

COMPREHENSIVE ANNUAL FINANCIAL REPORT

CITY OF HAMPTON, VIRGINIA
FOR THE FISCAL YEAR ENDED JUNE 30, 2019



HAMPTON VA

COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY OF HAMPTON, VIRGINIA

For the Fiscal Year Ended June 30, 2019

Prepared by:

Karl S. Daughtrey, Director of Finance

Jacqueline Green, Deputy Director of Finance, Controller

and

The Department of Finance

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**CITY OF HAMPTON, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
June 30, 2019**

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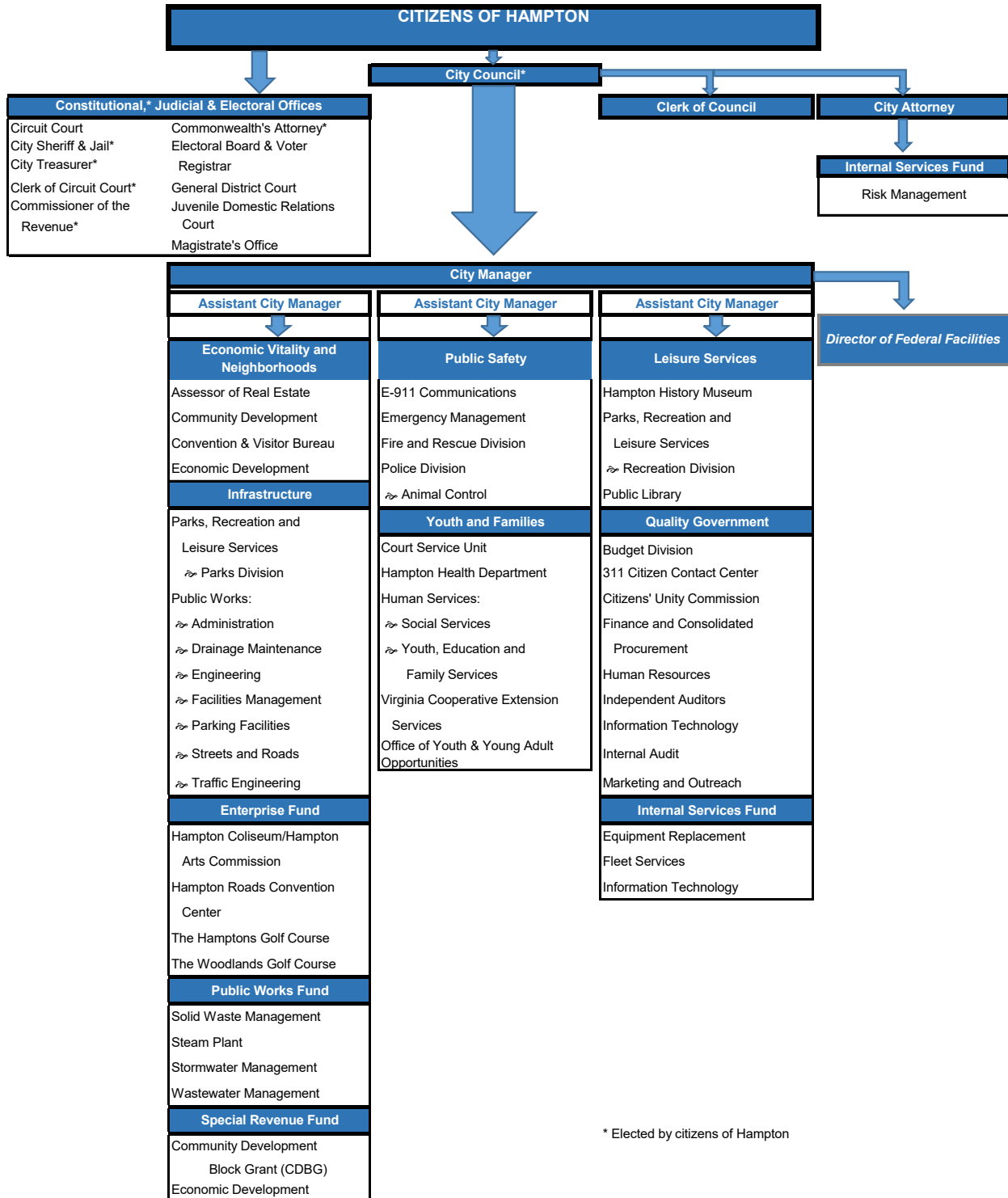
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JUNE 30, 2019 ORGANIZATIONAL CHART



* Elected by citizens of Hampton

CITY OF HAMPTON, VIRGINIA
June 30, 2019

ELECTED OFFICIALS

CITY COUNCIL

Donnie Tuck, Mayor
Jimmy Gray, Vice Mayor
Eleanor W. Brown
Steven L. Brown
Linda Curtis
W.H. "Billy" Hobbs, Jr.
Chris Osby Snead

CONSTITUTIONAL OFFICERS

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

APPOINTED OFFICIALS

CITY ADMINISTRATION

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

CITY OF HAMPTON, VIRGINIA
June 30, 2019

SCHOOL BOARD

Ann Cherry, Chair
Phyllis Taylor Henry
Martha M. Mugler
Dr. Reginald Woodhouse

Joe C. Kilgore, Vice Chair
Dr. Richard Mason
Jason S. Samuels
Carolyn Bowers, Clerk of the Board

SCHOOL ADMINISTRATION

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

HAMPTON EMPLOYEES' RETIREMENT SYSTEM

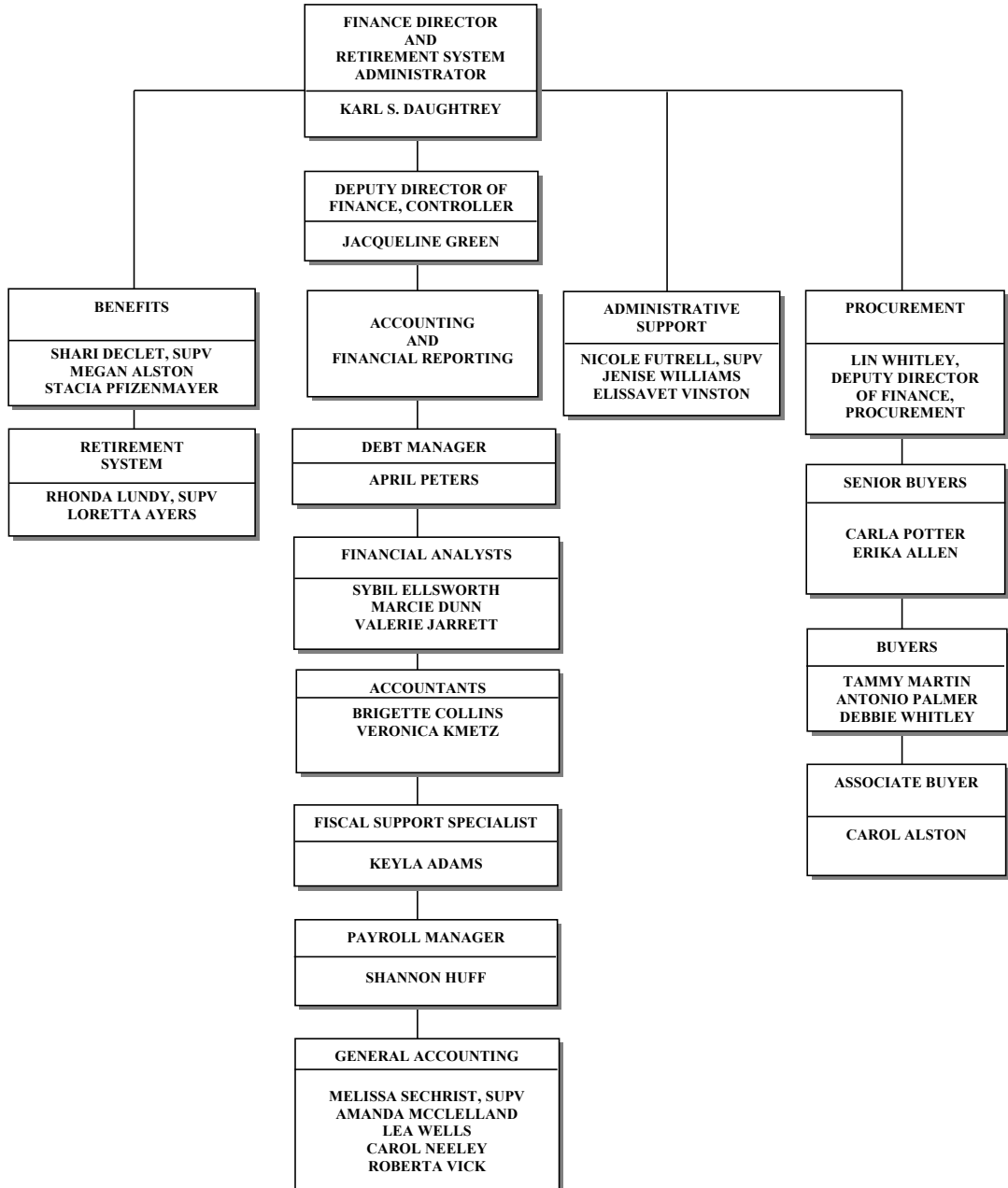
BOARD OF TRUSTEES

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

Brian DeProfio, Vice Chairman
Michael Monteith, Trustee
Dr. Martha Milo-Avery, Trustee

Karl S. Daughtrey, Administrator and Treasurer
Rhonda Lundy, Secretary
David J. Sanders, Risk Manager
William Moore, Legal Council

**CITY OF HAMPTON, VIRGINIA
DEPARTMENT OF FINANCE
June 30, 2019**



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November 29, 2019

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, 2019. State law requires the City to publish, at the close of each fiscal year, a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America (U.S.GAAP) and audited in accordance with *Government Auditing Standards* by a firm of licensed certified public accountants. This report has been prepared by the Department of Finance and the report does comply with state law and guidelines of the Auditor of Public Accounts of the Commonwealth of Virginia.

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

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

State law requires that the financial statements of the City be audited by a certified public accountant. Cherry Bekaert LLP Certified Public Accountants, have audited the City's financial statements. As a result of an audit of the City's financial records and transactions of all funds, component units and departments of the City, Cherry Bekaert LLP has concluded that the financial statements are presented fairly in all material respects, in accordance with GAAP and have issued an unmodified opinion on the City's financial statements for the year ended June 30, 2019. The independent auditor's report is presented as the first component of the financial section of this report.

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

Profile of the City

Background

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

miles, including 54.7 square miles of land and 17.3 square miles of water. Hampton is situated at the extreme southeastern tip of the Lower Peninsula of Virginia. It is bounded on the west by the City of Newport News, on the north by York County and the City of Poquoson, on the east by the Chesapeake Bay and on the south by the Harbors of Hampton Roads. Hampton is part of the Norfolk-Virginia Beach-Newport News Metropolitan Statistical Area (MSA).

As of July 1, 2018, current estimated population in Hampton was 135,629.

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 2019, several awards and recognitions were received by the City of Hampton. They are listed below:

The Hampton Division of Fire and Rescue maintained Accredited Agency status by the Commission on Fire Accreditation (CFAI) for meeting the criteria established through the CFAI's voluntary self-assessment and accreditation program. The Hampton Division of Fire and Rescue is one of only 270 agencies worldwide, with 11 others in Virginia, to achieve internationally Accredited Agency status with the CFAI and the Center for Public Safety Excellence, Inc. (CPSE). The City of Hampton was the first combination fire and rescue agency in the Commonwealth that is both fully accredited and holds an ISO-1 rating. Of further note, the Hampton Division of Fire and Rescue was the second in Hampton Roads to receive the "Agency of Excellence" designation from the state for operating above required emergency medical service standards.

- The City's Budget Department received the Government Finance Officers Association Distinguished Budget Presentation Award for the fiscal year 2019 Budget document.
- For the eighteenth time Hampton was named as one of the most technologically-advanced cities in the nation by the Center for Digital Government. The survey focuses on results achieved by cities through the use of technology in operating efficiencies, realizing strategic objectives, innovative or creative solutions or approaches, effective collaboration and transparency measures.

Budgetary Systems

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

Component Units

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

Economic Conditions and Outlook

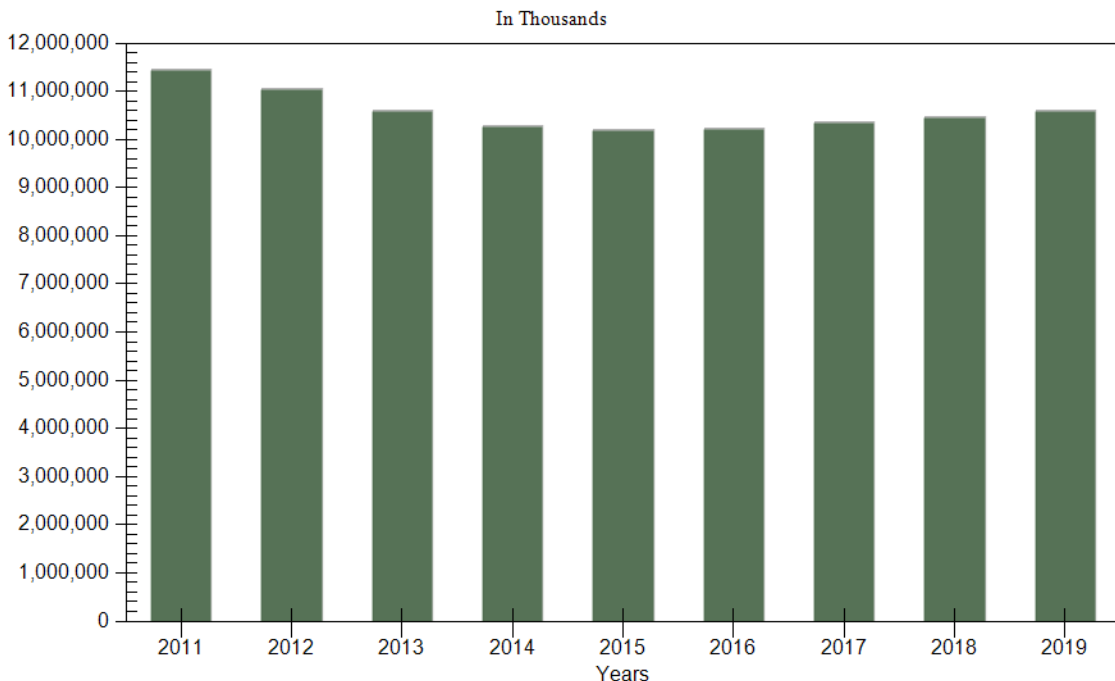
Local Economy

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

The City's strategic location and economic development activities offer its residential civilian labor force a wide range of employment opportunities. Hampton businesses draw from the largest regional workforce between Washington, D.C. and Atlanta, with over 830,400 highly educated, skilled, and technically trained workers. Each year, over 8,000 trained and disciplined personnel exit the military. Many of these persons elect to stay in the area and look for private sector employment, and there are over 30,000 military spouses available to work. In addition, there are almost 97,000 students attending the region's eight universities and four community colleges as reported by the National Center for Education Statistics.

The Hampton Roads region continued to experience an improved economy. Stronger tourism seasons and increased spending have contributed to the positive economic growth seen in in the region and reflected in Hampton as well. Hampton tourism numbers showed a 38% growth in visitors from 2010 to 2018. Retail has also experienced an 11% growth, while food and beverage sales have increased 22% over the past 6 years. Home sales continue to steadily rise, as does the median price. In fiscal year 2019, 43% more home sales occurred than in fiscal year 2015. There are also several significant housing and mixed-use developments under construction or in the planning phase in Hampton. Multi-family projects, especially high-end apartments, will fill the demand for those who want to live in four key areas of the city; Phoebus, Coliseum Central, Hampton Roads North business park and Downtown. The region's unemployment rate has decreased from 3.0% to 2.9%, compared to the national rate of 3.7%. Hampton's unemployment rate has decreased to 3.8% as of June 30, 2019, compared to 4.3% in the prior year.

Assessed Value of Taxable Real Property



Economic Development

Some of the City's business expansions and new businesses that located to Hampton in Fiscal Year 2019 are listed below:

- Harris Teeter constructed and opened a new 43,335 square foot grocery store. Private investment for this facility totaled \$1.3 million.
- Guy Fiera Dive and Taco Restaurant and Guy Fieri Pizza Parlor opened in the Hampton Power Plant. Private investment for the two restaurants totaled \$4.2 million.
- Conns Home Plus leased 40,500 square foot of space and Starbucks leased 18,830 square foot of space at Riverpointe Shopping Center.
- Rosie's Gaming Emporium is currently under construction in the Hampton Power Plant. Set to open in the fall of 2019, this is a 24,000 square foot facility with a private investment of \$30 million.
- Axis Apartments built a new 168,859 square foot apartment complex in the Peninsula Town Center. Private investment for the complex totaled \$13.4 million.
- Traffic Brewing opened a new 2,272 square foot nano-brewery in Phoebus. Private investment for the brewery totaled \$80,000.

Military, Federal Research Facility and Veterans Medical Center

Langley Air Force Base celebrated its 100th anniversary in 2016 as the oldest continuously serving active installation in the United States and headquarters for the Air Combat Command. It is also home to the U.S. Air Force's First Fighter Wing with one-third of the Nation's Air Superiority Fighter Aircraft, the F-22 Raptors stationed on the installation along with two intelligence, surveillance and reconnaissance organizations. Covering 2,900 acres, Langley has more than 14,000 military personnel and approximately 6,218 civilian employees with a combined payroll of over \$1.5 million. The combined Joint Base Langley Air Force Base, Hampton and Ft Eustis, Newport News total fiscal year 2018 economic impact to the region was \$2.1 billion.

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

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

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

The Hampton Veterans Affairs Medical Center (HVAMC) is located on an 86 acre campus along the historic banks of the Chesapeake Bay and next to Hampton University. The HVAMC is a world class facility with highly skilled and compassionate staff. The medical center is a leader in technology and innovation providing health care services to veterans in southeastern Virginia and northeastern

North Carolina. The HVAMC is a tertiary care, Complexity Level 2 hospital. HVAMC provides comprehensive primary and specialty care in medicine, surgery and psychiatry. The Medical Center is geographically positioned among one of the largest Department of Defense (DOD) active duty and military retiree populations in the United States. The HVAMC has over 1,850 employees and an annual operating budget of \$350 million. The Hampton VAMC also opened a state of the art Women’s Clinic designed to provide gender specific care under one roof. Additional expansions at the medical center include the Spinal Cord Injury Unit and Mental Health Unit. The mental health unit is the newest addition providing 13 group therapy rooms and employing 90 staff.

General Government Financial Operations

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

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

	000's Omitted		Percent Increase (Decrease)
	2019	2018	
Revenues and Other Financing Sources:			
General Fund	\$341,369	\$334,996	1.90
School Operating	<u>131,231*</u>	<u>130,150*</u>	<u>0.83</u>
Total	<u>472,600</u>	<u>465,146</u>	<u>1.60</u>
Expenditures and Other Financing Uses:			
General Fund	264,877*	256,719*	3.18
School Operating	<u>201,963*</u>	<u>203,353*</u>	<u>(0.68)</u>
Total	<u>(466,840)</u>	<u>(460,072)</u>	<u>1.47</u>
Net change in fund balance	<u>\$5,760</u>	<u>\$5,074</u>	

*Excludes payments between the General Fund and School Operating Fund

The General Fund revenues and other financing sources increased by approximately \$6.4 million or 1.90% when compared to fiscal year 2018 revenues. General property tax collections increased by approximately \$3.3 million as a result of revenue collected for additional supplemental real estate assessments for new construction, along with a 7.80% increase in machinery and tool tax collections. In the other local taxes category, we experienced an increase of approximately \$2.9 million. Business license tax increased \$1.5 million as a result of audit assessments and collections from prior years. Meal tax continued to grow reflecting a \$1.2 million increase or 5.6% over the prior year. Also in the other local taxes category, sales and use tax increased \$.648 million over fiscal year 2018.

Interest earned on investments exceeded prior year revenue by \$1.2 million which was directly related to the Federal Reserve increasing interest rates twice during fiscal year 2019.

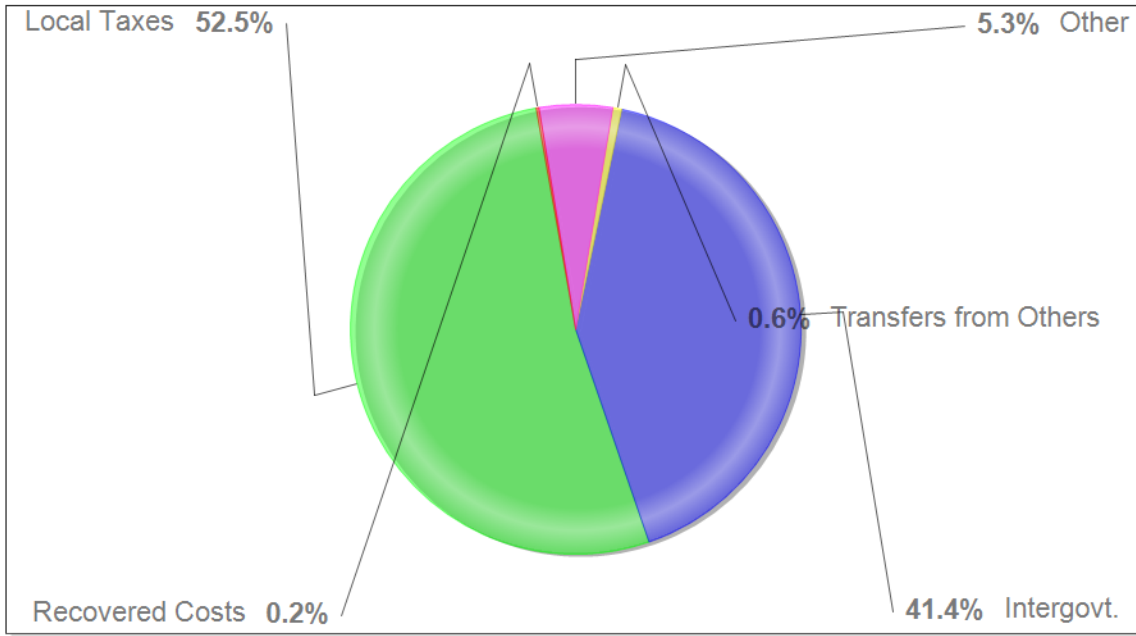
General Fund expenditures and other financing uses increased by approximately \$8.2 million or 3.18% from fiscal year 2018. This increase is primarily due to other financing uses, specifically transfers to the Capital Projects Fund which increased, offset by decreases in expenditures in the General Government category. Transfers to the Capital Projects Fund increased by \$12.9 for the purpose of fully funding all fiscal year 2019 city funded capital projects. For fiscal year 2019, a decrease of \$3.9 million in the General Government category is attributed to a bond restructuring for the Peninsula Town Center Community Development Authority.

The School Board Operating Fund revenues increased by approximately \$1.1 million or .83% over fiscal year 2018. This variance resulted primarily from a \$1.2 million increase in supplemental lottery per pupil and a \$2.3 million increase in basic aid combined with a decrease in state revenues. State revenues for salary supplement, Virginia Retirement System, At Risk Four Year Olds, early reading specialists, textbook payments and remedial summer school decreased \$.606 million, \$.339 million, \$.296 million, \$.162 million, \$.133 million and \$.124 million, respectively. While the Local Contribution is not included in the overall increase to the Operating Fund, the City of Hampton increased their contribution to the School Board by approximately \$.791 million or 1.1% between fiscal years.

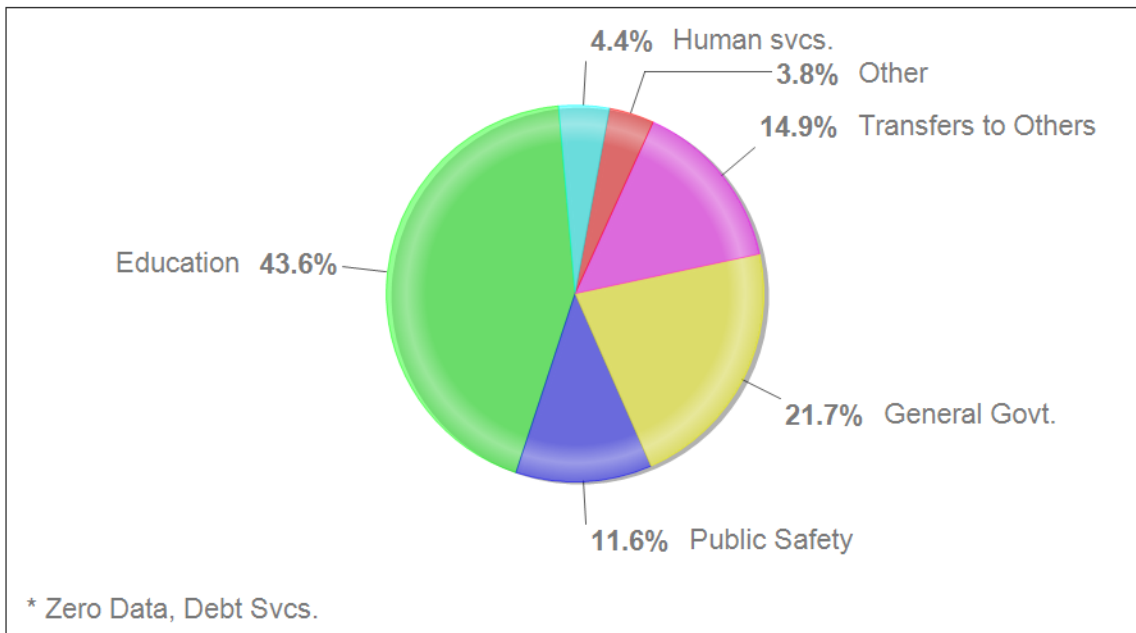
The School Board Operating Fund expenditures decreased by \$1.4 million or .68% over fiscal year 2018. This decrease was due primarily to a \$1.7 million decrease in technology expenditures in fiscal year 2019 over fiscal year 2018. Purchases of computers, licenses and software decreased significantly in fiscal year 2019, by approximately \$1.6 million over fiscal year 2018.

The graphs of the 2019 General Fund and School Operating Fund revenues and expenditures are as follows:

Revenues \$472,600,410



Expenditures \$466,839,743



Long Term Financial Planning

In the years 2019-2023 \$288.7 million is scheduled for City and School projects. The following summarizes these projects:

• Education	\$33.3 million
• Hampton's Waterways	\$26.1 million
• Good Government	\$107.2 million
• Economic Growth	\$61.4 million
• Place Making	\$26.7 million
• Safe and Clean City	\$34 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, 2019, general obligation debt totaled \$241 million or 2.3% 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, 2019, this would amount to \$396 million or 3.3% 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, 2019, this would amount to \$84 million or .70% 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, 2019, this would amount to \$35 million or 7.6% 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 76% of general bonded obligation debt in fiscal year 2029 that was outstanding as of June 30, 2019.

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, 2019, capital expenditures were \$27.5 million which is 8.1% 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, 2019 through 2023, the City plans to use 31% of General Fund revenues on CIP projects.

5. Unassigned Fund Balance. The City will maintain an unassigned General Fund balance equal to 10% of total General Fund and School Operating Fund revenues. To the extent unassigned fund balance falls below the policy, the shortfall shall be replenished over a three-year period. The unassigned fund balance at June 30, 2019 was \$74.8 million or 15.8% 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 Algernonne in 1609 to protect the new settlement. This began a long line of fortifications on Old Point Comfort that culminated with the establishment of Fort Monroe as a response to the War of 1812, when the British sailed unencumbered to wreak havoc up the Virginia coast, culminating with the burning of Washington DC and the White House. Construction of Fort Monroe began in 1819 and was completed in 1834.

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

Fort Monroe was identified for closure by the 2005 Base Realignment and Closure Commission and was closed by the Army on September 15, 2011. Since that time, the Commonwealth of Virginia and City of Hampton have been preparing for closure and reuse of the Fort to mitigate the impact of the lost economic activity from the closure. Approximately 371 of the 565 acres of the property automatically reverts to Commonwealth ownership based on deed language when it was originally conveyed to the federal government in the 1800s. The Commonwealth and Army finalized the negotiations of the disposition of the "non-reversionary" acres in 2017 and transferred the remaining balance of federal land to the Fort Monroe Authority. That transfer included approximately 45 acres with an additional 20 acres to be transferred after the environmental remediation actions are completed. It is anticipated this final transfer will occur before the end of calendar year 2019. Furthermore, the Commonwealth has transferred previously owned land to the Department of Interior to be incorporated into the Fort Monroe National Monument under the purview of the National Park Service. As part of the State's partnership with the City, it was agreed that the City would receive a Payment In Lieu Of Taxes (PILOT) to cover the costs of City services that Hampton provides to state controlled property at Fort Monroe. The PILOT is based on the City's real estate tax assessment and tax rate as if it was any other private property in the City, but excludes any property owned by the federal government or used by the City.

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

Awards and Achievements


The Government Finance Officers Association of the United States and Canada (GFOA) awards a Certificate of Achievement for Excellence in Financial Reporting to governmental units that publish an easily readable and efficiently organized 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, 2018.

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

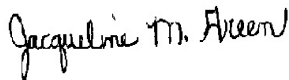
Acknowledgments

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

Respectfully submitted,



Karl S. Daughtrey
Director of Finance



Jacqueline M. Green
Deputy Director of Finance, Controller



Government Finance Officers Association

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

Presented to

**City of Hampton
Virginia**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2018

Christopher P. Morill

Executive Director/CEO

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Report of Independent Auditor

To the 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, 2019, 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% of the assets and revenues, respectively, of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Downtown Hampton Development Partnership, Inc., is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards and specifications require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Downtown Hampton Development Partnership, Inc. were not audited in accordance with *Government Auditing Standards*.

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, 2019, and the respective changes in financial position and, where applicable, cash flows thereof, and the Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters***Required Supplementary Information***

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Introductory Section, Combining and Individual Statements, Supporting Schedules, and Statistical Section as listed 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 is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The Combining and Individual Statements, Supporting Schedules, and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Combining and Individual Statements, Supporting Schedules, and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The Introductory and Statistical Sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2019, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Cherry Bekant LLP

Virginia Beach, Virginia
November 29, 2019

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MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Hampton, Virginia's (City's) Comprehensive Annual Financial Report (CAFR) presents Management's Discussion and Analysis (MD&A) of the City's financial performance during the fiscal year ended June 30, 2019. The MD&A should be read in conjunction with the transmittal letter and the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The General Fund, on a current financial resource basis, reported revenues in excess of expenditures and other financing sources and uses by \$2.67 million (Exhibit A-4) after making a \$73.8 million payment to Hampton City Schools, \$27.7 million transfer to Capital Projects, \$8.6 million transfer to Enterprise Funds, \$1.8 million to Special Revenue Funds and \$31.1 million to Debt Service Fund.
- On a government-wide basis for governmental activities, the City's net position increased by \$17.7 million (Exhibit A-2).
- In the City's business-type activities, on a government-wide basis, net position increased by \$5.4 million (Exhibit A-2).
- The City's net position, excluding component units, on the government-wide basis, totaled \$645.6 million at June 30, 2019. Of this amount, \$25.8 million represents restricted net position and \$(84.2) million represents the unrestricted net deficit (unrestricted net position - Exhibit A-1).

USING THE FINANCIAL SECTION OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT

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

GOVERNMENT-WIDE STATEMENTS

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

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

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

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

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

FUND FINANCIAL STATEMENTS

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

The City has three types of funds:

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

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Table I
Summary of Statement of Net Position (In Thousands)
June 30, 2019 and 2018

	Governmental Activities		Business-type Activities		Total Primary Government		Component Units	
	2019	2018	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 228,399	\$ 230,981	\$ 72,130	\$ 68,575	\$ 300,529	\$ 299,556	\$ 51,898	\$ 45,061
Capital assets	860,457	868,553	139,061	142,096	999,518	1,010,649	42,042	43,736
Total assets	<u>1,088,856</u>	<u>1,099,534</u>	<u>211,191</u>	<u>210,671</u>	<u>1,300,047</u>	<u>1,310,205</u>	<u>93,940</u>	<u>88,797</u>
Deferred outflows of resources	<u>25,098</u>	<u>26,216</u>	<u>5,231</u>	<u>5,656</u>	<u>30,329</u>	<u>31,872</u>	<u>22,291</u>	<u>23,921</u>
Current liabilities	79,787	75,376	11,359	10,403	91,146	85,779	31,737	28,376
Long-term liabilities	471,385	505,122	95,670	101,614	567,055	606,736	200,857	216,895
Total liabilities	<u>551,172</u>	<u>580,498</u>	<u>107,029</u>	<u>112,017</u>	<u>658,201</u>	<u>692,515</u>	<u>232,594</u>	<u>245,271</u>
Deferred inflows of resources	<u>24,984</u>	<u>25,121</u>	<u>1,619</u>	<u>1,919</u>	<u>26,603</u>	<u>27,040</u>	<u>29,154</u>	<u>29,611</u>
Net position								
Investment in capital assets	636,463	635,185	67,497	69,107	703,960	704,292	42,042	43,735
Restricted	17,817	69,681	8,017	8,068	25,834	77,749	1,235	1,316
Unrestricted (deficit)	(116,482)	(184,735)	32,260	25,216	(84,222)	(159,519)	(188,794)	(207,215)
Total net position	<u>\$ 537,798</u>	<u>\$ 520,131</u>	<u>\$ 107,774</u>	<u>\$ 102,391</u>	<u>\$ 645,572</u>	<u>\$ 622,522</u>	<u>\$ (145,517)</u>	<u>\$ (162,164)</u>

The City's combined net position (which is the City's bottom line) increased by \$23.1 million in fiscal year 2019. Approximately 4% represents resources that are subject to external restrictions. Net investment in capital assets represents 109% 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 \$(84.2) million.

Table II

Summary of Changes in Net Position (In Thousands)

For the Fiscal Years Ended June 30, 2019 and 2018

	Governmental Activities		Business-type Activities		Total Primary Government		Component Units	
	2019	2018	2019	2018	2019	2018	2019	2018
Revenues:								
Program Revenues								
Charges for service	\$ 31,263	\$ 32,565	\$ 48,656	\$ 45,647	\$ 79,919	\$ 78,212	\$ 5,734	\$ 7,403
Operating grants and contributions	83,507	83,503	1,024	1,805	84,531	85,308	154,767	150,740
Capital grants and contributions	5,080	10,988	-	-	5,080	10,988	105	317
General revenues								
Property taxes	163,966	162,922	-	-	163,966	162,922	-	-
Other taxes	82,225	79,311	-	-	82,225	79,311	-	-
Other	4,738	1,883	1,285	930	6,023	2,813	84,664	84,776
Total revenues	<u>370,779</u>	<u>371,172</u>	<u>50,965</u>	<u>48,382</u>	<u>421,744</u>	<u>419,554</u>	<u>245,270</u>	<u>243,236</u>
Expenses								
General government	105,865	121,452	-	-	105,865	121,452	11,372	6,043
Public safety	81,673	84,859	-	-	81,673	84,859	-	-
Highways and streets	12,362	9,919	-	-	12,362	9,919	-	-
Sanitation	-	-	24,626	23,061	24,626	23,061	-	-
Health	1,564	(575)	-	-	1,564	(575)	-	-
Human services	34,769	34,579	-	-	34,769	34,579	-	-
Culture and recreation	16,842	16,076	30,215	27,935	47,057	44,011	-	-
Education - payment to school board	73,827	73,036	-	-	73,827	73,036	-	-
Educational	9,806	11,506	-	-	9,806	11,506	217,251	217,716
Interest on long-term debt	7,145	6,451	-	-	7,145	6,451	-	-
Total expenses	<u>343,853</u>	<u>357,303</u>	<u>54,841</u>	<u>50,996</u>	<u>398,694</u>	<u>408,299</u>	<u>228,623</u>	<u>223,759</u>
Increase (decrease) in net position before transfers	26,926	13,869	(3,876)	(2,614)	23,050	11,255	16,647	19,477
Transfers	<u>(9,259)</u>	<u>(7,852)</u>	<u>9,259</u>	<u>7,852</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Increase in net position	17,667	6,017	5,383	5,238	23,050	11,255	16,647	19,477
Net position, July 1	<u>520,131</u>	<u>514,114</u>	<u>102,391</u>	<u>97,153</u>	<u>622,522</u>	<u>611,267</u>	<u>(162,164)</u>	<u>(181,641)</u>
Net position, June 30	<u>\$ 537,798</u>	<u>\$ 520,131</u>	<u>\$ 107,774</u>	<u>\$ 102,391</u>	<u>\$ 645,572</u>	<u>\$ 622,522</u>	<u>\$ (145,517)</u>	<u>\$ (162,164)</u>

GOVERNMENTAL ACTIVITIES

For the fiscal year ended June 30, 2019, revenues from governmental activities totaled \$370.8 million. Revenues from governmental activities decreased by approximately \$.393 million. Capital grants and contributions totaled \$5.1 million, a decrease of \$5.9 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 \$164.0 million, increasing \$1.0 million over fiscal year 2018 primarily as a result of additional supplemental real estate assessments for new construction. Program revenues for governmental activities totaled \$119.9 million. Program revenues are derived from the program itself and reduce the cost of the function to the City. One of the most significant of these revenues is the revenue category "Operating Grants and Contributions". These revenues totaled \$83.5 million for the year ended June 30, 2019 which remained consistent with prior year revenues.

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 \$82.2 million, an increase of \$2.9 million over fiscal year 2018. Business license, sales and use tax, and lodging and transit tax increased by \$1.5 million, \$.648 million and \$.134 million, respectively. In addition, meal tax revenues increased by \$1.17 million.

For the fiscal year ended June 30, 2019, expenses for governmental activities, excluding transfers totaled \$343.9, decreased by \$13.5 million over the prior fiscal year. The majority of this decrease occurred in the general government and public safety categories totaling \$15.6 million and \$3.2 million, respectively, offset by increases in the highways and streets and health categories totaling \$2.4 and \$2.1 million, respectively.

BUSINESS-TYPE ACTIVITIES

Business-type activities generated revenues of \$51 million, an increase of \$2.6 million when compared to the previous year. The majority of this variance is due to a \$3 million increase in charges for services. Expenses for business-type activities totaled \$54.8 million, an increase of \$3.8 million compared to the prior year. The Coliseum experienced a \$3.4 million increase in revenues along with a \$2.9 million increase in expenses as a result of the variety of events held in fiscal year 2019.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The General Fund's fund balance increased by \$2.7 million over fiscal year 2018 primarily due to unexpended appropriations for the year.

The Capital Projects Fund reflected a decrease in fund balance of \$7.4 million due to the completion of prior year capital projects funded with bond funds.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the year, the City Council revised the budget on several occasions. City Council appropriated \$12 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 2019 but the appropriations lapsed at the end of the fiscal year. Under the City's budget savings program, the remaining budget savings of \$1.4 million was rolled from fiscal year 2018 to fiscal year 2019. City Council adopted a budget savings program whereby departments will retain 65 percent of their end of the fiscal year budget savings, 15 percent will be placed into an innovations pool, 15% will be placed in a computer replacement program and \$415,000 will be designated for drainage projects. In addition, the City reappropriated grant, donations, and other revenues.

Actual expenditures and transfers were \$18.2 million below the final budget. A significant amount of this variance (\$11.6 million) occurred in the general government function, specifically in non-departmental in the amount of \$4.8 million, retirement and employee benefits in the amount of \$4.2 million and public safety category in the amount of \$1.1 million. Also contributing to this variance was unused budget savings under the City's budget savings program of \$1.2 million. A \$3.1 million variance was noted in transfers to other funds, specifically the transfer to the Debt Service Fund.

Revenues exceeded budget by \$4.1 million. This is primarily due to general property taxes exceeding budget by \$1.6 million due to additional supplemental real estate assessments for new construction. Also contributing to this variance is business license taxes, meal taxes, interest earned on investments, ambulance services revenue and federal public assistance funding tracking over budget by \$1.9 million, \$.967 million, \$1.2 million, \$.544 million, and \$1.2 million, respectively.

CAPITAL ASSETS

The total decrease over fiscal year 2018 in the City’s investment in capital assets for the current fiscal year is \$11.1 million. At the end of fiscal year 2019, the City had invested approximately \$1 billion in a variety of capital assets and infrastructure, as reflected in the following schedule:

Table III Capital Assets (In Thousands)

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Non-depreciable assets:						
Land and land improvements	\$ 519,060	\$ 517,593	\$ 11,066	\$ 11,065	\$ 530,126	\$ 528,658
Easements	2,222	2,162	29	29	2,251	2,191
Construction in progress	25,441	23,400	749	957	26,190	24,357
Other capital assets:						
Buildings and improvements	196,613	196,613	140,883	140,142	337,496	336,755
Improvements other than buildings	82,821	80,624	35,757	35,809	118,578	116,433
Equipment and vehicles	87,360	85,969	32,718	30,272	120,078	116,241
Exhibits	-	-	14,865	14,683	14,865	14,683
Landfill	-	-	3,866	3,866	3,866	3,866
Infrastructure	222,757	217,332	74,843	73,450	297,600	290,782
Computer software	2,121	2,121	402	402	2,523	2,523
Other assets	4,446	4,446	-	-	4,446	4,446
Accumulated depreciation	(282,384)	(261,707)	(176,117)	(168,579)	(458,501)	(430,286)
Total	\$ 860,457	\$ 868,553	\$ 139,061	\$ 142,096	\$ 999,518	\$ 1,010,649

	School Board		Economic Development Authority		Coliseum Central Business Improvement District, Inc.	
	2019	2018	2019	2018	2019	2018
Component Units						
Non-depreciable assets:						
Land and land improvements	\$ 5,111	\$ 5,111	\$ 21,470	\$ 21,470	\$ -	\$ -
Other capital assets:						
Buildings and improvements	48,963	48,963	7,834	7,834	-	-
Improvements other than buildings	310	310	755	755	-	-
Infrastructure	-	-	2,049	2,049	-	-
Computer software	1,132	-	-	-	5	5
Equipment and vehicles	40,740	42,521	623	623	148	144
Accumulated depreciation	(84,964)	(84,460)	(2,255)	(1,690)	(145)	(142)
Total	\$ 11,292	\$ 12,445	\$ 30,476	\$ 31,041	\$ 8	\$ 7

Component Units	Downtown Hampton		Total Component Units	
	2019	2018	2019	2018
Non-depreciable assets:				
Land and land improvements	\$ -	\$ -	\$ 26,581	\$ 26,581
Other capital assets:				
Buildings and improvements	-	-	56,797	56,797
Improvements other than buildings	-	-	1,065	1,065
Infrastructure	471	447	2,520	2,496
Computer software	8	8	1,145	13
Equipment and vehicles	131	107	41,642	43,395
Accumulated depreciation	(347)	(321)	(87,711)	(86,613)
	<u>\$ 263</u>	<u>\$ 241</u>	<u>\$ 42,039</u>	<u>\$ 43,734</u>

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

LONG-TERM DEBT

At the end of fiscal year 2019, the City had \$241.3 million in outstanding general obligation bonds and \$71.2 million in outstanding revenue bonds. More detailed information about the City's long-term liabilities is presented in Note 8 to the financial statements.

The Commonwealth of Virginia limits the amount of general obligation debt the City can issue to 10% of the assessed valuation of real property. As of June 30, 2019, the City's aggregate general obligation indebtedness is \$817 million below this limit.

Table IV
Change in General Obligation and Revenue Bonds (In Thousands)
June 30, 2019 and 2018

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
General Obligation bonds	\$ 216,314	\$ 259,437	\$ 2,001	\$ 2,433	\$ 218,315	\$ 261,870
Direct placement general obligation bonds	22,991	-	-	-	22,991	-
Direct placement revenue bonds	-	-	71,155	73,970	71,155	73,970
Unamortized premium	28,448	32,319	7,777	8,413	36,225	40,732
Total primary government	<u>\$ 267,753</u>	<u>\$ 291,756</u>	<u>\$ 80,933</u>	<u>\$ 84,816</u>	<u>\$ 348,686</u>	<u>\$ 376,572</u>

Component Unit - Economic Development Authority

Revenue bonds	<u>\$ 2,003</u>	<u>\$ 2,829</u>
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NEXT YEAR'S BUDGET

The City's staff and City Council considered many factors when developing the fiscal year 2020 budget, with the economy as one of the major factors. The fiscal year 2020 approved budget for the General Fund is \$487.9 million, a 3.55% increase over fiscal year 2019. The most important priorities for the fiscal year 2020 budget are to invest in public safety to increase the focus on crime reduction, a 3% salary increase for City and Hampton City Schools employees, an increase in the Law Enforcement Officer Virginia Retirement System supplement for City police and fire sworn personnel and to invest in flood mitigation and prevention efforts. Tax and fee rate changes in the fiscal year 2020 budget include an increase in solid waste user fee-recyclers from \$6.10 per week to \$7.25 per week, an increase in solid waste user fee-recyclers from \$11.85 per week to \$13.00 per week, an increase in Stormwater user fees, both commercial and residential from \$7.83 per month to \$8.83 per month, an increase in lodging tax from 8.0%, plus \$1.00 per room per night to 8.0% plus \$2.00 per room per night and an increase in the public right-of-way use fee from \$1.09 per line/per month to \$1.20 per line/per month.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

CITY OF HAMPTON, VIRGINIA
Statement of Net Position
June 30, 2019

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total Primary Government	
ASSETS				
Cash and cash equivalents	\$ 144,970,765	\$ 35,817,918	\$ 180,788,683	\$ 16,113,000
Cash with fiscal agent	337,354	2,600,000	2,937,354	10,321,952
Investments	67,297,548		67,297,548	31,399
Accounts receivable	24,520,622	4,513,109	29,033,731	851,639
Lease receivable				1,980,119
Due from component units	373,488	35,328	408,816	
Due from Primary Government				387,591
Internal balances	(9,820,953)	9,820,953		
Due from other governments				5,440,448
Inventories	385,004	418,949	803,953	524,127
Prepaid items	335,498	25,394	360,892	47,762
Temporarily restricted assets:				
Cash and cash equivalents		2,755,075	2,755,075	1,234,935
Cash with fiscal agent		477,845	477,845	
Investments		15,658,781	15,658,781	
Notes receivable		5,843	5,843	73,511
Land held for sale				14,891,952
Capital assets not being depreciated	546,722,149	11,844,337	558,566,486	26,581,314
Capital assets, net of accumulated depreciation	313,734,710	127,216,976	440,951,686	15,460,442
Total assets	1,088,856,185	211,190,508	1,300,046,693	93,940,191
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	6,746,507	3,816,423	10,562,930	
Related to pensions	14,275,116	1,159,641	15,434,757	19,180,803
Related to other postemployment benefits	4,076,394	255,155	4,331,549	3,110,642
Total deferred outflows of resources	25,098,017	5,231,219	30,329,236	22,291,445
LIABILITIES				
Accounts payable and other liabilities	39,907,965	2,770,339	42,678,304	19,051,460
Due to component units	387,591		387,591	
Due to Primary Government				408,816
Unearned revenues	146,240	2,489,678	2,635,918	2,957,000
Current liabilities payable from restricted assets		1,168,872	1,168,872	
Notes and other long-term payables:				
Due within one year	14,326,882	880,309	15,207,191	8,441,703
Due in more than one year	228,651,111	18,786,957	247,438,068	199,732,362
Bonds Payable:				
Due within one year	25,018,580	4,050,176	29,068,756	878,387
Due in more than one year	242,734,194	76,882,816	319,617,010	1,124,955
Total liabilities	551,172,563	107,029,147	658,201,710	232,594,683
DEFERRED INFLOWS OF RESOURCES				
Deferred charge on refunding	563,306		563,306	
Property taxes collected in advance	1,780,149		1,780,149	
Related to pensions	8,629,351	683,339	9,312,690	26,870,471
Related to other postemployment benefits	14,011,251	935,526	14,946,777	2,283,356
Total deferred inflows of resources	24,984,057	1,618,865	26,602,922	29,153,827
NET POSITION				
Net investment in capital assets	636,462,324	67,497,366	703,959,690	42,041,756
Restricted for:				
Capital projects	2,019,496		2,019,496	
Debt service	86,814		86,814	
Public safety projects	1,217,127		1,217,127	
Stormwater management	12,279,967		12,279,967	
Human services	551,445		551,445	
Bond indenture		8,016,673	8,016,673	1,234,935
Culture and recreation	56,274		56,274	
Physical environment	177,617		177,617	
Education	6		6	
Community development	877,262		877,262	
Operations and maintenance	53,235		53,235	
Other purposes	498,238		498,238	
Unrestricted (deficit)	(116,482,223)	32,259,676	(84,222,547)	(188,793,565)
Total net position (deficit)	\$ 537,797,582	\$ 107,773,715	\$ 645,571,297	\$ (145,516,874)

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, 2019

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	\$ 105,864,961	\$ 22,205,872	\$ 33,340,362	\$ 665,088	\$ (49,653,639)		\$ (49,653,639)	\$
Public safety	81,672,541	6,182,407	11,013,997		(64,476,137)		(64,476,137)	
Highways and streets	12,362,303		16,792,868	4,415,297	8,845,862		8,845,862	
Health	1,563,903				(1,563,903)		(1,563,903)	
Human services	34,769,329	1,907,600	21,783,204		(11,078,525)		(11,078,525)	
Culture and recreation	16,842,354	939,435	154,182		(15,748,737)		(15,748,737)	
Education (payment to school district)	73,827,042				(73,827,042)		(73,827,042)	
Education and educational services	9,805,593	26,682	167,568		(9,611,343)		(9,611,343)	
Interest on long-term debt	7,145,017		254,698		(6,890,319)		(6,890,319)	
Total Governmental Activities	<u>343,853,043</u>	<u>31,261,996</u>	<u>83,506,879</u>	<u>5,080,385</u>	<u>(224,003,783)</u>		<u>(224,003,783)</u>	
Business-type activities								
Culture and recreation	\$ 30,214,919	\$ 19,040,741	\$ 1,023,742	\$	\$ (10,150,436)		\$ (10,150,436)	
Sanitation	24,625,642	29,614,619			4,988,977		4,988,977	
Total Business-type activities	<u>54,840,561</u>	<u>48,655,360</u>	<u>1,023,742</u>		<u>(5,161,459)</u>		<u>(5,161,459)</u>	
Total Primary Government	<u>\$ 398,693,604</u>	<u>\$ 79,917,356</u>	<u>\$ 84,530,621</u>	<u>\$ 5,080,385</u>	<u>\$ (224,003,783)</u>	<u>\$ (5,161,459)</u>	<u>\$ (229,165,242)</u>	
Component units								
Public school system	\$ 217,250,645	\$ 4,201,758	\$ 154,466,523	\$				\$ (58,582,364)
Economic development	9,347,806	658,911		104,800				(8,584,095)
Business improvement	1,295,695	614,955						(680,740)
Downtown development	728,480	258,927	300,023					(169,530)
Total component units	<u>\$ 228,622,626</u>	<u>\$ 5,734,551</u>	<u>\$ 154,766,546</u>	<u>\$ 104,800</u>				<u>\$ (68,016,729)</u>
General revenues								
Taxes:								
Property taxes				\$ 163,965,632	\$	\$ 163,965,632	\$	
Sales taxes				15,740,811		15,740,811		
Lodging, meal and amusement taxes				27,370,416		27,370,416		
Motor vehicle taxes				4,496,435		4,496,435		
Business license taxes				14,251,134		14,251,134		
Utility taxes				5,443,338		5,443,338		
Tobacco taxes				4,336,342		4,336,342		
Recordation taxes				1,912,688		1,912,688		
Bank stock taxes				704,714		704,714		
Short-term rental taxes				109,523		109,523		
Communication sales tax				7,839,839		7,839,839		
Mobile home titling tax				20,055		20,055		
Payments from (to) City								84,348,139
Investment earnings				4,738,377	1,285,075	6,023,452		239,881
Miscellaneous								75,541
Transfers				(9,259,216)	9,259,216	-		
Total general revenues and transfers				<u>241,670,088</u>	<u>10,544,291</u>	<u>252,214,379</u>		<u>84,663,561</u>
Change in net position (deficit)					17,666,305	5,382,832	23,049,137	16,646,832
Net position(deficit), beginning of year					<u>520,131,277</u>	<u>102,390,883</u>	<u>622,522,160</u>	<u>(162,163,706)</u>
Net position(deficit), ending					<u>\$ 537,797,582</u>	<u>\$ 107,773,715</u>	<u>\$ 645,571,297</u>	<u>\$ (145,516,874)</u>

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

CITY OF HAMPTON, VIRGINIA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2019

	General Fund	Special Revenue- Economic Development	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
Assets:						
Cash and cash equivalents	\$ 98,341,006	\$ 5,888,148	\$ 532,264	\$ 1,407,330	\$ 12,607,840	\$ 118,776,588
Investments	23,807,208			43,490,340		67,297,548
Accounts receivables:						
Taxes (net of allowance of uncollectible)	5,870,179					5,870,179
Due from other governments	10,364,148			2,393,213	3,122,848	15,880,209
Other	1,612,447	16,761	2,739		1,061,356	2,693,303
Due from other funds	11,399,879			11,897,867	341,221	23,638,967
Due from component units	222,559	-				222,559
Inventories	26,961					26,961
Total assets	\$ 151,644,387	\$ 5,904,909	\$ 535,003	\$ 59,188,750	\$ 17,133,265	\$ 234,406,314
Liabilities:						
Accounts payable	\$ 11,416,652	\$ 24,999		\$ 4,544,146	\$ 1,568,504	\$ 17,554,301
Accrued health insurance	14,020,384					14,020,384
Accrued liabilities	4,324,302				133,684	4,457,986
Due to other funds	12,320,403			3,200,000	417,578	15,937,981
Due to component units	356,372	31,219				387,591
Unearned revenues	146,239	6,185				152,424
Total liabilities	42,584,352	62,403	-	7,744,146	2,119,766	52,510,667
Deferred inflows of resources:						
Unavailable revenue-property taxes	3,866,383					3,866,383
Property taxes collected in advance	1,780,149					1,780,149
Unavailable revenue-program income					122,528	122,528
Unavailable revenue-stormwater fees					511,175	511,175
Total deferred inflows of resources	5,646,532				633,703	6,280,235
Fund balances:						
Nonspendable	26,961					26,961
Restricted	422,821	863,498	86,814	682,518	14,290,618	16,346,269
Committed	22,019,384	1,663,541		47,321,960		71,004,885
Assigned	6,190,329	3,315,467	448,189	3,440,126	89,178	13,483,289
Unassigned	74,754,008					74,754,008
Total fund balances	103,413,503	5,842,506	535,003	51,444,604	14,379,796	175,615,412
Total liabilities, deferred inflows of resources and fund balances	\$ 151,644,387	\$ 5,904,909	\$ 535,003	\$ 59,188,750	\$ 17,133,265	\$ 234,406,314

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

Total fund balances of governmental funds	\$ 175,615,412
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)	843,107,583
Other assets are not available to pay current-period expenditures and, therefore, are deferred in the funds.	4,506,270
Deferred charges on refunding are reported as deferred outflows of resources in the government-wide financial statements, but are not reported in the governmental fund statements.	6,746,507
Deferred outflows of resources related to pensions are reported in the government-wide financial statements, but are not reported in the governmental fund statements	14,275,116
Deferred outflows of resources related to other postemployment benefits are reported in the government-wide financial statements, but are not reported in the governmental fund statements	4,076,394
Deferred charges on refunding are reported as deferred inflows of resources in the government-wide financial statements, but are not reported in the governmental fund statements	(563,306)
Deferred inflows of resources related to pensions are reported in the government-wide financial statements, but are not reported in the governmental fund statements	(8,629,351)
Deferred inflows of resources related to other postemployment benefits are reported in the government-wide financial statements, but are not reported in the governmental fund statements	(14,011,251)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets, liabilities and deferred flows of resources of the internal service funds are included in governmental activities in the Statement of Net Position. Net position on Combining Statement of Net Position-Internal Service Funds (Exhibit E-1)	30,436,176
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	(260,826)
Internal service funds deferred outflows of resources related to other postemployment benefits are reported in the government-wide financial statements, but are not reported in the governmental fund statements	(101,838)
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	140,565
Internal service funds deferred inflows of resources related to other postemployment benefits are reported in the government-wide financial statements, but are not reported in the governmental fund statements	215,336
Other liabilities not paid from current-period revenues are not reported in the funds for:	
Accrued interest	(3,190,782)
Interfund balances related to amounts eliminated in the Statement of Net Position	(17,527,361)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, not reported in the funds. (Note 8)	<u>(497,037,062)</u>
Net position of governmental activities	<u>\$ 537,797,582</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, 2019

	General Fund	Special Revenue- Economic Development	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES						
General property taxes	\$ 166,310,843	\$	\$	\$	\$	\$ 166,310,843
Other local taxes	81,822,728					81,822,728
Special assessments	2,456,621					2,456,621
Intergovernmental revenues:						
From the Commonwealth of Virginia	55,644,179			3,769,577	9,834,538	69,248,294
From the Federal government	10,768,512		254,698	1,084,402	5,162,063	17,269,675
Permits, privilege fees and regulatory licenses	1,641,090					1,641,090
Fines and forfeitures	1,438,887					1,438,887
Revenues from use of money and property	3,062,798	416,246	5,906	1,264,461	395,859	5,145,270
Charges for services	10,587,773				8,806,912	19,394,685
Payment from component units	2,232,199					2,232,199
Miscellaneous	4,209,902			50,000	1,625,553	5,885,455
Recovered costs	957,640					957,640
Total revenues	341,133,172	416,246	260,604	6,168,440	25,824,925	373,803,387
EXPENDITURES						
Current:						
General government	101,109,821	443,105			3,332,491	104,885,417
Public safety	54,195,107				5,950,885	60,145,992
Highways and streets	2,024,658					2,024,658
Sanitation					4,935,460	4,935,460
Health	2,496,085					2,496,085
Human services	20,688,029				9,338,627	30,026,656
Culture and recreation	13,003,112				142,407	13,145,519
Education (payment to school district)	73,827,042					73,827,042
Education and education services	2,080,937					2,080,937
Capital improvements				43,394,049		43,394,049
Debt Service:						
Principal retirement			20,498,024			20,498,024
Interest and fiscal charges			10,864,042			10,864,042
Bond issuance costs			43,405			43,405
Total expenditures	269,424,791	443,105	31,405,471	43,394,049	23,699,870	368,367,286
Excess (deficiency) of revenues over (under) expenditures	71,708,381	(26,859)	(31,144,867)	(37,225,609)	2,125,055	5,436,101
OTHER FINANCING SOURCES (USES)						
Issuance of refunding bonds			22,991,000			22,991,000
Payment to refunded bond escrow agent			(22,943,135)			(22,943,135)
Transfers in	236,094		31,107,640	30,776,603	1,941,000	64,061,337
Transfers out	(69,278,976)	(47,325)		(945,612)	(3,048,640)	(73,320,553)
Other financing sources (uses), net	(69,042,882)	(47,325)	31,155,505	29,830,991	(1,107,640)	(9,211,351)
Net change in fund balances	2,665,499	(74,184)	10,638	(7,394,618)	1,017,415	(3,775,250)
Fund balances, beginning of year	100,748,004	5,916,690	524,365	58,839,222	13,362,381	179,390,662
Fund balances, end of year	\$ 103,413,503	\$ 5,842,506	\$ 535,003	\$ 51,444,604	\$ 14,379,796	\$ 175,615,412

**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	\$ (3,775,250)
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	12,811,850
Depreciation expense	(20,187,449)
Loss on disposal of assets	(26,387)
Donated assets are not reported in the governmental funds, but are reflected in the statement of activities.	63,100
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.	(3,421,592)
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.	
Increase in compensated absences	(158,745)
Proceeds from debt issuance	(22,991,000)
Payment to refunded bond escrow agent	22,943,135
Repayment of debt principal	22,206,162
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.	2,514,247
Expenses incurred during the period related to liabilities that are still outstanding and not yet due at year-end for accrued interest	(24,529)
Amortization of premiums	2,094,117
Change in net pension liability, which is recognized as an expense in the Statement of Activities as compared to the pension contributions reported in the governmental funds	<u>6,565,682</u>
Change in net other postemployment benefits liability, which is recognized as an expense in the Statement of Activities as compared to the other postemployment benefit contributions reported in the governmental funds	(947,036)
Change in net position of governmental activities	<u>\$ 17,666,305</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, 2019

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Over (Under)
REVENUES				
Intergovernmental:				
From the Commonwealth of Virginia	\$ 40,384,314	\$ 56,334,229	\$ 55,644,179	\$ (690,050)
From the Federal government	9,381,750	9,381,750	10,768,512	1,386,762
Local taxes	259,610,260	244,156,331	248,133,572	3,977,241
Special assessments	5,748,234	5,748,234	2,456,621	(3,291,613)
Licenses and permits	1,364,600	1,364,600	1,641,090	276,490
Fines and forfeitures	1,302,762	1,302,762	1,438,887	136,125
Revenues from use of money and property	1,463,609	1,463,609	3,062,025	1,598,416
Charges for services	9,659,666	9,659,666	10,587,773	928,107
Recovered costs	916,000	916,000	957,640	41,640
Payment from component units	2,437,345	2,437,345	2,232,199	(205,146)
Miscellaneous	4,165,329	4,256,897	4,209,902	(46,995)
Total revenues	336,433,869	337,021,423	341,132,400	4,110,977
EXPENDITURES				
Current:				
General government	113,782,681	112,703,924	101,109,820	(11,594,104)
Public safety	53,351,726	55,270,938	54,195,107	(1,075,831)
Highways and streets	2,852,900	2,662,479	2,024,658	(637,821)
Health	2,632,307	2,649,941	2,496,085	(153,856)
Human services	21,406,499	21,514,846	20,688,029	(826,817)
Culture and recreation	13,123,473	13,414,614	13,003,112	(411,502)
Education	75,921,963	75,934,529	75,907,979	(26,550)
Total expenditures	283,071,549	284,151,271	269,424,790	(14,726,481)
Excess of revenues over expenditures	53,362,320	52,870,152	71,707,610	18,837,458
OTHER FINANCING SOURCES (USES)				
Transfers in	583,880	583,880	236,094	(347,786)
Transfers out	(59,831,125)	(72,718,761)	(69,278,976)	(3,439,785)
Total other financing uses, net	(59,247,245)	(72,134,881)	(69,042,882)	(3,091,999)
Net change in fund balances	(5,884,925)	(19,264,729)	2,664,728	<u>\$ 21,929,457</u>
Appropriations from fund balance	5,884,925	19,509,563		
Appropriations - encumbrances		<u>(244,833)</u>		
Fund balance - July 1			<u>100,707,474</u>	
Fund balance - June 30	<u>\$</u>	<u>\$</u>	<u>\$ 103,372,202</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, 2019

	Business-type Activities - Enterprise Funds					Governmental	
	Wastewater Management	The Hamptons	Museum	Convention Center	Non-Major Enterprise Funds	Totals	
ASSETS							
Current assets:							
Cash and cash equivalents	\$ 12,202,704	\$ 800	\$ 2,071,418	\$	\$ 21,542,996	\$ 35,817,918	\$ 26,194,177
Cash with fiscal agent					2,600,000	2,600,000	337,354
Restricted assets to be used to liquidate current liabilities:							
Revenue bond indenture:							
Cash and cash equivalents				2,068,920		2,068,920	
Cash with fiscal agent				477,845		477,845	
Accounts receivable, net	1,348,406	3,880	136,281	297,335	2,727,209	4,513,111	76,929
Notes receivable	5,843					5,843	
Due from other funds	26,310				158,500	184,810	9,127
Due from component units					35,328	35,328	150,929
Inventories	210,744	9,465	121,466		77,274	418,949	358,043
Prepaid items			2,253	23,141		25,394	335,497
Restricted assets:							
Revenue bond indenture:							
Cash and cash equivalents				686,155		686,155	
Investments				15,658,781		15,658,781	
Total current assets	13,794,007	14,145	2,331,418	19,212,177	27,141,307	62,493,054	27,462,056
Noncurrent Assets:							
Capital Assets:							
Land	145,615	262,100	1,921,420	5,332,401	3,404,805	11,066,341	
Easements	28,943					28,943	
Buildings and improvements	2,683,118	2,398,794	32,306,100	89,858,046	13,636,907	140,882,965	
Improvements other than buildings	290,651	3,802,031	6,800	4,396,863	27,260,394	35,756,739	450,472
Computer software	153,386				248,343	401,729	215,775
Equipment	4,943,900	618,060	4,781,908	817,647	21,556,885	32,718,400	44,084,303
Construction in progress	605,999			89,437	53,617	749,053	
Exhibits			14,865,440			14,865,440	
Landfill					3,865,986	3,865,986	
Infrastructure	74,843,110					74,843,110	
Less accumulated depreciation	(37,741,633)	(6,591,904)	(44,398,451)	(35,484,540)	(51,900,864)	(176,117,392)	(27,401,274)
Net capital assets	45,953,089	489,081	9,483,217	65,009,854	18,126,073	139,061,314	17,349,276
Total noncurrent assets	45,953,089	489,081	9,483,217	65,009,854	18,126,073	139,061,314	17,349,276
Total assets	59,747,096	503,226	11,814,635	84,222,031	45,267,380	201,554,368	44,811,332
DEFERRED OUTFLOWS OF RESOURCES							
Deferred charge on refunding				3,816,423		3,816,423	
Related to pensions	338,447	39,713			781,481	1,159,641	260,826
Related to other postemployment benefits	74,882	691			179,582	255,155	101,838
Total deferred outflows of resources	413,329	40,404		3,816,423	961,063	5,231,219	362,664

	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	\$ 590,159	\$ 7,960	\$ 329,866	\$	\$ 1,144,826	\$ 2,072,811	\$ 648,726
Accrued liabilities				57,688		57,688	
Accrued leave	111,017	7,975	49,013		205,263	373,268	73,940
Due to other funds		4,463,656	854,525		2,573,035	7,891,216	3,708
Unearned revenues			279,037		2,210,641	2,489,678	
Current portion of long-term debt				3,596,240	960,977	4,557,217	8,189,861
Current liabilities payable from restricted assets:							
Accounts payable				272,498		272,498	
Accrued interest payable				896,373		896,373	
Other liabilities	47,060	18,918	58,498	91,430	423,937	639,843	35,780
Total current liabilities	<u>748,236</u>	<u>4,498,509</u>	<u>1,570,939</u>	<u>4,914,229</u>	<u>7,518,679</u>	<u>19,250,592</u>	<u>8,952,015</u>
Noncurrent liabilities:							
Claims payable							1,399,011
Accrued leave	96,396	15,652			305,932	417,980	85,756
Bonds payable				75,335,818	1,546,999	76,882,817	
Obligations under capital leases					1,603,143	1,603,143	
Other postemployment benefits obligation							1,918,417
Net pension liability	2,749,726	308,588			6,419,583	9,477,897	2,026,720
Net other postemployment benefits liability	2,211,094	45,111			5,031,731	7,287,936	
Total noncurrent liabilities	<u>5,057,216</u>	<u>369,351</u>	<u></u>	<u>75,335,818</u>	<u>14,907,388</u>	<u>95,669,773</u>	<u>5,429,904</u>
Total liabilities	<u>5,805,452</u>	<u>4,867,860</u>	<u>1,570,939</u>	<u>80,250,047</u>	<u>22,426,067</u>	<u>114,920,365</u>	<u>14,381,919</u>
DEFERRED INFLOWS OF RESOURCES							
Related to pensions	197,381	21,403			464,555	683,339	140,565
Related to other postemployment benefits	285,170	15,286			635,070	935,526	215,335
Total deferred inflows of resources	<u>482,551</u>	<u>36,689</u>	<u></u>	<u></u>	<u>1,099,625</u>	<u>1,618,865</u>	<u>355,900</u>
NET POSITION							
Net investment in capital assets	45,953,089	489,081	9,483,217	(2,442,974)	14,014,954	67,497,367	17,316,042
Restricted							
Bond indenture				8,016,673		8,016,673	
Unrestricted (deficit)	7,919,333	(4,850,000)	760,478	2,214,708	8,687,797	14,732,316	13,120,134
Total net position (deficit)	<u>\$ 53,872,422</u>	<u>\$(4,360,919)</u>	<u>\$ 10,243,695</u>	<u>\$ 7,788,407</u>	<u>\$ 22,702,751</u>	<u>\$ 90,246,356</u>	<u>\$ 30,436,176</u>
Reconciliation of the Statement of Net Position for Proprietary Funds to the Business-type Activities Statement of Net Position (Exhibit A-1)							
Net position of enterprise funds						90,246,356	
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						17,068,734	
Net position business-type activities						<u>\$ 107,773,715</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, 2019

	Business-type Activities-Enterprise Funds		
	Wastewater Management	The Hamptons	Museum
Operating revenues:			
Charges for services	\$ 8,356,191	\$ 482,025	\$ 1,772,330
Federal revenues			150,000
Other	28,261		976,127
Total operating revenues	<u>8,384,452</u>	<u>482,025</u>	<u>2,898,457</u>
Operating expenses:			
Personal services	2,164,289	395,684	1,142,030
Fringe benefits	407,438	88,363	303,578
Promoters fees			
City-sponsored events			
Cost of goods sold	48,258	23,297	
Utilities	280,232	75,406	224,837
Insurance	44,280	22,035	65,108
Operating supplies	223,846	58,583	351,305
Equipmental rental	1,588	107,369	18,094
Equipment and building repairs	368,704	36,185	117,952
Telephone and postage	41,096	5,476	31,457
General expense	186,462	2,125	311,937
Claims			
Landfill costs			
Contractual services	1,491,600	52,113	242,429
Indirect cost	456,000		
Depreciation and amortization	1,608,023	39,030	1,428,277
Total operating expenses	<u>7,321,816</u>	<u>905,666</u>	<u>4,237,004</u>
Operating income (loss)	<u>1,062,636</u>	<u>(423,641)</u>	<u>(1,338,547)</u>
Nonoperating revenues (expenses):			
Interest income	2,546		1,451
Interest and fiscal charges			
Other			
Gain on disposal of capital assets	10,731		
Net decrease in fair value of investments			
Total nonoperating revenues (expenses), net	<u>13,277</u>		<u>1,451</u>
Income (loss) before transfers	<u>1,075,913</u>	<u>(423,641)</u>	<u>(1,337,096)</u>
Transfers in(out)	<u>(113,292)</u>		<u>945,612</u>
Change in net position (deficit)	962,621	(423,641)	(391,484)
Net position, (deficit) beginning of year	<u>52,909,801</u>	<u>(3,937,278)</u>	<u>10,635,179</u>
Net position, (deficit) end of year	<u>\$ 53,872,422</u>	<u>\$ (4,360,919)</u>	<u>\$ 10,243,695</u>

Business-type Activities - Enterprise Funds			Governmental Activities
Convention Center	Non-Major Enterprise Funds	Totals	Internal Service
\$ 2,623,213	\$ 35,205,046	\$ 48,438,805	\$ 20,687,870
		150,000	
	4,794	1,009,182	
<u>2,623,213</u>	<u>35,209,840</u>	<u>49,597,987</u>	<u>20,687,870</u>
1,202,551	5,741,079	10,645,633	1,621,462
403,871	1,176,172	2,379,422	91,094
	6,944,846	6,944,846	
	1,136,329	1,136,329	
	557,312	628,867	4,297,604
794,056	736,403	2,110,934	48,298
107,069	633,789	872,281	2,429,846
331,135	1,268,865	2,233,734	177,807
	113,445	240,496	86,722
243,164	1,705,601	2,471,606	108,540
29,763	105,555	213,347	1,091,331
52,144	1,865,686	2,418,354	239,239
			4,057,155
	4,233,720	4,233,720	
367,649	3,913,633	6,067,424	1,430,035
	574,470	1,030,470	
<u>2,875,979</u>	<u>2,480,700</u>	<u>8,432,009</u>	<u>3,060,962</u>
<u>6,407,381</u>	<u>33,187,605</u>	<u>52,059,472</u>	<u>18,740,095</u>
<u>(3,784,168)</u>	<u>2,022,235</u>	<u>(2,461,485)</u>	<u>1,947,775</u>
1,024,336	122,121	1,150,454	484,272
(3,624,436)	(187,122)	(3,811,558)	(15,297)
	70,383	81,114	9,757
			87,740
<u>134,620</u>	<u>5,382</u>	<u>134,620</u>	<u>566,472</u>
<u>(2,465,480)</u>	<u>2,027,617</u>	<u>(2,445,370)</u>	<u>2,514,247</u>
<u>(6,249,648)</u>		<u>(4,906,855)</u>	
<u>7,550,218</u>	<u>876,678</u>	<u>9,259,216</u>	
1,300,570	2,904,295	4,352,361	2,514,247
<u>6,487,837</u>	<u>19,798,456</u>	<u>85,893,995</u>	<u>27,921,929</u>
<u>\$ 7,788,407</u>	<u>\$ 22,702,751</u>	<u>\$ 90,246,356</u>	<u>\$ 30,436,176</u>

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

Change in net position	\$ 4,352,361
Interfund reimbursement of overhead costs	<u>1,030,471</u>
Change in net position - Business-type activities	<u>\$ 5,382,832</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, 2019

	Business-type Activities-Enterprise Funds						Governmental Activities
	Wastewater Management	The Hamptons	Museum	Convention Center	Non-Major Enterprise Funds	Totals	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES							
Cash received from customers	\$ 8,703,587	\$ 485,174	\$ 2,917,200	\$ 2,702,217	\$ 35,560,711	\$ 50,368,889	\$ 21,279,856
Cash payments to suppliers for goods and services	(3,276,099)	(83,900)	(1,656,301)	(2,507,382)	(24,961,296)	(32,484,978)	(13,752,632)
Cash payments to employees for services	(2,648,432)	(401,274)	(1,142,701)	(1,195,108)	(5,707,725)	(11,095,240)	(1,621,955)
Net cash provided by (used in) operating activities	<u>2,779,056</u>	<u>-</u>	<u>118,198</u>	<u>(1,000,273)</u>	<u>4,891,690</u>	<u>6,788,671</u>	<u>5,905,269</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
Cash received from other funds			945,612	8,124,572	1,052,844	10,123,028	
Cash paid to other funds	(113,292)				(176,166)	(289,458)	
Net cash provided by (used in) noncapital financing activities	<u>(113,292)</u>	<u>-</u>	<u>945,612</u>	<u>8,124,572</u>	<u>876,678</u>	<u>9,833,570</u>	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Acquisition and construction of capital assets	(1,102,419)		(925,634)	(120,426)	(2,833,891)	(4,982,370)	(2,976,348)
Principal paid on revenue bond maturities and long-term debt				(2,815,000)	(921,792)	(3,736,792)	(916,835)
Interest paid on revenue bonds and long-term debt				(3,659,741)	(187,122)	(3,846,863)	(15,297)
Sale of capital assets	10,731				19,755	30,486	430,105
Net cash used in capital and related financing activities	<u>(1,091,688)</u>	<u>-</u>	<u>(925,634)</u>	<u>(6,595,167)</u>	<u>(3,923,050)</u>	<u>(12,535,539)</u>	<u>(3,478,375)</u>
CASH FLOWS FROM INVESTING ACTIVITIES							
Purchase of investment securities				(14,599,605)		(14,599,605)	
Sale of investment securities				14,628,871		14,628,871	
Interest and dividends on investments	2,546		1,451	371,296	122,121	497,414	464,750
Net cash provided by investing activities	<u>2,546</u>	<u>-</u>	<u>1,451</u>	<u>400,562</u>	<u>122,121</u>	<u>526,680</u>	<u>464,750</u>
Net increase in cash and cash equivalents (including restricted amounts)	1,576,622	-	139,627	929,694	1,967,439	4,613,382	2,891,644
Cash and cash equivalents (including restricted), July 1	<u>10,626,082</u>	<u>800</u>	<u>1,931,791</u>	<u>2,303,226</u>	<u>22,175,557</u>	<u>37,037,456</u>	<u>23,639,887</u>
Cash and cash equivalents, June 30	<u>\$ 12,202,704</u>	<u>\$ 800</u>	<u>\$ 2,071,418</u>	<u>\$ 3,232,920</u>	<u>\$ 24,142,996</u>	<u>\$ 41,650,838</u>	<u>\$ 26,531,531</u>

	Business-type Activities-Enterprise Funds						Governmental
	Wastewater Management	The Hamptons	Museum	Convention Center	Non-Major Enterprise Funds	Totals	Internal Service Funds
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:							
Operating income (loss)	\$ 1,062,636	\$ (423,641)	\$ (1,338,547)	\$ (3,784,168)	\$ 2,022,235	\$ (2,461,485)	\$ 1,947,775
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:							
Depreciation and amortization expense	1,608,023	39,030	1,428,277	2,875,979	2,480,700	8,432,009	3,060,962
Decrease (increase) in:							
Accounts receivable	345,444	2,623	(22,550)	79,003	835,397	1,239,917	(26,464)
Due from other funds		500		574,354		390,044	488,973
Due from component units					11,175	11,175	100,199
Inventories	(36,443)	2,357	13,786		158,253	137,953	37,974
Prepaid items			2,724	(9,384)		(6,660)	(91,500)
Increase (decrease) in:							
Accounts payable	309,848	(2,694)	(6,114)		362,938	663,978	(654,037)
Accrued leave	58,350	5,563	(5,077)		96,231	155,067	24,787
Due to other funds		386,943		(196,093)	231,635	422,485	3,708
Other liabilities	633	526	4,406	7,444	65,144	78,153	(1,375)
Nonoperating revenues reported as operating activity							9,757
Unearned revenues			41,293		(157,924)	(116,631)	
Accrued liabilities				(36,153)		(36,153)	
Current liabilities payable from restricted assets				63,099		63,099	
Current portion of long-term accrued claims							1,107,885
Accounts receivable reported as nonoperating activities							19,521
Long-term accrued leave	(66,693)				(69,888)	(136,581)	(42,334)
Accounts payable							330,433
Long-term accrued insurance claims							34,177
Prepaid items		(11,153)		(574,354)		(585,507)	
Net pension liability	(413,336)	10,065			(835,906)	(1,239,177)	(395,665)
Deferred outflows & inflows related to pensions	(63,096)	(10,119)			(149,800)	(223,015)	(49,507)
Total adjustments	1,716,420	423,641	1,456,745	2,783,895	2,869,455	9,250,156	3,957,494
Net cash provided by (used in) operating activities	\$ 2,779,056	\$ -	\$ 118,198	\$ (1,000,273)	\$ 4,891,690	\$ 6,788,671	\$ 5,905,269

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

CITY OF HAMPTON, VIRGINIA
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2019

	<u>Pension Trust</u>	
	Hampton Employees' Retirement System	<u>Agency Funds</u>
ASSETS		
Cash and cash equivalents	\$ 17,705	\$ 939,606
Investments:		
Bond mutual funds	46,881,202	
Stock mutual funds	80,206,706	
Receivables:		
Accounts		15,848
Property, Plant, and Equipment		
Office and operating equipment	5,976	
Less accumulated depreciation	(3,808)	
Total assets	<u>\$ 127,107,781</u>	<u>\$ 955,454</u>
DEFERRED OUTFLOWS OF RESOURCES		
Related to pensions	23,346	
Total deferred outflows of resources	<u>23,346</u>	
LIABILITIES		
Deposits		\$ 921,078
Accounts payable	20,424	34,376
Net pension liability	181,408	
Net other postemployment benefit liability	33,327	
Total liabilities	<u>235,159</u>	<u>\$ 955,454</u>
DEFERRED INFLOWS OF RESOURCES		
Related to pensions	12,582	
Related to other postemployment benefits	4,451	
Total deferred inflows of resources	<u>17,033</u>	
NET POSITION		
Net position restricted for pensions	<u>\$ 126,878,935</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, 2019

	Hampton Employees' Retirement System
ADDITIONS	
Investment income:	
Appreciation in fair value of investments	\$ 5,880,002
Dividends	2,910,186
Total investment earnings	8,790,188
Less investment expenses	(15,499)
Net investment earnings	8,774,689
Employer contributions	6,716,299
Total additions	15,490,988
DEDUCTIONS	
Benefits	16,824,255
Administrative expenses	317,337
Total deductions	17,141,592
Change in net position	(1,650,604)
Net position, July 1	128,529,539
Net position, June 30	\$ 126,878,935

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, 2019

	Governmental Activities		Business-type Activities			Total
	School Board	Economic Development Authority	Coliseum Central Business Improvement District, Inc.	Downtown Hampton Development Partnership, Inc.		
ASSETS						
Cash and cash equivalents	\$ 13,526,774	\$ 1,466,365	\$ 499,265	\$ 620,596	\$ 16,113,000	
Cash with fiscal agent	8,985,569	1,336,383			10,321,952	
Investments	31,399				31,399	
Accounts receivable, net	494,284		284,324	73,031	851,639	
Lease receivable		1,980,119			1,980,119	
Due from Primary Government	100,642	286,949			387,591	
Due from other governments	5,440,448				5,440,448	
Inventories	524,127				524,127	
Prepaid items			12,098	35,664	47,762	
Temporarily restricted assets:						
Cash and cash equivalents		1,234,935			1,234,935	
Notes receivable		73,511			73,511	
Land held for sale		14,891,952			14,891,952	
Capital assets not being depreciated	5,111,045	21,470,269			26,581,314	
Capital assets, net of accumulated depreciation	6,180,875	9,005,997	9,384	264,186	15,460,442	
Total assets	<u>40,395,163</u>	<u>51,746,480</u>	<u>805,071</u>	<u>993,477</u>	<u>93,940,191</u>	
DEFERRED OUTFLOWS OF RESOURCES						
Related to pensions	19,180,803				19,180,803	
Related to other postemployment benefits	3,110,642				3,110,642	
Total deferred outflows of resources	<u>22,291,445</u>				<u>22,291,445</u>	
LIABILITIES						
Accounts payable and other liabilities	14,691,604	4,291,468	34,374	34,014	19,051,460	
Due to Primary Government	177,527	231,289			408,816	
Unearned revenues	2,748,651	155,849		52,500	2,957,000	
Notes and other long-term payables:						
Due within one year	8,441,703				8,441,703	
Due in more than one year	199,732,362				199,732,362	
Bonds payable:						
Due within one year		878,387			878,387	
Due in more than one year		1,124,955			1,124,955	
Total liabilities	<u>225,791,847</u>	<u>6,681,948</u>	<u>34,374</u>	<u>86,514</u>	<u>232,594,683</u>	
DEFERRED INFLOWS OF RESOURCES						
Related to pensions	26,870,471				26,870,471	
Related to other postemployment benefits	2,283,356				2,283,356	
Total deferred inflows of resources	<u>29,153,827</u>				<u>29,153,827</u>	
NET POSITION						
Net investment in capital assets	11,291,920	30,476,266	9,384	264,186	42,041,756	
Restricted for:						
Bond indenture		1,234,935			1,234,935	
Unrestricted (deficit)	(203,550,986)	13,353,331	761,313	642,777	(188,793,565)	
Total net position (deficit)	<u>\$ (192,259,066)</u>	<u>\$ 45,064,532</u>	<u>\$ 770,697</u>	<u>\$ 906,963</u>	<u>\$ (145,516,874)</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, 2019

Functions/Programs	Program Revenues				Net (Expenses) Revenues and Changes in Net Position				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	School Board	Economic Development Authority	Coliseum Central Business Improvement District, Inc.	Downtown Hampton Development Partnership, Inc.	Total
Governmental type activities									
Public school system	\$ 217,250,645	\$ 4,201,758	\$ 154,466,523	\$	\$ (58,582,364)	\$	\$	\$	\$ (58,582,364)
Business-type activities									
Economic development	9,347,806	658,911		104,800		(8,584,095)			(8,584,095)
Business improvement	1,295,695	614,955					(680,740)		(680,740)
Downtown development	728,480	258,927	300,023					(169,530)	(169,530)
Total component units	<u>\$ 228,622,626</u>	<u>\$ 5,734,551</u>	<u>\$ 154,766,546</u>	<u>\$ 104,800</u>	<u>\$ (58,582,364)</u>	<u>\$ (8,584,095)</u>	<u>\$ (680,740)</u>	<u>\$ (169,530)</u>	<u>\$ (68,016,729)</u>
Payments from City					73,827,042	9,794,073	553,952	173,072	84,348,139
Investment earnings						234,194	1,491	4,196	239,881
Miscellaneous						75,541			75,541
Total general revenues					<u>73,827,042</u>	<u>10,103,808</u>	<u>555,443</u>	<u>177,268</u>	<u>84,663,561</u>
Change in net position (deficit)					15,244,678	1,519,713	(125,297)	7,738	16,646,832
Net position (deficit), beginning of year					<u>(207,503,744)</u>	<u>43,544,819</u>	<u>895,994</u>	<u>899,225</u>	<u>(162,163,706)</u>
Net position (deficit), end of year					<u>\$ (192,259,066)</u>	<u>\$ 45,064,532</u>	<u>\$ 770,697</u>	<u>\$ 906,963</u>	<u>\$ (145,516,874)</u>

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

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

The following is a summary of the significant accounting policies.

Reporting Entity

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

Component Unit Disclosures

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

Discretely Presented Component Units

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

Hampton City School Board

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

Hampton Economic Development Authority

The Hampton Economic Development Authority (EDA) is a public corporation established under the Industrial Development and Revenue Bond Act of the Commonwealth of Virginia, together along with ordinances adopted by the City Council. The EDA was established to promote and develop trade within the City by inducing manufacturing, industrial and commercial enterprises to locate or remain in the City. The EDA is included as a discretely presented component unit because the City appoints the governing body of the EDA, funds the EDA's operating and capital budgets and it receives all of the revenues derived from EDA land sales. The EDA does not issue separate financial statements.

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

Coliseum Central Business Improvement District, Inc.

The Coliseum Central Business Improvement District, Inc. (Coliseum BID) was incorporated on January 22, 1996, to promote, develop and market the Coliseum Central Business Improvement District in the City. Coliseum BID was created by action of the City Council under provisions of the *Code of Virginia*. An additional tax is assessed on commercial real estate located in the District to provide funds for the economic development of the District. City Council levies the additional tax for the District and provides other funding for operations. Coliseum BID is included in the City's reporting entity because it is fiscally dependent and it imposes specific financial burdens on the City. A copy of the separately issued financial statements for Coliseum BID may be obtained by writing to Coliseum BID, 4410 E. Claiborne Square, Suite 211, Hampton, Virginia 23666 or by calling (757) 826-6351.

Downtown Hampton Development Partnership, Inc.

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

Other Related Organizations

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

Peninsula Airport Commission

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

Other

There are certain other agencies and commissions that service the City and surrounding localities whose board membership is allocated among and appointed by the various localities. These agencies include: Hampton Roads Transit (HRT), Hampton Roads Planning District Commission (HRPDC), Virginia Peninsula Public Service Authority (VPPSA), Hampton Roads Economic Development Alliance (HREDA) and the Peninsula Council for Workforce Development (PCFWD). Expenditures of these agencies are financed by federal and state grants, fees, and contributions. During the year ended June 30, 2019, the City provided operating and capital support of \$4,763,183 to HRT, \$165,728 to HRPDC, \$10,500 to VPPSA, \$129,631 to HREDA and \$74,435 to PCFWD.

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

Jointly Governed Organizations

Hampton-Newport News Community Services Board

The City 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 2019.

Government-wide and Fund Financial Statements

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

Statement of Net Position

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

Statement of Activities

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

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

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

Basis of Accounting

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

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

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

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

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

Under the modified accrual basis of accounting, followed by the General, Special Revenue, Debt Service, and Capital Projects Funds, revenues are recognized when they become both measurable and available to finance operations of the current year. Revenues considered susceptible to accrual consist primarily of property taxes, certain grants and sales and utility taxes. Accordingly, real and personal property taxes are recorded as revenue when levied and billed, net of allowances for uncollectible amounts. Property taxes not collected within 45 days after year-end are reflected as unearned revenue. Revenues from Federal, state, and other grants, used to fund specific City expenditures, are recorded at the time of receipt of notification of the grant. Revenues from general purpose grants are recognized in the period to which the grant applies. Sales and utility taxes collected by the State or utility companies and subsequently remitted to the City are recognized as revenue upon collection by the State or utility company, which is generally in the month preceding receipt by the City. Licenses, permits, fines and rents are recorded as revenue when received. Expenditures, other than interest and principal on long-term debt, are recorded as the related liabilities are incurred, if measurable. Interest and principal on long-term debt are recognized when due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

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

Budgets and Budgetary Accounting

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

1. The City Manager submits to the City Council a recommended budget no later than April 15th, for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted by City Council to obtain taxpayer comments.
3. The budget is legally enacted through the passage of an ordinance by City Council no later than May 15th.

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

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

Budgeted amounts are as originally adopted or as amended by City Council and the School Board during fiscal year 2019. Unencumbered appropriations lapse at year-end in the General and School Operating Funds. Appropriations which are encumbered at year-end are carried forward into the following year's appropriation to allow liquidation of the encumbrances.

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

General Property Tax Calendar

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

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

Encumbrances

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

Investments

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

Receivables

Receivables of the General Fund are stated net of an allowance for uncollectible taxes of \$3,955,472. Management has determined that the allowance is sufficient to provide for any losses that may be sustained on realization of the accounts receivable.

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

Inventories

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

Prepays

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepays in the General Fund, Internal Service Funds and Enterprise Funds consist of mainly insurance and contract costs which are recognized proportionately over the periods the service is provided (consumption method).

Land Held for Resale

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

Interfund Activity

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

Restricted Assets

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

	Convention Center	Component Unit- EDA
Restricted Assets		
Cash:		
Operating and Maintenance Account	\$	\$ 138,606
Operating/Capital Reserve Fund	2,546,765	522,814
Debt Service Reserve Fund	686,155	573,515
Investments:		
Operating Reserve Fund	7,689,606	
Bond Fund	1,157,223	
Debt Service Reserve Fund	6,811,952	
	\$ 18,891,701	\$ 1,234,935

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

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

Capital Assets

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

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

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

Deferred outflows/inflows of resources

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

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

investments and change in assumptions. These amounts are deferred and amortized in accordance with GAAP.

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

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

Fund Balance

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

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

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

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

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

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

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

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

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

are available, it shall be the policy of the City of Hampton to consider restricted amounts to have been spent first.

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

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

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

	General	Economic Development	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
Fund Balances:						
Nonspendable:						
Inventory	\$ 26,961					\$ 26,961
Restricted:						
Debt service			86,814			86,814
Donations for parks projects	10,000					10,000
Public safety for hazmat fees	40,203					40,203
Wetlands Encroachment/In Lieu	169,499					169,499
Donations for bike racks				1,300		1,300
Title IVE	138,446					138,446
Urban Development Action grant projects		863,498				863,498
Property acquisition/redevelopment				252,149		252,149
Street and Infrastructure projects				336,987		336,987
Waterways projects				844	99,193	100,037
Park improvement projects				90,571	15,803	106,374
Public Works equipment					215,334	215,334
Facilities maintenance and repairs					53,235	53,235
Law library books and subscriptions					26,583	26,583
Stormwater management					12,279,967	12,279,967
Commonwealth's Attorney investigations, training and equipment					129,915	129,915
Probation supervision services					210,443	210,443
Emergency preparedness					173,818	173,818
Fire equipment, training and supplies					457,564	457,564
Police investigations, training and equipment					175,935	175,935
Early intervention and special education services					380,796	380,796
Neighborhood improvement projects					39,477	39,477
Donations for bus shelter benches	41,303					41,303
Fishing pier	9,727					9,727
Other	13,643			667	32,555	46,865
Committed:						
Budget savings program	9,986,502					9,986,502
Computer replacement program	1,358,016					1,358,016
Debt service	5,811,513					5,811,513
Home elevation loan program	1,934,517					1,934,517
Maintenance of driving range	161,113					161,113
Job creation grants		831,915				831,915

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

	General	Economic Development	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
Emergency Management	3,036					3,036
Drainage	2,526,332					2,526,332
Public Works Yard Master Plan				51,750		51,750
KRONOS Time Accounting System	86,309			1,222,710		1,309,019
Reengineering Technology				268,620		268,620
Streets & Infrastructure projects		616,457		9,476,442		10,092,899
Waterways projects				6,259,649		6,259,649
Buckroe redevelopment projects		86,274		257,765		344,039
Va Air and Space Museum support/improvements	1,614			691		2,305
Coliseum Central projects		60,333		913,479		973,812
Court buildings projects				103,484		103,484
Downtown strategic projects				3,708,855		3,708,855
Facilities maintenance projects				1,826,154		1,826,154
Fire and Rescue projects				534,284		534,284
Sheriff projects				417,148		417,148
North King Street Corridor projects				141,571		141,571
Neighborhood improvement projects				4,869,761		4,869,761
Parks improvement projects				3,646,391		3,646,391
Police and E911 equipment	150,432			1,154,415		1,304,847
Property acquisition/redevelopment		19,337		3,949,254		3,968,591
School projects				6,354,410		6,354,410
Transportation projects				225,853		225,853
Other		49,225		342,184		391,409
Commonwealth's Attorney				89,000		89,000
Council Chambers				43,296		43,296
MLK Memorial				10,299		10,299
War Memorial Stadium				1,454,495		1,454,495
Assigned:						
Donations for parks projects	3,297					3,297
Subsequent year expense	4,938,379					4,938,379
Proceeds from real estate auctions	15,675					15,675
Economic development projects		3,315,467				3,315,467
Transportation projects	234,213					234,213
Fire and Rescue operations	763,678					763,678
Debt service			448,189			448,189
Donations for History Museum	13,357					13,357
Donations for general operations	42,975					42,975
Unappropriated bond interest income- general capital projects				3,272,043		3,272,043
Line of Duty program	92,743					92,743
Commemorative Commission	86,012					86,012
Other				168,083	89,178	257,261
Unassigned	74,754,008					74,754,008
Total Fund Balances	<u>\$ 103,413,503</u>	<u>\$ 5,842,506</u>	<u>\$ 535,003</u>	<u>\$ 51,444,604</u>	<u>\$ 14,379,796</u>	<u>\$ 175,615,412</u>

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

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

The net position(deficit) at June 30, 2019 in the Enterprise Funds are as follows:

	Primary Government	Discretely Presented Component Units
Wastewater Management	\$ 53,872,422	\$
The Hamptons Golf Course	(4,360,919)	
Museum	10,243,695	
Hampton Roads Convention Center	7,788,407	
Non-Major Enterprise:		
Hampton Coliseum	7,615,110	
The Woodlands Golf Course	(804,891)	
Solid Waste	8,940,813	
Refuse-Steam Plant	6,951,719	
Component Units:		
School Board		(192,259,066)
Economic Development Authority		45,064,532
Coliseum Central Business Improvement District, Inc.		770,697
Downtown Hampton Development Partnership, Inc.		906,963

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

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

Internal Service:		
Equipment Replacement		\$ 18,783,462
Fleet Management		(1,883,782)
Risk Management		13,123,180
Information Technology		413,316

Pensions

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

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

Group Life

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

Health Insurance Credit Program

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

Compensated Absences

It is the City's policy to permit employees to accumulate a limited amount of earned but unused annual and sick leave benefits, which will be utilized in future periods or will be paid to employees upon separation from City service. In governmental fund types, the cost of annual and sick benefits is recognized when payments are made to employees. The current and long-term liability for accrued annual and sick leave benefits at June 30, 2019 has been reported in the government-wide statements, representing the City's commitment to fund such costs from future operations. Proprietary fund types accrue annual and sick leave benefits in the period they are earned. Such benefits are included in accounts payable and other liabilities in the government-wide statements. In prior years, the General, Federal Grants, Community Development, Pembroke Complex and Stormwater Management Funds have been used to liquidate the liability for compensated absences.

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

Implementation of New Standard

Effective July 1, 2018, the City adopted the provisions of GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, the objective of this statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. The statement also clarifies which liabilities governments should include when disclosing information related to debt. The disclosures related to this statement have been included in Note 8.

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 and accounts for all revenues and expenditures of the City, which are not

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

2. BASIS OF PRESENTATION - FUND ACCOUNTING , continued:

accounted for in the other funds. Revenues are primarily derived from general property taxes, other local taxes, revenues from other governmental units and recovered costs. A significant part of the General Fund's revenue is transferred to other funds, principally to fund the operations of the City public schools and debt service requirements of the City. Expenditures include, among other things, those for general government, public safety, highways and streets, culture and recreation, health and human services.

Debt Service Fund

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

Capital Projects Fund

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

Special Revenue Funds

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

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

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

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

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

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

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

Enterprise Funds

Enterprise Funds, (Exhibit A-6, A-7 and A-8), are used to account for operations (a) that are financed and operated in a manner similar

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

2. BASIS OF PRESENTATION - FUND ACCOUNTING , continued:

to private business enterprises where the intent of the governing body is that costs of operating and providing services to the general public are completely or partially financed from user fees; or (b) where the governing body has determined that the periodic determination of net results of operations is appropriate for management control and accountability.

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

Internal Service Funds

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

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

Fiduciary Funds

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

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

3. INTERFUND BALANCES:

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

The due from reflected in the General Fund in the amount of \$11,399,879 is primarily to cover negative cash balances for several funds. The due from reflected in the Capital Projects Fund in the amount of \$11,897,867 is to fully fund all City funded capital projects in the current year. All remaining balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur and (2) payments between the funds are made.

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

3. INTERFUND BALANCES, continued:

Interfund Receivables and Payables:

<u>Primary Government:</u>	<u>Due From</u>	<u>Due To</u>
General Fund	\$ 11,399,879	\$ 12,320,403
Capital Projects	11,897,867	3,200,000
Non-Major Governmental Funds	341,221	417,578
<u>Proprietary Funds:</u>		
Wastewater Management	26,310	
The Hamptons Museum		4,463,656
Non-Major Enterprise Funds	158,500	854,525
Internal Service Funds	9,127	2,573,035
Total Primary Government	<u>\$ 23,832,904</u>	<u>\$ 23,832,904</u>

Receivable and payable balances between the Primary Government and component units are as follows:

	<u>Due From Primary Government</u>	<u>Due To Component Unit</u>	<u>Due From Component Unit</u>	<u>Due To Primary Government</u>
Primary Government - General Fund	\$	\$ 356,372	\$ 222,559	\$
Primary Government - Economic Development		31,219		
Primary Government - Non-major Enterprise Funds			35,328	
Primary Government - Internal Service Funds			150,929	
Component Unit - School Board Operating Fund	100,642			177,527
Component Unit - EDA	286,949			231,289
Total	<u>\$ 387,591</u>	<u>\$ 387,591</u>	<u>\$ 408,816</u>	<u>\$ 408,816</u>

Individual fund interfund transfers for the Primary Government were made for operating as well as capital purposes. The more significant transfers were made from the General Fund for the purposes of funding debt service, various capital projects and operating support to the Enterprise Funds. Interfund transfers for the year ended June 30, 2019 are as follows:

<u>Primary Government:</u>	<u>Transfer From</u>	<u>Transfer To</u>
General Fund	\$ 236,094	\$ 69,278,976
Special Revenue:		
Economic Development		47,325
Debt Service	31,107,640	
Capital Projects	30,776,603	945,612
Non-Major Governmental Funds	1,941,000	3,048,640
Proprietary Funds:		
Wastewater Management		113,292
Museum	945,612	
Convention Center	7,550,218	
Non-Major Enterprise Funds	876,678	
Total Primary Government	<u>\$ 73,433,845</u>	<u>\$ 73,433,845</u>

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

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	\$	\$ 81,557,955	\$ 2,232,199	\$
Primary Government - Economic Development		237,500		
Primary Government - Capital Projects Fund		2,552,684		
Component Unit - School Board Operating Fund	73,827,042			2,000,000
Component Unit - EDA	9,794,073			232,199
Component Unit - Coliseum BID	553,952			
Component Unit - Downtown Hampton	173,072			
Total	<u>\$84,348,139</u>	<u>\$ 84,348,139</u>	<u>\$ 2,232,199</u>	<u>\$ 2,232,199</u>

4. DEPOSITS AND INVESTMENTS:

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

Deposits

On June 30, 2019, the carrying value of the City’s deposits was \$26,096,254 and the bank balance was \$18,658,677. All of the bank balances are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the “Act”) Section 2.2-4400 et. seq. of the *Code of Virginia*. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial institutions may choose between two collateralization methodologies and depending upon that choice will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. The Commonwealth of Virginia Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and notifying local governments of compliance by financial institutions. All deposits are considered fully collateralized.

Investments

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

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

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

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

4. DEPOSITS AND INVESTMENTS , continued:

HERS Investments

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

Investment Policy

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

HERS Investment Policy

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

Credit Risk

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

HERS Credit Risk

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

HERS Concentration of Credit Risk

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

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

4. DEPOSITS AND INVESTMENTS , continued:

U. S. Government Securities

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

Custodial Credit Risk

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

HERS Custodial Credit Risk

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

Interest Rate Risk

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

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

HERS Interest Rate Risk

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

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

4. DEPOSITS AND INVESTMENTS , continued:

As of June 30, 2019, the City had the following investments and maturities:

Primary Government	Fair Value	Actual Credit Rating	Investment Maturities (in years)	
			Less than 1 year	1-5 years
Commercial Paper	\$ 2,971,392	A-1 + P-1	\$ 2,971,392	\$
Certificate of Deposit	4,202,044	AA, A-1+, AA-	2,400,000	1,802,044
U.S. Government securities	32,016,946	AAA, AA+, AA-	4,514,609	27,502,337
Corporate Notes	6,291,820	AAA, AA, AA+, AA-, A+	620,419	5,671,401
LGIP - City	155,013,159	AAAm	155,013,159	
State Non-Arbitrage Fund-City	44,647,562	AAAm	44,647,562	
Mutual and Money Market Funds	2,203,315	Unrated	2,203,315	
Total Investments Controlled by City	247,346,238		212,370,456	34,975,782
Pension Plan Investments	127,087,908		127,087,908	
Total	374,434,146		\$ 339,458,364	\$ 34,975,782

Reconciliation to Total Cash and Investments:

Add:

Cash on Hand and in Banks-City	20,111,161
Cash With Fiscal Agent	3,415,198
Total Deposits and Investments Primary Government and Fiduciary Funds per Exhibits A-1 and A-9	\$ 397,960,505

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

4. DEPOSITS AND INVESTMENTS , continued:

Component Unit - School Board

	Investment Maturities (in years)	
	Fair Value	Less than 1 year
Repurchase Agreements	\$ 1,300,000	\$ 1,300,000
Mutual and Money Market Funds	31,399	31,399
Total Investments School Board	<u>\$ 1,331,399</u>	<u>\$ 1,331,399</u>

Other Component Units

	Investment Maturities (in years)	
	Fair Value	Less than 1 year
Mutual and Money Market Funds	\$ 1,234,935	\$ 1,234,935
Total Investments Other Component Units	<u>\$ 1,234,935</u>	<u>\$ 1,234,935</u>

Reconciliation of total deposits and investments to the government-wide statements at June 30, 2019:

<u>Primary Government</u>	Governmental Activities	Business-type Activities	Fiduciary Responsibilities	Total
Cash Deposits-City	\$ 1,793,887	\$ 17,359,963	\$ 957,311	\$ 20,111,161
Cash With Fiscal Agent-City	337,354	3,077,844		3,415,198
Mutual and Money Market Funds		2,163,031		2,163,031
Investments-City	210,474,426	34,708,781	127,087,908	372,271,115
Total Primary Government	<u>\$ 212,605,667</u>	<u>\$ 57,309,619</u>	<u>\$ 128,045,219</u>	<u>\$ 397,960,505</u>
<u>Component Unit - School Board</u>				
Cash Deposits	\$ 12,226,774	\$	\$	\$ 12,226,774
Cash With Fiscal Agent	8,985,569			8,985,569
Investments	1,331,399			1,331,399
Total Component Unit School Board	<u>\$ 22,543,742</u>	<u>\$</u>	<u>\$</u>	<u>\$ 22,543,742</u>
<u>Other Component Units</u>				
Cash Deposits	\$	\$ 2,586,226	\$	\$ 2,586,226
Cash With Fiscal Agent		1,336,383		1,336,383
Investments		1,234,935		1,234,935
Total Other Component Units	<u>\$</u>	<u>\$ 5,157,544</u>	<u>\$</u>	<u>\$ 5,157,544</u>

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

4. DEPOSITS AND INVESTMENTS , continued:

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

Fair Value Hierarchy

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

The following is a summary of the fair value hierarchy for investments of the City as of June 30, 2019:

	Investments at Fair Value June 30, 2019	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Primary Government				
Commercial Paper	\$ 2,971,392	\$	\$ 2,971,392	\$
Certificate of Deposit	4,202,044		4,202,044	
Corporate Notes	6,291,820		6,291,820	
U.S. Government Securities	32,016,946		32,016,946	
Total Primary Government	<u>\$ 45,482,202</u>	<u>\$</u>	<u>\$ 45,482,202</u>	<u>\$</u>
Pension Plan Investments	<u>\$ 127,087,908</u>	<u>\$ 127,087,908</u>	<u>\$</u>	<u>\$</u>

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

5. ACCOUNTS RECEIVABLE:

Accounts receivable at June 30, 2019 in the Governmental Funds and School Board are as follows:

	<u>General Fund</u>	<u>Special Revenue- Economic Development</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>
Primary Government:					
General property taxes (net of allowance for uncollectible taxes of \$3,955,472)	\$ 5,870,179		\$	\$	\$
Due from Commonwealth of Virginia	9,607,539			2,393,213	1,269,432
Due from Federal Government	756,609				1,853,416
Other	1,612,447	16,761	2,739		1,061,356
Total Primary Government	<u>\$ 17,846,774</u>	<u>\$ 16,761</u>	<u>\$ 2,739</u>	<u>\$ 2,393,213</u>	<u>\$ 4,184,204</u>
<u>Discretely Presented Component Unit - School Board:</u>					
Due from Commonwealth of Virginia		\$ 2,921,515			
Due from Federal Government		2,518,933			
Due from Primary Government		100,642			
Other		494,284			
Total Component Unit		<u>\$ 6,035,374</u>			

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

6. CAPITAL ASSETS:

Capital asset activity for the year ended June 30, 2019 is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 517,593,045	\$ 1,466,343	\$	\$ 519,059,388
Easements	2,161,953	59,962		2,221,915
Construction in progress	23,399,955	7,477,558	(5,436,667)	25,440,846
Total capital assets not being depreciated	<u>543,154,953</u>	<u>9,003,863</u>	<u>(5,436,667)</u>	<u>546,722,149</u>
Capital assets being depreciated:				
Buildings	196,612,574			196,612,574
Improvements	80,624,065	2,204,779	(7,996)	82,820,848
Computer Software	2,121,466			2,121,466
Machinery & Equipment	85,969,035	4,031,600	(2,640,321)	87,360,314
Infrastructure	217,332,229	5,424,941		222,757,170
Other Assets	4,446,039			4,446,039
Total capital assets being depreciated	<u>587,105,408</u>	<u>11,661,320</u>	<u>(2,648,317)</u>	<u>596,118,411</u>
Less accumulated depreciation for:				
Buildings	(61,348,745)	(4,475,336)		(65,824,081)
Improvements	(55,567,285)	(3,108,522)	3,964	(58,671,843)
Computer Software	(1,187,371)	(253,169)		(1,440,540)
Machinery & Equipment	(52,649,515)	(6,159,170)	2,567,950	(56,240,735)
Infrastructure	(89,083,066)	(9,012,193)		(98,095,259)
Other Assets	(1,871,223)	(240,020)		(2,111,243)
Total accumulated depreciation	<u>(261,707,205)</u>	<u>(23,248,410)</u>	<u>2,571,914</u>	<u>(282,383,701)</u>
Total capital assets being depreciated, net	<u>325,398,203</u>	<u>(11,587,090)</u>	<u>(76,403)</u>	<u>313,734,710</u>
Governmental activities capital assets, net	<u>\$ 868,553,156</u>	<u>\$ (2,583,227)</u>	<u>\$ (5,513,070)</u>	<u>\$ 860,456,859</u>

Primary Government:

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

General capital assets	\$ 843,107,583
Internal service funds	17,349,276
	<u>\$ 860,456,859</u>

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

6. CAPITAL ASSETS, continued:

	Beginning Balance	Additions	Reductions	Ending Balance
Business-type Activities:				
Capital assets not being depreciated:				
Land	\$ 11,066,341	\$	\$	\$ 11,066,341
Easements	28,943			28,943
Construction in progress	956,891	560,930	(768,768)	749,053
Total capital assets not being depreciated	<u>12,052,175</u>	<u>560,930</u>	<u>(768,768)</u>	<u>11,844,337</u>
Capital assets being depreciated:				
Buildings	140,142,174	740,791		140,882,965
Improvements	35,809,014		(52,276)	35,756,738
Computer Software	401,729			401,729
Machinery & Equipment	30,271,965	2,928,029	(481,595)	32,718,399
Exhibits	14,682,501	182,939		14,865,440
Landfill	3,865,986			3,865,986
Infrastructure	73,449,765	1,393,345		74,843,110
Total capital assets being depreciated	<u>298,623,134</u>	<u>5,245,104</u>	<u>(533,871)</u>	<u>303,334,367</u>
Less accumulated depreciation for:				
Buildings	(70,554,445)	(3,814,450)		(74,368,895)
Improvements	(26,222,539)	(1,043,731)	49,663	(27,216,607)
Computer Software	(297,433)	(63,057)		(360,490)
Machinery & Equipment	(21,798,575)	(1,928,107)	479,941	(23,246,741)
Exhibits	(14,290,193)	(104,599)		(14,394,792)
Landfill	(3,667,505)	(3,358)		(3,670,863)
Infrastructure	(31,748,662)	(1,110,341)		(32,859,003)
Total accumulated depreciation	<u>(168,579,352)</u>	<u>(8,067,643)</u>	<u>529,604</u>	<u>(176,117,391)</u>
Total capital assets being depreciated, net	<u>130,043,782</u>	<u>(2,822,539)</u>	<u>(4,267)</u>	<u>127,216,976</u>
Business-type activities capital assets, net	<u>\$ 142,095,957</u>	<u>\$ (2,261,609)</u>	<u>\$ (773,035)</u>	<u>\$ 139,061,313</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	\$ 3,667,867	\$ 3,060,962	\$ 6,728,829
Health	818,414		818,414
Public welfare	62,071		62,071
Public safety	3,680,652		3,680,652
Streets and highways	7,272,340		7,272,340
Culture and recreation	586,841		586,841
Education	4,099,263		4,099,263
Total depreciation expense - governmental activities	<u>\$ 20,187,448</u>	<u>\$ 3,060,962</u>	<u>\$ 23,248,410</u>
Business - type activities:			
Culture and recreation	\$ 4,674,090		
Sanitation	3,393,553		
Total depreciation expense - business-type activities	<u>\$ 8,067,643</u>		

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

6. CAPITAL ASSETS , continued:

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

	Governmental Activities	Business-type Activities
Machinery and equipment	\$ 15,313,595	\$ 2,598,500
Less accumulated depreciation	(9,194,173)	(155,008)
Capital assets, net	\$ 6,119,422	\$ 2,443,492

The total amount of equipment acquired through a capital lease during fiscal year ended June 30, 2019 was \$2,598,500. Depreciation expense on the leased assets totaled \$550,978 for the fiscal year ended June 30, 2019.

Discretely Presented Component Units

School Board:

	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets not being depreciated:				
Land	\$ 5,111,045	\$	\$	\$ 5,111,045
Total capital assets not being depreciated:	5,111,045			5,111,045
Capital assets being depreciated:				
Buildings	48,962,686			48,962,686
Improvements	310,100			310,100
Computer Software		1,132,453		1,132,453
Machinery & Equipment	42,521,021	1,413,501	(3,194,887)	40,739,635
Total capital assets being depreciated	91,793,807	2,545,954	(3,194,887)	91,144,874
Less accumulated depreciation for:				
Buildings	(48,962,686)			(48,962,686)
Improvements	(259,337)	(15,319)		(274,656)
Computer Software		(56,623)		(56,623)
Machinery & Equipment	(35,237,735)	(1,421,598)	989,299	(35,670,034)
Total accumulated depreciation	(84,459,758)	(1,493,540)	989,299	(84,963,999)
Total capital assets being depreciated, net	7,334,049	1,052,414	(2,205,588)	6,180,875
School Board capital assets, net	\$ 12,445,094	\$ 1,052,414	\$ (2,205,588)	\$ 11,291,920

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

6. CAPITAL ASSETS , continued:

Economic Development Authority:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 21,470,269	\$	\$	\$ 21,470,269
Total capital assets not being depreciated	<u>21,470,269</u>			<u>21,470,269</u>
Capital assets being depreciated:				
Building	7,833,807			7,833,807
Improvements	755,136			755,136
Infrastructure	2,049,350			2,049,350
Machinery & Equipment	622,848			622,848
Total capital assets being depreciated	<u>11,261,141</u>			<u>11,261,141</u>
Less accumulated depreciation for:				
Buildings	(152,324)	(261,119)		(413,443)
Improvements	(20,663)	(35,412)		(56,075)
Infrastructure	(1,476,018)	(102,468)		(1,578,486)
Machinery & Equipment	(40,932)	(166,208)		(207,140)
Total accumulated depreciation	<u>(1,689,937)</u>	<u>(565,207)</u>		<u>(2,255,144)</u>
Total capital assets being depreciated, net	<u>9,571,204</u>	<u>(565,207)</u>		<u>9,005,997</u>
Economic Development Authority capital assets, net	<u>\$ 31,041,473</u>	<u>\$ (565,207)</u>	<u>\$</u>	<u>\$ 30,476,266</u>

Downtown Hampton Development Partnership, Inc:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Capital assets being depreciated:				
Improvements	\$ 446,537	\$ 24,365	\$	\$ 470,902
Computer Software	9,000			9,000
Machinery & Equipment	107,371	23,628		130,999
Total capital assets being depreciated	<u>562,908</u>	<u>47,993</u>		<u>610,901</u>
Less accumulated depreciation	<u>(321,218)</u>	<u>(25,497)</u>		<u>(346,715)</u>
Downtown Hampton Development Partnership capital assets, net	<u>\$ 241,690</u>	<u>\$ 22,496</u>	<u>\$</u>	<u>\$ 264,186</u>

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

6. CAPITAL ASSETS, continued:

Coliseum Central Business Improvement District, Inc:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Capital assets being depreciated:				
Computer Software	\$ 4,580	\$	\$	\$ 4,580
Machinery & Equipment	144,976	4,417		149,393
Total capital assets being depreciated	<u>149,556</u>	<u>4,417</u>		<u>153,973</u>
Less accumulated depreciation	<u>(142,048)</u>	<u>(2,541)</u>		<u>(144,589)</u>

**Coliseum Central Business Improvement District
capital assets, net**

<u>\$ 7,508</u>	<u>\$ 1,876</u>	<u>\$ -</u>	<u>\$ 9,384</u>
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Construction in Progress

Several capital projects were in various stages of completion on June 30, 2019. 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, 2019, construction in progress by project was comprised as follows:

Governmental Activities

	<u>Project Authorization</u>	<u>Expended to June 30, 2019</u>
Infrastructure	\$ 51,346,219	\$ 21,635,661
Construction	6,655,683	3,805,185
	<u>\$ 58,001,902</u>	<u>\$ 25,440,846</u>

Business-type Activities

Wastewater Management - Sewer Projects	\$ 4,300,000	\$ 605,999
Coliseum-Construction and renovation	102,900	53,617
Convention Center - Construction and renovation	209,467	89,437
	<u>\$ 4,612,367</u>	<u>\$ 749,053</u>

7. BUDGETARY - GAAP REPORTING RECONCILIATION:

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

Reconciliation to the General Fund statements (GAAP):

Exhibit A-5 Fund balances, June 30, 2019 (Budget basis)	\$103,372,202
Pearl Young Fund's fund balances	41,301
Exhibit A-4 Fund balances, June 30, 2019 (GAAP)	<u>\$103,413,503</u>

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

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, 2019:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Bonds payable:					
Serial bonds	\$ 259,437,089	\$	\$ (43,123,024)	\$ 216,314,065	\$ 10,166,064
Direct placement serial bonds		22,991,000		22,991,000	12,196,000
Unamortized premium and discount	32,319,361		(3,871,652)	28,447,709	2,656,516
Capital leases	3,436,333		(1,708,138)	1,728,195	1,728,195
Capital leases - Internal Service Funds	950,070		(916,836)	33,234	33,234
Compensated absences	7,411,606	4,493,631	(4,334,886)	7,570,351	4,334,886
Compensated absences - Internal Service Funds	177,239	56,397	(73,940)	159,696	73,940
Claims and judgements - Internal Service Funds	8,413,575	2,167,862	(1,025,799)	9,555,638	8,156,627
Net OPEB liability - Line of Duty Benefits	13,035,534	1,408,247	(3,275,906)	11,167,875	
Net pension liability - Internal Service Funds	2,434,207		(407,487)	2,026,720	
Net other postemployment benefits liability - Internal Service Funds	1,906,595	46,128	(34,306)	1,918,417	
Net OPEB liability	92,469,334	83,806	(120,919)	92,432,221	
Net pension liability	<u>119,816,226</u>		<u>(3,430,580)</u>	<u>116,385,646</u>	
Governmental activities long-term liabilities	<u>\$ 541,807,169</u>	<u>\$ 31,247,071</u>	<u>\$ (62,323,473)</u>	<u>\$ 510,730,767</u>	<u>\$ 39,345,462</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, 2019

Long-term liabilities (detail above)	\$ 510,730,767
Less debt - Internal Service Fund	<u>(13,693,705)</u>
Combined adjustment	<u>\$ 497,037,062</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, 2019 and reflected the liability, if any, in the governmental activities column of the Statement of Net Position.

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

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type Activities:					
Bonds payable:					
Direct placement revenue bonds	\$ 73,970,000	\$	\$ (2,815,000)	\$ 71,155,000	\$ 2,960,000
Serial bonds	2,432,911		(431,976)	2,000,935	453,936
Unamortized premium and discount	8,413,297		(636,240)	7,777,057	636,240
Total bonds payable	84,816,208		(3,883,216)	80,932,992	4,050,176
Capital leases	2,600,000		(489,816)	2,110,184	507,041
Net pension liability	10,619,497	14,171	(1,155,771)	9,477,897	
Net other postemployment benefit liability	7,385,513	27,699	(125,276)	7,287,936	
Compensated absences	783,915	380,602	(373,268)	791,249	373,268
Business-type activities long-term liabilities	<u>\$ 106,205,133</u>	<u>\$ 422,472</u>	<u>\$ (6,027,347)</u>	<u>\$ 100,600,258</u>	<u>\$ 4,930,485</u>
Component Units:					
School Board:					
Compensated absences	\$ 7,048,399	\$ 7,373,739	\$ (6,236,413)	\$ 8,185,725	\$ 8,185,725
Capital leases	1,622,069		(1,088,782)	533,287	255,978
Net OPEB liability	31,304,412		(284,292)	31,020,120	
Net pension liability	182,522,329		(14,087,396)	168,434,933	
Total School Board	<u>\$ 222,497,209</u>	<u>\$ 7,373,739</u>	<u>\$ (21,696,883)</u>	<u>\$ 208,174,065</u>	<u>\$ 8,441,703</u>
Economic Development Authority:					
Revenue bonds payable	<u>\$ 2,829,255</u>	<u>\$</u>	<u>\$ (825,913)</u>	<u>\$ 2,003,342</u>	<u>\$ 878,387</u>

Enterprise Funds

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

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

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

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

In prior years, the City defeased certain revenue bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the City's financial statements. On June 30, 2019, no defeased bonds were outstanding.

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

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

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

<u>Fiscal year ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 2,960,000	\$ 3,511,919
2021	3,110,000	3,360,150
2022	3,270,000	3,203,088
2023	3,430,000	3,038,825
2024	3,610,000	2,861,751
2025-2029	21,025,000	11,330,280
2030-2034	27,395,000	5,199,222
2035	6,355,000	162,847
	<u>\$ 71,155,000</u>	<u>\$ 32,668,082</u>

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

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

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

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

General Obligation Bonds		
<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 453,936	\$ 97,908
2021	476,213	75,212
2022	500,622	51,401
2023	133,049	26,370
2024	139,060	20,217
2025-2026	298,055	20,838
	<u>\$ 2,000,935</u>	<u>\$ 291,946</u>

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

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

Solid Waste Fund:

On March 23, 2018, the City entered into an equipment lease purchase agreement for \$2,600,000 with Key Government Finance, Inc. to purchase ten refuse trucks. The Lease is payable in 16 quarterly remaining equal installments of \$139,358 at an interest rate of 2.623%. At June 30, 2019, the outstanding balance on the lease is \$2,110,184.

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

Year	Principal	Interest
2020	\$ 507,041	\$ 50,390
2021	520,472	36,959
2022	534,259	23,172
2023	548,412	9,023
	<u>\$ 2,110,184</u>	<u>\$ 119,544</u>

Discretely Presented Component Unit-EDA:

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

Details at June 30, 2019 are as follows:

	2002 Revenue Bonds
	<u>Tax-Exempt</u>
Outstanding Debt	\$ 2,003,342
Interest	6.17%
Years of maturity	2020- 2022

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

Revenue Bonds		
Year	Principal	Interest
2020	\$ 878,387	\$ 111,672
2021	933,997	56,062
2022	190,958	5,924
	<u>\$ 2,003,342</u>	<u>\$ 173,658</u>

Discretely Presented Component Unit-School Board:

On March 20, 2018, the School Board entered into a Government Obligation Contract with KS StateBank for the purchase of software.

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

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

The note is payable in 3 yearly remaining equal intallments of \$299,729. The note was paid in full during the second year.

In 2017, the School Board entered into a master maintenance and lease agreement with Virginia Business Systems. The lease is payable in monthly installments of \$21,331. As of June 30, 2019, the outstanding balance is \$533,287.

Internal Service Funds:

The City is self-insured for workmens' compensation benefits and general liability insurance claims. At June 30, 2019, the liability for existing claims amounted to \$9,555,638. Workmens' compensation benefit claims are payable weekly or monthly through 2025.

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

Equipment Replacement Fund:

During fiscal year 2010, the City financed a fire truck through this agreement. The lease is payable in 2 quarterly remaining equal installments of \$16,899 at an interest rate of 4.52%. At June 30, 2019 the outstanding balance on the lease is \$33,234.

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

<u>Year</u>	<u>Accrued Insurance Claims</u>	<u>Capital Lease</u>	<u>Principal</u>	<u>Interest</u>
<u>Year</u>		<u>Year</u>		
2020	\$ 8,156,627	2020	\$ 33,234	\$ 555
2021	328,934			
2022	305,361			
2023	250,559			
2024	159,383			
2025-2027	354,774			
	<u>\$ 9,555,638</u>		<u>\$ 33,234</u>	<u>\$ 555</u>

General Long-Term Debt:

Details of general obligation bonds and loans reported in the government-wide statements at June 30, 2019 are as follows:

General Obligation Bonds Outstanding	\$239,305,065
Coupon interest rate	2.0% to 5.63%
Years of maturity	2020-2039

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

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

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

Year	General Obligation Bonds		Direct Placement General Obligation Bonds	
	Principal	Interest	Principal	Interest
2020	\$ 10,166,064	\$ 9,718,595	\$ 12,196,000	\$ 385,840
2021	10,493,787	9,322,467	8,818,000	254,762
2022	17,819,378	8,684,693	1,977,000	46,657
2023	19,056,951	7,813,784		
2024	18,555,940	6,860,192		
2025-2029	81,421,945	20,402,148		
2030-2034	39,550,000	7,209,873		
2035-2038	19,250,000	1,422,956		
	<u>\$216,314,065</u>	<u>\$ 71,434,708</u>	<u>\$ 22,991,000</u>	<u>\$ 687,259</u>

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

As a result of the refunding, the City will reduce its total debt service costs by approximately \$610,991 for a present value savings of \$593,591. The present value savings represents approximately 2.63% of the refunded bonds.

In the government-wide statements this transaction resulted in an economic gain of \$597,613.

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

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

On April 23, 2015, the City issued \$46,770,000 in General Obligation Public Improvement Bonds, Series 2015A with interest rates ranging from 3.5% to 5.0% and \$56,250,000 in General Obligation Public Improvement Refunding Bonds, Series 2015B with an interest rate of 5.0%. The proceeds of the 2015B Bonds were used to refund portions of the City's Series 2007 General Obligation

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

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

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

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

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

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

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

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

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

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

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

In prior years, the City defeased certain general obligation bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the City's financial statements. On June 30, 2019, no defeased bonds were outstanding.

Capital Leases:

On February 27, 2009, the City entered into an equipment lease/purchase agreement for \$14,506,267 for the purpose of upgrading and replacing the existing radio system of the City and to provide infrastructure site improvements to the City's 911 Center and three transmit/receive sites. The lease is to be repaid in 2 remaining semi-annual installments at an interest rate of 1.1742%. The final payment is due March 1, 2020.

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

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

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

Year	Capital Leases	
	Principal	Interest
2020	\$ 1,728,195	\$ 20,292

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, 2019, the City's aggregate general obligation indebtedness was \$218,315,000, which is \$840,459,472 less than the State limit.

Overlapping Debt:

There are no overlapping or underlying tax jurisdictions.

9. DEFINED BENEFIT PENSION PLANS:

The City contributes to two pension plans for its employees, HERS and VRS. HERS covers all full-time salaried employees who were first hired prior to July 1, 1984 and VRS covers all full-time salaried employees.

The City's aggregate totals reported for all pension plans were as follows: \$128,071,670 net pension liabilities; \$15,458,103 deferred outflows of resources; \$(9,325,272) deferred inflows of resources and \$8,882,798 pension expense.

Plan Description - HERS:

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

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

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

Effective July 1, 2001, a plan amendment provided for a one-time cost of living adjustment of 3.5% to the gross monthly retirement benefits for retired members and beneficiaries who were receiving retirement benefits on that date and hired prior to July 1, 1999.

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

9. DEFINED BENEFIT PENSION PLANS , continued:

COLAs are not automatic under the plan.

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

Employees Covered by Benefit Terms - HERS:

As of June 30, 2018, the following employees were covered by the benefit terms of the pension plan :

	Number
Inactive members or their beneficiaries	
currently receiving benefits	2,559
Vested inactive members	397
Active members	53
Total	3,009

Contributions - HERS:

The contribution requirements of plan members, the City and School Board are established and may be amended by City Council. Plan members do not contribute. The City and Component Unit – School Board are required to contribute an actuarially determined amount. Contributions from the City totaled \$3,551,582 and the School Board totaled \$3,164,717 for the year ending June 30, 2019.

Net Pension Liability - HERS:

The City's and School Board's net pension liability was measured as of June 30, 2019 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, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

9. DEFINED BENEFIT PENSION PLANS , continued:

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

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

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

Changes in the Net Pension Liability - HERS:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at June 30, 2018	\$ 148,344,894	\$ 128,529,539	\$ 19,815,355
Changes for the year:			
Service cost	127,787		127,787
Interest	9,809,650		9,809,650
Differences between expected and actual experience	466,804		466,804
Contributions-employer		6,716,299	(6,716,299)
Net investment income		8,790,186	(8,790,186)
Benefit payments, including refunds of employee contributions	(16,824,254)	(16,824,254)	
Administrative expense		(332,835)	332,835
Net Changes	<u>(6,420,013)</u>	<u>(1,650,604)</u>	<u>(4,769,409)</u>
Balances at June 30, 2019	<u>\$ 141,924,881</u>	<u>\$ 126,878,935</u>	<u>\$ 15,045,946</u>

At June 30, 2019, the City and School Board reported a net pension liability of \$7,956,303 and \$7,089,643, respectively.

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

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

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Net pension liability	\$ 24,833,089	\$ 15,045,946	\$ 6,395,218

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

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

For the year ended June 30, 2019, the City and School Board recognized pension expense of \$1,542,148 and \$1,374,165, respectively. At June 30, 2019, the City and Component Unit - School Board reported deferred inflows of resources related to pensions from the following sources:

	City Deferred Inflows of Resources	School Board Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ (994,457)	\$ (886,134)
Total	\$ (994,457)	\$ (886,134)

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

Year ended June 30:	City	School Board
2020	\$ (24,979)	\$ (22,258)
2021	(783,526)	(698,179)
2022	(169,838)	(151,338)
2023	(16,114)	(14,359)

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

9. DEFINED BENEFIT PENSION PLANS , continued:

Pension Plan Fiduciary Net Position - HERS

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

Plan Description - VRS:

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

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

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

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

9. DEFINED BENEFIT PENSION PLANS , continued:

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

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

9. DEFINED BENEFIT PENSION PLANS , continued:

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

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

9. DEFINED BENEFIT PENSION PLANS , continued:

<p>Creditable Service Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p>	<p>Creditable Service Same as Plan 1.</p>	<p>Creditable Service <u>Defined Benefit Component:</u> Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p> <p><u>Defined Contributions Component:</u> Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p>
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CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

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, 2019

9. DEFINED BENEFIT PENSION PLANS , continued:

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

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

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

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

9. DEFINED BENEFIT PENSION PLANS , continued:

<p>Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.</p> <p><u>Eligibility:</u> For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.</p> <p>For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p> <p><u>Exceptions to COLA Effective Dates:</u> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member’s survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one 	<p>COLA in Retirement The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.</p> <p><u>Eligibility:</u> Same as Plan 1.</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1.</p>	<p>COLA in Retirement <u>Defined Benefit Component:</u> Same as Plan 2.</p> <p><u>Defined Contribution Component:</u> Not applicable.</p> <p><u>Eligibility:</u> Same as Plan 1 and Plan 2.</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1 and Plan 2.</p>
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CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

9. DEFINED BENEFIT PENSION PLANS , continued:

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

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

9. DEFINED BENEFIT PENSION PLANS, continued:

Employees Covered by Benefit Terms - VRS Retirement Plan

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

	Number	
	City	School Board Nonprofessional Employees
Inactive members or their beneficiaries currently receiving benefits	1,640	271
Inactive members:		
Vested inactive members	339	40
Non-vested inactive members	593	112
Active elsewhere in VRS	603	79
Total inactive members	1,535	231
Active members	1,878	195
Total covered employees	<u>5,053</u>	<u>697</u>

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, 2019 was 15.68% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the Teacher Retirement Plan from the School Board were \$16,618,902 and \$17,587,597 for the years ended June 30, 2019 and June 30, 2018, respectively.

For the VRS Retirement Plan, the City's and School Board's nonprofessional employees contractually required contribution rates for the year ended June 30, 2019 were 16.33% and 9.30% of covered employee compensation, respectively. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the City were \$14,178,118 and \$14,246,313 for the years ended June 30, 2019 and June 30, 2018, respectively. Contributions to the pension plan from the School Board were \$356,901 and \$449,018 for the years ended June 30, 2019 and June 30, 2018, respectively.

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

9. DEFINED BENEFIT PENSION PLANS , continued:

Net Pension Liability - VRS Retirement Plan

The City and School Board's nonprofessional employees net pension liabilities were measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2017, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

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

At June 30, 2019, the School Board reported a liability of \$159,918,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2018 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The School Board's proportion of the Net Pension Liability was based on the School Board's actuarially determined employer contributions to the pension plan for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the School Board's proportion was 1.36% as compared to 1.39% at June 30, 2017.

For the year ended June 30, 2019, the School Board recognized pension expense of \$7,851,695. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2019, the School Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,909,000	\$ (13,675,000)
Change in assumptions	1,909,000	
Net difference between projected and actual earnings on pension plan investments		(3,391,000)
Changes in proportion and differences between Employer contributions and proportionate share of contributions	296,000	(8,630,000)
Employer contributions subsequent to the measurement date	16,618,902	
	<u>\$ 18,823,902</u>	<u>\$ (25,696,000)</u>

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

9. DEFINED BENEFIT PENSION PLANS , continued:

\$16,618,902 reported as deferred outflows of resources related to pensions resulting from the School Board's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ended June 30, 2020. 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	
2020	\$ (5,233,000)
2021	\$ (6,206,000)
2022	\$ (8,276,000)
2023	\$ (2,808,000)
2024	\$ (968,000)

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, 2017, 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, 2018.

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

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

Mortality rates:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

Actuarial Assumptions – VRS Retirement Plan General Employees

The total pension liability for General Employees in the Political Subdivision’s Retirement Plan was based on an actuarial valuation as of June 30, 2017, 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, 2018.

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

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

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

9. DEFINED BENEFIT PENSION PLANS , continued:

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – Non-Hazardous Duty:

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

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

9. DEFINED BENEFIT PENSION PLANS , continued:

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

The total pension liability for Public Safety employees with Hazardous Duty Benefits in the Political Subdivision Retirement Plan was based on an actuarial valuation as of June 30, 2017, 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, 2018.

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

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

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

Mortality rates:

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

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - Hazardous Duty:

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

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

Long-Term Expected Rate of Return

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

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

* Expected arithmetic nominal return

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

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2018, the alternate rate was the employer contribution rate used in fiscal year 2012 or 90% of the actuarially determined employer contribution rate from the June 30, 2015 actuarial valuations, whichever was greater. From July 1, 2018, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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

Changes in Net Pension Liability - VRS Retirement Plan City

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at June 30, 2017	<u>\$575,919,522</u>	<u>\$452,964,528</u>	<u>\$122,954,994</u>
Changes for the year:			
Service cost	11,525,376		11,525,376
Interest	39,213,600		39,213,600
Differences between expected and actual experience	(1,988,091)		(1,988,091)
Contributions-employer		14,247,065	(14,247,065)
Contributions-employee		4,489,433	(4,489,433)
Net investment income		33,174,366	(33,174,366)
Benefit payments, including refunds of employee contributions	(31,450,468)	(31,450,468)	
Administrative expense		(290,989)	290,989
Other changes		(29,364)	29,364
Net changes	<u>17,300,417</u>	<u>20,140,043</u>	<u>(2,839,626)</u>
Balances at June 30, 2018	<u>\$593,219,939</u>	<u>\$473,104,571</u>	<u>\$120,115,368</u>

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

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, 2017	\$ 28,092,618	\$ 26,156,690	\$ 1,935,928
Changes for the year:			
Service cost	388,116		388,116
Interest	1,896,547		1,896,547
Differences between expected and actual experience	(266,110)		(266,110)
Contributions-employer		449,019	(449,019)
Contributions-employee		203,832	(203,832)
Net investment income		1,893,091	(1,893,091)
Benefit payments, including refunds of employee contributions	(1,998,178)	(1,998,178)	
Administrative expenses		(17,095)	17,095
Other changes		(1,656)	1,656
Net changes	<u>20,375</u>	<u>529,013</u>	<u>(508,638)</u>
Balances at June 30, 2018	<u>\$ 28,112,993</u>	<u>\$ 26,685,703</u>	<u>\$ 1,427,290</u>

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

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

	1.00% Decrease (6.00%)	Current Discount Rate (7%)	1.00% Increase (8%)
	School Division's proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability	\$ 244,279,000	\$ 159,918,000

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

9. DEFINED BENEFIT PENSION PLANS , continued:

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

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

	<u>1.00% Decrease (6.00%)</u>	<u>Current Discount Rate (7%)</u>	<u>1.00% Increase (8%)</u>
City's Plan Net Pension Liability	\$ 191,976,515	\$ 120,115,368	\$ 60,007,985
Component Unit-School Board Nonprofessional Employees' Plan's Net Pension Liability	\$ 4,417,029	\$ 1,427,290	\$ (1,098,635)

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

City

For the year ended June 30, 2019, the City recognized pension expense of \$7,340,650. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$	\$ (4,661,185)
Change in assumptions	1,279,985	
Net difference between projected and actual earnings on pension plan investments		(3,669,630)
Employer contributions subsequent to the measurement date	14,178,118	
Total	<u>\$ 15,458,103</u>	<u>\$ (8,330,815)</u>

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

9. DEFINED BENEFIT PENSION PLANS, continued:

\$14,178,118 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30	
2020	\$ (603,742)
2021	(1,126,870)
2022	(4,935,608)
2023	(384,610)

School Board Nonprofessional Employees

For the year ended June 30, 2019, the School Board recognized pension expense of (\$243,887). At June 30, 2019, the School Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$	\$ (113,173)
Net difference between projected and actual earnings on pension plan investments		(175,164)
Employer contributions subsequent to the measurement date	356,901	
Total	\$ 356,901	\$ (288,337)

\$356,901 reported as deferred outflows of resources related to pensions resulting from the School Board's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30	
2020	\$ 7,534
2021	(4,515)
2022	(269,382)
2023	(21,974)

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

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 2018 CAFR. A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/PDF/Publications/2018-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, 2019, the City reported a payable of \$970,095 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2019.

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(a) 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, Portsmouth and Chesapeake (the member jurisdictions). The Authority has the responsibility to finance the acquisition, construction and operation of a regional jail facility for the benefit of the member jurisdictions. Each member jurisdiction is responsible for paying the Authority a per diem charge, as established in the Authority's annual budget, for the care, maintenance and subsistence of prisoners from the member jurisdictions. The member jurisdictions have agreed to commit to the Authority its prisoners equal to its initial guaranteed capacity as follows: Hampton, 175 prisoners or 15.56%; Newport News, 200 prisoners or 17.78%; Norfolk, 250 prisoners or 22.22%; Portsmouth, 250 prisoners or 22.22%; Chesapeake, 250 prisoners or 22.22%. The Authority shall make adjustments to the per diem charge as and when necessary to reconcile projected revenues and expenditures to actual revenues and expenditures and to comply with any revenue or other covenant related to the Bonds.

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

11. JOINT VENTURE , continued:

The Authority opened the jail facility on March 16, 1998. Summarized financial information for the Authority for fiscal year ending June 30, 2018 is below. This information shows the jail is well able to meet its obligations. The City does not currently expect a financial benefit from its participation in this joint venture.

Revenues and other sources	\$ 42,147,334
Expenses and other uses	<u>(40,687,520)</u>
Change in fund equity	1,459,814
Net position, as adjusted, July 1, 2017	<u>13,406,997</u>
Net position, June 30, 2018	<u><u>\$ 14,866,811</u></u>

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

12. COMMITMENT AND CONTINGENCIES:

Grants:

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

Leases:

The City leases various types of equipment under capital lease agreements (see Note 8). Under an operating lease, the City leases the Pembroke Community Service Center building from the Hampton Redevelopment and Housing Authority at an annual rent of \$367,103. In addition, the City leases space under operating leases for use as branches of the City's public library.

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

Land	\$ 714,778
Buildings	25,043,465
Improvements	8,326,017
Less accumulated depreciation	<u>(24,140,642)</u>
Capital Assets, net	<u><u>\$ 9,943,618</u></u>

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

12. COMMITMENT AND CONTINGENCIES , continued:

A summary of future minimum rental payments under the operating leases at June 30, 2019 is as follows:

<u>Year Ending June 30,</u>	<u>Operating Leases</u>	<u>Future Rental Income</u>
2020	\$ 1,279,986	\$ 720,521
2021	1,259,526	401,475
2022	1,225,844	190,349
2023	607,196	116,110
2024	479,729	73,648
2025-2029	914,460	112,004
	<u>\$ 5,766,741</u>	<u>\$ 1,614,107</u>

The City's rental expense and rental income for the year ended June 30, 2019 amounted to \$1,448,256 and \$276,018, respectively.

Self-Insurance:

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

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

	<u>City</u>	<u>School Board</u>
Workers' Compensation	\$ 1,000,000	\$ 1,000,000
General Liability	1,000,000	1,000,000
Property Coverage	100,000	100,000
Medical Claims	125,000 per person/plan year	-

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

All funds of the City participate in the program and make payments to the Risk Management and General Fund based on historical cost information. The unrestricted net position of \$13,123,180 at June 30, 2019 is designated as a reserve for claims in the Risk Management Fund. The City accrues claims and judgments as incurred by a review of all claims on a case-by-case basis. Claims incurred, but not reported, were considered in the determination of the claims liability.

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

12. COMMITMENT AND CONTINGENCIES , continued:

Changes in the Funds' claims liability amount in fiscal years 2019 , 2018 and 2017 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 2019	\$ 8,413,575	\$ 2,167,861	\$ 1,025,798	\$ 9,555,638
Fiscal Year 2018	6,925,124	3,489,736	2,001,285	8,413,575
Fiscal Year 2017	4,806,137	3,024,925	905,938	6,925,124

<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 2019	\$ 49,210	\$ 16,012,535	\$ 15,994,420	\$ 67,325
Fiscal Year 2018	483,488	13,713,872	14,148,150	49,210
Fiscal Year 2017	542,882	16,093,245	16,152,639	483,488

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

Letters of Credit:

Old Point National Bank issued a standby Letter of Credit totaling \$3,000,000 on behalf of the EDA in connection with its commitment under certain agreements for the development of the Bass Pro Project. The City has agreed to pay the EDA for any draws by the beneficiary under the Letter of Credit. During the fiscal year ended June 30, 2019, no draws were made under the Letters of Credit. The Letter of Credit expires January 15, 2020. Any draws under the Letters of Credit are charged interest at prime rate.

Encumbrances

Encumbrances outstanding at year-end represent the estimated amount of expenditures required to complete contracts, purchase orders and other commitments in process of completion at year-end. Outstanding encumbrances as of June 30, 2019 were as follows:

General Fund	\$ 1,313,978
Capital Projects Funds	14,781,612
Other Governmental Funds	1,221,203
Total Encumbrances	<u>\$ 17,316,793</u>

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

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

Health Care Benefits

Plan Description:

City

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

School

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

Benefits Provided:

City

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

School

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

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

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

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

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

Contributions

City

The City's contribution ranges from 0% to 100% of the premium based on the retiree's years of continuous health coverage and the healthcare care option selected by the retirees. The employer contributions are financed on a pay-as-you-go basis. Contributions from the City were \$2,905,572 and \$2,614,315 for the years ended June 30, 2019 and June 30, 2018, respectively.

School

The School Board contributions are financed on a pay-as-you-go basis. Contributions from the School Board were \$406,410 and \$534,836 for the years ended June 30, 2019 and June 30, 2018, respectively.

The following summaries the memberships of the Plan as of June 30, 2018, the valuation date:

	Number	
	City	School Board
Inactive members or their beneficiaries currently receiving benefit payments	700	83
Active members	1,682	2,003
Total memberships	2,382	2,086

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 2019, the City contributed \$2,905,572, or approximately 56.8% of total premiums for post-retirement health care benefits. Plan members receiving benefits contributed \$2,230,339 or approximately 43.4% of total premiums. Member contributions are 3% of covered payroll. The School Board contributed \$504,195 in fiscal year 2019.

Total OPEB Liability:

The City and School Board's total retiree medical OPEB liability of \$94,396,901 and \$4,612,120, respectively, were measured as of June 30, 2018 and determined by an actuarial valuation as of that date.

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

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

Actuarial Assumptions:

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

Inflation	2.50%
Real wage growth	1.00%
Wage Inflation	3.50%
Salary increases, including wage inflation	
Regular (General) Employees	3.50% - 5.35%
LEO	3.50% - 4.75%
Municipal Bond Index (Discount Rate)	
Prior Measurement Date	3.58%
Current Measurement Date	3.87%
Health Care Cost Trends	
Pre-Medicare	7.75% for 2017 decreasing to an ultimate rate of 4.75% by 2028
Medicare	5.75% for 2017 decreasing to an ultimate rate of 4.75% by 2025

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

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

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

Discount Rate

There was a change in the total OPEB liability arising from the change in the discount rate from 3.58% on the prior measurement date to 3.87% on the measurement date of June 30, 2017. The discount rate used was based on the Bond Buyer General Obligation 20-year Municipal Bond Index published for the last week of June by The Bond Buyer (www.bondbuyer.com). Additionally, the demographic actuarial assumptions for mortality, retirement, disability incidence, and withdrawal were updated based on the results of an actuarial experience study for the period July 1, 2012 through June 30, 2016, adopted by the Virginia Retirement System. Therefore, the change in total OPEB liability resulting from the change in the discount rate and the updated assumptions is to be recognized in the OPEB Expense (OE), beginning in the current measurement period, over a closed period equal to 6.74 years for City and 8.07 years for Non-professional teachers.

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

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

Changes in the Total Retiree Medical OPEB Liability - City

	Increase (Decrease)
	Total OPEB Liability
	(a)
Balances at June 30, 2017	\$ 94,403,774
Changes for the year:	
Service cost	2,417,844
Interest	3,420,421
Differences between expected and actual experience	(182,752)
Changes in assumptions	(3,081,415)
Benefit payments	(2,580,971)
Net changes	(6,873)
Balances at June 30, 2018	\$ 94,396,901

Changes in the Total Retiree Medical OPEB Liability - School Board

	Increase (Decrease)
	Total OPEB Liability
	(a)
Balances at June 30, 2017	\$ 4,382,412
Changes for the year:	
Service cost	237,502
Interest	156,447
Differences between expected and actual experience	241,860
Changes in assumptions	98,094
Benefit payments	(504,195)
Net changes	229,708
Balances at June 30, 2018	\$ 4,612,120

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

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

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

The following presents the total OPEB liability of the City and School Board, calculated using the discount rate of 3.87%, as well as what the City's and the School Board's total retiree medical OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.87%) or 1-percentage higher (4.87%) than the current rate:

	1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
Total OPEB Liability - City	\$ 109,694,367	\$ 94,396,901	\$ 82,008,091
Total OPEB Liability - School Board	4,957,425	4,612,120	4,287,582

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

The following presents the total OPEB liability of the City and School Board, calculated using the discount rate of 7.75%, as well as what the City's and the School Board's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75% decreasing to an ultimate rate of 3.75%) or 1-percentage higher (8.75% decreasing by to an ultimate rate of 5.75%) than the current health care cost trend rate:

	1% Decrease (3.75%)	Current Discount Rate (4.75%)	1% Increase (5.75%)
Total OPEB Liability - City	\$ 80,055,561	\$ 94,396,901	\$ 112,609,057
Total OPEB Liability - School Board	4,156,685	4,612,120	5,150,312

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

For the year ended June 30, 2019, the City recognized OPEB expense in the amount of \$3,680,062. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 64,086	\$ (64,411)
Changes in assumptions or other inputs	-	(10,871,049)
Employer contributions subsequent to the measurement date	2,905,572	-
Total	<u>\$ 2,969,658</u>	<u>\$ (10,935,460)</u>

\$2,905,572 reported as deferred outflows of resources related to the retiree medical resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net retiree medical OPEB liability in the fiscal year ending June 30, 2020.

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

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

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

Year ended:	
2020	\$ (2,191,367)
2021	(2,191,367)
2022	(2,191,367)
2023	(2,191,367)
2024	(1,747,527)
Thereafter	(358,379)

For the year ended June 30, 2019, the School Board recognized OPEB expense in the amount of \$373,246. At June 30, 2019, the School Board reported deferred outflows of resources and deferred inflows of resources related to health care from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 211,890	\$ (30,523)
Changes in assumptions or other inputs	85,939	(536,833)
Employer contributions subsequent to the measurement date	406,410	-
Total	\$ 704,239	\$ (567,356)

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

Year ended June 30:	
2020	\$ (51,344)
2021	(51,344)
2022	(51,344)
2023	(51,344)
2024	(51,344)
Thereafter	(12,807)

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
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13. OTHER POSTEMPLOYMENT BENEFIT PLANS - HEALTH CARE BENEFITS AND HEALTH INSURANCE CREDITS, continued:

Health Insurance Credits

Other Postemployment Benefits-Health Insurance Credits

Plan Description

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

Benefits

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

Contributions

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

Each school division's contractually required employer contribution rate for the year ended June 30, 2019 was 1.20% of covered employee compensation for employees in the HIC Program. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the School Board to the VRS HIC Program were \$1,305,003 and \$1,352,052 for the years ended June 30, 2019 and June 30, 2018, respectively.

Liabilities

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

At June 30, 2019, the School Board reported a liability of \$17,258,000 for its proportionate share of the VRS HIC net OPEB liability. The HIC OPEB liability was measured as of June 30, 2017 and the total HIC OPEB liability used to calculate the net HIC OPEB Liability was determined by an actuarial valuation as of that date. The School Board's proportion of the net HIC OPEB liability was based on the School Board's actuarially determined employer contributions to the HIC OPEB plan for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the School Board's proportion of the HIC program was 1.35919% as compared to 1.38996% at June 30, 2017.

For the year ended June 30, 2019, the School Board recognized HIC OPEB expense of \$1,349,000. Since there was a change in

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

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

proportionate share between June 30, 2016 and June 30, 2017 a portion of the HIC net OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2019, the School Board reported deferred outflows of resources and deferred inflows of resources related to the HIC OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (86,000)
Changes in proportionate share	-	(380,000)
Net difference between projected and actual earnings on OPEB plan investments	-	(13,000)
Changes of assumptions or other inputs	-	(150,000)
Employer contribution subsequent to the measurement date	1,305,003	-
Total	\$ 1,305,003	\$ (629,000)

\$1,305,003 reported as deferred outflows of resources related to the HIC OPEB resulting from the School Board's contributions subsequent to the measurement date will be recognized as a reduction of the net HIC OPEB liability in the Fiscal Year ending June 30, 2020. Other amounts reported as deferred inflows of resources related to the HIC OPEB will be recognized in the HIC OPEB expense in future reporting periods as follows:

Fiscal Year Ending June 30		
2020	\$	(103,000)
2021		(103,000)
2022		(103,000)
2023		(95,000)
2024		(98,000)
Thereafter		(127,000)

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

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

Actuarial Assumptions

The total HIC OPEB liability for the VRS HIC was based on an actuarial valuation as of June 30, 2017, 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, 2018.

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

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

Mortality rates

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

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

Long-Term Expected Rate of Return

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

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

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

Discount Rate

The discount rate used to measure the total HIC OPEB was 7.00%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2018, the rate contributed by each school division for the VRS HIC Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, all agencies are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the HIC OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total HIC OPEB liability.

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

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

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

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

	1% Decrease (6.0%)	Discount Rate (7.0%)	1% Increase (8.0%)
School Board's proportionate share of the HIC OPEB Plan net HIC OPEB liability	\$ 19,275,000	\$ 17,258,000	\$ 15,542,000

Payables

The HIC OPEB Plan had a payable of \$125,199 as of June 30, 2019.

14. OTHER POSTEMPLOYMENT LINE OF DUTY BENEFITS:

Plan Description:

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

Benefit

Death

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

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

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

14. OTHER POSTEMPLOYMENT LINE OF DUTY BENEFITS: , continued

Health Insurance

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

Contributions

The Line of Duty Act requires the City to fund all costs of the program. Contributions to the Line of Duty Act Program were \$546,033 and \$468,634 for the years ended June 30, 2019 and June 30, 2018, respectively.

Membership:

The following table summarizes the members of the Plan as of June 30, 2018, the Valuation Date:

	Number
Inactive employees entitled to but not yet receiving benefit payments	19
Active employees	779
Total	798

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

At June 30, 2019, the City reported a liability of \$11,167,875 for its Net LODA OPEB Liability. The Net LODA OPEB Liability was measured as of June 30, 2018. The total LODA OPEB liability was determined by an actuarial valuation as of that date.

For the year ended June 30, 2019, the City recognized LODA OPEB expense of \$1,130,877.

At June 30, 2019, the agency reported deferred outflows of resources and deferred inflows of resources related to the LODA OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (2,303,670)
Changes of assumptions or other inputs	-	(840,098)
Employers contributions subsequent to the measurement date	546,033	-
Total	\$ 546,033	\$ (3,143,768)

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

14. OTHER POSTEMPLOYMENT LINE OF DUTY BENEFITS: , continued

\$546,033 reported as deferred outflows of resources related to LODA OPEB resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. Amounts reported as deferred outflows of resources and deferred inflows of resources related to the LODA OPEB will be recognized in LODA OPEB expense in future reporting periods as follows:

Fiscal year Ending June 30	
2020	\$ (306,460)
2021	(306,460)
2022	(306,460)
2023	(306,460)
2024	(306,460)
Thereafter	(1,611,468)

Actuarial Assumptions

The total LODA OPEB liability was based on an actuarial valuation as of June 30, 2018, using the Entry Age Normal actuarial cost method and the following assumptions:

Inflation	2.50%
Real wage growth	1.00%
Wage inflation	3.50%
Salary increases, including wage inflation	
Regular employees	3.50% - 5.35%
LEO	3.50% - 4.75%
Health care cost trend rates assumption -	
Under age 65	7.75% for 2017 decreasing to an ultimate rate of 4.75% by 2027
Ages 65 and older	5.75% for 2017 decreasing to an ultimate rate of 4.75% by 2022
Municipal bond index rate	
Prior measurement date	3.58%
Measurement date	3.87%

Mortality rates - Largest Ten Locality Employers With Public Safety Employees

Pre-Retirement:

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

Post-Retirement:

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

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

14. OTHER POSTEMPLOYMENT LINE OF DUTY BENEFITS: , continued

Post-Disablement:

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

Discount Rate

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

Change in Net LODA OPEB Liability

Total OPEB Liability as of June 30, 2017	\$ 13,035,534
Changes for the year:	
Service Cost at the end of the year*	916,561
Interest	491,686
Difference between expected and actual experience	(2,391,726)
Changes of assumptions or other inputs	(444,636)
Benefit payments	(439,544)
Net changes	<u>\$ (1,867,659)</u>
Total OPEB Liability as of June 30, 2018	<u><u>\$ 11,167,875</u></u>

*Service Cost includes interest for the year

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

The following presents the covered employer's proportionate share of the net LODA OPEB liability using the discount rate of 3.87%, as well as what the covered employer's proportionate share of the net LODA OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.87%) or one percentage point higher (4.87%) than the current rate:

	1% Decrease (2.87%)	Discount Rate (3.87%)	1% Increase (4.87%)
Net OPEB liability	\$ 12,663,654	\$ 11,167,875	\$ 9,943,670

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

14. OTHER POSTEMPLOYMENT LINE OF DUTY BENEFITS: , continued

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

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

	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
Net OPEB liability	\$ 9,544,639	\$ 11,167,875	\$ 13,172,790

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

Plan Description:

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

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

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

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

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

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

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

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

Benefit Amounts

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

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

Reduction in benefit Amounts

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

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

For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at \$8,000 by statute. This amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and is currently \$8,279.

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

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

Contributions

The contribution requirements for GLI are governed by §51.1-506 and §51.1-508 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the Group Life Insurance Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% X 60%) and the employer component was 0.52% (1.31% X 40%). Employers may elect to pay all or part of the employee contribution, however the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2019 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the GLI from the City were \$459,858 and \$473,642 for the years ended June 30, 2019 and June 30, 2018, respectively. Contributions to the GLI from the School Board for Professional employees were \$570,436 and \$573,445 for the years ended June 30, 2019 and June 30, 2018, respectively. Contributions to the GLI from the School Board for Nonprofessional employees were \$20,964 and \$22,257 for the years ended June 30, 2019 and June 30, 2018 respectively.

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

At June 30, 2019, the City reported a liability for its proportionate share of the Net GLI OPEB Liability of \$7,275,000. The School Board reported a liability for professional employees and nonprofessional employees of \$8,808,000 and \$342,000, respectively. The Net GLI OPEB Liability was measured as of June 30, 2018 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers.

The City and School Board employer's proportion for June 30, 2018 and June 30, 2017 is summarized below:

	<u>Employer's Proportion June 30, 2018</u>	<u>Employers's Portion June 30, 2017</u>
City of Hampton	0.47902 %	0.49133 %
School Board Professional Employees	0.57996 %	0.59619 %
School Board Nonprofessional Employees	0.02251 %	0.02113 %

For the year ended June 30, 2019, the City recognized GLI OPEB expense of \$13,000 and the School Board recognized GLI OPEB expense for professional employees of \$29,000 and nonprofessional employees of \$3,000. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

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

At June 30, 2019, the City and School Board reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 356,000	\$ (130,000)
Changes of assumptions	-	(303,000)
Net difference between projected and actual investments earning on GLI OPEB program investments	-	(237,000)
Changes in porportionate share	-	(202,000)
Employer contributions subsequent to the measurement date	459,858	-
Total	\$ 815,858	\$ (872,000)

\$459,858 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future report periods as follows:

Fiscal Year Ending June 30	
2020	\$ (145,000)
2021	(145,000)
2022	(145,000)
2023	(78,000)
2024	(14,000)
Thereafter	11,000

School Board - Professional Employees

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 431,000	\$ (158,000)
Changes in porportionate share	43,000	(229,000)
Net difference between projected and actual investment earnings on GLI OPEB investments	-	(287,000)
Changes of assumptions or other inputs	-	(367,000)
Employer contributions subsequent to the measurement date	570,436	-
Total	\$ 1,044,436	\$ (1,041,000)

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

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

\$570,436 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future report periods as follows:

Fiscal Year Ending June 30	
2020	\$ (163,000)
2021	(163,000)
2022	(163,000)
2023	(81,000)
2024	(8,000)
Thereafter	11,000

School Board - Nonprofessional Employees

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 17,000	\$ (6,000)
Changes in porportionate share	19,000	(15,000)
Net difference between projected and actual investment earnings on GLI OPEB investments	-	(11,000)
Changes of assumptions or other inputs	-	(14,000)
Employer contributions subsequent to the measurement date	20,964	-
Total	\$ 56,964	\$ (46,000)

\$20,964 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future report periods as follows:

Fiscal Year Ending June 30	
2020	\$ (4,000)
2021	(4,000)
2022	(4,000)
2023	(1,000)
2024	1,000
Thereafter	2,000

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

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

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2017, 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, 2018.

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

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

Mortality rates – Teachers

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

Mortality rates – Largest Ten Locality Employers - General Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

Mortality rates – Largest Ten Locality Employers – Hazardous Duty Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
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15. VIRGINIA RETIREMENT SYSTEM-GROUP LIFE INSURANCE-OPEB: , continued

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

Net GLI OPEB Liability

The net OPEB liability (NOL) for the Group Life Insurance Program represents the program’s total OPEB liability determined in accordance with GAAP, less the associated fiduciary net position. As of June 30, 2018, NOL amounts for the GLI is as follows (amounts expressed in thousands):

	Group Life Insurance OPEB Program
Total GLI OPEB Liability	\$ 3,113,508
Plan Fiduciary Net Position	1,594,773
Employers' Net GLI OPEB Liability	<u>1,518,735</u>
Plan fiduciary Net position as a Percentage of Total GLI OPEB Liability	<u>51.22 %</u>

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

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

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

Long-Term Expected Rate of Return

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

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

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

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

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

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

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

	1.00% Decrease 6.00%	Discount Rate 7.00%	1.00% Increase 8.00%
City's GLI OPEB Liability	\$ 9,508,000	\$ 7,275,000	\$ 5,463,000
School's GLI OPEB Liability			
Professional Employees	11,511,000	8,808,000	6,614,000
Nonprofessional Employees	447,000	342,000	257,000

Group Life Insurance Program Fiduciary Net Position

Detailed information about the Group Life Insurance Program's Fiduciary Net Position is available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/PDF/Publications/2017-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Payables to the Group Life Insurance Program

The City's and School's VRS Group Life Insurance OPEB plan payable as of June 30, 2019 totaled \$96,285 and \$143,529, respectively.

16. LEASE RECEIVABLES:

The EDA issued Revenue Bonds (Note 8) to construct the Peninsula Workforce Development Center (PWDC). Under terms of agreements with this organization, revenue generated from the lease of the building is used to make the bond payments with the lease term being equivalent to the life of the bond. As of June 30, 2019, future lease receivable is \$1,980,119 from PWDC.

The minimum lease payments for future years are:

2020	\$	990,059
2021		990,060
Total	\$	<u>1,980,119</u>

As of June 30, 2019, the balance of unearned interest income associated with the PWDC is \$155,849.

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

17. SUBSEQUENT EVENTS

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

On November 20, 2019, the City issued \$66,150,000 in Convention Center Refunding Direct Placement Revenue Bonds, Series 2019C with interest from 1.952% to 3.097%. The proceeds of the bonds were used to refund the City's Convention Center Direct Placement Revenue Bonds, Series 2012A and a portion of the City's Convention Center Revenue Bonds, Series 2011A. Interest on the bonds is due and payable semi-annually on each April 1 and October 1.

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

	2019	2018	2017	2016	2015	2014
Total pension liability						
Service cost	\$ 127,787	\$ 117,036	\$ 152,557	\$ 188,078	\$ 112,348	\$ 373,903
Interest	9,809,650	10,991,423	11,411,712	11,796,729	12,183,886	12,518,593
Differences between expected and actual experience	466,804		(76,396)		(425,331)	296
Changes of assumptions		(580,802)				
Benefit payments, including refunds of employee contributions	(16,824,254)	(17,047,039)	(17,100,560)	(17,101,282)	(17,040,172)	(17,032,982)
Net change in total pension liability	(6,420,013)	(6,519,382)	(5,612,687)	(5,116,475)	(5,169,269)	(4,140,190)
Total pension liability-beginning	148,344,894	154,864,276	160,476,963	165,593,438	170,762,707	174,902,897
Total pension liability-ending (a)	<u>\$ 141,924,881</u>	<u>\$ 148,344,894</u>	<u>\$ 154,864,276</u>	<u>\$ 160,476,963</u>	<u>\$ 165,593,438</u>	<u>\$ 170,762,707</u>
Plan fiduciary net position						
Contributions-employer	\$ 6,716,299	\$ 7,100,125	\$ 7,100,148	\$ 8,880,839	\$ 8,880,839	\$ 6,628,122
Net investment income	8,790,186	10,682,406	14,694,582	2,144,248	5,361,684	20,494,864
Benefit payments, including refunds of employee contributions	(16,824,254)	(17,047,039)	(17,100,560)	(17,101,282)	(17,040,172)	(17,032,982)
Administrative expense	(332,835)	(277,957)	(286,431)	(386,247)	(299,195)	(278,663)
Net change in plan fiduciary net position	(1,650,604)	457,535	4,407,739	(6,462,442)	(3,096,844)	9,811,341
Plan fiduciary net position-beginning	128,529,539	128,072,004	123,702,338	130,164,780	133,261,624	123,450,283
Plan fiduciary net position-ending (b)	<u>\$ 126,878,935</u>	<u>\$ 128,529,539</u>	<u>\$ 128,110,077</u>	<u>\$ 123,702,338</u>	<u>\$ 130,164,780</u>	<u>\$ 133,261,624</u>
Net pension liability-ending (a)-(b)	<u>\$ 15,045,946</u>	<u>\$ 19,815,355</u>	<u>\$ 26,754,199</u>	<u>\$ 36,774,625</u>	<u>\$ 35,428,658</u>	<u>\$ 37,501,083</u>
Plan fiduciary net position as a percentage of the total pension liability	89.40 %	86.64 %	82.72 %	77.08 %	78.61 %	78.04 %
Covered payroll	\$ 2,684,932	\$ 2,803,090	\$ 2,806,674	\$ 5,335,759	\$ 6,085,814	\$ 10,188,093
Net pension liability as a percentage of covered payroll	560.38 %	706.91 %	953.24 %	689.21 %	582.15 %	368.09 %

Notes to Schedule:

- 1) Benefit Changes: No benefit changes were enacted during fiscal year 2019.
- 2) Valuation Date: 6/30/2017; Actuarially determined contribution rates are calculated based on the actuarial valuation determined as of the odd year preceding the beginning of the Plan year.
- 2) Changes in assumptions: During FY19 no changes occurred.
- 3) GAAP requires 10- year trend information. Fiscal year 2014 is the first year of implementation.
- 4) Per GAAP, net pension liabilities are reported using the measurement date, which is June 30, 2019.

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

	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 6,716,299	\$ 7,100,125	\$ 7,100,148	\$ 8,880,839	\$ 8,880,839	\$ 6,628,122
Contributions in relation to the actuarially determined contribution	<u>6,716,299</u>	<u>7,100,125</u>	<u>7,100,148</u>	<u>8,880,839</u>	<u>8,880,839</u>	<u>6,628,122</u>
Covered payroll	\$ 2,684,932	\$ 2,803,090	\$ 2,806,674	\$ 5,335,759	\$ 6,085,814	\$ 10,188,093
Contributions as a percentage of covered payroll	250.15 %	253.30 %	252.97 %	166.44 %	145.93 %	65.06 %

Notes to Schedule

Valuation Date:

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

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

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

	2019	2018	2017	2016	2015
Total pension liability					
Service cost	\$ 11,525,376	\$ 10,934,809	\$ 10,835,551	\$ 10,960,536	\$ 10,938,812
Interest	39,213,600	38,078,180	37,250,101	36,276,354	34,999,056
Changes in assumptions		2,910,537			
Differences between expected and actual experience	(1,988,091)	(4,596,969)	(5,909,803)	(4,100,921)	
Benefit payments, including refunds of employee contributions	<u>(31,450,468)</u>	<u>(30,762,074)</u>	<u>(29,930,211)</u>	<u>(28,520,380)</u>	<u>(26,861,136)</u>
Net change in total pension liability	17,300,417	16,564,483	12,245,638	14,615,589	19,076,732
Total pension liability-beginning	<u>575,919,522</u>	<u>559,355,039</u>	<u>547,109,401</u>	<u>532,493,812</u>	<u>513,417,080</u>
Total pension liability-ending (a)	<u>\$ 593,219,939</u>	<u>\$ 575,919,522</u>	<u>\$ 559,355,039</u>	<u>\$ 547,109,401</u>	<u>\$ 532,493,812</u>
Plan fiduciary net position					
Contributions-employer	\$ 14,247,065	\$ 14,235,281	\$ 16,240,833	\$ 15,816,808	\$ 16,046,763
Contributions-employee	4,489,433	4,539,420	4,451,221	4,393,892	4,400,548
Net investment income	33,174,366	49,975,564	7,097,707	18,515,581	56,039,049
Benefit payments, including refunds of employee contributions	(31,450,468)	(30,762,074)	(29,930,211)	(28,520,380)	(26,861,136)
Administrative expense	(290,989)	(294,277)	(261,143)	(257,367)	(304,392)
Other	<u>(29,364)</u>	<u>(44,266)</u>	<u>(3,049)</u>	<u>(3,890)</u>	<u>2,953</u>
Net change in plan fiduciary net position	20,140,043	37,649,648	(2,404,642)	9,944,644	49,323,785
Plan fiduciary net position-beginning	<u>452,964,528</u>	<u>415,314,880</u>	<u>417,719,522</u>	<u>407,774,878</u>	<u>358,451,093</u>
Plan fiduciary net position-ending (b)	<u>\$ 473,104,571</u>	<u>\$ 452,964,528</u>	<u>\$ 415,314,880</u>	<u>\$ 417,719,522</u>	<u>\$ 407,774,878</u>
Net pension liability-ending (a)-(b)	<u>\$ 120,115,368</u>	<u>\$ 122,954,994</u>	<u>\$ 144,040,159</u>	<u>\$ 129,389,879</u>	<u>\$ 124,718,934</u>
Plan fiduciary net position as a percentage of the total pension liability	79.75 %	78.65 %	74.25 %	76.35 %	76.58 %
Covered payroll	\$ 89,543,136	\$ 89,460,842	\$ 88,836,512	\$ 86,291,441	\$ 86,428,123
Net pension liability as a percentage of covered payroll	134.14 %	137.44 %	162.14 %	149.95 %	144.30 %

Notes to Schedule:

- 1) Changes of benefit terms: There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. A hybrid plan with changes to the defined benefit plan structure and a new defined contribution component was adopted in 2012. The hybrid plan applies to most new employees hired on January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this is still a fairly new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2018 is not material. The liabilities presented do not reflect the hybrid plan since it covers new members joining the Plan after the valuation date of June 30, 2013 and the impact on the liabilities as of the measurement date of June 30, 2014 are minimal.
- 2) Changes in assumptions: Changes in actuarial assumptions were made effective June 30, 2013 based on the most recent experience study of the Plan for the four-year period ending June 30, 2012. Changes were made to the mortality table, decrease in rates of service retirement, decrease in rates of disability retirement, reduced rates of salary increase by 0.25% per year, increase in rates of withdrawal.
- 3) GAAP requires 10-year trend information. Fiscal year 2015 is the first year of implementation.
- 4) Per GAAP, net pension liabilities are reported using the measurement date, which is one year prior to the reporting date.

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

	2019	2018	2017	2016	2015
Contractually required contribution	\$ 14,178,118	\$ 14,246,313	\$ 14,233,220	\$ 16,241,604	\$ 15,816,817
Contributions in relation to the contractually required contribution	<u>14,178,118</u>	<u>14,246,313</u>	<u>14,233,220</u>	<u>16,241,604</u>	<u>15,816,817</u>
Contribution deficiency (excess)	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ _____</u>
Covered payroll	\$ 88,345,160	\$ 89,543,136	\$ 89,460,842	\$ 88,078,113	\$ 85,774,496
Contributions as a percentage of covered payroll	16.05 %	15.91 %	15.91 %	18.44 %	18.44 %

Notes to Schedule

Valuation Date: Fiscal years ending 2015 and 2016 are based on June 30, 2013 actuarial valuation, rates for fiscal years 2017 and 2018 are based on June 30, 2015 actuarial valuation and rates for fiscal year 2019 are based on June 30, 2017 valuation.

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

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

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

	2019	2018	2017	2016	2015
Total pension liability					
Service cost	\$ 388,116	\$ 376,186	\$ 390,637	\$ 791,558	\$ 813,234
Interest	1,896,547	1,908,394	2,054,913	2,022,874	1,973,760
Changes in assumptions		(101,861)			
Differences between expected and actual experience	(266,110)	(405,218)	(2,626,193)	(220,586)	
Benefit payments, including refunds of employee contributions	(1,998,178)	(1,895,299)	(1,929,683)	(2,342,607)	(1,828,117)
Net change in total pension liability	20,375	(117,798)	(2,110,326)	251,239	958,877
Total pension liability-beginning	28,092,618	28,210,416	30,320,742	30,069,503	29,110,626
Total pension liability-ending (a)	<u>\$ 28,112,993</u>	<u>\$ 28,092,618</u>	<u>\$ 28,210,416</u>	<u>\$ 30,320,742</u>	<u>\$ 30,069,503</u>
Plan fiduciary net position					
Contributions-employer	\$ 449,019	\$ 413,542	\$ 427,758	\$ 411,361	\$ 900,981
Contributions-employee	203,832	188,884	238,049	193,337	372,764
Net investment income	1,893,091	2,910,259	410,877	1,135,856	3,582,353
Benefit payments, including refunds of employee contributions	(1,998,178)	(1,895,299)	(1,929,683)	(2,342,607)	(1,828,117)
Administrative expense	(17,095)	(17,696)	(16,323)	(17,081)	(19,666)
Other	(1,656)	(2,556)	(181)	(236)	188
Net change in plan fiduciary net position	529,013	1,597,134	(869,503)	(619,370)	3,008,503
Plan fiduciary net position-beginning	26,156,690	24,559,556	25,429,059	26,048,429	23,039,926
Plan fiduciary net position-ending (b)	<u>\$ 26,685,703</u>	<u>\$ 26,156,690</u>	<u>\$ 24,559,556</u>	<u>\$ 25,429,059</u>	<u>\$ 26,048,429</u>
Net pension liability-ending (a)-(b)	<u>\$ 1,427,290</u>	<u>\$ 1,935,928</u>	<u>\$ 3,650,860</u>	<u>\$ 4,891,683</u>	<u>\$ 4,021,074</u>
Plan fiduciary net position as a percentage of the total pension liability	94.92 %	93.11 %	87.06 %	83.87 %	86.63 %
Covered payroll	\$ 4,624,284	\$ 3,822,015	\$ 3,952,516	\$ 3,802,628	\$ 7,346,439
Net pension liability as a percentage of covered payroll	30.87 %	50.65 %	92.37 %	128.64 %	54.74 %

Notes to Schedule:

- 1) Changes of benefit terms: There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. A hybrid plan with changes to the defined benefit plan structure and a new defined contribution component was adopted in 2012. The hybrid plan applies to most new employees hired on January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this is still a fairly new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2018 is not material. The liabilities presented do not reflect the hybrid plan since it covers new members joining the Plan after the valuation date of June 30, 2013 and the impact on the liabilities as of the measurement date of June 30, 2014 are minimal.
- 2) Changes in assumptions: The actuarial assumptions used in the June 30, 2017 valuation were based on the result of an actuarial experience study for the four-year period from July 1, 2012 through June 30, 2016. Changes were made to the mortality rates, retirement rates, withdrawal rates, disability rates and salary scale.
- 3) GAAP requires 10-year trend information. Fiscal year 2015 is the first year of implementation.
- 4) Per GAAP, net pension liabilities are reported using the measurement date, which is one year prior to the reporting date.

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

	2019	2018	2017	2016	2015
Contractually required contribution	\$ 356,901	\$ 449,018	\$ 413,542	\$ 427,758	\$ 411,361
Contributions in relation to the contractually required contribution	<u>356,901</u>	<u>449,018</u>	<u>413,542</u>	<u>427,758</u>	<u>411,361</u>
Contribution deficiency (excess)	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Covered payroll	\$ 3,837,645	\$ 4,624,284	\$ 3,822,015	\$ 3,957,058	\$ 3,805,375
Contributions as a percentage of covered payroll	9.30 %	9.71 %	10.82 %	10.81 %	10.81 %

Notes to Schedule

Valuation Date: Fiscal years ending 2015 and 2016 are based on June 30, 2013 actuarial valuation, the rates shown for fiscal years 2017 and 2018 are based on June 30, 2015 actuarial valuation and the rates for fiscal year 2019 are based on June 30, 2017 actuarial valuation .

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

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

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

	2019	2018	2017	2016	2015
School Board's proportion of the net pension liability	1.36 %	1.39 %	1.39 %	1.43 %	1.50 %
School Board's proportionate share of the net pension liability	\$ 159,918,000	\$ 170,830,000	\$ 195,347,000	\$ 180,096,000	\$ 181,847,000
School Board's covered payroll	\$ 107,767,132	\$ 106,158,070	\$ 105,320,099	\$ 105,909,421	\$ 110,084,974
School Board's proportionate share of the net pension liability as a percentage of its covered payroll	148.39 %	160.92 %	185.48 %	170.05 %	165.19 %
Plan fiduciary net position as a percentage of the total pension liability	76.00 %	73.11 %	75.60 %	74.56 %	70.88 %

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

Notes:

- 1) This schedule is intended to show information for 10 years. Since 2015 is the first year for the presentation, there are only four years available. However, additional years will be included as they become available.
- 2) Changes of benefit terms: There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this is still a fairly new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2018 is not material.
- 3) Changes in assumptions: The actuarial assumptions used in the June 30, 2017 were based on the results of an actuarial experience study for the four-year period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

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

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

	2019	2018	2017	2016	2015
Contractually required contribution	\$ 17,052,089	\$ 17,598,373	\$ 17,324,997	\$ 19,168,258	\$ 19,270,757
Contribution in relation to the contractually required contribution	<u>16,618,902</u>	<u>17,587,596</u>	<u>15,562,773</u>	<u>14,808,006</u>	<u>15,356,866</u>
Contribution deficiency (excess)	<u>\$ 433,187</u>	<u>\$ 10,777</u>	<u>\$ 1,762,224</u>	<u>\$ 4,360,252</u>	<u>\$ 3,913,891</u>
School Board's covered payroll	\$ 101,769,149	\$ 107,767,132	\$ 106,158,070	\$ 105,320,099	\$ 105,909,421
Contributions as a percentage of covered payroll	16.3 %	16.3 %	14.7 %	14.1 %	14.5 %

Notes to Schedule

Valuation Date :

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

2. Changes of benefit terms- There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this is still a fairly new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2018 is not material.

3. Changes in assumptions:

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

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

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

	2019	2018
Total OPEB Liability		
Service cost at end of year	\$ 2,417,844	\$ 3,059,781
Interest	3,420,421	2,889,041
Differences between expected and actual experience	(182,752)	220,844
Changes of assumptions or other inputs	(3,081,415)	(11,726,487)
Benefit payments	(2,580,971)	(2,798,872)
Net change in total OPEB	(6,873)	(8,355,693)
Total OPEB liability - beginning	94,403,774	102,759,467
Total OPEB liability - ending	\$ 94,396,901	\$ 94,403,774
Covered payroll	\$ 91,084,919	\$ 90,627,625
Net OPEB liability as a percentage of covered payroll	103.64 %	104.17 %

Notes to Schedule

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

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

	2019	2018
Total OPEB Liability		
Service cost at end of year	\$ 237,502	\$ 285,422
Interest	156,447	137,391
Differences between expected and actual experience	241,860	(40,581)
Changes of assumptions or other inputs	98,094	(713,713)
Benefit payments	(504,195)	(212,196)
Net change in total OPEB	229,708	(543,677)
Total OPEB liability - beginning	4,382,412	4,926,089
Total OPEB liability - ending	<u>\$ 4,612,120</u>	<u>\$ 4,612,120</u>
Covered payroll	\$ 109,922,935	\$ 109,696,113
Net OPEB liability as a percentage of covered payroll	4.20 %	4.20 %

Notes to Schedule

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

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

	2019	2018	2017
<u>Primary Government</u>			
Contractually determined contribution	\$ 2,905,572	\$ 2,614,135	\$ 2,798,872
Contributions in relation to the contractually determined contribution	<u>2,905,572</u>	<u>2,614,135</u>	<u>2,798,872</u>
Employee covered payroll	\$ 91,627,934	\$ 91,084,919	\$ 90,627,625
Contributions as a percentage of covered payroll	3.17 %	2.87 %	3.09 %
<u>Component Unit-School Board</u>			
Contractually determined contribution	504,195	534,836	212,196
Contributions in relation to contractually determined contribution	<u>504,195</u>	<u>534,836</u>	<u>212,196</u>
Employee payroll	108,750,257	109,922,935	109,696,113
Contributions as a percentage of covered payroll	0.46 %	0.49 %	0.19 %

Notes to Schedule

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

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

	<u>2019</u>	<u>2018</u>
Proportion of the Net OPEB liability	1.35919 %	1.38996 %
Proportionate Share of the Net OPEB liability	\$ 17,258,000	\$ 17,633,000
Employer's Covered payroll	109,922,935	109,696,113
Proportionate share of the net OPEB liability as a percentage of covered payroll	15.70 %	16.07 %
Plan fiduciary net position as a percentage of total OPEB liability	8.08 %	7.00 %

Notes to Schedule

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

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually determined contribution	\$ 1,305,003	\$ 1,352,052	\$ 1,349,262
Contributions in relation to the contractually determined contribution	<u>1,305,003</u>	<u>1,352,052</u>	<u>1,217,627</u>
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 131,635</u>
School Board's covered payroll	\$ 108,750,257	\$ 109,922,935	\$ 109,696,113
Contributions as a percentage of covered payroll	1.20 %	1.23 %	1.11 %

Notes to Schedule

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

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

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

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

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

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

	2019	2018
Total OPEB Liability		
Service cost at end of year	\$ 916,561	\$ 565,127
Interest	491,686	278,308
Changes of benefit terms	-	3,162,168
Differences between expected and actual experience	(2,391,726)	(146,400)
Changes of assumptions or other inputs	(444,636)	(526,209)
Benefit payments	(439,544)	(124,402)
Net change in total OPEB	(1,867,659)	3,208,592
Total OPEB liability - beginning	13,035,534	9,826,942
Total OPEB liability - ending	\$ 11,167,875	\$ 13,035,534
Covered payroll	\$ 91,084,919	\$ 90,627,625
Net OPEB liability as a percentage of covered payroll	12.26 %	14.38 %

Notes to Schedule

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

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 546,033	\$ 468,634	\$ 124,402
Contribution in relation to the contractually required contribution	<u>546,033</u>	<u>468,634</u>	<u>124,402</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 88,434,323	\$ 91,084,919	\$ 90,627,625
Contributions as a percentage of covered-employee payroll	0.62 %	0.51 %	0.14 %

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

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

Changes of assumptions - The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience are as follows:

Largest Ten Locality Employers - General Employees

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

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

	2019	2018
<u>Primary Government</u>		
Proportionate share of the net other postemployment benefit liability	0.4790 %	0.4913 %
Proportionate share of the net other postemployment benefit liability	\$ 7,275,000	\$ 7,394,000
Covered payroll	\$ 91,084,919	\$ 90,627,625
Proportionate share of the net other postemployment benefit liability as a percentage of covered payroll	8 %	8 %
Plan fiduciary net position as a percentage of the total other postemployment benefit liability	51.22 %	49.00 %
<u>Component Unit-School Board</u>		
Proportionate share of the net other postemployment benefit liability	0.60247 %	0.61732 %
Proportionate share of the net other postemployment benefit liability	\$ 9,150,000	\$ 9,289,000
Covered payroll	\$ 114,558,220	\$ 113,866,451
Proportionate share of the net other postemployment benefit liability as a percentage of covered payroll	8 %	8 %
Plan fiduciary net position as a percentage of the total other postemployment benefit liability	51.22 %	48.86 %

Notes to Schedule

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

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

	2019	2018	2017
<u>Primary Government</u>			
Contractually required contribution	\$ 459,858	\$ 473,642	\$ 471,264
Contributions in relation to the contractually required contribution	<u>459,858</u>	<u>473,642</u>	<u>471,264</u>
City covered payroll	\$ 88,434,323	\$ 91,084,919	\$ 90,627,625
Contributions as a percentage of covered payroll	0.52 %	0.52 %	0.52 %
<u>Component Unit-School Board</u>			
Contractually required contribution	\$ 591,400	\$ 595,702	\$ 592,106
Contributions in relation to contractually required contribution	<u>591,400</u>	<u>595,702</u>	<u>592,106</u>
School Board covered payroll	\$ 113,730,722	\$ 114,558,220	\$ 113,866,451
	0.52 %	0.52 %	0.52 %

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

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

Changes of assumptions - The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest Ten Locality Employers - General Employees

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

Largest Ten Locality Employers - Hazardous Duty Employees

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

Teachers

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

CITY OF HAMPTON, VIRGINIA
GENERAL FUND
BALANCE SHEET
June 30, 2019

Assets:		
Cash and cash equivalents	\$	98,299,779
Investments		23,807,208
Accounts receivables:		
Taxes (net of allowance for uncollectible of \$3,955,472)		5,870,179
Due from other governments		10,364,148
Other		1,612,370
Due from other funds		11,399,879
Due from component units		222,559
Inventories		26,961
Total assets	\$	<u>151,603,083</u>
Liabilities:		
Accounts payable	\$	11,416,651
Accrued health insurance		14,020,384
Accrued liabilities		4,324,302
Due to other funds		12,320,403
Due to component units		356,372
Unearned revenues		146,239
Total liabilities		<u>42,584,351</u>
Deferred inflows of resources:		
Unavailable revenue-property taxes		3,866,383
Property taxes collected in advance		1,780,149
Total deferred inflows of resources		<u>5,646,532</u>
Fund balances:		
Nonspendable		26,961
Restricted		381,518
Committed		22,019,384
Assigned		6,190,329
Unassigned		74,754,008
Total fund balances		<u>103,372,200</u>
Total liabilities, deferred inflows of resources and fund balances	\$	<u>151,603,083</u>

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

CITY OF HAMPTON, VIRGINIA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		Over (Under)
REVENUES				
Intergovernmental:				
From the Commonwealth of Virginia	\$ 40,384,314	\$ 56,334,229	\$ 55,644,179	\$ (690,050)
From the Federal government	9,381,750	9,381,750	10,768,512	1,386,762
Local taxes	259,610,260	244,156,331	248,133,572	3,977,241
Special assessments	5,748,234	5,748,234	2,456,621	(3,291,613)
Licenses and permits	1,364,600	1,364,600	1,641,090	276,490
Fines and forfeitures	1,302,762	1,302,762	1,438,887	136,125
Revenues from use of money and property	1,463,609	1,463,609	3,062,025	1,598,416
Charges for services	9,659,666	9,659,666	10,587,773	928,107
Recovered costs	916,000	916,000	957,640	41,640
Payment from component units	2,437,345	2,437,345	2,232,199	(205,146)
Miscellaneous	4,165,329	4,256,897	4,209,902	(46,995)
Total revenues	336,433,869	337,021,423	341,132,400	4,110,977
EXPENDITURES				
Current:				
General government	113,782,681	112,703,923	101,109,822	(11,594,101)
Public safety	53,351,726	55,270,938	54,195,107	(1,075,831)
Highways and streets	2,852,900	2,662,479	2,024,658	(637,821)
Health	2,632,307	2,649,941	2,496,085	(153,856)
Human services	21,406,499	21,514,846	20,688,029	(826,817)
Culture and recreation	13,123,473	13,414,614	13,003,112	(411,502)
Education	75,921,963	75,934,529	75,907,979	(26,550)
Total expenditures	283,071,549	284,151,270	269,424,792	(14,726,478)
Excess of revenues over expenditures	53,362,320	52,870,153	71,707,608	18,837,455
OTHER FINANCING SOURCES (USES)				
Transfers in	583,880	583,880	236,094	(347,786)
Transfers out	(59,831,125)	(72,718,761)	(69,278,976)	(3,439,785)
Other financing uses, net	(59,247,245)	(72,134,881)	(69,042,882)	3,091,999
Net change in fund balances	(5,884,925)	(19,264,728)	2,664,726	\$ 21,929,454
Appropriations from fund balance	5,884,925	19,509,563		
Appropriations - encumbrances		(244,835)		
Fund balance - July 1			100,707,474	
Fund balance - June 30	\$	\$	\$ 103,372,200	

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

CITY OF HAMPTON, VIRGINIA
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER CREDITS - BUDGET AND ACTUAL
For the Year Ended June 30, 2019

	Budget July 1, 2018	Net Changes	Final June 30, 2019	Actual	Variance Over (Under)
General property taxes:					
Real estate	\$ 129,883,550	\$	\$ 129,883,550	\$ 130,820,126	\$ 936,576
Public service	4,251,228		4,251,228	4,365,989	114,761
Personal property	42,036,814	(15,453,929)	26,582,885	26,578,442	(4,443)
Mobile homes	40,910		40,910	32,507	(8,403)
Machinery and tools	2,466,796		2,466,796	2,772,909	306,113
Delinquent taxes	450,000		450,000	554,427	104,427
Penalty	1,009,000		1,009,000	1,186,443	177,443
Total general property taxes	<u>180,138,298</u>	<u>(15,453,929)</u>	<u>164,684,369</u>	<u>166,310,843</u>	<u>1,626,474</u>
Other local taxes:					
Utility-electric and gas	5,000,000		5,000,000	4,977,080	(22,920)
Communications sales tax	8,425,093		8,425,093	7,839,839	(585,254)
Tobacco	4,550,000		4,550,000	4,336,342	(213,658)
Business license	12,390,000		12,390,000	14,251,134	1,861,134
Short-term rental	126,354		126,354	109,523	(16,831)
Sales and use	15,556,505		15,556,505	15,740,811	184,306
Recordation	1,450,000		1,450,000	1,530,176	80,176
Public right of way	550,383		550,383	466,258	(84,125)
Lodging and transit	3,978,686		3,978,686	4,075,773	97,087
Amusement	1,358,755		1,358,755	1,213,377	(145,378)
Meal	21,114,540		21,114,540	22,081,266	966,726
Motor vehicle	4,403,135		4,403,135	4,496,435	93,300
Bank stock	568,511		568,511	704,714	136,203
Total other local taxes	<u>79,471,962</u>		<u>79,471,962</u>	<u>81,822,728</u>	<u>2,350,766</u>
License, permits and privilege fees:					
Animal licenses	55,000		55,000	32,389	(22,611)
Street and taxi permits	168,000		168,000	222,619	54,619
Zoning and land use	320,000		320,000	437,979	117,979
Building permits	800,000		800,000	900,557	100,557
Miscellaneous	21,600		21,600	47,545	25,945
Total license, permits and privilege fees	<u>1,364,600</u>		<u>1,364,600</u>	<u>1,641,089</u>	<u>276,489</u>
Total fines and forfeitures	<u>1,302,762</u>		<u>1,302,762</u>	<u>1,438,887</u>	<u>136,125</u>
Special assessments:					
Peninsula Town Center CDA	4,377,463		4,377,463	1,173,565	(3,203,898)
H2O CDA	539,170		539,170	469,426	(69,744)
Coliseum BID	613,695		613,695	592,026	(21,669)
Downtown BID	171,567		171,567	174,984	3,417
Elizabeth Lakes	46,339		46,339	46,619	280
Total special assessments	<u>5,748,234</u>		<u>5,748,234</u>	<u>2,456,620</u>	<u>(3,291,614)</u>
Revenue from use of money and property:					
Interest on investments	1,280,568		1,280,568	2,438,198	1,157,630
Rental of property	33,016		33,016	16,431	(16,585)
Sale of materials and property	65,019		65,019	74,723	9,704
Vending machines	9,000		9,000	11,462	2,462
Billboard revenue	76,006		76,006	76,007	1
Net increase in fair value of investments				445,204	445,204
Total revenue from use of money and property	<u>\$ 1,463,609</u>	<u>\$</u>	<u>\$ 1,463,609</u>	<u>\$ 3,062,025</u>	<u>\$ 1,598,416</u>

continued

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

CITY OF HAMPTON, VIRGINIA
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER CREDITS - BUDGET AND ACTUAL
For the Year Ended June 30, 2019

	Budget July 1, 2018	Net Changes	Final June 30, 2019	Actual	Variance Over (Under)
Charges for services:					
Fees:					
Court costs	\$ 1,000	\$	\$ 1,000	\$ 1,166	\$ 166
Clerk	60,000		60,000	71,222	11,222
Court officers	26,000		26,000	28,559	2,559
Parks and Recreation	1,236,601		1,236,601	1,254,729	18,128
Youth, Education, and Family Services	1,361,051		1,361,051	1,600,410	239,359
Sheriff	55,376		55,376	18,941	(36,435)
Library	50,000		50,000	26,682	(23,318)
Jail admission fee	8,350		8,350	10,985	2,635
Ambulance services	3,969,061		3,969,061	4,513,597	544,536
Fire Prevention	213,400		213,400	217,335	3,935
Public education grant fees	200,000		200,000	185,343	(14,657)
Passport applications	50,000		50,000	45,675	(4,325)
Miscellaneous charges for services	334,435		334,435	376,708	42,273
Landfill host fees	910,432		910,432	994,597	84,165
Payment in lieu of taxes-Fort Monroe	983,960		983,960	1,005,879	21,919
Boat license fee	200,000		200,000	235,943	35,943
Total charges for services	<u>9,659,666</u>		<u>9,659,666</u>	<u>10,587,771</u>	<u>928,105</u>
Miscellaneous revenue:					
Payment in lieu of taxes-other	75,000		75,000	47,911	(27,089)
Returned check charges	14,010		14,010	6,254	(7,756)
Unemployment fees	4,000		4,000	4,000	
School reimbursement	1,569,321		1,569,321	1,569,321	
Indirect cost	935,745		935,745	935,745	
Other	1,567,253	91,568	1,658,821	1,646,671	(12,150)
Total miscellaneous revenue	<u>4,165,329</u>	<u>91,568</u>	<u>4,256,897</u>	<u>4,209,902</u>	<u>(46,995)</u>
Recovered costs:					
Jail operations	677,495		677,495	527,357	(150,138)
Probation	8,500		8,500	7,528	(972)
NASA fire services	916,000		916,000	957,640	41,640
Miscellaneous	150,000		150,000	193,644	43,644
Total recovered costs	<u>1,751,995</u>		<u>1,751,995</u>	<u>1,686,169</u>	<u>(65,826)</u>
Noncategorical aid - state:					
Personal property tax relief reimbursement		15,453,929	15,453,929	15,453,929	
Vehicle rental tax	405,000		405,000	419,150	14,150
Railroad rolling stock tax	10,516		10,516	5,918	(4,598)
Mobile home titling tax	20,312		20,312	20,055	(257)
Taxes on deeds	394,000		394,000	382,512	(11,488)
State Share-FEMA				54,336	54,336
Total noncategorical aid - state	<u>829,828</u>	<u>15,453,929</u>	<u>16,283,757</u>	<u>16,335,900</u>	<u>52,143</u>
Shared expenses - state:					
Sheriff	6,594,123		6,594,123	5,875,422	(718,701)
Commonwealth's Attorney	1,402,569		1,402,569	1,393,233	(9,336)
Commissioner of Revenue	300,897		300,897	303,473	2,576
Treasurer	266,623		266,623	269,982	3,359
Clerk of Courts	814,236		814,236	846,313	32,077
Registrar-election board	53,144		53,144	53,899	755
Total shared expenses - state	<u>\$ 9,431,592</u>	<u>\$</u>	<u>\$ 9,431,592</u>	<u>\$ 8,742,322</u>	<u>\$ (689,270)</u>

continued

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

CITY OF HAMPTON, VIRGINIA
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER CREDITS - BUDGET AND ACTUAL
For the Year Ended June 30, 2019

	Budget July 1, 2018	Net Changes	Final June 30, 2019	Actual	Variance Over (Under)
Categorical aid - state:					
Public assistance	\$ 5,370,600		\$ 5,370,600	\$ 4,970,566	\$ (400,034)
Police	6,733,487		6,733,487	6,982,624	249,137
Street and highway maintenance	16,296,053	495,986	16,792,039	16,792,039	
E911 wireless grant	409,000		409,000	590,585	181,585
Public library books	162,055		162,055	167,568	5,513
Virginia juvenile block grant	315,704		315,704	315,703	(1)
State funds - Police				18,348	18,348
Total categorical aid - state	<u>29,286,899</u>	<u>495,986</u>	<u>29,782,885</u>	<u>29,837,433</u>	<u>54,548</u>
Categorical aid - federal:					
Pass thru-public assistance	8,493,169		8,493,169	9,707,079	1,213,910
Pass thru-Healthy Families	640,081		640,081	630,890	(9,191)
Pass thru-Federal Rad. Emergency Response	20,500		20,500	20,500	
Pass thru-Virginia Department of Transportation				829	829
Federal funds				122,244	122,244
Total categorical aid - federal	<u>9,153,750</u>		<u>9,153,750</u>	<u>10,481,542</u>	<u>1,327,792</u>
Noncategorical aid - federal					
Federal Share-FEMA				58,970	58,970
Indirect costs-total	228,000		228,000	228,000	
Total noncategorical aid - federal	<u>228,000</u>		<u>228,000</u>	<u>286,970</u>	<u>58,970</u>
Total revenues	<u>333,996,524</u>	<u>587,554</u>	<u>334,584,078</u>	<u>338,900,201</u>	<u>4,316,123</u>
Other credits:					
Component unit-EDA Fund	437,345		437,345	232,199	(205,146)
Transfer from Solid Waste Fund	470,588	(354,588)	116,000	116,000	
Transfer from Grants Fund				6,802	6,802
Transfer from Wastewater Fund	113,292		113,292	113,292	
Component Unit-Schools	2,000,000		2,000,000	2,000,000	
Total transfers	<u>3,021,225</u>	<u>(354,588)</u>	<u>2,666,637</u>	<u>2,468,293</u>	<u>(198,344)</u>
Total revenues and transfers	<u>337,017,749</u>	<u>232,966</u>	<u>337,250,715</u>	<u>341,368,494</u>	<u>4,117,779</u>
Appropriations from fund balance	5,884,925	13,624,638	19,509,563	19,509,563	
Appropriations-encumbrances				1,023,829	1,023,829
Total appropriations	<u>5,884,925</u>	<u>13,624,638</u>	<u>19,509,563</u>	<u>20,533,392</u>	<u>1,023,829</u>
Total revenues and other credits	<u>\$ 342,902,674</u>	<u>\$ 13,766,036</u>	<u>\$ 356,760,278</u>	<u>\$ 361,901,886</u>	<u>\$ 5,141,608</u>

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

**CITY OF HAMPTON, VIRGINIA
GENERAL FUND
SCHEDULE OF APPROPRIATIONS AND EXPENDITURES
For the Year Ended June 30, 2019**

	Appropriations			Expenditures			Variance Under (Over)	
	Budget	Net Changes	Final	Personal	Operating	Capital Outlay		Total
	July 1, 2018		June 30, 2019	Services	Expenditures			
General Government								
Legislative:								
Municipal Council	\$ 492,819	\$ 41,891	\$ 534,710	\$ 386,191	\$ 136,270	\$ -	\$ 522,461	\$ 12,249
Legislative - Total	492,819	41,891	534,710	386,191	136,270	-	522,461	12,249
Executive:								
City Manager	1,285,891	30,326	1,316,217	999,205	76,358	5,057	1,080,620	235,597
311 Customer Call Center	537,641	324	537,965	329,267	72,001	-	401,268	136,697
Citizens Unity Commission	129,729	-	129,729	73,841	19,431	-	93,272	36,457
Marketing, INC	740,444	50,183	790,627	425,303	303,750	22,216	751,269	39,358
Internal Audit	188,018	-	188,018	151,846	10,792	2,984	165,622	22,396
Executive - Total	2,881,723	80,833	2,962,556	1,979,462	482,332	30,257	2,492,051	470,505
City Attorney:								
Law-City Attorney	1,104,997	38,680	1,143,677	950,336	89,079	14,606	1,054,021	89,656
City Attorney - Total	1,104,997	38,680	1,143,677	950,336	89,079	14,606	1,054,021	89,656
Human Resources -Total	768,434	134,468	902,902	715,039	141,746	494	857,279	45,623
Judicial:								
Clerk of Courts	985,732	102,799	1,088,531	812,917	130,499	-	943,416	145,115
Circuit Court	358,156	7,258	365,414	303,200	36,510	2,369	342,079	23,335
General District Court	177,920	71,290	249,210	39,377	125,208	41,803	206,388	42,822
District Court-J.D.R.	47,632	(3,412)	44,220	-	39,563	-	39,563	4,657
Commonwealth's Attorney	2,195,229	40,511	2,235,740	2,060,127	149,121	-	2,209,248	26,492
City Sheriff-Administration	1,968,907	(544,389)	1,424,518	1,109,509	233,955	-	1,343,464	81,054
City Sheriff-Jail	7,086,814	586,171	7,672,985	4,930,568	2,514,995	7,805	7,453,368	219,617
Court Service Unit	1,691,122	176,577	1,867,699	212,253	1,620,421	2,736	1,835,410	32,289
Magistrates Office	28,603	-	28,603	11,938	5,172	1,992	19,102	9,501
Judicial - Total	14,540,115	436,805	14,976,920	9,479,889	4,855,444	56,705	14,392,038	584,882

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

**CITY OF HAMPTON, VIRGINIA
GENERAL FUND
SCHEDULE OF APPROPRIATIONS AND EXPENDITURES
For the Year Ended June 30, 2019**

	Appropriations			Expenditures			Variance Under (Over)	
	Budget		Final	Personal	Operating			
	July 1, 2018	Net Changes	June 30, 2019	Services	Expenditures	Capital Outlay		
General Government, concluded:								
Boards and commissions:								
Community Development	\$ 3,189,851	\$ 47,448	\$ 3,237,299	\$ 2,362,028	\$ 530,698	\$ 105,953	\$ 2,998,679	\$ 238,620
Elections Board	164,868	33,355	198,223	61,859	92,117	-	153,976	44,247
Registrar	228,008	22,455	250,463	177,128	34,171	-	211,299	39,164
Development	1,064,178	297,707	1,361,885	884,762	193,187	3,204	1,081,153	280,732
Boards and Commissions - Total	<u>4,646,905</u>	<u>400,965</u>	<u>5,047,870</u>	<u>3,485,777</u>	<u>850,173</u>	<u>109,157</u>	<u>4,445,107</u>	<u>602,763</u>
Agriculture - Extension Agent - Total	<u>68,981</u>	<u>630</u>	<u>69,611</u>	<u>41,286</u>	<u>27,203</u>	<u>-</u>	<u>68,489</u>	<u>1,122</u>
Nondepartmental:								
Nondepartmental	27,439,779	(489,205)	26,950,574	658,087	22,543,406	-	23,201,493	3,749,081
Civic and community support	795,658	-	795,658	-	795,658	-	795,658	-
Other	2,566,957	(67,592)	2,499,365	-	1,442,679	-	1,442,679	1,056,686
Nondepartmental - Total	<u>30,802,394</u>	<u>(556,797)</u>	<u>30,245,597</u>	<u>658,087</u>	<u>24,781,743</u>	<u>-</u>	<u>25,439,830</u>	<u>4,805,767</u>
Finance:								
Commissioner of Revenue	1,340,529	(9,328)	1,331,201	1,149,412	177,111	2,624	1,329,147	2,054
Assessor of Real Estate	1,171,151	9,258	1,180,409	959,539	107,552	5,268	1,072,359	108,050
City Treasurer	1,790,947	(81,667)	1,709,280	1,223,030	363,594	67,046	1,653,670	55,610
Consolidated Procurement	404,209	3,186	407,395	359,489	39,121	-	398,610	8,785
Independent Auditors	200,475	8,972	209,447	-	194,789	-	194,789	14,658
Finance	832,671	266,772	1,099,443	705,576	83,981	1,961	791,518	307,925
Information Technology	3,652,843	6,034	3,658,877	1,206,056	1,975,616	393,026	3,574,698	84,179
Finance - Total	<u>9,392,825</u>	<u>203,227</u>	<u>9,596,052</u>	<u>5,603,102</u>	<u>2,941,764</u>	<u>469,925</u>	<u>9,014,791</u>	<u>581,261</u>
Retirement and Employee Benefits Total	<u>43,619,176</u>	<u>(2,033,603)</u>	<u>41,585,573</u>	<u>1,373,574</u>	<u>36,026,813</u>	<u>-</u>	<u>37,400,387</u>	<u>4,185,186</u>
Public Works:								
Administration	227,157	746	227,903	175,135	19,324	-	194,459	33,444
Engineering	733,888	(22,300)	711,588	592,849	71,048	825	664,722	46,866
Property Maintenance	4,299,553	226,655	4,526,208	1,101,214	3,353,603	8,470	4,463,287	62,921
Parking Facilities	203,714	(30,956)	172,758	33,860	67,040	-	100,900	71,858
Public Works - Total	<u>5,464,312</u>	<u>174,145</u>	<u>5,638,457</u>	<u>1,903,058</u>	<u>3,511,015</u>	<u>9,295</u>	<u>5,423,368</u>	<u>215,089</u>

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

CITY OF HAMPTON, VIRGINIA
GENERAL FUND
SCHEDULE OF APPROPRIATIONS AND EXPENDITURES
For the Year Ended June 30, 2019

	Appropriations			Expenditures			Variance Under (Over)	
	Budget		Final	Personal	Operating			
	July 1, 2018	Net Changes	June 30, 2019	Services	Expenditures	Capital Outlay		
					Total			
General Government - Total	\$ 113,782,681	\$ (1,078,756)	\$ 112,703,925	\$ 26,575,801	\$ 73,843,582	\$ 690,439	\$101,109,822	\$ 11,594,103
Public Safety:								
Police Division	24,969,851	809,244	25,779,095	19,807,329	4,326,699	945,786	25,079,814	699,281
Traffic Engineering	3,191,924	(84,868)	3,107,056	440,123	2,536,760	4,600	2,981,483	125,573
Fire Division	21,219,797	1,054,589	22,274,386	18,025,591	4,225,008	22,989	22,273,588	798
Emergency Management	297,921	88,108	386,029	246,236	84,129	12,548	342,913	43,116
E911	2,756,887	180	2,757,067	2,159,565	469,113	23,896	2,652,574	104,493
Animal Control	547,394	(39,834)	507,560	312,486	155,123	3,636	471,245	36,315
Youth Violence Prevention	367,952	91,793	459,745	307,534	85,956	-	393,490	66,255
Public Safety - Total	53,351,726	1,919,212	55,270,938	41,298,864	11,882,788	1,013,455	54,195,107	1,075,831
Highways and Streets-Total	2,852,900	(190,421)	2,662,479	874,779	1,121,557	28,323	2,024,659	637,820

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

**CITY OF HAMPTON, VIRGINIA
GENERAL FUND
SCHEDULE OF APPROPRIATIONS AND EXPENDITURES
For the Year Ended June 30, 2019**

	Appropriations			Expenditures				Variance Under (Over)
	Budget	Net Changes	Final	Personal	Other	Capital Outlay	Total	
	July 1, 2018		June 30, 2019	Services	Expenditures			
Health:								
Preventive Medicine	\$ 1,258,734	\$ 17,634	\$ 1,276,368	\$ -	\$ 1,242,763	\$ -	\$ 1,242,763	\$ 33,605
Drainage Maintenance	1,373,573	-	1,373,573	555,141	698,181	-	1,253,322	120,251
Health - Total	2,632,307	17,634	2,649,941	555,141	1,940,944	-	2,496,085	153,856
Human Services:								
Administration	12,929,888	156,500	13,086,388	8,049,622	4,757,136	89,851	12,896,609	189,779
Public Assistance	532,892	(75,000)	457,892	-	425,593	-	425,593	32,299
Purchase of Services	4,362,338	(81,500)	4,280,838	-	3,764,189	-	3,764,189	516,649
Youth, Education and Family Services	3,581,381	108,347	3,689,728	2,891,273	701,266	9,100	3,601,639	88,089
Human Services - Total	21,406,499	108,347	21,514,846	10,940,895	9,648,184	98,951	20,688,030	826,816
Culture and Recreation:								
Recreation	4,423,023	184,835	4,607,858	2,864,010	1,560,670	23,584	4,448,264	159,594
Parks	6,073,494	(190,882)	5,882,612	1,807,736	3,892,158	43,761	5,743,655	138,957
Conventions and Tourism	2,266,138	263,046	2,529,184	837,524	1,596,893	605	2,435,022	94,162
Hampton History Museum	360,818	34,142	394,960	311,409	53,035	11,725	376,169	18,791
Culture and Recreation - Total	13,123,473	291,141	13,414,614	5,820,679	7,102,756	79,675	13,003,110	411,504

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

**CITY OF HAMPTON, VIRGINIA
GENERAL FUND
SCHEDULE OF APPROPRIATIONS AND EXPENDITURES
For the Year Ended June 30, 2019**

	Appropriations			Expenditures			Variance Under (Over)	
	Budget July 1, 2018	Net Changes	Final June 30, 2019	Personal Services	Other Expenditures	Capital Outlay		Total
Education:								
School Operations	73,827,042	-	73,827,042	-	73,827,042	-	73,827,042	-
Public Library	2,094,921	12,566	2,107,487	1,376,429	697,317	7,191	2,080,937	26,550
Education - Total	75,921,963	12,566	75,934,529	1,376,429	74,524,359	7,191	75,907,979	26,550
Total expenditures	283,071,549	1,079,723	284,151,272	87,442,588	180,064,170	1,918,034	269,424,792	14,726,480
Operating Transfers Out:								
Capital Projects Fund	15,128,732	12,633,640	27,762,372	-	27,754,571	-	27,754,571	7,801
Enterprise Funds	8,076,367	526,696	8,603,063	-	8,603,062	-	8,603,062	1
Special Revenue Funds	2,451,215	(272,701)	2,178,514	-	1,813,703	-	1,813,703	364,811
Debt Service Fund	34,174,811	-	34,174,811	-	31,107,640	-	31,107,640	3,067,171
Transfers - Total	59,831,125	12,887,635	72,718,760	-	69,278,976	-	69,278,976	3,439,784
Total expenditures and transfers	\$ 342,902,674	\$ 13,967,358	\$ 356,870,032	\$ 87,442,588	\$ 249,343,146	\$ 1,918,034	\$ 338,703,768	\$ 18,166,264

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

CITY OF HAMPTON, VIRGINIA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2019

	Federal Grants	Community Development	Stormwater Management	Pembroke Complex	Law Library	Total Non-major Governmental Funds
Assets:						
Cash and cash equivalents	\$	\$ 173,916	\$ 12,333,424	\$ 68,216	\$ 32,284	\$ 12,607,840
Accounts receivables:						
Due from other governments	2,756,114	366,734				3,122,848
Other	550,118		511,175		63	1,061,356
Due from other funds	312,266	12,305	16,650			341,221
Total assets	\$ 3,618,498	\$ 552,955	\$ 12,861,249	\$ 68,216	\$ 32,347	\$ 17,133,265
Liabilities:						
Accounts payable	\$ 1,110,157	\$ 422,285	\$ 16,755	\$ 13,543	\$ 5,764	\$ 1,568,504
Accrued liabilities	70,752	8,142	53,352	1,438		133,684
Due to other funds	417,578					417,578
Total liabilities	1,598,487	430,427	70,107	14,981	5,764	2,119,766
Deferred inflows of resources:						
Unavailable revenue-program income		122,528				122,528
Unavailable revenue-stormwater fees			511,175			511,175
Total deferred inflows of resources		122,528	511,175			633,703
Fund balances:						
Restricted	1,930,833		12,279,967	53,235	26,583	14,290,618
Assigned	89,178					89,178
Total fund balances	2,020,011		12,279,967	53,235	26,583	14,379,796
Total liabilities, deferred inflows of resources and fund balances	\$ 3,618,498	\$ 552,955	\$ 12,861,249	\$ 68,216	\$ 32,347	\$ 17,133,265

CITY OF HAMPTON, VIRGINIA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended June 30, 2019

	<u>Special Revenue</u>					Total Non-major Governmental Funds
	<u>Federal Grants</u>	<u>Community Development</u>	<u>Stormwater Management</u>	<u>Pembroke Complex</u>	<u>Law Library</u>	
REVENUES						
Intergovernmental revenues:						
From the Commonwealth of Virginia	\$ 9,834,538					\$ 9,834,538
From the Federal government	3,701,416	1,460,647				5,162,063
Revenues from use of money and property				395,103	756	395,859
Charges for services			8,806,912			8,806,912
Miscellaneous	1,301,845	277,418	212		46,078	1,625,553
Total revenues	<u>14,837,799</u>	<u>1,738,065</u>	<u>8,807,124</u>	<u>395,103</u>	<u>46,834</u>	<u>25,824,925</u>
EXPENDITURES						
Current:						
General government	1,149,026	1,738,065		382,630	62,770	3,332,491
Public safety	5,950,885					5,950,885
Sanitation			4,935,460			4,935,460
Human services	9,338,627					9,338,627
Culture and recreation	142,407					142,407
Total expenditures	<u>16,580,945</u>	<u>1,738,065</u>	<u>4,935,460</u>	<u>382,630</u>	<u>62,770</u>	<u>23,699,870</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,743,146)</u>		<u>3,871,664</u>	<u>12,473</u>	<u>(15,936)</u>	<u>2,125,055</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	1,941,000					1,941,000
Transfers out	(21,652)		(3,026,988)			(3,048,640)
Other financing sources (uses), net	<u>1,919,348</u>		<u>(3,026,988)</u>			<u>(1,107,640)</u>
Net change in fund balances	176,202		844,676	12,473	(15,936)	1,017,415
Fund balances, beginning of year	<u>1,843,809</u>		<u>11,435,291</u>	<u>40,762</u>	<u>42,519</u>	<u>13,362,381</u>
Fund balances, end of year	<u>\$ 2,020,011</u>	<u>\$</u>	<u>\$ 12,279,967</u>	<u>\$ 53,235</u>	<u>\$ 26,583</u>	<u>\$ 14,379,796</u>

CITY OF HAMPTON, VIRGINIA
NON-MAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF NET POSITION
June 30, 2019

	Business-Type Activities - Non-Major Enterprise Funds				Totals
	Coliseum	Woodlands	Solid Waste	Refuse-Steam Plant	
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 8,067,719	\$ 800	\$ 6,517,522	\$ 6,956,955	\$ 21,542,996
Cash with fiscal agent			2,600,000		2,600,000
Accounts receivable, net	319,816	8,343	2,205,266	193,784	2,727,209
Due from other funds	87,737	1,100	69,663		158,500
Due from component units			35,328		35,328
Inventories	65,660	4,746	6,868		77,274
Total current assets	<u>8,540,932</u>	<u>14,989</u>	<u>11,434,647</u>	<u>7,150,739</u>	<u>27,141,307</u>
Noncurrent assets:					
Capital assets:					
Land	164,079	2,295,538	945,188		3,404,805
Buildings and improvements	12,553,986	995,046		87,875	13,636,907
Improvements other than buildings	7,736,065	755,532	2,971	18,765,826	27,260,394
Computer software	22,500			225,843	248,343
Equipment	1,050,519	663,594	14,406,961	5,435,811	21,556,885
Landfill			3,865,986		3,865,986
Construction in progress	53,617				53,617
Less accumulated depreciation	<u>(16,937,705)</u>	<u>(2,155,852)</u>	<u>(13,578,160)</u>	<u>(19,229,147)</u>	<u>(51,900,864)</u>
Net capital assets	<u>4,643,061</u>	<u>2,553,858</u>	<u>5,642,946</u>	<u>5,286,208</u>	<u>18,126,073</u>
Total noncurrent assets	<u>4,643,061</u>	<u>2,553,858</u>	<u>5,642,946</u>	<u>5,286,208</u>	<u>18,126,073</u>
Total assets	<u>13,183,993</u>	<u>2,568,847</u>	<u>17,077,593</u>	<u>12,436,947</u>	<u>45,267,380</u>
DEFERRED OUTFLOWS OF RESOURCES					
Related to pensions	203,279	43,326	320,306	214,570	781,481
Related to other postemployment benefits	<u>35,645</u>	<u>14,886</u>	<u>73,602</u>	<u>55,449</u>	<u>179,582</u>
Total deferred outflows of resources	<u>238,924</u>	<u>58,212</u>	<u>393,908</u>	<u>270,019</u>	<u>961,063</u>
LIABILITIES					
Current liabilities:					
Accounts payable	479,126	1,542	510,350	153,808	1,144,826
Accrued leave	48,894	18,316	90,222	47,831	205,263
Due to other funds	55,448	2,517,587			2,573,035
Unearned revenues	2,210,641				2,210,641
Current portion of long-term debt			507,041	453,936	960,977
Other liabilities	<u>326,465</u>	<u>13,485</u>	<u>50,998</u>	<u>32,989</u>	<u>423,937</u>
Total current liabilities	<u>3,120,574</u>	<u>2,550,930</u>	<u>1,158,611</u>	<u>688,564</u>	<u>7,518,679</u>
Noncurrent liabilities:					
Accrued leave	45,154	17,626	135,822	107,330	305,932
Obligations under capital leases			1,603,143		1,603,143
Net pension liability	1,579,557	336,656	2,582,307	1,921,063	6,419,583
Net other postemployment benefit liability	860,369	442,347	2,538,298	1,190,717	5,031,731
Bonds payable				1,546,999	1,546,999
Total noncurrent liabilities	<u>2,485,080</u>	<u>796,629</u>	<u>6,859,570</u>	<u>4,766,109</u>	<u>14,907,388</u>
Total liabilities	<u>5,605,654</u>	<u>3,347,559</u>	<u>8,018,181</u>	<u>5,454,673</u>	<u>22,426,067</u>
DEFERRED INFLOWS OF RESOURCES					
Related to pensions	109,553	23,349	184,296	147,357	464,555
Related to other postemployment benefits	<u>92,600</u>	<u>61,043</u>	<u>328,210</u>	<u>153,217</u>	<u>635,070</u>
Total deferred inflows of resources	<u>202,153</u>	<u>84,392</u>	<u>512,506</u>	<u>300,574</u>	<u>1,099,625</u>
NET POSITION					
Net investment in capital assets	4,643,061	2,553,858	3,532,762	3,285,273	14,014,954
Unrestricted (deficit)	<u>2,972,049</u>	<u>(3,358,749)</u>	<u>5,408,051</u>	<u>3,666,446</u>	<u>8,687,797</u>
Total net position (deficit)	<u>\$ 7,615,110</u>	<u>\$ (804,891)</u>	<u>\$ 8,940,813</u>	<u>\$ 6,951,719</u>	<u>\$ 22,702,751</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, 2019

	Business-Type Activities - Non-Major Enterprise Funds				Totals
	Coliseum	Woodlands	Solid Waste	Refuse-Steam Plant	
Operating revenues:					
Charges for services	\$ 13,583,917	\$ 472,076	\$ 13,219,875	\$ 7,929,178	\$ 35,205,046
Other	4,794				4,794
Total operating revenues	13,588,711	472,076	13,219,875	7,929,178	35,209,840
Operating expenses:					
Personal services	1,530,183	295,145	2,274,114	1,641,637	5,741,079
Fringe benefits	101,531	97,494	619,592	357,555	1,176,172
Promoters fees	6,944,846				6,944,846
City-sponsored events	1,136,329				1,136,329
Cost of goods sold	378,406		149,935		557,312
Utilities	260,171	47,020	1,371	427,841	736,403
Insurance	209,297	19,353	92,956	312,183	633,789
Operating supplies	261,061	52,769	252,679	702,356	1,268,865
Equipmental rental	46,432	56,852		10,161	113,445
Equipment and building repairs	215,248	30,194	526,404	933,755	1,705,601
Telephone and postage	72,588	7,684	10,776	14,507	105,555
General expense	1,333,499	2,654	509,814	19,719	1,865,686
Landfill costs			3,539,159	694,561	4,233,720
Contractual services	1,033,909	33,690	2,620,414	225,620	3,913,633
Indirect cost			356,470	218,000	574,470
Depreciation and amortization	611,415	83,755	1,067,262	718,268	2,480,700
Total operating expenses	14,134,915	755,581	12,020,946	6,276,163	33,187,605
Operating income (loss)	(546,204)	(283,505)	1,198,929	1,653,015	2,022,235
Nonoperating revenues (expenses):					
Interest income				122,121	122,121
Interest and fiscal charges			(67,615)	(119,507)	(187,122)
Gain (loss) on disposal of capital assets			73,372	(2,989)	70,383
Total nonoperating revenues (expenses), net			5,757	(375)	5,382
Income (loss) before transfers	(546,204)	(283,505)	1,204,686	1,652,640	2,027,617
Transfers in(out)	1,052,844		(176,166)		876,678
Change in net position	506,640	(283,505)	1,028,520	1,652,640	2,904,295
Net position (deficit), beginning of year	7,108,470	(521,386)	7,912,293	5,299,079	19,798,456
Net position (deficit), end of year	\$ 7,615,110	\$ (804,891)	\$ 8,940,813	\$ 6,951,719	\$ 22,702,751

CITY OF HAMPTON, VIRGINIA
NON-MAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
Fiscal Year Ended June 30, 2019

	Coliseum	Woodlands	Solid Waste	Refuse-Steam Plant	Totals
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	\$ 13,244,162	\$ 471,529	\$ 13,954,319	\$ 7,890,701	\$ 35,560,711
Cash payments to suppliers for goods and services	(11,978,440)	(175,592)	(8,582,069)	(4,225,195)	(24,961,296)
Cash payments to employees for services	(1,545,187)	(295,937)	(2,255,963)	(1,610,638)	(5,707,725)
Net cash provided by (used in) operating activities	(279,465)		3,116,287	2,054,868	4,891,690
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Cash received from other funds	1,052,844				1,052,844
Cash paid to other funds			(176,166)		(176,166)
Net cash provided by (used in) noncapital financing activities	1,052,844		(176,166)		876,678
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition and construction of capital assets	(94,656)		(2,620,887)	(118,348)	(2,833,891)
Sale of capital assets	(53,617)		73,372		19,755
Principal paid on revenue bond maturities and long-term debt			(489,816)	(431,976)	(921,792)
Interest paid on revenue bonds and long-term debt			(67,615)	(119,507)	(187,122)
Net cash used in capital and related financing activities	(148,273)		(3,104,946)	(669,831)	(3,923,050)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest and dividends on investments				122,121	122,121
Net cash provided by investing activities				122,121	122,121
Net increase (decrease) in cash and cash equivalents	625,106		(164,825)	1,507,158	1,967,439
Cash and cash equivalents, July 1	7,442,613	800	9,282,347	5,449,797	22,175,557
Cash and cash equivalents, June 30	\$ 8,067,719	\$ 800	\$ 9,117,522	\$ 6,956,955	\$ 24,142,996
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	\$ (546,204)	\$ (283,505)	\$ 1,198,929	\$ 1,653,015	\$ 2,022,235
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization expense	611,415	83,755	1,067,262	718,268	2,480,700
Decrease (increase) in:					
Accounts receivable	(98,887)	553	972,210	(38,479)	835,397
Due from other funds	(87,737)	(1,100)	(69,663)		(158,500)
Due from component units			11,175		11,175
Inventories	(3,530)	11,849	149,934		158,253
Increase (decrease) in:					
Accounts payable	328,834	(4,939)	92,452	(53,409)	362,938
Accrued leave	8,951	13,707	50,616	22,957	96,231
Due to other funds	18,452	213,183			231,635
Other liabilities	58,816	(683)	5,481	1,530	65,144
Unearned revenue	(157,924)				(157,924)
Net pension and other postemployment benefits liability	(334,197)	(9,074)	(262,903)	(229,732)	(835,906)
Deferred outflows & inflows related to pensions	(53,499)	(9,247)	(61,260)	(25,794)	(149,800)
Long-term accrued leave	(23,955)	(14,499)	(37,946)	6,512	(69,888)
Total adjustments	266,739	283,505	1,917,358	401,853	2,869,455
Net cash provided by (used in) operating activities	\$ (279,465)	\$	\$ 3,116,287	\$ 2,054,868	\$ 4,891,690

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CITY OF HAMPTON, VIRGINIA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
June 30, 2019

	Equipment Replacement	Fleet Services	Risk Management	Information Technology	Totals
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 2,372,488	\$ 343,496	\$ 23,071,443	\$ 406,750	\$ 26,194,177
Cash with fiscal agent			337,354		337,354
Accounts receivable, net	3,770	19,367	43,394	10,398	76,929
Due from other funds		9,127			9,127
Due from component units		141,839	9,090		150,929
Prepaid items			51,432	284,065	335,497
Inventories		358,043			358,043
Total current assets	<u>2,376,258</u>	<u>871,872</u>	<u>23,512,713</u>	<u>701,213</u>	<u>27,462,056</u>
Noncurrent assets:					
Capital assets:					
Improvements other than buildings		450,472			450,472
Computer software	14,400	171,225		30,150	215,775
Equipment	41,435,646	745,755	23,896	1,879,006	44,084,303
Less accumulated depreciation	(25,009,608)	(952,761)	(23,896)	(1,415,009)	(27,401,274)
Total noncurrent assets (net capital assets)	<u>16,440,438</u>	<u>414,691</u>		<u>494,147</u>	<u>17,349,276</u>
Total assets	<u>18,816,696</u>	<u>1,286,563</u>	<u>23,512,713</u>	<u>1,195,360</u>	<u>44,811,332</u>
DEFERRED OUTFLOWS OF RESOURCES					
Related to pensions		180,429	44,228	36,169	260,826
Related to other postemployment benefits		73,444	9,042	19,352	101,838
Total deferred outflows of resources		<u>253,873</u>	<u>53,270</u>	<u>55,521</u>	<u>362,664</u>
LIABILITIES					
Current liabilities:					
Accounts payable		266,936	288,873	92,917	648,726
Accrued leave		51,339	13,032	9,569	73,940
Due to other funds		3,708			3,708
Current portion of long-term debt	33,234		8,156,627		8,189,861
Other liabilities		25,989	4,817	4,974	35,780
Total current liabilities	<u>33,234</u>	<u>347,972</u>	<u>8,463,349</u>	<u>107,460</u>	<u>8,952,015</u>
Noncurrent liabilities:					
Claims payable			1,399,011		1,399,011
Accrued leave		44,745	22,746	18,265	85,756
Net pension liability		1,402,004	343,670	281,046	2,026,720
Net other postemployment benefit liability		1,388,257	165,087	365,073	1,918,417
Total noncurrent liabilities		<u>2,835,006</u>	<u>1,930,514</u>	<u>664,384</u>	<u>5,429,904</u>
Total liabilities	<u>33,234</u>	<u>3,182,978</u>	<u>10,393,863</u>	<u>771,844</u>	<u>14,381,919</u>
DEFERRED INFLOWS OF RESOURCES					
Related to pensions	-	97,238	23,835	19,492	140,565
Related to other postemployment benefits	-	144,002	25,105	46,229	215,336
Total deferred inflows of resources	<u>-</u>	<u>241,240</u>	<u>48,940</u>	<u>65,721</u>	<u>355,901</u>
NET POSITION					
Net investment in capital assets	16,407,204	414,691		494,147	17,316,042
Unrestricted (deficit)	2,376,258	(2,298,473)	13,123,180	(80,831)	13,120,134
Total net position(deficit)	<u>\$ 18,783,462</u>	<u>\$ (1,883,782)</u>	<u>\$ 13,123,180</u>	<u>\$ 413,316</u>	<u>\$ 30,436,176</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, 2019

	Equipment Replacement	Fleet Services	Risk Management	Information Technology	Totals
Operating revenues:					
Charges for services	\$ 3,067,307	\$ 6,698,640	\$ 8,377,126	\$ 2,544,797	\$ 20,687,870
Operating expenses:					
Personal services		1,165,508	250,026	205,928	1,621,462
Fringe benefits		(18,429)	73,973	35,550	91,094
Cost of goods sold		4,297,604			4,297,604
Utilities		48,298			48,298
Insurance		48,959	2,377,787	3,100	2,429,846
Operating supplies	14,707	111,592	8,075	43,433	177,807
Equipment rental	8,096	41,373	37,253		86,722
Equipment and building repairs		100,685	3,210	4,645	108,540
Telephone and postage		20,769	9,492	1,061,070	1,091,331
General expense		78,481	86,645	74,113	239,239
Claims			4,057,155		4,057,155
Contractual services		226,127	425,656	778,252	1,430,035
Depreciation and amortization	2,838,988	57,589		164,385	3,060,962
Total operating expenses	2,861,791	6,178,556	7,329,272	2,370,476	18,740,095
Operating income	205,516	520,084	1,047,854	174,321	1,947,775
Nonoperating revenues (expenses):					
Interest income	39,004		439,098	6,170	484,272
Interest and fiscal charges	(15,297)				(15,297)
Other		9,757			9,757
Gain (loss) on disposal of capital assets	91,771	(4,031)			87,740
Total nonoperating revenues (expenses), net	115,478	5,726	439,098	6,170	566,472
Income (Loss) before transfers	320,994	525,810	1,486,952	180,491	2,514,247
Change in net position	320,994	525,810	1,486,952	180,491	2,514,247
Net position(deficit), beginning of year	18,462,468	(2,409,592)	11,636,228	232,825	27,921,929
Net position(deficit), end of year	\$ 18,783,462	\$ (1,883,782)	\$ 13,123,180	\$ 413,316	\$ 30,436,176

CITY OF HAMPTON, VIRGINIA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2019

	Equipment Replacement	Fleet Services	Risk Management	Information Technology	Totals
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	\$ 3,574,497	\$ 6,794,766	\$ 8,368,036	\$ 2,542,557	\$ 21,279,856
Cash payments to suppliers for goods and services	(22,803)	(5,317,173)	(6,198,371)	(2,214,285)	(13,752,632)
Cash payments to employees for services		(1,167,717)	(249,120)	(205,118)	(1,621,955)
Net cash provided by operating activities	<u>3,551,694</u>	<u>309,876</u>	<u>1,920,545</u>	<u>123,154</u>	<u>5,905,269</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition and construction of capital assets	(2,942,563)	(7,370)		(26,415)	(2,976,348)
Principal paid on revenue bond maturities and long-term debt	(916,835)				(916,835)
Interest paid on revenue bonds and long-term debt	(15,297)				(15,297)
Sale of capital assets	430,105				430,105
Net cash used in capital and related financing activities	<u>(3,444,590)</u>	<u>(7,370)</u>		<u>(26,415)</u>	<u>(3,478,375)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest and dividends on investments	37,882		420,698	6,170	464,750
Net cash provided by investing activities	<u>37,882</u>		<u>420,698</u>	<u>6,170</u>	<u>464,750</u>
Net increase in cash and cash equivalents (including cash with fiscal agents)	144,986	302,506	2,341,243	102,909	2,891,644
Cash and cash equivalents, July 1	<u>2,227,502</u>	<u>40,990</u>	<u>21,067,554</u>	<u>303,841</u>	<u>23,639,887</u>
Cash and cash equivalents, June 30	<u>\$ 2,372,488</u>	<u>\$ 343,496</u>	<u>\$ 23,408,797</u>	<u>\$ 406,750</u>	<u>\$ 26,531,531</u>

	Equipment Replacement	Fleet Services	Risk Management	Information Technology	Totals
Reconciliation of operating income to net cash provided by operating activities:					
Operating income	\$ 205,516	\$ 520,084	\$ 1,047,854	\$ 174,321	\$ 1,947,775
Adjustments to reconcile operating income to net cash provided used in operating activities:					
Depreciation and amortization expense	2,838,988	57,589		164,385	3,060,962
Decrease (increase) in:					
Accounts receivable	(1,122)	(4,703)	(18,399)	(2,240)	(26,464)
Due from other funds	507,190	(9,127)	(9,090)		488,973
Due from component units		100,199			100,199
Inventories		37,974			37,974
Prepaid expenses			3,239	(94,739)	(91,500)
Increase (decrease) in:					
Accounts payable	(330,433)	14,405	(250,009)	(88,000)	(654,037)
Accrued leave		17,297	7,976	(486)	24,787
Due to other funds		3,708			3,708
Other liabilities		(619)	(947)	191	(1,375)
Nonoperating revenues reported as operating activity		9,757			9,757
Accrued claims			1,107,885		1,107,885
Accounts payable	330,433				330,433
Accounts receivable	1,122		18,399		19,521
Long-term accrued leave		(37,316)	(6,123)	1,105	(42,334)
Long-term accrued insurance claims reported as operating activity			34,177		34,177
Net pension and other postemployment benefits liability		(365,403)	(4,179)	(26,083)	(395,665)
Deferred outflows & inflows related to pensions and other postemployment benefits		(33,969)	(10,238)	(5,300)	(49,507)
Total adjustments	3,346,178	(210,208)	872,691	(51,167)	3,957,494
Net cash provided by operating activities	\$ 3,551,694	\$ 309,876	\$ 1,920,545	\$ 123,154	\$ 5,905,269

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CITY OF HAMPTON, VIRGINIA
FIDUCIARY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the Year Ended June 30, 2019

	Balance, July 1, 2018	Additions	Deductions	Balance, June 30, 2019
<u>Special Welfare Fund</u>				
ASSETS				
Cash and cash equivalents	\$ 22,465	\$ 42,268	\$ 45,738	\$ 18,995
LIABILITIES				
Deposits	\$ 13,292	\$ 16,663	\$ 20,691	\$ 9,264
Accounts payable	9,173	24,568	24,010	9,731
	<u>\$ 22,465</u>	<u>\$ 41,231</u>	<u>\$ 44,701</u>	<u>\$ 18,995</u>
 <u>Agency Fund</u>				
ASSETS				
Cash and cash equivalents	\$ 856,493	\$ 343,163	\$ 279,045	\$ 920,611
Accounts receivable	4,259	51,778	40,189	15,848
	<u>\$ 860,752</u>	<u>\$ 394,941</u>	<u>\$ 319,234</u>	<u>\$ 936,459</u>
LIABILITIES				
Deposits	\$ 844,921	\$ 404,244	\$ 337,351	\$ 911,814
Accounts payable	15,831	242,249	233,435	24,645
	<u>\$ 860,752</u>	<u>\$ 646,493</u>	<u>\$ 570,786</u>	<u>\$ 936,459</u>
 <u>Total - All Agency Funds</u>				
ASSETS				
Cash and cash equivalents	\$ 878,958	\$ 385,431	\$ 324,783	\$ 939,606
Accounts receivable	4,259	51,778	40,189	15,848
	<u>\$ 883,217</u>	<u>\$ 437,209</u>	<u>\$ 364,972</u>	<u>\$ 955,454</u>
LIABILITIES				
Deposits	\$ 858,213	\$ 420,907	\$ 358,042	\$ 921,078
Accounts payable and accrued liabilities	25,004	266,817	257,445	34,376
	<u>\$ 883,217</u>	<u>\$ 687,724</u>	<u>\$ 615,487</u>	<u>\$ 955,454</u>

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CITY OF HAMPTON, VIRGINIA
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
COMBINING BALANCE SHEET
June 30, 2019

	<u>Operating</u>	<u>Food Services</u>	<u>Reimbursable Projects</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 8,571,203	\$ 4,118,992	\$ 836,579	\$ 13,526,774
Cash with fiscal agent	8,985,569			8,985,569
Investments	31,399			31,399
Accounts receivable, net	185,895	232,463	75,926	494,284
Due from Primary Government	100,642			100,642
Due from other funds	1,085,612			1,085,612
Due from other governments	2,988,568	346,234	2,105,646	5,440,448
Inventories	193,696	330,431		524,127
Total assets	<u>\$ 22,142,584</u>	<u>\$ 5,028,120</u>	<u>\$ 3,018,151</u>	<u>\$ 30,188,855</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable and other liabilities	\$ 14,190,345	\$ 247,623	\$ 253,636	\$ 14,691,604
Due to other funds		473,547	612,064	1,085,611
Due to Primary Government	177,527			177,527
Unearned revenues	1,141,038	202,627	1,404,986	2,748,651
Total liabilities	<u>15,508,910</u>	<u>923,797</u>	<u>2,270,686</u>	<u>18,703,393</u>
Fund balances				
Nonspendable	193,696	330,431		524,127
Restricted		3,773,892	747,465	4,521,357
Assigned	6,439,978			6,439,978
Total fund balances	<u>6,633,674</u>	<u>4,104,323</u>	<u>747,465</u>	<u>11,485,462</u>
Total liabilities and fund balances	<u>\$ 22,142,584</u>	<u>\$ 5,028,120</u>	<u>\$ 3,018,151</u>	<u>\$ 30,188,855</u>

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

Total fund balance	\$ 11,485,462
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds.	96,255,919
Accumulated depreciation on capital assets	(84,963,999)
Net other postemployment benefits liability	(31,020,120)
Obligations under capital leases	(533,287)
Long-term liability for compensated absences	(8,185,726)
Net pension liability	(168,434,933)
Deferred outflows of resources related to pensions	19,180,803
Deferred outflows of resources related to OPEB	3,110,642
Deferred inflows of resources related to pensions	(26,870,471)
Deferred inflows of resources related to OPEB	(2,283,356)
Net position discretely presented component unit School Board	<u>\$ (192,259,066)</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, 2019

	<u>Operating</u>	<u>Food Services</u>	<u>Reimbursable Projects</u>	<u>Total</u>
REVENUES				
State funds	\$ 128,303,857	\$ 306,602	\$ 1,626,745	\$ 130,237,204
Federal funds (includes pass through)	867,336	9,030,834	14,331,149	24,229,319
Other receipts	1,667,192	2,116,147	421,557	4,204,896
Payments from City	73,827,042			73,827,042
Increase in fair value of investments	1,459			1,459
Total revenues	<u>204,666,886</u>	<u>11,453,583</u>	<u>16,379,451</u>	<u>232,499,920</u>
EXPENDITURES				
Education	<u>201,528,916</u>	<u>10,519,908</u>	<u>17,203,975</u>	<u>229,252,799</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,137,970</u>	<u>933,675</u>	<u>(824,524)</u>	<u>3,247,121</u>
OTHER FINANCING SOURCES (USES)				
Transfer from:				
Food Services Fund	386,584			386,584
School Operating Fund			434,102	434,102
Reimbursable Projects Fund	4,716			4,716
Transfer to:				
School Operating Fund		(386,584)	(4,716)	(391,300)
Reimbursable Projects Fund	(434,102)			(434,102)
Total other sources (uses), net	<u>(42,802)</u>	<u>(386,584)</u>	<u>429,386</u>	
Excess (deficiency) of revenues and other sources over (under) expenditures and other financing uses	3,095,168	547,091	(395,138)	3,247,121
Fund balance - July 1	<u>3,538,506</u>	<u>3,557,232</u>	<u>1,142,603</u>	<u>8,238,341</u>
Fund balance - June 30	<u>\$ 6,633,674</u>	<u>\$ 4,104,323</u>	<u>\$ 747,465</u>	<u>\$ 11,485,462</u>
Reconciliation of the School Board's Combining Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities (Exhibit A-12)				
Net change in fund balances - total school funds				\$ 3,247,121
Amounts reported for governmental activities in the Statement of Activities are different because:				
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets.				
Capital acquisitions				2,545,954
Depreciation expense				(1,493,540)
In the Statement of Activities, the loss on disposal of capital assets is reported. However, in the governmental funds, only the proceeds from sales increase financial resources. The change in net position differs from the change in fund balance by the net book value of the capital assets abandoned.				(2,205,588)
Decrease in capital leases are not reported as expenditures in the governmental funds.				1,088,782
Decrease in other postemployment benefits liability reported in the Statement of Activities does not provide current financial resources and, therefore, is not reported in the governmental funds.				284,292
Increase in compensated absences reported in the Statement of Activities does not provide current financial resources and, therefore, is not reported in the governmental funds.				(1,137,327)
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				14,087,396
Decrease in deferred inflows of resources related to pensions and OPEB reported in the Statement of Activities does not provide current financial resources and, therefore, is not reported in the governmental funds				457,348
Decrease in deferred outflows of resources related to pensions and OPEB reported in the Statement of Activities does not provide current financial resources and, therefore, is not reported in the governmental funds				(1,629,760)
Change in net position of governmental activities				<u>\$ 15,244,678</u>

CITY OF HAMPTON, VIRGINIA
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2019

	School Board - School Operating Fund			Variance with Final Budget Over (Under)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Intergovernmental:				
State Funds	\$ 128,632,672	\$ 128,632,672	\$ 128,303,858	\$ (328,814)
Federal funds (includes pass through)	940,000	940,000	867,335	(72,665)
Miscellaneous	1,196,000	1,196,000	1,355,261	159,261
Payments from City	73,827,042	73,827,042	73,827,042	
Total revenues	<u>204,595,714</u>	<u>204,595,714</u>	<u>204,353,496</u>	<u>(242,218)</u>
EXPENDITURES				
Current:				
Education	201,447,149	206,302,227	200,906,648	(5,395,579)
Total expenditures	<u>201,447,149</u>	<u>206,302,227</u>	<u>200,906,648</u>	<u>(5,395,579)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,148,565</u>	<u>(1,706,513)</u>	<u>3,446,848</u>	
OTHER FINANCING SOURCES (USES)				
Transfers in	500,000	500,000	386,584	(113,416)
Transfers out	(711,102)	(711,102)	(711,102)	
Total other financing (uses), net	<u>(211,102)</u>	<u>(211,102)</u>	<u>(324,518)</u>	<u>(113,416)</u>
Deficiency of revenues and other financing sources under expenditures and other financing uses	2,937,463	(1,917,615)	3,122,330	
Appropriations from fund balance				
Appropriations - encumbrances	<u>2,937,463</u>	<u>1,917,615</u>		
Fund balance - July 1			<u>2,121,005</u>	
Fund balance - June 30	<u>\$ 2,937,463</u>	<u>\$</u>	<u>\$ 5,243,335</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, 2019

Assets held by the Treasurer:

Cash on hand	\$ 8,050
Cash in banks:	
Old Point National Bank	18,658,677
Investments:	
Certificates of deposit	14,552,467
Commercial paper	2,954,547
Repurchase agreement	8,007,800
Investment in mutual and money market funds	40,284
State Local Government Investment Pool	155,013,159
U.S. Government securities	16,775,574
Corporate notes	6,201,896
Total assets	<u>\$ 222,212,454</u>

Liabilities of the Treasurer:

Balance of City funds	<u>\$ 222,212,454</u>
Cash and cash equivalents	
Primary Government per Exhibit A-1	\$ 180,788,683
School Board per Exhibit A-11	13,526,774
Economic Development Authority per Exhibit A-11	2,701,300
General Fund Investments per Exhibit A-3	23,807,208
Restricted cash and investments - Enterprise Funds per Exhibit A-6	
Cash and cash equivalents - Convention Center	3,232,920
Investments - Convention Center	15,658,781
Cash and cash equivalents - Fiduciary Funds per Exhibit A-9	957,311
Investments - Component Unit - EDA per Exhibit A-11	1,336,383
Adjust investments in CAFR from fair value to cost	(848,632)
Less:	
Petty cash	\$ (76,773)
Cash and investments held by trustees	<u>(18,871,501)</u>
	<u>(18,948,274)</u>
Balance of City funds	<u>\$ 222,212,454</u>

**CITY OF HAMPTON, VIRGINIA
SCHEDULE OF CASH FLOWS
DISCRETELY PRESENTED COMPONENT UNIT
ECONOMIC DEVELOPMENT AUTHORITY
For the Year Ended June 30, 2019**

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from customers	\$ 676,411
Cash payments to suppliers for goods and services	(6,015,393)
Cash payments to employees for services	(5,300)
Other receipts	7,714
Net cash used in operating activities	<u>(5,336,568)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Payment from primary government	<u>9,794,073</u>
Net cash provided by noncapital financing activities	<u>9,794,073</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Acquisition and construction of capital assets	(5,635,000)
Principal paid on revenue bond maturities and long-term debt	(930,713)
Interest paid on revenue bonds and long-term debt	(164,146)
Contributions and donations from private sources and other funds	104,800
Net cash used in capital and related financing activities	<u>(6,625,059)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest and dividends on investments	(20,140)
Proceeds from collection of loans	283,562
Proceeds from collection of lease receivable	776,573
Interest received on lease receivable	344,229
Net cash provided by investing activities	<u>1,384,224</u>

Net increase in cash and cash equivalents (including restricted amounts) (783,330)

Cash and cash equivalents (including restricted), July 1 4,821,013

Cash and cash equivalents (including restricted), June 30 \$ 4,037,683

**CITY OF HAMPTON, VIRGINIA
SCHEDULE OF CASH FLOWS
DISCRETELY PRESENTED COMPONENT UNIT
ECONOMIC DEVELOPMENT AUTHORITY
For the Year Ended June 30, 2019**

Operating loss	<u>\$ (7,925,148)</u>
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation and amortization expense	565,207
Decrease (increase) in:	
Notes receivable	245,826
Due from Primary Government	25,579
Increase (decrease) in:	
Accounts payable	1,099,296
Due to Primary Government	218,789
Other liabilities	(25,621)
Deferred revenue	(365)
Nonoperating revenues reported as operating revenues	609,776
Notes receivable reported as nonoperating activities	(283,562)
Other liabilities reported as nonoperating revenues	25,621
Due from/to other funds reported as nonoperating activities	<u>108,034</u>
Total adjustments	<u>2,588,580</u>
Net cash used in operating activities	<u>\$ (5,336,568)</u>

CITY OF HAMPTON, VIRGINIA
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
SCHOOL OPERATING FUND
SCHEDULE OF APPROPRIATIONS AND EXPENDITURES - BUDGET AND ACTUAL
For the Year Ended June 30, 2019

	Appropriations			Expenditures	Variance with Final Budget Over (Under)
	Budget July 1,2018	Net Changes	Final June 30,2019		
EXPENDITURES					
Administration/attendance and health	\$ 11,572,175	\$ 2,919	\$ 11,575,094	\$ 11,253,289	\$ (321,805)
Instructional	149,942,858	392,194	150,335,052	148,504,224	(1,830,828)
Public transportation service	9,997,222	1,240,067	11,237,289	9,846,605	(1,390,684)
Operation and maintenance of school plant	18,763,326	1,740,554	20,503,880	19,092,788	(1,411,092)
Technology	11,171,568	1,479,344	12,650,912	12,209,742	(441,170)
Total expenditures	<u>201,447,149</u>	<u>4,855,078</u>	<u>206,302,227</u>	<u>200,906,648</u>	<u>(5,395,579)</u>
OPERATING TRANSFER OUT					
To Student Activities Fund	277,000		277,000	277,000	
To Reimbursable Projects Fund	434,102		434,102	434,102	
Total transfers out	<u>711,102</u>		<u>711,102</u>	<u>711,102</u>	
Total expenditures and transfers out	<u>\$ 202,158,251</u>	<u>\$ 4,855,078</u>	<u>\$ 207,013,329</u>	<u>\$ 201,617,750</u>	<u>\$ (5,395,579)</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, 2019

	Original	Final Budgeted Revenues	Actual Revenues	Variance with Final Budget Over (Under)
State funds:				
Basic appropriation	\$ 60,122,684	\$ 60,122,684	\$ 59,975,871	\$ (146,813)
At risk payment	3,436,305	3,436,305	3,132,162	(304,143)
Remedial education	3,192,326	3,192,326	3,196,421	4,095
K-3 Primary Class Size	3,981,058	3,981,058	3,981,058	
Virginia Retirement System	8,431,015	8,431,015	8,441,831	10,816
Social security benefits	3,819,877	3,819,877	3,824,778	4,901
Group life insurance	259,206	259,206	259,538	332
Special education	8,853,144	8,853,144	8,724,922	(128,222)
Textbook payments	1,373,655	1,373,655	1,375,417	1,762
Remedial summer school	831,912	831,912	831,912	
At risk 4 year old	2,479,703	2,479,703	2,479,703	
Gifted	682,121	682,121	682,996	875
Supplemental Lottery per pupil	4,967,887	4,967,887	4,974,260	6,373
Foster home	59,759	59,759	94,966	35,207
Vocational education	1,215,248	1,215,248	1,259,021	43,773
VPSA education tech grant	1,025,600	1,025,600	1,025,600	
Project graduation	37,500	37,500	37,500	
ESL	264,689	264,689	264,689	
Early Reading Intervention	354,253	354,253	354,253	
SOL Algebra Readiness	329,708	329,708	329,708	
Sales tax	21,967,488	21,967,488	22,064,992	97,504
Medicaid Reimbursement	900,000	900,000	944,726	44,726
Early reading specialists initiative	47,534	47,534	47,534	
Total state funds	<u>128,632,672</u>	<u>128,632,672</u>	<u>128,303,858</u>	<u>(328,814)</u>
Federal Funds:				
Public law 874	480,000	480,000	402,855	(77,145)
Impact Aid Special Education	120,000	120,000	156,586	36,586
U.S. Army- ROTC	138,502	138,502	96,757	(41,745)
U.S. Air Force- ROTC	55,339	55,339	65,357	10,018
U.S. Navy - ROTC	74,806	74,806	75,675	869
U.S. Marine Corps - ROTC	71,353	71,353	70,105	(1,248)
Total federal funds	<u>(940,000)</u>	<u>940,000</u>	<u>867,335</u>	<u>(72,665)</u>
Other funds:				
Fees from students	18,000	18,000	13,368	(4,632)
Tuition from regular day students			500	500
Miscellaneous revenue	150,000	150,000	27,460	(122,540)
Public surplus			263,126	263,126
Interest	3,000	3,000	3,686	686
Jury Duty			2,966	2,966
Cell Towers	525,000	525,000	505,161	(19,839)
Other	500,000	500,000	538,994	38,994
Total other funds	<u>1,196,000</u>	<u>1,196,000</u>	<u>1,355,261</u>	<u>159,261</u>
Total revenues	<u>130,768,672</u>	<u>130,768,672</u>	<u>130,526,454</u>	<u>(242,218)</u>
Other credits:				
Payment from the City	73,827,042	73,827,042	73,827,042	
Transfer from Food Services Fund	500,000	500,000	386,584	(113,416)
Total other credits	<u>74,327,042</u>	<u>74,327,042</u>	<u>74,213,626</u>	<u>(113,416)</u>
Total revenues and other credits	<u>\$ 205,095,714</u>	<u>\$ 205,095,714</u>	<u>\$ 204,740,080</u>	<u>\$ (355,634)</u>

CITY OF HAMPTON, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2019

Federal Granting Agency/ Recipient State Agency/ Grant Program/Grant Number	Federal Catalogue Number	Expenditures
DEPARTMENT OF AGRICULTURE		
SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM CLUSTER:		
Pass-through payments:		
Virginia Department of Social Services:		
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (90304)	10.561	\$ 1,865,078
Total Supplemental Nutrition Assistance Program Cluster		<u>1,865,078</u>
CHILD NUTRITION CLUSTER:		
Direct payments:		
Summer Food Service Program for Children	10.559	200,991
Pass-through payments:		
Department of Education:		
School Breakfast Program (APE402530)	10.553	2,252,633
National School Lunch Program (APE402540)	10.555	<u>6,524,871</u>
Total Child Nutrition Cluster		<u>8,978,495</u>
OTHER:		
Pass-through payments:		
Department of Education		
Child & Adult Care Food Program (APE700280)	10.558	98,250
Virginia Department of Social Services		
Pilot Projects to Reduce Dependency and Increase Work Requirements and Work Effort under SNAP (90508)	10.596	6,490
Fresh Fruit and Vegetable Program (APE402520)	10.582	<u>96,496</u>
Total Department of Agriculture		<u>11,044,809</u>
DEPARTMENT OF COMMERCE:		
Direct Payments:		
Chesapeake Bay Studies	11.457	<u>86,208</u>
Total Department of Commerce		<u>86,208</u>
DEPARTMENT OF DEFENSE:		
Direct Payments:		
U.S. Army - ROTC	12.UNK	96,757
U.S. Air Force - ROTC	12.UNK	65,357
U.S. Navy - ROTC	12.UNK	75,675
U.S. Marine Corps - ROTC	12.UNK	70,106
Pass-through payments:		
Readiness and Environmental Protection Integration Program (6000794)	12.UNK	<u>263,682</u>
Total Department of Defense		<u>571,577</u>

CITY OF HAMPTON, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2019

<u>Federal Granting Agency/ Recipient State Agency/ Grant Program/Grant Number</u>	<u>Federal Catalogue Number</u>	<u>Expenditures</u>
DEPARTMENT OF EDUCATION:		
Direct payments:		
Impact Aid	84.041	559,442
Pass-through payments:		
Department of Behavioral Health and Developmental Services:		
Title I Grants to Local Educational Agencies (APE429010, APE429350)	84.010	6,060,781
School Improvement Grants (APE428920)	84.377	270,537
Supporting Effective Instruction State Grant (APE14800)	84.367	1,075,455
English Language Acquisition State Grant (APE605120, APE605090)	84.365	50,005
Twenty-First Century Community Learning Centers (APE605650)	84.287	1,738,113
Special Education-Grants for Infants and Families (720-4515-16)	84.181	337,453
Student Support and Academic Enrichment Program (APE600220, APE602810)	84.424	340,148
SPECIAL EDUCATION CLUSTER:		
Special Education - Grants to States (APE430710)	84.027	4,137,328
Special Education - Preschool Grants (APE625210)	84.173	62,858
Total Special Education Cluster		<u>4,200,186</u>
Pass-through payments:		
Career and Technical Education - Basic Grants to States (APE610950, APE611590)	84.048	481,540
Total Department of Education		<u>15,113,660</u>
DEPARTMENT OF HEALTH AND HUMAN SERVICES:		
MEDICAID CLUSTER:		
Pass-through payments:		
Department of Social Services:		
Medical Assistance Program (705AT53247)	93.778	2,103,042
Total Medicaid Cluster		<u>2,103,042</u>
MATERNAL, INFANT, AND EARLY CHILDHOOD HOME VISITING CLUSTER:		
Pass-through payments:		
Department of Social Services:		
Maternal, Infant and Early Childhood Home Visiting Grant Program (705BJ632554)	93.870	393,164
Total Maternal, Infant, and Early Childhood Home Visiting Cluster		<u>393,164</u>
CHILD CARE AND DEVELOPMENT FUND CLUSTER:		
Pass-through payments:		
Department of Social Services:		
Child Care Mandatory and Matching Funds of the Child Care Development Fund (91416)	93.596	264,581
Total Child Care and Development Fund Cluster		<u>264,581</u>

CITY OF HAMPTON, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2019

Federal Granting Agency/ Recipient State Agency/ Grant Program/Grant Number	Federal Catalogue Number	Expenditures
TANF CLUSTER:		
Pass-through payments:		
Department of Social Services:		
Temporary Assistance for Needy Families (TANF) (90601, 90603, BEN-19-024)	93.558	2,372,433
Total TANF Cluster		<u>2,372,433</u>
OTHER:		
Pass-through payments:		
Department of Social Services:		
Promoting Safe and Stable Families (91129)	93.556	67,710
Refugee & Entrant Assistance State/Replacement Designee Administrated Programs (90623)	93.566	963
Low-Income Home Energy Assistance (91114)	93.568	239,385
Stephanie Tubbs Jones Child Welfare Services Program (91131)	93.645	1,754
Foster Care - Title IV-E (90658)	93.658	997,842
Adoption Assistance (90606)	93.659	949,334
Social Services Block Grant (SSBG) (91142)	93.667	1,415,022
Chafee Foster Care Independence Program (91134)	93.674	17,481
Children's Health Insurance Program (90161)	93.767	<u>45,541</u>
Total Department of Health and Human Services		<u>8,868,252</u>
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE:		
FOSTER GRANDPARENT, SENIOR COMPANION CLUSTER:		
Direct payments:		
Foster Grandparent Program	94.011	<u>339,746</u>
Total Foster Grandparent, Senior Companion Cluster		<u>339,746</u>
DEPARTMENT OF HOMELAND SECURITY:		
Direct payments:		
Emergency Management Performance Grants	97.042	130,616
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	37,342
Port Security Grant Program	97.056	117,003
Pass-through payments:		
Virginia Department of Emergency Management:		
Flood Mitigation Assistance Grant Program (FMA-PJ-03-VA-2015-004)	97.029	6,348
Hazard Mitigation Grant (HMGP-4042-016, HMGP-4042-021, FEMA-DR-4262-VA-020)	97.039	787,945
Homeland Security Grant Program (4401)	97.036	202,329
Homeland Security Grant Program (7284, 7602, 7603, 7872, 7946)	97.067	<u>75,237</u>
Total Department of Homeland Security		<u>1,356,820</u>

continued

CITY OF HAMPTON, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2019

Federal Granting Agency/ Recipient State Agency/ <u>Grant Program/Grant Number</u>	Federal Catalogue Number	<u>Expenditures</u>
DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT:		
Direct payments:		
Emergency Solutions Grant Program	14.231	216,801
Total Department of Housing and Community Development		<u>216,801</u>
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:		
CDBG - ENTITLEMENT GRANTS CLUSTER:		
Direct payments:		
Community Development Block Grants/Entitlement Grants (\$462,199 provided to subrecipient)	14.218	1,315,191
Total CDBG - Entitlement Grants Cluster		<u>1,315,191</u>
OTHER:		
Direct payments:		
Home Investment Partnership Program (\$422,874 provided to subrecipient)	14.239	422,874
Continuum of Care Planning Grant (VA036L3F051600, VA0338L3F051700) (\$91,553 provided to subrecipient)	14.267	91,553
Continuum of Care Regional Housing Crisis Hotline (VA0283L3F051702) (\$65,682 provided to subrecipient)	14.267	65,682
Total Department of Housing and Urban Development		<u>1,895,300</u>
DEPARTMENT OF INTERIOR:		
Direct Payments:		
National Park Service Conservation, Protection, Outreach and Education	15.954	28,176
Total Department of Interior		<u>28,176</u>
DEPARTMENT OF JUSTICE		
Pass-through payments:		
Department of Criminal Justice Services:		
Violence Against Women Formula Grant (18-V9367VA17, 19-W9367VA18)	16.588	60,890
Crime Victim Assistance (19-Y8574VW17)	16.575	302,200
Edwards Byrne Memorial Justice Assistance Grant Program (2015-DJ-BX-0654, 18-A4257AD11, 18-A4280AD11, 18-A4369AD14, 2017-DJ-BX-0493, 2018-DJ-BX-0260)	16.738	145,723
Public Safety Partnership and Community Policing Grants (2016-UM-WX-0100)	16.710	224,489
Equitable Sharing Program (VA1110000, VAEO00289)	16.922	49,289
Pass-through payments:		
NORC at the University of Chicago		
Beyond Crime Reduction (2017-R2-CX-0017)	16.560	7,565
Total Department of Justice		<u>790,156</u>

CITY OF HAMPTON, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2019

Federal Granting Agency/ Recipient State Agency/ <u>Grant Program/Grant Number</u>	Federal Catalogue Number	<u>Expenditures</u>
HIGHWAY PLANNING AND CONSTRUCTION CLUSTER:		
Pass-through payments:		
Department of Transportation:		
Highway Planning and Construction (102867, 105865, 93081, 109687, 57047, 108731)	20.205	<u>776,380</u>
Total Highway Planning and Construction Cluster		<u>776,380</u>
HIGHWAY SAFETY CLUSTER:		
Pass-through payments:		
Department of Transportation:		
State and Community Highway Safety (SC-2018-58082-8082, FSC-2019-59118- 9118)	20.600	<u>39,773</u>
Total Highway Safety Cluster		<u>39,773</u>
Total Department of Transportation Federal Highway Administration		<u>816,153</u>
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION:		
Direct payments:		
Education	43.008	150,000
NASA Steam Sales	43.UNK	<u>5,498,412</u>
Total National Aeronautics and Space Administration		<u>5,648,412</u>
Grand Total All Federally Assisted Programs and Grants		<u>\$ 46,776,070</u>

Notes:

(A) General

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

The Schedule of Expenditures of Federal Awards does not include federal funding of \$248,500 in the General Fund. This amount represents indirect costs from other federally assisted programs administered by the City and is included in the federal revenue.

(B) Basis of Accounting

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

(C) Indirect Cost

The City has elected to not use the 10% de minimis indirect cost rate.

CITY OF HAMPTON, VIRGINIA
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
CONVENTION CENTER REVENUE BONDS
June 30, 2019

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
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>\$ 71,155,000</u>	<u>\$ 32,668,082</u>	<u>\$ 103,823,082</u>

CITY OF HAMPTON, VIRGINIA
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
ECONOMIC DEVELOPMENT AUTHORITY REVENUE BONDS
June 30, 2019

Fiscal Year Ending June 30,	2002 Tax-Exempt Principal	Interest	Total Debt Service
2020	\$ 878,387	\$ 111,672	\$ 990,059
2021	933,997	56,062	990,059
2022	190,958	5,924	196,882
	<u>\$ 2,003,342</u>	<u>\$ 173,658</u>	<u>\$ 2,177,000</u>

CITY OF HAMPTON, VIRGINIA
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
GENERAL OBLIGATION BONDS
For the Year Ended June 30, 2019

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2020	\$ 22,816,000	\$ 10,202,344	\$ 33,018,344
2021	19,788,000	9,652,441	29,440,441
2022	20,297,000	8,782,751	29,079,751
2023	19,190,000	7,840,154	27,030,154
2024	18,695,000	6,880,409	25,575,409
2025	19,525,000	5,959,635	25,484,635
2026	20,400,000	4,996,080	25,396,080
2027	16,510,000	3,986,132	20,496,132
2028	17,085,000	3,035,827	20,120,827
2029	8,200,000	2,445,312	10,645,312
2030	8,470,000	2,088,222	10,558,222
2031	7,965,000	1,742,216	9,707,216
2032	8,225,000	1,436,414	9,661,414
2033	8,485,000	1,126,457	9,611,457
2034	6,405,000	816,564	7,221,564
2035	6,670,000	555,064	7,225,064
2036	2,990,000	373,076	3,363,076
2037	3,090,000	272,345	3,362,345
2038	3,195,000	166,286	3,361,286
2039	3,305,000	56,185	3,361,185
	<u>\$ 241,306,000</u>	<u>\$ 72,413,914</u>	<u>\$ 313,719,914</u>

CITY OF HAMPTON, VIRGINIA
COMPUTATION OF LEGAL DEBT MARGIN
June 30, 2019

Assessed value:

Real estate	\$ 10,492,938,956	
Public service corporations - real estate	33,881,261	
Newport News Waterworks	<u>60,924,500</u>	<u>\$ 10,587,744,717</u>
Debt Limit at 10% of assessed value		<u>1,058,774,472</u>
General obligation bonded debt:		
General obligations bonds	216,314,065	
General obligation bonds - Steam Plant	<u>2,000,935</u>	
Total long-term debt		<u>218,315,000</u>
Legal debt margin		<u><u>\$ 840,459,472</u></u>

Note:

Virginia state statute limits bonds issuing authority of Virginia cities to 10% of the assessed real estate value. The above calculation includes all debt secured by the full faith and credit of the City. The calculation excludes installment purchase contracts, compensated absences, claims and judgements, net pension obligations and net OPEB obligations totaling \$242,977,993 at June 30, 2019.

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
2010	\$ 11,448,119	\$ 166,948	\$ 59,453	\$ 11,674,520	\$ 857,853	\$ 103,642	\$ 961,495
2011	11,166,293	203,348	59,454	11,429,095	876,337	104,558	980,895
2012	10,930,778	31,079	58,507	11,020,364	893,459	274,803	1,168,262
2013	10,480,999	31,923	59,881	10,572,803	929,896	280,117	1,210,013
2014	10,162,678	28,837	59,298	10,250,813	948,177	251,247	1,199,424
2015	10,092,713	30,562	59,119	10,182,394	927,856	279,504	1,207,360
2016	10,127,280	32,236	56,459	10,215,975	970,772	289,756	1,260,528
2017	10,249,204	33,071	56,237	10,338,512	983,860	303,254	1,287,114
2018	10,362,686	33,539	60,487	10,456,712	996,733	314,545	1,311,278
2019	10,492,939	33,881	60,925	10,587,745	1,025,906	319,170	1,345,076

Source: City Department of Finance.

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

CITY OF HAMPTON, VIRGINIA
Tax Rates

Fiscal Year Ended June 30	Rate per \$100 of Assessed Value	
	Real Estate	Personal Property ⁽¹⁾⁽²⁾
2010	\$ 1.04	\$ 4.25
2011	1.04	4.25
2012	1.04	4.25
2013	1.04	4.25
2014	1.24	4.25
2015	1.24	4.50
2016	1.24	4.50
2017	1.24	4.50
2018	1.24	4.50
2019	1.24	4.50

Source: City Department of Finance.

(1) Personal property is assessed on a calendar year basis. The taxes levied are due in two installments on June 5 and December 5. Changes in the tax rate are implemented on the same basis. When a rate change is enacted by City Council, the first half of the fiscal year's tax levy is at the old rate and the second half is at the new rate. The personal property tax rate was increased from \$4.25 per \$100 to \$4.50 per \$100 levied effective January 1, 2015.

(2) Machinery and tool taxes are assessed, levied and due on the same basis as other property taxes. In fiscal year 2006, the tax rate for machinery and tools was changed to \$3.50 per \$100 levied.

CITY OF HAMPTON, VIRGINIA
Moral Obligation Commitments
For the Year Ended June 30, 2019

Economic Development Authority Revenue Bonds	\$ 2,003,342
Convention Center Revenue Bonds	<u>71,155,000</u>
Total	<u><u>\$ 73,158,342</u></u>

Source: City Finance Department

CITY OF HAMPTON, VIRGINIA
General Fund Expenditures
For the Year Ended June 30, 2019

<u>Expenditures</u>	2019 <u>Actual</u>	Percent of Total <u>Actual</u>	2018 <u>Actual</u>	<u>Difference</u>	<u>Percentage Change</u>
General government	\$ 101,109,822	29.85 %	\$ 105,265,582	\$ (4,155,760)	(3.95)%
Public safety	54,195,107	16.00 %	53,970,951	224,156	0.42 %
Highways and streets	2,024,658	0.60 %	2,491,197	(466,539)	(18.73)%
Health	2,496,085	0.74 %	2,431,995	64,090	2.64 %
Human services	20,688,029	6.11 %	20,835,963	(147,934)	(0.71)%
Culture & recreation	13,003,112	3.84 %	12,448,404	554,708	4.46 %
Education - city share	73,827,042	21.80 %	73,036,416	790,626	1.08 %
Education - other sources	2,080,937	0.61 %	2,073,001	7,936	0.38 %
Transfers out	69,278,976	20.45 %	57,201,811	12,077,165	21.11 %
Totals	<u>\$ 338,703,768</u>	<u>100.00 %</u>	<u>\$ 329,755,320</u>	<u>\$ 8,948,448</u>	<u>2.71 %</u>

Source: City of Hampton, Virginia Comprehensive Annual Financial Report for years ended June 30, 2018 and 2019.

CITY OF HAMPTON, VIRGINIA
Summary of General Fund (In Thousands)
Fiscal Years Ended June 30, 2015-2019

	2015	2016	2017	2018	2019
Revenues	\$ 317,103	\$ 326,631	\$ 328,196	\$ 334,755	\$ 341,132
Expenditures ⁽³⁾	<u>258,544</u>	<u>265,663</u>	<u>267,278</u>	<u>272,554</u>	<u>269,425</u>
Excess of Revenue over Expenditures	<u>58,559</u>	<u>60,968</u>	<u>60,918</u>	<u>62,201</u>	<u>71,707</u>
Other Financing Sources(Uses)					
Transfers in	117	230	242	240	236
Transfers out ⁽¹⁾	<u>(57,134)</u>	<u>(59,341)</u>	<u>(61,090)</u>	<u>(57,202)</u>	<u>(69,279)</u>
Other Financing Uses, net	<u>(57,017)</u>	<u>(59,111)</u>	<u>(60,848)</u>	<u>(56,962)</u>	<u>(69,043)</u>
Net Change in Fund Balances	1,542	1,857	70	5,239	2,664
Fund Balance, Beginning of Year	<u>91,709</u>	<u>93,541</u> ⁽²⁾	<u>95,398</u>	<u>95,468</u>	<u>100,707</u>
Fund Balance, End of Year	<u>\$ 93,251</u>	<u>\$ 95,398</u>	<u>\$ 95,468</u>	<u>\$ 100,707</u>	<u>\$ 103,371</u>

Source: City's Comprehensive Annual Financial Report Exhibit B-2 for the fiscal years June 30, 2015 through 2019.

- (1) Transfers to the Debt Service Fund constitute a majority of transfers
(2) Restated Fund Balance.
(3) Contributions to the schools are reflected in total expenditures.

CITY OF HAMPTON, VIRGINIA
Debt Ratios
As of June 30, 2019

	<u>Amount</u>	<u>Per Capita</u>	<u>Ratio to Assessed Value</u>
Gross Direct Debt	\$ 218,315,000	\$ 1,609.65	2.06 %

Source: Finance Department, City of Hampton, Virginia

(1) Per capita amounts are based on a 2019 population of 135,629, as provided by the Weldon Cooper Center for Public Service.

(2) Assessed value of total real property is \$10,588 billion as of June 30, 2019.

STATISTICAL SECTION

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

CONTENTS

<u>Financial Trends</u>	I-IV
These tables contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	
<u>Revenue Capacity</u>	V-VIII
These tables contain information to help the reader assess the City's most significant local revenue source, the property tax.	
<u>Debt Capacity</u>	IX-XI
These tables present information to help the reader assess the affordability of the City's current levels of outstanding debt and its ability to issue additional debt in the future.	
<u>Demographic and Economic Information</u>	XII-XIII
These tables offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	
<u>Operating Information</u>	XIV-XVI
These tables contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services it provides and the activities it performs.	

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

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

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Governmental Activities										
Net investment in capital assets	\$ 573,018	\$ 586,847	\$ 588,035	\$ 623,887	\$ 623,505	\$ 634,537	\$ 637,860	\$ 637,617	\$ 635,185	\$ 636,463
Restricted	21,147	10,900	11,809	12,452	13,271	75,606	49,062	40,734	69,681	17,817
Unrestricted	<u>112,882</u>	<u>109,652</u>	<u>92,128</u>	<u>55,615</u>	<u>76,514</u>	<u>(140,469)⁽³⁾</u>	<u>(108,850)</u>	<u>(106,561)</u>	<u>(184,735)</u>	<u>(116,482)</u>
Total governmental activities net position	<u>\$ 707,047</u>	<u>\$ 707,399</u>	<u>\$ 691,972</u>	<u>\$ 691,954</u>	<u>\$ 713,290</u>	<u>\$ 569,674</u>	<u>\$ 578,072</u>	<u>\$ 571,790</u>	<u>\$ 520,131</u>	<u>\$ 537,798</u>
Business-type activities										
Net investment in capital assets	\$ 58,666	\$ 68,697 (1)	\$ 69,003	\$ 73,585	\$ 70,855	\$ 70,321	\$ 70,136	\$ 70,078	\$ 69,107	\$ 67,497
Restricted	26,727	18,721	16,844	904	8,256	8,031	8,037	8,048	8,068	8,017
Unrestricted	<u>16,521</u>	<u>18,418</u>	<u>22,001</u>	<u>32,081</u>	<u>29,174</u>	<u>19,149</u>	<u>25,679</u>	<u>27,189</u>	<u>25,216</u>	<u>32,260</u>
Total business-type activities net position	<u>\$ 101,914</u>	<u>\$ 105,836</u>	<u>\$ 107,848</u>	<u>\$ 106,570</u>	<u>\$ 108,285</u>	<u>\$ 97,501</u>	<u>\$ 103,852</u>	<u>\$ 105,315</u>	<u>\$ 102,391</u>	<u>\$ 107,774</u>
Primary government										
Net investment in capital assets	\$ 631,684	\$ 655,544	\$ 657,037	\$ 697,472	\$ 694,360	\$ 704,858	\$ 707,996	\$ 707,695	\$ 704,292	\$ 703,960
Restricted	47,874	29,621 (2)	28,655	13,356	21,527	83,637	57,099	48,782	77,749	25,834
Unrestricted	<u>129,403</u>	<u>128,070</u>	<u>114,129</u>	<u>87,696</u>	<u>105,688</u>	<u>(121,320)</u>	<u>(83,171)</u>	<u>(79,372)</u>	<u>(159,519)⁽⁴⁾</u>	<u>(84,222)</u>
Total Primary Government net position	<u>\$ 808,961</u>	<u>\$ 813,235</u>	<u>\$ 799,821</u>	<u>\$ 798,524</u>	<u>\$ 821,575</u>	<u>\$ 667,175</u>	<u>\$ 681,924</u>	<u>\$ 677,105</u>	<u>\$ 622,522</u>	<u>\$ 645,572</u>

Note:

- (1) The increase in net investment in capital assets for fiscal year 2011 is due to the related debt decreasing at a greater rate than the decrease in net position.
- (2) The decrease in restricted assets for fiscal year 2011 is due to the decrease in debt service.
- (3) The decrease in net position for fiscal year 2015 is due to implementation of GASB 68, Accounting and Financial Reporting for Pensions.
- (4) The decrease in net position for fiscal year 2018 is due to the implementation of GASB 75, Accounting and Financial Reporting for Postemployment Benefits other than Pensions.

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

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Expenses										
Governmental activities:										
General government	\$ 111,650	\$ 114,765	\$ 128,783	\$ 127,924	\$ 101,058	\$ 105,553	\$ 111,928	\$ 116,667	\$ 121,452	\$ 105,865
Public safety	51,937	49,063	49,635	53,205	69,813	72,324	70,781	80,442	84,859	81,673
Highway and streets	12,078	13,068	11,862	15,511	18,774	14,433	18,872	14,032	9,919	12,362
Sanitation	3,471	3,630	3,899							
Health	2,949	3,161	3,056	3,337	1,114	3,528	1,214	1,054	(575)	1,564
Human services	31,226	31,574	29,142	28,528	32,807	33,234	32,460	34,341	34,579	34,769
Culture and recreation	17,771	14,531	13,540	15,798	17,006	18,356	17,496	16,996	16,076	16,842
Education (payment to school district)	68,052	67,051	66,345	64,925	70,773	71,112	71,112	71,471	73,036	73,827
Education and educational services	7,388	8,627	14,337	9,930	12,464	14,479	15,096	14,423	11,506	9,806
Interest on long-term debt	17,951	11,052	8,351	7,991	9,136	8,579	8,053	7,171	6,451	7,145
Total governmental activities expenses	<u>\$ 324,473</u>	<u>\$ 316,522</u>	<u>\$ 328,950</u>	<u>\$ 327,149</u>	<u>\$ 332,945</u>	<u>\$ 341,598</u>	<u>\$ 347,012</u>	<u>\$ 356,597</u>	<u>\$ 357,303</u>	<u>\$ 343,853</u>
Business-type activities										
Culture	30,454	27,766	27,727	25,416	28,395	29,741	26,527	27,636	27,935	30,215
Sanitation	22,067	22,923	23,831	24,475	24,941	23,829	24,020	25,761	23,061	24,626
Total business-type activities expenses	<u>52,521</u>	<u>50,689</u>	<u>51,558</u>	<u>49,891</u>	<u>53,336</u>	<u>53,570</u>	<u>50,547</u>	<u>53,397</u>	<u>50,996</u>	<u>54,841</u>
Total Primary Government expenses	<u>\$ 376,994</u>	<u>\$ 367,211</u>	<u>\$ 380,508</u>	<u>\$ 377,040</u>	<u>\$ 386,281</u>	<u>\$ 395,168</u>	<u>\$ 397,559</u>	<u>\$ 409,994</u>	<u>\$ 408,299</u>	<u>\$ 398,694</u>
Program Revenues										
Governmental activities:										
Charges for Services:										
General government	\$ 6,982	\$ 7,129	\$ 7,772	\$ 24,293	\$ 24,458	\$ 22,911	\$ 25,865	\$ 23,324	\$ 23,832	\$ 22,206
Public safety	2,086	2,049	2,101	5,206	5,412	5,727	5,549	5,260	5,821	6,182
Sanitation	4,869	4,856	5,007							
Other activities	6,015	5,588	6,141	2,727	2,765	2,570	2,173	2,784	2,913	2,874
Operating grants and contributions	79,412	82,269	77,821	75,926	80,434	80,281	80,113	80,781	83,503	83,507
Capital grants and contributions	2,423	2,569	2,782	19,778	18,291	7,153	13,172	13,627	10,988	5,080
Total governmental activities program revenues	<u>101,787</u>	<u>104,460</u>	<u>101,624</u>	<u>127,930</u>	<u>131,360</u>	<u>118,642</u>	<u>126,872</u>	<u>125,776</u>	<u>127,057</u>	<u>119,849</u>
Business-type activities:										
Charges for Services:										
Culture and recreation	15,411	13,675	15,603	11,722	15,714	19,407	15,619	14,889	15,989	19,041
Sanitation	26,447	26,433	26,443	27,215	27,227	25,145	30,098	28,872	29,658	29,615
Operating grants and contributions	2,522	3,132	1,302	1,098	1,832	1,256	1,236	1,923	1,805	1,024
Capital grants and contributions	1,472	592	613	95	114	58	510			
Total business-type activities program revenues	<u>45,852</u>	<u>43,832</u>	<u>43,961</u>	<u>40,130</u>	<u>44,887</u>	<u>45,866</u>	<u>47,463</u>	<u>45,684</u>	<u>47,452</u>	<u>49,680</u>
Total Primary Government program revenues	<u>\$ 147,639</u>	<u>\$ 148,292</u>	<u>\$ 145,585</u>	<u>\$ 168,060</u>	<u>\$ 176,247</u>	<u>\$ 164,508</u>	<u>\$ 174,335</u>	<u>\$ 171,460</u>	<u>\$ 174,509</u>	<u>\$ 169,529</u>
Net (expense)/revenue										
Governmental activities	\$ (222,686)	\$ (212,062)	\$ (227,326)	\$ (199,219)	\$ (201,585)	\$ (222,956)	\$ (220,140)	\$ (230,821)	\$ 230,237	\$ (224,004)
Business-type activities	(6,669)	(6,857)	(7,597)	(9,761)	(8,449)	(7,704)	(3,084)	(7,713)	3,544	(5,161)
Total Primary Government net (expense)/revenue	<u>\$ (229,355)</u>	<u>\$ (218,919)</u>	<u>\$ (227,409)</u>	<u>\$ (208,980)</u>	<u>\$ (210,034)</u>	<u>\$ (230,660)</u>	<u>\$ (223,224)</u>	<u>\$ (238,534)</u>	<u>\$ 233,781</u>	<u>\$ (229,165)</u>

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

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	\$ 146,261	\$ 149,797	\$ 146,758	\$ 135,881	\$ 156,050	\$ 156,048	\$ 158,147	\$ 159,873	\$ 162,922	\$ 163,966
Sales taxes	13,590	13,828	13,962	14,247	14,588	15,050	15,368	14,980	15,093	15,741
Lodging, meal and amusement taxes	18,621	19,606	20,100	22,224	23,639	24,041	24,751	25,141	26,109	27,370
Motor vehicle taxes	3,398	3,813	3,692	4,203	4,346	4,273	4,375	4,429	4,399	4,496
Business license taxes	12,349	11,562	12,126	11,850	12,077	11,435	12,092	12,304	12,801	14,251
Utility taxes	5,486	5,528	5,356	5,376	5,453	5,443	5,551	5,483	5,513	5,443
Tobacco taxes	3,538	3,681	4,364	4,264	4,421	4,077	4,624	4,428	4,416	4,336
Recordation taxes	1,687	1,443	1,422	1,900	1,436	1,763	2,066	1,663	1,766	1,913
Bank stock taxes	453	505	468	487	527	457	549	569	685	705
Pari-mutuel license taxes	80	79	66	59	43	4				
Short-term rental taxes	98	89	94	80	75	91	101	102	123	110
Franchise license taxes	1,327 ⁽¹⁾									
Communications sales tax	7,993	9,677	9,174	9,418	9,187	9,173	8,867	8,649	8,392	7,840
Mobile home titling tax	33	16	23	14	20	19	21	18	14	20
Investment earning	912	564	285	355	221	227	574	951	1,883	4,738
Miscellaneous	2,236	2,548	2,874							
Transfers	(8,467)	(10,322)	(8,865)	(9,600)	(9,161)	(9,106)	(8,549)	(8,384)	(7,852)	(9,259)
Total Governmental Activities	<u>209,595</u>	<u>212,414</u>	<u>211,899</u>	<u>200,758</u>	<u>222,922</u>	<u>222,995</u>	<u>228,537</u>	<u>230,206</u>	<u>236,264</u>	<u>241,670</u>
Business-type Activities:										
Investment earning	723	457	664	529	1,003	946	887	792	930	1,285
Miscellaneous			80							
Transfers	8,467	10,322	8,865	9,600	9,161	9,106	8,549	8,384	7,852	9,259
Total Business-type Activities	<u>9,190</u>	<u>10,779</u>	<u>9,609</u>	<u>10,129</u>	<u>10,164</u>	<u>10,052</u>	<u>9,436</u>	<u>9,176</u>	<u>8,782</u>	<u>10,544</u>
Total Primary Government	<u>\$ 218,785</u>	<u>\$ 223,193</u>	<u>\$ 221,508</u>	<u>\$ 210,887</u>	<u>\$ 233,086</u>	<u>\$ 233,047</u>	<u>\$ 237,973</u>	<u>\$ 239,382</u>	<u>\$ 245,046</u>	<u>\$ 252,214</u>
Changes in Net Position										
Governmental activities	\$ (13,091)	\$ 352	\$ (15,427)	\$ 1,539	\$ 21,337	\$ 39	\$ 8,397	\$ (615)	\$ 6,027	\$ 17,666
Business-type activities	2,521	3,922	2,012	368	1,715	2,348	6,352	1,463	5,238	5,383
Total Primary Government	<u>\$ (10,570)</u>	<u>\$ 4,274</u>	<u>\$ (13,415)</u>	<u>\$ 1,907</u>	<u>\$ 23,052</u>	<u>\$ 2,387</u>	<u>\$ 14,749</u>	<u>\$ 848</u>	<u>\$ 11,265</u>	<u>\$ 23,049</u>

(1) Franchise license tax is included in the Communication sales tax beginning FY11.

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

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017 [*]	2018	2019
General fund										
Nonspendable	\$ -	\$ 29	\$ 44	\$ 34	\$ 224	\$ 598	\$ 26	\$ 112	\$ 15	\$ 27
Restricted		4,305	871	333	398	412	419	338	373	423
Committed		45,848	32,858	29,439	32,308	34,959	34,470	35,178	32,454	22,019
Assigned		2,025	7,708	5,926	7,257	5,237	6,250	5,549	6,374	6,190
Unassigned		50,198	51,175	54,185	51,589	52,112	54,301	54,330	61,532	74,754
Reserved	1,290	-	-	-	-	-	-	-	-	-
Unreserved	100,080	-	-	-	-	-	-	-	-	-
Total general fund	<u>\$ 101,370</u>	<u>\$ 102,405</u>	<u>\$ 92,656</u>	<u>\$ 89,917</u>	<u>\$ 91,776</u>	<u>\$ 93,318</u>	<u>\$ 95,466</u>	<u>\$ 95,507</u>	<u>\$ 100,748</u>	<u>\$ 103,413</u>
All other governmental funds										
Nonspendable	\$ -	\$ 4,943	\$ -	(1) \$ -	\$ -	\$ -	\$ 44	\$ -	\$ -	\$ -
Restricted		12,377	10,938	12,336	13,368	14,107	15,455	15,437	15,178	15,923
Committed		48,147	26,122	53,748	39,064	66,535	35,957	22,610	57,367	48,986
Assigned		6,631	6,035	5,534	6,233	5,421	5,939	5,789	6,098	7,293
Reserved	16,461	-	-	-	-	-	-	-	-	-
Unreserved, reported in:										
Debt service	498	-	-	-	-	-	-	-	-	-
Special revenue funds	13,451	-	-	-	-	-	-	-	-	-
Capital projects fund	75,683	-	-	-	-	-	-	-	-	-
Permanent funds	67	-	-	-	-	-	-	-	-	-
Total all other governmental funds	<u>\$ 106,160</u>	<u>\$ 72,098</u>	<u>\$ 43,095</u>	<u>\$ 71,618</u>	<u>\$ 58,665</u>	<u>\$ 86,063</u>	<u>\$ 57,395</u>	<u>\$ 43,836</u>	<u>\$ 78,643</u>	<u>\$ 72,202</u>

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

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

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenues										
Taxes (see table V)	\$ 213,976	\$ 219,413	\$ 211,542	\$ 210,415	\$ 229,596	\$ 230,933	\$ 236,457	\$ 238,209	\$ 241,943	\$ 248,133
Intergovernmental revenues	82,565	81,849	78,314	85,937	92,705	84,165	88,459	89,342	90,882	86,518
Licenses and permits	1,078	1,024	1,072	1,169	1,156	1,299	1,409	1,450	1,466	1,641
Fines and forfeitures	2,004	2,189	2,493	2,386	2,307	1,967	1,550	1,560	1,377	1,439
Revenue from use of money and property	2,861	2,065	1,319	1,329	1,395	2,142	1,469	1,714	2,525	5,145
Charges for services	11,354	11,532	13,414	15,570	17,297	17,240	18,093	18,148	19,123	19,395
Payment from component unit	-	2,001	2,000	2,000	2,000	2,000	2,000	2,000	2,227	2,232
Miscellaneous	4,848	5,532	5,987	7,705	8,056	5,529	5,877	6,482	5,103	5,885
Special assessments	-	-	4,558	6,543	4,730	4,183	6,358	4,765	5,443	2,457
Recovered costs	1,170	1,158	1,145	906	906	906	906	954	951	958
Total Revenues	319,856	326,763	321,844	333,960	360,148	350,364	362,578	364,624	371,040	373,803
Expenditures										
General government	98,305	99,066	96,371	102,441	103,076	106,074	110,436	106,446	109,057	104,885
Public safety	50,722	48,322	48,460	52,872	54,064	53,491	55,771	57,410	59,809	60,146
Highways and streets	2,200	1,812	1,980	1,947	1,932	1,908	2,026	2,187	2,491	2,025
Sanitation	3,455	3,637	3,949	3,935	4,332	4,413	5,004	5,484	5,246	4,935
Health	2,709	2,652	2,441	2,567	2,649	2,605	2,485	2,396	2,432	2,496
Human Services	31,187	31,558	29,151	28,437	28,557	29,394	28,993	30,415	30,370	30,027
Culture and recreation	15,452	12,080	12,564	13,202	11,678	12,725	13,150	13,015	12,715	13,146
Education (payment to school district)	68,052	67,052	66,345	64,925	70,773	71,112	71,112	71,471	73,036	73,827
Education	2,262	2,133	2,098	2,120	2,120	2,129	2,071	2,102	2,073	2,081
Capital improvements	74,162	53,115	52,536	38,473	49,030	48,449	56,298	46,130	52,992	43,394
Debt service										
Principal	15,210	17,640	18,714	19,661	22,166	23,152	22,336	21,738	31,223	20,498
Interest and fiscal charges	12,939	12,901	12,619	10,726	11,707	10,899	11,154	10,963	10,316	10,864
Bond issuance cost	282	45	313	470	-	519	3	-	99	43
Total expenditures	376,937	352,013	347,541	341,776	362,084	366,870	380,839	369,757	391,859	368,367
Deficiency of revenues under expenditures	(57,081)	(25,250)	(25,697)	(7,816)	(1,936)	(16,506)	(18,261)	(5,133)	(20,819)	5,436
Other financing sources (uses)										
Debt issuance and capital leases	7,435	2,545	-	-	-	46,770	-	-	55,320	-
Proceeds from refunding bonds issued	65,595	-	44,770	38,865	-	56,250	-	-	9,185	22,991
Payment to refunded bond escrow agent	(65,469)	-	(49,562)	-	-	(70,151)	-	-	-	(22,943)
Premium on bond issue	-	-	5,118	5,263	-	21,684	-	-	4,698	-
Transfers in	39,893	48,507	59,650	52,360	55,156	50,289	55,227	55,907	52,935	64,061
Transfers out	(48,360)	(58,829)	(68,401)	(61,948)	(64,317)	(59,395)	(63,776)	(64,291)	(61,272)	(73,320)
Total other financing sources (uses), net	5,199	(7,777)	(8,425)	34,540	(9,161)	45,447	(8,549)	(8,384)	60,866	(9,211)
Net change in fund balances	\$ (51,882)	\$ (33,027)	\$ (34,122)	\$ 26,724	\$ (11,097)	\$ 28,941	\$ (26,810)	\$ (13,517)	\$ 40,047	\$ (3,775)
Debt service as a percentage of noncapital expenditures	8.97 %	9.62 %	9.40 %	9.26 %	10.28 %	9.98 %	9.31 %	9.19 %	11.18 %	8.80 %

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

Fiscal Year	General	Business	Sales	Utility	Tobacco	Communications	Meal	Other	Total
	Property					Sales			
	Taxes	Licenses	Taxes	Taxes	Taxes	Taxes	Taxes	Taxes ⁽¹⁾	
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	12,126	13,962	4,929	4,364	9,174	15,793	10,118	211,542
2013	136,705	11,850	14,247	4,959	4,264	9,418	18,083	10,889	210,415
2014	154,193	12,077	14,588	4,986	4,421	9,187	18,974	11,170	229,596
2015	155,527	11,435	15,050	4,916	4,077	9,173	19,471	11,284	230,933
2016	158,543	12,092	15,368	5,056	4,624	8,867	20,073	11,834	236,457
2017	160,810	12,304	14,979	4,978	4,427	8,649	20,370	11,693	238,210
2018	162,989	12,801	15,093	5,011	4,416	8,392	20,912	12,329	241,943
2019	166,311	14,251	15,741	4,977	4,336	7,840	22,081	12,596	248,133

Notes:

⁽¹⁾Other taxes include: short-term rental, recordation, lodging and transit, amusement, motor vehicle, bank stock, license - pari-mutuel, public right of way, and franchise taxes.

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

Real Estate							
Fiscal Year	Citizens' Property	Public Service ¹	Newport News Waterworks	Total Taxable Assessed Value	Estimated Actual Taxable Value	Assessed Value as a Percent of Estimated Actual Value ²	Total Direct Tax Rate
2010	\$ 11,448,119	\$ 166,948	\$ 59,453	\$ 11,674,520	\$ 11,637,281	100.32	\$1.04
2011	11,166,293	203,348	59,454	11,429,095	11,514,301	99.26	1.04
2012	10,930,778	31,079	58,507	11,020,364	10,643,581	103.54	1.04
2013	10,480,999	31,923	59,881	10,572,803	10,254,901	103.10	1.04
2014	10,162,678	28,837	59,298	10,250,813	10,373,217	98.82	1.24
2015	10,092,713	30,562	59,119	10,182,394	10,337,456	98.50	1.24
2016	10,127,280	32,236	56,459	10,215,975	10,356,475	98.64	1.24
2017	10,249,204	33,071	56,237	10,338,512	10,591,512	97.61	1.24
2018	10,362,686	33,539	60,487	10,456,712	10,665,846	98.61	1.24
2019	10,492,939	33,881	60,925	10,587,745	10,587,745	100.00	1.24

Notes:

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

²The state requires all real estate to be assessed at 100% of its appraised value. There is no state statute or city charter limitation on the tax rate. The latest State Department of Taxation comparison of sales to appraisal indicates a true rate of 100% for 2018. We assumed the sales to appraisal ratio would be 100% for fiscal year 2019.

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

Taxpayer	2019			2010		
	Total Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Total Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Peninsula Main VA LLC	122,282	1	1.2 %			
Newport News City of C/O NN Waterworks	61,001	2	0.6 %			
FCLA LP	44,349	3	0.4 %			
MOLA LLC	40,856	4	0.4 %			
Hampton University OFC of General Counsel	39,794	5	0.4 %			
Ginkgo Lake Ridge C/O LLC	38,905	6	0.4 %			
Pinnacle Apartments LLC	36,046	7	0.3 %			
Cambridge Apartments LC	31,856	8	0.3 %			
Coliseum Crossing Assoc LP	31,660	9	0.3 %			
RP Hampton Exchange LLC & RP Hampton CTR LLC	31,500	10	0.3 %			
Hampton Mall Association				60,472	1	1.1 %
Gateway 2000				22,300	2	- %
Riverdale Plaza Shopping Center				18,940	3	0.4 %
HNN Associates				18,689	4	0.3 %
Coliseum Crossing Associates LP				18,682	5	0.3 %
Megaplex Nine, Inc.				17,254	6	0.3 %
Howmet Corporation				16,893	7	0.3 %
Liberty Property Limited Partnership				15,779	8	0.3 %
Olde Hampton Hotel Associates				15,604	9	0.3 %
Riverdale Apartments LLC				15,520	10	0.3 %
	<u>478,249</u>		<u>4.6 %</u>	<u>220,133</u>		<u>3.6 %</u>

Source: City of Hampton, Office of the Assessor of Real Estate

CITY OF HAMPTON, VIRGINIA
REAL ESTATE TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years
(amounts expressed in thousands)

<u>Fiscal Year</u>	Taxes Levied for the Fiscal Year	<u>Collected within the Fiscal Year of the Levy</u>		Collections in Subsequent Years	<u>Total Collections to Date</u>	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2010	\$ 121,523	\$ 117,902	97.02 %	\$ 2,246	\$ 120,148	98.87%
2011	118,863	115,317	97.02 %	2,117	117,434	98.80%
2012	114,612	114,334	99.76 %	1,284	115,618	100.88%
2013	109,957	108,589	98.76 %	489	109,078	99.20%
2014	127,110	125,559	98.78 %	1,364	126,923	99.85%
2015	126,262	124,440	98.56 %	1,618	126,058	99.84%
2016	126,678	124,791	98.51 %	1,662	126,453	99.82%
2017	128,198	126,403	98.60 %	1,799	128,202	100.00%
2018	129,663	127,793	98.56 %	1,797	129,590	99.94%
2019	131,288	129,589	98.71 %		129,589	98.71%

Notes:

*There are no overlapping or underlying tax jurisdictions.

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

Fiscal Year	General Bonded Debt ¹				Percentage of Estimated Actual Taxable Value of Property	Per Capita	Capital Leases
	General Obligation Bonds ²	Notes Payable	State Literary Loans	Total			
2010	\$ 294,130	\$ 355	\$ 468	\$ 294,953	2.53%	\$ 2,037.69	\$ 15,925
2011	279,360	177	320	279,857	2.45%	2,036.27	15,159
2012	261,100	-	174	261,274	2.35%	1,901.06	19,195
2013	280,070	-	82	280,152	2.65%	2,044.91	16,797
2014	272,162	-	-	272,162	2.66%	1,958.00	14,374
2015	306,061	-	-	306,061	3.01%	2,201.88	11,894
2016	280,960	-	-	280,960	2.75%	2,021.29	9,517
2017	256,498	-	-	256,498	2.48%	1,872.25	6,970
2018	291,756	-	-	291,756	2.79%	2,129.61	4,386
2019	267,753	-	-	267,753	2.53%	1,968.77	1,761

Fiscal Year	Business-type Activities		Total Primary Government	Percentage of Personal Income	Per Capita ⁴
	Revenue Bonds	Capital Leases			
2010	\$ 112,810	\$ 900	\$ 424,588	7.99 %	\$ 2,933.27
2011	100,120	748	395,884	7.26 %	2,880.50
2012	91,800	582	372,851	6.47 %	2,712.91
2013	87,725	403	385,077	6.56 %	2,810.78
2014	98,886	211	385,633	7.10 %	2,774.34
2015	95,572	-	413,527	7.44 %	2,975.01
2016	92,128	-	382,605	6.83 %	2,752.55
2017	88,545	-	352,013	6.20 %	2,569.44
2018	84,816	2,600	383,558	N/A	2,799.69
2019	80,933	2,110	352,557	N/A	2,592.33

Notes:

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

²General obligation bond amounts include the unamortized premiums.

³See Table VI for estimated actual taxable value of property data.

⁴See Table XII for personal income and population data. The most recent personal income data available from the Bureau of Economic analysis is 2017.

N/A-Not available

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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Debt limit	\$ 1,167,452	\$ 1,142,909	\$ 1,102,036	\$ 1,057,280	\$ 1,025,081	\$ 1,018,239	\$ 1,021,598	\$ 1,033,851	\$ 1,045,671	\$ 1,058,774
Total net debt applicable to limit	294,953	279,857	261,274	280,152	257,645	273,840	251,130	229,000	261,870	218,315
Legal debt margin	\$ 872,499	\$ 863,052	\$ 840,762	\$ 777,128	\$ 767,436	\$ 744,399	\$ 770,468	\$ 804,851	\$ 783,801	\$ 840,459
Total net debt applicable to the limit as a percentage of debt limit	25.26 %	24.49 %	23.71 %	26.50 %	25.13 %	26.89 %	24.58 %	22.15 %	25.04 %	20.62 %

Legal Debt Margin Calculation for current Fiscal Year: 2019

Assessed value	\$ 10,587,745
Debt limit (10% of total assessed value)	1,058,774
Debt applicable to limit:	
General obligation debt	<u>218,315</u>
Total net debt applicable to limit:	<u>218,315</u>
Legal debt margin	<u>\$ 840,459</u>

Notes:

Virginia state statute limits bond issuing authority of Virginia cities to 10% of the assessed real estate value. The above calculation includes all debt secured by the full faith and credit of the City. The calculation excludes installment purchase of contracts, accrued sick and annual leave, net pension obligations, net OPEB obligations and net pension liability totaling \$242,977,993 at June 30, 2019.

*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							
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							
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							
2010	\$ 5,066	\$ 4,420	\$ 646	\$ 475	\$ 501	\$ 976	0.66
2011	2,568	2,813	(245)	505	470	975	(0.25)
2012	2,248	1,601	647	537	453	990	0.65
2013	2,244	3,555	(1,311)	570	402	972	(1.35)
2014	3,401	2,343	1,058	607	364	971	1.09
2015	3,585	3,145	440	646	324	970	0.45
2016	5,538	2,711	2,827	687	284	971	2.91
2017	5,980	5,150	830	729	237	966	0.86
2018	12,951	3,774	9,177	777	189	966	9.50
2019	10,868	9,046	1,822	826	139	965	1.89
Convention Center Revenue Bonds(4)							
2010	\$ 8,625	\$ 2,859	\$ 5,766	\$ 2,155	\$ 5,363	\$ 5,363	1.08
2011	10,535	3,371	7,164	2,265	4,151	6,306	1.14
2012	9,698	3,931	5,767	2,340	3,371	5,636	1.02
2013	10,698	3,262	7,436	2,340	4,432	6,772	1.10
2014	10,647	3,359	7,288	2,245	4,218	6,463	1.13
2015	10,714	3,470	7,244	2,325	4,123	6,448	1.12
2016	10,533	3,370	7,163	2,435	4,010	6,445	1.11
2017	10,855	3,515	7,340	2,555	3,890	6,445	1.14
2018	10,830	3,688	7,142	2,680	3,762	6,442	1.11
2019	11,198	3,531	7,667	2,815	3,624	6,439	1.19

Notes:

- (1)Gross revenues include transfers in.
(2)Total operating expenses exclusive of depreciation.
(3)Includes principal and interest of revenue bonds only.
(4)Operation of the Convention Center began in March 2005.

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

Fiscal Year	Population ¹	Personal Income ² (In Thousands)	Per Capita Income ³	School Membership ⁴	Unemployment Rate Percentage ⁵
2010	137,416	\$ 4,933,249	\$ 35,924	20,804	8.6%
2011	136,435	5,084,002	37,241	20,762	8.0%
2012	136,843	5,173,458	37,734	21,622	7.8%
2013	136,948	5,207,725	37,924	21,366	7.1%
2014	136,879	5,370,168	38,984	21,113	6.7%
2015	138,454	5,559,605	40,773	19,854	6.3%
2016	138,626	5,603,945	41,385	20,698	5.4%
2017	137,492	5,674,070	42,133	20,384	5.1%
2018	136,743	N/A	N/A	19,996	4.3%
2019	135,629	N/A	N/A	18,651	3.8%

Notes:

¹Source: Weldon Cooper Center for Public Service as of July 1, 2017.

²Source: Bureau of Economic Analysis. Most recent information available is 2017.

³Source: Bureau of Economic Analysis. Most recent information available is 2017.

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**

2019	2010
Over 600 Employees	Over 600 Employees
City of Hampton	Alcoa Howmet
Commonwealth of Virginia	City of Hampton
Hampton City School Board	Fort Monroe
Hampton Newport News Community Board	Hampton City Schools
Hampton University	Hampton University
Arconic	Hampton Virginia Medical Center - Veteran's Hospital
Langley Air Force Base	Langley Air Force Base
NASA Langley Research Center	NASA Langley Research Center
Riverside Regional Medical Center	Sentara Healthcare System
Sentara Health Systems	Sprint-Nextel
Huntington Ingalls	Thomas Nelson Community College
IBEX Global Customer Solutions	Verizon
Thomas Nelson Community College	
Department of Veterans Affairs	
U.S. Department of Defense	
MAXIMUS	
200-599 Employees:	300-599 Employees:
Analytical Mechanics Associates	AMSEC LLC
Versability	Headway Corporate Resources
Cobb Theatres IV, LLC	Northrop Grumman
Faneuil Inc,	Riverside Regional Medical Centers
Kroger	
Food Lion LLC	
Jacobs Technology	
Measurement Specialties Inc.	
Scribe America LLC	
Science Systems and Applications	
Simos Insourcing Solutions	
Top Guard Inc	
Virginia Oncology Associates	
Walmart Associates Inc	
Verizon	
New James River Clinic P.C	
WPS Health Solutions	
Harris Teeter	

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									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Governmental activities										
General government	588	574	562	574	568	577	574	557	533	508
Public safety	645	649	663	688	697	704	706	711	673	671
Highway and streets	27	24	24	20	24	21	19	22	21	19
Sanitation	47	46	51	49	54	56	61	57	60	54
Health	22	16	16	19	20	20	16	15	15	13
Human services	236	225	229	229	228	234	233	245	245	247
Culture and recreation	137	128	123	128	123	126	130	118	118	120
Total Governmental activities	1,702	1,662	1,668	1,707	1,714	1,738	1,739	1,725	1,665	1,632
Business-type activities										
Culture and recreation	37	36	37	32	35	32	36	37	35	37
Sanitation	140	143	141	142	138	126	135	133	122	132
Total Business-type activities	177	179	178	174	173	158	171	170	157	169
Total	1,879	1,841	1,846	1,881	1,887	1,896	1,910	1,895	1,822	1,801

Sources: City of Hampton, Department of Human Resources

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

Function/Program	2010	2011	2012	2013	2014
General government					
Building permits issued	2,195	2,123	2,162	2,111	1,564
Building inspections conducted	6,988	6,131	7,021	8,029	4,602
311 customer call center	168,492	148,351	147,458	148,988	141,891
Public safety					
Police					
Physical arrests	12,621	16,886	16,733	10,035	9,067
Traffic summons	30,121	30,225	30,459	29,007	29,080
Fire					
Emergency responses	22,271	22,394	23,718	23,808	24,815
Fires extinguished	378	450	320	319	331
Patients transported	12,133	11,620	12,149	13,665	14,262
Code inspections	2,572	2,210	2,658	839	3,223
Highway and streets					
Roads paved or resurfaced (miles)	106	69	68	88	21
Sanitation					
Yard waste collected (tons)	14,106	11,965	15,244	13,326	12,896
Debris removed (tons)	113,234	114,773	155,011	122,317	58,223
Cleanups	518	819	764	840	817
Street sweeping	3,231	3,364	3,384	3,384	4,607
Storm drains cleaned (linear feet)	97,046	73,901	109,767	153,605	57,064
Health					
Preventive health					
Family practice visits (closed 3/31/11)	2,755	1,615	N/A	N/A	N/A
Immunization visits	7,053	6,511	6,948	6,725	5,342
Prescriptions filled (closed 5/25/10)	22,786	N/A	N/A	N/A	N/A
Human services					
Healthy families partnership					
Number of families assessed	567	590	760	689	547
Number of families served	1,026	930	979	958	908
Number of adult participants in the parenting classes	1,242	1,875	2,585	2,850	2,327
Social Services					
Food stamp households	8,040	8,939	10,372	11,048	11,101
Culture and recreation					
Senior citizens attendance at Senior Center					
Center	13,730	12,985	13,050	12,997	10,449
Community center admissions					
Youth	82,134	13,512	55,558	55,873	51,901
Teen	37,359	15,033	20,369	22,340	43,133
Adult	113,178	135,786	80,605	80,685	77,345
Education					
School membership (total)					
High schools	20,804	20,762	21,622	21,366	21,113
Middle schools	6,784	6,749	6,781	6,516	6,218
Elementary schools	4,743	6,837	4,069	3,975	3,934
Elementary schools	9,277	7,849	9,876	9,885	8,319
Combined schools	-	2,327	896	990	2,642
School board personnel	3,138	2,992	2,821	2,980	2,835
Wastewater					
Average daily sewage treatment (thousands of gallons)	10,566	10,794	10,460	14,890	14,390

	2015	2016	2017	2018	2019
Function/Program					
General government					
Building permits issued	1,281	1,107	1,106	1,045	1,118
Building inspections conducted	4,520	4,421	4,623	4,155	4,056
311 customer call center	130,387	164,878	176,367	149,320	143,636
Public safety					
Police					
Physical arrests	14,862	14,073	10,304	8,543	5,446
Traffic summons	21,391	20,795	17,893	10,591	15,967
Fire					
Emergency responses	26,149	27,541	25,906	25,928	26,313
Fires extinguished	491	531	508	465	475
Patients transported	14,910	14,228	13,783	14,039	14,401
Code inspections	2,146	2,909	1,600	1,940	2,701
Highway and streets					
Roads paved or resurfaced (miles)	26	22	107	89	66
Sanitation					
Yard waste collected (tons)	9,762	9,761	10,196	9,800	10,951
Debris removed (tons)	59,422	62,173	77,034	56,459	57,075
Cleanups	891	991	901	586	700
Street sweeping	2,583	1,445	1,445	3,367	3,802
Storm drains cleaned (linear feet)	49,550	61,845	61,669	44,948	74,421
Health					
Preventive health					
Family practice visits (closed 3/31/11)	N/A	N/A	N/A	N/A	N/A
Immunization visits	3,394	3,260	2,980	2,167	2,230
Prescriptions filled (closed 5/25/10)	N/A	N/A	N/A	N/A	N/A
Human services					
Healthy families partnership					
Number of families assessed	527	421	501	421	434
Number of families served	948	856	718	639	624
Number of adult participants in the parenting classes	2,487	3,140	3,772	3,742	3,376
Social Services					
Food stamp households	9,824	8,986	9,443	8,944	8,801
Culture and recreation					
Senior citizens attendance at Senior Center	15,046	16,681	22,574	18,477	20,553
Community center admissions					
Youth	51,422	51,968	88,634	66,880	54,497
Teen	42,254	24,086	36,298	29,294	21,253
Adult	78,844	56,829	109,246	70,934	76,349
Education					
School membership (total)	19,854	20,698	20,384	19,996	18,651
High schools	6,066	6,197	6,143	6,042	5,862
Middle schools	3,710	3,775	3,723	3,601	3,591
Elementary schools	7,667	8,562	8,074	7,896	7,070
Combined schools	2,410	2,164	2,444	2,427	2,128
School board personnel	2,543	2,507	2,492	2,455	2,461
Wastewater					
Average daily sewage treatment (thousands of gallons)	14,450	14,800	14,800	13,620	15,133

Source: Various city departments.

N/A - Not available

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

Function/Program	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Public safety										
Police										
Patrol units	272	195	211	211	225	253	257	226	219	229
Patrol boats	4	3	5	5	5	5	6	5	7	8
Fire										
Stations	10	10	11	11	11	11	11	11	11	11
Pumpers	19	18	18	14	16	17	17	17	17	17
Ambulances	18	17	17	16	16	15	15	15	15	15
Rescue Vehicles	3	3	3	3	2	-	-	-	-	-
Ladder trucks	2	4	4	6	5	5	5	5	5	5
Fire Boats	2	4	4	2	2	2	2	2	2	2
Highways and streets										
Streets (miles) ⁽²⁾	455	460	475	482	497	486	1,118	1,125	1,125	1,455
Traffic signals	180	180	185	185	187	186	189	185	189	186
Bridges	40	40	40	40	40	40	39	40	39	40
Sanitation/solid waste										
Collection trucks	56	56	58	58	58	58	57	58	57	60
Culture and recreation										
Parks acreage ⁽¹⁾	1,791	1,791	1,791	1,791	1,791	1,791	1,791	1,791	1,791	1,791
School parks acreage	751	751	751	751	751	751	751	751	751	751
Parks	23	23	23	23	23	23	23	23	23	23
Amphitheater	2	2	2	2	2	2	1	1	1	1
Baseball fields	39	39	39	41	42	42	42	42	42	42
Basketball courts	35	35	36	36	36	36	36	36	36	35
Boat ramps	3	3	3	3	3	3	3	3	3	3
Coliseum	1	1	1	1	1	1	1	1	1	1
Community centers	5	5	6	6	7	7	7	7	7	7
Convention center	1	1	1	1	1	1	1	1	1	1
Fitness trails	12	12	12	12	12	12	13	13	14	13
Football fields	21	21	21	21	21	21	21	21	21	21
Football stadium	1	1	1	1	1	1	1	1	1	1
Golf courses	2	2	2	2	2	2	2	2	2	2
Indoor swimming pools	2	2	3	3	3	3	2	2	2	2
Municipal beaches	3	3	3	3	3	3	3	3	3	3
Municipal parks	11	11	11	11	11	11	11	11	11	11
Museums	2	2	2	2	2	2	2	2	2	2
Outreach centers	4	4	4	4	4	4	4	4	4	4
Picnic shelters	26	26	26	26	27	27	28	28	29	29
Playgrounds	46	46	46	46	46	46	43	43	44	81
Senior citizens center	1	1	1	1	1	1	1	1	3	1
Soccer fields	33	33	33	33	33	33	33	33	33	33
Softball fields	17	17	17	17	17	17	17	17	17	17
Tennis courts	66	66	67	67	67	67	67	67	67	67
Theatres	1	1	1	1	1	1	1	1	1	1
Fort Wool	1	1	1	1	1	1	1	1	1	1
Fishing Pier			1	2	2	2	2	2	2	2
Education										
High schools	4	4	4	4	4	4	4	4	4	4
Middle schools	5	8	8	7	5	5	6	6	6	6
Elementary schools	20	20	20	20	24	19	19	19	19	19
Combined schools	-	-	2	2	2	2	2	2	2	2
Wastewater										
Sanitary sewer lines (miles)	469	426	426	426	490	497	572	572	605	605
Sewer Pumping stations	108	108	108	108	109	109	108	105	106	103

Notes:

(1) Park land currently developed.

(2) Beginning FY2017, lane miles are reported to remain consistent with annual report to VDOT.

N/A-Not available

Source: Various city departments.

N/A - Not available

Report of Independent Auditor on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance

To the 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, 2019. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the City of Hampton, Virginia, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as Item 2019-001. Our opinion on each major federal program is not modified with respect to this matter.

The City's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of 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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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 have not been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be a significant deficiency.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control over compliance that we consider to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2019-001 to be a significant deficiency.

The City's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Cherry Bekant LLP

Virginia Beach, Virginia
November 29, 2019

**Report of Independent Auditor on Internal Control over Financial Reporting
And on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the *Specifications for Audits of Counties, Cities and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Hampton, Virginia (the "City"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 29, 2019. Our report includes a reference to other auditors who audited the financial statements of the Downtown Hampton Development Partnership, Inc. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported separately by those auditors. The financial statements of the Downtown Hampton Development Partnership, Inc. were not audited in accordance with *Government Auditing Standards*.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters


As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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 is described in the accompanying schedule of findings and questioned costs as item 2019-002 and 2019-003.

City of Hampton, Virginia's Responses to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Cheryl Bekant LLP".

Virginia Beach, Virginia
November 29, 2019

City of Hampton, Virginia
Schedule of Findings and Questioned Costs

Year Ended June 30, 2019

A. Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued on the financial statements:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified:	No
Significant deficiency(ies) identified:	None reported
Noncompliance material to the financial statements noted?	No

Federal Awards:

Type of auditor's report issued on compliance for major programs:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified:	No
Significant deficiency(ies) identified:	Yes, Finding 2019-001
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	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
U.S Department of Agriculture SNAP Cluster	10.561
U.S. Department of Education Special Education Cluster (IDEA)	84.027, 84.173
National Aeronautics and Space Administration NASA Steam Sales	43.UNK
Department of Health and Human Services Social Services Block Grant	93.667

Dollar threshold to distinguish between Types A and B Programs:	\$1,403,282
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The City of Hampton was qualified as a low risk auditee?	No
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B. Findings Relating to Financial Statements Reported in Accordance with *Government Auditing Standards*

None noted.

C. Findings and Questioned Costs Related to Federal Awards

2019-001

Program Name: Child Nutrition Cluster (10.553, 10.555, 10.559)

Federal Awarding Agency: Department of Education

State Awarding Agency: Virginia Department of Education

Department: Hampton City Schools (the "Schools")

Compliance Requirement: Special Tests and Provisions – Verification Reporting

Type of Finding: Significant Deficiency; Non-material noncompliance

Criteria:

In accordance with 7 CFR Section 245.6a for the Child Nutrition federal grant, by November 15th of each school year, the local education agency must verify the current free and reduced price eligibility of households selected from a sample of applications that it has approved for free and reduced price meals.

Condition:

For a sample of thirty-eight (38) verifications tested by the Schools during its annual verification process, we noted there was one (1) student whose status was not properly changed as a result of the verification procedures.

Cause:

Due to employee oversight, the student's status was not changed.

Effect:

The Schools was not in compliance with the verification requirements.

Questioned Costs:

Unknown

Recommendation:

We recommend that the Schools ensure all changes are made to the verified students' accounts once the verification process is completed.

Views of Responsible Officials:

- **Contact Person:** Edwina Forrest, Director of Food & Nutrition Services
- **Corrective Action and Anticipated Completion Date:** Going forward, after the verification process is completed, we will print the application history report and make sure the benefit changed is noted on this report.

D. Findings and Questioned Costs Relating to Compliance with Commonwealth of Virginia Laws, Regulations, Contracts, and Grants

2019-002

Department: Department of Social Services (Local Department)

Compliance Requirement: Information Technology Controls

Type of Finding: Non-material noncompliance

Criteria:

In accordance with Section 3-15 of the *Specifications for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia (the "Specifications"), each Local Department is required to appoint and train two Local Security Officers ("LSO") to act as the single focal point for access control. These LSOs require a working knowledge of the Local Security Manual and the Security Access Management System (SAMS).

Condition:

There was no individual identified to serve as the alternate to the LSO.

Cause:

Due to employee oversight, there was no alternate LSO.

Effect:

Hampton City Social Services Department was not in compliance with the Specifications.

Recommendation:

We recommend that the Hampton City Social Services Department identify an individual as the alternate to the LSO and ensure there is a program in place to train both the primary and alternate LSOs in their security officer functions.

Views of Responsible Officials:

- **Contact Person:** Felicia DeBrew, Financial and Operations Administrator
- **Corrective Action and Anticipated Completion Date:** The Local Department has identified an individual to immediately serve as the alternate to the LSO. The Local Department will ensure there is a program in place to train both the primary and alternate LSOs in their security officer functions.

2019-003

Department: Department of Social Services (Local Department)

Compliance Requirement: Information Technology Controls

Type of Finding: Non-material noncompliance

Criteria:

In accordance with Section 3-15 of the *Specifications for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, each LSO should annually review all employees' access to each application with the employee's supervisor to ensure that the access is properly aligned with job responsibilities.

Condition:

For a sample of twenty (20) employees tested, we noted one (1) systems user whose system access had not been reviewed in the last year.

Cause:

The "Information Technology Annual User Privileges Form" was unable to be located for one user with system access.

Effect:

The Local Department was not in compliance with the Specifications.

Recommendation:

We recommend that the Local Department retain documentation of Information Technology Annual User Privileges review to ensure the system access review is being performed timely.

Views of Responsible Officials:

- **Contact Person:** Felecia DeBrew, Financial and Operations Administrator
- **Corrective Action and Anticipated Completion Date:** The Local Department acknowledges that the documentation of the employee's system access review could not be located. This finding leads to a review of our current practices and procedures to include periodic reviews ensuring that the Information Technology Annual User Privileges Form is completed and on file for each individual.

E. Resolution of Prior Year Finding

2018-001: Status: Corrected and not repeated

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