0.91%
Private Equity	12.00%	10.41	1.25%
Cash	1.00%	(1.50)	(0.02)%
Total	<u>100.00%</u>		<u>5.83%</u>
	Inflation		<u>2.50%</u>
* Expected arithmetic nominal return			<u>8.33%</u>

*Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%.

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 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, 2018, 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, 2018 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.

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

9. DEFINED BENEFIT PENSION PLANS , continued:

Changes in Net Pension Liability - VRS Retirement Plan City of Hampton

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at June 30, 2013	\$513,417,080	\$358,451,093	\$154,965,987
Changes for the year:			
Service cost	10,938,812		10,938,812
Interest	34,999,056		34,999,056
Contributions-employer		16,046,763	(16,046,763)
Contributions-employee		4,400,548	(4,400,548)
Net investment income		56,039,049	(56,039,049)
Benefit payments, including refunds of employee contributions	(26,861,136)	(26,861,136)	
Administrative expense		(304,392)	304,392
Other changes		2,953	(2,953)
Net changes	<u>19,076,732</u>	<u>49,323,785</u>	<u>(30,247,053)</u>
Balances at June 30, 2014	<u>\$532,493,812</u>	<u>\$407,774,878</u>	<u>\$124,718,934</u>

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

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, 2013	\$ 29,110,626	\$ 23,039,926	\$ 6,070,700
Changes for the year:			
Service cost	813,234		813,234
Interest	1,973,760		1,973,760
Contributions-employer		900,981	(900,981)
Contributions-employee		372,764	(372,764)
Net investment income		3,582,353	(3,582,353)
Benefit payments, including refunds of employee contributions	(1,828,117)	(1,828,117)	
Administrative expenses		(19,666)	19,666
Other changes		188	(188)
Net changes	<u>958,877</u>	<u>3,008,503</u>	<u>(2,049,626)</u>
Balances at June 30, 2014	<u>\$ 30,069,503</u>	<u>\$ 26,048,429</u>	<u>\$ 4,021,074</u>

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

The following presents the school division's proportionate share of the net pension liability using the discount rate of 7.00%, as well as what the school division'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	\$ 267,024,000	\$ 181,847,000	\$ 111,718,000

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 of Hampton and Component Unit - 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

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

9. DEFINED BENEFIT PENSION PLANS , continued:

(8.00%) than the current rate:

	<u>1.00% Decrease (6.00%)</u>	<u>Current Discount Rate (7%)</u>	<u>1.00% Increase (8%)</u>
City of Hampton Plan's Net Pension Liability	\$ 191,730,685	\$ 124,718,934	\$ 68,823,886
Component Unit-School Board Nonprofessional Employees Plan's Net Pension Liability	\$ 7,372,878	\$ 4,021,074	\$ 1,190,876

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions -
VRS Retirement Plan**

City of Hampton

For the year ended June 30, 2015, the City of Hampton recognized pension expense of \$10,975,661. At June 30, 2015, the City of Hampton 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>
Net difference between projected and actual earnings on pension plan investments	\$	\$ 24,946,005
Employer contributions subsequent to the measurement date	15,816,817	
Total	<u>\$ 15,816,817</u>	<u>\$ 24,946,005</u>

\$15,816,817 reported as deferred outflows of resources related to pensions resulting from the City of Hampton's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

9. DEFINED BENEFIT PENSION PLANS , continued:

Year ended June 30	
2016	\$ (6,236,501)
2017	(6,236,501)
2018	(6,236,501)
2019	(6,236,502)

Component Unit- School Board Nonprofessional Employees

For the year ended June 30, 2015, the Component Unit- School Board recognized pension expense of \$932,689. At June 30, 2015, the Component Unit- 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>
Net difference between projected and actual earnings on pension plan investments	\$	\$ 1,591,714
Employer contributions subsequent to the measurement date	411,361	
Total	<u>\$ 411,361</u>	<u>\$ 1,591,714</u>

\$411,361 reported as deferred outflows of resources related to pensions resulting from the Component Unit - 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, 2016. 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	
2016	\$ (397,929)
2017	(397,929)
2018	(397,929)
2019	(397,927)

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

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 2014 Comprehensive Annual Financial Report (CAFR). A copy of the 2014 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/PDF/Publications/2014-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, 2015, the City of Hampton reported a payable of \$1,232,988 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2015.

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 20%; Newport News, 200 prisoners or 22.86%; Norfolk, 250 prisoners or 28.57%; Portsmouth, 250 prisoners or 28.57%. The Authority shall make adjustments to the per diem charge as and when necessary to reconcile projected revenues and expenditures to

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

11. JOINT VENTURE , continued:

actual revenues and expenditures and to comply with any revenue or other covenant related to the Bonds.

The Authority opened the jail facility on March 16, 1998. Summarized financial information for the Authority for fiscal year ending June 30, 2014 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	\$ 30,259,154
Expenditures and other uses	<u>(35,058,546)</u>
Change in fund equity	(4,799,392)
Net position, as adjusted, July 1, 2013	<u>17,102,766</u>
Net position, June 30, 2014	<u><u>\$ 12,303,374</u></u>

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

12. COMMITMENT AND CONTINGENCIES:

Grants:

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

Leases:

The City leases various types of equipment under capital lease agreements (see Note 8). Under an operating lease, the City leases the Pembroke Community Service Center building from the Hampton Redevelopment and Housing Authority at an annual rent of \$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	\$ 28,366
Buildings	14,341,277
Improvements	4,199,967
Less accumulated depreciation	<u>(9,293,703)</u>
Capital Assets, net	<u><u>\$ 9,275,907</u></u>

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

12. COMMITMENT AND CONTINGENCIES , continued:

A summary of future minimum rental payments under the operating leases at June 30, 2015 is as follows:

<u>Year Ending June 30,</u>	<u>Operating Leases</u>	<u>Future Rental Income</u>
2016	\$ 844,660	\$ 160,667
2017	814,189	152,647
2018	576,971	130,941
2019	461,403	116,619
2020	89,202	96,576
2021-2038	1,051,430	38
	<u>\$ 3,837,855</u>	<u>\$ 657,488</u>

The City's rental expense and rental income for the year ended June 30, 2015 amounted to \$1,587,445 and \$175,918, respectively.

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

The City has entered into a three-party agreement with the Hampton Redevelopment and Housing Authority (HRHA) and private developers related to the Harbour Center in the downtown area. The future lease commitment for this project is \$1,263,503 for the lease of the garage facility through December 2017. (A portion of the garage lease payments will be offset by fees charged for parking.)

A summary of future minimum rent payments under the operating lease with Harbour Center at June 30, 2015 is as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2016	\$ 505,401
2017	505,401
2018	252,701
	<u>\$ 1,263,503</u>

Self-Insurance:

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

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

	<u>City</u>	<u>Hampton City Schools</u>
Workers' Compensation	\$ 850,000	\$ 750,000
General Liability	1,000,000	1,000,000
Property Coverage	100,000	100,000
Medical Claims	100,000 per person/plan year	100,000

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

12. COMMITMENT AND CONTINGENCIES , continued:

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 \$7,229,641 at June 30, 2015 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.

Changes in the Funds' claims liability amount in fiscal years 2015, 2014 and 2013 were:

<u>Risk Management Fund</u>	<u>Claims Liability July 1</u>	<u>Incurred Claims</u>	<u>Claims Payment</u>	<u>Claims Liability June 30</u>
Fiscal Year 2015	\$ 2,153,808	\$ 10,228,672	\$ 1,714,277	\$ 10,668,203
Fiscal Year 2014	5,355,903	867,525	4,069,620	2,153,808
Fiscal Year 2013	4,845,035	1,689,714	1,178,846	5,355,903

<u>General Fund</u>	<u>Claims Liability July 1</u>	<u>Incurred Claims</u>	<u>Claims Payment</u>	<u>Claims Liability June 30</u>
Fiscal Year 2015	\$ 726,963	\$ 16,070,517	\$ 16,221,895	\$ 575,585
Fiscal Year 2014	613,007	16,145,018	16,031,062	726,963
Fiscal Year 2013	330,444	15,397,463	15,114,900	613,007

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. In addition, Old Point National Bank issued a standby Letter of Credit in the amount of \$1,800,000 on behalf of the EDA in connection with its commitment under certain agreements for the National Institute of Aerospace Associates project. The City has agreed to pay the bank upon each drawing by the beneficiary under the Letters of Credit. During the fiscal year ended June 30, 2015, no draws were made under the Letters of Credit.

Capital Projects

Commitments for completion of capital projects in the Governmental Activities authorized at June 30, 2015 are \$14,863,665.

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

13. POST-RETIREMENT HEALTH CARE BENEFITS:

Plan Description:

The City and Component Unit - Hampton City School Board (School Board) each administer a single-employer defined benefit healthcare plan in addition to the pension benefits described in Note 9. The City and School Board Other Postemployment Benefit Plans provide post-retirement health care benefits, in accordance with the Personnel Policies and Procedures, to all full-time, salaried permanent employees and public safety officers who retire on or after attaining age 55 and 50 respectively, with at least 5 years of service, as well as to employees who qualify for a disability retirement. Currently, 729 City retirees meet these eligibility requirements. Hampton City School Board employees accumulate an unlimited number of sick leave days. The School Board's post-retirement health care plan allows employees at retirement, instead of taking payment for these sick leave days, the employee may elect to take a specified credit toward their post retirement health insurance costs. During fiscal year 2015, 57 employees were participating in this plan and the cost was \$103,208. Separate, stand-alone statements are not issued for this plan.

Funding Policy:

The City Council and Hampton School Board has the authority to establish and amend the funding policy of their respective plans. The employer's contribution ranges from 0% to 100% of the premiums based on the retiree's years of continuous health care coverage and the health care option selected by the retirees. The employer contributions are financed on a pay-as-you-go basis. During fiscal year 2015, the City contributed \$2,848,524, or approximately 53% of total premiums for post-retirement health care benefits. Plan members receiving benefits contributed \$2,543,487 or approximately 45% of total premiums. Member contributions are 3% of covered payroll. The School Board contributed \$404,027 in fiscal year 2015 or approximately 41% of total premiums.

Annual OPEB Cost and Net OPEB Obligation:

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

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

	Component Unit	
	City of Hampton	School Board
Annual required contribution	\$ 6,694,322	\$ 1,085,006
Interest on net OPEB obligation	1,476,337	385,626
Adjustment to ARC	(2,134,418)	(557,519)
Annual OPEB cost	6,036,241	913,113
Contributions made	(2,848,524)	(404,027)
Increase in OPEB obligation	3,187,717	509,086
Net OPEB obligation - beginning of year	36,908,428	9,640,643
Net OPEB obligation - end of year	<u>\$ 40,096,145</u>	<u>\$ 10,149,729</u>

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

13. POST-RETIREMENT HEALTH CARE BENEFITS, continued:

The City and School Board's annual OPEB cost, employer contributions, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013, 2014 and 2015 are as follows:

City of Hampton

Fiscal year ended	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2013	\$ 6,067,153	\$ 2,037,833	34%	\$ 32,835,776
June 30, 2014	6,356,196	2,283,544	36%	36,908,428
June 30, 2015	6,036,241	2,848,524	47%	40,096,145

Component Unit-School Board

Fiscal year ended	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2013	\$ 1,337,755	\$ 467,327	35%	\$ 8,723,050
June 30, 2014	1,404,274	486,681	35%	9,640,643
June 30, 2015	913,113	404,027	44%	10,149,729

Funded Status and Funding Progress:

Based on the most recent actuarial valuation dated June 30, 2015 for the City and School Board the funded status of the plans were as follows:

	<u>City of Hampton</u>	<u>Component Unit School Board</u>
Actuarial accrued liability (AAL)	\$ 71,286,975	\$ 5,383,740
Actuarial value of plan assets		
Unfunded actuarial accrued liability (UAAL)	<u>\$ 71,286,975</u>	<u>\$ 5,383,740</u>
Funded ratio (actuarial value of plan assets/AAL)	0 %	0 %
Covered payroll (active plan members)	\$ 88,537,233	\$ 108,649,954
UAAL as a percentage of covered payroll	81 %	5 %

Actuarial Methods and Assumptions:

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

13. POST-RETIREMENT HEALTH CARE BENEFITS, continued:

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

In the June 30, 2015 actuarial valuation for the City and School Board, the projected unit credit (PUC) cost method was used. The objective under PUC is to fund each participant's benefits under the plan as they would accrue. The unfunded actuarial liability is amortized as an open level dollar amount over a period of 30 years. The actuarial assumptions included a future inflation rate of 2.5%. A discount rate of 4% per annum net of expenses was used for an unfunded plan. For the City's pre-medicare, the healthcare cost trend rates ranged from an initial rate of 7.5% to an ultimate rate of 5% for 2020. For the City's medicare eligible, the healthcare cost trend rates ranged from an initial rate of 5.50% to an ultimate rate of 5% for 2017. Retiree medical contributions are assumed to increase at the same rates as incurred claims. For the School Board, healthcare cost trend rates ranged from an initial rate of 7.5% to an ultimate rate of 5% for 2020.

14. OTHER POST-EMPLOYMENT LINE OF DUTY BENEFITS:

Plan Description:

The City administers a single-employer defined benefit Line of Duty Benefits Plan. The Commonwealth of Virginia's Line of Duty Act (LODA) requires state and local governments to provide death benefits and continued health, dental and vision insurance coverage to eligible hazardous duty employees and volunteers (law enforcement and firefighters) and their dependents if they are killed or disabled in the line of duty. The insurance coverages continue until death, recovery, or return to full active duty for hazardous duty employees. For spouses or other dependents, the insurance coverages continue until death, marriage or coverage by an alternative insurance. For death in the line of duty, there is a \$100,000 death benefit paid to the deceased's beneficiary or estate. All LODA eligibility determinations are conducted and investigated by the State Comptroller in accordance with the state code. Separate, stand-alone statements are not issued for this plan.

Funding Policy

The LODA requires the City to pay 100% of all line of duty benefits including the employee's share of insurance coverages. The employer contributions are financed on a pay-as-you-go basis. During fiscal year 2015, the City contributed \$72,719 for line of duty benefits.

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

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

Annual OPEB Cost and Net OPEB Obligation:

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

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

	City of Hampton OPEB LODA Benefits
Annual required contribution	\$ 971,659
Interest on net OPEB obligation	61,618
Adjustment to ARC	(89,085)
Annual OPEB cost	\$ 944,192
Contributions made	(72,719)
Increase in net OPEB obligation	871,473
Net OPEB obligation- beginning of year	\$ 1,540,461
Net OPEB obligation- end of year	\$ 2,411,934

The City's annual OPEB cost, employer contributions, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013, 2014 and 2015 are as follows:

Fiscal year ended	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2013	\$ 856,887	\$ 111,053	13 %	\$ 745,834
June 30, 2014	\$ 901,083	\$ 106,456	12 %	\$ 1,540,461
June 30, 2015	\$ 944,192	\$ 72,719	8 %	\$ 2,411,934

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

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

Funded Status and Funding Progress:

Based on the most recent actuarial valuation dated June 30, 2015 for the City, the funded status of the plan was as follows:

	<u>City of Hampton OPEB LODA Benefits</u>
Actuarial Accrued liability (AAL)	\$ 7,755,931
Actuarial value of plan assets	
Unfunded actuarial accrued liability (UAAL)	<u>\$ 7,755,931</u>
Funded ratio (actuarial value of plan assets/AAL)	0 %
Covered payroll (active plan members)	\$ 30,057,556
UAAL as a percentage of covered payroll	26 %

Actuarial Methods and Assumptions:

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

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

In the June 30, 2015 actuarial valuation for the City, the projected unit credit (PUC) cost method was used. The objective under PUC is to fund each participant's benefits under the plan as they would accrue. The unfunded actuarial liability is amortized as an open level dollar amount over a period of 30 years. The actuarial assumptions include a future inflation rate of 2.5% a year. A discount rate of 4% per annum net of expenses was used for an unfunded plan. Healthcare cost trend rates ranged from an initial rate of 5.5% for medicare eligible and 7.5% for pre-medicare for to an ultimate rate of 5% for 2017.

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

15. LEASE RECEIVABLES:

The EDA issued Revenue Bonds (Note 8) to construct the Peninsula Workforce Development Center (PWDC). Under terms of agreements with this organization, revenue generated from the lease of the building is used to make the bond payments with the lease term being equivalent to the life of the bond. As of June 30, 2015, future lease receivable is \$5,940,356 from PWDC.

The minimum lease payments for the next future years are:

2016	\$ 990,059
2017	990,059
2018	990,059
2019	990,059
2020	990,059
2021	<u>990,061</u>
Total	<u><u>\$ 5,940,356</u></u>

As of June 30, 2015 the balance of unearned interest income associated with the PWDC is \$1,165,763.

16. RESTATEMENT OF BEGINNING NET POSITION

Beginning net position for Governmental Activities and the Component Unit- School Board were restated due to the implementation of GASB No. 68, Accounting and Financial Reporting for Pensions and GASB No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. These changes had the following effect on the beginning net position as previously reported:

Component Unit- School Board	
Net position, beginning of year	\$ 9,394,011
Net pension liability	(229,754,863)
Deferred outflows related to pensions	<u>13,732,167</u>
Net position, beginning of year, as restated	<u><u>\$ (206,628,685)</u></u>

Component Units	
Net position, beginning of year	\$ 39,051,145
Net pension liability	(229,754,863)
Deferred outflows related to pensions	<u>13,732,167</u>
Net position, beginning of year, as restated	<u><u>\$ (176,971,551)</u></u>

Governmental Activities	
Net position, beginning of year	\$ 713,290,400
Net pension liability	(158,473,065)
Deferred outflows related to pensions	<u>14,818,800</u>
Net position, beginning of year, as restated	<u><u>\$ 569,636,135</u></u>

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

16. RESTATEMENT OF BEGINNING NET POSITION , continued

Wastewater Management	
Net position, beginning of year	\$ 54,205,067
Net pension liability	(3,688,985)
Deferred outflows related to pensions	<u>340,599</u>
Net position, beginning of year, as restated	<u><u>\$ 50,856,681</u></u>
The Hamptons	
Net position, beginning of year	\$ (3,062,052)
Net pension liability	(385,514)
Deferred outflows related to pensions	<u>39,920</u>
Net position, beginning of year, as restated	<u><u>\$ (3,407,646)</u></u>
Non-Major Enterprise Funds	
Net position, beginning of year	\$ 26,953,123
Net pension liability	(10,269,134)
Deferred outflows related to pensions	<u>830,750</u>
Net position, beginning of year, as restated	<u><u>\$ 17,514,739</u></u>
Governmental Activities - Internal Service Funds	
Net position, beginning of year	\$ 37,709,458
Net pension liability	(2,728,323)
Deferred outflows related to pensions	<u>282,518</u>
Net position, beginning of year, as restated	<u><u>\$ 35,263,653</u></u>
Business-Type Activities	
Net position, beginning of year	\$ 108,285,062
Net pension liability	(14,343,633)
Deferred outflows related to pensions	<u>1,211,269</u>
Net position, beginning of year, as restated	<u><u>\$ 95,152,698</u></u>
Pension Trust - Hampton Employees' Retirement System	
Net position, beginning of year	\$ 133,261,624
Net pension liability	(161,209)
Deferred outflows related to pensions	<u>16,693</u>
Net position, beginning of year, as restated	<u><u>\$ 133,117,108</u></u>

CITY OF HAMPTON, VIRGINIA
SCHEDULE OF CHANGES IN THE HERS' NET PENSION PLAN LIABILITY AND RELATED RATIOS
HERS PENSION PLAN
LAST 10 FISCAL YEARS
REQUIRED SUPPLEMENTAL INFORMATION-UNAUDITED

	2015	2014
Total pension liability		
Service cost	\$ 112,348	\$ 373,903
Interest	12,183,886	12,518,593
Differences between expected and actual experience	(425,331)	296
Benefit payments, including refunds of employee contributions	<u>(17,040,172)</u>	<u>(17,032,982)</u>
Net change in total pension liability	(5,169,269)	(4,140,190)
Total pension liability-beginning	<u>170,762,707</u>	<u>174,902,897</u>
Total pension liability-ending (a)	<u><u>\$ 165,593,438</u></u>	<u><u>\$ 170,762,707</u></u>
Plan fiduciary net position		
Contributions-employer	\$ 8,880,839	\$ 6,628,122
Net investment income	5,361,684	20,494,864
Benefit payments, including refunds of employee contributions	(17,040,172)	(17,032,982)
Administrative expense	<u>(299,195)</u>	<u>(278,663)</u>
Net change in plan fiduciary net position	(3,096,844)	9,811,341
Plan fiduciary net position-beginning	<u>133,261,624</u>	<u>123,450,283</u>
Plan fiduciary net position-ending (b)	<u><u>\$ 130,164,780</u></u>	<u><u>\$ 133,261,624</u></u>
Net pension liability-ending (a)-(b)	<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	78.61 %	78.04 %
Covered-employee payroll	\$ 6,085,814	\$ 10,188,093
Net pension liability as a percentage of covered-employee payroll	582.15 %	368.09 %

Notes to Schedule:

- 1) Benefit Changes: No benefit changes were enacted in 2015.
- 2) Changes in assumptions: No assumptions were changed in 2015.
- 3) GASB 68 requires 10- year trend information. Fiscal year 2015 is the first year of implementation.

**CITY OF HAMPTON, VIRGINIA
SCHEDULE OF CONTRIBUTIONS TO HERS
HERS PENSION PLAN
LAST 10 FISCAL YEARS
REQUIRED SUPPLEMENTAL INFORMATION-UNAUDITED**

	2015	2014
Actuarially determined contribution	\$ 8,880,839	\$ 6,628,122
Contributions in relation to the actuarially determined contribution	8,880,839	6,628,122
Contribution deficiency (excess)	\$	\$
Covered-employee payroll	\$ 6,085,814	\$ 10,188,093
Contributions as a percentage of covered-employee payroll	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.

GASB 68 requires 10-year trend information. Fiscal year 2015 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
LAST 10 FISCAL YEARS
REQUIRED SUPPLEMENTAL INFORMATION-UNAUDITED

	2015
Total pension liability	
Service cost	\$ 10,938,812
Interest	34,999,056
Benefit payments, including refunds of employee contributions	<u>(26,861,136)</u>
Net change in total pension liability	19,076,732
Total pension liability-beginning	513,417,080
Total pension liability-ending (a)	<u><u>\$ 532,493,812</u></u>
Plan fiduciary net position	
Contributions-employer	\$ 16,046,763
Contributions-employee	4,400,548
Net investment income	56,039,049
Benefit payments, including refunds of employee contributions	(26,861,136)
Administrative expense	(304,392)
Other	2,953
Net change in plan fiduciary net position	<u>49,323,785</u>
Plan fiduciary net position-beginning	358,451,093
Plan fiduciary net position-ending (b)	<u><u>\$ 407,774,878</u></u>
Net pension liability-ending (a)-(b)	<u><u>\$ 124,718,934</u></u>
Plan fiduciary net position as a percentage of the total pension liability	76.58 %
Covered-employee payroll	\$ 86,428,123
Net pension liability as a percentage of covered-employee payroll	144.30 %

Notes to Schedule:

- 1) Benefit Changes: There have been no significant changes to the benefit provisions since the prior actuarial valuation. A hybrid plan with changes to the defined benefit plan structure and a new define 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. 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 the mortality table, decrease in rates of service retirement, decrease in rates of disability retirement, reduced rates of salary increase by .25% per year, increase in rates of withdrawal.
- 3) GASB 68 requires 10-year trend information. Fiscal year 2015 is the first year of implementation.

**CITY OF HAMPTON, VIRGINIA
SCHEDULE OF CITY'S CONTRIBUTIONS TO VRS
VRS RETIREMENT PLAN
LAST 10 FISCAL YEARS
REQUIRED SUPPLEMENTAL INFORMATION-UNAUDITED**

	2015
Actuarially determined contribution	\$ 15,816,817
Contributions in relation to the actuarially determined contribution	15,816,817
Contribution deficiency (excess)	\$
Covered-employee payroll	\$ 85,774,496
Contributions as a percentage of covered-employee payroll	18.44 %

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.

GASB 68 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
LAST 10 FISCAL YEARS
REQUIRED SUPPLEMENTAL INFORMATION-UNAUDITED

	2015
Total pension liability	
Service cost	\$ 813,234
Interest	1,973,760
Benefit payments, including refunds of employee contributions	(1,828,117)
Net change in total pension liability	958,877
Total pension liability-beginning	29,110,626
Total pension liability-ending (a)	\$ 30,069,503
Plan fiduciary net position	
Contributions-employer	\$ 900,981
Contributions-employee	372,764
Net investment income	3,582,353
Benefit payments, including refunds of employee contributions	(1,828,117)
Administrative expense	(19,666)
Other	188
Net change in plan fiduciary net position	3,008,503
Plan fiduciary net position-beginning	23,039,926
Plan fiduciary net position-ending (b)	\$ 26,048,429
Net pension liability-ending (a)-(b)	\$ 4,021,074
Plan fiduciary net position as a percentage of the total pension liability	86.63 %
Covered-employee payroll	\$ 7,346,439
Net pension liability as a percentage of covered-employee payroll	54.74 %

Notes to Schedule:

- 1)Benefit Changes: There have been no significant changes to the benefit provisions since the prior actuarial valuation. A hybrid plan with changes to the defined benefit plan structure and a new define 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. 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 the mortality table, decrease in rates of service retirement , decrease in rates of disability retirement, reduced rates of salary increase by .25% per year, increase in rates of withdrawal.
- 3) GASB 68 requires 10-year trend information. Fiscal year 2015 is the first year of implementation.

CITY OF HAMPTON, VIRGINIA
SCHEDULE OF SCHOOL BOARD'S NONPROFESSIONAL EMPLOYEES CONTRIBUTIONS TO VRS
VRS RETIREMENT PLAN
LAST 10 FISCAL YEARS
REQUIRED SUPPLEMENTAL INFORMATION-UNAUDITED

	2015
Actuarially determined contribution	\$ 411,361
Contributions in relation to the actuarially determined contribution	411,361
Contribution deficiency (excess)	\$
Covered-employee payroll	\$ 3,805,375
Contributions as a percentage of covered-employee payroll	10.81 %

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.

GASB 68 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
LAST 10 FISCAL YEARS
REQUIRED SUPPLEMENTAL INFORMATION-UNAUDITED

	2015
School Board's proportion of the net pension liability (asset)	1.50 %
School Board's proportionate share of the net pension liability (asset)	\$ 181,847,000
School Board's covered-employee payroll	\$ 110,044,447
School Board's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	165.25 %
Plan fiduciary net position as a percentage of the total pension liability	70.88 %

Notes to Schedule:

- 1))Benefit Changes: There have been no significant changes to the benefit provisions since the prior actuarial valuation. A hybrid plan with changes to the defined benefit plan structure and a new define 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. 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 the mortality table, adjustments to the rates of service retirements, decrease in rates of disability, reduced rates of salary increase by .25% per year, and decrease in rates of withdrawals for 3 through 9 years of service.
- 3) GASB 68 requires 10-year trend information. Fiscal year 2015 is the first year of implementation.

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

	2015
Contractually required contribution	\$ 19,270,757
Contribution in relation to the contractually required contribution	15,356,866
Contribution deficiency (excess)	\$ 3,913,891
School Board's covered-employee payroll	\$ 105,909,421
Contributions as a percentage of covered-employee payroll	14.5 %

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.

GASB 68 requires 10-year trend information. Fiscal year 2015 is the first year of implementation.

**CITY OF HAMPTON, VIRGINIA
SCHEDULE OF FUNDING PROGRESS-
OTHER POST-RETIREMENT BENEFIT PLANS
REQUIRED SUPPLEMENTAL INFORMATION-UNAUDITED
Fiscal Year Ended June 30, 2015**

City of Hampton:

City of Hampton Post-Retirement Healthcare Benefits:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- PUC (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/13		\$ 63,014,400	\$ 63,014,400	0 %	\$ 82,676,803	76 %
6/30/14		63,663,962	63,663,962	0 %	86,642,952	73 %
6/30/15		71,286,975	71,286,975	0 %	88,537,233	81 %

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- PUC (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/13		\$ 9,800,827	\$ 9,800,827	0 %	\$ 28,836,345	34 %
6/30/14		10,084,094	10,084,094	0 %	28,231,933	36 %
6/30/15		7,755,931	7,755,931	0 %	30,057,556	26 %

Component Unit-School Board Post-Retirement Healthcare Benefits:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- PUC (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/13		\$ 12,451,539	\$ 12,451,539	0 %	\$ 114,917,501	11 %
6/30/14		9,073,373	9,073,373	0 %	113,101,670	8 %
6/30/15		5,383,740	5,383,740	0 %	108,649,954	5 %

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**CITY OF HAMPTON, VIRGINIA
GENERAL FUND
BALANCE SHEET
June 30, 2015**

Assets:	
Cash and cash equivalents	\$ 83,753,558
Investments	14,000,458
Accounts receivables:	
Taxes (net of allowance for uncollectible of \$1,433,622)	9,418,807
Due from other governments	10,359,639
Other	1,141,826
Due from other funds	9,937,252
Due from component units	1,777
Inventories	13,849
Prepaid items	584,475
Total assets	<u>\$ 129,211,641</u>
Liabilities:	
Accounts payable	\$ 8,314,089
Accrued health insurance	11,039,493
Accrued liabilities	3,432,744
Due to other funds	3,785,031
Due to component units	7,187
Unearned revenue	150,406
Total liabilities	<u>26,728,950</u>
Deferred inflows of resources:	
Unavailable revenue-property taxes	7,611,036
Property taxes collected in advance	1,620,607
Total deferred inflows of resources	<u>9,231,643</u>
Fund balances:	
Nonspendable	598,324
Restricted	344,972
Committed	34,959,103
Assigned	5,236,726
Unassigned	52,111,923
Total fund balances	<u>93,251,048</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 129,211,641</u>

These statements exclude special revenue fund Pearl Young which is included in the General Fund basic statements due to the implementation of GASB 54.

CITY OF HAMPTON, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
				<u>Over (Under)</u>
REVENUES				
Intergovernmental:				
From the Commonwealth of Virginia	\$ 38,590,598	\$ 54,457,598	\$ 53,025,330	\$ (1,432,268)
From the Federal government	8,780,939	8,780,939	9,091,195	310,256
Local taxes	246,624,727	230,405,798	230,933,123	527,325
Special assessments	4,826,635	4,826,635	4,182,877	(643,758)
Licenses and permits	1,234,019	1,234,019	1,298,883	64,864
Fines and forfeitures	2,242,118	2,242,118	1,967,230	(274,888)
Revenues from use of money and property	364,707	364,707	454,047	89,340
Charges for services	9,454,149	9,454,149	9,231,186	(222,963)
Recovered costs	906,000	906,000	906,000	
Payment from component units	2,000,000	2,000,000	2,000,042	42
Miscellaneous	3,864,157	3,864,157	4,012,640	148,483
	<u>318,888,049</u>	<u>318,536,120</u>	<u>317,102,553</u>	<u>(1,433,567)</u>
EXPENDITURES				
Current:				
General government	105,436,121	107,787,096	101,211,517	(6,575,579)
Public safety	48,562,820	48,898,856	48,021,370	(877,486)
Highways and streets	2,142,124	2,202,854	1,908,348	(294,506)
Health	2,720,115	2,752,174	2,604,809	(147,365)
Human services	20,628,333	20,494,218	19,034,980	(1,459,238)
Culture and recreation	12,763,756	13,171,345	12,521,859	(649,486)
Education	72,787,630	73,297,236	73,241,020	(56,216)
	<u>265,040,899</u>	<u>268,603,779</u>	<u>258,543,903</u>	<u>(10,059,876)</u>
Excess of revenues over (under) expenditures	<u>53,847,150</u>	<u>49,932,341</u>	<u>58,558,650</u>	<u>8,626,309</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	116,000	116,000	117,340	1,340
Transfers out	(61,974,587)	(64,898,192)	(57,133,810)	(7,764,382)
Net other financing sources (uses)	<u>(61,858,587)</u>	<u>(64,782,192)</u>	<u>(57,016,470)</u>	<u>7,765,722</u>
Net change in fund balances	(8,011,437)	(14,849,851)	1,542,180	<u>\$ 16,392,031</u>
Appropriations from fund balance	8,011,437	14,129,475		
Appropriations - encumbrances		<u>720,376</u>		
Fund balance - July 1			<u>91,708,868</u>	
Fund balance - June 30	<u>\$</u>	<u>\$</u>	<u>\$ 93,251,048</u>	

These statements exclude special revenue fund Pearl Young which is included in the General Fund basic statements due to the implementation of GASB 54.

CITY OF HAMPTON, VIRGINIA
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER CREDITS - BUDGET AND ACTUAL
For the Year Ended June 30, 2015

	Budget July 1, 2014	Net Changes	Final June 30, 2015	Actual	Variance Over (Under)
General property taxes:					
Real estate	\$ 124,941,664		\$ 124,941,664	\$ 125,308,765	\$ 367,101
Public service	3,665,188		3,665,188	3,841,490	176,302
Personal property	38,540,098	(15,453,929)	23,086,169	22,685,297	(400,872)
Mobile homes	40,910		40,910	41,816	906
Machinery and tools	2,150,625		2,150,625	2,338,831	188,206
Delinquent taxes	450,000		450,000	330,768	(119,232)
Penalty	1,009,000		1,009,000	980,337	(28,663)
Total general property taxes	<u>170,797,485</u>	<u>(15,453,929)</u>	<u>155,343,556</u>	<u>155,527,304</u>	<u>183,748</u>
Other local taxes:					
Utility-electric and gas	5,000,000		5,000,000	4,915,828	(84,172)
Communications sales tax	9,232,518		9,232,518	9,172,979	(59,539)
Tobacco	4,300,000		4,300,000	4,077,120	(222,880)
Business license	12,390,000	(765,000)	11,625,000	11,435,245	(189,755)
Short-term rental	72,000		72,000	91,234	19,234
Sales and use	14,474,631		14,474,631	15,050,331	575,700
Recordation	1,250,000		1,250,000	1,361,935	111,935
Public right of way	550,383		550,383	526,984	(23,399)
Lodging and transit	3,412,919		3,412,919	3,481,781	68,862
Amusement	1,305,394		1,305,394	1,088,002	(217,392)
Meal	18,898,627		18,898,627	19,470,911	572,284
Motor vehicle	4,403,135		4,403,135	4,273,362	(129,773)
Bank stock	477,635		477,635	456,550	(21,085)
License tax - pari-mutuel	60,000		60,000	3,557	(56,443)
Total other local taxes	<u>75,827,242</u>	<u>(765,000)</u>	<u>75,062,242</u>	<u>75,405,819</u>	<u>343,577</u>
License, permits and privilege fees:					
Animal licenses	55,000		55,000	41,005	(13,995)
Street and taxi permits	136,000		136,000	195,631	59,631
Zoning and land use	249,875		249,875	302,374	52,499
Building permits	771,544		771,544	732,496	(39,048)
Miscellaneous	21,600		21,600	27,377	5,777
Total license, permits and privilege fees	<u>1,234,019</u>		<u>1,234,019</u>	<u>1,298,883</u>	<u>64,864</u>
Total fines and forfeitures	<u>2,242,118</u>		<u>2,242,118</u>	<u>1,967,230</u>	<u>(274,888)</u>
Special assessments:					
Peninsula Town Center CDA	3,474,000		3,474,000	3,137,417	(336,583)
H2O CDA	601,277		601,277	270,865	(330,412)
Coliseum BID	530,100		530,100	536,885	6,785
Downtown BID	173,827		173,827	190,429	16,602
Elizabeth Lakes	47,431		47,431	47,281	(150)
Total special assessments	<u>4,826,635</u>		<u>4,826,635</u>	<u>4,182,877</u>	<u>(643,758)</u>
Revenue from use of money and property:					
Interest on investments	177,815		177,815	135,743	(42,072)
Rental of property	10,873		10,873	40,317	29,444
Sale of materials and property	65,019		65,019	159,587	94,568
Vending machines	3,000		3,000	11,527	8,527
Parking fees	48,000		48,000	43,631	(4,369)
Billboard revenue	60,000		60,000	67,531	7,531
Net increase (decrease) in fair value of investments				(4,289)	(4,289)
Total revenue from use of money and property	<u>\$ 364,707</u>		<u>\$ 364,707</u>	<u>\$ 454,047</u>	<u>\$ 89,340</u>

continued

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

CITY OF HAMPTON, VIRGINIA
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER CREDITS - BUDGET AND ACTUAL
For the Year Ended June 30, 2015

	<u>Budget</u> <u>July 1, 2014</u>	<u>Net</u> <u>Changes</u>	<u>Final</u> <u>June 30, 2015</u>	<u>Actual</u>	<u>Variance</u> <u>Over</u> <u>(Under)</u>
Charges for services:					
Fees:					
Court costs	\$ 1,000	\$	\$ 1,000	\$ 804	\$ (196)
Clerk	90,000		90,000	32,600	(57,400)
Court officers	26,000		26,000	32,496	6,496
Parks and Recreation	1,023,642		1,023,642	1,084,488	60,846
Youth, Education, and Family Services	1,242,741		1,242,741	1,326,744	84,003
Sheriff	55,376		55,376	46,564	(8,812)
Library	50,000		50,000	33,724	(16,276)
Jail admission fee	8,350		8,350	11,750	3,400
Ambulance services	3,768,250		3,768,250	4,179,299	411,049
Fire Prevention	207,850		207,850	206,902	(948)
Public education grant fees	200,000		200,000	213,777	13,777
Passport applications	50,000		50,000	67,330	17,330
Miscellaneous charges for services	173,000		173,000	198,486	25,486
Landfill host fees	928,128		928,128	812,262	(115,866)
Payment in lieu of taxes-Fort Monroe	1,629,812		1,629,812	983,960	(645,852)
Total charges for services	<u>9,454,149</u>		<u>9,454,149</u>	<u>9,231,186</u>	<u>(222,963)</u>
Miscellaneous revenue:					
Payment in lieu of taxes-other	75,000		75,000	66,957	(8,043)
Returned check charges	14,010		14,010	7,934	(6,076)
Unemployment fees	4,000		4,000	3,484	(516)
School reimbursement	1,450,551		1,450,551	1,439,685	(10,866)
Indirect cost	935,745		935,745	935,745	
Other	1,384,851		1,384,851	1,558,835	173,984
Total miscellaneous revenue	<u>3,864,157</u>		<u>3,864,157</u>	<u>4,012,640</u>	<u>148,483</u>
Recovered costs:					
Jail operations	729,667		729,667	854,283	124,616
Probation	8,500		8,500	7,263	(1,237)
NASA fire services	906,000		906,000	906,000	
Miscellaneous	150,000		150,000	246,809	96,809
Total recovered costs	<u>1,794,167</u>		<u>1,794,167</u>	<u>2,014,355</u>	<u>220,188</u>
Noncategorical aid - state:					
Reduction in state aid to local governments				(678,208)	(678,208)
Personal property tax relief reimbursement	15,904	15,438,025	15,453,929	15,453,929	
Vehicle rental tax	373,448		373,448	384,190	10,742
Railroad rolling stock tax		15,904	15,904	10,516	(5,388)
Mobile home titling tax	15,819		15,819	19,404	3,585
Taxes on deeds	356,086		356,086	400,679	44,593
State Share-FEMA				6,678	6,678
Total noncategorical aid - state	<u>761,257</u>	<u>15,453,929</u>	<u>16,215,186</u>	<u>15,597,188</u>	<u>(617,998)</u>
Shared expenses - state:					
Sheriff	6,326,735		6,326,735	6,168,971	(157,764)
Commonwealth Attorney	1,301,392		1,301,392	1,319,669	18,277
Commissioner of Revenue	284,688		284,688	287,765	3,077
Treasurer	256,646		256,646	266,418	9,772
Clerk of Courts	762,543		762,543	785,634	23,091
Registrar-election board	50,341		50,341	52,103	1,762
Total shared expenses - state	<u>\$ 8,982,345</u>	<u>\$</u>	<u>\$ 8,982,345</u>	<u>\$ 8,880,560</u>	<u>\$ (101,785)</u>

continued

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

CITY OF HAMPTON, VIRGINIA
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER CREDITS - BUDGET AND ACTUAL
For the Year Ended June 30, 2015

	<u>Budget</u> <u>July 1, 2014</u>	<u>Net</u> <u>Changes</u>	<u>Final</u> <u>June 30, 2015</u>	<u>Actual</u>	<u>Variance</u> <u>Over</u> <u>(Under)</u>
Categorical aid - state:					
Public assistance	\$ 5,586,728		\$ 5,586,728	\$ 4,730,993	\$ (855,735)
Police	6,792,817		6,792,817	6,523,452	(269,365)
Street and highway maintenance	14,725,359	413,071	15,138,430	15,138,430	
E911 wireless grant	409,000		409,000	447,599	38,599
Public library books	165,200		165,200	163,524	(1,676)
Virginia juvenile block grant	279,725		279,725	315,703	35,978
State funds				119,528	119,528
Total categorical aid - state	<u>27,958,829</u>	<u>413,071</u>	<u>28,371,900</u>	<u>27,439,229</u>	<u>(932,671)</u>
Categorical aid - federal:					
Pass thru-public assistance	8,132,439		8,132,439	8,438,580	306,141
Pass thru-Healthy Families	400,000		400,000	387,290	(12,710)
Pass thru-Federal Rad. Emergency Response	20,500		20,500	14,035	(6,465)
Total categorical aid - federal	<u>8,552,939</u>		<u>8,552,939</u>	<u>8,839,905</u>	<u>286,966</u>
Noncategorical aid - federal					
Federal Share-FEMA				23,289	23,289
Indirect costs-total	228,000		228,000	228,000	
Total noncategorical aid - federal	<u>228,000</u>		<u>228,000</u>	<u>251,289</u>	<u>23,289</u>
 Total revenues	 <u>316,888,049</u>	 <u>413,071</u>	 <u>316,536,120</u>	 <u>315,102,512</u>	 <u>(1,433,608)</u>
Other credits:					
Component unit-EDA Fund				42	42
Transfer from Solid Waste Fund	116,000		116,000	116,000	
Transfer from Grants Fund				1,340	1,340
Component Unit-Schools	2,000,000		2,000,000	2,000,000	
Total transfers	<u>2,116,000</u>		<u>2,116,000</u>	<u>2,117,382</u>	<u>1,382</u>
Total revenues and transfers	<u>319,004,049</u>	<u>413,071</u>	<u>318,652,120</u>	<u>317,219,894</u>	<u>(1,432,226)</u>
Appropriations from fund balance	8,011,437	6,118,038	14,129,475	10,806,022	(3,323,453)
Appropriations-encumbrances				2,428,885	2,428,885
Total appropriations	<u>8,011,437</u>	<u>6,118,038</u>	<u>14,129,475</u>	<u>13,234,907</u>	<u>(894,568)</u>
 Total revenues and other credits	 <u>\$ 327,015,486</u>	 <u>\$ 6,531,109</u>	 <u>\$ 332,781,595</u>	 <u>\$ 330,454,801</u>	 <u>\$ (2,326,794)</u>

These statements exclude special revenue fund Pearl Young which is included in the General Fund basic statements due to the implementation of GASB 54.

**CITY OF HAMPTON, VIRGINIA
GENERAL FUND
SCHEDULE OF APPROPRIATIONS AND EXPENDITURES
For the Year Ended June 30, 2015**

	Appropriations			Expenditures			Variance Under (Over)	
	Budget		Final	Personal	Operating			
	July 1, 2014	Net Changes	June 30, 2015	Services	Expenditures	Capital Outlay		
General Government					Total			
Legislative:								
Municipal Council	\$ 473,859	\$ 20,754	\$ 494,613	\$ 367,206	\$ 126,484	\$ -	\$ 923	
Legislative - Total	473,859	20,754	494,613	367,206	126,484	-	923	
Executive:								
City Manager	1,208,240	46,180	1,254,420	1,040,297	72,305	4,192	1,116,794	137,626
311 Customer Call Center	463,618	18,501	482,119	407,097	67,791	-	474,888	7,231
Citizens Unity Commission	150,477	2,476	152,953	100,294	44,661	1,256	146,211	6,742
Marketing, INC	749,664	(4,549)	745,115	384,970	270,020	6,430	661,420	83,695
Internal Audit	167,736	960	168,696	143,351	15,703	1,460	160,514	8,182
Executive - Total	2,739,735	63,568	2,803,303	2,076,009	470,480	13,338	2,559,827	243,476
City Attorney:								
Law-City Attorney	995,594	66,681	1,062,275	948,984	78,534	3,402	1,030,920	31,355
City Attorney - Total	995,594	66,681	1,062,275	948,984	78,534	3,402	1,030,920	31,355
Human Resources-Total	658,367	72,354	730,721	541,885	112,781	-	654,666	76,055
Judicial:								
Clerk of Courts	944,541	99,304	1,043,845	799,594	112,552	-	912,146	131,699
Circuit Court	397,716	2,758	400,474	318,678	44,097	-	362,775	37,699
General District Court	217,405	1,995	219,400	35,346	110,762	-	146,108	73,292
District Court-J.D.R.	49,101	7,420	56,521	-	39,157	6,182	45,339	11,182
Commonwealth Attorney	1,672,830	22,737	1,695,567	1,515,727	81,541	-	1,597,268	98,299
City Sheriff-Administration	2,212,519	(607,952)	1,604,567	1,258,570	258,811	-	1,517,381	87,186
City Sheriff-Jail	6,843,940	915,678	7,759,618	5,844,886	1,847,636	62,589	7,755,111	4,507
Court Service Unit	1,678,525	528,328	2,206,853	193,674	1,492,757	-	1,686,431	520,422
Magistrates Office	40,916	(12,797)	28,119	12,720	6,883	-	19,603	8,516
Judicial - Total	14,057,493	957,471	15,014,964	9,979,195	3,994,196	68,771	14,042,162	972,802

These statements exclude special revenue fund Pearl Young which is included in the General Fund basic statements due to the implementation of GASB 54.

**CITY OF HAMPTON, VIRGINIA
GENERAL FUND
SCHEDULE OF APPROPRIATIONS AND EXPENDITURES
For the Year Ended June 30, 2015**

	Appropriations			Expenditures			Variance Under (Over)	
	Budget	Final	Personal	Operating	Capital Outlay	Total		
	July 1, 2014	June 30, 2015	Services	Expenditures				
General Government, concluded:								
Boards and commissions:								
Community Development	\$ 3,113,381	\$ (2,090)	\$ 3,111,291	\$ 2,504,452	\$ 374,211	\$ 52,420	\$ 2,931,083	\$ 180,208
Elections Board	158,607	(13,375)	145,232	40,314	51,304	-	91,618	53,614
Registrar	219,924	506	220,430	163,297	9,882	1,418	174,597	45,833
Development	987,166	266,872	1,254,038	701,728	171,904	6,894	880,526	373,512
Boards and Commissions - Total	<u>4,479,078</u>	<u>251,913</u>	<u>4,730,991</u>	<u>3,409,791</u>	<u>607,301</u>	<u>60,732</u>	<u>4,077,824</u>	<u>653,167</u>
Agriculture - Extension Agent - Total	<u>65,654</u>	<u>300</u>	<u>65,954</u>	<u>45,683</u>	<u>20,226</u>	<u>-</u>	<u>65,909</u>	<u>45</u>
Nondepartmental:								
Nondepartmental	24,766,170	857,196	25,623,366	12,668	23,570,793	-	23,583,461	2,039,905
Civic and community support	1,070,969	15	1,070,984	-	1,056,556	-	1,056,556	14,428
Other	2,629,763	(653,695)	1,976,068	-	1,487,410	-	1,487,410	488,658
Nondepartmental - Total	<u>28,466,902</u>	<u>203,516</u>	<u>28,670,418</u>	<u>12,668</u>	<u>26,114,759</u>	<u>-</u>	<u>26,127,427</u>	<u>2,542,991</u>
Finance:								
Commissioner of Revenue	1,244,562	(12,847)	1,231,715	1,001,707	167,692	26,079	1,195,478	36,237
Assessor of Real Estate	1,111,851	39,403	1,151,254	989,605	114,618	31,892	1,136,115	15,139
City Treasurer	1,646,112	(25,211)	1,620,901	1,129,598	413,142	337	1,543,077	77,824
Consolidated Procurement	392,033	2,257	394,290	308,648	40,542	-	349,190	45,100
Independent Auditors	200,475	13,429	213,904	-	204,782	-	204,782	9,122
Finance	805,532	315,082	1,120,614	701,952	85,463	15,363	802,778	317,836
Information Technology	2,966,955	282,534	3,249,489	1,081,095	1,866,906	153,730	3,101,731	147,758
Finance - Total	<u>8,367,520</u>	<u>614,647</u>	<u>8,982,167</u>	<u>5,212,605</u>	<u>2,893,145</u>	<u>227,401</u>	<u>8,333,151</u>	<u>649,016</u>
Retirement and Employee Benefits Total	<u>39,327,066</u>	<u>55,943</u>	<u>39,383,009</u>	<u>3,571,102</u>	<u>34,479,895</u>	<u>-</u>	<u>38,050,997</u>	<u>1,332,012</u>

These statements exclude special revenue fund Pearl Young which is included in the General Fund basic statements due to the implementation of GASB 54.

**CITY OF HAMPTON, VIRGINIA
GENERAL FUND
SCHEDULE OF APPROPRIATIONS AND EXPENDITURES
For the Year Ended June 30, 2015**

	Appropriations			Expenditures			Variance Under (Over)	
	Budget		Final	Personal	Operating			
	July 1, 2014	Net Changes	June 30, 2015	Services	Expenditures	Capital Outlay		Total
Public Works:								
Administration	\$ 203,578	\$ 12,905	\$ 216,483	\$ 173,813	\$ 41,924	\$ -	\$ 215,737	\$ 746
Engineering	576,311	5,432	581,743	510,655	60,637	-	571,292	10,451
Property Maintenance	4,303,518	21,755	4,325,273	1,169,387	3,099,431	1,206	4,270,024	55,249
Parking Facilities	721,446	3,736	725,182	30,883	687,004	-	717,887	7,295
Public Works - Total	<u>5,804,853</u>	<u>43,828</u>	<u>5,848,681</u>	<u>1,884,738</u>	<u>3,888,996</u>	<u>1,206</u>	<u>5,774,940</u>	<u>73,741</u>
General Government - Total	<u>105,436,121</u>	<u>2,350,975</u>	<u>107,787,096</u>	<u>28,049,866</u>	<u>72,786,797</u>	<u>374,850</u>	<u>101,211,513</u>	<u>6,575,583</u>
Public Safety:								
Police Division	22,676,954	176,621	22,853,575	18,605,464	3,828,201	101,496	22,535,161	318,414
Traffic Engineering	2,916,741	(9,774)	2,906,967	579,255	2,139,801	2,795	2,721,851	185,116
Fire Division	19,217,853	302,248	19,520,101	15,751,886	3,660,633	44,368	19,456,887	63,214
Emergency Management	288,633	8,630	297,263	226,956	35,688	13,932	276,576	20,687
E911	2,661,547	(138,595)	2,522,952	1,942,927	420,611	37,168	2,400,706	122,246
Animal Control	456,092	(3,095)	452,997	265,491	134,441	-	399,932	53,065
Youth Violence Prevention	345,000	-	345,000	101,234	129,021	-	230,255	114,745
Public Safety - Total	<u>\$ 48,562,820</u>	<u>\$ 336,035</u>	<u>\$ 48,898,855</u>	<u>\$ 37,473,213</u>	<u>\$ 10,348,396</u>	<u>\$ 199,759</u>	<u>\$ 48,021,368</u>	<u>\$ 877,487</u>
Highways and Streets-Total	<u>2,142,124</u>	<u>60,730</u>	<u>2,202,854</u>	<u>1,024,734</u>	<u>803,081</u>	<u>80,533</u>	<u>1,908,348</u>	<u>294,506</u>

These statements exclude special revenue fund Pearl Young which is included in the General Fund basic statements due to the implementation of GASB 54.

**CITY OF HAMPTON, VIRGINIA
GENERAL FUND
SCHEDULE OF APPROPRIATIONS AND EXPENDITURES
For the Year Ended June 30, 2015**

	Appropriations			Expenditures			Variance Under (Over)
	Budget		Final	Personal	Other		
	July 1, 2014	Net Changes	June 30, 2015	Services	Expenditures	Capital Outlay	
Health:							
Preventive Medicine	\$ 1,408,286	\$ 26,640	\$ 1,434,926	\$ -	\$ 1,417,292	\$ -	\$ 17,634
Drainage Maintenance	1,311,829	5,420	1,317,249	674,118	513,399	-	129,732
Health - Total	2,720,115	32,060	2,752,175	674,118	1,930,691	-	147,366
Human Services:							
Administration	12,015,862	37,018	12,052,880	7,050,644	4,380,811	40,875	580,550
Public Assistance	654,322	-	654,322	-	537,778	-	116,544
Purchase of Services	4,397,333	(106,000)	4,291,333	-	3,682,981	-	608,352
Youth, Education and Family Services	3,560,816	(65,133)	3,495,683	2,582,892	733,110	25,889	153,792
Human Services - Total	20,628,333	(134,115)	20,494,218	9,633,536	9,334,680	66,764	1,459,238
Culture and Recreation:							
Recreation	4,181,354	38,711	4,220,065	2,706,219	1,304,579	148,542	60,725
Parks	5,913,123	292,253	6,205,376	1,805,702	3,958,330	55,837	385,507
Conventions and Tourism	2,319,961	76,625	2,396,586	671,064	1,559,665	2,070	163,787
Hampton History Museum	349,318	-	349,318	254,300	55,552	-	39,466
Culture and Recreation - Total	12,763,756	407,589	13,171,345	5,437,285	6,878,126	206,449	649,485

These statements exclude special revenue fund Pearl Young which is included in the General Fund basic statements due to the implementation of GASB 54.

**CITY OF HAMPTON, VIRGINIA
GENERAL FUND
SCHEDULE OF APPROPRIATIONS AND EXPENDITURES
For the Year Ended June 30, 2015**

	Appropriations			Expenditures			Variance Under (Over)	
	Budget	Net Changes	Final	Personal	Other	Capital Outlay		Total
	July 1, 2014		June 30, 2015	Services	Expenditures			
Education:								
School Operations	70,612,223	500,000	71,112,223	-	71,112,223	-	71,112,223	-
Public Library	2,175,407	9,606	2,185,013	1,387,284	709,844	31,669	2,128,797	56,216
Education - Total	<u>72,787,630</u>	<u>509,606</u>	<u>73,297,236</u>	<u>1,387,284</u>	<u>71,822,067</u>	<u>31,669</u>	<u>73,241,020</u>	<u>56,216</u>
Total expenditures	<u>265,040,899</u>	<u>3,562,880</u>	<u>268,603,779</u>	<u>83,680,036</u>	<u>173,903,838</u>	<u>960,024</u>	<u>258,543,898</u>	<u>10,059,881</u>
Operating Transfers Out:								
Capital Projects Funds	17,469,639	2,334,420	19,804,059	-	12,958,989	-	12,958,989	6,845,070
Enterprise Funds	8,222,042	424,169	8,646,211	-	8,608,483	-	8,608,483	37,728
Special Revenue Funds	2,119,984	195,016	2,315,000	-	2,171,014	-	2,171,014	143,986
Debt Service Funds	34,162,922	(30,000)	34,132,922	-	33,395,324	-	33,395,324	737,598
Transfers - Total	<u>61,974,587</u>	<u>2,923,605</u>	<u>64,898,192</u>	<u>-</u>	<u>57,133,810</u>	<u>-</u>	<u>57,133,810</u>	<u>7,764,382</u>
Total expenditures and transfers	<u>\$ 327,015,486</u>	<u>\$ 6,486,485</u>	<u>\$ 333,501,971</u>	<u>\$ 83,680,036</u>	<u>\$ 231,037,648</u>	<u>\$ 960,024</u>	<u>\$ 315,677,708</u>	<u>\$ 17,824,263</u>

These statements exclude special revenue fund Pearl Young which is included in the General Fund basic statements due to the implementation of GASB 54.

**CITY OF HAMPTON, VIRGINIA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2015**

	Federal Grants	Community Development	Stormwater Management	Pembroke Complex	Law Library	Total Non-major Governmental Funds
Assets:						
Cash and cash equivalents	\$ 446,257	\$ 461,419	\$ 9,929,562	\$ 13,593	\$ 86,639	\$ 10,937,470
Accounts receivables:						
Due from other governments	2,374,212	485,113				2,859,325
Other	505,238		431,370		14	936,622
Due from other funds	318,971		100,145	5,462		424,578
Total assets	<u>\$ 3,644,678</u>	<u>\$ 946,532</u>	<u>\$ 10,461,077</u>	<u>\$ 19,055</u>	<u>\$ 86,653</u>	<u>\$ 15,157,995</u>
Liabilities:						
Accounts payable	\$ 893,067	\$ 237,195	\$ 59,682	\$ 18,054	\$ 3,104	\$ 1,211,102
Accrued liabilities	27,277	3,487	20,004	685	215	51,668
Due to other funds	939,987		12,490			952,477
Total liabilities	<u>1,860,331</u>	<u>240,682</u>	<u>92,176</u>	<u>18,739</u>	<u>3,319</u>	<u>2,215,247</u>
Deferred inflows of resources:						
Unavailable revenue-program income		705,850				705,850
Unavailable revenue-stormwater fees			431,370			431,370
Total deferred inflows of resources		<u>705,850</u>	<u>431,370</u>			<u>1,137,220</u>
Fund balances:						
Restricted	1,699,475		9,937,531	316	83,334	11,720,656
Assigned	84,872					84,872
Total fund balances	<u>1,784,347</u>		<u>9,937,531</u>	<u>316</u>	<u>83,334</u>	<u>11,805,528</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 3,644,678</u>	<u>\$ 946,532</u>	<u>\$ 10,461,077</u>	<u>\$ 19,055</u>	<u>\$ 86,653</u>	<u>\$ 15,157,995</u>

**CITY OF HAMPTON, VIRGINIA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended June 30, 2015**

	Special Revenue					Total Non-major Governmental Funds
	Federal Grants	Community Development	Stormwater Management	Pembroke Complex	Law Library	
REVENUES						
Intergovernmental revenues:						
From the Commonwealth of Virginia	\$ 10,951,606					\$ 10,951,606
From the Federal government	2,302,013	1,971,453				4,273,466
Revenues from use of money and property				395,103	107	395,210
Charges for services			8,008,433			8,008,433
Miscellaneous	1,047,725	281,400			43,164	1,372,289
Total revenues	<u>14,301,344</u>	<u>2,252,853</u>	<u>8,008,433</u>	<u>395,103</u>	<u>43,271</u>	<u>25,001,004</u>
EXPENDITURES						
Current:						
General government	1,079,748	2,252,853		412,010	61,058	3,805,669
Public safety	5,469,604					5,469,604
Sanitation			4,412,541			4,412,541
Human services	10,358,865					10,358,865
Culture and recreation	203,292					203,292
Total expenditures	<u>17,111,509</u>	<u>2,252,853</u>	<u>4,412,541</u>	<u>412,010</u>	<u>61,058</u>	<u>24,249,971</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,810,165)</u>		<u>3,595,892</u>	<u>(16,907)</u>	<u>(17,787)</u>	<u>751,033</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	2,273,130					2,273,130
Transfers out	(1,340)		(1,589,074)			(1,590,414)
Net other financing sources (uses)	<u>2,271,790</u>		<u>(1,589,074)</u>			<u>682,716</u>
Net change in fund balances	(538,375)		2,006,818	(16,907)	(17,787)	1,433,749
Fund balances, beginning of year	<u>2,322,722</u>		<u>7,930,713</u>	<u>17,223</u>	<u>101,121</u>	<u>10,371,779</u>
Fund balances, end of year	<u>\$ 1,784,347</u>	<u>\$</u>	<u>\$ 9,937,531</u>	<u>\$ 316</u>	<u>\$ 83,334</u>	<u>\$ 11,805,528</u>

CITY OF HAMPTON, VIRGINIA
NON-MAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF NET POSITION
June 30, 2015

	Business-Type Activities - Non-Major Enterprise Funds				Totals
	Coliseum	Woodlands	Solid Waste	Refuse-Steam Plant	
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 5,385,163	\$ 800	\$ 636,827	\$ 3,457,171	\$ 9,479,961
Accounts receivable	263,315	9,704	1,735,386	18,333	2,026,738
Due from component units			19,819		19,819
Inventories	78,469	16,733			95,202
Total current assets	<u>5,726,947</u>	<u>27,237</u>	<u>2,392,032</u>	<u>3,475,504</u>	<u>11,621,720</u>
Noncurrent assets:					
Capital assets:					
Land	164,079	2,295,538	945,188		3,404,805
Buildings and improvements	12,556,583	995,046		35,869	13,587,498
Improvements other than buildings	7,234,583	755,532	2,971	18,927,796	26,920,882
Computer software	12,500			225,843	238,343
Equipment	812,091	546,432	11,284,339	3,229,709	15,872,571
Landfill			3,865,986		3,865,986
Construction in progress				1,438,771	1,438,771
Less accumulated depreciation	<u>(14,667,890)</u>	<u>(1,818,424)</u>	<u>(10,360,317)</u>	<u>(16,538,780)</u>	<u>(43,385,411)</u>
Net capital assets	<u>6,111,946</u>	<u>2,774,124</u>	<u>5,738,167</u>	<u>7,319,208</u>	<u>21,943,445</u>
Total noncurrent assets	<u>6,111,946</u>	<u>2,774,124</u>	<u>5,738,167</u>	<u>7,319,208</u>	<u>21,943,445</u>
Total assets	<u>\$ 11,838,893</u>	<u>\$ 2,801,361</u>	<u>\$ 8,130,199</u>	<u>\$ 10,794,712</u>	<u>\$ 33,565,165</u>
DEFERRED OUTFLOWS OF RESOURCES					
Related to pensions	242,228	58,767	364,067	363,187	1,028,250
Total deferred outflows of resources	<u>242,228</u>	<u>58,767</u>	<u>364,067</u>	<u>363,187</u>	<u>1,028,250</u>
LIABILITIES					
Current liabilities:					
Accounts payable	\$ 348,304	\$ 9,996	\$ 229,309	\$ 584,416	\$ 1,172,025
Accrued interest payable				44,386	44,386
Accrued leave	27,201	11,201	114,245	48,011	200,658
Due to other funds		1,851,081			1,851,081
Unearned revenue	140,967				140,967
Current portion of long-term debt				373,837	373,837
Other liabilities	526,601	12,169	16,611	16,281	571,662
Total current liabilities	<u>1,043,073</u>	<u>1,884,447</u>	<u>360,165</u>	<u>1,066,931</u>	<u>4,354,616</u>
Noncurrent liabilities:					
Accrued leave	123,341	22,800	80,812	106,296	333,249
Net pension liability	2,023,326	503,157	2,960,883	3,115,338	8,602,704
Bonds payable				3,236,593	3,236,593
Total noncurrent liabilities	<u>2,146,667</u>	<u>525,957</u>	<u>3,041,695</u>	<u>6,458,227</u>	<u>12,172,546</u>
Total liabilities	<u>3,189,740</u>	<u>2,410,404</u>	<u>3,401,860</u>	<u>7,525,158</u>	<u>16,527,162</u>
DEFERRED INFLOWS OF RESOURCES					
Related to pensions	306,402	66,139	514,027	404,901	1,291,469
Total deferred inflows of resources	<u>306,402</u>	<u>66,139</u>	<u>514,027</u>	<u>404,901</u>	<u>1,291,469</u>
NET POSITION					
Net investment in capital assets	6,111,946	2,774,124	5,738,167	3,708,778	18,333,015
Unrestricted	2,473,033	(2,390,539)	(1,159,788)	(480,938)	(1,558,232)
Total net position	<u>\$ 8,584,979</u>	<u>\$ 383,585</u>	<u>\$ 4,578,379</u>	<u>\$ 3,227,840</u>	<u>\$ 16,774,783</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, 2015

	Business-Type Activities - Non-Major Enterprise Funds				
	Coliseum	Woodlands	Solid Waste	Refuse-Steam Plant	Totals
Operating revenues:					
Charges for services	\$ 13,410,801	\$ 605,072	\$ 9,451,099	\$ 7,129,875	\$ 30,596,847
Other	2,609				2,609
Total operating revenues	<u>13,413,410</u>	<u>605,072</u>	<u>9,451,099</u>	<u>7,129,875</u>	<u>30,599,456</u>
Operating expenses:					
Personal services	1,388,236	325,600	2,119,070	1,815,543	5,648,449
Fringe benefits	428,129	114,278	783,886	599,661	1,925,954
Promoters fees	6,514,291				6,514,291
City-sponsored events	838,743				838,743
Cost of goods sold	329,814	39,426			369,240
Utilities	288,483	70,308	1,172	498,161	858,124
Insurance	196,170	18,605	113,061	263,752	591,588
Operating supplies	124,913	49,598	201,330	682,875	1,058,716
Equipmental rental	21,474	52,721		20,738	94,933
Equipment and building repairs	287,543	35,282	1,801,546	1,667,979	3,792,350
Telephone and postage	79,992	2,853	5,495	9,719	98,059
General expense	1,188,576	1,983	445,111	17,045	1,652,715
Landfill costs			3,099,380	613,883	3,713,263
Contractual services	721,977	36,215	367,318	76,551	1,202,061
Indirect cost			356,470	218,000	574,470
Depreciation and amortization	547,946	86,619	1,296,988	815,472	2,747,025
Total operating expenses	<u>12,956,287</u>	<u>833,488</u>	<u>10,590,827</u>	<u>7,299,379</u>	<u>31,679,981</u>
Operating income (loss)	<u>457,123</u>	<u>(228,416)</u>	<u>(1,139,728)</u>	<u>(169,504)</u>	<u>(1,080,525)</u>
Nonoperating revenues (expenses):					
Interest income				5,512	5,512
Interest and fiscal charges				(190,150)	(190,150)
Gain(loss) on disposal of capital assets	1,776		(41,361)	(199,035)	(238,620)
Total nonoperating revenues (expenses)	<u>1,776</u>		<u>(41,361)</u>	<u>(383,673)</u>	<u>(423,258)</u>
Income (loss) before transfers and capital contributions	458,899	(228,416)	(1,181,089)	(553,177)	(1,503,783)
Transfers in(out)	934,827		(171,000)		763,827
Change in net position	1,393,726	(228,416)	(1,352,089)	(553,177)	(739,956)
Net position, beginning of year, as restated	<u>7,191,253</u>	<u>612,001</u>	<u>5,930,468</u>	<u>3,781,017</u>	<u>17,514,739</u>
Net position, end of year	<u>\$ 8,584,979</u>	<u>\$ 383,585</u>	<u>\$ 4,578,379</u>	<u>\$ 3,227,840</u>	<u>\$ 16,774,783</u>

**CITY OF HAMPTON, VIRGINIA
NON-MAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
Fiscal Year Ended June 30, 2015**

	Coliseum	Woodlands	Solid Waste	Refuse-Steam Plant	Totals
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	\$ 12,714,667	\$ 609,213	\$ 9,936,126	\$ 7,382,554	\$ 30,642,560
Cash payments to suppliers for goods and services	(10,792,118)	(283,730)	(7,247,153)	(4,702,041)	(23,025,042)
Cash payments to employees for services	(1,390,562)	(325,538)	(2,122,752)	(1,806,767)	(5,645,619)
Net cash provided by (used in) operating activities	<u>531,987</u>	<u>(55)</u>	<u>566,221</u>	<u>873,746</u>	<u>1,971,899</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers in from (out to) other funds	934,827		(171,000)		763,827
Net cash provided by (used in) noncapital financing activities	<u>934,827</u>		<u>(171,000)</u>		<u>763,827</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition and construction of capital assets	(117,763)			(1,851,589)	(1,969,352)
Sale of capital assets	1,085		29,806		30,891
Principal paid on revenue bond maturities and long-term debt				(352,517)	(352,517)
Interest paid on revenue bonds and long-term debt				(194,352)	(194,352)
Net cash provided by (used in) capital and related financing activities	<u>(116,678)</u>		<u>29,806</u>	<u>(2,398,458)</u>	<u>(2,485,330)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest and dividends on investments				5,512	5,512
Net cash provided by (used in) investing activities				<u>5,512</u>	<u>5,512</u>
Net increase (decrease) in cash and cash equivalents (including restricted amounts)	1,350,136	(55)	425,027	(1,519,200)	255,908
Cash and cash equivalents, July 1	<u>4,035,027</u>	<u>855</u>	<u>211,800</u>	<u>4,976,371</u>	<u>9,224,053</u>
Cash and cash equivalents, June 30	<u>\$ 5,385,163</u>	<u>\$ 800</u>	<u>\$ 636,827</u>	<u>\$ 3,457,171</u>	<u>\$ 9,479,961</u>
Operating income (loss)	<u>\$ 457,123</u>	<u>\$ (228,416)</u>	<u>\$ (1,139,728)</u>	<u>\$ (169,504)</u>	<u>\$ (1,080,525)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization expense	547,946	86,619	1,296,988	815,472	2,747,025
Decrease (increase) in:					
Accounts receivable	(75,192)	4,142	574,671	252,679	756,300
Due from other funds	8				8
Due from component units			(1,411)		(1,411)
Inventories	7,762	8,530			16,292
Increase (decrease) in:					
Accounts payable	18,390	(9,383)	4,162	206,205	219,374
Accrued leave	(8,267)	(4,668)	(32,557)	(13,223)	(58,715)
Due to other funds	(15,206)	176,812	(3,821)		157,785
Other liabilities	350,305	(64)	7,371	9,219	366,831
Unearned revenue	(623,561)				(623,561)
Net pension liability reported as operating activity	(394,534)	(88,274)	(641,573)	(542,049)	(1,666,430)
Deferred Outflows & Inflows related to pensions reported as operating activity	261,270	49,917	480,613	302,170	1,093,970
Long-term accrued leave reported as operating activity	5,943	4,730	21,506	12,777	44,956
Total adjustments	<u>74,864</u>	<u>228,361</u>	<u>1,705,949</u>	<u>1,043,250</u>	<u>3,052,424</u>
Net cash provided by (used in) operating activities	<u>\$ 531,987</u>	<u>\$ (55)</u>	<u>\$ 566,221</u>	<u>\$ 873,746</u>	<u>\$ 1,971,899</u>

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CITY OF HAMPTON, VIRGINIA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
June 30, 2015

ASSETS	<u>Equipment Replacement</u>	<u>Fleet Services</u>	<u>Risk Management</u>	<u>Information Technology</u>	<u>Totals</u>
Current assets:					
Cash and cash equivalents	\$ 4,236,798	\$ 968,565	\$ 20,607,346	\$ 442,601	\$ 26,255,310
Cash with fiscal agent			230,868		230,868
Accounts receivable	662	9,998	3,228	23,155	37,043
Due from other funds		65,430			65,430
Due from component units		183,158			183,158
Prepaid items			55,954	99,812	155,766
Inventories		130,037			130,037
Total current assets	<u>4,237,460</u>	<u>1,357,188</u>	<u>20,897,396</u>	<u>565,568</u>	<u>27,057,612</u>
Noncurrent assets:					
Capital assets:					
Improvements other than buildings		265,514			265,514
Computer software	14,400	171,225			185,625
Equipment	37,697,822	783,685	34,072	1,517,247	40,032,826
Less accumulated depreciation	<u>(19,938,261)</u>	<u>(829,320)</u>	<u>(32,326)</u>	<u>(855,103)</u>	<u>(21,655,010)</u>
Total noncurrent assets (net capital assets)	<u>17,773,961</u>	<u>391,104</u>	<u>1,746</u>	<u>662,144</u>	<u>18,828,955</u>
Total assets	<u>\$ 22,011,421</u>	<u>\$ 1,748,292</u>	<u>\$ 20,899,142</u>	<u>\$ 1,227,712</u>	<u>\$ 45,886,567</u>
DEFERRED OUTFLOWS OF RESOURCES					
Related to pensions	-	200,308	47,099	31,063	278,470
Total deferred outflows of resources	<u>-</u>	<u>200,308</u>	<u>47,099</u>	<u>31,063</u>	<u>278,470</u>
LIABILITIES					
Current liabilities:					
Accounts payable	\$ 162,893	\$ 692,868	\$ 155,391	\$ 116,931	\$ 1,128,083
Accrued leave		42,576	10,327	8,465	61,368
Due to other funds			1,926		1,926
Current portion of long-term debt	853,468	31,045	8,891,525		9,776,038
Other liabilities		11,945	2,494	1,497	15,936
Total current liabilities	<u>1,016,361</u>	<u>778,434</u>	<u>9,061,663</u>	<u>126,893</u>	<u>10,983,351</u>
Noncurrent liabilities:					
Claims payable			1,776,678		1,776,678
Accrued leave		74,097	18,908	5,262	98,267
Obligations under capital leases	2,719,307				2,719,307
Net pension liability		1,579,471	371,386	244,938	2,195,795
Other post employment benefits obligation			2,411,934		2,411,934
Total noncurrent liabilities	<u>2,719,307</u>	<u>1,653,568</u>	<u>4,578,906</u>	<u>250,200</u>	<u>9,201,981</u>
Total liabilities	<u>3,735,668</u>	<u>2,432,002</u>	<u>13,640,569</u>	<u>377,093</u>	<u>20,185,332</u>
DEFERRED INFLOWS OF RESOURCES					
Related to pensions	-	315,922	74,284	48,992	439,198
Total deferred inflows of resources	<u>-</u>	<u>315,922</u>	<u>74,284</u>	<u>48,992</u>	<u>439,198</u>
NET POSITION					
Net investment in capital assets	14,201,186	360,059	1,747	662,144	15,225,136
Unrestricted	4,074,567	(1,159,383)	7,229,641	170,546	10,315,371
Total net position(deficit)	<u>\$ 18,275,753</u>	<u>\$ (799,324)</u>	<u>\$ 7,231,388</u>	<u>\$ 832,690</u>	<u>\$ 25,540,507</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, 2015

	Equipment Replacement	Fleet Services	Risk Management	Information Technology	Totals
Operating revenues:					
Charges for services	\$ 1,812,611	\$ 8,211,350	\$ 8,711,003	\$ 1,967,464	\$ 20,702,428
Other		1,749			1,749
Total operating revenues	<u>1,812,611</u>	<u>8,213,099</u>	<u>8,711,003</u>	<u>1,967,464</u>	<u>20,704,177</u>
Operating expenses:					
Personal services		1,281,354	270,401	173,094	1,724,849
Fringe benefits		374,375	74,620	42,879	491,874
Cost of goods sold		6,171,062			6,171,062
Utilities		50,633			50,633
Insurance		41,517	2,587,047	550	2,629,114
Operating supplies	1,294	180,147	1,755	22,517	205,713
Equipment rental	190,950	34,263	26,000		251,213
Equipment and building repairs		148,106	3,980	370,197	522,283
Telephone and postage		16,347	6,392	1,036,670	1,059,409
General expense		33,424	108,340	39,269	181,033
Claims			14,198,083		14,198,083
Contractual services		249,652	556,834	379,154	1,185,640
Depreciation and amortization	1,905,418	85,766	1,962	104,481	2,097,627
Total operating expenses	<u>2,097,662</u>	<u>8,666,646</u>	<u>17,835,414</u>	<u>2,168,811</u>	<u>30,768,533</u>
Operating income (loss)	<u>(285,051)</u>	<u>(453,547)</u>	<u>(9,124,411)</u>	<u>(201,347)</u>	<u>(10,064,356)</u>
Nonoperating revenues (expenses):					
Interest income	6,200		24,518	436	31,154
Interest and fiscal charges	(100,984)	(1,901)			(102,885)
Other	21,354	11,325			32,679
Gain(loss) on disposal of capital assets	380,262				380,262
Total nonoperating revenues (expenses)	<u>306,832</u>	<u>9,424</u>	<u>24,518</u>	<u>436</u>	<u>341,210</u>
Income (loss) before transfers and capital contributions	21,781	(444,123)	(9,099,893)	(200,911)	(9,723,146)
Change in net position	21,781	(444,123)	(9,099,893)	(200,911)	(9,723,146)
Net position(deficit), beginning of year, as restated	<u>18,253,972</u>	<u>(355,201)</u>	<u>16,331,281</u>	<u>1,033,601</u>	<u>35,263,653</u>
Net position(deficit), end of year	<u>\$ 18,275,753</u>	<u>\$ (799,324)</u>	<u>\$ 7,231,388</u>	<u>\$ 832,690</u>	<u>\$ 25,540,507</u>

CITY OF HAMPTON, VIRGINIA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2015

	Equipment Replacement	Fleet Services	Risk Management	Information Technology	Totals
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	\$ 1,833,965	\$ 8,218,994	\$ 8,726,956	\$ 1,952,846	\$ 20,732,761
Cash payments to suppliers for goods and services	(192,244)	(6,618,824)	(8,027,158)	(1,878,998)	(16,717,224)
Cash payments to employees for services		(1,657,010)	(264,640)	(170,420)	(2,092,070)
Net cash provided by (used in) operating activities	<u>1,641,721</u>	<u>(56,840)</u>	<u>435,158</u>	<u>(96,572)</u>	<u>1,923,467</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition and construction of capital assets	(4,010,620)	(19,990)		(14,880)	(4,045,490)
Principal paid on revenue bond maturities and long-term debt	(923,059)	(60,702)			(983,761)
Interest paid on revenue bonds and long-term debt	(100,984)	(1,901)			(102,885)
Sale of capital assets	415,524				415,524
Net cash provided by (used in) capital and related financing activities	<u>(4,619,139)</u>	<u>(82,593)</u>		<u>(14,880)</u>	<u>(4,716,612)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest and dividends on investments	6,086		22,746	437	29,269
Net cash provided by (used in) investing activities	<u>6,086</u>		<u>22,746</u>	<u>437</u>	<u>29,269</u>
Net increase (decrease) in cash and cash equivalents (including restricted amounts)	(2,971,332)	(139,433)	457,904	(111,015)	(2,763,876)
Cash and cash equivalents, July 1	<u>7,208,130</u>	<u>1,107,998</u>	<u>20,380,310</u>	<u>553,616</u>	<u>29,250,054</u>
Cash and cash equivalents, June 30	<u>\$ 4,236,798</u>	<u>\$ 968,565</u>	<u>\$ 20,838,214</u>	<u>\$ 442,601</u>	<u>\$ 26,486,178</u>

continued

	Equipment Replacement	Fleet Services	Risk Management	Information Technology	Totals
Operating income (loss)	\$ (285,051)	\$ (453,547)	\$ (9,124,411)	\$ (201,347)	\$ (10,064,356)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization expense	1,905,418	85,766	1,962	104,481	2,097,627
Decrease (increase) in:					
Accounts receivable	(114)	2,897	(1,772)	(14,618)	(13,607)
Due from other funds	2	(65,430)	15,953		(49,475)
Due from component units		57,104			57,104
Inventories		1,765			1,765
Prepaid expenses			65,623	56,699	122,322
Increase (decrease) in:					
Accounts payable	(175,613)	368,784	97,577	(33,729)	257,019
Accrued leave		(11,351)	2,118	3,249	(5,984)
Due to other funds			1,926	(773)	1,153
Other liabilities		5,659	1,439	801	7,899
Nonoperating revenues reported as operating activity	21,352	11,325			32,677
Current portion of long-term accrued claims reported as operating activity			7,607,952		7,607,952
Accounts payable reported as nonoperating activities	175,613				175,613
Accounts receivable reported as nonoperating activities	114		1,772		1,886
Long-term accrued leave reported as operating activity		4,410	2,204	(1,376)	5,238
Long-term accrued insurance claims reported as operating activity			906,446		906,446
Other post employment benefits obligation reported as operating activity			871,469		871,469
Net pension liability reported as operating activity		(383,056)	(90,069)	(59,403)	(532,528)
Deferred Outflows & Inflows related to pensions reported as operating activity		318,834	74,969	49,444	443,247
Total adjustments	<u>1,926,772</u>	<u>396,707</u>	<u>9,559,569</u>	<u>104,775</u>	<u>11,987,823</u>
Net cash provided by (used in) operating activities	<u>\$ 1,641,721</u>	<u>\$ (56,840)</u>	<u>\$ 435,158</u>	<u>\$ (96,572)</u>	<u>\$ 1,923,467</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, 2015

	<u>Balance, July 1, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance, June 30, 2015</u>
<u>Special Welfare Fund</u>				
ASSETS				
Cash and cash equivalents	\$ 27,062	\$ 74,612	\$ 78,357	\$ 23,317
Accounts receivable	105		105	
	<u>\$ 27,167</u>	<u>\$ 74,612</u>	<u>\$ 78,462</u>	<u>\$ 23,317</u>
LIABILITIES				
Deposits	\$ 19,532	\$ 16,301	\$ 19,532	\$ 16,301
Accounts payable	7,635	125,150	125,769	7,016
	<u>\$ 27,167</u>	<u>\$ 141,451</u>	<u>\$ 145,301</u>	<u>\$ 23,317</u>
<u>Agency Fund</u>				
ASSETS				
Cash and cash equivalents	\$ 1,027,102	\$ 525,164	\$ 886,132	\$ 666,134
Accounts		78,789	69,600	9,189
	<u>\$ 1,027,102</u>	<u>\$ 603,953</u>	<u>\$ 955,732</u>	<u>\$ 675,323</u>
LIABILITIES				
Deposits	\$ 717,615	\$ 865,970	\$ 954,892	\$ 628,693
Accounts payable	309,487	1,226,695	1,489,552	46,630
	<u>\$ 1,027,102</u>	<u>\$ 2,092,665</u>	<u>\$ 2,444,444</u>	<u>\$ 675,323</u>
<u>Total - All Agency Funds</u>				
ASSETS				
Cash and cash equivalents	\$ 1,054,163	\$ 599,776	\$ 964,489	\$ 689,450
Accounts receivable	105	78,789	69,705	9,189
	<u>\$ 1,054,268</u>	<u>\$ 678,565</u>	<u>\$ 1,034,194</u>	<u>\$ 698,639</u>
LIABILITIES				
Deposits	\$ 737,146	\$ 882,271	\$ 974,424	\$ 644,993
Accounts payable and accrued liabilities	317,122	1,351,845	1,615,321	53,646
	<u>\$ 1,054,268</u>	<u>\$ 2,234,116</u>	<u>\$ 2,589,745</u>	<u>\$ 698,639</u>

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CITY OF HAMPTON, VIRGINIA
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
COMBINING BALANCE SHEET
June 30, 2015

	<u>Operating</u>	<u>Food Services</u>	<u>Reimbursable Projects</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 7,098,274	\$ 5,532,813	\$ 419,442	\$ 13,050,529
Cash with fiscal agent	10,296,535			10,296,535
Investments	19,968			19,968
Accounts receivable	176,239	32,892	112,210	321,341
Due from primary government	7,187			7,187
Due from other funds	1,520,032	141	55	1,520,228
Due from other governments	4,155,332	341,638	2,608,838	7,105,808
Inventories		138,798		138,798
Total assets	<u>\$ 23,273,567</u>	<u>\$ 6,046,282</u>	<u>\$ 3,140,545</u>	<u>\$ 32,460,394</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable and other liabilities	\$ 18,518,866	\$ 653,461	\$ 887,641	\$ 20,059,968
Due to other funds	55	118	1,520,055	1,520,228
Due to primary government	204,733			204,733
Unearned revenue			27,985	27,985
Total liabilities	<u>18,723,654</u>	<u>653,579</u>	<u>2,435,681</u>	<u>21,812,914</u>
Fund balances				
Nonspendable		138,798		138,798
Restricted		5,253,905	704,864	5,958,769
Assigned	4,549,913			4,549,913
Total fund balances	<u>4,549,913</u>	<u>5,392,703</u>	<u>704,864</u>	<u>10,647,480</u>
Total liabilities and fund balances	<u>\$ 23,273,567</u>	<u>\$ 6,046,282</u>	<u>\$ 3,140,545</u>	<u>\$ 32,460,394</u>

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

Total fund balance	\$ 10,647,480
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds. (Note 6)	96,769,710
Accumulated depreciation on capital assets (Note 6)	(84,307,946)
Net other post employment benefit liability (Note 8)	(10,149,729)
Capital Lease (Note 8)	(212,795)
Long-term liability for compensated absences (Note 8)	(6,115,641)
Net pension liability (Note 8)	(204,090,804)
Deferred outflows of resources related to pensions (Note 9)	20,086,429
Deferred inflows of resources related to pensions (Note 9)	(28,579,714)
Net position discretely presented component unit School Board	<u>\$ (205,953,010)</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, 2015

	<u>Operating</u>	<u>Food Services</u>	<u>Reimbursable Projects</u>	<u>Total</u>
REVENUES				
State funds	\$ 121,007,291	\$ 196,414	\$ 1,139,801	\$ 122,343,506
Federal funds (includes pass through)	764,734	7,524,608	14,389,460	22,678,802
Other receipts	1,576,740	2,372,348	1,305,498	5,254,586
Payments from City	71,112,223			71,112,223
Net increase(decrease) in fair value of investments	(210)			(210)
Total revenues	194,460,778	10,093,370	16,834,759	221,388,907
EXPENDITURES				
Education	196,725,529	10,009,032	17,188,002	223,922,563
Excess of revenues over (under) expenditures	(2,264,751)	84,338	(353,243)	(2,533,656)
OTHER FINANCING SOURCES (USES)				
Transfer from:				
Food Services Fund	500,000			500,000
School Operating Fund			434,102	434,102
Transfer to:				
School Operating Fund		(500,000)		(500,000)
Reimbursable Projects Fund	(434,102)			(434,102)
Total other sources (uses)	65,898	(500,000)	434,102	
Excess of revenues and other sources over (under) expenditures and other uses	(2,198,853)	(415,662)	80,859	(2,533,656)
Fund balance - July 1	6,748,766	5,808,365	624,005	13,181,136
Fund balance - June 30	\$ 4,549,913	\$ 5,392,703	\$ 704,864	\$ 10,647,480

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

Net change in fund balances - total school funds	\$ (2,533,656)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. (Note 6)	
Capital acquisitions	1,895,353
Depreciation expense	(2,383,603)
In the statement of activities, the loss on disposal of capital assets is reported. However, in the governmental funds, only the proceeds from sale increase financial resources. The change in net position differs from the change in fund balance by the net book value of the capital assets abandoned. (Note 6)	
	(11,438)
Decrease in capital leases are not reported as expenditures in the governmental funds. (Note 8)	
	120,158
Increase in other post employment benefit liability reported in the Statement of Activities does not provide current financial resources and therefore is not reported in the governmental funds. (Note 8)	
	(509,086)
Decrease in compensated absences reported in the Statement of Activities does not provide current financial resources and therefore is not reported in the governmental funds. (Note 8)	
	659,341
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 (Note 8)	
	25,664,059
Increase in deferred inflows of resources related to pensions reported in the Statement of Activities does not provide current financial resources and therefore is not reported in the governmental funds (Note 9)	
	(28,579,714)
Increase in deferred outflows of resources related to pensions reported in the Statement of Activities does not provide current financial resources and therefore is not reported in the governmental funds (Note 9)	
	6,354,261
Change in net position of governmental activities	\$ 675,675

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, 2015

	School Board - School Operating Fund			Variance with Final Budget Over (Under)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Intergovernmental:				
State Funds	\$ 122,013,870	\$ 122,013,870	\$ 121,007,292	\$ (1,006,578)
Federal funds (includes pass through)	1,323,000	1,323,000	764,733	(558,267)
Miscellaneous	1,069,000	1,069,000	1,205,698	136,698
Payments from City	71,112,223	71,112,223	71,112,223	
Total revenues	<u>195,518,093</u>	<u>195,518,093</u>	<u>194,089,946</u>	<u>(1,428,147)</u>
EXPENDITURES				
Current:				
Education	<u>195,296,991</u>	<u>198,051,145</u>	<u>196,205,298</u>	<u>(1,845,847)</u>
Total expenditures	<u>195,296,991</u>	<u>198,051,145</u>	<u>196,205,298</u>	<u>(1,845,847)</u>
Excess (deficiency) of revenues over (under) expenses	<u>221,102</u>	<u>(2,533,052)</u>	<u>(2,115,352)</u>	
OTHER FINANCING SOURCES (USES)				
Transfers in	500,000	500,000	500,000	
Transfers out	<u>(721,102)</u>	<u>(721,102)</u>	<u>(721,102)</u>	
Total other financing sources (uses)	<u>(221,102)</u>	<u>(221,102)</u>	<u>(221,102)</u>	
Excess of revenues and other sources over (under) expenditures and other uses		<u>(2,754,154)</u>	<u>(2,336,454)</u>	
Appropriations from fund balance		5,811,347		
Appropriations - encumbrances		<u>(3,057,193)</u>		
Fund balance - July 1			<u>5,811,347</u>	
Fund balance - June 30	<u>\$</u>	<u>\$</u>	<u>\$ 3,474,893</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, 2015

Assets held by the Treasurer:

Cash on hand	\$ 7,050
Cash in banks:	
Old Point National Bank	9,940,717
Investments:	
Certificates of deposit	26,747,738
Commercial paper	9,982,937
Repurchase agreement	1,600,000
Investment in mutual and money market funds	132,458
State Local Government Investment Pool	120,000,000
U.S. Government securities	14,010,183
Timing differences	(151)
Total assets	<u>\$ 182,420,932</u>

Liabilities of the Treasurer:

Balance of City funds	<u>\$ 182,420,932</u>
Cash and cash equivalents	
Primary Government per Exhibit A-1	\$ 149,734,271
School Board per Exhibit A-11	13,050,529
Economic Development Authority per Exhibit A-11	4,472,072
General Fund Investments per Exhibit A-3	14,000,458
Restricted cash and investments - Enterprise Funds per Exhibit A-6	
Cash and cash equivalents	3,745,917
Investments	14,951,359
Cash and cash equivalents - Fiduciary Funds per Exhibit A-9	732,568
Investments - Component Unit - EDA per Exhibit A-11	278
Adjust investments in CAFR from fair value to cost	9,725
Timing differences	814
Less:	
Petty cash	\$ (27,292)
Cash and investments held by trustees	<u>(18,249,767)</u>
	<u>(18,277,059)</u>
Balance of City funds	<u>\$ 182,420,932</u>

CITY OF HAMPTON, VIRGINIA
SCHEDULE OF CASH FLOWS
DISCRETELY PRESENTED COMPONENT UNIT
ECONOMIC DEVELOPMENT AUTHORITY
For the Year Ended June 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 1,366,068
Cash payments to suppliers for goods and services	(2,194,525)
Cash payments to employees for services	(4,750)
Other receipts (payments)	<u>100</u>
Net cash provided by (used in) operating activities	<u>(833,107)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Payment from primary government	<u>964,458</u>
Net cash provided by (used in) noncapital financing activities	<u>964,458</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal paid on revenue bond maturities and long-term debt	(645,586)
Interest paid on revenue bonds and long-term debt	<u>(344,473)</u>
Net cash provided by (used in) capital and related financing activities	<u>(990,059)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends on investments	4,603
Proceeds from collection of loans	158,146
Proceeds from collection of lease receivable	605,120
Interest received on loans	14,787
Interest received on lease receivable	384,996
Disbursements for loans	<u>(40,307)</u>
Net cash provided by (used in) investing activities	<u>1,127,345</u>
Net increase (decrease) in cash and cash equivalents (including restricted amounts)	268,637
Cash and cash equivalents (including restricted), July 1	<u>4,203,435</u>
Cash and cash equivalents (including restricted), June 30	<u>\$ 4,472,072</u>

Operating income (loss)	<u>\$ (2,560,083)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Depreciation and amortization expense	102,468
Cost of land sold	794,484
Decrease (increase) in:	
Notes receivable	417,320
Due from primary government	455,895
Increase (decrease) in:	
Accounts payable	65,414
Due to primary government	200,015
Other liabilities	(20,027)
Deferred revenue	(190,781)
Notes receivable reported as nonoperating activities	(117,839)
Other liabilities reported as nonoperating revenues	20,027
Total adjustments	<u>1,726,976</u>
Net cash provided by (used in) operating activities	<u>\$ (833,107)</u>
Non-cash transactions affecting investing capital and related financing activities:	
Contribution of Land	711,000
Net increase (decrease) in fair value of investments	<u>\$ (167)</u>
Total non-cash transactions	<u>\$ 710,833</u>

CITY OF HAMPTON, VIRGINIA
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
SCHOOL OPERATING FUND
SCHEDULE OF APPROPRIATIONS AND EXPENDITURES
For the Year Ended June 30, 2015

	<u>Appropriations</u>			<u>Expenditures</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Budget July 1, 2014</u>	<u>Net Changes</u>	<u>Final June 30,2015</u>		
EXPENDITURES					
Administration/attendance and health	\$ 10,155,875	\$ (339,653)	\$ 9,816,222	\$ 9,705,331	\$ (110,891)
Instructional	146,469,229	(1,496,024)	144,973,205	143,892,853	(1,080,352)
Public transportation service	9,339,937	148,572	9,488,509	9,400,862	(87,647)
Operation and maintenance of school plant	18,000,777	770,204	18,770,981	18,660,530	(110,451)
Technology	11,331,173	3,671,055	15,002,228	14,545,722	(456,506)
Total expenditures	<u>195,296,991</u>	<u>2,754,154</u>	<u>198,051,145</u>	<u>196,205,298</u>	<u>(1,845,847)</u>
OPERATING TRANSFER OUT					
To Student Activities Fund	287,000		287,000	287,000	
To Reimbursable Projects Fund	434,102		434,102	434,102	
Total transfers out	<u>721,102</u>		<u>721,102</u>	<u>721,102</u>	
Total expenditures and transfers out	<u>\$ 196,018,093</u>	<u>\$ 2,754,154</u>	<u>\$ 198,772,247</u>	<u>\$ 196,926,400</u>	<u>\$ (1,845,847)</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, 2015

	Final Budgeted Revenues	Actual Revenues	Variance with Final Budget Over (Under)
State funds:			
Basic appropriation	\$ 59,663,011	\$ 59,221,440	\$ (441,571)
At risk payment	2,871,452	2,854,462	(16,990)
Remedial education	3,005,484	2,987,613	(17,871)
K-3 Primary Class Size	3,309,699	3,303,753	(5,946)
Virginia Retirement System	7,891,176	7,844,255	(46,921)
Social security benefits	3,874,368	3,851,331	(23,037)
Group life insurance	242,148	240,708	(1,440)
Special education	9,818,404	9,702,286	(116,118)
Textbook payments	1,370,558	1,362,408	(8,150)
Remedial summer school	775,359	886,813	111,454
At risk 4 year old	2,614,515	2,615,198	683
Gifted	669,468	665,487	(3,981)
Foster home	126,000	91,120	(34,880)
Vocational education	1,244,764	1,177,278	(67,486)
VPSA education tech grant	1,202,400	1,139,200	(63,200)
Virginia blind	6,525		(6,525)
ESL	258,636	247,545	(11,091)
Early Reading Intervention	350,017	336,468	(13,549)
SOL Algebra Readiness	342,492	342,718	226
Sales tax	21,060,654	21,059,634	(1,020)
Medicaid Reimbursement	1,100,000	860,835	(239,165)
Early reading specialists initiative	216,740	216,740	
Total state funds	<u>122,013,870</u>	<u>121,007,292</u>	<u>(1,006,578)</u>
Federal Funds:			
Public law 874	800,000	307,071	(492,929)
Impact Aid Special Education	200,000	119,288	(80,712)
U.S. Army- ROTC	96,000	136,876	40,876
U.S. Air Force- ROTC	67,000	55,339	(11,661)
U.S. Navy - ROTC	83,000	74,806	(8,194)
U.S. Marine Corps - ROTC	77,000	71,353	(5,647)
Total federal funds	<u>1,323,000</u>	<u>764,733</u>	<u>(558,267)</u>
Other funds:			
Fees from students	21,000	20,681	(319)
Tuition from regular day students	5,000	4,908	(92)
Miscellaneous revenue	31,000	30,601	(399)
Medicaid reimbursement	109,000	109,189	189
Interest	2,000	2,808	808
Other	901,000	1,037,511	136,511
Total other funds	<u>1,069,000</u>	<u>1,205,698</u>	<u>136,698</u>
Total revenues	<u>124,405,870</u>	<u>122,977,723</u>	<u>(1,428,147)</u>
Other credits:			
Payment from the City	71,112,223	71,112,223	
Transfer from Food Services Fund	500,000	500,000	
Total other credits	<u>71,612,223</u>	<u>71,612,223</u>	
Total revenues and other credits	<u>\$ 196,018,093</u>	<u>\$ 194,589,946</u>	<u>\$ (1,428,147)</u>

CITY OF HAMPTON, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2015

Federal Granting Agency/ Recipient State Agency/ Grant Program/Grant Number	<u>Federal Catalogue Number</u>	<u>Expenditures</u>
DEPARTMENT OF AGRICULTURE		
FOOD STAMP CLUSTER:		
Pass-through payments:		
Department of Social Services:		
State Administrative Matching Grants for Food Stamp Program	10.561	\$ 1,530,936
Total Food Stamp Cluster		<u>1,530,936</u>
NUTRITION CLUSTER:		
Direct payments:		
Summer Food Service Program for Children	10.559	178,918
Pass-through payments:		
Department of Education:		
National School Breakfast Program	10.553	1,532,494
National School Lunch Program	10.555	5,400,574
Department of Agriculture and Consumer Services:		
Donated Commodities	10.556	<u>591,540</u>
Total Nutrition Cluster		<u>7,703,526</u>
Department of Agriculture Forest Service		
Total Department of Agriculture		<u>9,234,462</u>
DEPARTMENT OF DEFENSE:		
Direct Payments:		
U.S. Army - ROTC	12.000	136,876
U.S. Air Force - ROTC	12.000	55,339
U.S. Navy - ROTC	12.000	74,806
U.S. Marine Corps - ROTC	12.000	<u>71,353</u>
Total Department of Defense		<u>338,374</u>
DEPARTMENT OF EDUCATION:		
Direct payments:		
Impact Aid	84.041	426,360
Pass-through payments:		
Department of Behavioral Health and Developmental Services:		
Early Intervention Services for Infants and Toddlers with Disabilities and their Families (00-01-15)	84.181	359,842
Department of Education:		
Gear Up	84.334 A	63,107
Title I, Part A Cluster:		
Educationally Deprived Children-LEA (112-00-1) (112-01-1)	84.010 A	6,540,809
School Improvement	84.337 A	1,020,608
Title II:		
Title II Training and Recruiting	84.367 A	1,708,757
Title III LEP, Immigrant	84.365	59,287
Title VI:		
Title VI 21st Century	84.287 C	358,065
Title VIB	84.027 A	4,212,637
Title VIB Preschool	84.173 A	19,915
Carl Perkins	84.048	406,274

CITY OF HAMPTON, VIRGINIA
SCHEDULE OF EXPENDITURES AND FEDERAL AWARDS - CONTINUED
For the Year Ended June 30, 2015

Federal Granting Agency/ Recipient State Agency/ Grant Program/Grant Number	<u>Federal Catalogue Number</u>	<u>Expenditures</u>
Total Department of Education		<u>15,175,661</u>
DEPARTMENT OF HEALTH AND HUMAN SERVICES:		
MEDICAID CLUSTER:		
Pass-through payments:		
Department of Social Services:		
Medical Assistance Program (Medicaid, Title XIX)	93.778	<u>1,574,630</u>
Total Medicaid Cluster		<u>1,574,630</u>

CITY OF HAMPTON, VIRGINIA
SCHEDULE OF EXPENDITURES AND FEDERAL AWARDS - CONTINUED
For the Year Ended June 30, 2015

Federal Granting Agency/ Recipient State Agency/ Grant Program/Grant Number	Federal Catalogue Number	Expenditures
OTHER:		
Pass-through payments:		
Department of Social Services:		
Promoting Safe and Stable Families	93.556	60,432
Temporary Assistance for Needy Families (TANF)	93.558	1,974,158
Healthy Families Partnership - (TANF)	93.558	387,290
Refugee & Entrant Assistance	93.566	13,872
Low-Income Home Energy Assistance (LIHEAP)	93.568	181,226
Child Care and Developmental Fund Cluster:		
Child Care Development Fund	93.596	240,357
Independent Living Program - Education and Training Vouchers	93.599	2,797
Adoption Incentives	93.603	3,000
Family Support	93.645	11,005
Foster Care - Title IV-E	93.658	651,280
Adoption Assistance	93.659	744,765
Social Services Block Grant (SSBG)	93.667	1,383,994
Independent Living	93.674	13,994
State Children's Insurance Program (CHIP)	93.767	52,134
		<u>5,720,304</u>
Total Department of Health and Human Services (Other)		
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE:		
FOSTER GRANDPARENT, SENIOR COMPANION CLUSTER:		
Direct payments:		
Foster Grandparent Program (08SFSVA004)	94.011	341,229
		<u>341,229</u>
Total Foster Grandparent, Senior Companion Cluster		
DEPARTMENT OF HOMELAND SECURITY:		
Direct payments:		
LEMPG		117,399
Assistance to Firefighters	97.044	84,093
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	891,848
FY2013 Port Security Grant Program	97.056	11,458
Pass-through payments:		
Virginia Department of Emergency Management:		
Citizen Corp 2013	97.073	20,776
Repetitive Flood Claims Grant Program	97.092	45,600
FEMA-VDEM Hazard Mitigation	97.039	6,234
		<u>1,177,408</u>
Total Homeland Security		

CITY OF HAMPTON, VIRGINIA
SCHEDULE OF EXPENDITURES AND FEDERAL AWARDS - CONTINUED
For the Year Ended June 30, 2015

Federal Granting Agency/ Recipient State Agency/ Grant Program/Grant Number	<u>Federal Catalogue Number</u>	<u>Expenditures</u>
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:		
CDBG-ENTITLEMENT AND (HUD-ADMINISTERED) SMALL CITIES		
CLUSTER:		
Direct Payments:		
Community Development Block Grant Program, Entitlement Grants: (\\$810,919 provided to subrecipient)	14.218	1,264,106
OTHER		
Direct payments:		
Community Development Block Grant Program, Entitlement Grants: Home Program (\\$814,377 provided to subrecipient)	14.239	<u>707,346</u>
Total CDBG-Entitlement and (HUD-Administered) Small Cities Cluster		<u>1,971,452</u>
DEPARTMENT OF JUSTICE		
Direct payments:		
State Criminal Alien Assistance Program	16.606	- 12,765
COPS Technology	16.710	19,811
Department of Criminal Justice Services:		
Response Effort	16.588	63,741
Victim Witness	16.575	172,017
Residential Substance Abuse Treatment	16.579	14,923
Edward Byrne/Justice Assistance Grant	16.738	33,084
Proceeds of seized assets	16.922	<u>209,219</u>
Total Department of Justice		<u>525,560</u>
DEPARTMENT OF TRANSPORTATION:		
Pass-through payments:		
Department of Transportation:		
Highway Planning and Construction	20.205	4,293,041
Department of Motor Vehicles:		
Highway Safety Grant	20.600	<u>37,111</u>
Total Department of Transportation		<u>4,330,152</u>

CITY OF HAMPTON, VIRGINIA
SCHEDULE OF EXPENDITURES AND FEDERAL AWARDS - CONTINUED
For the Year Ended June 30, 2015

Federal Granting Agency/ Recipient State Agency/ Grant Program/Grant Number	<u>Federal Catalogue Number</u>	<u>Expenditures</u>
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION:		
Direct payments:		
NASA LaRC Visitor Center and Public Education Program (NCC-1-275)	43.000	150,000
NASA Steam Sales	43.000	5,150,248
Education Resource Center and Coop Agreement	43.000	<u>338,821</u>
		<u>5,639,069</u>
Total National Aeronautics and Space Administration		
		<u>\$ 46,028,301</u>

Notes:

(A) General

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

The Schedule of Expenditures of Federal Awards does not include federal funding of \$228,000 in the General Fund. This amount represents indirect costs from other federally assisted programs administered by the City and is included in the federal revenue.

(B) Basis of Accounting

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

CITY OF HAMPTON, VIRGINIA
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
CONVENTION CENTER REVENUE BONDS
June 30, 2015

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2016	\$ 2,435,000	\$ 4,035,929	\$ 6,470,929
2017	2,555,000	3,917,435	6,472,435
2018	2,680,000	3,791,388	6,471,388
2019	2,815,000	3,656,104	6,471,104
2020	2,960,000	3,511,919	6,471,919
2021	3,110,000	3,360,150	6,470,150
2022	3,270,000	3,203,088	6,473,088
2023	3,430,000	3,038,825	6,468,825
2024	3,610,000	2,861,751	6,471,751
2025	3,795,000	2,672,822	6,467,822
2026	3,990,000	2,482,332	6,472,332
2027	4,190,000	2,282,244	6,472,244
2028	4,410,000	2,062,394	6,472,394
2029	4,640,000	1,830,488	6,470,488
2030	4,935,000	1,585,128	6,520,128
2031	5,195,000	1,325,547	6,520,547
2032	5,470,000	1,052,256	6,522,256
2033	5,750,000	764,744	6,514,744
2034	6,045,000	471,547	6,516,547
2035	6,355,000	162,847	6,517,847
	<u>\$ 81,640,000</u>	<u>\$ 48,068,938</u>	<u>\$ 129,708,938</u>

CITY OF HAMPTON, VIRGINIA
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
ECONOMIC DEVELOPMENT AUTHORITY REVENUE BONDS
June 30, 2015

Fiscal Year Ending June 30,	2002		Total Debt Service
	Tax-Exempt Principal	Interest	
2016	\$ 686,603	\$ 303,456	\$ 990,059
2017	729,460	260,599	990,059
2018	776,573	213,486	990,059
2019	825,913	164,146	990,059
2020	878,387	111,672	990,059
2021	933,997	56,062	990,059
2022	190,959	5,924	196,883
	<u>\$ 5,021,892</u>	<u>\$ 1,115,345</u>	<u>\$ 6,137,237</u>

CITY OF HAMPTON, VIRGINIA
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
GENERAL OBLIGATION BONDS
For the Year Ended June 30, 2015

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2016	\$ 22,710,000	\$ 11,327,813	\$ 34,037,813
2017	22,130,000	11,118,768	33,248,768
2018	22,385,000	10,321,620	32,706,620
2019	20,375,000	9,392,447	29,767,447
2020	20,430,000	8,635,752	29,065,752
2021	17,765,000	7,723,853	25,488,853
2022	18,410,000	6,719,893	25,129,893
2023	17,015,000	5,857,353	22,872,353
2024	16,415,000	5,003,533	21,418,533
2025	17,135,000	4,193,833	21,328,833
2026	17,895,000	3,346,753	21,241,753
2027	13,885,000	2,458,931	16,343,931
2028	14,330,000	1,634,964	15,964,964
2029	5,320,000	1,175,261	6,495,261
2030	5,450,000	955,780	6,405,780
2031	4,800,000	754,675	5,554,675
2032	4,920,000	588,113	5,508,113
2033	5,050,000	410,863	5,460,863
2034	3,635,000	224,100	3,859,100
2035	3,785,000	75,700	3,860,700
	<u>\$ 273,840,000</u>	<u>\$ 91,920,005</u>	<u>\$ 365,760,005</u>

CITY OF HAMPTON, VIRGINIA
COMPUTATION OF LEGAL DEBT MARGIN
June 30, 2015

Assessed value:

Real estate	\$ 10,092,713,275	
Public service corporations - real estate	30,562,423	
Newport News Waterworks	<u>59,118,600</u>	<u>\$ 10,182,394,298</u>
 Debt Limit at 10% of assessed value		 <u>1,018,239,430</u>
 General obligation bonded debt:		
General obligations bonds	270,229,570	
General obligation bonds- Steam Plant	<u>3,610,430</u>	
Total long-term debt		<u>273,840,000</u>
 Legal debt margin		 <u>\$ 744,399,430</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 obligation, net OPEB obligation and net pension liability totaling \$202,691,733 at June 30, 2015.

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
2006	\$ 8,165,513	\$ 116,579	\$ 63,400	\$ 8,345,492	\$ 851,793	\$ 29,237	\$ 881,030
2007	9,285,102	123,453	66,570	9,475,125	889,008	92,981	981,989
2008	10,976,166	143,250	64,280	11,183,696	911,503	87,705	999,208
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

Source: City of Hampton, Virginia, 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⁾
2006	\$ 1.20	\$ 4.25
2007	1.14	4.25
2008	1.06	4.25
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

Source: City of Hampton, Virginia 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, 2015

Economic Development Authority Revenue Bonds	\$ 5,021,892
Convention Center Revenue Bonds	<u>81,640,000</u>
Total	<u><u>\$ 86,661,892</u></u>

Source: Finance Department, City of Hampton, Virginia

CITY OF HAMPTON, VIRGINIA
General Fund Expenditures
For the Year Ended June 30, 2015

<u>Expenditures</u>	2015 <u>Actual</u>	Percent of Total <u>Actual</u>	2014 <u>Actual</u>	<u>Difference</u>	Percentage <u>Change</u>
General Government	\$ 101,211,517	32.06 %	\$ 97,800,740	\$ 3,410,777	3.37 %
Public Safety	48,021,370	15.21 %	48,694,693	(673,323)	(1.40)%
Highways & Streets	1,908,348	0.60 %	1,932,408	(24,060)	(1.26)%
Health	2,604,809	0.83 %	2,649,246	(44,437)	(1.71)%
Human Services	19,034,980	6.03 %	19,147,530	(112,550)	(0.59)%
Culture & Recreation	12,521,859	3.97 %	11,473,909	1,047,950	8.37 %
Education - City Share	71,112,223	22.53 %	70,773,049	339,174	0.48 %
Education - Other Sources	2,128,797	0.67 %	2,119,571	9,226	0.43 %
Transfers Out	57,133,810	18.10 %	60,855,754	(3,721,944)	(6.51)%
Totals	<u>\$ 315,677,713</u>	<u>100.00 %</u>	<u>\$ 315,446,900</u>	<u>\$ 230,813</u>	<u>0.07 %</u>

Source: City of Hampton, Virginia Comprehensive Annual Financial Report for years ended June 30, 2014 and 2015.

CITY OF HAMPTON, VIRGINIA
Summary of General Fund (In Thousands)
Fiscal Years Ended June 30, 2011-2015

	2011	2012	2013	2014	2015
Revenues	\$ 293,326	\$ 297,049	\$ 297,991	\$ 317,298	\$ 317,103
Expenditures ⁽⁵⁾	<u>234,890</u>	<u>239,027</u>	<u>248,828</u>	<u>254,591</u>	<u>258,544</u>
Excess of Revenue over(under) Expenditures	<u>58,436</u>	<u>58,022</u>	<u>49,163</u>	<u>62,707</u>	<u>58,559</u>
Other Financing Sources(Uses)					
Transfers in			4,311	7	117
Transfers out ⁽¹⁾	<u>(57,926)</u>	<u>(67,770)</u>	<u>(55,275)</u>	<u>(60,856)</u>	<u>(57,134)</u>
Net Other Financing Sources(Uses)	<u>(57,926)</u>	<u>(67,770)</u>	<u>(50,964)</u>	<u>(60,849)</u>	<u>(57,017)</u>
Net Change in Fund Balances	510	(9,748) ⁽³⁾	(1,801) ⁽³⁾	1,858	1,542
Fund Balance, Beginning of Year	<u>101,370</u>	<u>102,338</u> ⁽⁴⁾	<u>91,651</u> ⁽²⁾	<u>89,851</u>	<u>91,709</u>
Fund Balance, End of Year	<u>\$ 101,880</u>	<u>\$ 92,590</u>	<u>\$ 89,850</u>	<u>\$ 91,709</u>	<u>\$ 93,251</u>

Source: City of Hampton, Virginia, Comprehensive Annual Financial Report Exhibit B-2 for the fiscal years June 30, 2011 through 2015.

(1) Transfers to the Debt Service Fund constitute a majority of transfers

(2) Restated Fund Balance.

(3) (\$9,748) and (\$1,801) shown for FY12 and FY13 respectively, depicts an accounting deficit, but not a budget deficit. All expenditures were supported by budget revenues.

(4) Excel Fund merged with General Fund in FY12.

(5) Contributions to the schools are reflected in total expenditures.

CITY OF HAMPTON, VIRGINIA
Debt Ratios
As of June 30, 2015

	<u>Amount</u>	<u>Per Capita</u>	<u>Ratio to Assessed Value</u>
Gross Direct Debt	\$ 273,840,000	\$ 1,976.54	2.69 %

Source: Finance Department, City of Hampton, Virginia

(1) Per capita amounts are based on a 2015 population of 138,545, as provided by the Weldon Cooper Center for Public Service.

(2) Assessed value of total real property is \$10,182 billion as of June 30, 2015.

STATISTICAL SECTION

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

CONTENTS

<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 Year
(accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Governmental Activities										
Net investment in capital assets	\$ 503,004 ⁽¹⁾	\$ 503,514	\$ 558,006	\$ 568,771	\$ 573,018	\$ 586,847	\$ 588,035	\$ 623,887	\$ 623,505	\$ 634,537
Restricted	18,163	13,802	23,660	32,433	21,147	10,900	11,809	12,452	13,271	75,606
Unrestricted	96,304	118,758	130,457	118,932	112,882	109,652	92,128	55,615	76,514	(140,469)
Total governmental activities net position	<u>\$ 617,471</u>	<u>\$ 636,074</u>	<u>\$ 712,123</u>	<u>\$ 720,136</u>	<u>\$ 707,047</u>	<u>\$ 707,399</u>	<u>\$ 691,972</u>	<u>\$ 691,954</u>	<u>\$ 713,290</u>	<u>\$ 569,674</u>
Business-type activities										
Net investment in capital assets	\$ 76,141	\$ 92,152	\$ 62,230	\$ 58,780	\$ 58,666	\$ 68,697	\$ 69,003	\$ 73,585	\$ 70,855	\$ 70,321
Restricted	31,572	27,158	26,356	25,578	26,727	18,721	16,844	904	8,256	8,031
Unrestricted	23,828	24,823	11,017	15,035	16,521	18,418	22,001	32,081	29,174	19,149
Total business-type activities net position	<u>\$ 131,541</u>	<u>\$ 144,133</u>	<u>\$ 99,603</u>	<u>\$ 99,393</u>	<u>\$ 101,914</u>	<u>\$ 105,836</u>	<u>\$ 107,848</u>	<u>\$ 106,570</u>	<u>\$ 108,285</u>	<u>\$ 97,501</u>
Primary government										
Net investment in capital assets	\$ 579,145	\$ 595,666	\$ 620,236	\$ 627,551	\$ 631,684	\$ 655,544	\$ 657,037	\$ 697,472	\$ 694,360	\$ 704,858
Restricted	49,735	40,960	50,016	58,011	47,874	29,621	28,655	13,356	21,527	83,637
Unrestricted	120,132	143,581	141,474	133,967	129,403	128,070	114,129	87,696	105,688	(121,320)
Total primary government net position	<u>\$ 749,012</u>	<u>\$ 780,207</u>	<u>\$ 811,726</u>	<u>\$ 819,529</u>	<u>\$ 808,961</u>	<u>\$ 813,235</u>	<u>\$ 799,821</u>	<u>\$ 798,524</u>	<u>\$ 821,575</u>	<u>\$ 667,175</u>

Note:

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

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

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Expenses										
Governmental activities:										
General government	\$ 98,704	\$ 99,822	\$ 101,494	\$ 100,134	\$ 111,650	\$ 114,765	\$ 128,783	\$ 127,924	\$ 101,058	\$ 105,553
Public safety	43,839	46,315	50,039	51,052	51,937	49,063	49,635	53,205	69,813	72,324
Highway and streets	9,943	14,658	7,774	12,374	12,078	13,068	11,862	15,511	18,774	14,433
Sanitation	2,346	2,867	4,959	4,641	3,471	3,630	3,899			
Health	2,900	3,125	3,090	3,098	2,949	3,161	3,056	3,337	1,114	3,528
Human services	28,578	28,535	30,004	30,198	31,226	31,574	29,142	28,528	32,807	33,234
Culture and recreation	15,820	16,368	23,524	19,664	17,771	14,531	13,540	15,798	17,006	18,356
Education (payment to school district)	59,929	62,211	66,517	69,217	68,052	67,051	66,345	64,925	70,773	71,112
Education and educational services	4,464	6,519	5,133	9,336	7,388	8,627	14,337	9,930	12,464	14,479
Interest on long-term debt	9,723	8,822	12,389	15,161	17,951	11,052	8,351	7,991	9,136	8,579
Total governmental activities expenses	\$ 276,246	\$ 289,242	\$ 304,923	\$ 314,875	\$ 324,473	\$ 316,522	\$ 328,950	\$ 327,149	\$ 332,945	\$ 341,598
Business-type activities										
Culture	30,344	31,799	34,409	32,295	30,454	27,766	27,727	25,416	28,395	29,741
Sanitation	14,415	19,479	20,379	21,487	22,067	22,923	23,831	24,475	24,941	23,829
Housing	23,433	24,013								
Total business-type activities expenses	68,192	75,291	54,788	53,782	52,521	50,689	51,558	49,891	53,336	53,570
Total primary government expenses	\$ 344,438	\$ 364,533	\$ 359,711	\$ 368,657	\$ 376,994	\$ 367,211	\$ 380,508	\$ 377,040	\$ 386,281	\$ 395,168
Program Revenues										
Governmental activities:										
Charges for Services:										
General government	\$ 6,250	\$ 6,581	\$ 12,425	\$ 5,807	\$ 6,982	\$ 7,129	\$ 7,772	\$ 24,293	\$ 24,458	\$ 22,911
Public safety	2,361	2,770	2,353	1,962	2,086	2,049	2,101	5,206	5,412	5,727
Sanitation	9,459	3,836	5,006	4,905	4,869	4,856	5,007			
Other activities	8,328	5,359	5,381	5,209	6,015	5,588	6,141	2,727	2,765	2,570
Operating grants and contributions	63,468	60,782	59,795 ⁽⁷⁾	76,025	79,412	82,269	77,821	75,926	80,434	80,281
Capital grants and contributions	12,590	10,066	57,530 ⁽⁷⁾	13,453	2,423	2,569	2,782	19,778	18,291	7,153
Total governmental activities program revenues	102,456	89,394	142,490	107,361	101,787	104,460	101,624	127,930	131,360	118,642
Business-type activities:										
Charges for Services:										
Culture and recreation	14,059	15,970	17,800	16,242	15,411	13,675	15,603	11,722	15,714	19,407
Sanitation	15,719	21,104	22,053	23,672	26,447	26,433	26,443	27,215	27,227	25,145
Housing	1,975	2,122								
Operating grants and contributions	22,990	24,859	2,848	2,528	2,522	3,132	1,302	1,098	1,832	1,256
Capital grants and contributions	2,572	6,049	1,531	1,180	1,472	592	613	95	114	58
Total business-type activities program revenues	57,315	70,104	44,232	43,622	45,852	43,832	43,961	40,130	44,887	45,866
Total primary government program revenues	\$ 159,771	\$ 159,498	\$ 186,722	\$ 150,983	\$ 147,639	\$ 148,292	\$ 145,585	\$ 168,060	\$ 176,247	\$ 164,508
Net (expense)/revenue										
Governmental activities	\$ (173,790)	\$ (199,848)	\$ (162,433)	\$ (207,514)	\$ (222,686)	\$ (212,062)	\$ (227,326)	\$ (199,219)	\$ (201,585)	\$ (222,956)
Business-type activities	(10,877)	(5,187)	(10,556)	(10,160)	(6,669)	(6,857)	(7,597)	(9,761)	(8,449)	(7,704)
Total primary government net (expense)/revenue	\$ (184,667)	\$ (205,035)	\$ (172,989)	\$ (217,674)	\$ (229,355)	\$ (218,919)	\$ (227,409)	\$ (208,980)	\$ (210,034)	\$ (230,660)

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

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Revenues and Other Changes in Net Position										
Position										
Governmental activities:										
Taxes										
Property taxes	\$ 138,079	\$ 148,851	\$ 160,158	\$ 145,607	\$ 146,261	\$ 149,797	\$ 146,758	\$ 135,881	\$ 156,050	\$ 156,048
Sales taxes	13,415	13,804	13,765	13,172	13,590	13,828	13,962	14,247	14,588	15,050
Lodging, meal and amusement taxes	17,547	17,864	18,241	18,188	18,621	19,606	20,100	22,224	23,639	24,041
Motor vehicle taxes	3,290	3,602	3,758	3,698	3,398	3,813	3,692	4,203	4,346	4,273
Alcoholic beverage taxes	176	176	176 ⁽⁸⁾							
Business license taxes	11,750	12,391	12,783	12,207	12,349	11,562	12,126	11,850	12,077	11,435
Utility taxes	11,637	8,550	5,282	4,976	5,486	5,528	5,356	5,376	5,453	5,443
Tobacco taxes	3,889	3,942	3,760	3,629	3,538	3,681	4,364	4,264	4,421	4,077
Emergency 911 telephone taxes	2,034	956	421	408						
Recordation taxes	2,656	2,658	2,339	1,706	1,687	1,443	1,422	1,900	1,436	1,763
Bank stock taxes	358	309	307	407	453	505	468	487	527	457
Pari-mutuel license taxes	113	113	106	93	80	79	66	59	43	4
Short-term rental taxes	126	136	127	136	98	89	94	80	75	91
Franchise license taxes	1,315	1,341	1,364	1,448	1,327 ⁽¹³⁾					
Communications sales tax		3,189	9,032	8,296	7,993	9,677	9,174	9,418	9,187	9,173
Mobile home titling tax	18	39	30	45	33	16	23	14	20	19
Investment earning	6,694	8,328	11,288	5,609	912 ⁽⁹⁾	564	285	355	221	227
Miscellaneous	661	4,421	4,076	4,266	2,236 ⁽¹⁰⁾	2,548	2,874			
Transfers	(8,378)	(8,318)	(8,530)	(8,364)	(8,467)	(10,322)	(8,865)	(9,600)	(9,161)	(9,106)
Total Governmental Activities	205,380	222,352	238,483	215,527	209,595	212,414	211,899	200,758	222,922	222,995
Business-Type Activities:										
Investment earning	1,783	2,603	1,659	628	723	457	664	529	1,003	946
Miscellaneous	1,800	2,891	1,020	958			80			
Transfers	8,378	8,318	8,530	8,364	8,467	10,322 ⁽¹¹⁾	8,865	9,600	9,161	9,106
Total Business-Type Activities	11,961	13,812	11,209	9,950	9,190	10,779	9,609	10,129	10,164	10,052
Total Primary Government	\$ 217,341	\$ 236,164	\$ 249,692	\$ 225,477	\$ 218,785	\$ 223,193	\$ 221,508	\$ 210,887	\$ 233,086	\$ 233,047
Changes in Net Position										
Governmental activities	\$ 31,590	\$ 22,504	\$ 76,050	\$ 8,013	\$ (13,091)	\$ 352	\$ (15,427)	\$ 1,539	\$ 21,337	\$ 39
Business-type activities	1,084	8,625	653	(210)	2,521	3,922	2,012	368	1,715	2,348
Total primary government	\$ 32,674	\$ 31,129	\$ 76,703	\$ 7,803	\$ (10,570)	\$ 4,274	\$ (13,415)	\$ 1,907	\$ 23,052	\$ 2,387

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

Table III

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

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013*	2014	2015
General fund										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 29	\$ 44	\$ 34	\$ 224	\$ 598
Restricted						4,305	871	333	398	412
Committed						45,848	32,858	29,439	32,308	34,959
Assigned						2,025	7,708	5,926	7,257	5,237
Unassigned						50,198	51,175	54,185	51,589	52,112
Reserved	1,235	1,727	2,204	1,142	1,290	-	-	-	-	-
Unreserved	68,394	82,015	96,902	98,120	100,080	-	-	-	-	-
Total general fund	<u>\$ 69,629</u>	<u>\$ 83,742</u>	<u>\$ 99,106</u>	<u>\$ 99,262</u>	<u>\$ 101,370</u>	<u>\$ 102,405</u>	<u>\$ 92,656</u>	<u>\$ 89,917</u>	<u>\$ 91,776</u>	<u>\$ 93,318</u>
All other governmental funds										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,943	\$ -	(1) \$ -	\$ -	\$ -
Restricted						12,377	10,938	12,336	13,368	14,107
Committed						48,147	26,122	53,748	39,064	66,535
Assigned						6,631	6,035	5,534	6,233	5,421
Reserved	11,773	7,760	7,351	6,259	16,461	-	-	-	-	-
Unreserved, reported in:										
Debt service				451	498	-	-	-	-	-
Special revenue funds	13,888	12,659	18,225	18,830	13,451	-	-	-	-	-
Capital projects funds	61,220	83,790	186,041	134,544	75,683	-	-	-	-	-
Permanent funds	61	63	65	67	67	-	-	-	-	-
Total all other governmental funds	<u>\$ 86,942</u>	<u>\$ 104,272</u>	<u>\$ 211,682</u>	<u>\$ 160,151</u>	<u>\$ 106,160</u>	<u>\$ 72,098</u>	<u>\$ 43,095</u>	<u>\$ 71,618</u>	<u>\$ 58,665</u>	<u>\$ 86,063</u>

* Implemented GASB Statement No. 54: Fund balance reporting and governmental fund type definitions in fiscal year 2011.
(1) Restated in fiscal year 2013.

Table IV

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

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Revenues										
Taxes (see table V)	\$ 206,706	\$ 214,475	\$ 231,277	\$ 213,346	\$ 213,976	\$ 219,413	\$ 211,542	\$ 210,415	\$ 229,596	\$ 230,933
Intergovernmental revenues	56,585	55,427	59,721	82,874	82,565	81,849	78,314	85,937	92,705	84,165
Licenses and permits	1,686	2,030	1,082	939	1,078	1,024	1,072	1,169	1,156	1,299
Fines and forfeitures	2,088	2,142	2,269	2,209	2,004	2,189	2,493	2,386	2,307	1,967
Revenue from use of money and property	7,975	10,355	17,855	9,417	2,861	2,065	1,319	1,329	1,395	2,142
Charges for services	9,907	9,812	10,895	10,489	11,354	11,532	13,414	15,570	17,297	17,240
Payment from component unit									2,000	2,000
Miscellaneous	10,799	7,891	6,025	4,660	4,848	5,532	5,987	7,705	8,056	5,529
Special assessments	-	-	-	-	-	-	4,558	6,543	4,730	4,183
Recovered costs	9,834	10,558	10,489	2,057	1,170	1,158	1,145	906	906	906
Total Revenues	305,580	312,690	339,613	325,991	319,856	326,763	321,844	333,960	360,148	350,364
Expenditures										
General government	82,671	87,791	89,137	91,568	98,305	99,066	96,371	102,441	103,076	106,074
Public safety	43,709	46,024	50,450	51,441	50,722	48,322	48,460	52,872	54,064	53,491
Highways and streets	2,587	2,405	2,395	2,362	2,200	1,812	1,980	1,947	1,932	1,908
Sanitation	2,346	2,883	3,656	3,543	3,455	3,637	3,949	3,935	4,332	4,413
Health	2,874	3,118	3,205	2,978	2,709	2,652	2,441	2,567	2,649	2,605
Human Services	28,577	28,491	30,032	30,480	31,187	31,558	29,151	28,437	28,557	29,394
Culture and recreation	14,742	14,196	15,255	15,680	15,452	12,080	12,564	13,202	11,678	12,725
Education (payment to school district)	59,928	62,211	66,517	69,216	68,052	67,052	66,345	64,925	70,773	71,112
Education	2,295	2,314	2,404	2,394	2,262	2,133	2,098	2,120	2,120	2,129
Capital improvements	31,332	27,460	46,615	84,855	74,162	53,115	52,536	38,473	49,030	48,449
Debt service										
Principal	11,938	24,443	12,530	13,235	15,210	17,640	18,714	19,661	22,166	23,152
Interest and fiscal charges	9,701	9,348	8,825	15,757	12,939	12,901	12,619	10,726	11,707	10,899
Bond issuance cost							313	470	-	519
Total expenditures	292,700	310,684	331,021	383,509	376,937	352,013	347,541	341,776	362,084	366,870
Excess of revenues over (under)										
expenditures	12,880	2,006	8,592	(57,518)	(57,081)	(25,250)	(25,697)	(7,816)	(1,936)	(16,506)
Other financing sources (uses)										
Debt issuance and capital leases	350	29,540	116,275	14,506	7,435	2,545	-	-	-	46,770
Proceeds from refunding bonds issued	-	-	29,540	-	65,595	-	44,770	38,865	-	56,250
Payment to refunded bond escrow agent	(350)	-	(29,540)	-	(65,469)	-	(49,562)	-	-	(70,151)
Premium on bond issue					6,105	-	5,118	5,263	-	21,684
Transfers in	30,965	39,652	37,362	41,435	39,893	48,507	59,650	52,360	55,156	50,289
Transfers out	(39,343)	(47,854)	(45,893)	(49,798)	(48,360)	(58,829)	(68,401)	(61,948)	(64,317)	(59,395)
Total other financing sources (uses)	(8,378)	21,338	114,182	6,143	5,199	(7,777)	(8,425)	34,540	(9,161)	45,447
Net change in fund balances	\$ 4,502	\$ 23,344	\$ 122,774	\$ (51,375)	\$ (51,882)	\$ (33,027)	\$ (34,122)	\$ 26,724	\$ (11,097)	\$ 28,941
Debt service as a percentage of noncapital expenditures	7.9 %	11.9 %	7.0 %	9.0 %	9.0 %	8.7 %	9.4 %	9.0 %	9.0 %	9.0 %

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

Fiscal Year	General	Business Licenses	Sales Taxes	Utility Taxes	Tobacco Taxes	Communications	Meal Taxes	Other Taxes ³	Total
	Property Taxes					Sales Taxes			
2006	\$ 139,280	\$ 11,751	\$ 13,415	\$ 11,637	\$ 3,889	\$ -	\$ 13,426	\$ 13,308	\$ 206,706
2007	148,237	12,391	13,804	8,550	3,942	3,189	13,685	10,677	214,475
2008	160,329	12,784	13,765	5,703	3,760	9,032	13,974	11,930	231,277
2009	145,683 ²	12,207	13,172	4,976	3,629	8,296	13,912	11,471	213,346
2010	145,245	12,349	13,590	4,962	3,538	7,993	14,417	11,882	213,976
2011	144,302	11,562	13,828	5,063	3,681	9,677	15,269	16,031	219,413
2012	141,076 ¹	12,126	13,962	4,929	4,364	9,174	15,793	10,118	211,542
2013	136,705	11,850	14,247	4,959	4,264	9,418	18,083	10,889	210,415
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	11,283	230,932

Notes:

¹The 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.

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

³Other 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 Service¹	Newport News Waterworks	Total Taxable Assessed Value	Estimated Actual Taxable Value	Assessed Value as a Percent of Estimated Actual Value²	Total Direct Tax Rate
2006	\$ 8,165,513	\$ 116,579	\$ 63,400	\$ 8,345,492	\$ 10,554,562	79%	1.20
2007	9,285,102	123,453	66,570	9,475,125	11,693,354	81%	1.14
2008	10,976,166	143,250	64,280	11,183,696	13,936,070	80%	1.06
2009	11,357,489	155,505	61,626	11,574,620	12,321,290	94%	1.04
2010	11,448,119	166,948	59,453	11,674,520	11,637,281	100%	1.04
2011	11,166,293	203,348	59,454	11,429,095	11,514,301	99%	1.04
2012	10,930,778	31,079	58,507	11,020,364	10,643,581	104%	1.04
2013	10,480,999	31,923	59,881	10,572,803	10,254,901	103%	1.04
2014	10,162,678	28,837	59,298	10,250,813	10,250,813	100%	1.24
2015	10,092,713	30,562	59,119	10,182,394	10,182,394	100%	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%.

Table VII

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

Taxpayer	2015			2006		
	Total Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Total Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Hampton Owners LLC	\$ 136,828	1	1.3 %			
City of Newport News/NN Waterworks	59,513	2	0.6 %			
Hampton University	41,840	3	0.4 %			
FCLA LP	40,861	4	0.4 %			
MOLA LLC	37,475	5	0.4 %			
Trail Creek Apartments LLC	36,791	6	0.4 %			
Bri Lakeridge LLC	33,589	7	0.3 %			
Hampton Center LLC	33,100	8	0.3 %			
Cambridge Apartments LC	31,856	9	0.3 %			
Peninsula Grove LLC	29,808	10	0.3 %			
Hampton Mall Association - shopping mall retail				55,659	1	0.7 %
John Q Hammons				40,682	2	0.5 %
Hampton Center LLC				34,757	3	0.4 %
Hampton Training School NU				26,724	4	0.3 %
Coliseum Crossing				25,691	5	0.3 %
Bri Lakeridge LLC				25,270	6	0.3 %
Crit-VA III LLC				24,089	7	0.3 %
Riverdale Apartments LLC				23,741	8	0.3 %
Mid America Apartments LP				23,537	9	0.3 %
Addison at Hampton LLC				21,913	10	0.3 %
	<u>\$ 481,661</u>		<u>4.7 %</u>	<u>\$ 302,063</u>		<u>3.7 %</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>	<u>Taxes Levied for the Fiscal Year</u>	<u>Collected within the Fiscal Year of the Levy</u>		<u>Collections in Subsequent Years</u>	<u>Total Collections to Date</u>	
		<u>Amount</u>	<u>Percentage of Levy</u>		<u>Amount</u>	<u>Percentage of Levy</u>
2006	\$ 100,038	\$ 98,636	98.60 %	\$ 1,392	\$ 100,028	99.99%
2007	108,113	106,269	98.29 %	1,812	108,081	99.97%
2008	118,381	116,623	98.51 %	1,691	118,314	99.94%
2009	120,167	118,427	98.55 %	1,592	120,019	99.88%
2010	121,523	119,081	97.99 %	1,866	120,947	99.53%
2011	118,863	116,854	98.31 %	360	117,214	98.61%
2012	114,612	112,370	98.04 %	489	112,859	98.47%
2013	109,957	108,589	98.76 %	1,364	109,953	100.00%
2014	127,110	125,559	98.78 %	-	125,559	98.78%
2015	126,262	124,440	98.56 %	-	124,440	98.56%

Notes:

*There are no overlapping or underlying tax jurisdictions.

Table IX

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

General Bonded Debt¹							
Fiscal Year	General Obligation Bonds²	Notes Payable	State Literary Loans	Total	Percentage of Estimated Actual Taxable Value of Property	Per Capita	Capital Leases
2006	\$ 198,045	\$ 1,192	\$ 1,140	\$ 200,377	1.92%	\$ 1,377.16	\$ 1,295
2007	203,635	886	952	205,473	1.49%	1,410.17	1,730
2008	307,745	709	764	309,218	2.52%	2,119.94	1,309
2009	294,835	532	616	295,983	2.49%	2,052.53	1,001
2010	294,130	355	468	294,953	2.53%	2,037.69	15,925
2011	279,360	177	320	279,857	2.45%	2,036.27	15,159
2012	261,100	-	174	261,274	2.35%	1,901.06	19,195
2013	280,070	-	82	280,152	2.65%	2,044.91	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

Business-Type Activities						
Fiscal Year	Revenue Bonds	Capital Leases	HRHA Notes Payable	Total Primary Government	Percentage of Personal Income	Per Capita⁴
2006	\$ 118,715	\$ 1,379	\$ 971	\$ 322,737	7.09 %	\$ 2,218.12
2007	117,300	1,250	870	326,623	6.84 %	2,241.63
2008	115,850	1,124	-	427,501	8.20 %	2,930.86
2009	114,360	1,006	-	412,350	7.89 %	2,859.49
2010	112,810	900	-	424,588	7.99 %	2,933.27
2011	100,120	748	-	395,884	7.26 %	2,880.50
2012	91,800	582	-	372,851	- %	2,712.91
2013	87,725	403	-	385,077	- %	2,810.78
2014	98,886	211	-	385,633	N/A	2,774.34
2015	95,572	-	-	413,527	N/A	2,975.01

Notes:

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

²General obligation bond amounts exclude 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 2013.

N/A-Not available

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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Debt limit	\$ 834,549	\$ 947,512	\$ 1,118,370	\$ 1,157,462	\$ 1,167,452	\$ 1,142,909	\$ 1,102,036	\$ 1,057,280	\$ 1,025,081	\$ 1,018,239
Total net debt applicable to limit	<u>200,377</u>	<u>205,473</u>	<u>309,218</u>	<u>295,983</u>	<u>294,953</u>	<u>279,857</u>	<u>261,274</u>	<u>280,152</u>	<u>257,645</u>	<u>273,840</u>
Legal debt margin	<u>\$ 634,172</u>	<u>\$ 742,039</u>	<u>\$ 809,152</u>	<u>\$ 861,479</u>	<u>\$ 872,499</u>	<u>\$ 863,052</u>	<u>\$ 840,762</u>	<u>\$ 777,128</u>	<u>\$ 767,436</u>	<u>\$ 744,399</u>
Total net debt applicable to the limit as a percentage of debt limit	24.01 %	21.69 %	27.65 %	25.57 %	25.26 %	24.49 %	23.71 %	26.50 %	25.13 %	26.89 %

Legal Debt Margin Calculation for current Fiscal Year: 2015

Assessed value	\$ 10,182,394
Debt limit (10% of total assessed value)	1,018,239
Debt applicable to limit:	
General obligation debt	<u>273,840</u>
Total net debt applicable to limit:	<u>273,840</u>
Legal debt margin	<u>\$ 744,399</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 obligation, net OPEB obligation and net pension liability totaling \$202,691,733 at June 30, 2015.

*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							
2006	\$ 1,567	\$ 1,074	\$ 493	\$ 215	\$ 116	\$ 331	1.49
2007	1,571	1,090	481	230	103	333	1.44
2008	1,676	1,164	512	240	89	329	1.56
2009	1,570	1,143	427	250	74	324	1.32
2010	1,426	1,037	389	260	59	319	1.22
2011	1,526	1,072	454	270	43	313	1.45
2012	1,534	1,033	501	285	26	311	1.61
2013	1,200	1,194	6	295	9	304	0.02
Museum Revenue Bonds							
2006	\$ 7,820	\$ 5,155	\$ 2,665	\$ 1,130	\$ 460	\$ 1,590	1.68
2007	9,682	5,729	3,953	1,185	403	1,588	2.49
2008	8,025	6,130	1,895	1,210	365	1,575	1.20
2009	7,368	5,561	1,807	1,240	351	1,591	1.14
2010	7,193	5,456	1,737	1,290	301	1,591	1.09
2011	7,405	5,299	2,106	1,330	238	1,568	1.34
2012	5,224	3,963	1,261	1,370	182	1,552	0.81
2013	4,730	3,468	1,262	1,440	112	1,552	0.81
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							
2006	\$ 8,890	\$ 4,946	\$ 3,944	\$ 432	\$ 719	\$ 1,151	3.43
2007	5,007	4,420	587	392	693	1,085	0.54
2008	3,456	3,166	290	417	561	978	0.30
2009	6,940	4,126	2,814	445	528	973	2.89
2010	5,066	4,420	646	475	501	976	0.66
2011	2,568	2,813	(245)	505	470	975	(0.25)
2012	2,248	1,601	647	537	453	990	0.65
2013	2,244	3,555	(1,311)	570	402	972	(1.35)
2014	3,401	2,343	1,058	607	364	971	1.09
2015	3,585	3,145	440	646	324	970	0.45
Convention Center Revenue Bonds(4)							
2007	\$ 9,288	\$ 2,993	\$ 6,295	-	5,363	\$ 5,363	1.17
2008	9,989	3,885	6,104	-	5,335	5,335	1.14
2009	8,626	3,092	5,534	-	5,362	5,362	1.03
2010	8,625	2,859	5,766	-	5,363	5,363	1.08
2011	10,535	3,371	7,164	2,155	4,151	6,306	1.14
2012	9,698	3,931	5,767	2,265	3,371	5,636	1.02
2013	10,698	3,262	7,436	2,340	4,432	6,772	1.10
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

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.

Table XII

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

<u>Fiscal Year</u>	<u>Population¹</u>	<u>Personal Income² (In Thousands)</u>	<u>Per Capita Income³</u>	<u>School Membership⁴</u>	<u>Unemployment Rate Percentage⁵</u>
2006	145,500	\$ 4,551,991	\$ 31,057	22,229	4.2%
2007	145,708	4,775,904	32,608	22,176	3.6%
2008	145,862	5,215,071	35,903	21,189	4.9%
2009	144,204	5,228,880	36,252	21,411	8.2%
2010	144,749	5,311,551	38,678	20,804	8.6%
2011	137,436	5,456,189	40,001	20,762	8.0%
2012	137,372	5,766,394	42,141	21,622	7.8%
2013	136,836	5,872,272	42,958	21,366	7.1%
2014	139,032	N/A	N/A	21,113	6.7%
2015	138,545	N/A	N/A	19,854	6.3%

Notes:

¹Source: Weldon Cooper Center for Public Service as of July 1, 2014.

²Source: Bureau of Economic Analysis. Most recent information available is 2013.

³Source: Bureau of Economic Analysis. Most recent information available is 2013.

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**

2015	2006
Over 600 Employees	500+ Employees
Alcoa Howmet	AMSEC LLC
City of Hampton	City of Hampton
Hampton City Schools	Fort Monroe
Hampton University	Hampton City Schools
Hampton Veteran's Affairs Medical Center	Hampton University
Langley Air Force Base	Howmet Corporation
NASA Langley Research Center	Langley Air Force Base
Sentara Hampton General Hospital	Lockheed Technical Operations, Inc.
Thomas Nelson Community College	NASA - Langley
TRG Customer Solution	Newport News Holding/Spiegel Catalog Holdings
	Nextel Communications
	Science Applicants Int'l Corp.
	Sentara Hampton General Hospital
	Teletech Customer Care
	V.A. Hospital
	Walmart Associates, Inc.
	West Telemarketing Corporation
200-599 Employees:	250-499 Employees:
Analytical Mechanics Associates	Association for Retarded Citizens
Cubic Applications (subsidiary of Cubic Corporation)	Cubic Applications, Inc.
Jacobs Technology (subsidiary of Jacobs Engineering))	Farm Fresh LLC
Measurement Specialties/TE Connectivity	Food Lion LLC
Riverside Regional Medical Centers	Hampton Roads Transit
Science Systems and Applications	Headway Corp Staffing Services, LLC
Sprint	McDonalds
Top Guard	Riverside Behavioral Centers, Inc.
	Raytheon Company
	7 Eleven Stores
	Telespectrum, Inc.

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									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Governmental activities										
General government	588	588	578	588	588	574	562	574	568	577
Public safety	686	695	707	695	645	649	663	688	697	704
Highway and streets	31	30	29	30	27	24	24	20	24	21
Sanitation	35	41	47	48	47	46	51	49	54	56
Health	23	24	22	22	22	16	16	19	20	20
Human services	237	242	245	232	236	225	229	229	228	234
Culture and recreation	173	172	167	159	137	128	123	128	123	126
Total Governmental activities	<u>1,773</u>	<u>1,792</u>	<u>1,795</u>	<u>1,774</u>	<u>1,702</u>	<u>1,662</u>	<u>1,668</u>	<u>1,707</u>	<u>1,714</u>	<u>1,738</u>
Business-type activities										
Culture and recreation	43	45	44	38	37	36	37	32	35	32
Sanitation	154	152	146	147	140	143	141	142	138	126
Housing ¹	68	68								
Total Business-type activities	<u>265</u>	<u>265</u>	<u>190</u>	<u>185</u>	<u>177</u>	<u>179</u>	<u>178</u>	<u>174</u>	<u>173</u>	<u>158</u>
Total	<u>2,038</u>	<u>2,057</u>	<u>1,985</u>	<u>1,959</u>	<u>1,879</u>	<u>1,841</u>	<u>1,846</u>	<u>1,881</u>	<u>1,887</u>	<u>1,896</u>

Sources: City of Hampton, Department of Human Resources

Notes:

¹ There is no housing expense for business-type activities beginning 2008 because HRHA was no longer considered to be a component unit.

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

Function/Program	2006	2007	2008	2009	2010
General government					
Building permits issued	3,342	3,509	3,167	2,241	2,195
Building inspections conducted	9,500	9,349	9,459	7,853	6,988
311 customer call center					
Number of calls received	290,000	242,158	191,727	170,971	168,492
Public safety					
Police					
Physical arrests	19,587	20,071	22,626	18,711	12,621
Traffic summons	30,601	30,321	34,334	34,781	30,121
Fire					
Emergency responses	22,641	21,592	22,928	22,651	22,271
Fires extinguished	689	332	168	278	378
Patients transported	10,730	7,678	12,105	12,015	12,133
Code inspections	335	740	1,553	2,165	2,572
Highway and streets					
Roads paved or resurfaced (miles)	15	15	22	28	106
Sanitation					
Yard waste collected (tons)	14,000	13,000	10,240	14,160	14,106
Debris removed (tons)	70,000	84,000	104,236	109,204	113,234
Cleanups	416	417	366	935	518
Street sweeping	4,500	3,060	2,689	3,339	3,231
Storm drains cleaned (linear feet)	104,962	99,913	71,619	76,202	97,046
Health					
Preventive health					
Family practice visits (closed 3/31/11)	3,986	3,522	3,183	2,602	2,755
Immunization visits	6,623	6,201	5,485	5,794	7,053
Prescriptions filled (closed 5/25/10)	39,559	34,296	30,739	26,103	22,786
Human services					
Healthy families partnership					
Number of families assessed	613	610	525	617	567
Number of families served	790	1,183	1,079	888	1,026
Number of adult participants in the parenting classes	1,500	1,602	1,595	1,430	1,242
Social Services					
Food stamp participants	5,850	5,384	5,365	6,027	8,040
Culture and recreation					
Senior citizens attendance at Senior Center	26,414	27,338	28,021	17,047	13,730
Community center admissions					
Youth	57,663	60,602	63,632	67,421	82,134
Teen	72,428	65,888	67,535	49,802	37,359
Adult	75,500	79,124	80,706	94,481	113,178
Education					
School membership (total)	22,229	22,176	21,189	21,411	20,804
High schools	6,914	6,657	6,659	6,494	6,784
Middle schools	5,450	5,433	5,156	4,837	4,743
Elementary schools	9,865	10,086	9,374	10,080	9,277
Combined schools	-	-	-	-	-
School board personnel	2,906	2,902	2,866	3,194	3,138
Wastewater					
Average daily sewage treatment (thousands of gallons)	11,604	11,600	11,300	11,410	10,566

Function/Program	2011	2012	2013	2014	2015
General government					
Building permits issued	2,123	2,162	2,111	1,564	1,281
Building inspections conducted	6,131	7,021	8,029	4,602	4,520
311 customer call center					
Number of calls received	148,351	147,458	148,988	141,891	130,387
Public safety					
Police					
Physical arrests	16,886	16,733	10,035	9,067	14,862
Traffic summons	30,225	30,459	29,007	29,080	21,391
Fire					
Emergency responses	22,394	23,718	23,808	24,815	26,149
Fires extinguished	450	320	319	331	491
Patients transported	11,620	12,149	13,665	14,262	14,910
Code inspections	2,210	2,658	839	3,223	2,146
Highway and streets					
Roads paved or resurfaced (miles)	69	68	88	21	26
Sanitation					
Yard waste collected (tons)	11,965	15,244	13,326	12,896	9,762
Debris removed (tons)	114,773	155,011	122,317	58,223	59,422
Cleanups	819	764	840	817	891
Street sweeping	3,364	3,384	3,384	4,607	2,583
Storm drains cleaned (linear feet)	73,901	109,767	153,605	57,064	49,550
Health					
Preventive health					
Family practice visits (closed 3/31/11)	1,615	-	-	N/A	N/A
Immunization visits	6,511	6,948	6,725	5,342	3,394
Prescriptions filled (closed 5/25/10)	-	-	N/A	N/A	N/A
Human services					
Healthy families partnership					
Number of families assessed	590	760	689	547	527
Number of families served	930	979	958	908	948
Number of adult participants in the parenting classes	1,875	2,585	2,850	2,327	2,487
Social Services					
Food stamp participants	8,939	10,372	11,048	11,101	9,824
Culture and recreation					
Senior citizens attendance at Senior Center	12,985	13,050	12,997	10,449	15,046
Community center admissions					
Youth	13,512	55,558	55,873	51,901	51,422
Teen	15,033	20,369	22,340	43,133	42,254
Adult	135,786	80,605	80,685	77,345	78,844
Education					
School membership (total)	20,762	21,622	21,366	21,113	19,854
High schools	6,749	6,781	6,516	6,218	6,066
Middle schools	6,837	4,069	3,975	3,934	3,710
Elementary schools	7,849	9,876	9,885	8,319	7,667
Combined schools	2,327	896	990	2,642	2,410
School board personnel	2,992	2,821	2,980	2,835	2,543
Wastewater					
Average daily sewage treatment (thousands of gallons)	10,794	10,460	14,890	14,390	14,450

Source: Various city departments.
N/A - Not available

CITY OF HAMPTON, VIRGINIA

Last Ten Fiscal Years

Function/Program	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Public safety										
Police										
Patrol units	227	246	254	278	272	195	211	211	225	253
Patrol boats	3	4	2	3	4	3	5	5	5	5
Fire										
Stations	10	10	10	10	10	10	11	11	11	11
Pumpers	19	19	19	19	19	18	18	14	16	17
Ambulances	18	17	18	18	18	17	17	16	16	15
Rescue Vehicles	3	3	3	3	3	3	3	3	2	-
Ladder trucks	2	2	2	2	2	4	4	6	5	5
Fire Boats				2	2	4	4	2	2	2
Highways and streets										
Streets (miles)	438	439	446	459	455	460	475	482	497	486
Traffic signals	177	177	181	179	180	180	185	185	187	186
Bridges	41	41	40	40	40	40	40	40	40	40
Sanitation/solid waste										
Collection trucks	44	43	48	49	56	56	58	58	58	58
Culture and recreation										
Parks acreage ¹	1,628	1,789	1,789	1,791	1,791	1,791	1,791	1,791	1,791	1,791
School parks acreage	675	675	675	751	751	751	751	751	751	751
Parks	23	23	23	23	23	23	23	23	23	23
Amphitheater	1	2	2	2	2	2	2	2	2	2
Baseball fields	38	38	38	38	39	39	39	41	42	42
Basketball courts	35	35	35	35	35	35	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	5	5	5	6	6	7	7
Convention center	1	1	1	1	1	1	1	1	1	1
Fitness trails	12	12	12	12	12	12	12	12	12	12
Football fields	20	20	20	20	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	1	1	1	2	2	2	3	3	3	3
Municipal beaches	3	3	3	3	3	3	3	3	3	3
Municipal parks	10	10	10	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	28	26	26	26	26	26	26	26	27	27
Playgrounds	41	41	41	40	46	46	46	46	46	46
Senior citizens center	1	1	1	1	1	1	1	1	1	1
Soccer fields	28	30	30	30	33	33	33	33	33	33
Softball fields	15	16	16	17	17	17	17	17	17	17
Tennis courts	66	66	66	66	66	66	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
Education										
High schools	4	4	4	4	4	4	4	4	4	4
Middle schools	6	6	6	6	5	8	8	7	5	5
Elementary schools	24	23	23	23	20	20	20	20	24	19
Combined schools	-	-	-	-	-	-	2	2	2	2
Wastewater										
Sanitary sewer lines (miles)	465	482	469	469	469	426	426	426	490	497
Sewer Pumping stations	107	107	108	108	108	108	108	108	109	109

Notes:

¹Park land currently developed.

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 OMB Circular A-133

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

Report on Compliance for Each Major Federal Program

We have audited the City of Hampton, Virginia's (the "City") compliance with the types of compliance requirements described in the *OMB 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, 2015. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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 identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2015.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2015-002 and 2015-003. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control over Compliance

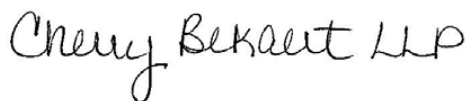
Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of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

A deficiency in internal control exists when the design or operation of a control 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we considered to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2015-002 and 2015-003 that we consider to be significant deficiencies.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Virginia Beach, Virginia
December 2, 2015

**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 and 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, 2015, 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 2, 2015. That report recognizes that the City implemented two new accounting standards effective July 1, 2014. Our report includes a reference to other auditors who audited the financial statements of the Downtown Hampton Development Partnership, Inc. as described in our report on the City's financial statements. 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. We did identify a certain deficiency in internal control, described at 2015-001 in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency.

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 two instances of noncompliance that are required to be reported under the *Specifications for Audits of Counties, Cities and Towns*, which are described in the accompanying schedule of findings and questioned costs as items 2015-004 and 2015-005.

City of Hampton, Virginia's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Handwritten signature in cursive script that reads "Cheryl Bekant LLP".

Virginia Beach, Virginia
December 2, 2015

**City of Hampton, Virginia
Schedule of Findings and Questioned Costs**

Year Ended June 30, 2015

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:	Yes
Noncompliance material to the financial statements noted?	No

Federal Awards:

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

Identification of major federal programs:

<u>Program Description</u>	<u>CFDA #</u>
U.S. Department of Agriculture Child Nutrition Cluster	10.553/10.555/10.559
Department of Transportation Highway Planning and Construction Cluster	20.205
U.S. Department of Education Title 1, Part A Cluster	84.010
U.S. Department of Housing and Urban Development Community Development Block Grants/Entitlement Grants	14.218
National Aeronautics and Space Administration NASA Steam Sales	43.000

Dollar threshold to distinguish between Types A and B Programs:	\$1,380,849
The City of Hampton was qualified as a low risk auditee?	No

B. Findings – Financial Statement Audit

2015-001 Significant Deficiency

Criteria:

Per GASB 65, for current debt refundings resulting in a defeasance of debt reported by governmental activities, business-type activities, and proprietary funds, the difference between the reacquisition price and the net carrying amount of the old debt should be reported as a deferred outflow of resources or a deferred inflow of resources and recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter.

Statement of Condition:

During 2015, an older bond reported by governmental activities was refunded and the related premiums and discounts were written off to amortization expense.

Cause:

The City was not aware of this fairly recent change in the accounting standards.

Effect or Potential Effect:

Because of these adjustments, the financial statements were misstated.

Recommendation:

We recommend management revisit the accounting standards for non-routine transactions.

Views of Responsible Officials:

- **Contact Person:** Karl Daughtrey, Director of Finance
- **Corrective Action and Anticipated Completion Date:**

Management concurs that the 2015 bond refunding related to premiums and discounts should have been reflected as deferred outflows of resources in our financial statements. In prior years, premiums and discounts related to refunded bond issues were written off to amortization expense. A fairly recent change in the accounting standards per GASB 65 concerning bond refunding transactions, requires the difference between the reacquisition price and the net carrying amount of the old debt to be reported as a deferred outflow of resources or a deferred inflow of resources and recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter. Although Finance staff makes every attempt to stay abreast of accounting standards, this change in accounting for premiums and discounts on refunded bond issues was not followed.

The corrective action plan will be completed by December 2015, the conclusion of the fiscal year 2015 audit. In future years, Finance staff will revisit the current accounting standards for non-routine accounting transactions.

C. Findings and Questioned Costs - Major Federal Awards

2015-002 Non Material, Non Compliance and Significant Deficiency – Subrecipient Monitoring

Program:

Community Development Block Grants/Entitlement Grants (CFDA Number 14.218 – U.S. Department of Housing and Urban Development)

Criteria:

Grantees are responsible for managing the day-to-day operations of grant and subgrant supported activities. Grantees must monitor grant and subgrant supported activities to assure compliance with applicable Federal requirements and that performance goals are being achieved. Grantee monitoring must cover each program, function or activity.

Statement of Condition:

The City failed to demonstrate all required monitoring activities during 2015.

Questioned Costs:

Approximately \$28,000

Perspective Information:

A sample of 13 expense reimbursements from the subrecipient were selected for testing, 4 of which did not have documentation of approval. Outside of reviewing the information received from reimbursement requests, subrecipient monitoring was not conducted during the fiscal year ended June 30, 2015.

Cause:

Due to personnel turnover, the required subrecipient monitoring was not implemented.

Effect or Potential Effect:

The subrecipient could potentially be noncompliant.

Recommendation:

We recommend management ensure all subrecipient monitoring requirements are conducted at least annually throughout the grant period.

Views of Responsible Officials:

- **Contact Person:** Terry O'Neill
- **Corrective Action and Anticipated Completion Date:**

Due to personnel changes in CDBG grant management, the establishing of subrecipient monitoring records was not completed despite the practice taking place at various times of the year. In addition, HUD has reviewed various CDBG, HOME, environmental reviews, and financials regularly every 1-3 years and the City has successfully fulfilled all HUD monitoring requirements for all activities reviewed with no major findings. In addition, the grantee reviews all reimbursement requests for compliance and reviews annual report submissions for the Consolidated Annual Performance and Evaluation Report (CAPER) that is submitted to HUD, also received with no significant findings in recent years.

The following corrective actions are planned to correct the issue:

- Fill vacant CDBG grant administrator position (Anticipated Completion Date: 30 Days)
- Improve system for review / record keeping of subrecipient monitoring. This will include an internal working committee to include the Deputy Director. (Anticipated Completion Date: 90 Days)
- Provide semi-annual monitoring of a sample of subrecipient activities to ensure compliance (Anticipated Completion Date: 180days)

2015-003 Nonmaterial Noncompliance and Significant Deficiency – Allowable Costs

Program:

Community Development Block Grants/Entitlement Grants (CFDA Number 14.218 – U.S. Department of Housing and Urban Development)

Criteria:

Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages should be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications should be prepared at least semi-annually and will be signed by the employee or supervisory official having first-hand knowledge of the work performed by the employee. Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards.

Statement of Condition:

During testing of the Community Development Block Grant (CDBG) expenditures, it was noted the City did not have certifications, personnel activity reports or equivalent documentation for CDBG employees.

Questioned Costs:

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

Perspective Information:

Of a sample of 5 employees, we noted 5 employees where proper documentation of time and effort was not maintained.

Cause:

Due to personnel turnover, the department was not aware of this requirement.

Effect or Potential Effect:

Questioned costs may exist for all personnel costs.

Recommendation:

We recommend management implement written procedures to account for employees' time spent on the grant via a timesheet. For employees who work solely on the grant, a semi-annual certification should be obtained.

Views of Responsible Officials:

- **Contact Person:** Terry O'Neill
- **Corrective Action and Anticipated Completion Date:**
 - *Certified Performance Management Forms:* Currently, the personnel funded under CDBG eligible activities are managed through the City's Performance Management Form that establishes goals and work activities for employees for the fiscal year and includes a mid-year review of those activities to ensure compliance and significant progress.
 - *Certified Performance Management Forms (continued):* Initial plans, mid-year assessments and end of the year evaluations are signed by employees and their supervisor to demonstrate accurate reporting of the employee's activities. These reports will be continued for all CDBG employees in addition to annual reports submitted to HUD in the Consolidated Annual Performance and Evaluation Report (CAPER) that relate to employee activities during the reporting year. (*Anticipated Completion Date: Complete & Ongoing*)

- **Corrective Action and Anticipated Completion Date (continued):**

- *Certified Monthly Activity Reports:* In addition, CDBG funded personnel will be required to provide monthly activity reports generally outlining their related eligible activities as it relates to their time worked. *(Anticipated Completion Date: 60 Days to establish system)*
- *Time Management System:* Management will continue to explore the possibility of more detailed tracking with the implementation of the KRONOS time management software currently being tested in other departments. *(Anticipated Completion Date: 9mo - 18mo)*
- *Grant Management:* Fill vacant CDBG grant administrator position *(Anticipated Completion Date: 30 Days)*

2015-004 Nonmaterial Noncompliance - Social Services – System Controls

Criteria:

When a user leave the Local Department of Social Services (LDSS), their access privileges must be removed from all systems within three working days of employment termination.

Statement of Condition:

A terminated employee's access was not removed within 3 days of the termination date.

Questioned Costs:

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

Perspective Information:

Out of a sample of 3, there was 1 instance of noncompliance where access was removed after 4 business days.

Cause:

Access was kept open in order to properly transition this employee's access to another authorized employee.

Effect or Potential Effect:

Unauthorized access to the LDSS's information.

Recommendation:

We recommend management implement a process that would allow them transition responsibilities and ensure access is removed within 3 working days from the date of termination.

Views of Responsible Officials:

- **Contact Person:** Felicia DeBrew, Financial and Operations Administrator
- **Corrective Action and Anticipated Completion Date:**

This occurrence was due to extenuating circumstances. We had to ensure all of the Director's emails that were maintained by the assistant were redirected to the new assistant so no information would be lost. The regulation and our practice is that a former worker's rights are removed from all information systems within 3 days after separation from the department.

2015-005 Nonmaterial Noncompliance - Social Services – System Controls

Criteria:

The Local Security Officer (LSO) should review all employees' access to each application with the employees' supervisors on an annually basis to ensure the access is properly aligned with job responsibilities.

Statement of Condition:

During the audit, it was found that this requirement was not a part of the department's policies and procedures.

Questioned Costs:

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

Perspective Information:

This requirement was never part of the department's policies and procedures.

Cause:

The department was unaware of this requirement.

Effect or Potential Effect:

Unauthorized access to the LDSS's information.

Recommendation:

We recommend management implement a process to review employees' access to each application on an annual basis.

Views of Responsible Officials:

- **Contact Person:** Felicia DeBrew, Financial and Operations Administrator
- **Corrective Action and Anticipated Completion Date:**

Based on the state requirement and the recommendation noted above, the Technology Annual User Privileges Form has been implemented as of August 2014.

D. Resolution of Prior Year's Findings

2014-001:

Status: Corrected

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